Brotherhood of St Laurence
Working for an Australia free of poverty

Social policies for tougher times

2013 SAMBELL ORATION

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I am honoured to give this the 32nd Sambell Oration for the Brotherhood of St Laurence. After ten years as the first incumbent of what was a highly innovative academic appointment as the Professorial Fellow in Social Policy established by the Brotherhood in partnership with the University of Melbourne, I take this invitation in part as a vote of confidence in what the partnership as a whole has been able to achieve over the last ten years. Tonight is an opportunity to reflect upon what the Brotherhood's policy work tells us about how to face a more constrained economic future.

I do believe that the Brotherhood is particularly well qualified to contribute to this discussion. Research at the Brotherhood is far from a blue-sky, ivory-tower, academic exercise. A Brotherhood researcher's role is first to listen to the experience of the organisation's engagement with clients in poverty and exclusion and then to help analyse this in the light of the most advanced research available. At its best this creates an exhilarating two-way street between those in research and those in policy and practice. The research should have a bite and relevance not possible for most purely academic research. In this context I think it was fortuitous that my arrival at the organisation more or less coincided with Tony Nicholson's appointment as Executive Director. My own research career had kicked off with a book on the Keynesian revolution in Australia with its emphasis on paid employment as the foundation of the welfare system. What I knew from academic research, Tony had grasped from his twenty years' experience as a practitioner; and, as many of you would know, under his watch the role of paid employment as the foundation for an inclusive society became the Brotherhood's signature policy. So for a decade the organisation's central concern has been the challenge of getting the right balance between economic and social goals but very much in a real world setting. The emergence of serious, structural budget constraints for the Commonwealth, states and territories gives the Brotherhood's approach to social policy a particular relevance and that is what I want to share with you tonight.

Here I am mindful of the 2007 Oration by economist Saul Eslake. He appealed for greater effort on the social policy front because we were still then in the midst of exceptionally good economic times. To this end he cited no less than the Vice-Chancellor of the University of Melbourne, Glyn Davis, who had recently remarked that 'a time of prosperity is the ideal moment to pursue what George Bush senior memorably called "the vision thing"'. Now I am sure Glyn must be right—after all he is still the Vice Chancellor—but let me assure you, as a social policy historian, that the corollary does not hold.

In fact, the biggest 'vision thing' moments in our social policy history have come at times of gravest economic difficulty. Just think of the crucial Federation years. No soft times then as the nation formed in the wake of the Depression of the 1890s. Their crowning achievement was to lay the foundations for a new economic growth strategy based on manufacturing, while ensuring that the fruits of that future development would be shared equitably through a family wage. Think next of the 1940s. Not soft times then either, with first mass unemployment and then a World War having created a crisis of faith in the liberal capitalist order of things. Yet the Keynesian policy of full employment resulted; in my view, the greatest social policy achievement in Australian history.

On the other hand, the tough times of the 1980s produced the economic reform program which, over time, became increasingly indifferent, if not hostile, to social welfare policies. As a result we are today at a crossroads. Facing up to the hangover after the heady days of the mineral boom, we do have difficult choices. After a period of significant welfare expansion what will be the fate of social policies in these tough times? Is it back to the future with 1990s social austerity? Or has our understanding of the balance between economic and social priorities shifted? I believe it has. The world is moving towards a new policy synthesis under the label of inclusive growth; and Australia is already well placed to be in the vanguard of reform.

Inclusive growth in context

Inclusive growth is an international policy development which I think will prove comparable to earlier historic policy transformations such as the Keynesian revolution in the 1940s and the rise of neoliberalism in the 1980s. We can begin to gauge its significance by looking over past Sambell Orations.

From the late 1980s they were nearly all concerned with the lack of fit between economic and social policies. Here I highlight the 1990 Oration by Brian Howe, then Minister for Social Security and a member of the Cabinet’s Expenditure Review Committee in the Hawke Government. From this unique vantage point he captured passionately and incisively the rift which had emerged between economic and social policy. Three postwar decades of policy consensus had come unstuck, he said, through a world economic crisis leading to what he called ‘the polarisation of business and civic cultures’. The former focused exclusively on issues of economic efficiency and growth and the latter on social welfare broadly understood, with each opposed to the other. This polarisation he thought fatal to good policy, and, and he prophetically declared:

> Both positions are incomplete. In this coming decade we must recreate the consensus that social justice is essential to achieving economic growth and prosperity. It can’t be left out of the equation until the end and then tacked on to make us feel good …

Subsequent orations evidence a deepening of the opposition between the two cultures as the decade progressed. There was Bishop Michael Challen’s concern at the way social questions were being reduced to economics; historian Stuart Macintyre wondering what had happened to compassion; and economist Hugh Stretton likening social policy developments under economic rationalism to the infamous British Poor Laws of 1834.

Towards the end of the 1990s, however, economist Fred Argy offered a new take on the issue of ‘economic efficiency and social harmony’. The strategy of economic liberalism, he observed, was paying off. Australia was now ‘outperforming the rest of the world in terms of productivity and per capita incomes growth’. However what he called the ‘hard liberal’ reform agenda was becoming a danger to itself because of the threats to social harmony symbolised by the rise of One Nation. While it was important to retain ‘the good bits of reform’, he thought policy makers now needed to give as much weight to employment and equity as to efficiency.

Argy's address I think tells us much about how the deep opposition between the civic and business cultures had become counterproductive by the turn of the twentieth century. Much of the economic rationalist agenda was proving its worth in efficiency terms. But on broader economic metrics, especially those impinging more on social policy, like employment and equity, the need for a greater balance between policy goals was becoming evident. With hindsight we now realise that this observation by Argy was actually contemporary with global policy developments which were pointing the way towards the resolution of an unsustainable and irrational opposition between our civic and business cultures.

Inclusive growth: an international trend

In my book coedited with John Buchanan I have given a ball-by-ball account of the emergence of the idea of inclusive growth which we think points the way towards a long sought reintegration of economic and social policy goals. Tonight I will summarise its key features. First thing to note is that it represents a new convergence of thinking between developed and developing economies. It is as relevant to Germany and the United States as it is to China and Indonesia. We no longer have a scenario where so-called first world countries contemplate welfare cuts in a race to the bottom to match the low social spending of third world economic competitors. As the latter accomplish the Great Transformation of industrialisation and urbanisation they too discover that a world without welfare is not an option. Rather than a race to the bottom what we should be thinking about is a race to the top to see who can accomplish the best of both economic and social development.

The OECD and the social investment state

Among OECD countries the route to inclusive growth began with the idea of welfare as investment. This surfaced in the late 1990s, but it took a decade before scholars were talking seriously of the paradigm shift 'from the welfare state to the social investment state'. I must say that this is something on which the Brotherhood is well placed to comment. Way back in 2004, my colleagues Daniel Perkins and Lucy Nelms and I published a paper, 'Beyond neoliberalism: the social investment state'. Something of a thought bubble at the time, it has since been taken up in the international literature sourcing the origins of the new paradigm. Back then welfare agencies like the Brotherhood desperately needed a new way of talking about welfare. The term welfare itself had become besmirched politically with connotations of passive dependency, while even the topic of poverty was mired in public confusion as a result of academic warring over the income poverty line. Independently of but contemporaneously with the Cape York Institute under Noel Pearson's leadership and the Federal Treasury, the Brotherhood collaborated with the Melbourne Institute to take up Nobel Prize winning economist Amartya Sen's theory of capability as a way of representing poverty as a set of multidimensional factors constraining people's freedom to lead the lives they value. It eventually resulted in the Brotherhood of St Laurence–Melbourne Institute's Social Exclusion Monitor as a measure broader than the income poverty line but even more importantly it opened people's eyes to the possibilities of welfare as an investment in people's development.

The Brotherhood's initial application of the framework was to children which, as it happened, coincided with the first impact in Australia of the enormously influential work of the US economist Heckman showing the returns from investing in disadvantaged children in their early years. Peter Dawkins and other Australian economists emphasised that the big returns were to be had by focusing investment on 'the long tail of under achievement' among disadvantaged groups. And so the concept of a social investment state began to get political legs and its broader applications across the life course became apparent. For the Brotherhood, which reorganised its services around the concept of social investment across the life course nearly a decade ago, it is pleasing to see in 2013 the European Commission recommending a Social Investment Package to member states to be based on a life-course approach with an emphasis on children and investment in human capital.

The Bretton Woods institutions and inclusive growth

The Brotherhood got a lot of policy traction with this concept of welfare as investment. Human capital investment including welfare-to-work programs was presented as a win-win agenda: ensuring no groups are left behind contributes to the good society while strengthening the economy through increasing participation and productivity. Then Prime Minister Rudd said as much in his Sambell Oration of 2009. With the global financial crisis, however, growth itself could no longer be taken for granted. The social investment strategy clearly needed to be part of a wider policy design to secure economic growth. At this point the concept of inclusive growth was emerging at the Bretton Woods Institutions—the World Bank and the International Monetary Fund—offering a more comprehensive reframing of the relationship between social and economic policy.

Many colleagues thought we had lost the plot when we began linking the Brotherhood agenda to the thinking of the World Bank and the IMF. Weren't these institutions the bastions of that economic rationalism long hostile to social policy in developing economies? The short answer is that we were right and they were wrong. In a recent authoritative overview of the new Bretton Woods thinking on poverty reduction, Danish researcher Antje Vetterlein writes:

> The erstwhile parochial focus on economic growth as the sole precondition for development has been supplanted by a more holistic understanding of development that places social policies at the centre of development and poverty reduction.

Now tonight is not the time for a formal exposition of this radical transition in thinking from what scholars call the 'Washington consensus' to inclusive growth. Just note that the former was seen to have had mixed international outcomes and, even where successful, growth had clearly not automatically translated into broad-based social development. Hence the push for a more 'pro-poor' or inclusive growth model. The result thus far is not a new grand theoretical synthesis of the economic and the social—certainly no 'one-size-fits-all' policy program—but rather a highly pragmatic guide to policy design. Key features of this design include the following:

- Economic growth cannot be a proxy for development but success must be measured against both economic and social goals.
- Benefits don't 'trickle down' after you achieve growth: policies for inclusion and growth must happen together.
- Growth needs to be broad-based across sectors (no two-speed economy with, say, a gap between urban and rural citizens).
- Social infrastructure must underpin equality of opportunity.
- Productive employment, not just taxes and transfers, is the key to inclusion.
- Human capital should be understood as productive investment not 'consumption'.
- Some inequality provides incentives but excessive inequality harms cohesion and growth.
- Redistribution engenders popular support for tough economic reforms.

That a shift towards the ‘pro-poor’ model is taking place in developing economies was evident in last year’s report by the *Economist* magazine on the ‘flowering of welfare states in Asia’. There is no bigger illustration than China. Bingqin Li’s account of the developments around national health and pensions insurance notes that the absolute amount spent on the national social safety (NSS) net doubled from 1998 to 2012. Noting the current government’s commitment to a ‘massive increase’ in NSS to 25% of gross public spending, Li concludes that ‘a welfare state is gradually taking shape in China’. Closer to home, watch Indonesia’s new national universal health insurance system commence operation on 1 January 2014.

Of course the inclusive growth model is not uncontested. But among the most important international policy agencies it is impossible to ignore a clear reordering of economic and social priorities in favour of the latter.

Responding to the GFC: from social investment to inclusive growth

For the Brotherhood, the social policy challenge of the global financial crisis was clear: the social investment approach was a start but it had to be linked to an economic growth strategy. The main challenges to an inclusive Australia emanate from our pattern of economic growth: namely, the two-speed economy and declining productivity, now overlaid by the waning of the mineral boom. In order to explore the linkages between the social investment state and the inclusive growth approach last year we ran an international symposium on ‘Inclusive Growth, Welfare and Development Policy’ which included contributions from the Chief Economist of the OECD and the then Acting Chief Economist of the World Bank.

That event demonstrated a clear convergence of thinking between the leading international agencies of both the developed and developing economies. They already shared emphases on investing in human capital; and on paid employment, not just the tax and transfer system, as central to people’s welfare. Beyond that, the inclusive growth framework offered a more robust linking of economic and social objectives. Thus it specifies that growth needs to be oriented towards some shared vision and a measurable set of social as well as economic objectives. It is also more inclined to seek to modify rather than accept given patterns of market-led development where these are not pro poor (for example, two-speed economies). Finally inclusive growth introduces the idea that inequality can reach levels where it is harmful to economic and social development—a view not found in the early social investment state thinking.

Since 2011 we can trace an acceleration of the convergence of the OECD with the international development agencies around inclusive growth. At the OECD, high unemployment rates averaging around 8% and the highest levels of inequality in thirty years have fixed minds on the need for a new pro-poor growth model. This concern had become evident with the 2011 report *Divided we stand* and the 2012 reports on *Going for growth* and *Promoting inclusive growth* (produced jointly with the World Bank). This year the Secretary-General Ángel Gurría launched a new research program on inclusive growth with the observation:

> The truth is that our economic growth models have not equitably distributed benefits. Inequalities were brewing under the surface prior to 2007 and increased almost everywhere even during periods of sustained economic growth. We need to reverse this trend. Inclusive Growth has an important role to play in responding to the pressing needs of today and addressing the underlying trends that pushed our economic and social systems into disequilibrium.

Inclusive growth in Australia

Inclusive growth, then, represents an international trend towards a more integrated policy approach which seeks to boost growth while reducing inequality and exclusion. And it is a policy for tough economic times. How does it translate into Australia? After two decades of uninterrupted growth Australians overall have never had it so good in material terms. Moreover while inequality has been increasing it has not been to anything like the extremes pulling apart societies like the United States. In our book we concluded nonetheless that as a nation we are heading in the wrong direction. On OECD inequality measures Australia is well on the wrong side of the average. In terms of household incomes, growth has not been pro poor—quite the reverse; and, more worryingly, our labour market is increasingly skewed towards lower-paid service jobs. Overall we are very much a part of that scenario painted by Andrew Leigh in his book *Battlers and billionaires* of a ‘great convergence’ in the middle of the twentieth century giving way to the ‘great divergence’ from the 1980s. This is the trend the inclusive growth model aims to reverse and we believe Australia could lead the way.

Today, of course, the question has a keener edge. Ross Garnaut warns of our economic policy ‘dog days’ as the boom eases in an economy hamstrung by the high Aussie dollar. Last week the Grattan Institute released its *Balancing budgets tough choices* report which is an excellent guide to the policy choices we face as a result of ‘structural’ shifts in the Commonwealth budget. Do we increase the GST? Abolish negative gearing? Do we make people work till age 70?

But how to choose? Where to invest? Where to disinvest? Remember these are questions economics alone cannot answer. As Milton Friedman wrote many years ago, economics can be very scientific in showing us the most efficient way to achieve our objectives but first we must agree on the objectives. It all comes back to Glyn’s ‘vision thing’. Inclusive growth offers a social vision for tough times. It is about maintaining economic growth while creating more equality now, in order to develop both a stronger economy and a fairer society into the future.

But is it a vision that can really shape social policies in Australia today? I believe so. I base this on our historical predilection for a fair go, on an understanding of the new wave social policy legislation of the last decade, and finally on the emerging new politics of welfare reform.

Understanding the fair go

While it is great to have economists like Garnaut and Daley on hand with their detailed accounting of our forthcoming misery, it is equally important to locate them in wider debates about the kind of society we want. How refreshing to hear an optimistic Rupert Murdoch recently throwing out the challenge to make the most of the Asian century and to do this in a way that honours the ‘Australian dream’ by becoming a model of egalitarian meritocracy. Dreams are useless without the policies to make them effective. How fortunate then are we in Australia with our tradition of making inclusive growth work.

Think about the social policy approach which first informed Australia’s reputation as the land of the Fair Go at the close of the nineteenth century. Albeit on land stolen from the indigenous peoples, there evolved a pattern of state-led development in the then boom pastoral and agricultural industries which featured legislation designed to set up the ‘little man’ on the land by breaking up large holdings which had emerged in the earlier period. Inclusive growth par excellence! In the early twentieth century as the land began to give way to the factory as the source of national wealth, the policy strategy to realise the dream shifted to encouraging manufacturing with a fair distribution through the wage system.

Finally in the 1940s when most of the developed world was moving to welfare states, Australia said no: the better way to achieve social security was to include people in a fully employed economy.

This brief reflection suggests ways Australia can become again a social policy model to the world. First and foremost we need a strategy to secure broad-based, employment-centred growth in a post-industrial, knowledge-based economy. Second we need to invest in the human capital package each of our citizens will need to take up these opportunities—that is, the modern equivalent of the block of land or the manufacturing skills and capital. And of course there has to be the welfare state renewal that distributes the wealth to enable people to master the new social risks that come with the radical family, demographic and labour market changes of the last several decades.

The new wave social policy

Can we find signs of this in the current wave of social policy activism? The permanent social austerity trumpeted in the 1990s proved one of the great myths of globalisation. But the wave of social policy that has followed has lacked a coherent 'social vision' or set of principles to guide policy choice. For example, Deloitte's just published evaluation of the first five years of COAG reforms makes the point that while economic policy underwent two great waves of reform in the 1980s and 1990s, social policy 'represents a substantial policy area—and a significant part of the economy—[which] has yet to undergo a wave of major reform'. Nevertheless, there are aspects of these recent initiatives which I think could provide the basis of an inclusive growth approach to shape policy for years to come.

In our book we modelled what an inclusive growth approach might look like. Our first building block has less to do with social than economic policy. Here we look for an economics that is not just about efficiency but also about equity, employment and sustainability. To be inclusive, growth must also be broad-based and centred on offering decent employment opportunities to all citizens. While not expert on the state of economics in Australia, I would venture that the discipline today is much more disposed to take account of the social dimensions of participation and productivity than it was when Fred Argy spoke at the Brotherhood in 1998.

This has been most apparent than in the game-changing COAG agenda mentioned above. Its national, systematic approach to the renewal of human capital in areas such as early years development, education, health and mental health, as well as closing the gap between Indigenous and non-Indigenous Australians, was first trumpeted as good economic rather than social policy. It is both, of course; and while the recent review highlighted a loss of reform momentum as a result of the GFC, the changing political composition of governments and the particular challenges of our federal system, the overall direction of the reforms clearly provides Australia with the base for the transition from a welfare to a social investment state.

The next policy design feature essential for the inclusive growth approach is unique to Australia. This is the break with the older tradition of wage earners' welfare. As Buchanan writes in our book, the era of 'Harvester Man' is over; that is our historical preference for using a high take-home wage for male breadwinners as an alternative to a state welfare system. The embrace of state welfare to compensate for the deregulation of the labour market can be seen as driving many of the recent apparently ad hoc welfare initiatives such as expanding family payments, child care and parental leave. While the tightening of allowances for the unemployed and sole parents are an exception to this trend, the prospect is there for a more extensive renewal of our welfare state to meet the new social risks arising in our open market economy.

If I am right then we have not only the historical form but also key policy elements in play for a remaking of Australian social policy around the goal of inclusive growth. But do we have a consensus around the goal?

Productive social policy: building a new consensus

I began by talking about the rift between the ‘civic culture’ and the ‘business culture’ and have long understood that an agenda like inclusive growth will never get anywhere unless supported by a serious new alignment of civic and business organisations. There is much to suggest that the rift is history—just recall the Sambell Oration on ‘shared prosperity’ delivered two years ago by Business Council of Australia’s CEO, Jennifer Westacott. But there is a lot of work still to be done and here I focus on the need for the welfare sector itself to take up and promote the conversation around inclusive growth. I speak with some feeling on this matter because I know that for both Tony Nicholson and myself there has been nothing more frustrating than to have colleagues in the sector resist the idea of productivist social policy and cling to a view of welfare as being primarily about redistributing cash to the poor. How many times have we had to say ‘it is not just about the money!’

It is important to understand just how social policy got itself into this cul de sac. To cut a long and very important story short, it took a fatal turn as the era of economic rationalism took hold. Back then bang in the midst of tariff reductions and the opening of the economy the idea was promoted that Australian social policy had been part of an inward-looking system of social protection based mainly on higher wages being traded off for tariffs. ‘Abandon protection!’ was the cry, and accept a role for social policy as nothing more than compensation after the free market had done its work. It was in this way that social policy was led into that narrow role described by Howe as ‘tacked on at the end to make us feel good’. Of course there is a role for compensation; but social policy should be about so much more: not just social protection or compensation, but investment.

Today I see a serious renewal of international social theory along these broader lines. And it is coming from all political sides. For example, Roberto Unger, a philosopher and minister in the reformist Lula government of Brazil and now a professor at Harvard, counsels the left to ‘abandon equality’ and commit to a vision of ‘deep freedom’. Why? Because the great social reformers of the nineteenth and early twentieth century thought about equality as an aspect of freedom. They did not hanker, he says, after ‘a rigid equality of outcome or circumstance… (and) they would never have accepted the notion that we can redress the greatest evils of social life by compensatory and retrospective redistribution of income through money transfers or social entitlement programmes organised by the state’. Rather they were committed to what he calls ‘deep freedom’, which is about the empowerment of the ordinary person—a ‘raising up of ordinary life to a higher plane of intensity, scope and capability’.

Among conservatives too, radical critiques of contemporary market economies have emerged with a similar emphasis on the empowerment of ordinary people and their communities. Influential British conservatives such as Philip Blond (*Red Tory)* and Jesse Norman MP (*Edmund Burke the first Conservative*) offer stinging critiques of what they call ‘crony capitalism’, with its concentration of economic power in the hands of the few. Their works remind us how much the great movements which led to the foundation of the market economy were inspired by revolts against monopoly and privilege. As RH Tawney pointed out so long ago, the vision of the likes of Smith, Jefferson and Condorcet was:

> a society where each man had free access to the economic opportunities which he could use and enjoy the wealth which by his efforts he had created ... It was individualistic, not because it valued riches as the main end of man, but because it had a high sense of human dignity, and desired that men should be free to become themselves.

I am confident that ideas like these are shaping a new political middle ground in Australia which should be supportive of the inclusive growth approach. By way of illustration let me mention the contribution of Noel Pearson to our national thinking on welfare. When I commenced at the Brotherhood, he was the most prominent public voice on welfare and as many here would recall his position was quite oppositional to most in the sector. Over the years, however, the Brotherhood came to accept that Pearson and others were right to emphasise issues of personal responsibility and agency in your own welfare. We found his emphasis on obligation was actually deeply rooted in Australian history and something to be reaffirmed. In his Sambell Oration of 2006, Geoff Gallop stressed that obligations also imply corresponding rights; and I think that in our welfare politics there is now a robust consensus on the need to balance the two. Today the Brotherhood and Noel Pearson have common ground on a number of key issues. Pearson's recent Whitlam Oration is a powerful call to renew what he calls the 'moral vision for universal opportunity'. Such opportunities, he explains from his own life experience, will not happen without national government intervention.

Inclusive growth, civil society and the voluntary welfare sector

I turn finally to the implications of inclusive growth for the role of the voluntary welfare sector. Kevin Andrews, the new Minister for Social Services, has signalled that he would like to open a new page in the history of state and civil society partnerships; and among his earliest initiatives has announced the establishment of a Centre for Excellence in Civil Society. This is truly a window of opportunity. For nearly two decades now the sector has operated within a governance environment laid out at the height of the economic rationalist period. A shift towards inclusive growth can allow us to redraw the roles of state, market and civil society in ways that the Brotherhood believes are much needed.

For the Productivity Commission's inquiry into 'The Contribution of the Not for Profit Sector' in 2009–10, our submission emphasised the extent to which the 'quasi market' or 'contract state' policies of the mid 1990s were turning the sector—in Michael Challen's words—into a 'de facto public service'. The cumulative critique of the model is too well known to rehearse here but I can neatly illustrate its central problem from a roundtable I attended at that time in the United Kingdom organised by the Church of England on state and civil society partnerships.

The then Labour government representative waxed lyrical on the government's strategy of building partnerships with faith-based communities in service delivery, observing that church communities and other not-for-profits were considered ideal partners because they were wellsprings of social capital and engines for the reinvigoration of civil society. However, the roundtable listened in disbelief when he announced that, as a first step, a large overseas non-government organisation was to be contracted to provide employment services. How, they wondered, could an overseas provider possibly leverage the civil society values so prized in the strategy rationale? Would not a partnership with the national grid of Church of England communities been a far more obvious option?

Little changed with the Cameron government. On his visit to the United Kingdom this year, Tony Nicholson found that in spite of rhetoric about 'big society', the contracting out of employment services, along the lines of the Australian model, has seen the process dominated by large companies with deep capital resources establishing supply chains in which a dwindling number of voluntary organisations are able to compete. This late British embrace of the Australian model may prove truly ironic as it appears that the model is finally being recognised here as the failure it is in terms of regenerating civil society.

Kevin Andrews himself has said what many of us in the sector have been waiting a long time to hear from our governments. The model, he says, has failed: it has a one-size-fits-all approach, a maze of contractual obligations, an emptying out of innovation and initiative in the sector and, through it, 'The act of giving … becomes a professional activity and a function of the State, rather than an act of charity and love directed to fellow human beings'. Moreover, overreliance on government funding has meant a decline in the capacity of the sector to perform its role in strengthening democracy: 'non-government organisations ... morph into quasi-government organisations' offering support for the party in government in order to maintain their funding. Turning this judgement into a successful alternative will be a challenge but one that must be embraced with as much imagination as shown by the reformers of the 1990s.

It is true that our welfare sector has anxieties about the future reform direction. Some think that the new federal government might have in mind a Cameron-style exercise in 'big society' (which has turned out to be little more than a fig leaf for a 'Mrs T' type assault on big government). I have already argued that Australia has moved beyond this hard liberalism and that a new welfare middle ground supports a more positive role for government. We should not make it a choice between state and civil society but ask how to maximise the positive contributions of each.

There is also the déjà vu factor. The first thrust of the social inclusion agenda was based on declarations of a dangerous decline in social capital and resulted in the creation of various state government departments devoted to building up 'community'. Over time these were rightly recognised as 'Mickey Mouse' and integrated into a broader vision of social infrastructure planning and regional economic development. Renewing civil society has to be part of a broader inclusive growth strategy.

This we can see in the new welfare consensus which has a very different starting point to social inclusion which was often correctly seen as a marginal add-on to economic rationalism. Reflected in the 'Red Tory – Blue Labour' convergence of thinking in the United Kingdom, it abandons the market fundamentalist view of the economy as composed of atomised rational actors calculating their own utility or self-interest. Instead individuals are seen also as 'social selves' in the Burkean sense explained so well by British politician Jesse Norman. Hence, while it is important for policy to promote the individual, it must equally consider the 'social order' of which that individual is a part; a social order built up of those 'little platoons' much loved by conservatives. This should give us a much more integrated way of thinking about people's welfare. Welfare interventions must not just focus on the individual alone but also on the 'social order' in which the individual lives and on whether that social order affords individuals the conditions needed for them to flourish.

This theoretical reorientation is exciting but what does it mean for practice? The future is up for grabs. We are looking at a blank policy page and it is a critical moment for still genuine voluntary organisations like the Brotherhood to be revisiting their own self-understanding, articulating what they see as their distinctive contribution as a sector and demanding that policy include it.

The Brotherhood would do well to renew its place in that rich Anglican tradition of Christian Socialism which was explained so clearly by Peter Hollingworth back in 1980 and which had directly informed the work of Fr Tucker, the Brotherhood's founder. Like so much of the new welfare consensus, this tradition critiqued forms of capitalism which gave rise to excessive inequalities and looked instead for alternatives based on equality, fellowship and the even dispersal of power through the community rather than state ownership and control. In the Sambell Oration of 1997 Trevor Hogan talked of how this tradition had given rise to a diversity of past BSL activities which in addition to services and research had included monastic community, university settlements and cooperatives. Much of the practice, theology and ethical vocabulary of this culture had disappeared, however, with what he called the ‘emptying out of the voluntary traditions and associations into the postwar welfare state’.

In this spirit the Brotherhood is already in the midst of a renewal of its identity and practices as a voluntary organisation. The professionalism and high-order management skills that came with the period of the contract state are seen as important but in the end they count for nothing if they do not add to the fellowship, equality and sharing of power across the community which the founders sought. Here we should not forget that today the Brotherhood is very much a voluntary organisation with 1200 to 1400 volunteers, an array of partnerships with Anglican parishes and community groups such as Rotary, a string of invaluable opportunity shops staffed largely by volunteers and of course numerous donors and supporters spread across the community. If an inclusive growth agenda will demand more of the ‘little platoons’ of our society then the Brotherhood is well placed to make its contribution.

But renewing the ‘social self’ after an age of acquisitive individualism will also need governance regimes across the sector which replace the competitive ethic of the contract state with the collaborative practice of inclusive growth. At the Brotherhood we already see the see the green shoots of what some are now calling ‘collective impact’ as opposed to competitive practice. In a number of major initiatives in recent years such as HIPPY, the Brotherhood was presented with opportunities to roll out new government-funded programs which the organisation had pioneered. Rather than own these as its own business, it chose to seek out and partner with existing community organisations with genuine local credentials. While the Brotherhood supplied the service model and has continued to supply high-end legal, research and corporate support, these organisations operate in their own name and own right while valuing the back up the Brotherhood is able to provide.

An outstanding example of this approach has been the Work and Learning Centres supported by the Victorian Government. The Geelong centre is an inspirational example of what this approach can achieve. It is well known that the current model of contracted employment services has come to replicate the strengths and weaknesses of the bureaucracy it replaced: very efficient at delivering stock standard, one-size-fits-all products but weak at engaging more complex cases especially those needing serious community engagement. Thus in Geelong there were some suburbs with high numbers of unemployed whom the standard services failed to touch effectively. So, with the support of the Victorian Government, the Brotherhood teamed up with an inspirational community group called Northern Futures. The group is spearheaded by leading business people with a vision for a Geelong with a strong economy in which no neighbourhoods are left behind. So with a small crew of paid staff and a larger number of volunteers they have taken on the Centre for Work and Learning with the Brotherhood’s assistance and are getting great results with the people whom the mainstream system has failed. You could not have a better example of how mobilising the ‘social self’ can empower the individual.

The importance of these kinds of initiatives at the local level should not be underestimated. In last year’s Sambell Oration Roz Hansen emphasised that ‘the building blocks of successful cities are strong and cohesive local neighbourhoods’; while in her recent Boyer Lectures the Governor-General Quentin Bryce made an eloquent case for the renewal of our civil society by neighbourly action at the local level. For these purposes, agencies like the Brotherhood need to renew themselves from within but we also have to address the challenge of finding governance and funding arrangements which promote collaborative impact. We must get beyond short-sighted quests for efficiency that occurred through competitive tendering. As Tony Nicholson and Bishop Huggins discuss in the Brotherhood's Annual Report for 2013, while not shying away from the quest for greater productivity and efficiency in service delivery, instead of:

> 'duplication and confusion' we ought to see in the spread and diversity of providers the 'elements of a rich mosaic that reflects the reality of the complexities of human and community life ... In particular we have in mind those of the smaller, locally based organisations, which hold the greatest potential for capturing and expressing the altruism of the communities in which they are embedded.

By way of conclusion let me say a word of thanks to the Brotherhood of St Laurence for this opportunity of working with you these last ten years. One of Fr Tucker's great legacies I feel was his ecumenism in what was a very sectarian age. He was willing to work with anyone he thought would advance the cause. And so today one of the great things about the Brotherhood is the way it manages to bring together such a motley crowd in terms of backgrounds and beliefs and transforms them into 'brothers and sisters' as they work in a common cause of ending poverty in Australia.

I do like to fancy that in the words of Henry Lawson on 'The Shearers':

> They tramp in mateship side by side –
> The Protestant and Roman
> They call no biped lord or sir,
> And touch their hat to no man!
> They carry in their swags, perhaps,
> A portrait and a letter –
> And, maybe, deep down in their hearts,
> The hope of 'something better'.

Selected readings

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