

# **A NEW AUSTRALIAN MODEL OF SOCIAL INCLUSION AND EMPLOYMENT SERVICES**

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## **Introduction**

For some time now the Brotherhood has been aggressively making the case for ‘social inclusion’.

This is the powerful idea that the best way to help the disadvantaged is not to just provide them with a monetary safety net, but to build their capacities to participate in the mainstream economic and social life of the nation.

The era of setting social justice against the market is now gone.

Our advocacy of social inclusion is now paying off. The leading politicians have got the message.

- Treasurer Peter Costello recently stated that bringing the excluded back into the mainstream will be one of his major goals, should he become prime minister.
- Kevin Rudd, Julia Gillard and Wayne Swan have committed in a series of speeches to a comprehensive social inclusion agenda for government.

So regardless of who wins the next election, Australia will have a government with an interest in social inclusion policies – something unthinkable just a few short years ago.

It’s time therefore to think through what such an approach could mean and what relevance it has to the pressing economic and social issues facing our nation over the coming decade.

My argument is that the Commonwealth Government’s slowness to date in adopting social inclusion policies can potentially work in our favour – because it enables us to create national policies based on key lessons from the mature social inclusion programs in place overseas and in the Australian states.

In particular, I want to argue two things:

- (1) that the best outcome will be obtained when social inclusion policies are fully integrated with national economic policy; and
- (2) that a key way to do this is through workforce policies that take a Human Capital Development approach.

### **Lessons from overseas**

The starting point for our analysis of social inclusion policies is Britain under Prime Minister Tony Blair.

While social inclusion is a mainstream policy direction in the UK today, our starting points are similar.

Blair recognised that the old welfare state approach of creating a social safety net was out of date.

He realised that just giving people more money wasn't enough. The idea was to build people's capacities so they could participate meaningfully in the mainstream economy, and to bring excluded communities back into the life of the nation.

The New Labour response was to look at the totality of causes of poverty – including unemployment, lack of skills, low incomes, poor health, family breakdown, crime and inadequate housing – and tailor a joined-up solution, bringing the entire resources of multiple government departments to bear.

The resulting programs focused not only on learning and skills acquisition, but also on the building of trust, social capital, neighbourhood strengthening and the pursuit of the active society. To welfare rights was added the right to meaningful participation.

They created new forms of decentralised community engagement to create a more people-centred, personalised and participatory opportunity-creating state.

And to coordinate this, the UK established the Social Exclusion Unit, reporting directly to the PM's office – recognising that in the modern world poverty is a multi-dimensional 'joined up problem' requiring a joined up solution'

In 1999 the European Union introduced similar integrated social and economic reporting goals for member states – putting social inclusion at the forefront of European economic policy.

After a decade of active social inclusion programs, it is now possible to draw some conclusions about what works and what doesn't.

Overall, the conclusions are favourable.

Because the rising tide of economic growth has not lifted all boats, social inclusion projects have helped communities left behind.

But findings have also shown that in particularly disadvantaged communities social inclusion initiatives won't produce long-term benefits unless they are bolted on to the real economy.

So to work best, micro-level social inclusion interventions need to be complemented by the right macroeconomic policies.

### **Lessons from Australia**

Here in Australia the situation has been more complex, caused by the differing approaches and responsibilities of the Commonwealth and the states.

Until now, the Commonwealth has largely followed the example of the United States, where the emphasis has been on getting the unemployed into paid work by restricting welfare and concentrating employment programs on matching people to vacancies – what's known as a 'Work First' approach.

The states, by contrast, have adopted a social inclusion approach, but one necessarily limited to their areas of constitutional responsibility: improving universal services in health and education, creating early learning programs and undertaking very localised community renewal strategies.

So, for instance:

- in Victoria, we have the *A Fairer Victoria* package;
- in South Australia, the *Social Inclusion Initiative*;
- in Queensland, the *Charter of Social Responsibility*;
- and in Cape York, Noel Pearson's extensive capacity building programs.

But while these social inclusion projects have had notable successes, they have suffered from lack of integration into national economic policy, employment assistance and welfare reform. Instead of being part of the solution to Australia's economic weaknesses – by addressing the nation's human capital needs – social inclusion measures have been given the secondary role of ameliorating the detrimental impact of change in certain sectors of the economy.

In the Brotherhood's view, unless we tackle the root economic causes of social exclusion in disadvantaged communities, any gains made by social inclusion policies will dissipate rapidly.

In other words, social inclusion must be seen as much an economic policy as a welfare policy – to help the market create even more wealth for all, not simply a welfare policy to disperse its surplus among the economy's losers.

It's time for Australia to stop running social policy *against* the market – and start working social policy *with* the market, in a potentially win-win scenario.

## **Social inclusion – a policy for the times**

Australia is ripe for taking the social inclusion approach to a new level. If we just play catch up with the Europeans, we will have failed. The current period of unmatched prosperity gives us both the motivation and the means to make it work.

In short, this is because social inclusion is perfectly suited to tackling the problems caused by economic success.

After more than a decade and half of economic growth, Australia still has:

- entire suburbs in which too few children are completing 12 years of schooling and going on to further study or training;
- whole neighbourhoods and remote communities excluded from the economic participation;
- and 11 per cent of our potential workforce either unemployed or underemployed (what the economists call ‘the workforce underutilisation rate’).

All this at a time when as the population ages we will have fewer people of workforce age to sustain the prosperity of the past 15 years.

The absurdity of this situation has been recognised across the Australian community – from employer groups such as the Business Council of Australia and VECCI to academics and welfare advocates.

It’s true that there are many policy levers available to government, including skilled migration, which has been rising steadily in recent years.

But the greatest untapped resource at our disposal lies in the disadvantaged Australians living in our most excluded communities.

Smart investment to bring these people into the mainstream economy and develop the full potential of their human capital has to be part of the answer to Australia’s needs over the next two decades. And I detect that there is a consensus beginning to emerge from across those sectors that says that current strategies for increasing the workforce participation of the disadvantaged will need to change.

## **A new Australian framework for social inclusion**

At the Brotherhood we have not only been engaging in high-level advocacy of social inclusion, we’ve also been leading the way by pioneering a whole range of social inclusion programs that have been piloted and found to work. Programs like:

- employment and community building activities in the Victorian Government’s Neighbourhood Renewal sites;
- early learning initiatives like our HIPPIY parental skills program;
- award winning microfinance projects;
- the creation of new enterprises that marry commercial, social and environmental goals to give people sustainable jobs.

We want to see the Commonwealth follow up these efforts and those of the states with a national framework that enables social inclusion programs to reach more people as a central part of national economic policy.

In our view, such a framework should emphasise the importance of **human capital development** – by giving people the capacities they need to gain control of their own destinies over the long term.

It should recognise the importance of **place** – by prioritising resources to the most disadvantaged communities.

It should **devolve service delivery** – with central agencies for resourcing and accountability complemented by local agenda setting. All programs should have a top-down commitment to investment combined with a bottom-up commitment to engagement and participation.

Instead of just engaging with people when they become unemployed, social inclusion policies should also engage with people at the **critical transition points in their lives**: the early years, school-to-work, in-and-out-of-work as adults, and retirement-to-ageing.

**The roles of the Commonwealth and the States will need to be clearly defined** to avoid both buck passing and endless disputation.

And last, social inclusion policies will need to receive **strong national direction and across-government integration** through a Social Inclusion Unit at the heart of government, advised by a Social Inclusion Council made up not just – or even predominantly – of representatives from the welfare sector.

Because we want social inclusion to be as much an economic policy, as a welfare policy, we believe the Social Inclusion Council should include high-level economists and business people along with welfare and health experts. It must not be seen as a welfare committee. We have to engage business as critical partners in the task of building the capacities of the nation's workforce – rather than keeping them simply as end customers.

### **New social inclusion-based employment services**

Because unemployment lies at the heart of social exclusion, the way to turbo-charge social inclusion is to get government-funded employment assistance working in a way that reflects the reality of the profile of the unemployed over the next decade.

The strength of the economy, with the assistance of the Job Network, has already absorbed the unemployed with prior work experience and competitive skills, who required only minimal help to become 'work ready'.

But we are left with around one million Australians who are either long-term unemployed, unemployed or under-employed with little work experience or vocational skills – the people who need more intensive assistance to get a job. There

are also a further 200,000 invalid pensioners who could, with a little assistance and more flexible work practices, be productive members of the workforce.

So those who still haven't been able to get a solid foothold in the world of work have significant barriers to overcome before they are work ready.

And yet today Australia spends just 0.04 per cent of its GDP on training unemployed workers – the third lowest among wealthy OECD countries. This represents:

- just a quarter of what New Zealand and Ireland spend;
- one-tenth of what Finland spends;
- and one-thirteenth of Denmark's effort.

Yet our major employment program – the Job Network – is still based on a 'work first' model that was designed for the labour market of a decade ago – one characterised by job shortages and much higher rates of short-term unemployment.

It is beginning to flounder. With its emphasis on 'job matching', it isn't suited to the task of developing the 'work readiness' of the 1 million-plus Australians I have spoken about.

The Job Network's means are steadily becoming irrelevant to its ends:

- its providers have become burdened with ever higher regulatory and contractual obligations;
- its programs have become increasingly fragmented and complex;
- its most disadvantaged clients have become overwhelmed with compliance obligations and penalties; and
- its clients with the greatest need are getting a falling proportion of the Network's resources.

According to the National Employment Services Association, in 1998 33 per cent of job seekers were classified as eligible to receive higher level employment services. Today only 13 per cent of clients are eligible for the highest level of assistance. This is despite the fact that Job Network providers report that the level of disadvantage of job seekers is increasing as the official rate of unemployment rate falls.

Its time to begin planning its replacement with a new system that meets the needs of the future, guided by an Australian version of social inclusion

### **New employment services based on Social Inclusion and Human Capital Development**

So if the old employment services model is redundant, what should the new one, guided by an Australian version of social inclusion, look like?

First, in line with all our social inclusion programs, **it should adopt a Human Capital Development approach** to employability rather than the outdated 'Work First' approach of the current Job Network.

This means that instead of concentrating on getting people into existing vacancies (no matter how unsatisfactory and short-term the work may be) through job search programs backed up by quick-fix incentives and sanctions – it should aim to improve people’s long-term employability through improved education, skills, health and personal development.

Second, it should do away with the complexity of the current arrangements by creating **just two assistance streams**: one for those who are job ready and one for those who need additional education, training and help – to recognise the extra need of the latter group.

Third, recognising the unevenness of economic growth and the different skill needs of every region, **Regional Employment Boards** made up of government, employer and community members should be responsible for matching programs to local need and regional economic strategies.

Fourth, in each region projects will be established with government, business and community organisations collaborating to provide to disadvantaged job seekers a package of up to twelve months of paid work experience and vocational and personal development training, based on the Intermediate Labour Market model that the Brotherhood uses in its innovative community enterprises.

Similarly, **Employability Partnerships** should be established within neighbourhoods with high levels of worklessness and poor school-completion rates as part of community and urban infrastructure renewal programs led by the state or territory.

And lastly, every effort should be made to **engage business** in building the capacities of the disadvantaged – making them partners in employment services, not just end users.

These six modern employment services characteristics are needed now to help the disadvantaged take advantage of the opportunities our new economy offers.

## **Conclusion**

A national framework for social inclusion, integrated with national economic policies and informed by the key lessons from here and overseas, points the way to expressing our national value of a fair go in the modern age.