

“The social inclusion agenda is critical for the future direction of Australia. Bringing the social back in and giving all citizens a stake is what an inclusive society is ultimately all about.”

In *In or Out: Building an Inclusive Nation?* Paul Smyth argues that it is high time that we embarked on a period of nation building the ‘Australian way’. Our welfare system, he says, is out of date and we sorely need a new social policy architecture to shape the nation.

Two key themes provide the bases of a radical policy renewal: the social inclusion agenda and the social investment state. The central challenge is to take social inclusion from being a tag attached to an ad hoc assortment of policies and programs directed at a few population groups and places unfortunate enough to be labeled ‘socially excluded’ to becoming the basis of a new Compact for a Fair Go.

Smyth locates this Compact in the context of the Federation Settlement. Then the Fair Go was seen to depend on a competitive, high wage economy. Today the idea of a social investment state shows how we can refurbish the economic role of government in the areas of infrastructure, human capital and industry policy in order to provide the economic basis for an inclusive society.

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In or Out?

Building an Inclusive Nation

Paul Smyth

THE AUSTRALIAN COLLABORATION

A Consortium of National Community Organisations



Brotherhood of St Laurence
Working for an Australia free of poverty

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Preface

In or out? Building an Inclusive Nation forms part of a series of essays published by the Australian Collaboration. The essays are devoted to political, societal and environmental issues facing Australia. *In or out?* is jointly published with the Brotherhood of St Laurence.

The Australian Collaboration is an association of seven leading national community organizations:

Australian Council of Social Service;
 Australian Conservation Foundation;
 Australian Council for International Development;
 Choice (Australian Consumers' Association);
 Federation of Ethnic Communities' Councils of Australia;
 National Council of Churches in Australia; and
 Trust for Young Australians.

The aim of the Australian Collaboration is to help to achieve an integrated and sustainable ecological, social, cultural and economic environment within and outside Australia. The Collaboration carries out research and publishes books, essays and reports. A range of free educational and information resources can also be found on its web site including *Fact and Issue Sheets* on societal and environmental issues, *Democracy in Australia*, devoted to the enhancement of public accountability, transparency and democratic practice; and *Reference Sources*, a listing of key national and international web sources of statistical and other information.

The Brotherhood's vision is of an Australia free of poverty. It works with others to create:

- an inclusive society in which everyone is treated with dignity and respect;
- a compassionate and just society which challenges inequity;
- a society in which all create and share prosperity and share responsibility for each other; and
- a sustainable society for our generation and future generations.

The views expressed in this essay are those of the author and do not necessarily reflect the views of the Australian Collaboration, its member organizations or the Brotherhood of St Laurence.

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IN OR OUT? BUILDING AN INCLUSIVE NATION

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I began teaching and writing about social inclusion and social policy over a decade ago. This was at the University of Queensland and was prompted by an observation of a colleague who had just returned from study leave in the United Kingdom where “New Labour’ had assumed power. My friend announced that he had seen the social policy future and it was called ‘social inclusion’. For several reasons - as we shall discuss below - that future has been a long time coming in Australia. In the meantime I have observed students taking to the concept with critical enthusiasm, politicians slowly cottoning on to its vote catching potential, and many a bureaucrat wishing it would go away and the world of social policy could remain just the way it is. Today, after two years of an Australian Labor Party federal government developing its social agenda under the banner of social inclusion, we remain very much at the beginning stages of a new social reform policy cycle. This essay urges readers to realize and seize the reform opportunities which this adoption of social inclusion presents for Australia.

People can be easily put off by the novelty of the term. Why can’t we just talk about a ‘Fair Go’ like they did a hundred years ago? The reality is that for popular politics, phrases like a ‘Fair Go’ will be the ones that work. However, to have any policy substance they have to be informed by current theory, evidence and policies attuned to today’s context. It is in this respect that social inclusion has become the lingua franca of contemporary social policy research and development. To get over the novelty factor, it can be useful from the outset to recognize two different ways in which the term social inclusion operates. In the first, it refers to a new way of defining and measuring poverty and disadvantage; while, in the second, it is more a way of badging a new social policy paradigm.

As the latest chapter in the long history of the science of poverty definition and measurement, the literature on social exclusion inevitably involves some quite complex and sophisticated debates about technical aspects which can be daunting. It is important not to become bogged down in these more esoteric

aspects but rather to recognize the key departure which the new approach represents; namely an emphasis on the multidimensional nature of social exclusion. This emphasis on the different dimensions of exclusion actually leads us into the broader policy significance of the term. It means that people have stopped thinking about poverty primarily in terms of the single dimension of money but are rather engaged in a wholesale reconsideration of the ways in which our labour market and social services either enhance or constrain the life chances of Australians. We are now more aware than ever that while income support is an important buffer against poverty it cannot provide the passport back into the mainstream. Here the wider society has to ensure that disadvantaged members have access to high quality education, housing, health, employment and other services. In short this puts up for political grabs the prospect of a new way of doing both social and economic policy which could effect a truly inclusive Australian society. It is this second, broader usage of the term which is the prime concern of this paper.

Social inclusion then needs to be thought of as a name or banner heading for a new social policy paradigm. It can be useful to recall some previous phrases which have performed this role. After the Great Depression and Second World War, for example, the term ‘social security’ captured the aspirations of the postwar generation. In policy terms it heralded the adoption of full employment with a safety net to guarantee minimum social standards for all. Again in the 1960s and 70s, for a new generation, social policy was reshaped around the concept of ‘social justice’ as a response to the social challenge of what to do with the proceeds of the postwar economic boom. It is hard to think of a comparable term for the social policy aspirations of the subsequent years. This is no doubt understandable in terms of an economically rational, hyper individualist (neoliberal) policy world in which there was meant to be ‘no such thing as society’. The policy effort was typically (for a time) about ‘ending welfare as we know it’.

‘Social inclusion’ then is best seen as expressing a new policy phase aimed at rebalancing economic and social policy after the excessive individualism of this neoliberal period. It had predecessors. Pauline Hanson’s ‘one nation’ campaign - while largely a negative protest against globalizing the economy - triggered government actions to reengage with communities, especially

rural communities. Robert Putnam's work on the supposed loss of 'social capital' excited a widespread nostalgia for lost community - but proved light on policy substance. The social inclusion approach tapped into these kinds of popular sentiments but offered a more robust policy framework. Moreover it had already been road tested across the European Union and given a dazzling - if controversial - show case by Tony Blair in the United Kingdom. This paper takes stock of where we are at in Australia in relation to the social inclusion agenda and proposes the next steps which need to be taken if the new paradigm is to realize its promise down under.

Social inclusion in Australia: the challenge today

How will the social inclusion agenda unfold in Australia? We will examine below the short history of social inclusion in Australia to date. At this point I would like to introduce two current landmark policy issues which will be pivotal for the future of social inclusion policy. The first concerns the variety of approaches to social inclusion likely to be adopted by the Government and, the second, the impact of the global financial crisis on the social investment agenda in economic policy.

As we shall see below, there is a variety of approaches to social inclusion policy which can be suited to every political persuasion. We are all social inclusionists now: from neoliberals to social democrats. The Rudd Government, of course, has inherited an approach to social policy deeply influenced by neoliberalism and it would be quite possible for its reforms to remain no more than an incremental adjustment to what we now have in place. In this scenario, social inclusion would remain a tag attached to an ad hoc assortment of residual policies and programs directed at a few population groups and places unfortunate enough to be labeled 'socially excluded', or, 'the underclass'. The alternative would be a sorely needed and systematic renewal of the whole of social and economic policy with a view to creating an Inclusive Society for all Australians.

The second issue relates to the course of economic policy after the global financial crisis. Social policy and economic policy are absolutely interrelated as the slightest reflection on the impact on welfare of Keynesianism and then

economic neoliberalism reveals. Here we consider it highly unlikely that the end of the financial crisis will see a return to 'business as usual' neoliberalism. Indeed, from a social policy perspective it has appeared that that option had disappeared some years ago. For example, the economic case for government to invest in human capital has been well and truly won. Arguably, the neoliberal night watchman state has already given way to the 'social investment state'. What the crisis invites us to consider are other potential areas of economic policy where investment and regulation may be needed to ensure an economy which is both internationally competitive and a basis for an inclusive society. The future will surely see a continuation of a much more integrated approach to economic and social policy in which both are understood as two essential sides of any nation building strategy.

That social inclusion could play this role in our social policy development has not been lost on our politicians. Speaking on the topic of social inclusion in the election year, Julia Gillard observed how a public preoccupation with the 'extent of prosperity' had led to the long neglect of public discussion of 'how our prosperity is generated and managed'. 'We've stopped asking the age old question: cui bono? Who benefits? But, she rightly insisted, a system of government cannot long sustain legitimacy 'unless people believe that our economy is working for all of us.' For this reason, the outcome of the social inclusion agenda will be critical for the future direction of Australian society. Bringing the social back in and giving all citizens a stake in their society is what the inclusive society agenda is ultimately all about. Our challenge is to articulate a new national statement or Social Contract regarding those things we consider best done collectively and those things which are indeed best left to the individual.

Defining and measuring social inclusion

Being an international social inclusion laggard can have its advantages. We can pick up on over a decade's experience with the approach overseas and already a number of excellent Australian studies show that there is a well established approach to defining and measuring social exclusion which can be easily and uncontroversially added to the Australian social policy tool kit.

The origins of the term are traced back to France in the 1970s and it remained very much a continental European term until well into the 1990s when it was taken up in the United Kingdom. This origin can be seen to reflect the more collectivist political cultures on that continent where poverty and inequality are more readily identified as problems with failures of social solidarity, rather than with the individual as is the case in the United Kingdom. It is also notable that in the 1980s and 90s as the European Union encouraged members to sign up to a variety of agreements to tackle poverty, the British Governments refused to sign on the pretext that poverty no longer existed in their country. For the Blair Government, the new concept of social exclusion acted as a circuit breaker in allowing the United Kingdom to sign up European Union social inclusion strategies. A critical development was the acceptance across the European Union of the 'Lisbon Agenda' in 2000 which committed member governments to developing national social inclusion strategies, with progress reporting back to the EU through what is known as a system of Open Coordination. The agreed set of measures were known as the 'Laaken indicators'.

There is of course a long tradition of poverty research going back to Booth and Rowntree in nineteenth century Britain through to major twentieth century figures such as Peter Townsend best known for his work on the concept of relative poverty. This literature has naturally generated a variety of approaches and we could explore important differences as between, for example, the 'poverty' and the 'deprivation' schools of thought. It is not my intention to canvass these differences here, important as they are for those in the business of keeping the statistics of disadvantage. Suffice to say that what distinguishes social exclusion from the immediately preceding policy orthodoxy is that it looks beyond the primarily income based measures registered in the 'poverty lines' to a wider sweep of indicators.

Recent work by researchers at the Brotherhood of St Laurence and the Melbourne Institute of Applied Economic and Social Research illustrates the essential features of the new approach. They suggest that the key elements of social exclusion are that it is 'multidimensional, dynamic, relative, recognizes agency and is relational'. These technical terms highlight the fact that there are different types and levels of exclusion; that people move in and out;

and that one can track the kinds of factors which shape the different dynamics affecting different groups. The domains or dimensions of social exclusion are taken to be: material resources; employment; education and skills; health and disability; social; community; and personal safety. For purposes of measurement, a variety of indicators is established for each domain. Not wanting to end up with endless catalogues of data for each dimension the researchers then seek to find a single overall measure of the level of social exclusion experienced by the individual. Many will experience one dimension ('shallow exclusion') only, some will experience a number and some among these will be more significant than others. In this approach the level of exclusion is calculated by the number of domains of exclusion, the number of indicators present and the length they are present for each individual. Pilot research has found that twenty to thirty per cent of Australians aged 15 years and over experienced 'marginal exclusion'; 4 to 6 per cent were 'deeply excluded', and less than 1 per cent were 'very deeply excluded'.

The importance of this work on social exclusion measurement should not be underestimated. From the late 1970s 'poverty lines' – estimates of the income needed to achieve a minimum accepted standard of living – were used to provide society with an indication of the adequacy of its social policy arrangements. At the turn of the century it soon became apparent that this approach could no longer generate a consensus around what is and what is not an unacceptable level of inequality. With that, our society really lost a key moral score card. What these new measures of social exclusion provide is a far more transparent account of how Australians are travelling in the key domains across their life course; as well as a much finer grained guide to policy makers as to where the policy action is most needed.

But, of course, not everyone will agree as to what constitutes unacceptable levels of social exclusion or as to what is the appropriate policy response. It is when we move on from issues of definition and measurement to explanation and policy response that controversy arises in relation to any inclusive society project. But this should not disconcert. Explanations of poverty are as diverse as the political spectrum and so it is with social exclusion. In this respect what we need in Australia is a much stronger and clearer indication of what Australians want social inclusion down under to look like. Importantly the overseas

experience highlights the way understandings of poverty and social exclusion are deeply coloured by national context and that, if policies are going to work, they have to go with the already existing national policy grain. On this account, our analysis of social inclusion in Australia can usefully begin with an account of its initial lukewarm reception.

Why the initial lukewarm reception in Australia?

An important fact about the social inclusion framework has been its uneven international take up. Thus we can observe its predominantly European impact; its lack of traction in the United States; and the relative lack of take up by international agencies concerned with poverty in developing countries. How the concept is taken up reflects differing national perceptions of poverty and social exclusion. This makes our own Australian experience of slow adoption of the agenda a matter of considerable interest. Is there something about it which makes it unsuitable? Here we look at the two key initial barriers to take up: the neoliberal approach to welfare of the Howard government and the attachment to earlier money based poverty line measures within the academic research community.

Australia's tardy engagement with social inclusion was observed in 2003, by the British scholar, Jonathan Bradshaw. Noting that in the case of the United States, the lack of take up could be explained by that country's individualistic political culture, he wondered whether this might also account for the Australian case. On balance, he thought not. Though 'self-reliance' was also a 'traditional virtue' in Australia, he thought that 'values of social solidarity are more firmly embedded in this country through the notion of "fair dos" (sic) and your wage arbitration system'. Australian social policy has, of course, always been something of a hybrid of US and European social policy. And under the Howard government, the US was in fact a more serious influence on Australia than Bradshaw may have perceived.

Thus in the conclusion to essays examining the 'prospects for social inclusion' in Commonwealth countries Jones Finer and Smyth observed the global impact of a US led neoliberal policy model: 'with globalization and the decline of communism, the world is ... said to be facing a stark choice between

American and mainstream European notions of the good society'. This US influence in Australia was evident in the preference of the Howard Government for policies framed in terms of 'ending welfare dependency'. The intellectual sources of this were distinctively American: Charles Murray, Lawrence Mead, Putnam and Etzioni; with the emphases on social cohesion and order at the expense of equality and social justice. In this development, citizenship was replaced by supervision as the guiding social policy principle. While, as we have noted above, the Howard Government's policy practice did not match its neoliberal rhetoric the alternative discourse of inclusion was not taken up.

Nevertheless, Australia's tardy take up was not simply the result of this gravitation into a US policy orbit. In an early response to the social exclusion trend overseas, leading Australian poverty scholar Peter Whiteford wrote of 'the standard approach to poverty research used in Australia'. It reflected, he said, an 'essentially economic perspective': a focus on the distribution of resources (measured primarily in terms of money). With that came also what he called a 'classic liberal' ideological concern 'that individuals should be able to compete effectively in the market place'. The social exclusion approach on the other hand, according to Whiteford, was more European and concerned with social relations and 'ruptures in the social contract meant to bind society together'. Distinguished by a focus on people separated from the mainstream by 'location, attitudes and behaviour', Whiteford thought the social exclusion approach – not unlike like the United States influence on the Howard government - led to an emphasis on the behaviour of the excluded as the problem. By contrast, according to Whiteford, the poverty line analysis in the Australian tradition brought with it a relatively non-judgmental evaluation of the poor. Whiteford was sympathetic to this latter tradition believing that poor people are not behaviorally different from you and me but simply have less money.

Whiteford's linking of the Australian approach to the 'classic liberal' values is instructive. At that time it was still possible to think of a distinctive Australian approach to poverty and social policy as in part 'liberal' but in a way modified by Australia's social policy tradition wherein full employment and wage regulation had substituted for a welfare state. Hence the standard

approach to poverty measurement focused on adequacy of wage and welfare incomes and resisted approaches which focused on the behaviour of the poor. It was this standard approach to poverty measurement in the research community as much as the US ideological influence on the Howard government which impeded the take up of social inclusion in Australia.

A new welfare agenda emerges

Neither of these impediments stood the test of time. There were three main policy developments which allowed social inclusion to catch on in Australia. The first was the growth of mainly State based social policy responses to the negative impacts of neoliberal economic policy on neighbourhoods and regions. The second was the outcome of the so called 'poverty war' which hastened the switch from the 'standard' income based poverty line to more multi-dimensional measures. The third was the concept of the social investment state which offered a positive rationale for welfare as an investment rather than as that public waste and source of dependency which had been promoted under neoliberalism. While not always expressed in social inclusion terminology, these three developments had already inserted into Australian policy thinking most of the key elements making up the social inclusion approach overseas before the Labor Party began to use that term as the motto for its aspirations in welfare reform.

Most of the early policy action around social exclusion in Australia was actually at the State Government level and was concerned with responses to place based disadvantage. Fired by evident voter anger at a market driven neglect of social and environmental goals, the incoming Beattie (Queensland, 1997) and Bracks (Victoria, 1998) governments made community strengthening a key policy goal. Contemporaneous with New Labour in Britain these governments relayed the social inclusion policies of 'community strengthening', 'neighborhood renewal', 'joined up problems' and 'joined up solutions' into the Australian scene. Various states soon had government departments with 'community' in their title while in 2002 the South Australian Government was the first to establish a unit with the name 'Social Inclusion'. A legacy of this beginning has been a persistent tendency to equate social inclusion

with localized community development type activities: of value certainly, but marginal to core economic and social policies.

The more serious action related to our national understandings of poverty itself. The 'poverty war' has been exhaustively written up in the book of that name by Saunders. The spark to ignite that conflict was a 2004 Senate Inquiry into poverty. Its Report provoked an open debate about the ongoing utility of the income based poverty line as a useful guide to understanding disadvantage in Australia. In the result, poverty was successfully removed from the policy agenda. Significantly, welfare politics had followed a similar pattern in Thatcher's Britain. There, Conservative governments had insisted that real poverty no longer existed in that country. In that context, the adoption of the more nebulous term social exclusion by New Labour helped ease the way for government to sign up to the European social inclusion strategy. A similar need for 'new concepts (and) new evidence' if Australians concerned about disadvantage were to regain the policy initiative was observed by Saunders, who outlined three alternative paradigms: deprivation, capabilities and social exclusion. Here was clear evidence that the earlier reservations of Australian poverty researchers as expressed by Whiteford had been overcome.

Away from the poverty wars, a number of researchers had discovered the value of the capability paradigm developed by Nobel Laureate Amartya Sen. Coming out of a development economics rather than welfare perspective this approach also critiqued simple money based measures of poverty and focused rather on the resources people need to realize their capabilities. In an analysis influential on both the United Nations and the World Bank, Sen argued that poverty had less to do with the absence of income than with people's lack of resources to be able to choose the life they valued. This more active understanding of the role of social policy held strong appeal for those working at the Cape York Institute which, under the leadership of Noel Pearson, sought to operationalise Sen's famously abstract schema of capability. Simultaneously, the Brotherhood of St Laurence launched its Social Barometer series which sought to identify the basic capability domains relevant to people at the four key stages of the life course: early years, school to work, the working years, and retirement and ageing. According to the Brotherhood, the role of welfare

had to be seen less in terms of a basic subsistence income and more and more in terms of investing in people's capacity to negotiate the varied challenges of the typical life course. From a more academic perspective, researchers at the Melbourne Institute of Applied Economic and Social Research also proposed a preliminary framework for applying Sen's schema to the analysis of poverty in Australia. At this point it was notable that, whether one chose to reconceptualise disadvantage either in terms of capabilities or exclusion, the actual indicators were very similar; Sen himself observed the essential compatibility of the two approaches.

By this point it is clear that Australian social policy research had begun to acquire the key features of the social inclusion approach. The limitations of the poverty line had been recognized and the quest for a multidimensional framework for measuring disadvantage had begun. Also evident was a recognition of the possibilities for policy makers of a framework which could capture the dynamics of inclusion specific to people at particular key stages of the life cycle as well as to place and neighborhood. While these features were familiar in the international literature at that time, more unusual was the early emphasis given to Sen's capabilities framework.

While this was very much an outcome of the welfare sector seeking a more positive and active role for social policy in response to concerns with welfare dependency its impact became far greater because of its parallel emergence in economic policy. Treasury Head Ken Henry was well known for his promotion of the capabilities framework, an approach that took a new and important turn with the policy responses to emerging labour shortages in the context of an ageing society. The focus of economic policy, according to Henry, had to be on the '3Ps—population, participation and productivity' with the key to the 'third wave' of economic policy reform (after the macro and micro deregulation of the previous two decades) being social investment in human capital. From a capability perspective, it was argued that to be effective, investment would have to be directed as much at people's health and wellbeing as at their more narrowly understood 'economic capital'. In the unfolding Council of Australian Governments (COAG) agenda, investment in the early years of childhood development was the flagship.

The term 'social investment state' had been around for some time since being coined by Anthony Giddens as a motif of British New Labour's 'Third Way', but had lacked purchase because economic policy was seen to differ little from Thatcher's day. From this perspective social inclusion policies were often criticized as little more than 'welfare to work' leaving social policy subordinate to the market. Starting later in Australia, the social inclusion agenda clearly benefitted from an economic policy context in which efficiency and competitiveness had come to be seen as dependent upon a much wider range of social investments to enhance the wellbeing of disadvantaged Australians. As a concept from development economics, capability played a critical role in this bridging of the two worlds of welfare and economic policy. Now policies for an inclusive society could no longer be construed as simply 'putting a human face on neoliberalism', but in some measure were seen as part and parcel of good economic policy. It was around this time that this incipient new social policy framework of investment in capabilities as the basis of an inclusive society was christened by the federal Labor party as its social inclusion agenda for the 2007 federal election campaign.

Early runs on the board but longer term uncertainty

Soon after achieving power, in a clear mimic of British New Labour, the Australian Labor Government put in place the administrative platform for prosecuting its welfare reform agenda. This included the Social Inclusion Board which was given a list of priority areas with a view to getting some early policy runs on the board. Two years later, while achievements in particular policy areas such as homelessness have been significant, overall there is a widely perceived uncertainty regarding the long term social inclusion agenda. We can understand this as a result - in large part - of the government's enforced preoccupation with the global financial crisis. But some sheet it home to the concept of social inclusion itself. 'It can mean anything and everything', it is said. Mostly these comments reflect nothing more than the low levels of social policy literacy in this country. In fact there should be no fundamental disagreement over the definition of social exclusion or the appropriate set of measures. Disagreement does soon come, however, when we ask what should

be done about it. But why be surprised if the neoliberal has a different solution to the social democrat? This is not confusion. This simply means that we have to be alert to the alternative approaches to social inclusion and for the government to convey a clear understanding of the particular variety of social inclusion policy it wants to adopt.

In her speeches, Deputy Prime Minister Julia Gillard – among whose responsibilities is social inclusion – has certainly amplified the characteristic themes which had emerged under the rubric of social investment in an inclusive society. Thus she spoke of a new concept of social inclusion ‘replacing a welfarist approach to helping the underprivileged with one of investing in them and their communities to bring them into the mainstream’. There is the strong emphasis on the economic aspects of inclusion: everyone to be a ‘wealth creator’ and with paid employment ‘a foundation’ of social inclusion. The multidimensional nature of inclusion was recognized in the often quoted summary of the social inclusion agenda in terms of:

all Australians having access to secure employment; services; social connection to family, friends, work places and communities; the resources to deal with personal crises such as ill health, bereavement or the loss of a job; and to have their voice heard.

Gillard has also emphasized the key idea of the new social policy that economic and social policy should not be seen as opposed or separate but integrated. ‘Raising national prosperity’ and creating a fair and decent society’, she said, go together. A distinctive new theme emphasized by Gillard has been that an inclusive society must be a matter of ‘right’ not ‘inheritance’. This would supersede the neoliberal ‘mutual obligation’ agenda which had been about unseating the so called ‘entitlement mentality’. Elsewhere, Gillard emphasises that new rights will also imply new obligations.

Below these striking aspirational statements, the main policy action has been with the Social Inclusion Board. Following the UK example and with some regard to the experience of the South Australian Social Inclusion Board, it commenced with a list of priority issues. These were jobless families with children; children at greatest risk of long term disadvantage; disadvantaged places and communities; homelessness; employment for people living with a

disability or mental illness; and closing the gap for Indigenous Australians. Of course, the big challenge for the Board has been not just to tackle a miscellany of issues but to do so in a way which establishes a policy framework for the long term. What has not become entirely clear is whether social inclusion policies are to be a suite of special measures for the specially disadvantaged but operating at the policy margins, or, whether the approach would aim at creating an inclusive economy and social welfare system so that so that no one need be excluded.

This remains very much a work in progress with the main agenda setting effort being the Board’s articulation of eleven principles. The first two express the vision of an inclusive society in terms of reduced disadvantage and increased social, civil and economic participation. The other nine are about governance. They aim to give people a greater voice, combined with greater responsibility; build on individual and community strengths; forge partnerships with key stakeholders; tailor services to individual need; promote early intervention and prevention; join up services; be evidence based; be sensitive to location; and be sustainable. Many of these principles reflect work done for the first major work on social inclusion, the White Paper on Homelessness, *The Road Home*.

A distinctive feature of the Principles is the preponderance of administrative and process concerns (nine out of eleven). These are useful insofar as they go but hardly break new ground: they reflect policy learnings about ‘joined up’ approaches to ‘networked governance’ which had already evolved in state and federal governments over the preceding decade. However the policy vision articulated in terms of the goals of ‘less disadvantage and more participation’ remains very general. Different and opposing meanings can easily be read into it. In this respect it reflects the wider national policy scene of uncertainty. At roundtables and committees convened across the land there continues to be a strong sense that most participants remain unclear about just what social inclusion means, let alone how it might be the occasion of paradigm change. To get to that stage we will need a shared understanding about the varieties of social inclusion in the policy discourse and be able to make a robust case for the option chosen.

Shaping up for the long term: from neoliberal to social democratic welfare

Developing a vision of an inclusive society and specifying the primary policy goals obviously involves assumptions being made about the kind of economy, society and polity you want. From the beginning in the UK and Europe, a number of dominant discourses on social inclusion were noted. But to really make sense of these insights we have to take the next step of grounding them in the Australian experience and thinking about how social inclusion might fit within the current Australian experience. The starting point needs to be an account of how social inclusion is constructed within a liberal and a social democratic approach – if only because of the Prime Minister’s proposal that we are in transition from the former to the latter.

The classic analysis of the way in which the discourse of social inclusion quickly proved capable of reflecting very different policy and ideological positions in the United Kingdom was provided by Ruth Levitas. She found that one strand focused on the behavioral delinquency of the excluded themselves (the moral underclass discourse, MUD), another on ‘welfare to work’ (the social integration discourse, SID) while a third emphasized the redistribution of resources from rich to poor (the redistribution discourse RED); humorously summarized: ‘in RED they have no money, in SID they have no work, in MUD they have no morals’. Levitas recognized that this flexibility made social inclusion a politically powerful concept with its meaning inherently open to contest.

Another early typology of social inclusion, developed by Hilary Silver, focused on monopoly, specialization and solidarity. The first two correspond roughly to the (neo)liberal and social democratic versions and thus offer a useful way of thinking about the Australian case understood as being in transition from the former to the latter. In a liberal welfare regime, she writes, as articulated in the writings of people like Adam Smith and John Locke, the free market is understood as the basis of national wealth and social integration. The ideology of liberalism sustains individual endeavour with the role of the state confined as far as possible to that of the ‘night watchman’ ensuring the free functioning of the market. Market outcomes may be very unequal

but national wealth overall will be greater, with the poor better off than otherwise through the ‘trickle down’ effect. The excluded in this kind of society are thought of as a kind of underclass outside the main society and they will be one of two types: deserving poor or undeserving. The former, for example aged or people with disabilities, may receive state assistance but the latter are thought to be poor through their own fault and have to be encouraged or disciplined to get off welfare. In this residual, safety net model, policy looks primarily to non-government actors such as families, charities, philanthropists and social entrepreneurs to provide welfare to the truly deserving.

The guiding principles of social democratic regimes are very different and reflect a long history of critiques of free market capitalism from Marx to Polanyi and T H Marshall. With exemplars in Sweden and other Scandinavian countries, they function as mixed economies with the state being the ultimate guarantor of the inclusive society. The sources of exclusion are considered to be the – sometimes catastrophic – failure of economic markets to achieve optimum outcomes. Typically based in Keynesian style economic theory, governments achieve this through various forms of usually indirect management and coordination. Social democratic states are particularly focused on combating inequality – not just free market generated but also by other sets of social relations such as gender and race. In social democratic welfare states, (as opposed to the residual safety net of the liberal model) as Goodin et al summarise: ‘Macroeconomic policy promotes high levels of employment and a compressed wage distribution: taxes are steep and welfare benefits generous, typically universal and often flat rate’ i.e. everyone gets the same.

Relating social inclusion to these welfare state types, it is clear that a social democratic approach would be grounded in fostering equality through social justice. But as with social inclusion, social justice can be used in many senses. Thus, all sides of British politics are now in favour of social justice as the basis of inclusion: from conservatives to social democrats. They just understand it differently. The Conservative Party’s Social Justice Policy Group – keen to distance itself from neoliberalism – wants social justice but believes it is to be achieved through strengthening the welfare society not the welfare state. Their policy focus is the ‘underclass where life is characterized by

dependency, addiction, debt and family breakdown' and their solution is in strengthening families and charities so that they can take responsibility for the problems rather than the state because its intervention often only makes matters worse.

This approach contrasts with the social democratic manifesto of Labour's Commission on Social Justice (1994) in the United Kingdom, which called for an 'Investor's Britain' in which government policy would recognize the:

- Equal worth of all citizens;
- Equal right to be able to meet basic needs;
- Need to spread opportunities and life chances as widely as possible; and
- Requirement to reduce and where possible eliminate unjustified inequalities.

In a social democratic model, they point out, the focus is on rights not charity, on the society as a whole not on an underclass, and assumes positive government intervention in order to tackle structural inequalities. They see Blair's Third Way as a mix of liberal and social democratic tendencies. The early focus on marginalized groups and places appealed to the underclass discourse while an emphasis on strong public services – for example education as the backbone of an inclusive society – was clearly social democratic.

There is an important lesson here for Australia. Much of the confusion around the term social inclusion constraining our policy development arises from the fact that people are keenly aware from this New Labour history that the term can have a mixed political message. While this may have served very useful political purposes for the Blair Government, in the very different context of Britain in the late twentieth century it is unlikely to do the same for the Rudd Government in Australia today. The term is now so notoriously ambiguous that, if it is to have a new lease of life in Australia, the Government needs to set out clearly just what the Australian variety of social inclusion is to be and how it differs from other approaches overseas.

If social democracy were indeed to frame the Australian approach, then this would appear to require some significant clarifications of and extensions to the early policy directions which have been established. The same reflection could also be made on the recently announced aim of the federal, state and

territory governments to develop a Social Inclusion Action Plan. It simply has an issues list: 'children at risk, disengaged young people, jobless families and locational disadvantage'. In the light of the UK experience, we need to know much more about the principles shaping the approach: are we looking at a liberal model of policy making for the 'underclass', or, a social democratic approach based on 'society as a whole'?

The United Kingdom's Labour Commission on Social Justice's approach suggests how a social democratic plan might be framed. Thus, if we were to start with the new welfare agenda which had emerged before the last election and which Julia Gillard seemed to have adopted, then we would begin with a vision of welfare as an investment in which Government saw its role as investing in the capabilities all citizens need to develop an inclusive society. In this approach our plan would build on the wide take up in Australia of Sen's ideas and aim to identify the relevant capability domains (as discussed on page 15 and most simply using a life course approach) and then to determine the level of resources needed by people to realize their capabilities. These levels would become the base line social and economic rights of every citizen and underpin the inclusive society. The work of the United Kingdom's Equality and Human Rights Commission in 2007 offers a successful example of this kind of approach. Indeed its account of an 'equal society' is indicative of the kind of policy vision shift Australia will need to make if its social inclusion agenda is to be established within a social democratic framework:

An equal society protects and promotes equal real freedom and substantive opportunity to live in the ways people value and would choose, so that everyone can flourish. An equal society recognizes people's different needs, situations and goals and removes the barriers that limit what people can do and be.

A new social contract: the inclusive society

A challenge for such a whole of society, rights based approach to social inclusion would be to adapt it to the Australian policy context. After all, we tried the social democratic welfare state in the Whitlam years and all sides of poli-

tics have spent the intervening years distancing themselves from what became synonymous with public sector profligacy. But now, of course, neo-liberalism itself has failed as a political project precisely because of its neglect of the social dimension. While the space has clearly opened for a new social democratic project, it clearly cannot be a rerun of the 1970s welfare state. It will demand new understandings of the purposes of welfare and in particular, a new integration of welfare with economic policy. In short, we need a new Social Contract embracing both a 'Fair Go' and a competitive economy.

Before the neoliberal period Australia's reputation as a distinctive type of social democracy rested mainly on the way wage arbitration was used to modify market wage outcomes to ensure that all workers and their families had sufficient resources to manage their own affairs. This was recognized in the international literature as a social democratic policy instrument without which Australia would have been classified as a typical liberal regime. As Goodin and others have recently observed, that welfare function of our labour market institutions has 'largely been eliminated' and has become 'of purely historical interest'. But, perhaps, not entirely. A key social policy question today is what role wage policy might play in a future Australian social democracy? Does it rightly belong to a bygone age and should we look to build a welfare state proper in its place? Or, should we build on what remains? The award system still influences a majority of workers - if only in an informal way - and could be strengthened to play a key role in effecting a new integration of industrial and social policies appropriate to workers in the twenty first century.

With so much emphasis on the role of wage policy in Australia's welfare history, it is important not to ignore the fact that Australia did in fact make a dash for a social democratic welfare state in the Whitlam period. The age of charity was meant to give way to the age of rights. The attempt stalled in the fiscal crisis of the 1980s leaving us with a hybrid of 'wage earner welfare' and some of the new elements of universalism in what became known as the 'Australian way'. The principle of universal rights lost ground in the neoliberal period to classic liberal notions of 'user pays' and conditional welfare. The quality of public services lagged the private while the increasingly targeted 'safety net' of income support became a site of stigmatization especially for the

unemployed and sole parents. While Australia's welfare targeting is sometimes praised as an example of efficient transfer of resources from rich to poor, the fact remains that the poor do less well in residual systems. Elements of universalism do remain, for example, in the superannuation system and health insurance. With or without an ongoing role for wage based welfare, any transition to social democracy in Australia must involve scaling up the quality of public services to match the private and the spread of current elements of universalism in income support to other areas such as unemployment and disability benefits.

The policy climate is undoubtedly more favourable to the social democratic approach to welfare than it has been for over two decades. Of signal importance here has been the failure of the once powerful neoliberal contention that imposing welfare austerity was necessary for Australia to be competitive in the global economy. This hypothesis has turned out to be one of the great myths of globalization. Social expenditures across the OECD have continued to expand with the opening of economies. Moreover big spending European welfare states matched high levels of equality with high economic growth rates. Australia, too, experienced significant jumps in social spending in the Howard years confounding that government's more ideologically driven supporters. However, this expansion of the welfare state appeared to be done by stealth rather than as the result of some fundamental rethink of the government's approach to social welfare.

Developing such a rationale requires social democrats to leave behind the old understandings and formulae of the mid twentieth century welfare state. As we have noted earlier, this paradigm shift in welfare has been captured in the notion of a transition from the 'welfare state' to the 'social investment state'. After a somewhat uncertain early history the name has now been taken up in other countries such as Canada and the United Kingdom to signify not just an incremental adjustment to the old welfare state but a genuine shift in policy paradigm. The language of investment appealed in the UK precisely because of the preceding years of underinvestment which had left public services looking worn and shabby by 1997. While there was no going back to the Old Labour days of tax and spend, the environment of public squalor amid private affluence encouraged the take up of the concept of an 'Investors' Britain'.

Coined by Giddens, the use of the term 'social investment state' reflected his interests in theories of the 'risk society' and transitional labour markets. Social policies should be about identifying the very different risk profiles facing citizens in the twenty first century from those which the mid twentieth century welfare states had been designed to meet. As policy makers mapped and measured the new risks and the changed nature of transitions associated with paid work and unemployment, family life and lifelong learning, the purpose of social policy was recalibrated towards minimizing the risks and promoting opportunities so that people would be equipped to 'master transitions across the life course'. Key policy areas were human capital, financial capital and social capital with the investment framework blurring the lines between social and economic policy. Once criticized as a subordination of the social to the economic today the social investment state is recognized as an accomplished paradigm shift from the old welfare state.

The Australian context is favorable to a new social democratic approach to creating an inclusive society. In historical terms the neoliberal push for a residual safety net was brief and quite exceptional. However, it left behind a confusing amalgam of different policy elements. The welfare system in short is in a shambles and requires as fundamental a makeover as occurred at federation, World War Two and the 1970s. In constructing a new and coherent inclusion agenda a key challenge will be to come to terms with the sometimes conflicting policy strategies represented by the old wage earner welfare model and by the welfare state. Should the scope of wage regulation be enlarged to achieve social goals or should the policy burden be shifted once and for all onto a universal welfare state? A new articulation of the social rights and responsibilities of Australian citizens would be framed within the idea of a social investment state. Social spending would not be conceived simply as a passive system of insurance against life's risks but a system of positive investments so that we can all realize our individual potential and contribute fully to the development of our society. Importantly a new social contract or restatement of the national 'Fair Go' along these lines would also have to make sense in terms of economic policy. We have to be fair but we also have to have a competitive economy in global markets. Here the idea of a 'social investment state' can be a bridge to the reintegration of welfare

with economic policy and in a way which resonates with Australian history and mainstream social values.

A new social contract: a competitive economy

That the economy might also benefit from positive and continuing government intervention in the market is an idea also returning to favour. Indeed, it would seem such a common sense notion that it is testimony to neoliberalism's dominance of our political landscape that even the ideas of former rescuers of the market system like John Maynard Keynes could have come to be painted as threats to market efficiency. The ideology allowed no middle ground. Today, in the wake of the global financial crisis we have intense debate over the Rudd Government's rescue package. Will it prove to be simply a one-off action for an emergency or a first decisive step towards rebalancing the roles of market and state? As Tom Conley observes, the idea that best economic outcomes are achieved simply through deregulation is giving way to the view that positive social regulation and coordination of markets is needed. If the Global Financial Crisis does speed up this longer term trend, it could create a nation building economic role for government which would be both more typically Australian and complement the inclusive society agenda in social policy.

For the first sixty years or so of the Commonwealth we were decidedly more what the research literature would call a developmental state rather than a welfare state. This means we ought to assume a national bias towards productivist rather than welfarist values. For Australians an inclusive society strategy ought to be first and foremost about a competitive economy which can deliver more and better jobs which are fairly remunerated. To understand this we have to revisit the founding social contract struck at Federation. No doubt it is a source of some chagrin to neoliberals that the pattern of Australia's economic and social development was quite unlike the US. Across the nineteenth century, Australia's development was state led. At Federation the choice was: should Australia leave the task of economic development to market forces and remain little more than a giant sheep run exchanging raw commodities for other peoples' manufacturing, or, should the state lead the way in deploying

export wealth to invest in a manufacturing and urbanization strategy which would both grow the population through attracting immigrants and set Australia on a high wage path that could deliver the kinds of jobs which could actually pay that 'family wage' meant to be the basis of a welfare society.

Importantly the 'founding fathers' who led Australia down the latter path represented employers as much as workers. Both the so called 'new liberals' and labor saw a stronger economy and a stronger society going hand in hand. For workers the strategy offered the prospect of better wages and public investments in their education, health and well being. And for employers, the 'contract' meant government backing them to take the higher productivity route through a range of assistance packages including infrastructure, financial grants and subsidies as well as tariffs meant to protect industries in their infancy. After two World Wars and a global economic crisis, this strategy was essentially reconstituted within a Keynesian framework in the 1940s with the vital addition of a government commitment to keep the economy at full employment.

Nine decades later of course, neoliberals argued that at Federation Australians made the wrong choice. National development should always have been left to market forces and it became the task of true patriots to undo what was seen as the sorry edifice of the 'Australian Settlement'. That view once enjoyed an extraordinary plausibility. Today, however, it looks increasingly thin both as a reading of history and as a lesson for current policy makers. In terms of the historical record, for example, ANU economic historian Snooks' recent review of Australia's economic development has identified the federation strategy as the stand out episode of policy success. For example, it saw the manufacturing share of GDP increase from 11 per cent in 1901 to 30 per cent by the early 1960s. The first postwar decades he adjudges to be Australia's only golden age of economic growth putting into the statistical shade our recent strong economic performance. Highlighting the interdependence of economic and social policy it was this period of the developmental state which laid the economic base for the welfare state developments which followed.

The strategy broke down in the 1970s and a protected manufacturing sector was exposed as uncompetitive. There are two explanations. For neoliberals

it was proof positive of what goes wrong whenever governments intervene in attempts to improve on free market outcomes. The other is about a sound strategy for its times but one which failed to adapt to a changing international economic environment which was moving away from protectionism. Other small states like Sweden for example pursued the open economy path but backed themselves - successfully - to become competitive through a combination of extensive industry policies and active labour market programs. In the result, of course, Australia took the neoliberal pathway but after two decades of deregulation and microeconomic reform it is appearing less and less sufficient. Could it be time to revisit the Federation strategy? The paradigm change underway in development economics might suggest so.

It cannot be discussed in detail here, but the kind of assumptions informing the neoliberal economic policy project in Australia were of a piece with the dominant international development orthodoxy known as the 'Washington Consensus'. Today a rising tide of academic critique from notable economists like Stiglitz, Krugman and Rodrik has accompanied the disillusion with the 'market fundamentalist' reform programs of the 'Consensus' after its failure to deliver promised results. Since the 1990s, for example, growth in Latin American countries which followed these prescriptions was half of what it had been in the 1950s and 60s; while East Asian success economies in the same period followed an alternative pattern involving various forms of state developmentalism. These post-neoliberals are decidedly not against an open market global economy but call for a more robust role for governments in genuine 'state and market' mixed economies where governments have a remit for positive intervention. The post- 'Washington consensus' approach is characteristically pragmatic in contrast with the perceived 'fundamentalism' of the predecessor. Real world success stories of government intervention in areas such as education, training and industry policy are taken on board in a more evidence-based way to work out what is best in particular national policy contexts. There is an unequivocal consensus that a new developmental model must include goals of equity and sustainability which had been ignored or even disparaged in the neoliberal period.

When we turn to developed economies with advanced welfare states, the experience of globalization has accentuated the potentially positive economic

results of social policy interventions. In the past, welfare tended to be seen as a form of 'politics against markets'. In this passive understanding of the role of welfare, the state would merely cushion workers against external shocks. What these approaches overlooked is the way in which robust social policy systems can also be 'pro markets' allowing them to be more productive than they would be if left uncoordinated.

Thus analyses of welfare states under globalization reveal that higher productivity has occurred where high labour costs have meant that governments needed to work with employers to invest in higher productivity jobs; as well as high quality education, training and other social services to ensure a suitably qualified labour force. This insight has also been elaborated in a number of historical studies showing that employers have often been the initiators of welfare states as a way of protecting their investments in human capital; while studies of the different regimes of human capital formation show that greater equality at the bottom end of skills distribution enhances economic efficiency as much as social solidarity.

Importantly, these policy trends suggest that neoliberalism was entering its eclipse well before the global financial crisis. That event has so shattered the popular legitimacy of neoliberalism that our task must surely be to look at extending the reach of an already existing post-neoliberal policy trajectory. As we have proposed above, the existing trajectory in Australia emerged with the National Reform Agenda and COAG's 'third wave' human capital policies effectively launching what is being called the 'social investment state'. The need for positive interventions by government to ensure the provision of sufficient public goods in areas like the early years, youth transitions and education more generally is now a given, and as we have seen, this has tended to blur the lines between social and economic policy. But to a certain extent, the remit of the social investment state has remained rather limited in terms of the economic policy domain. It promises to launch well educated individuals into the labour market but offers nothing by way of ensuring that the jobs they find are actually socially inclusive. While it is important for social policy to now have economic justification for raising the general standard of education, there is potential for taking the reintegration of economic and social policy in Australia much further.

Historically, Australian social policy was characterised by its productivist values (values stressing the preeminence of work, economic productivity and growth). This was reflected in the preference for making work and good wages the basis of welfare rather than transfers through a welfare state. First, industrial courts were meant to set wages which would afford adequate welfare for working families, while employment and industry polices were geared towards a high wage economic development path. Given what we know about public policy, we could do well to think about the reintegration of our economic and social policy regime in terms of a similar two pronged strategy. Related to the first task, that is, remaking the system of wage earners' welfare, numerous writers have been working towards a new synthesis of industrial and social policies based on the work of the German sociologist, Günter Schmid on 'transitional labour markets'. During the neoliberal period the relationship between welfare and work became narrowly conceived in terms of ending welfare dependency through a 'work first' approach. The Schmid framework also emphasizes welfare to work but adopts an investment approach so that the transition is a good one for both the worker and the employer. But Schmid also wants to emphasise transitions to and from other life worlds which abut the workplace; mainly the world of care and family; the world of retirement; and the world of what has become lifelong learning. For some years in Europe regulations for what is called flexicurity have been growing to ensure, on the one hand, that the benefits of a more flexible labour market are not lost but, on the other, that workers can make the security of good transitions between these spheres across the life cycle.

The second prong of the Federation strategy was the high wage path strategy. In a scenario not unlike our own, reliance on market forces was seen to lead to a two tier society, the top tier connected to the high wealth creating commodity export industries and the large bottom tier engaged in low paid service work. Today a legacy of neoliberalism is our highly fragmented labour market in which the prevalence of low pay and poor conditions means that paid work does not automatically mean a pathway to inclusion. The Federation challenge for us today would not be to leave these labour outcomes to the market and seek to compensate people with welfare. Rather it would be to forge a new compact for a competitive economy which delivered more and

better jobs for all. As at federation, we also have the opportunities provided by high commodity export earnings. These could resource a similar national business plan to move us once and for all beyond our over reliance on 'rocks and crops'. Business would take a leadership role in the new compact, working with governments to: tackle 'low skill equilibria'; promote high performance work practices; raise national training standards; provide research and development to close gaps on competitors; and invest in firms with high innovation potential.

The Prime Minister's proposition that we are in a seismic transition from neoliberalism to social democracy has of course been hotly contested by staunch defenders of the market oriented reforms of the last three decades who seem to want history to end somewhere back at late twentieth century. The wider literature suggests in fact a transition somewhat less sudden than depicted by Kevin Rudd and more a quickening pace of policy trends evident for some time. While there is no new 'General Theory' in the manner of Keynes to guide us through the post crisis period, the critiques of the Washington Consensus suggest a much more pragmatic, evidence based approach informing economic policy to rebalance the relationship of state and market with new emphases on equity and sustainability. These trends have already been evident in Australia, especially in the area of social investment in human capital. Clearly this has been a major step in reintegrating social and economic policy. The further elaboration of the investment state in economic policy might well lead to a recreation of the Federation strategy to ground welfare in fairly remunerated work in a high wage economy.

Conclusion

In late 2009, I participated in a panel discussion at Macquarie University to mark the opening of Australia's first Social Inclusion Week. The leading spirit behind the initiative was Jonathan Welch, a founder of the Choir of Hard Knocks (now the Choir of Hope and Inspiration). For Jonathan, the ideas behind the Government's social inclusion agenda are great. For him, they seek to address what he sees as a widely felt decline in community spirit and lack of respect for the disadvantaged which had crept into Australian society.

However he observed that, while the social inclusion agenda was a great idea, it was far, far removed from the person in the street. Thus his support for such a Week in order to get people meeting, talking, imagining. As one audience member asked: 'how can social inclusion become a BBQ conversation?' Is it reasonable then to propose that the social inclusion agenda could possibly evolve into a new Social Contract for Australia?

It is important to note that when we talk about a 'social contract' we are not usually proposing some formal document. Rather we are thinking in terms of some key ideas or principles which win popular acceptance and reshape the overall pattern of public policy. This is typically a long term and incremental process after some key paradigmatic policies have been put in place. Think for example of the way that the White Paper on Full Employment in 1945 or financial deregulation and tariff abolition in the 1980s set the pattern for following decades. So the question is whether one can see any evidence of the emergence of a new policy pattern or new policy architecture.

I believe that some of the key ideas or principles for our time were in fact unveiled in the proposals for a 'third wave' of economic reform designed to enable Australia, first, to capitalise on the opportunities created through earlier phases of opening up the economy and, second, to meet the labour force challenges created by an ageing society. Here was recognition that it is not enough to simply deregulate and remove tariffs. You also have to invest in your people and your industry. But even more important from a social perspective is the idea that the investment has to be directed to those who need it most. For Australia to lift its economic game, the policy effort has to be aimed not so much at those who are already doing well but at eliminating the long tail of underachievement whether this be in education, training, innovation, quality of management and so on. I believe that, in terms of economic policy, the move to a new Social Contract has actually begun with this rebalancing of the goals of equality and efficiency.

If economists have latched onto the importance of social investment as one plank of a new nation building strategy, the same is hardly true in social policy. We have only scratched the surface in developing social inclusion as the new welfare complement to the 'third wave' economic narrative. Economists recognise that you cannot improve 'human capital' if the other social

dimensions of inclusion are not addressed. The big idea that raising social wellbeing as much as economic productivity requires the provision of a high quality infrastructure of social services for all citizens – especially the disadvantaged - has still to take root. This is perplexing. Australia still has one of the highest rates of social mobility in the world but do we value it? Our recent experiences of corporate greed alongside public miserliness should warn us that there is more than one way to become a banana republic. What better narrative of the inclusive society could we have than committing to an Australia where all people are valued for who they are rather than for the monetary, racial, religious or other accidents of their birth. This is a Contract worth fighting for.

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