

Day 1: Thursday 2nd April

ACOSS  
National Conference



Building a Fair Australia in  
Tough Economic Times

*Overseas Technology Park, Sydney*

April 2 - 3, 2009





## Day 1: Thursday 2<sup>nd</sup> April

### **Perspectives on Fairness**

**Ian McAuley**

Lecturer in Public Sector Management, University of Canberra

3

### **Social Inclusion: Progress and Priorities**

**Professor Paul Smyth**

General Manager of Research and Policy Centre, Brotherhood of St Laurence

15

**Professor Alan Hayes**

Director, Australian Institute of Family Studies

23

**Rosemary Young**

National Director, Frontier Services

48

### **Adapting to a New Labour Market**

**Professor Stephen Sedgwick**

Director, Melbourne Institute of Applied Economic and Social Research

62

**Julia Perry**

Independent Social Research

72

### **Indigenous Communities: Rights and Results**

**Professor John Altman**

Director, Centre for Aboriginal Economic Policy Research

87

**Barbara Shaw**

Community Leader, Central Australia

100

# Fairness matters

Paper to accompany presentation to ACOSS National Conference, April 2009

Ian McAuley, University of Canberra and Fellow, Centre for Policy Development

## Introduction – fairness matters

This audience hardly needs reminding that fairness matters. To many hardheaded economists, however, including those in government agencies, fairness is only a secondary consideration in public policy – something for the “soft left” to worry about.

To counter this notion, I want to concentrate on economic aspects of fairness, emphasizing one aspect particularly relevant to our time, namely the way we allocate risk across our society.

In relation to risk there are two basic inequities. One arises from the legacy of outdated categories of “labor” and “capital”, to which is attached the idea that because financiers contribute capital to productive enterprises, because they take the risks, they should be compensated with appropriate rewards. The other inequity arises from the way we have increasingly left people, including the least advantaged, to rely on flawed and high risk private markets to provide those buffers which would be more fairly and efficiently be provided by governments, while privileging some of the most reckless and irresponsible people in private corporations with government largesse for their risk-taking.

First, a look at how economics handles fairness.

## Pareto’s boats and public policy

“A rising tide lifts all boats” is the often heard metaphor to describe a society in which everyone becomes better off, even if disparities widen. It has become a justification for unfairness.

For much of recent history economic philosophy (and therefore public policy) has been in a struggle between two strong ideas, those of Jeremy Bentham and those of Vilfredo Pareto.

Bentham (1768 – 1832) was a liberal political philosopher, a child of the Enlightenment, with radical ideas for his time, such as equal rights for women, abolition of slavery, and abolition of the death penalty. His political philosophy has been claimed both by the right, because of its emphasis on individualism, and by the left, because of its emphasis on maximizing “utility” for all, or, in more commonplace terms, maximizing the community’s “welfare” or “happiness”. As an aside, his ideas were particularly influential in the young Australian colonies, as they forged a political identity which would distinguish Australia from the Old World.

In the Benthamite world, redistribution is justified on the basis of the notion of what economists call “diminishing marginal utility”.

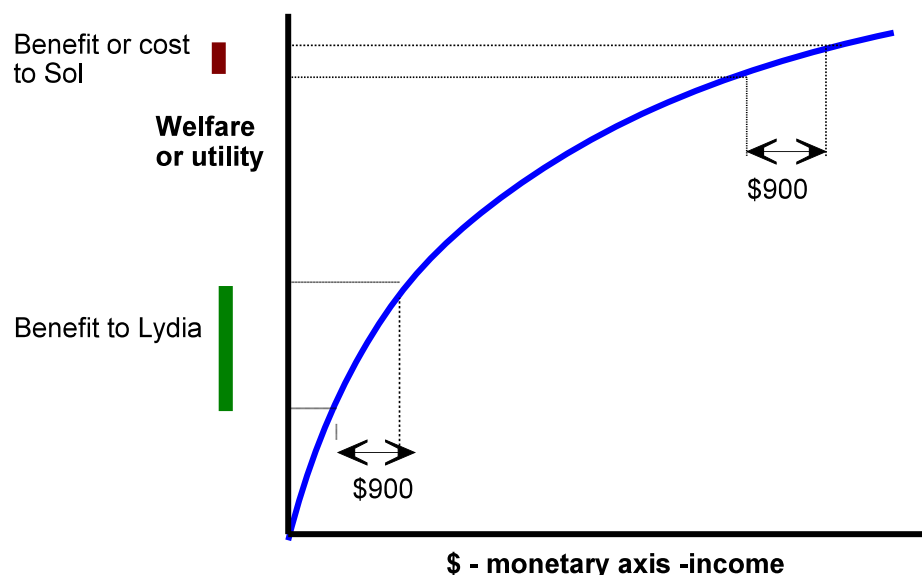
To illustrate, consider two hypothetical people. I’ll call one Sol, who has been an executive in a large company and has had a generous termination payment. And there’s Lydia, who is

similarly out of work, but she was a machine operator at a clothing company which has recently shifted offshore. Both are eligible for the Government's \$900 stimulus payment. Sol has a good accountant who has got his taxable income down to poverty line levels, while Lydia needs no accounting contrivances to show a low income.

Think of the benefit of the \$900 to these two people. By any stretch of the imagination the benefit to Lydia must surely be more than the benefit to Sol (assuming Sol even notices an unrequited \$900 deposit in his bank account).

What I have just illustrated is the Benthamite notion of *diminishing marginal utility*. By the same notion, overall welfare would be improved if we were to take the \$900 from Sol and give it to Lydia, for the welfare loss to Sol would be less than the welfare gain to Lydia. See Figure 1 for a conventional graphical presentation of this model.

**Figure 1. Benthamite redistribution illustrated**



Such a notion of welfare lies behind economic policies such as progressive taxation and means-tested benefits. Australia, for example, pioneered age pensions and used to have steeply rising marginal tax rates, as high as 66 cents in the dollar for high income earners, and our old sales tax system imposed high taxes on luxuries.

The economic philosopher whose ideas have tended to dominate in the last thirty years, however, is Pareto (1848 – 1923), who essentially said that it is impossible to compare and add or subtract different people's welfare. According to the Pareto principle in economics, we can consider welfare to improve only if some are made better off, while no-one is made worse off. Thus, if economic growth is accompanied with widening inequality, it's still beneficial, just so long as no one goes backward. If Sol gets \$900 while Lydia gets \$9 or even nothing,

that's a Pareto improvement, but if Sol is taxed \$900 to transfer a benefit to Lydia, that is not a Pareto improvement, because we cannot say anything about how Sol and Lydia value \$900.

It's not hard to see the weaknesses in this economic philosophy, which completely ignores distribution. It has been a convenient justification for rising inequality in times of strong economic growth, however, for it absolves the privileged from being concerned with inequality – if I become better off then society is better off. What's good for me is good for Australia.

This barren philosophy, however, comes under strain when the tide is falling. It is morally repugnant to many people, and it fails to recognize the economic cost of inequality.

### **The economics of inequality – perspectives of an errant economist**

The “errant economist” is Thomas Schelling, a pioneer in behavioral economics, particularly the application of game theory to economic situations, and winner of the 2005 Nobel Prize in economics.

Let's look at some of the games and simulations typical of those Schelling would apply to his experimental subjects.

The first is the *ultimatum game*. Player A, the “offerer”, has temporary control over \$10. She is to propose division between herself and Player B, the “acceptor”. If player B accepts the proposed division, then the division occurs. If player B rejects the proposed division, then both parties forfeit.

By the logic of Pareto economics, Player B, the “acceptor”, should accept *any* division – \$1.00/\$9.00, or even \$0.05/\$9.95. But, in repeated round experiments, researchers find that “acceptors” reject such imbalanced divisions, preferring to walk away empty-handed. And, unless prompted, “proposers” tend to offer divisions close to a 50:50 split.

Another simulation is an experimental pair of questions:

- A) You are going to buy a good quality digital camera. It is available at a local camera store for \$1000. It is also available at a store, twenty minutes drive away, for \$970. You have no prior relationship with either store. Do you travel across town to buy the cheaper camera?
- B) You are going to buy a radio. It is available at a local store for \$70. It is also available at a store, twenty minutes drive away, for \$40. You have no prior relationship with either store. Do you travel across town to buy the cheaper radio?

Now the calculating economist, *homo economicus*, should apply the same decision to both these situations, based on whether he or she estimates the personal cost of a journey to be greater or less than \$30. But many more people travel in situation B than in situation A.

These and similar simulations demonstrate that most of us are willing to bear some personal cost in order to avoid a transaction which we consider to be unfair. In the ultimatum game we lose the amount we may have gained from agreeing to an unfair division. In the travel simulation we may consider a three percent price differential to be reasonable and not bother

travelling across town, but a 75 percent price differential suggests that the local supplier is trying to rip us off.

We punish unfair behavior, at personal cost, in the first case by denying the proposer her share, and, in the second case, by denying our custom, even if we incur more than \$30 in travelling costs in doing so.

And another simulation.

For each of the situations below, indicate on a scale from 0 to 10 how upset you would be.

- |   |       |    |
|---|-------|----|
| 1. On an unsealed country road you put a stone through the muffler on your car, which will cost \$500 to repair.  | 0     | 10 |
|   | _____ |    |
| 2. At work you act in a higher position for four weeks, for which there is usually a \$125 a week extra pay, but you don't get the extra pay.   | 0     | 10 |
|   | _____ |    |
| 3. At a crowded venue you discover your wallet/purse has been taken. It had \$500 cash in it; fortunately your driver's licence, credit cards etc were elsewhere.   | 0     | 10 |
|   | _____ |    |
| 4. You take an overseas trip, spending \$2500. On the plane you discover the person in the next seat has bought the same package for \$2000.  | 0     | 10 |
|   | _____ |    |
| 5. You have been trying to sell a used car for \$7500. Two buyers have inspected it and gone away. One has phoned you back with an offer of \$7000, which you have accepted. Ten minutes later the other buyer phones offering \$7500.                | 0     | 10 |
|   | _____ |    |
| 6. You have an operation which requires an anaesthetic. The schedule fee for an anaesthetic is \$400. The bill you get from the private anaesthetist is \$900.  | 0     | 10 |
|   | _____ |    |
| 7. In a violent storm the roof of your house develops a leak and the damage costs \$500 to repair. (Your insurance deductible is \$1000.)   | 0     | 10 |
|   | _____ |    |
| 8. You make a donation of \$500 to a charity devoted to children who have been injured by landmines. A week later you read in the paper that the charity was a scam. The money will never leave Australia, and will be absorbed in "consulting fees". | 0     | 10 |
|   | _____ |    |

If you scored every situation identically, on the basis that every one involves a loss of \$500, then you must be a very well-conditioned economist, ready to take up a senior position in the IMF or even in the Australian Treasury.

But, of course you probably don't see these situations identically. You probably dismiss a leaking roof or a punctured muffler with a couple of curses, but the discovery that you have been scammed keeps you awake at night in anger. We are not passive creatures carrying a personal ledger measured by cash flows, but we are very concerned by the legitimacy of transactions.

Lest we believe these findings relate only to laboratory findings, we can find them manifest in everyday life. We need look no further than the anger at AIG executives; in relation to what they have cost due to their incompetence, the \$250 million bonuses are trivial – about one tenth of one percent of the federal bail out money. But our disproportionate anger arises because we consider these bonuses to be unfair; we are more forgiving of incompetence than of theft.

Another case, closer to home, is provided by toll roads. When traffic experts calculate the savings in terms of vehicle wear and time saved, road tolls seem to be a good bargain. To take Sydney's cross city tunnel as an example, a \$4.16 payment to avoid 13 sets of traffic lights and heavily congested roads looks like a good deal. But the tunnel was a financial flop, and it went broke because the traffic projections were not met. I suggest the reason was that people did not consider it as fair that so many parties had their fingers in the till. (Public-private partnerships are an absurdly expensive way to fund infrastructure, but that's another story.)

### **The hardheaded economics of fairness**

Some hardheaded economists would argue that it's irrational for us to be concerned with fairness. We would all be better off if we keep our emotions at bay and accept what we can get; it makes no sense for us to incur a cost just to punish someone else who's doing better than us. And, as an appeal to higher authority, they may remind us that envy is one of the seven deadly sins – think how often a proposal to bring more equity into public policy is dismissed as “the politics of envy”.

The shortcoming of this view is that it models behavior on a purely individual basis. It's poor economics. When open-minded economists such as Schelling, systems theorists such as Natalie Glance and Bernardo Huberman, and social scientists such as Robert Axelrod, get together, they find social cooperation can be a significant asset in evolutionary adaptation.

In simple terms, groups which cooperate can accumulate more resources than those in which each individual looks only after himself or herself. In groups without cooperation individuals must devote significant resources protecting their own interests, for fear of predation by other group members. We can see this most clearly in so-called “failed states”, where trust and therefore social cooperation have evaporated. Groups with strong norms of cooperation are more productive, because individuals can spend less effort protecting their own interests and can spend more effort contributing to their own and collective interests. In other words, if we are not fending off marauding competitors we can actually do something useful. In this way, groups with strong norms of social cooperation can accumulate more resources in the form of

both individual and collective wealth than groups with weak cooperation. One such set of norms relates to fairness.

Of course cooperation can be enforced without regard to fairness. There can be systems of enforced cooperation ranging from strong anti-union legislation through to slavery. But, particularly as shown in research in the US comparing productivity before and after Emancipation, slave labor is much less productive than free labor. There are two reasons. One is that coercion is costly; as people lose trust in one another they have to spend more on coercive mechanisms. In a slave society those mechanisms are guards and supervisors, in a modern society those mechanisms are contracts, legal services, accountants, police forces etc. The other reason is that, as psychologists know, coercion through punishment elicits at best sullen compliance, rather than productive effort. Even the much-maligned Frederick Winslow Taylor pointed this out: when the laborer Schmidt found he could share in the rewards from his effort, his output rose strongly.

Public health research, such as Michael Marmot's famous Whitehall studies, and more recent work such as the research of Richard Wilkinson and Kate Pickett, finds that societies with fairer distribution of economic power, such as Japan and the Nordic countries, have less violence, better health, and longer life expectancy. These are economic benefits, as such societies need spend less on services such as policing, rehabilitation and health care, but, by quirks of national accounts (which record the costs of running jails, for example, as economic "output"), they do not show up easily in national accounts.

Social cooperation also allows for role specialization. When people feel they can trade in fairly constructed labor and commodity markets they are likely to engage in specialization and trade, thereby realizing further economies. Note, for example, that in societies with underdeveloped markets or with markets dominated by strong parties, there is often reliance on inefficient means of production, such as barter and attempts at household self-sufficiency. While we may have a romantic attachment to such arrangements, they do involve a large opportunity cost.

These arguments are not a soppy "left" defense of fairness. Rather, it's a hardheaded description of why norms of fairness are basic economic assets. It helps explain why it makes evolutionary sense for individuals to exert effort to punish those who violate such norms. It explains the value of unrequited altruism, ranging from giving way to others in a traffic jam through to sacrifice in battle.

Role specialization inevitably means different people will be exposed to more or less risk – test pilots and accountants bear different levels and types of risk. And role specialization is costly, for specialization requires investment in skills. Unfortunately, in our categorization of "labor" and "capital", we do not fully recognize such investment and its risks. That's the subject of the next section of this paper.

## **Workers as risk-taking capitalists**

We bear the legacy of early Industrial Revolution ways of thinking, particularly about how we classify what economists call the "factors of production". These three factors are *land* (or natural resources), *labor* and *capital*. We hear reference to these factors, such as in the



recently-produced Commonwealth's consultation paper on Australia's future tax system, in which there is a clear distinction between taxing labor and taxing capital (investment), and which raises the question that perhaps we should be shifting the tax base away from capital.

This division rests on a model of the economy in which the entrepreneur makes a large and risky investment. According to this model the entrepreneur takes many risks – risk that the technology will become outdated, risk that competitors will do a better job, and risk that market fashions will change. By contrast, all the worker has to do is to turn up to work and get paid. If one company goes broke, the worker can move to another. The only risk the worker faces is a macroeconomic one of a recession or depression, but provided a high level of employment can be maintained, the worker faces no risk.

That model, and its associated classifications, is seriously outdated.

For an illustration, consider the recent closure of the BHP nickel mine at Ravensthorpe in Western Australia. I'm not trying to single out BHP, which, by comparison with other multinational mining companies, has a good record of labor relations, but I do want to use this closure to illustrate a point about how risk is distributed.

To start with the perspective of "capital". While BHP-Billiton is clearly suffering from depressed commodity prices, it is hardly under any risk of bankruptcy. Ravensthorpe is only one of BHP's many operations. Even if the company itself were in trouble (as some mining companies are), few shareholders would be severely hurt by the company's demise, for almost all shareholders, through superannuation funds or diversified personal holdings, have shares in other companies. They stand to lose only part of their capital and income. And, of course, they have no long term commitment as owners; a few strokes on a computer keyboard can acquire or dispose of BHP-Billiton shares.

To move to the perspective of "labor". Many people have invested heavily in developing skills relevant to mining. Many have developed further skills described as "firm specific" – that is, a set of skills relevant to the Ravensthorpe mine, and not immediately transferred to another establishment. (Compare that situation with the "investor's" few clicks on a keyboard.) Some have bought houses in the area, have sent their children to local schools, and have invested in the local community in many ways. And of course the loss of a job and reversion to a Newstart allowance is catastrophic to the individual, quite different from a downturn in another individual's share portfolio.

Now it's gratuitous to point out the unfair distribution of risk in this and similar situations. But the point I want to stress is that we will find it hard to develop a fairer system of economic rewards until we re-frame our thinking, particularly away from the old labor/capital divisions – a way of thinking which is deeply entrenched, from Karl Marx through to industry lobbyists. We need to look more fundamentally at what we mean by the term "investor", and to appreciate how investor risk is distributed.

Our Government has announced an aspiration to have 40 percent of young people participate in post-secondary education by 2025. Few would question the desirability of such an upgrade of our skills, but we need to realize that we are asking people, perhaps as young as 14, when they start to take on elective school subjects, to make decisions involving risk. These decisions are investment decisions. They are investments in human capital, and they involve

much more commitment, with far fewer escape routes, than the decisions faced by a plant manager deciding to invest in a piece of machinery, or by a shareholder deciding how to allocate a portfolio.

We cannot avoid risk, and, as the \$500 exercise shows, we are accepting of risk when we see no evil intent. But we can ameliorate its consequences. And we can provide mechanisms which provide a backstop for those whose investments in human capital turn sour. Unless we provide such mechanisms we will lose out, for we will become more risk-averse. For example, in the absence of such mechanisms, young people choosing tertiary studies, are likely to opt for low-risk low-reward courses such as “business studies”, which will always provide adequate skills for low grade clerical work, rather than high-risk courses such as mechanical engineering or drama. Without well-designed safety nets risk aversion will dominate, at a huge economic cost as we become less risk-taking and less entrepreneurial.

Schemes such as universal tax-funded health insurance, unemployment and retraining benefits, and assured retirement pensions, are not just some distributive luxury. Rather, they are economic assets underwriting the risks which people are called upon to take in an energetic and innovative society., where some people will inevitably find their risky investments fail.

But, rather than strengthening those mechanisms we already have, we have gone horribly wrong in the rewards and punishments for risk taking. We have rewarded the recklessness of the privileged, while leaving many of the weakest in society unnecessarily exposed to high risk in flawed private markets as we wind back forms of collective insurance.

### **The risk-shift society**

“We will establish a National Compensation Scheme to reduce the hardships imposed by one of the great factors for inequality in society – inequality of luck.”

That was Gough Whitlam’s promise in his 1972 election speech, and he tried to make good on that promise, establishing a committee, headed by Justice Owen Woodhouse, to inquire into and recommend on a national rehabilitation and compensation scheme, to replace fragmented transport accident, workers’ compensation and other schemes, in which outcomes largely depended on the luck of the draw and on one’s access to a sharp lawyer.

The committee reported in 1974, and recommended a scheme which would provide high income support (85 percent of pre-incident income) to those suffering illness or injury, irrespective of cause.

The reaction to the recommendations was hysterical. Doctors and tort lawyers saw lucrative sources of income threatened. Life and general insurance companies were even more horrified; they even encouraged their employees to take to the streets to protest about such a threat to their jobs.

The hysteria was enough to give the opposition-controlled Senate an excuse to block the government’s legislation giving effect to the recommendations. We now realize, however, that the insurance industry’s opposition to government underwriting of risk is strangely absent when the injured are the insurance firms themselves.

Shortly after, in 1976, an inquiry headed by Keith Hancock recommended a partially contributory, universal pension system with an earnings-related supplement. By then the Whitlam Government had lost office, and the report fell on deaf ears.

Ten years later, even though Labor had returned to office, the political scene had changed. The insurance industry was given a boost by the Hawke Government's introduction of compulsory occupational superannuation. Initially this was a small contribution at three percent of income, and was designed more for immediate macroeconomic needs rather than as a retirement income scheme, but by 2003 it had risen to nine percent, and there is now pressure to take it up to fifteen percent.

This has been a compulsory privatization of retirement savings for all but those eligible for the full pension. The aspect that is of most relevance in the context of risk is that, unlike almost every other developed country, our scheme carries the risk of personal accounts. To illustrate this risk, consider someone with 40 years of work, with an income of \$60 000 (inflation-adjusted) over that period. Assuming a real (inflation-adjusted) average return of four percent, with a plus or minus distribution of two percent, his or her retirement accumulation and the pension it can finance will vary over the range shown in the table below.

Real return	Retirement accumulation \$'000	Pension \$'000
2%	290	27
3%	360	33
4%	450	42
5%	570	53
6%	720	67

It may be surprising that a two percent swing around a mean can have such a strong effect, but that's the power of compounding over a long period. In fact, such differences in returns can be explained by fees alone; differences in pre-fee returns can result in an even wider spread, even for similar products such as "balanced funds". Two people, in similar occupations with similar incomes over their working lives, can find their retirement outcomes varying between poverty and high comfort.

It is absurd to believe that individual investors should be able to assess these differences at the time they make their fund choices. Even well-informed investment specialists cannot make such predictions. Essentially individuals are left to take their chances in a lottery, with very little hedge cover (other than a parsimonious age pension).

The calculations in the above table assume a well-functioning market for private pension products, but in reality the odds are stacked against retirees who depend on financial institutions. While it is easy to buy a term pension (which lasts for a defined period) or an allocated pension (which lasts until funds are exhausted), it is very difficult to get a lifetime pension which lasts until death. Insurers claim that they have retreated from this market because of what is known as "longevity risk" – the risk that you or I on retirement may have the indecency to live beyond our statistically determined life expectancy. Longevity risk is

shifted away from the so-called “insurer” (which has the capacity to pool risks, and to hedge longevity risk against death policies), back to the individual.

In house insurance, it is easy for people to find themselves under-insured, not because they have underestimated the present replacement value of their house, but because their house is lost in a regionally concentrated incident, such as Victoria’s recent fires, Canberra’s fires in 2003, or the 1989 Newcastle earthquake. In such instances authorities generally apply higher and more expensive requirements for re-building, and there is usually a regional shortage of tradespeople, resulting in higher building prices. In such cases individuals are left bearing open-ended risk, while “insurers” cap their own risk. (Only a small number of insurers provide cover against such inadvertent under-insurance.)

Following the Victorian bushfires the Insurance Council made an extraordinary call for compulsory home insurance in fire-prone areas, and suggested that relief funds not be made available to people who were not insured. What they neglected to mention, however, is that house insurance is an expensive product: about 30 percent of premiums are absorbed in administration and profits. And, insurers are all too willing to insure small items, where their risk is contained, but are unwilling to offer affordable risk-sharing products, in which the insured person takes a known risk, say of the first \$10 000 or \$20 000, while the insurer covers the open-ended risk. (Insurers play on people’s risk aversion and difficulty in understanding risk by offering policies to cover trivial risks, such as freezer contents, or by selling quite unnecessary cover such as extended warranties.)

In private health insurance, even the most expensive ancillary policies cap the health insurer’s liability, leaving consumers bearing the open-ended risk.

The feature that these and other policies have in common is that they leave individuals bearing open-ended risk, while the firm contains its risk. In fact, most products called “insurance” should not be called by that name; it’s a cruel hoax to play on consumers who believe they are insured when they are left bearing open-ended risk. At best their offerings should be called “limited insurance” or “bill paying supplementation”.

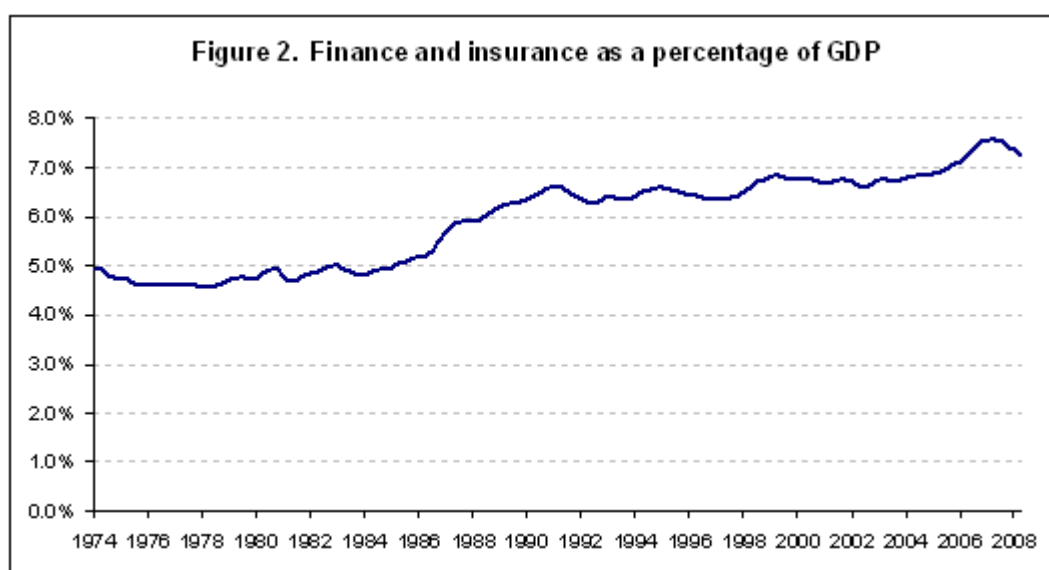
As a consequence of our privatization of risk, we are left seriously exposed in some areas and over-insured in others. The risks described above relate to everyday and unavoidable risks, such as fire, ill health and unemployment. But there is another class of risk, of collapse of financial markets.

It is obvious in the current crisis is that private markets are not good at providing cover against significant risks, particularly those that arise because of the nature of the financial system. Private markets can do a reasonable job in covering against risks which have neat, normal, distributions around a mean, and such models form the basis for financial market operations, which, based on certain assumptions about rationality and well-informed actors, can keep the financial system humming along in more or less stable equilibrium.

But the world is not so neat, and occasionally there come along events way outside the range of the models, what Nicholas Taleb calls “black swans” (in a world conditioned to seeing white swans). And the mechanisms which are designed to bring stability, such as hedge funds, can actually develop wild and uncontrollable positive feedback loops which promote instability. That’s the system failure we are now experiencing.

## Conclusion – closing the casino

In the financial system we are seeing the worst case of market failure in 80 years. Over the last thirty years in particular, the finance sector (including insurance) has moved from a role of serving the real economy (the economy where people make things and provide real services for one another) to become a huge parasite on the real economy. Over the period 1974 to 2008 the sector “finance and insurance” has grown from under five percent of GDP to more than seven percent of GDP – a period when one would have expected the huge gains from information technology to have seen the cost of financial services reduce, rather than expand.



Note, from Figure 2, the growth spurt in the mid 1980s when the Hawke Government deregulated the finance sector. From then on, many of those employed in finance lost all contact with the real world, as they traded between one another in products such as collateralized debt obligations and credit default swaps that were separated by many stages from any real assets.

Even as a parasite the sector has not been particularly clever. Intelligent parasites try to maintain an equilibrium with their hosts, but this one has been dumb enough to inflict severe damage not only on its host but also some of its own species.

Perhaps the greatest damage the financial sector has imposed is a destruction of norms of fairness. For many years we have seen bigger and bigger profits accruing to financial firms, and bigger and bigger returns to their senior managers, even as the crisis develops. As one commentator has said, the captain and crew have grabbed the lifeboats for themselves.

Financial systems rely on trust, but those in the financial corporations have lost our trust, and have lost the trust of one another; that's why it's so hard to get credit flowing again.

It is not just the clear criminals like Bernie Madoff who have let us down; they are only the extreme examples, scapegoats paying the price for much wider bad behavior. Every trader

who lived in the make-believe world of finance bears some responsibility. They came to believe that they were creating wealth (they still talk about “wealth management”), when all they have been doing is shuffling money around, and keeping some for themselves. Money is not “wealth”; it is merely a partial and flawed representation of wealth. So too do our politicians bear some responsibility, particularly those in office over the boom period who took credit for the booms in asset prices (which were nothing more than price inflation).

It is because there has been a loss of trust that it is so hard to get the financial system re-established, and that is why governments need to go much further than they have done so far. It’s not just about re-jigging a few regulations, or clawing back a few bonuses. We need to atone for the broken trust. We need to live in a society where we know the economic rules and norms are fair: otherwise we will withdraw from productive economic cooperation.

The financial system needs re-designing, so that it serves the real economy rather than itself. As Peter Hewson has said, arguing for a fundamental re-design of our financial systems:

“If we learn anything from this crisis, it should be that economic growth based on excessive liquidity, debt and greed is unsustainable.”

The real economy does not need all the opaque and manufactured complexity that has been built up over the last twenty years. All it needs are a few simple instruments, such as shares, loans, and a limited range of hedge products to cover real trade and investment transactions. The rest is fluff, and expensive fluff at that.

Such a re-design may take out some of the fun in the sector. Most of the people who are still working in the sector may need to go and get real jobs. But it will dramatically reduce the risk of economy-wide damage, and will allow governments to underwrite the risks of people doing useful work and taking risks that, in aggregate, will have some productive payoff, rather than playing computer games with other people’s money.

It was Keynes who warned about the risk of the capital development of a country becoming the by-product of a casino. As we know, in a casino the only assured winners are the casino owners. In a well-functioning capital market serving the real economy there is still risk to investors as they take on the normal risks of technologies, markets etc, but by good regulatory design there is protection against “casino risk” – the risk that the market will be transformed into a casino by those with no concern for the real economy, and whose attention is focussed on the high rollers rather than on sober investors..

It’s time to close the casino.

---



# Brotherhood of St Laurence

Working for an Australia free of poverty

**Paul Smyth, Professor of Social Policy,  
University of Melbourne and  
General Manager, Research & Policy Centre**



## Social Inclusion, Social Democracy and the GFC

**Paul Smyth, Professor of Social Policy,  
University of Melbourne and  
General Manager, Research & Policy Centre**

Working for an Australia free of poverty

## The emerging agenda

- Varieties of Social Inclusion
- Social inclusion Down Under 2008
- GFC : social democracy 2009

## liberal or social democratic

*(from Hilary Silver)*

	<i>liberal</i>	<i>social democratic</i>
• <b>Conception of integration</b>	specialisation	monopoly
• <b>Source of integration</b>	exchange	citizenship
• <b>Ideology</b>	liberalism	social\democratic
• <b>Discourse</b>	underclass	inequality
• <b>Thinkers</b>	Locke \Smith	Marx\Marshall
• <b>Social policies</b>	Residual (charity)	Universal (welfare state)



## Before Rudd

- Federal: welfare to work\family payments
- States: neighbourhoods, communities and place based disadvantage
- Joined up problems\ joined up government
- Welfare state grows by ‘stealth’

## Theoretical Foundations

- A new understanding of disadvantage (Sen)
- (multidimensional\ “end of poverty wars”)
- investment not ‘passive’ welfare
- ‘basket of services’ as much as income
- Paid work needs to be inclusive
- New social rights for the 21<sup>st</sup> century

## Labor's Aspirations

- Gillard: from “welfarism” to social investment
- ‘All to access secure employment, services, social connections ... and resources to deal with personal crises such as ill health, bereavement or the loss of a job; and to have their voice heard’

## Aspirations (1)

- **Reducing disadvantage (universal services)**
- **Increasing social, civil and economic participation**
- **Sustainable**

---

**A greater voice, combined with greater responsibility**

- **Building on individual and community strengths**

## Aspirations (2)

- **Partnerships with key stakeholders**
- **Tailored services**
- **Early intervention and prevention**
- **Joined-up services**
- **Evidence based**
- **Locational**

## ‘Early Runs on the Board’

- Eg. Homelessness White Paper
- Shared responsibility
- Prevention\ joined up problems
- Capacity building
- Client centred\ joined up services
- Aware of key transitions
- Evidence based with performance targets

## Big on Governance

- All but 2 aspirations address administrative and policy process issues
- ‘Joined up’ \ personalised \ networked etc
- A post-market, network paradigm
- Evidence Based Reporting : Indicators
- A New Compact

## But a Compact for what?

- 1900s: a wage earners’ welfare society
- 1940s: full employment
- 1970s: social democratic welfare state
- Each has failed
- Today: an incoherent regime

## New Policy Architecture

- The Reintegration of Social and Economic Policy
- Social policy in 70s ignored the economy
- Economic policy in 90s ignored the society
- Social inclusion regime must have both

## Economic rights & responsibilities

- Obligated to contribute to creating the wealth
- Rights to develop human capital\ and inclusive work
- Investment in infrastructure not ‘one off’ stimulus but permanent: a Social Infrastructure Board?
- Post ‘rocks and crops’: a high wage economy ?
- A Compact for a Competitive Economy



## **Social rights and obligations**

- Key capabilities across life course
- Good transitions between life domains:  
work - care - education - unemployment
- Culturally inclusive
- Reconciliation
- A Compact for a Fair Go

Working for an Australia free of poverty

# Social Inclusion: Possible impacts and probable residues of the "Great Recession"<sup>1</sup>

Presented by

**Professor Alan Hayes**

Director, Australian Institute of Family Studies

2 April 2009

at the

**ACOSS National Conference 2009**

**Building a fair Australia  
in tough economic times**

2-3 April 2009

Australian Technology Park, Sydney



**Australian Government**

**Australian Institute of Family Studies**

<sup>1</sup> The views expressed in this paper are those of the author and may not reflect the views of the Australian Institute of Family Studies or the Australian Government.



**Australian Government**

**Australian Institute of Family Studies**

## Acknowledgements

This presentation has been greatly enriched by the work of my colleagues

Dr Matthew Gray  
Dr Jennifer Baxter  
Ms Lixia Qu  
Ms Ruth Weston  
Dr Ben Edwards  
Ms Diana Smart  
Ms Nancy Virgona

and the many others at the Australian Institute of Family Studies  
with whom I am privileged to work.



Australian Government  
Australian Institute of Family Studies

## Introduction

Background to the development of social inclusion approaches

- Is exclusion synonymous with poverty? Or not?
- Exclusion involves limited:
  - ◆ Social participation
  - ◆ Social integration
  - ◆ Social capital
  - ◆ Access to opportunity
  - ◆ Power and agency



Australian Government  
Australian Institute of Family Studies



## Three forms of exclusion

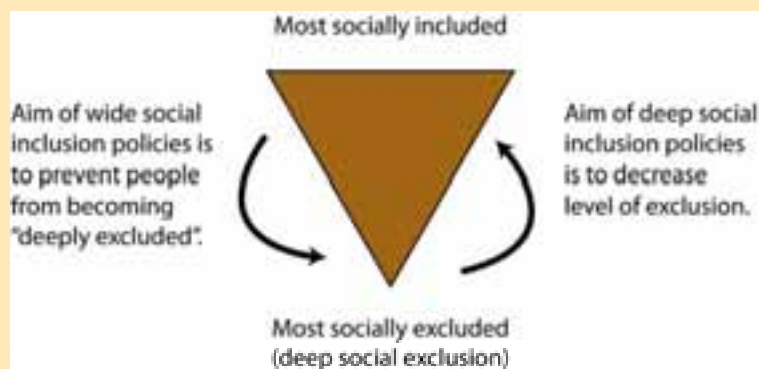
- **Wide exclusion**
  - ◆ refers to the large number of people being excluded on a single or small number of indicators.
- **Deep exclusion**
  - ◆ refers to being excluded on multiple or overlapping dimensions. Deep exclusion is more entrenched and deep-seated than wide exclusion.
- **Concentrated exclusion**
  - ◆ refers to a geographic concentration of problems and to area exclusion.

(Miliband, 2006)



Australian Government  
Australian Institute of Family Studies

## Dynamic relationship of wide and deep social inclusion policies



Australian Government  
Australian Institute of Family Studies

## Australia's focus

### To be socially included requires opportunities for:

- securing a job;
- accessing services;
- connecting with others in life through family, friends, work, personal interests and local community;
- dealing with personal crises, such as ill health, bereavement or the loss of a job; and
- being heard.

(Gillard, 2008)



Australian Government  
Australian Institute of Family Studies

## Priority aspects

- Locational disadvantage
- Jobless families
- Homelessness
- Child poverty
- Intergenerational disadvantage
- Employment and people with a disability
- Children at risk



Australian Government  
Australian Institute of Family Studies

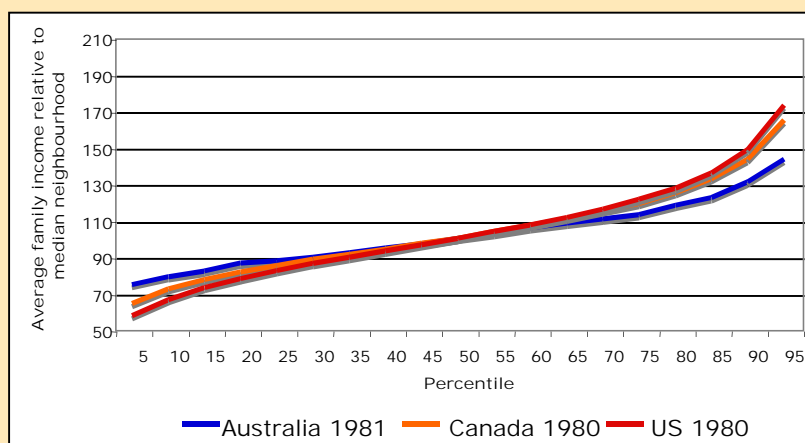
## Australian research on locational disadvantage

- From 1981 to 1996 the level of neighbourhood income inequality increased in Australia  
(Gregory & Hunter, 1995; Hunter & Gregory, 2001)
- The growth in neighbourhood income inequality since the 1970s in Australia also mirrors what has occurred in the United States and Canada  
(Hunter, 2003)
- Neighbourhood socio-economic status was associated with social/emotional and learning outcomes for 4-year-olds.  
(Edwards, 2005)



Australian Government  
Australian Institute of Family Studies

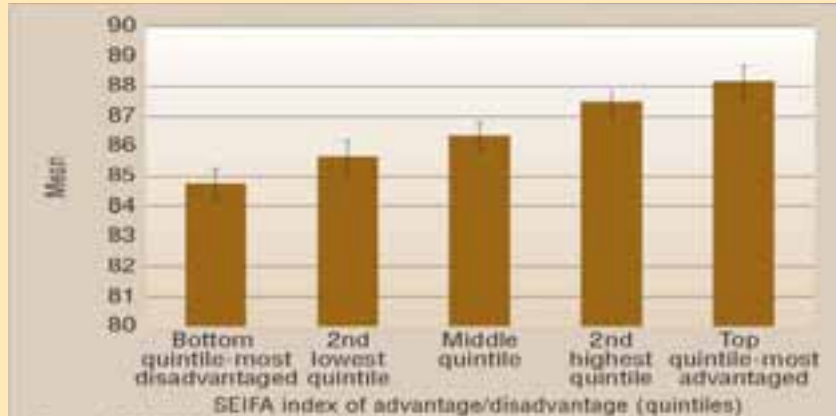
## Neighbourhood inequality is increasing...



Australian Government  
Australian Institute of Family Studies

Source: Hunter, B. (2003). Australian Economic History Review, 43, 22-44

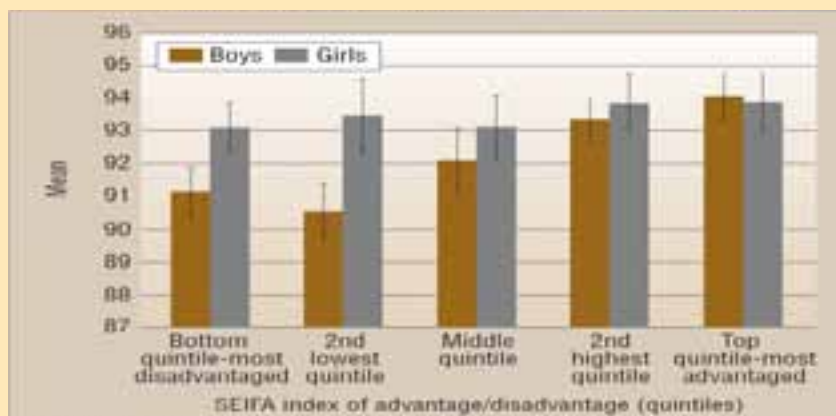
## Neighbourhood effect on continuous outcome index



Australian Government  
Australian Institute of Family Studies

Source: LSAC, Wave 1

## More disadvantaged neighbourhoods have a greater impact on boys' social/emotional outcomes than girls'



Australian Government  
Australian Institute of Family Studies

Source: LSAC, Wave 1

## Effects of neighbourhood on the wellbeing of residents

**Living in a disadvantaged neighbourhood, compared to living in a less disadvantaged neighbourhood, has been found to be associated with:**

- poorer learning and behavioural outcomes, and physical health outcomes (Leventhal & Brooks-Gunn, 2000)
- higher rates of infectious diseases, asthma, smoking, depression, nutritional problems and lower self-rated health (Kawachi & Berkman, 2003)
- reduced job and educational prospects. (Galster, Marcotte, Mandell, Wolfman and Augustine, 2007; and Holloway and Multherin, 2004; and Kling, Liebman and Katz, 2007)



Australian Government  
Australian Institute of Family Studies

## Child poverty and jobless families

- Australia's child poverty rate is not high by OECD standards

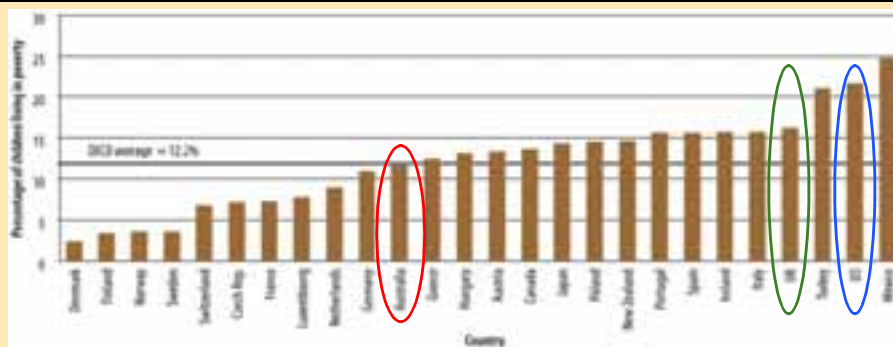
**BUT**

- Australia has a relatively high rate of jobless families.



Australian Government  
Australian Institute of Family Studies

## Poverty rates for children OECD countries, about 2000



Notes: Poverty is defined as living in a household with an equivalised household disposable income of less than 50% of the median for the whole population and is thus a relative measure. To account for possible scale economies in consumption, household income is equivalised using the square root of household size.  
Source: Whiteford & Adema (2007, Table 1)



Australian Government  
Australian Institute of Family Studies

## Homelessness

- 100,000 Australians are homeless, including 10,000 children under 12 years of age
- Domestic violence is a major factor, as is mental illness.



Australian Government  
Australian Institute of Family Studies

## Fear of financial stress

Recent survey data by *Relationships Australia* show that from 2006 to 2008 there has been a doubling of the rate of anxiety over financial impacts of the global economic crisis, from 18% to 40%.



Australian Government  
Australian Institute of Family Studies

## Some UK findings

- Money worries are affecting British families:
  - ◆ 35 per cent say money worries give them sleepless nights; and
  - ◆ 29 per cent say that in their family they often have rows about money.
- The household costs causing most concern are:
  - ◆ Heating the home (47 per cent)
  - ◆ Mortgage or rent payments (36 per cent); and
  - ◆ Food costs (31 per cent).
- 37 per cent of families say they cannot afford an annual holiday
- 27 per cent of families thought their household income would not be enough to pay the bills in six month's time (not including 14 per cent who 'didn't know').

*(Families and the credit crunch 2008, Family & Parenting Institute)*



Australian Government  
Australian Institute of Family Studies

## Children at risk

### ***“modernity’s paradox”***

*unprecedented capacity for wealth creation coexists with growing perceptions of increased challenges to the development, health and wellbeing of children.*

*(Keating and Hertzman, 1999)*

- Australia, regrettably, reflects this paradox.  
(Stanley, Richardson & Prior, 2005)
- The pathways to poor outcomes in development, health and wellbeing have also been well established.
- Social gradients have been observed in several areas of the development, health and wellbeing of Australian children.



Australian Government  
Australian Institute of Family Studies

## International comparisons

- How does Australia rate?
- Why do the UK and US rate so poorly?
- And what might explain the differences?

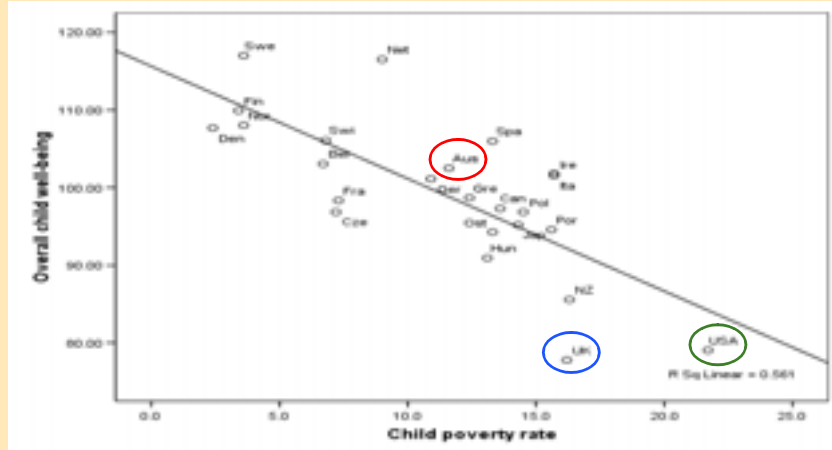


Australian Government  
Australian Institute of Family Studies



# Child wellbeing and child poverty

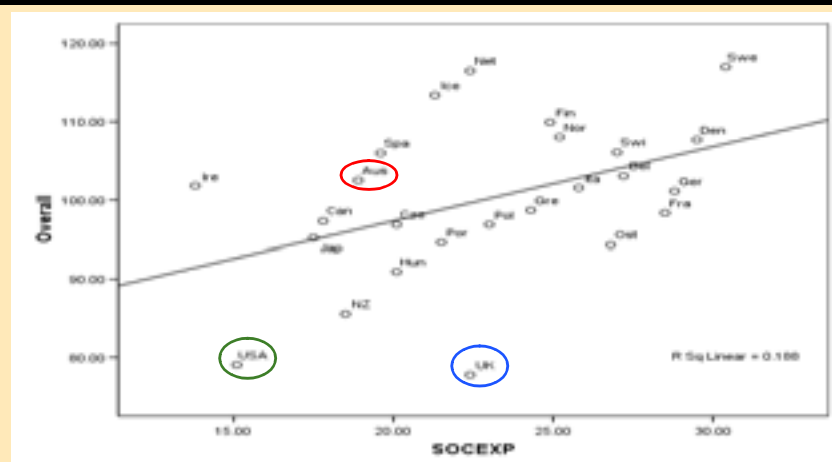
$r = 0.75$



Australian Government  
Australian Institute of Family Studies

(Bradshaw, 2008)

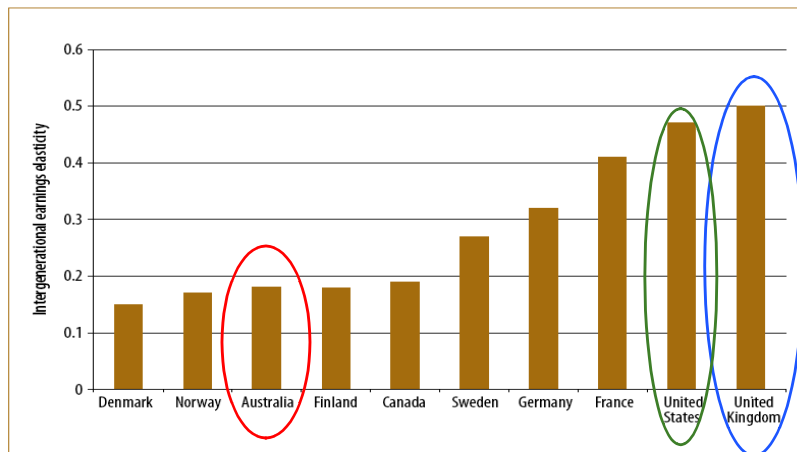
# Child wellbeing and social expenditure as % GDP 2003



Australian Government  
Australian Institute of Family Studies

(Bradshaw, 2008)

## Intergenerational mobility of earnings across OECD countries



Australian Government  
Australian Institute of Family Studies

d'Addio (2007)

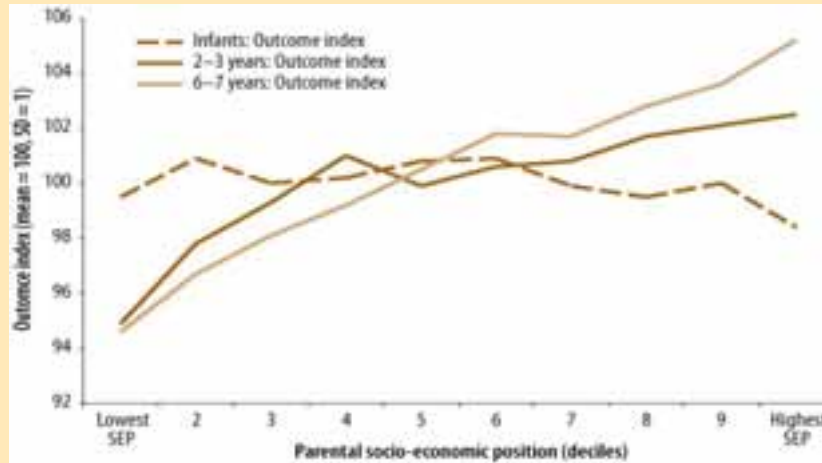
## New data on disadvantage

- Insights from the *Growing up in Australia: The Longitudinal Study of Australian Children (LSAC)*; and
- A collaborative project with The Smith Family.



Australian Government  
Australian Institute of Family Studies

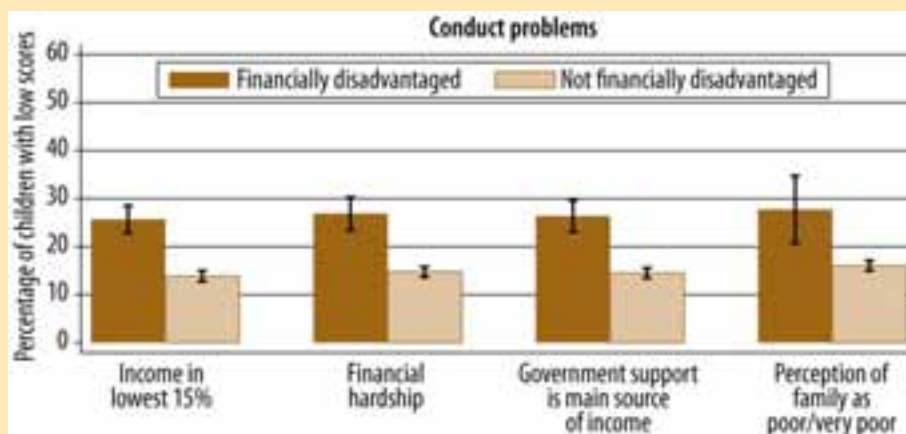
## Child outcomes, by parental socio-economic position and age of child



Australian Government  
Australian Institute of Family Studies

Source: LSAC, Waves 1 & 2

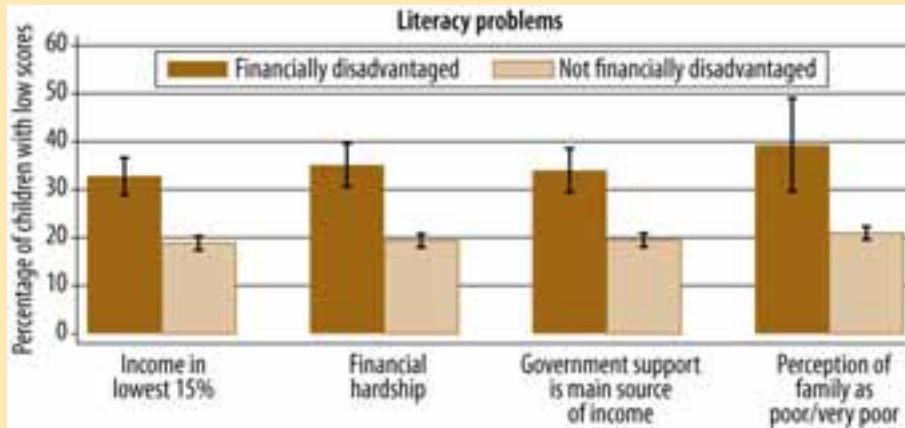
## Behaviour



Australian Government  
Australian Institute of Family Studies



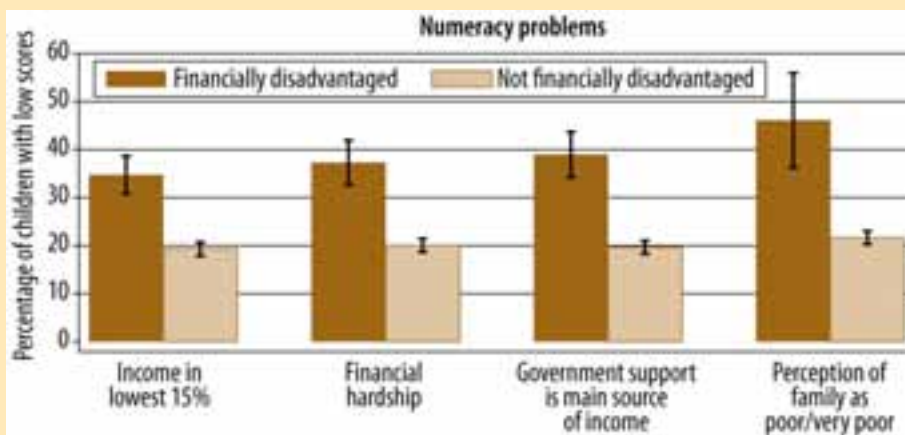
# Literacy



Australian Government  
Australian Institute of Family Studies



# Numeracy



Australian Government  
Australian Institute of Family Studies



## Recent interest in early childhood development as a foundation for social inclusion

- Biological hazards in the pre- and post-natal period have major impacts on brain development
- The effects of abuse and neglect significantly compromise neurological development
- The efficacy of a range of early interventions to address the developmental consequences of disadvantage is well established
- Such interventions are considered cost effective and are the basis for the economics of human capital investment



Australian Government  
Australian Institute of Family Studies

## Cost-benefit analysis

- Much of the discussion of the cost-benefit of early childhood education and care conflates generic services with targeted interventions that are really enriched pre-school experiences
- Analyses are based upon evidence from a small set of studies of early interventions
  - ◆ Mostly very small scale and localised in severely disadvantaged communities
    - e.g. Perry Preschool Program offered in 1962 to 58 3-4 year old children.



Australian Government  
Australian Institute of Family Studies

## Public health policies to promote prevention and early intervention

**There is a need to differentiate the policy and practice implications of**

- the provision of a quality, universally available system of early childhood experiences that promotes positive developmental outcomes for children
- and early interventions that target children at high risk.



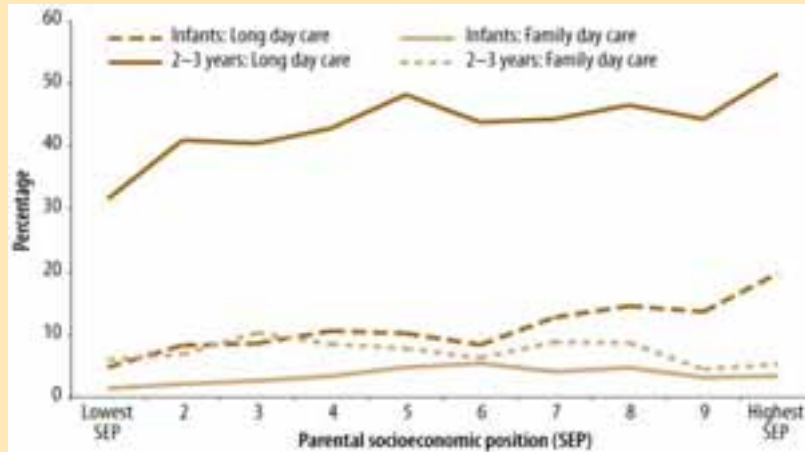
Australian Government  
Australian Institute of Family Studies

## A model of promotion, prevention and early intervention in early childhood



Australian Government  
Australian Institute of Family Studies

## Use of formal child care, by parental socio-economic position and age of child



Australian Government  
Australian Institute of Family Studies

Source: LSAC, Waves 1 & 2

## Lessons from the Past



Australian Government  
Australian Institute of Family Studies

## Children of the Great Depression

- For at least half of the US population, the Great Depression was not a time of economic deprivation, but fear was pervasive
- While the impacts extended across classes, the urban and rural poor were most affected
- Family conflict increased
- The families affected by loss of social status recovered quickly but showed enduring attitudinal changes:
  - ◆ focused on educational attainment;
  - ◆ career security;
  - ◆ invested in their children (but not necessarily family relationship quality).

Source: Elder, G.H. Jr. (1974). *Children of the Great Depression: Social Change in Life Experience*. Chicago: University of Chicago Press.



Australian Government  
Australian Institute of Family Studies

## The Great Depression: Australian insights

- Shifts in attitudes to unemployment and the unemployed
- Social cohesion and capital mobilised
- The vulnerable succumbed early; others found their resilience
- Anxiety and stress increased, and exacerbated family problems (including alcohol misuse, family violence and mental health problems)
- Poverty related health problems rose
- Marriage was delayed, and fertility declined (including ex-nuptial births)
- The divorce rate fluctuated, but no clear trend
- Admissions to mental hospitals rose
- Many reported they were “poor but happy”.

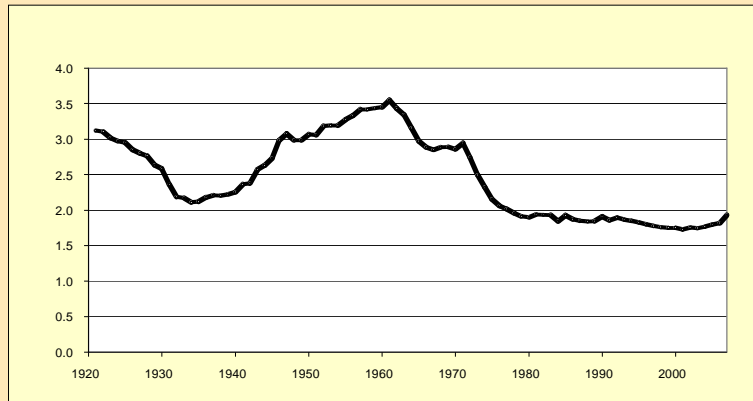
Source: Potts, D. (2006). *The myth of the great depression*. Melbourne: Scribe.



Australian Government  
Australian Institute of Family Studies



## Total fertility rate in Australia, 1921-2007



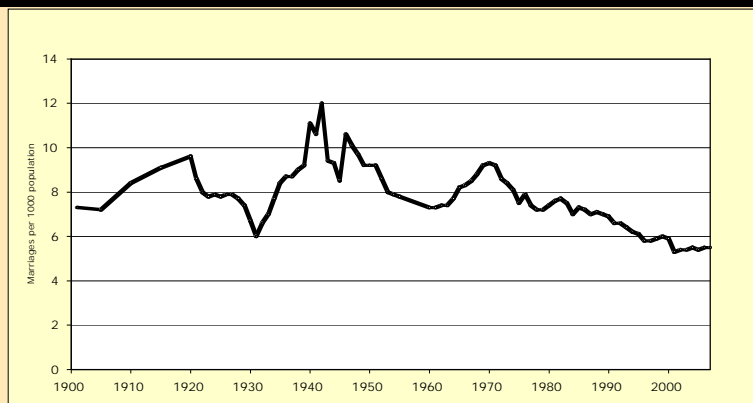
Total fertility rate: The number of children a woman would have if she experienced the current age-specific fertility rate through her childbearing lifetime.

Sources: ABS (various years), Births Australia, Catalogue no. 3301.0



Australian Government  
Australian Institute of Family Studies

## Number of marriages registered and crude marriage rate, 1901 - 2007



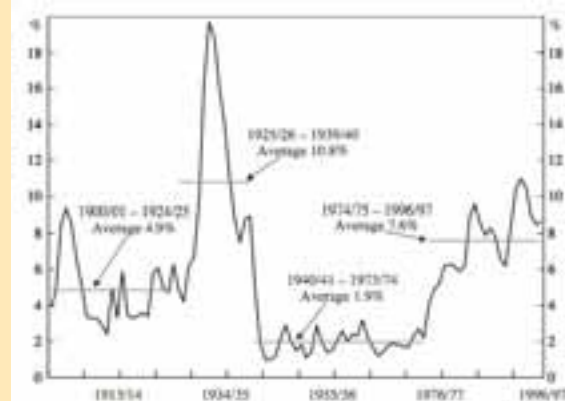
Crude marriage rate: The number of marriages registered during the calendar year per 1000 estimated resident population at 30 June.

Sources: ABS (various years), Marriages and Divorces Australia, Catalogue no. 3310.0; ABS (various years), Marriages Australia, Catalogue no. 3306.0.55.001



Australian Government  
Australian Institute of Family Studies

## Unemployment rate: 1900/01 - 1996/97



Sources: Goodridge et al (1995).  
Borland, J. & Kennedy, S. (1998). "Dimensions, Structure and History of Australian Unemployment", RBA Annual Conference Volume, in: Guy Debelle & Jeff Borland (ed.), Unemployment and the Australian Labour Market. Canberra: Reserve Bank of Australia.



Australian Government  
Australian Institute of Family Studies

## Unemployment: the key driver?

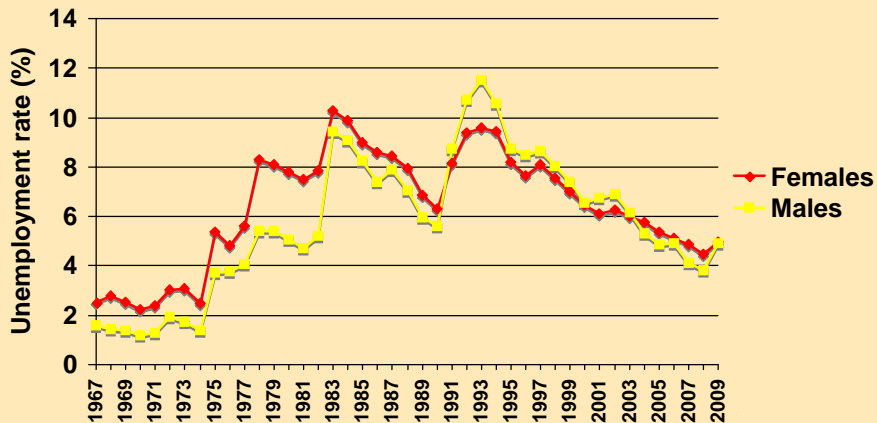
- Unemployment trends:
  - ◆ Progressive increase in unemployment since the mid 1970s
  - ◆ The young and the lower skilled are vulnerable, as are recent immigrants
  - ◆ The rate varies cyclically, though decreases in male full-time employment seem to be driving the trend to a higher natural rate
  - ◆ While female employment has increased, there have been reductions in growth in female-dominated occupations
  - ◆ Unemployment is concentrated at the bottom of the income distribution
  - ◆ Unemployment relates to poorer health outcomes, lower life satisfaction but not necessarily to criminality and antisocial behaviour.

Borland, J. & Kennedy, S. (1998). "Dimensions, Structure and History of Australian Unemployment", RBA Annual Conference Volume, in: Guy Debelle & Jeff Borland (ed.), Unemployment and the Australian Labour Market. Canberra: Reserve Bank of Australia.



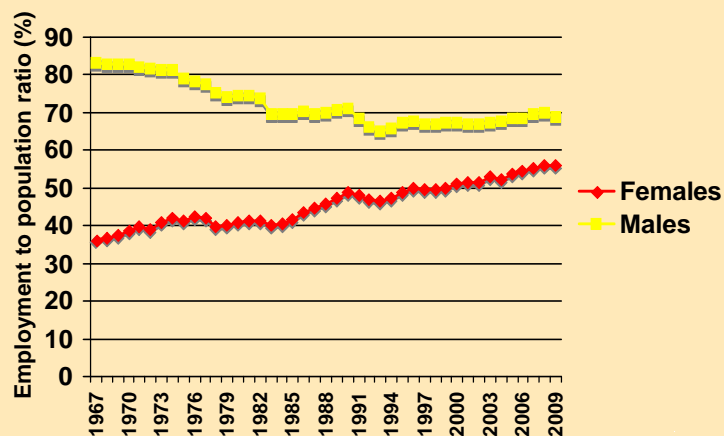
Australian Government  
Australian Institute of Family Studies

## Unemployment Rates, Males and Females, 1967 to 2009 (February)



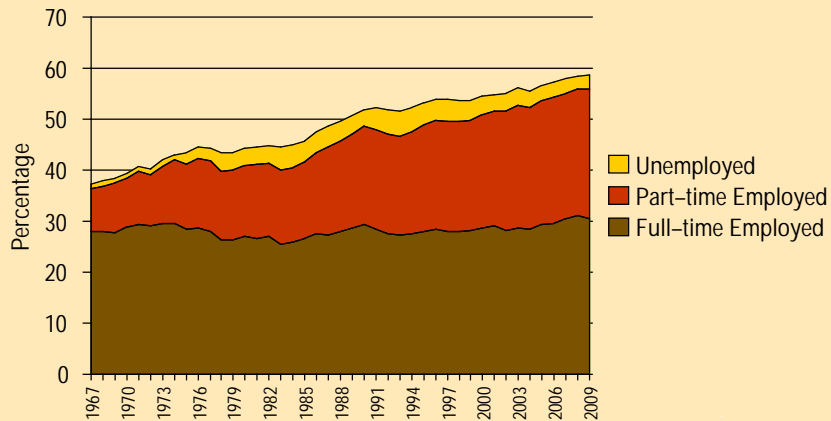
Australian Government  
Australian Institute of Family Studies

## Employment to population ratios, males and females, 1967 to 2009 (February)



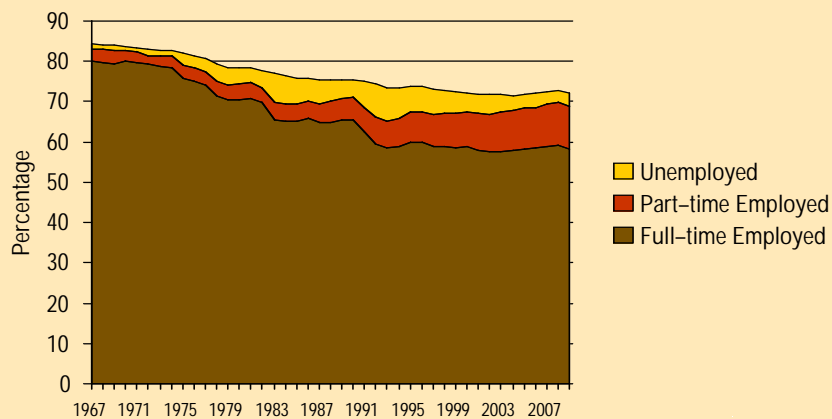
Australian Government  
Australian Institute of Family Studies

## Female labour force participation, 1967 to 2009 (February)



Australian Government  
Australian Institute of Family Studies

## Male labour force participation, 1967 to 2009 (February)



Australian Government  
Australian Institute of Family Studies

## Mental health and impacts on children

- Downturns exacerbate mental health problems
- Negative effects can flow on to children.



Australian Government  
Australian Institute of Family Studies

## A recent Finnish study of the recession of the 1990s

- Hardship affects children's mental health
- Parenting and mental health problems influence each other, reciprocally.

Source: Solantaus, T., Leinonen, J. & Punamaki, R-L. (2004). Children's Mental Health in Times of Economic Recession: Replication and Extension of the Family Economic Stress Model in Finland. *Developmental Psychology*, 40(30) 412-429.



Australian Government  
Australian Institute of Family Studies

## How is this downturn different?

- Levels of household debt are higher
  - ◆ Especially among those with lower incomes and less job security
- Greater dependence on dual incomes, over-time, more than one job
- Reduction in wealth, especially for older Australians - increasing their need to return to workforce, and
  - ◆ Reducing their capacity to support their children and grandchildren if needed
- BUT, greater safety nets in place and recognition of the need for urgency of response.



Australian Government  
Australian Institute of Family Studies

## What is common with other downturns?

- Most will recover once the recession lifts
- BUT**
- The most vulnerable are likely to show the greatest residual effects
  - Some locations will show longer term negative impacts
  - Structural inequality is likely to increase
    - ◆ More will miss out or be left out
  - Childhood disadvantage will likely increase, exacerbating intergenerational impacts
  - Deeper social exclusion will, yet again be the cost.



Australian Government  
Australian Institute of Family Studies

## Some things endure

“Up to this point I have examined the financial approach to poverty. But is this the only approach? After having considered alleviating evils, wouldn't it be useful to try to forestall them? Is there a way to prevent the rapid displacement of population, so that men do not leave the land and move into industry before the latter can easily respond to their needs? Can the total national wealth continue to increase without a part of those who produce this wealth having to curse the prosperity they produce? Is it impossible to establish a more constant and exact relation between the production and consumption of manufactured goods? Can the working classes be helped to accumulate savings which would allow them to await a reversal of fortune in times of industrial calamity, without dying?”



Australian Government  
Australian Institute of Family Studies

de Tocqueville, A. (1997). *Memoir on Pauperism* (S. Drescher, Trans.). New York: Harper & Row. (Original work published in 1835)

## Social Inclusion: Possible impacts and probable residues of the “Great Recession”

Presented by

Professor Alan Hayes

Director, Australian Institute of Family Studies

2 April 2009

at the

ACOSS National Conference 2009

**Building a fair Australia  
in tough economic times**

2-3 April 2009

Australian Technology Park, Sydney



Australian Government

Australian Institute of Family Studies

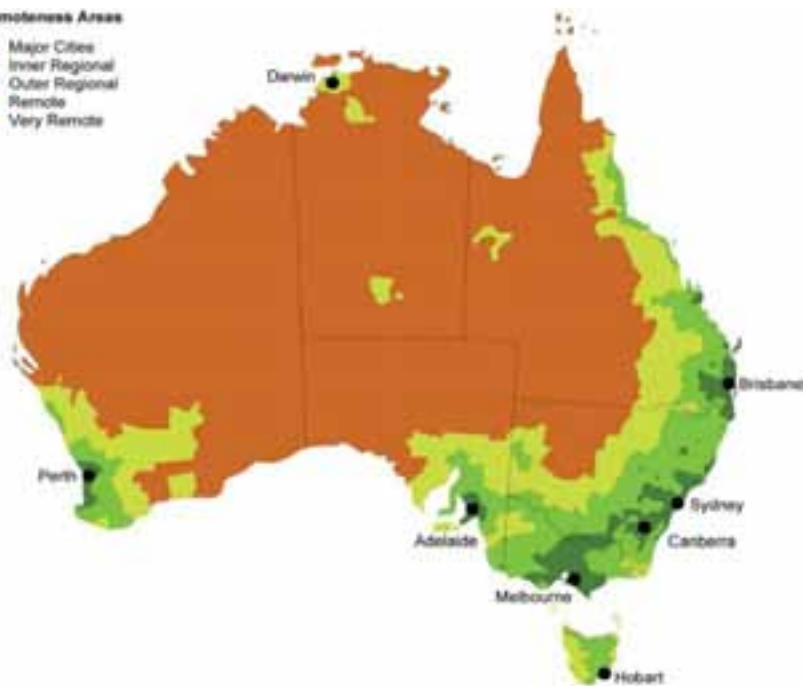
## Strengthening the Core

Rosemary Young  
National Director  
Frontier Services



### Remoteness Areas

- Major Cities
- Inner Regional
- Outer Regional
- Remote
- Very Remote



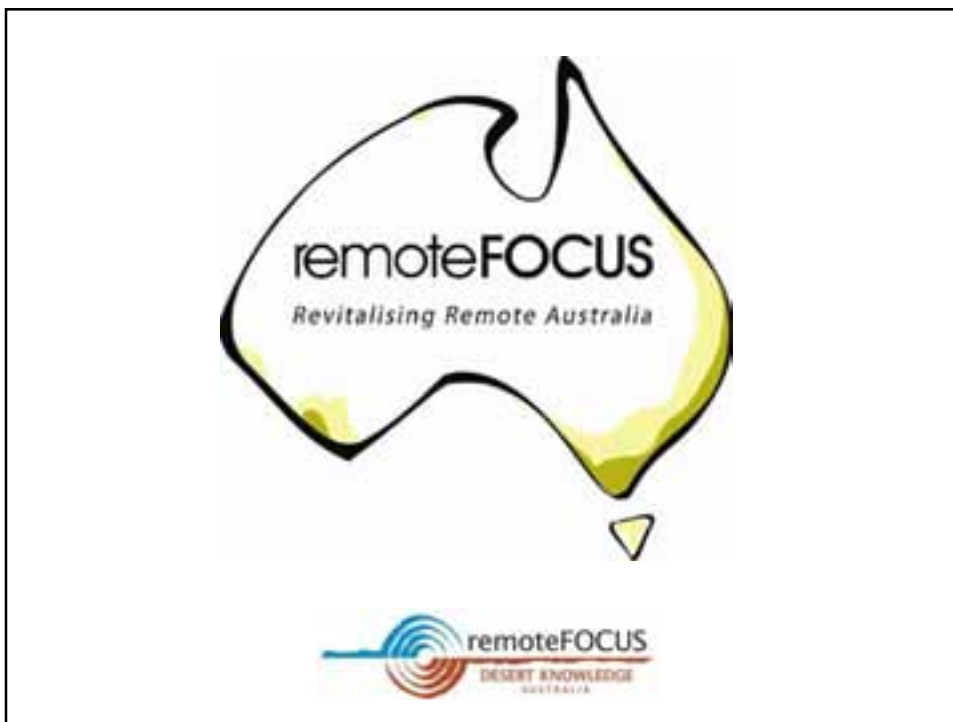
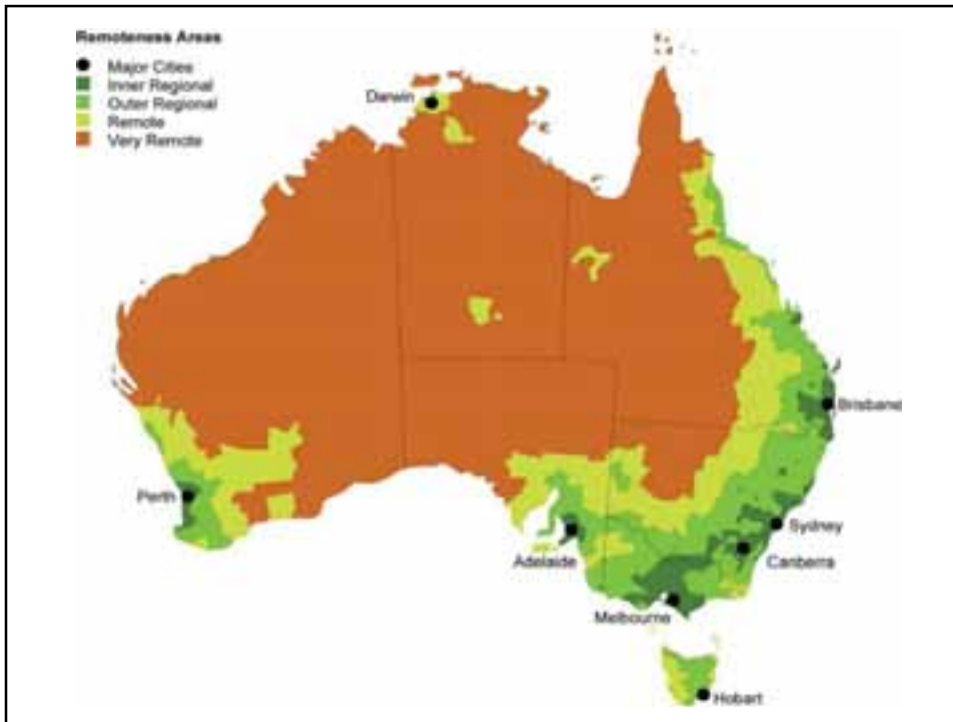














Strengthening the Core  
A future for remote Australia

**Strengthening the Core** – A Paper on Social Inclusion to be delivered to the ACOSS Conference on Thursday 2 April 2009

---

The trainers at my gym say it, my chiropractor says it, my physio says it. “Strengthen the core”. “Strengthen the core” - because it will hold me up, keep me together and hopefully keep me fit and active long into the future.

My contention is that we need to apply to the country some of the wisdom we apply to ourselves –and before it is too late. The heart of the continent, like ourselves, needs and deserves attention, commitment, time and resources.

I want to talk today, unashamedly, about remote Australia.

If we are going to address ourselves seriously to social inclusion, we need to be prepared to commit to regarding the entire population, the entire nation, as worth including.

Australia has changed and continues to change at a frightening pace. Over the past 30 years we have developed the most urbanized continent in the world and at the same time, our view of Australia has shrunk.

Over 90% of our population lives within 100 kms of the coast and our social and economic systems have progressively been refined to serve well the coastal areas and the large mass of people in urban Australia.

Remote Australia has, for most people, disappeared. Apart from the occasional slightly uncomfortable “drought headline”, (and goodness knows, even the drought headline only started to impact when it meant water restrictions in the city) most urban Australians have little reason to consider the plight of their remote neighbours.

But we need to take seriously the need to strengthen the core of the nation; we need to recognise that unless the heartland is attended to, unless the resources and the attention are committed, Australia will, just like ourselves, continue to be less than healthy.

Remote Australia, or “out the back” Australia, is mostly seen as a vast, sparsely populated place of isolation – a waste land, a place of market failure and extreme poverty – or the place where the economic boom was happening.

What is not commonly recognized is that, over recent years, the nature of remote Australia has changed –

The pattern of settlement has changed  
The nature of mining has changed (and is changing again)  
The nature of pastoral leaseholds has changed  
The basis of the pastoral industry has changed  
The tourism industry has changed, and  
The influences on indigenous communities continue to change.

Remote Australia, ladies and gentlemen, is a disaster already happening.

Sadly, it is everybody's forgotten back yard. It is the subject of inadequate resource commitment, ineffective government arrangements and disengagement by the rest of the community.

Remote Australia is huge – it comprises 85% of the continent – and, as the challenges increase, that which we think of and treat as remote, continues to increase also.

Remote Australia is home to perhaps 4% of the population – they're the ones who fit into the equation when you hear that the Australian Government will ensure that 96% of the population will have access to broadband, or that 96% of the population has access to Medicare funded services – Remote Australia is the rest!

This is the proportion of the population to which infrastructure is not committed – and yet more people live there than in Tasmania or Canberra.

Remote Australia, sadly, appears to be invisible. Without wishing to be too cynical, 4% of the population will never deliver enough votes to matter.

But it does matter – and not only to them. If Remote Australia continues to be ignored, it will have consequences for the whole nation.

Remote Australia cannot continue to be seen as a romantic destination for baby boomers with caravans, or alternatively, a place far away where all that tricky intervention stuff is going on.

Collectively, we need to appreciate that;

- All levels of government are having difficulty in providing basic community services and infrastructure
- There is a lack of local authority over decision making and allocation of resources
- There is an appalling lack of consultation – even, I think, a lack of understanding of what consultation really means.



- There is significant movement of non-indigenous people to regional centres or to cities while the number of Aboriginal people, and particularly young Aboriginal people continues to grow, and
- There is unprecedented stress on indigenous culture and societal structures.

If these issues are not addressed, there will serious economic, social, cultural, environmental and potentially security consequences for our nation.

But at the heart of the matter is the exclusion of the people of remote Australia from an ability to participate equally and to have equal access to the community in which they live and to which they contribute significantly.

The problems of remote Australia are often perceived as the dysfunction of remote Aboriginal communities but, despite the fact that a rapidly increasing proportion of the people who live in remote Australia are its traditional owners, this is not an indigenous issue. But there are significant issues which affect and are affected by Aboriginal people that will not be resolved without attention to the wider system.

Where services exist, separate services for Aboriginal people often disguise failure and deny government responsibility. Programs designed for urban Australia are rolled out without consultation but with the same reporting requirements and often the same funding levels.

Those of you who have had a shot at unit costing a HACC service that covers 150,000 square kilometers of outback Queensland would know what I mean.

For years we have inadequately attempted to address indigenous disadvantage, particularly in remote Australia, through special measures to address health, education and housing.

Today, there is a renewed emphasis – there's the intervention, we've finally said "sorry", we're developing reconciliation action plans, we're "closing the gap", but we're not planning!

In the NT alone, we need to build 3500 houses. We need to create an additional 10,000 jobs to keep pace with the 34% increase in the working age Aboriginal population. These are mind bending challenges and we are addressing them (if we can call it that) piece –meal.

Sadly, there has been little enough planning – at least for remote Australia - at any time in our history.

Parts of remote Australia are generating fabulous wealth but indescribable social dislocation.

The “back of an envelope” drawings for the town of Karratha in the Pilbara region of WA are in our archives. One of my predecessors, Gray Birch, was integrally involved in the design of what was to be a new town to serve the resource industry but deliberately built with a social focus.

Today, and despite the Global Economic Crisis, that place has a nominal population of 15,000 but it is estimated that 30,000 sleep there many nights – not counting those who do their sleeping on Qantas (and now Virgin) planes running shuttle services to the Pilbara from every capital city on the continent.

The “locals” feel alienated in their own community; the new and temporary workforce makes no contribution to community (in the sense we mean it) and the traditional owners, needless to say, have been forced to the margins.

Housing is simply unavailable. It is provided for the imported work force in hastily erected camps which are used for sleeping in shifts – between shifts – and in between times for vast consumption of drugs and alcohol.

Young people from all over the country have been lured to overpaid jobs in the mining and resource communities. Our own local staff report that they cannot persuade their children to stay at school. They are attracted by the money available and presumably unable or unwilling to see the disadvantages of the lifestyle.

We're seeing them now of course, although things have merely slowed in the north west.

Young people with insupportable mortgages and shiny boats and cars in their driveways in Perth and Busselton, Manjurah and Maroochydore, are either working out which to sell (at a loss) or wondering when their turn will come.

Apart from both long and short term migration from every state and territory, many positions in the Pilbara have been filled by 457 Visa holders. Those brought in from overseas. Not only senior engineering and other professional positions where companies have an interest in providing settlement support, but service positions in the hospitality and other industries. And, of course, small companies, in order to survive have had no choice.

But we provide no support to the secondary visa holders. Without network or language, often with small children, the partners of those who have been recruited to take on what we cannot apparently find Australians to do, are left to make something of a seriously isolated, service deprived town where they are

without family and where neighbour does not even know neighbour, let alone look out for them.

Reported drug abuse, alcohol related violence, domestic violence and mental health issues have increased steeply.

Community organizations struggle to meet the increased need because wages cannot compete with the mining companies, housing is unaffordable, childcare unavailable and public transport non existent.

This, ladies and gentlemen is a picture of social exclusion – of almost everybody - in a town which is notionally producing a frightening proportion of the country's wealth.

We have to plan! We have to commit the resources and we have to see the whole continent – the whole nation – in a new way if we are to have a different future.

Three things give me hope!!

First of all, I had the privilege 3 weeks ago in Port Hedland, again in the North West of WA to attend the launch of a book entitled "Our Island Home". It is the history of the Cocos/Keeling Islanders who came, many of them via Christmas Island, to settle in Western Australia in the 1970s. It was written by an oral historian, Valerie Hobson.

The Cocos Malay community is celebrated today as a vitally important part of the Port Hedland community – local, in the ultimate sense of the word: involved, in every activity in the Pilbara: connected, to each other and to the wider community through their involvement in community groups: celebrated, for their fabulous food - and still they retain their traditional culture and pass it down from generation to generation – now into the third.

To see the Cocos Malay community gathered, in traditional dress, sharing their music and stories with the wider community who were, simultaneously and clearly genuinely, hugely proud of the contribution made by their neighbours and delighted to see this story of enormous courage finally told.

This is just one tiny picture, one small example of community connection, of social inclusion triumphing over a totally dysfunctional environment. And, mercifully, it is repeated in isolated communities across the land every day.

There is hope!

Structurally too, attention is being given to the challenges for the whole nation which apply in microcosm to remote Australia.

The Australian Social Inclusion Board, meeting in November 2008, resolved to advise the Deputy Prime Minister that the effectiveness of initiatives to address multiple and entrenched disadvantage depends upon:

- Gaining the comprehensive involvement of stakeholders and all levels of government
- Clear identification of evidence based, locality relevant goals and
- Creating organizational structures which effectively blend the pursuit of specified tangible goals with the continuous strengthening of community capacity.

It went on to say that the government will need to make a long term commitment to

- support better facilitation and coordination on the ground
- prioritize resources to the selected locations
- support flexible and innovative local governance structures
- strengthen community capacity
- work with states and territories, local government and the community sector.
- Provide flexible resources to fund local innovations to meet local needs
- Lead cultural change, and
- Actively engage the corporate sector.

If heard, this should provide a springboard for what is a growing movement for the revitalisation of remote Australia - remoteFOCUS.

Led by a formidable array of those committed to the future of outback Australia, remoteFOCUS is being driven by Desert Knowledge Australia and is the beginning of a new way of considering our heartland.

remoteFOCUS argues that Australia must fundamentally reconceive and reconstruct its view of its own backyard and must understand the systems – social, economic, ecological, environmental, political and cultural – that sustain that fragile part of the nation known as the outback.

remoteFOCUS argues that non-systemic solutions which are indigenous specific (otherwise known as throwing money at the problem) are unlikely to be sustainable unless positioned within an holistic framework.

remoteFOCUS argues that it is time to change the “operating system” in order that we can effect changes to and sustain basic improvements in conditions for all who live in remote Australia.

The outback is a common resource for all of Australia. Much capital is extracted from it – but little has been reinvested. It is time to invest – in strengthening the core.

People will continue to live in outback Australia. By 2020, 20% of those who live there will be the descendants of its original inhabitants.

So we have to find the way to make it work – for all of us.

We must – enable livelihoods – and see new and non traditional ways of doing that.

We must – agree on settlement patterns and understand their consequences for services.

We must – reinvigorate capital investment and make sure remote Australia gets its fair share.

We must – reform the governance arrangements for remote Australia.

We must – effect wholesale systemic change.

And first and last, and everywhere in between, we must consult appropriately.

We have an opportunity to invest in remote Australia in the national interest. We have an opportunity to ensure that every Australian, no matter where they live, has access to the services they need and a genuine say in the systems that sustain them.

This, I have the temerity to suggest, is the real challenge for social inclusion in Australia today.

Rosemary Young AM  
National Director  
Frontier Services

29 March 2009.

# RESPONDING TO THE DOWNTURN IN THE LABOUR MARKET

Presentation to ACOSS National Conference  
2 April 2009  
Stephen Sedgwick



## Plan of this presentation

- **Implications for Australian labour market of the GFC;**
- **Longer term issues;**
- **Implications for tax and income security policies.**

## We live in uncertain times

- Globally, credit and confidence are the issues exacerbated by a collapse in world trade
- But lets not panic
- Australia not immune
- But is better placed than most

[www.melbourneinstitute.com](http://www.melbourneinstitute.com)

## OECD Economic Outlook 2009



Source: OECD.

[www.melbourneinstitute.com](http://www.melbourneinstitute.com)

# Australia's external environment



[www.melbourneinstitute.com](http://www.melbourneinstitute.com)



## Westpac - Melbourne Institute Indexes of Economic Activity March 2009

**Chart 1: Leading index (growth)**



**Chart 2: Coincident index (growth)**



[www.melbourneinstitute.com](http://www.melbourneinstitute.com)



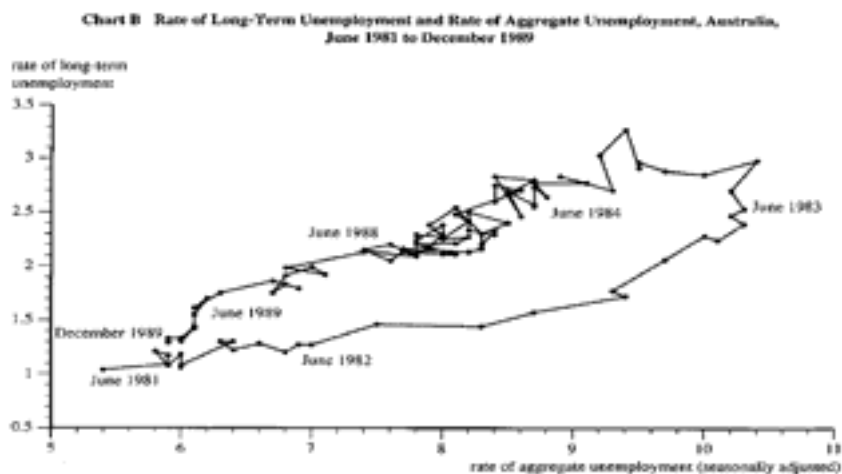
## Meanwhile in Australia.....

- We will not be immune to world slowdown in 09
- Though views differ about how deep or prolonged the downturn will be here
- Four reasons why we likely to recover earlier / faster:
  - Expect credit growth to resume
  - China
  - More policy flexibility here
  - Policy has responded already
- BUT unemployment will rise

www.melbourneinstitute.com

### LONG TERM UNEMPLOYMENT IS PERSISTENT

Ian M. McDonald (AER, Number 102, April – June 1993, p. 32)



Source: ABS, *The Labour Force, Australia*, Cat. no. 6703.0.

www.melbourneinstitute.com

## The longer term context Intergenerational Report



www.melbourneinstitute.com

### Productivity Commission Staff Working Paper (Abhayaratna et al Dec 2006)

- In late 2005 Australia's adjusted workplace participation ranked 5<sup>th</sup> in OECD
- However participation gaps:
  - 8<sup>th</sup> lowest for
    - ↳ prime aged males (25 to 54)
  - 11<sup>th</sup> lowest for
    - ↳ child bearing females (25 to 44)
  - Ranked 13<sup>th</sup> for people nearing retirement (aged 55 to 64)

www.melbourneinstitute.com

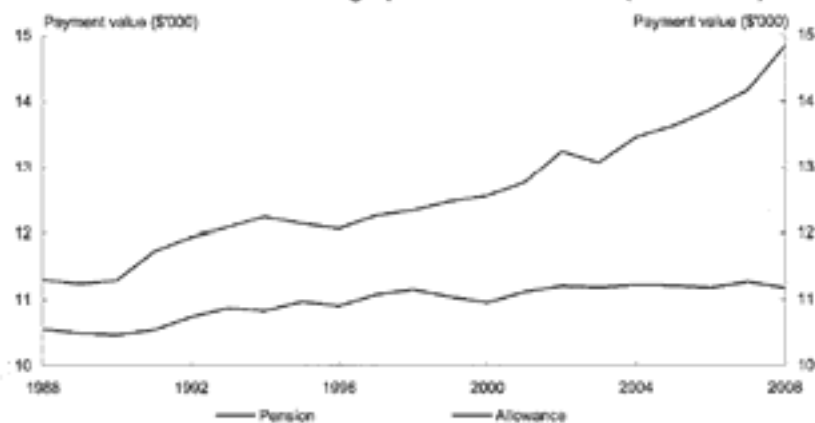
## The longer term context

- Important point is that those long term imperatives have not much changed
- Though there are a couple of new issues arise eg:
  - LTU has long term effects on human capital (Skills atrophy; scarring in labour market)
  - Fair treatment of individuals facing prolonged unemployment
  - Access to work is a good panacea in both cases
- And some issues may get easier eg post school skills acquisition may become more attractive

www.melbourneinstitute.com

## Equity issue: Unemployed get less income support

Chart 4.3: Real rates of the single pension and allowance (1988 to 2008)<sup>(a)</sup>



(a) Rates for all years are expressed in 2008 dollar values.  
Source: FaHCSIA estimates.

www.melbourneinstitute.com

## Adequacy Issue: replacement rates

Chart 4. Replacement rates – single allowee

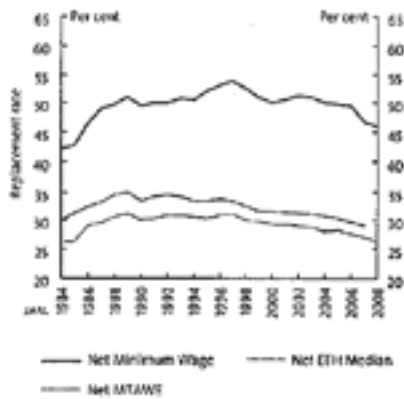


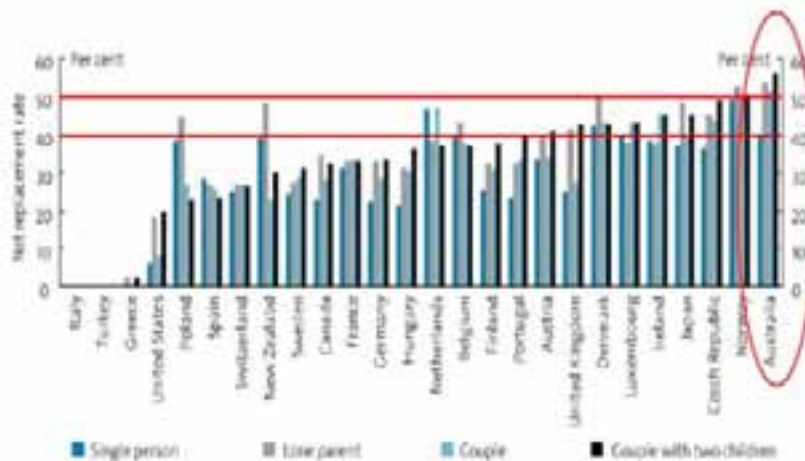
Chart 5. Replacement rates – single pensioner



www.melbourneinstitute.com

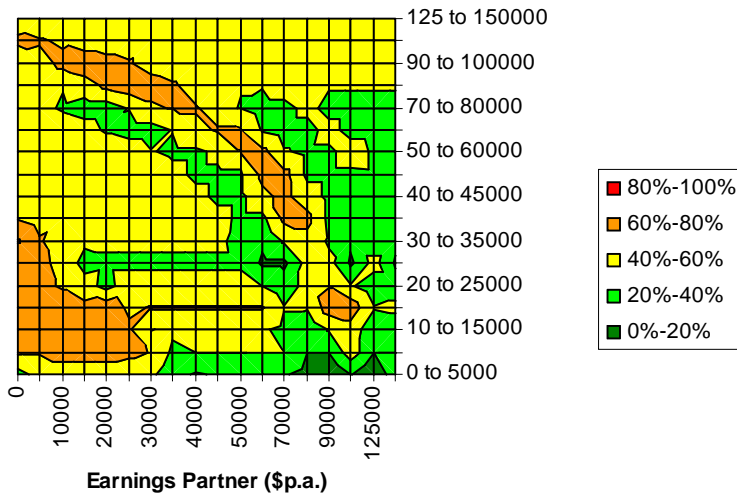
## Adequacy An International Perspective

Chart 6. OECD – social assistance as a proportion of household income



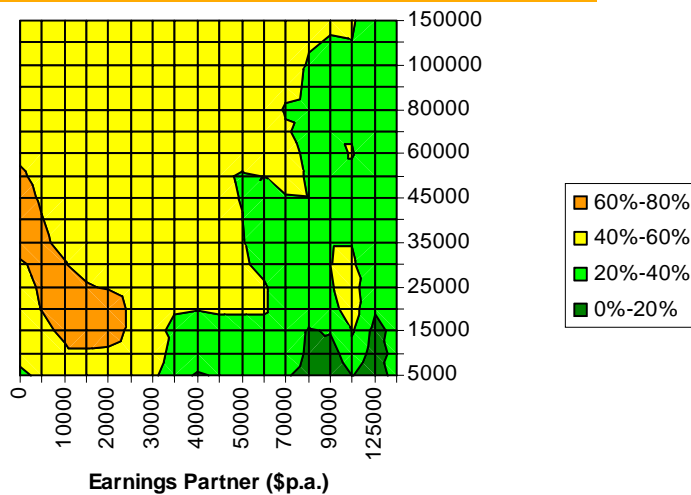
www.melbourneinstitute.com

EATRs FY 2008-09 when jumping to different earnings levels, *conditional on earnings level of the partner*. Couples with two children under 5 and one child over 5 but less than 14 years of age.



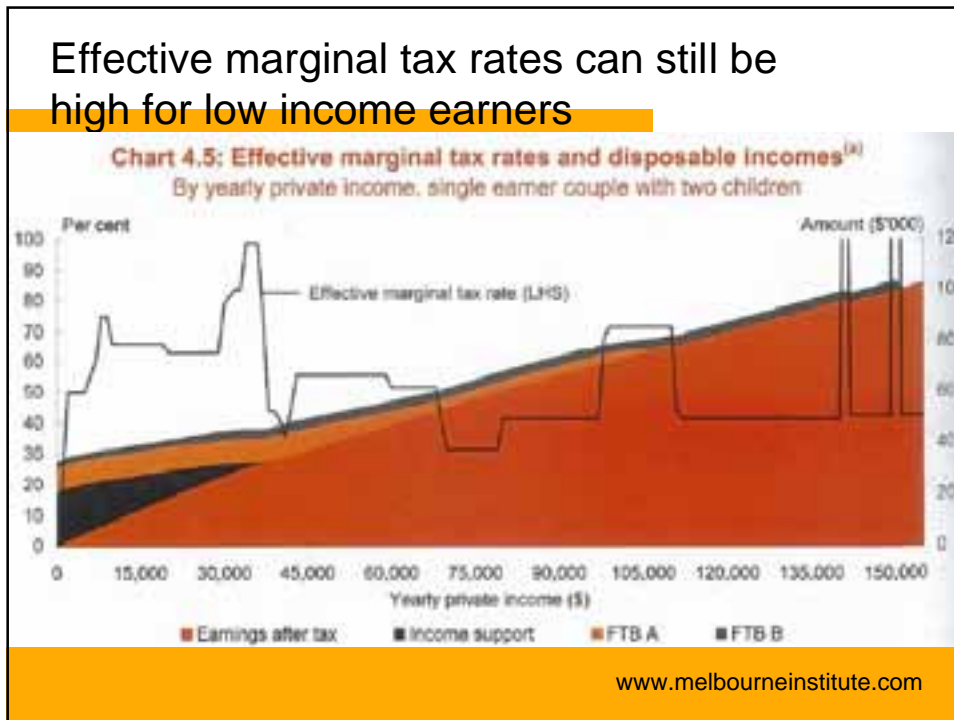
www.melbourneinstitute.com

PTRs FY 2008-09 when jumping to different earnings levels, *conditional on earnings level of the partner*. Couples with two children under 5 and one child over 5 but less than 14 years of age.

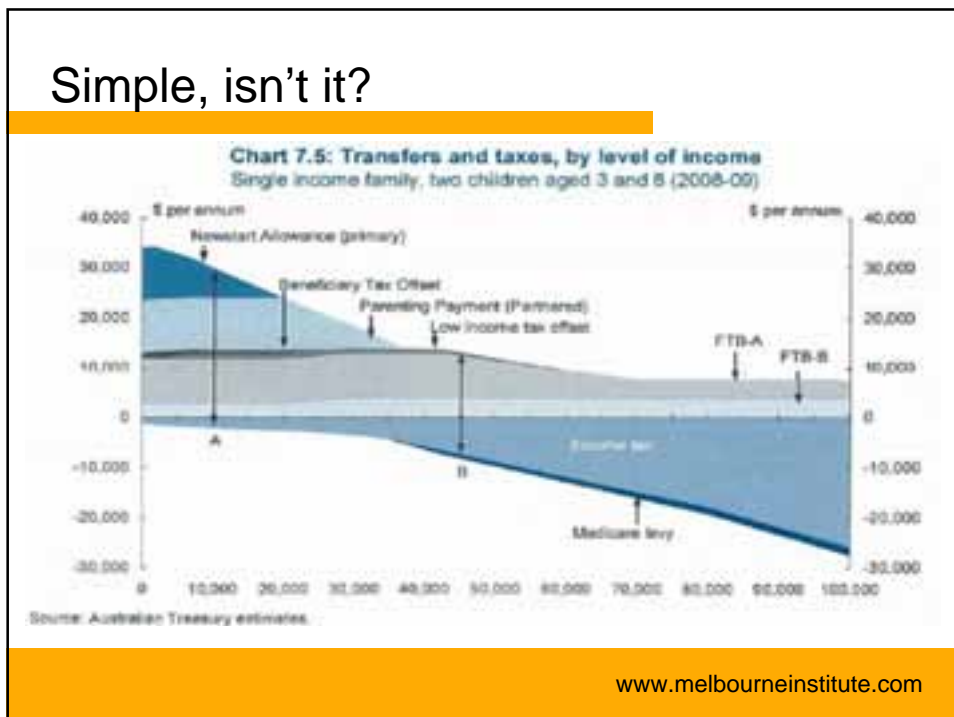


www.melbourneinstitute.com

## Effective marginal tax rates can still be high for low income earners



## Simple, isn't it?



## Conclusion 1

- A significant spike in LTU is likely as the economy adapts to the global economic slowdown
- This will intensify the focus on the adequacy of UB payments, including compared to pensioners such as those on DSP.
- Especially if pensions are increased further in the budget the case to lift UB will grow

## Conclusion 2

- However the downturn will end and when it does we will still be looking for workers
  - so lets preserve or improve work incentives
- Also need to preserve fiscal sustainability
- Preference is to pay most attention to reducing effective tax rates paid by those who accept work, especially low paid work
  - tax offsets and other earned income credits probably cheapest
  - Radical options may be too expensive in the short run.

# Social Security: A case for reform

Julia Perry

## Current payments

### Pensions

- ❑ Age pension
- ❑ Disability Support
- ❑ Carer Payment
- ❑ Bereavement Allowance
- ❑ Parenting (Single)

### Benefits

- ❑ Newstart
- ❑ Sickness
- ❑ Special
- ❑ Parenting (Partnered)
- ❑ Youth Allowance
- ❑ Austudy (anomalous)
- ❑ Abstudy

Plus 12 Family Payments



## History of Payments

---

- 1909 Age Pension
- 1910 Invalid Pension (now Disability Support Pension)
- 1941 Child endowment
- 1942 Widows Pensions (sole parents, etc)
- 1945 Unemployment (Newstart), Sickness and Special Benefits

## Pensions and Benefits

---

	<b>Pension</b>	<b>Benefit</b>	<b>Diff</b>
Single rate (per week)	\$ 284.90	\$ 226.65	\$58.25
Partnered rate (per week)	\$ 237.95	\$ 204.50	\$33.45
Sole parent rate (per week)	\$ 284.90	\$ 245.20	\$39.70
Free area (per week)	\$ 69.00	\$ 31.00	\$38.00
Income test taper rate	40%	50%-60%	-\$0.20

## Principles for social security

---

- Community Acceptability
- Adequacy
- Equity
- Maintenance of incentives and encouragement of self provision
- Administrative feasibility and financial sustainability.

## Adequacy

---

- Minimum living standard
- Percentage of wages? Average or minimum?
- Comparison with two income family?
- 'Basket of goods' – CPI or low income index, what is in the basket of goods?

## Equity

---

- ❑ Redistribution of income and wealth – advantaged to disadvantaged
- ❑ Rights of citizens to protection against poverty
- ❑ Equal assistance to those in equal need
- ❑ More assistance to those in greater need
- ❑ Family dependence?

## Incentives to work

---

- ❑ Activity test
- ❑ Rates below wages
- ❑ Graduated income test withdrawal
- ❑ In-work benefits
- ❑ Enabling programs
- ❑ Eligibility rules

## Payment parameters

---

	Pension	Benefit
Single Rate (% of min wage)	\$154.20 (69.2%)	\$226.65 (47.1%)
Free area	\$69	\$31
Taper rate	40 cents per dollar of income	50/60 cents per dollar of income

## Problems with existing system

---

- ❑ Different payments do not form a comprehensive system of support for the needy
- ❑ Inequities between pensions and benefits, benefits are inadequate
- ❑ Work incentives vary unsystematically
- ❑ Enormous complexity
- ❑ Perverse incentives

## Single Payment structure

---

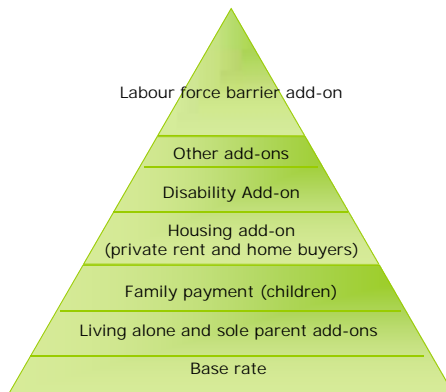
- ❑ One payment based on low income and wealth
- ❑ Rates would vary according to household circumstances, dependents and special needs
- ❑ Income tests would apply consistently
- ❑ Activity test would be applied

## Conclusion

---

- ❑ Basic income
- ❑ Guaranteed Minimum Income
- ❑ Conditional Minimum income

# New System



## Income test

- Based on individual not couple
- Income includes imputed income from wealth
- Threshold \$50 a week
- Taper rate 50% then 40%
- People in low paid work eligible on basis of income



## *A Common Payment?*

*Simplifying Income Support for  
People of Workforce Age*

Policy Discussion Paper No.7 1999/00

# **Social Security: A case for reform**

*Julia Perry*

*Paper presented at ACOSS Conference, 2 April 2009*

---

## **Introduction**

The Australian social security system comprises 12 different income support payments for adults and 9 payments for children<sup>1</sup>. Every payment has a unique set of rules and conditions. Some income support payments are pensions, some are benefits and some do not fit either category. There is no basic principle that explains these category distinctions. Some people in need do not fit any payment category and some could be eligible for a number of payments. It is like crazy paving – some paving slabs overlap and there are cracks between others.

The minimum rates are not consistent and do not fit any poverty line or equivalence theory. Income tests vary without reference to a basic rationale. There are different payment supplements and concession cards.

The system is inequitable in that people with similar needs get different amounts and different levels of need are not consistently recognised. There are a number of welfare traps which provide strong disincentives to employment.

On top of that the policy is now made by two different departments and delivered by Centrelink, which has no role in policy.

In short it is an incredibly complex, inequitable system; it is a maze to Centrelink staff and recipients alike; causing untold errors in recipients being able to get their correct entitlements and taking up an unconscionable amount of public servant resources.

It has never been overhauled in a fully systemic way since World War 2, although Gough Whitlam, Keith Hancock, Brian Howe and Bettina Cass need full praise for their efforts at this. The system has been patched and patched incrementally over half a century to meet changes in emerging social and labour force changes.

## **The Single Payment Movement**

In 1994 I was asked by the then Minister for Social Security, Peter Baldwin, to examine the case for moving to a single payment system for people of workforce age.

---

<sup>1</sup> Pensions include Age Pension, Disability Support Pension, Carer Payment, Bereavement Allowance and Parenting Payment (Single). Benefits include Newstart, Sickness Allowance, Special Benefit, Parenting Payment (Partnered), Youth Allowance, Austudy and Abstudy. Family Payments include Family Tax Benefit Part A, Family Tax Benefit Part B, Child Care Benefit, Child Care Tax Rebate, JET Child Care Fee Assistance, Baby Bonus, Maternity Immunisation Allowance, Double Orphan Pension and Carer Allowance (Child). Note that the names Benefit, Allowance and Payment are applied non systematically. 1

My work was published as Social Security Policy Discussion paper No 7, called “A Common Payment? Simplifying income support for people of workforce age”.<sup>2</sup>

The long-term aim of moving to a single payment was accepted by the Keating Government, the Social Security Advisory Committee, then the Howard Government, and the McClure Report. In 2002 FaCS held a national consultation on the issue.

After that the idea faded away in the Government policy context. ACOSS asked me to raise the issue again at this conference.

## Historical development

In 1909 and 1910 Age and Invalid Pensions were introduced. These were paid at the same flat rate and means tested. They were a pound a fortnight and the recipient could have other income of a pound a fortnight, above which they were withdrawn shilling for shilling, that is 100% withdrawal rate for income above the free area. The rates were increased from time to time in line with the cost of living. They were paid out of general revenue, unlike the schemes operating elsewhere in the world, which were paid through an insurance fund. In the 1940s Widows and Wives Pensions were brought in, with the same rates and income test parameters.

In 1941 Child Endowment was introduced for all families, without an income test. It is the forerunner of the current family payments, though they are now income-tested, but at a much higher level of income than that for the pension income test.

Following the Great Depression and World War 2, there was a general move around the world to introduce welfare states, aimed to provide comprehensive social services dealing with health, housing, employment, education and income support. This was echoed in Australia and unemployment, sickness and special benefit were introduced in 1945. These were paid at a lower rate than the pensions and had somewhat more stringent provisions, including tighter income tests. To get unemployment benefits the recipient had to demonstrate that he or she was looking for work. Wives of beneficiaries were provided for by an extra allowance given to the husband.

The income tests have been relaxed to less than 100% - 40% withdrawal for pensions and 50-60 % for benefits. All sorts of minor provisions and supplements exist and as a rule these are better for pensions than they are for benefits.

The payments we have today are all descended from one or other of these payments, except Student Assistance which developed differently.

Table 1: Pension and benefit parameters – April 2009

	Pension	Benefit	Difference
Single rate (per week)	\$ 284.90	\$ 226.65	\$58.25
Partnered rate (per week)	\$ 237.95	\$ 204.50	\$33.45
Sole parent rate (per week)	\$ 284.90	\$ 245.20	\$39.70
Free area (per week)	\$ 69.00	\$ 31.00	\$38.00
Income test taper rate	40%	50%-60%	-10%/20%

---

<sup>2</sup> [http://www.facs.gov.au/internet/facsinternet.nsf/via/research\\_dss/\\$file/no.7.pdf](http://www.facs.gov.au/internet/facsinternet.nsf/via/research_dss/$file/no.7.pdf)



As Table 1 shows, it is a two tiered system – more generous pensions, less generous benefits, and as anomalies even less generous student assistance and special benefit. There are many variants among payments within categories, and a number of supplementary payments. Family payments are generally paid independently of income support for adults.

As well as these differences, pensioners get pension concessions, education supplement, pharmaceutical allowance and telephone allowance, while most beneficiaries get only a health care card. Beneficiaries are subject to a range of waiting periods that most pensioners are not subject to, including the ordinary waiting period, the liquid assets test waiting period and the 2 year newly arrived residents waiting period.

There was one point, under the Whitlam Government, when the level of benefit payments were brought into line with pensions and the rates indexed to CPI. Under the Fraser Government the rates of benefit for young people and single people without children were de-indexed for a period so they fell slowly behind pensions. Under the Howard government, pensions (but not benefits) became adjusted by Average Weekly Earnings as well as CPI, so the benefit rates for couples and sole parents began to fall behind the pension rates. The single payment rate

## **Designing a Single Payment**

I was told by many sceptics that all different features among payments were there for a reason. However the task was to distinguish between the historical ‘reasons’ for the differences and the ‘purpose’ that they now (or ever) served.

I saw the purpose of social security as being to provide a minimum income to support those who were not required or able to support themselves fully because of age, disability, study or caring responsibilities, and to support those who could not find adequate employment, subject to activity tests.

The guiding values I adopted for an ideal system were

- Community Acceptability
- Adequacy
- Equity
- Maintenance of incentives and encouragement of self provision
- Administrative feasibility and financial sustainability.

Community acceptability meant that a new system could not go too far outside the bounds of what was generally accepted. This meant that the community expected those who could work to try, and they preferred a system that was means tested, ie they didn’t seem to like the term ‘middle class welfare’. I can envisage perfectly good systems that violated these two principles but had to be realistic.

Adequacy meant finding some level in relation to community living standards, below which no one should fall in Australia. This is also the rationale for the minimum wage, which is higher. This is a perpetually debatable standard – should it be defined against a two income couple, or an individual wage, the minimum wage or an average

wage, the cost of a basket of goods, what should be included in the basket etc. As an example, benefits are adjusted by the CPI. Recently basic living costs such as housing, food and petrol rose steeply, while the cost of imported electrical goods fell, meaning that the CPI did not increase as much as basic essentials. So people receiving benefits, who aren't going to buy plasma screen TVs, are finding it harder to keep themselves fed and housed.

Equity meant several things. First it meant some measure of re-distribution of income and wealth through the tax-transfer system, that is the basic rationale for tax funded social security, that all members of a society should share to some degree in the society's wealth and have protection against poverty. This principle does not apply in the US. It also meant, though that people who were in paid work should have a financial benefit from their wage. This might seem too obvious to mention but in fact the 100% income tests still predominant in other countries don't deliver this. Also, if someone has a very severe disability or illness for example, that is no fault of their own, that completely prevents them from paid work, should they have to live on an income below any wage earner?

Horizontal equity meant that people with the same level of need should receive the same level of support, and that those with special needs should receive some extra in compensation. So a single person living alone needs more money than a member of a couple who can share housing costs. Children living with their parents need less than an adult. People with high housing costs need more than those with low housing costs. People with certain disabilities incur disability related costs.

I should add in here the question of private dependence. To what extent should members of a couple be expected to share their income – gay or straight, married or de facto. To what age should parents be expected to support their children? To what extent should step parents or parents living apart be expected to support children? Should adults be expected to support their aged parents?

Maintenance of incentives for self provision is an issue that pertains to much of what I've talked about. Rational economic man is the model of humanity that economic rationalists use. This lazy and avaricious person only works if the money they get is commensurate with their effort. There are a lot of other benefits of work – self esteem, social contribution, social status, meaningfulness, the hope that it will lead to a better job etc. Then there are barriers to labour force participation such as caring and other unpaid work, the costs of working, social exclusion factors and so on that militate against paid work. But the financial benefit is still very important.

Incentives include

- imposing an activity test (making people prove that they're looking for work),
- removing barriers to work,
- keeping payments below the level of wages,
- a gradual withdrawal of benefits and payments to people in work.

We use all of these but in a somewhat haphazard way. We do not know which carries the most weight in terms of incentives and disincentives. For example, if the rate of

Newstart was raised and the income test taper rate was lowered, would that provide the same incentive as the present settings?

The eligibility rules were used to exclude people who did not have an acceptable reason for not working, but now mainly determine who is on an activity tested payment, and who gets a pension.

The activity test is applied to most people on Newstart but there are many categories of exemption, such as sickness and family problems of various sorts. The activity test is also applied on a part-time basis to sole parent pensioners (now called Parenting Payment Single) whose child is aged 6-7. Parents with children of school age and people with disabilities who could work at least 15 hours a week are moved to Newstart and subject to a part-time activity test.

There have been many programs to clear the obstacles to people getting employment – labour market programs, job-search assistance, training, child care, confidence building, family friendly work policies, anti-discrimination and so on.

Payments are below the level of full-time wages – the single rate of pension is 52% of the minimum wage for a 38 hour week, and the single rate of benefit is 42% of that wage (see Table 2). There is no empirical evidence on the magnitude of the work incentives generated by these two figures.

Table 2: Weekly rates of pension and benefit compared with Federal Minimum Wage – April 2009

	Pension	Benefit
Single rate	\$284.90 (52%)	\$226.65 (42%)
Single with child rate	\$284.90 (52%)	\$245.20 (45%)
Partnered rate	\$237.95 (44%)	\$204.50 (38%)

Note: Brackets show rate as a percentage of the Federal Minimum Wage for a 38 hour week - \$543.78

The strategy of providing work incentives by ensuring payment levels are below full-time wages is not meaningful in relation to part-time work: in February 2009, twenty-nine per cent of jobs were part-time. Creating an incentive by keeping rates below full-time wages is not sufficient to ensure that a person doing a few hours a week is better off working.

- As mentioned above the single without dependants rate of benefit was allowed to fall below the pension rate, by freezing payment levels, in the late 1970s and early 1980s. It is now \$58.25 a week lower than the pension rate. The other rates were kept at pension levels until the 1990s and are \$33.45 a week (partnered rate) and \$39.70 a week (sole parent rate) below the corresponding pension levels (see Table 1 above).
- There is no data on the optimal difference between wages, pensions and benefits to create work incentives. Nor is there a debate on the balance between incentives and adequacy for benefit levels. The much greater difference between pensions and

benefits in the single rate and the other rates has a historical reason<sup>3</sup> but is not justified by any purpose.

- With an increase in the single pension rate of \$30 a week proposed by many people within and outside Government, the single rate of benefit would become unconscionably low in terms of a general level of adequacy.

Income tests are graduated to enable people to combine part-rate payment and part-time work. The pension income test has a generous free area (\$138 a fortnight) and a 40 per cent withdrawal rate. The benefit income test has a much smaller free area and a 50-60 per cent withdrawal rate. Counting the costs of work, tax, child care and maybe increased public housing costs, the benefit settings can mean that part-time work doesn't pay.

The main current example of payments to people in work are the family payments, which are paid to both families on income support and those in paid work. For low income families this includes rent assistance for those paying private rent and health care cards. But there is no general subsidy for people without children in low paid work.

Such a subsidy could be introduced through an income test credit system, as it is in the UK and the US, but paid to those without children as well. This means that instead of paying no tax on the first \$6000 of income, the current tax threshold, there could be a reverse tax benefit.

Looked at through this framework the current system has a number of failings.

First it does not provide a comprehensive system of support for people who need income support. The system of separate payments with extremely complex eligibility rules means that some miss out entirely though their circumstances are clearly very bad. An example might be someone with a moderate disability who is caring for someone else – neither enough to qualify for disability support pension or carer pension but the combination meaning that paid work is out of the question. Or a sole parent wishing to do part-time study.

Second is the inequality between the pension and benefit levels and conditions. If the pension rate is to be a minimum living standard, then the benefit rate is unacceptable. These are not about short-term and long-term payments, nor about recipients needing different living standards. The single rates diverged with inflation during the Fraser years and the married and sole parent rates have diverged during the Howard years because of the AWE adjustments to pensions. So the ratio of single rates to married rates is not consistent. There is no method to this, nor is there a good reason why the income tests should be so different. It is obviously associated with an idea about the deserving and undeserving poor, but when you look at the actual populations they are not like that. Married mothers get a benefit and sole parents get a pension, so somehow it is not systematic there.

---

<sup>3</sup> The single rate of benefit for those without dependants was frozen between May 1978 and November 1980 and then increased by \$2 pw and remained at that level until May 1992. Indexation was not reintroduced for single without dependent benefits until 1987. Youth rates were allowed to fall for a much longer period and are now very much lower than adult rates.

The pension income test is much better suited to encouraging part-time work, yet sole parents with children at school and people with disability who could work part-time were placed on Newstart under the Howard Government's welfare to work changes. The differences seem only to have resulted from the evolution of payments and do not serve any logical purpose.

There are many other features that vary between pensions and benefits and between individual payments. The list of inconsistencies is very long indeed and I don't have time to go into them all. I spent some years compiling them, combing through every section of the Social Security Act and screening them against the principles above.

These things make the system very complex and lead to many errors in determining people's entitlements. Moving people from one payment to another takes up around a third of Centrelink resources. Some complexity is necessary to meet different needs, but complexity that merely results from a piecemeal approach to policy over half a century is a big problem.

### **Proposed Single Payment**

The system I proposed is a single payment system, with eligibility based on income and imputed income from wealth.

Payment rates would be fixed at a standard basic rate equal to the partnered pension rate (including a participation component), with add-ons for living alone, responsibility for children, housing costs (including private rent, public rent and home purchase), and disability. To distinguish between those whose main source of income was private and those whose income was mainly conditional public transfers, there could be a notional add-on for 'workforce barriers' which would be withdrawn first as income rose. A Disability Allowance should not be means tested as the costs of disability apply to people at all income levels. Housing Allowance would apply on the basis of a partial reimbursement of housing costs up to a limit (as in the current Rent Assistance arrangements).

Those with very low private incomes would have part of their payment as a 'participation component', which would be determined by their circumstances and would entail an activity test for those with a reasonable capacity for work. This would be the first element to be reduced by the income test. The remainder of the payment would form a subsidy to low paid work, tapering off at a point just below the income test for Family Tax Benefit Part A.

The income test would be the same across payments, with a modest free area and a withdrawal rate of 50 per cent for the participation component, decreasing to 40 per cent. Assets would be deemed to provide a certain return, which would be added to income. Actual returns would be taken into account only to the degree which they exceeded the deemed return.

Eligibility would be extended to all citizens and permanent residents residing in Australia. Where permanent residence was conditional on the support of an employer or family sponsor, any payment would be recoverable from the sponsor.

The activity test would be applied according to a coherent set of workforce barriers, under which people in certain circumstances would be fully exempt, such as the aged, people with heavy caring responsibilities including for very young children and

people with serious illness or disability. There would be scope to take into account multiple barriers. Some circumstances would determine a part-time participation requirement and others full-time.

The activity test would allow paid work, self employment, rehabilitation, education or training, job preparation and to some extent voluntary work, and combinations of these. There would be, as there are now, rules around what is allowable.

## **Conclusion**

In conclusion there are a number of ways in which a single payment system can be structured.

One is Basic Income, in which every citizen receives an income regardless of their means and their circumstances. It is unconditional and not means tested and paid for out of taxes on income private income. This is a beautifully simple and elegant idea in philosophy but is too radical ever to be introduced.

Another is Guaranteed Minimum Income, in which everyone is eligible for income support if their income is not sufficient to provide a minimum acceptable living standard. This does not have categories and there is no activity test requirement. I think the latter condition would not be publicly acceptable and there would need to be a heavy reliance on monetary incentives for work.

I have called mine a Conditional Minimum Income because the 'workforce barrier' component is conditional on having to look for work subject to recognition of various barriers, which do form categories. Others who have proposed similar systems call it a Participation Income.







# Developing a national Indigenous policy framework that recognises needs, rights and legacies and delivers results

Paper delivered to the Australian Council of Social Service (ACOSS) National Conference, 'Building a Fair Australia in Tough Economic Times', Australian Technology Park, Sydney, on 2 April 2009

Jon Altman

Director and ARC Australian Professorial Fellow, Centre for Aboriginal Economic Policy Research, Australian National University, Canberra; e-mail: [jon.altman@anu.edu.au](mailto:jon.altman@anu.edu.au)

## INTRODUCTION

I would like to begin by acknowledging the Eora Nations, traditional owners of Sydney.

I have been researching Indigenous policy for just on 32 years now. Over time, Indigenous affairs have become more and more politicised, complicated, and influenced by the voices of popular media. We now have a relatively new federal government that has accepted the previous government's rhetoric of failure in Indigenous affairs, and also a degree of adherence to its approach, despite much talk about 'business as usual' being inadequate.<sup>1</sup>

The national policy framework is based around two principles: a continuation of a focus on remote Australia, especially the Northern Territory Emergency Response (NTER) Intervention; and 'practical reconciliation' or mainstreaming, assimilation or normalisation—now termed 'Closing the Gap'—which has been the dominant tenet of policy for decades, irrespective of the government of the day.

There have been some changes: a national apology to the stolen generations and a recognition that a greater investment will be needed to close the gap; an important collaboration between Federal and State/Territory governments to more equitably and transparently share the cost of Indigenous affairs;<sup>2</sup> and tomorrow, a statement of support for the United Nations Declaration on the Rights of Indigenous Peoples, a highly symbolic act.

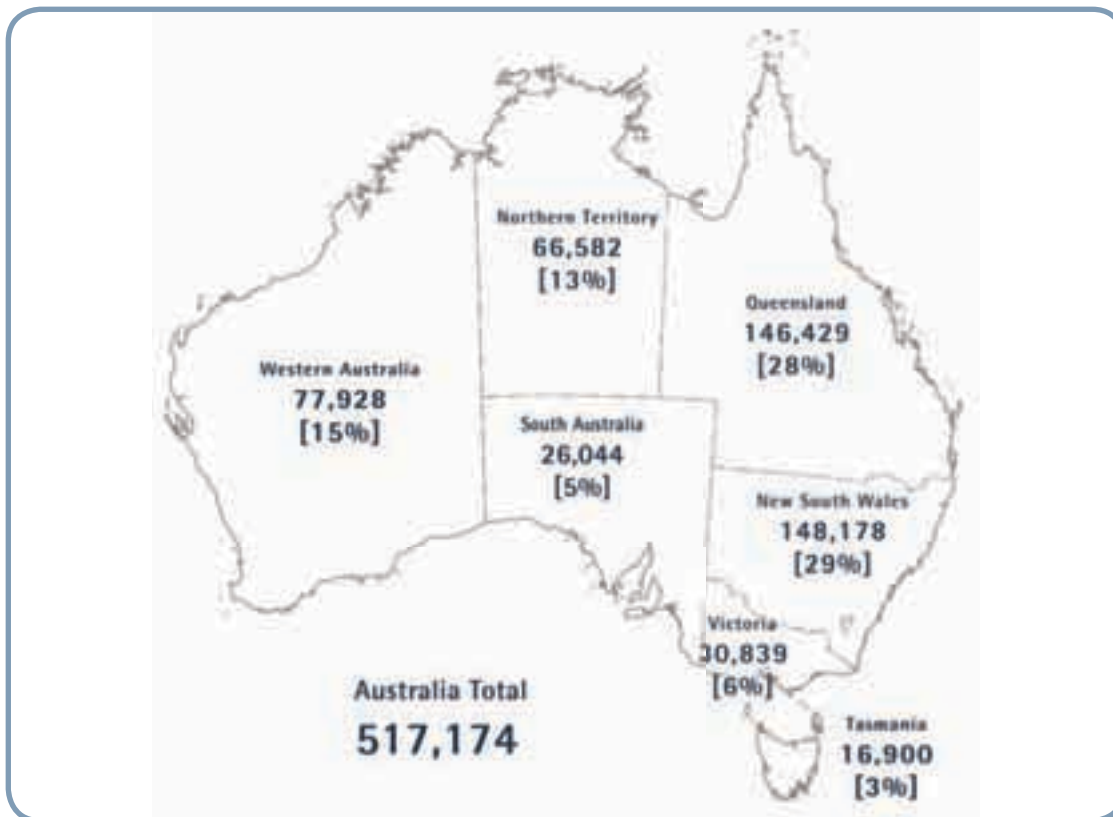
In the time I have today, I want to provide a dispassionate examination of where we are at, and where we might be going, in terms of outcomes for Indigenous Australians. I provide some statistics on Closing the Gap, while at the same time being critical of the policy adherence to this monolithic approach that privileges statistical equality over all else and so, inevitably, undervalues difference and diversity.<sup>3</sup> I argue for a very different policy framework that looks to openly combine three interlinked elements:

1. Needs-based citizenship rights (what might be termed horizontal equity in welfare economics, or formal equality in international human rights law, or recognition of sameness);
2. Special Indigenous rights (vertical equity, substantive equality, or recognition of difference), and
3. Compensatory 'social justice' rights to meet historical backlogs.

**ACOSS:**  
Australian Council  
of Social Service

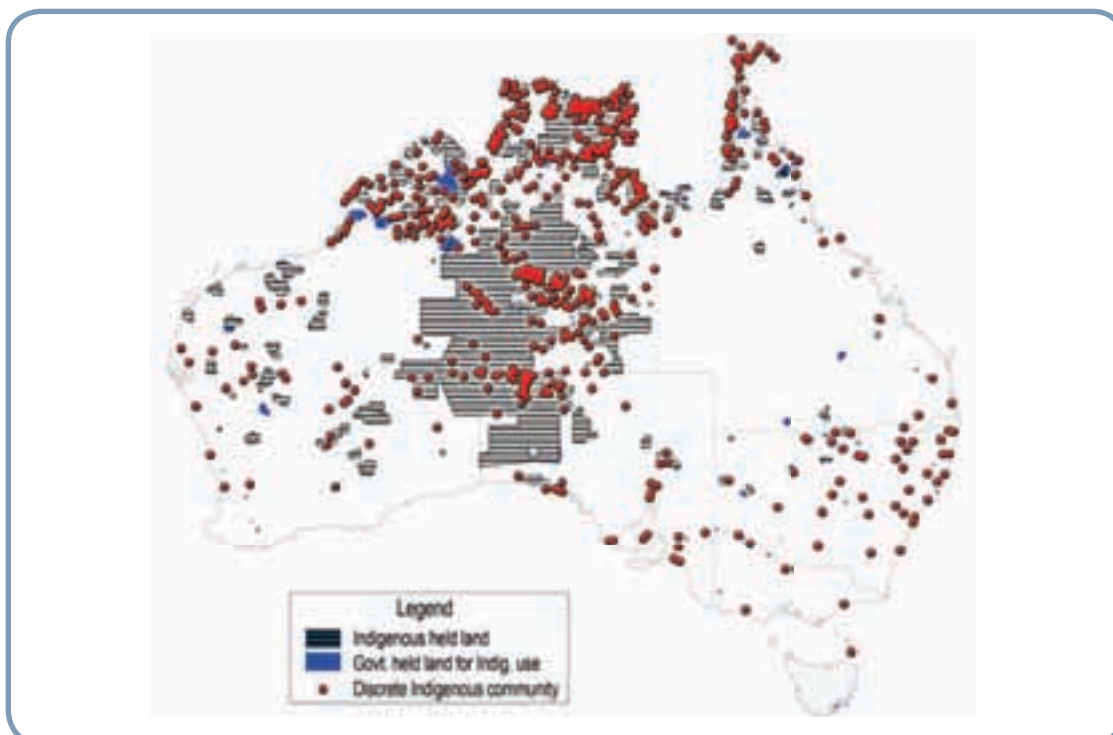
**NTER:**  
Northern Territory  
Emergency  
Response

**Fig. 1. Indigenous estimated resident population, 2006**



Source: Australian Bureau of Statistics, 2006.

**Fig. 2. Discrete Indigenous communities and Indigenous-owned land**



Source: Adapted from Altman, Buchanan & Larsen, 2007.

**Table 1. Ratio of Indigenous to non-Indigenous socioeconomic outcomes, 1971–2006**

Variable	1971	1981	1991	1996	2001	2006
Unemployment rate (% labour force)	5.63	4.24	2.70	2.52	2.78	3.06
Employment to population ratio (% adults)	0.73	0.61	0.66	0.72	0.71	0.71
Private-sector employment (% adults)	0.65	0.42	0.51	0.47	n.a.	0.63
Labour force participation rate (% adults)	0.78	0.77	0.84	0.85	0.82	0.80
Median weekly personal income (\$A 2006)	n.a.	0.55	0.62	0.64	0.56	0.58
Household size	1.35	1.32	1.38	1.33	1.31	1.31
Median weekly household income (\$A 2006)	n.a.	0.72	0.77	n.a.	0.78	0.78
Home owner or purchasing (% population)	0.37	0.27	0.27	0.36	0.37	0.41
Never attended school (% adults)	37.83	15.29	5.10	4.43	3.20	3.00
Post-school qualification (% adults)	0.14	0.18	0.29	0.33	0.44	0.52
Degree or higher (% adults)	n.a.	n.a.	n.a.	0.20	0.23	0.24
Attending educational institution (% 15–24 year olds)	n.a.	n.a.	n.a.	0.56	0.61	0.62
Male life expectancy at birth (years)	0.73	0.79	0.77	0.76	0.74	n.a.
Female life expectancy at birth (years)	0.67	0.82	0.80	0.79	0.77	n.a.
Population aged over 55 years (%)	0.43	0.34	0.32	0.31	0.31	0.33

Note: 'n.a.' means that data was not available in that year. Results have been rounded to two decimal places.

Source: Altman, Biddle & Hunter, 2008.

I then want to also say a little about how Closing the Gap might fare during a global recession and to end by provocatively challenging ACOSS and its members to advocate a little differently for Indigenous development.

## CLOSING THE GAP: A FOCUS ONLY ON NEEDS

Closing the gap in life expectancy, infant mortality rates, employment and educational outcomes is the current overarching policy framework.<sup>4</sup> In some cases 'closing the gap' actually means halving the gap that is defined relationally, so that Indigenous disadvantage is defined *vis-à-vis* non-Indigenous statistical averages. The broad means to achieve these goals are three-fold: more dollars, more coercion, and more direct state involvement and oversighting.

Closing the Gap will be very difficult because resources are increasingly being targeted at remote Australia—where the minority of the Indigenous population lives—as if relative disadvantage is lower in non-remote or more densely settled Australia. Official statistics outlined below challenge such a view.

Fig. 1 shows the distribution of the Indigenous population by State and Territory to remind us all that New South Wales and Queensland are the most populous from an Indigenous population perspective, and that

**Table 2. Key Socio-economic indicators by remoteness, 2006**

Outcomes	Major Cities	Inner Regional	Outer regional	Remote	Very Remote
Unemployment rate (% of labour force)	3.0	3.3	3.6	4.7	1.2
Employment to population ratio (% adults)	0.8	0.7	0.7	0.6	0.5
Private sector employment (% employed)	0.9	0.9	0.9	0.8	0.6
Labour force participation rate (% adults)	0.9	0.9	0.8	0.7	0.6
Home owner or purchasing (% households)	0.5	0.5	0.5	0.4	0.2
Never attended school (% adults)	1.0	2.3	3.0	8.2	13.8
Post school qualifications (% adults)	0.6	0.6	0.5	0.4	0.2
Degree or higher (% adults)	0.3	0.3	0.3	0.2	0.1
Attending educational institution (% 15 - 24)	0.7	0.7	0.7	0.7	0.6
Population aged 55 years	0.3	0.3	0.3	0.4	0.4

Source: ABS Census data 2006, compiled by M. Yap.

**ABS:**

Australian Bureau of Statistics

only 13 per cent of the Indigenous population resides in the Northern Territory. (These figures are called estimated resident population, or ERP; it is noteworthy that, in the 2006 Census, final Australian Bureau of Statistics (ABS) figures derived from post-enumeration surveys revealed a massive undercount of 24% for Western Australia, 19% for the Northern Territory, and 12.5% for Queensland.)<sup>5</sup>

Fig. 2 presents some information on the location of what are called discrete Indigenous communities: there are about 1,200 of these: only 17 have a population of over 1,000 people and nearly 900 have a population of less than 50. Most are located on Indigenous-owned or native title determined land that now covers over 20 per cent of Australia.<sup>6</sup> About 100,000 Indigenous Australians live in such communities.<sup>7</sup>

This dispersal means two things. First it is very difficult to devise appropriate policies and programs for such small, isolated communities; and hard to deliver services (even census enumeration services). Second, because most members of these communities are ancestrally or historically linked to the land, people are strongly connected to the Indigenous estate, now legally recognised.

Table 1 presents some statistics on Indigenous disadvantage relative to non-Indigenous disadvantage at the national level. These data tell us that for as long as we have had statistics that allow self identification, Indigenous people have been relatively badly off compared to non-Indigenous people. What is important about these official statistics, however, is that because we have had them for a long time, we can hardly say we did not know that Indigenous people are relatively disadvantaged. But despite the rhetoric of failure, some of these ratios have improved while others have stagnated; certainly in absolute terms most *have* improved, but improvement takes a long time.<sup>8</sup> Key issues are whether the ratios have improved fast enough, and is closing the statistical gap the key aspiration for all Indigenous people?

**Table 3. Number of years till convergence of Indigenous and non-Indigenous outcomes**

	Convergence based on long run trends since 1971	Convergence based on post-1996 trends
Unemployment rate (% labour force)	28	**
Employment to population ratio (% adults)	**	**
Private-sector employment (% adults)	**	23
Labour force participation rate (% adults)	100+	**
Median weekly personal income \$A (2006)	100+	**
Household size	100+	100+
Median weekly household income \$A (2006)	94	100+
Home owner or purchasing (% population)	100+	100+
Never attended school (% adults)	2	14
Post-school qualification (% adults)	44	25
Degree or higher (% adults)	n.a.	100+
Attending educational institution (% 15-24 year olds)	n.a.	63
Male life expectancy at birth (years)	100+	**
Female life expectancy at birth (years)	47	**
Population aged over 55 years (%)	**	100+

**Note:** If Indigenous and non-Indigenous outcomes are diverging then the entry is a double asterisk. The trends are based on the maximum period for which comparable data was available. For example, the long run convergence for income calculated from 1981 as there were no available estimates for 1971. If the number of years to convergence is greater than 100 years, then the table entry is shown as 100+.

**Source:** Altman, Biddle & Hunter, 2008.

Table 2 shows the ratio of Indigenous to non-Indigenous socio-economic outcomes by remoteness for 2006. This table is important because it shows quite clearly that Indigenous disadvantage is everywhere, not just in remote Australia. But some things are in fact far worse in remote and very remote Australia, suggesting that the government's focus there might be justified. However, an important proviso is required—these figures are averages. Recent research by Nicholas Biddle shows that there are pockets within major cities that are not dissimilar in disadvantage to remote regions.<sup>9</sup> This table is also important because it shows the error of the naïve notion, held by some, that just migrating up the settlement hierarchy, and abandoning remote communities, will magically fix the 'Aboriginal problem'.

In Table 3, we estimate how long it will take to 'close the gaps' that can be measured with official statistics. These are just simple extrapolations from 1971 and 1996; the former the longest historical trend possible, the latter probably the more accurate.

Irrespective of which trend one uses, and making the assumption that policy settings will remain fundamentally unchanged, it is evident that only some gaps will totally close within a generation; some will take 100 years+ to close; and some are diverging, or were until 2006. That is, past evidence suggests

that some gaps will never close. This table is indicative only, but is produced to counsel caution in terms of the political rhetoric of 'closing the gap'. One result of the tough economic times ahead is that non-Indigenous outcomes might decline markedly, thus assisting statistical gap closing *if* Indigenous outcomes remain constant.

Closing the Gap is about meeting citizenship entitlement or rights—what in welfare terms might be referred to as horizontal equity or the like treatment of all citizens. Clearly as a nation we have done poorly here for many historical, structural, cultural and political reasons.

## WHAT ABOUT SPECIAL RIGHTS?

Australia's forms of democracy and fiscal federalism have not served Indigenous people well, suggesting that Indigenous-specific programs might be needed. Indigenous-specific programs are fundamentally different but should, in theory at least, be supplementary to equal access to mainstream programs so as to hasten closing of gaps. At the moment there is almost \$4 billion of such programs, and one often hears provocative media comment that this amount is excessive. In fact, it represents about 1.4 per cent of Commonwealth outlays for about 2.5 per cent of the Australian population. And the assumption is made that this is on top of equitable needs-based access to mainstream entitlements, when in truth, we do not know the extent of Indigenous people's access to such services.<sup>10</sup> There are indications and research that suggests that it is inadequate. The indications come from places where mainstream services are just not available, especially in remote and very remote regions. Research indicates that on any objective needs basis criteria, access is inequitable.<sup>11</sup>

In Australia over the past decade or so we have seen a policy trend to favour mainstreaming over Indigenous-specific programs and, more recently, public sector provision over community-based delivery. These two trends have been justified by the powerful narrative of policy failure, and not by any evidence that such approaches deliver superior outcomes.

In my view an emphasis on mainstreaming might deliver citizenship entitlements, but such an emphasis will neglect Indigenous rights, and importantly, the Indigenous right to be different. It is for this reason that provisions in the Constitution that allows the Commonwealth to make laws for Indigenous people, and the Racial Discrimination Act (RDA) that allows special beneficial measures to be implemented are so important to Indigenous people; and conversely why the suspension of the RDA in the NTER Intervention is so confronting. This is especially because—unlike other settler majority colonial states such as the United States, Canada and New Zealand—there are no constitutional guarantees protecting inherent Indigenous rights, treaties or human rights frameworks in Australia. The RDA is of fundamental practical and symbolic importance.

While the Council Of Australian Governments (COAG) communiqués of 2008 suggest that the Commonwealth and States and Territories are in unison or 'joined up' in Indigenous policy, there are some signs of emerging intergovernmental cracks that some might welcome. I note just two exemplars. First, the openness of the Victorian Government to a human rights based approach in its social policy agenda is evident in its support for a Victorian state-wide Indigenous Forum in October 2008 that delivered a communiqué to the Victorian Government on 11 March 2009.<sup>12</sup> The Victorian approach is looking to build a rights framework into all its policy settings, and is based on five human rights principles with the acronym PANEL: Participation of stakeholders, Accountability for results, Non-Discrimination for vulnerable groups, Empowerment of target groups, and Linkages to human rights standards.<sup>13</sup> Second, the apparent rejection by the new Western Australian Government of the proposed school attendance/welfare reform trials in that State on the grounds that they are punitive and will impact negatively on child welfare.<sup>14</sup> Both appear to re-activate the possibility for enhanced community engagement.

---

**RDA:**  
Racial  
Discrimination Act

---

---

**COAG:**  
Council Of  
Australian  
Governments

---

## WHAT ABOUT THE LEGACIES OR BACKLOGS?

---

Much of the Indigenous policy debate, whether based on a needs or rights approach, still fails to adequately consider how massive backlogs, the historical legacy of years of underspending, will be filled. The Apology speech made it clear that group compensation to the Stolen Generations would *not* be paid. But in truth we will never 'close the gap' unless we address historical legacy, be it for individual trauma or for group neglect. I am often asked what is the extent of the capital backlog faced by Indigenous communities at the national level, and the answer is that we simply do not know, but we do know that we *are* underspending—the standard of housing, primary health care facilities, primary and secondary schools and general social infrastructure in most remote communities is inadequate at best, third world at worst. At the start of the NTER Intervention I estimated that a minimum \$4 billion would be needed over five years in the Northern Territory alone.<sup>15</sup> Such backlogs are most visible in some of the large remote Indigenous communities that the Commonwealth is now targeting for special treatment, although how these 26 communities have been selected (15 in the Northern Territory, 4 in Cape York, 3 in Western Australia, 2 in New South Wales and 2 in South Australia) is far from clear. Minister Macklin refers to these as being communities of 2–3,000 with a potential sustainable economic base.<sup>16</sup> By my reckoning only six, at most, have a population of over 2,000. Picking winners in this way for multi-million dollar investments for remote service delivery is novel, but it is not necessarily equitable, especially given the earlier observation that there are over 1,200 discrete Indigenous communities.

## WHAT ARE THE RESULTS OF THE NEW APPROACH TO DATE?

---

The emerging national Indigenous framework that I have described recognises need, is weak on rights—especially in the Northern Territory—and has made a recent policy shift to target shortfalls in selected communities. This approach—with specified targets outlined only a year ago and targeting community introduced just last month—is too new to critically evaluate. This is especially the case because baseline statistics against which performance can be gauged are not being collected. This was very evident in the report of the independent review of the NTER Intervention published last October,<sup>17</sup> and also very evident in Kevin Rudd's Closing the Gap first annual report of February 2009 that noted 'achievements' in a number of areas, but mainly as inputs and nowhere as outcomes.<sup>18</sup>

In the absence of independent assessment of policy performance, together with a growing trend to report policy success in the popular media in an orchestrated manner, it is becoming harder and harder to gauge whether results are positive, negative or neutral. Such heightened contestation partly reflects the absence of consensus about the approach taken. It also reflects that the approach is owned and championed by the state, not by the people or Indigenous communities. It is not unusual to read a number of contradictory and highly contested views about a policy outcome, if not on the same day then strung out over just a few, with trial by media, rather than concrete evidence of success, appearing to influence the government's approach. I say 'appearing' quite deliberately, because lack of transparency about decision-making processes renders the media debates all the more visible and significant.

## WHAT ABOUT THE LOOMING RECESSION?

---

As tough economic times loom, one might argue that a firm commitment to a needs-based framework will be of benefit to Indigenous Australians, especially if the Rudd Government's Closing the Gap commitment actually extends to counter-cyclically closing the employment gap. My colleague Boyd Hunter suggests, optimistically, that the different industry distribution for Indigenous and non-Indigenous employment might see the downturn have less impact on Indigenous employed. On the other hand, he notes that

Indigenous unemployed are more likely to be discouraged work seekers than other Australians.<sup>19</sup> In the period 2002 to 2007, the number of Indigenous employed increased by 20,000,<sup>20</sup> but as noted above, the Indigenous unemployment rate is still three times the non-Indigenous rate. One question that needs to be addressed is—how vulnerable these newly employed might be in the looming recession; will it be a case of last hired, first fired?

Even before the global financial crisis, the Rudd Government employment strategy for Indigenous people was rudimentary at best, given that the Closing the Gap employment target (which is actually a halving of the relative employment/population ratio) will need about 100,000 additional jobs within ten years.<sup>21</sup> One element announced in the COAG communiqué last November was for an Indigenous economic participation package to assist 13,000 into employment.<sup>22</sup> The other element was to rely on the Australian Employment Covenant devised by mining magnate Andrew Forrest, which aims to create 50,000 private sector jobs, initially in two years, now in an unspecified time-frame owing to the global financial crisis.<sup>23</sup> At the same time, the Rudd Government remains committed to dismantle the Community Development Employment Program that has been in place since 1977, and so move a minimum 17,000 participants from flexible, usually part-time, work to possible unemployment and welfare dependence.

The tension between mainstreaming and Indigenous specific approaches is very evident in the \$48 billion Nation Building and Jobs Plan that has no specific provisions for Indigenous people. In my view this stimulus package could very easily miss the neediest.<sup>24</sup> Given the marginal attachment of many Indigenous people to the labour market, one might have expected a comprehensive Indigenous employment and training package to meet the Closing the Gap goal and insulate Indigenous Australians from recession: none has been forthcoming. Perhaps as Tiga Bayles commented to me recently in a radio interview 'Indigenous people are well insulated from recession given that they always live with recession'?<sup>25</sup>

## CONCLUSION: WHAT CAN ACOSS DO?

The Rudd Government has made some progress since November 2007 in terms of dollar investments and joint Commonwealth/State commitments. It has also continued, and even enhanced, the previous government's approach that differentiates Indigenous citizens both from other Australians and from other Indigenous citizens on jurisdictional and racial criteria. In addition, it has recently introduced a new approach targeting particular communities for enhanced assistance. In my view, rapid progress will only be made when the national policy framework is significantly broadened to meet needs on an equitable basis, while recognising Indigenous difference and diversity, and addressing historical legacies. An approach based on needs alone, the so-called practical only, will be inadequate.

ACOSS's goals are to reduce poverty and inequality by developing and promoting socially, economically and environmentally responsible public policy and action by government, community and business while supporting NGOs which provide assistance to vulnerable Australians. I put forward the following five propositions to conference delegates in relation to Indigenous Australians:

1. ACOSS should advocate for the broader approach I propose based on equitably addressing needs, recognising rights, and meeting legacies—thus broadening the narrow one-dimensional needs-based approach of the Rudd Government;
2. ACOSS should advocate for a diversity of delivery approaches including community-based bottom-up or participatory approaches rather than the top-down and at times paternalistic public intervention that is currently dominant—we need to document and support Indigenous aspirations in all their diversity;



3. ACOSS should advocate for an approach predicated on community partnerships and giving community voice rather than the current approach that is seeing multi-year commitments being decided in agreements between the Commonwealth, States and Territories with minimal, or just some privileged, input from Indigenous voices;
4. ACOSS should advocate for common sense approaches that support what works, that openly quantifies what is needed, that tracks what is being achieved and that ensures transparency in all Indigenous policy processes; and finally
5. ACOSS should advocate for an approach that fundamentally respects human rights in accord with international requirements, especially at a time when Australia is on the eve of endorsing the United Nations Declaration on the Rights of Indigenous Peoples.

## NOTES

---

1. See for example the 'Apology to Australia's Indigenous Peoples' speech, 13 February 2008, available at <[http://www.pm.gov.au/media/speech/2008/speech\\_0073.cfm](http://www.pm.gov.au/media/speech/2008/speech_0073.cfm)>.
2. See Council of Australian Governments (COAG), Communiqués during 2008, especially <[http://www.coag.gov.au/coag\\_meeting\\_outcomes/2008-11-29/](http://www.coag.gov.au/coag_meeting_outcomes/2008-11-29/)>.
3. A point emphasised in the paper 'Beyond Closing the Gap', presented at the *Values and Public Policy: Fairness, Diversity and Social Change Conference*, Melbourne, 26/27 February 2009. Conference hosted by the Centre for Public Policy, Melbourne University, available at <<http://www.public-policy.unimelb.edu.au/conference09/Altman.pdf>>.
4. See Council of Australian Governments (COAG) communiqués in 2008, especially <[http://www.coag.gov.au/coag\\_meeting\\_outcomes/2008-11-29/](http://www.coag.gov.au/coag_meeting_outcomes/2008-11-29/)>.
5. See the Australian Bureau of Statistics, *Population Distribution Aboriginal and Torres Strait Islander Australians*, 2006, available at <<http://www.abs.gov.au/AUSSTATS/abs@.nsf/Latestproducts/4705.0Appendix22006?opendocument&tabname=Notes&prodno=4705.0&issue=2006&num=&view>>.
6. Jon Altman, Geoff Buchanan and Libby Larsen, 'The environmental significance of the Indigenous estate: Natural resource management as economic development in remote Australia', *CAEPR Discussion Paper No. 286/2007*, available at <[http://www.anu.edu.au/caepr/Publications/DP/2007\\_DP286.pdf](http://www.anu.edu.au/caepr/Publications/DP/2007_DP286.pdf)>.
7. See the Australian Bureau of Statistics, *Housing and Infrastructure in Aboriginal and Torres Strait Islander Communities*, 2006 (reissue), available at <[http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/E4705677FB7487A2CA2572BF001962CE/\\$File/47100\\_2006%20\(Reissue\).pdf](http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/E4705677FB7487A2CA2572BF001962CE/$File/47100_2006%20(Reissue).pdf)>.
8. Jon Altman, Nicholas Biddle and Boyd Hunter, "How realistic are the prospects for 'closing the gaps' in socioeconomic outcomes for Indigenous Australians?", *CAEPR Discussion Paper No. 287/2008*, available at <[http://www.anu.edu.au/caepr/Publications/DP/2008\\_DP287.pdf](http://www.anu.edu.au/caepr/Publications/DP/2008_DP287.pdf)>.
9. Nicholas Biddle, 'Ranking Regions: Revisiting an Index of Relative Indigenous Socioeconomic Outcomes', *CAEPR Working Paper No. 50/2009*, available at <<http://www.anu.edu.au/caepr/Publications/WP/CAEPRWP50.pdf>>.

10. John Gardiner-Garden, 'Commonwealth Indigenous-specific expenditure 1968–2008', Commonwealth Parliamentary Library, *Research Paper No. 10 2008–09*, available at <<http://www.aph.gov.au/Library/Pubs/rp/2008-09/09rp10.pdf>>.
11. See for example Deeble, J., Mathers, C., Smith, L., Goss, J., Webb, R., and Smith, V. (1998) *Expenditure on Health Services for Aboriginal and Torres Strait Islander People*, Department of Health and Community Services, Canberra; Neutze, M., Sanders, W., and Jones, G. (1999) 'Public Expenditure on Services for Aboriginal People: Education, Employment, Health and Housing', *Discussion Paper Number 24*, The Australia Institute, Canberra; Commonwealth Grants Commission (2001) *The Indigenous Funding Inquiry*, Commonwealth Grants Commission, Canberra.
12. See Victorian Statewide Indigenous Forum 16–17 October 2008, 'Communiqué Presented to the Victorian Government by the Victorian Aboriginal Community', 11 March 2009, available at <[http://www.aboriginalaffairs.vic.gov.au/Web14/dvc/rwpgslib.nsf/GraphicFiles/Statewide+Indigenous+Forum+2008+Communiqué+PDF/\\$file/FINAL+Communique+11+March+2009.pdf](http://www.aboriginalaffairs.vic.gov.au/Web14/dvc/rwpgslib.nsf/GraphicFiles/Statewide+Indigenous+Forum+2008+Communiqué+PDF/$file/FINAL+Communique+11+March+2009.pdf)>.
13. Helen Szoke, 'Recognising resilience and rights' presented at the *Values and Public Policy: Fairness, Diversity and Social Change Conference*, 26/27 February 2009. Conference hosted by the Centre for Public Policy, Melbourne University, available at <<http://www.public-policy.unimelb.edu.au/conference09/Szoke.pdf>>.
14. Alana Buckley-Carr, 'State blocks no school, no welfare program', *The West Australian*, 16 February 2009, available at <<http://www.thewest.com.au/default.aspx?MenuID=77&ContentID=124913>>; also The Australian Greens media statement, 'Greens welcome WA Government's cooling on truancy trials', 14 February 2009, available at <<http://rachel-siewert.greensmps.org.au/content/media-release/greens-welcome-wa-government%E2%80%99s-cooling-truancy-trials>>.
15. Jon Altman, 'Stabilise, normalise and exit = \$4 billion', *CAEPR Topical Issue No. 8/2007*, available at <[http://www.anu.edu.au/caepr/Publications/topical/Altman\\_Costing.pdf](http://www.anu.edu.au/caepr/Publications/topical/Altman_Costing.pdf)>.
16. See Jenny Macklin's media statement, 'Remote Indigenous housing investment' 23 March 2009, available at <[http://www.jennymacklin.fahcsia.gov.au/internet/jennymacklin.nsf/content/remote\\_indigenous\\_housing\\_23mar2009.htm](http://www.jennymacklin.fahcsia.gov.au/internet/jennymacklin.nsf/content/remote_indigenous_housing_23mar2009.htm)>; <[http://www.jennymacklin.fahcsia.gov.au/internet/jennymacklin.nsf/content/wa\\_alcohol\\_restrictions.htm](http://www.jennymacklin.fahcsia.gov.au/internet/jennymacklin.nsf/content/wa_alcohol_restrictions.htm)>; also Council of Australian Governments (COAG) Communiqué 29 November 2008, <[http://www.coag.gov.au/coag\\_meeting\\_outcomes/2008-11-29/](http://www.coag.gov.au/coag_meeting_outcomes/2008-11-29/)>.
17. Peter Yu, Marcia Ella-Duncan and Bill Gray, *Report of the NTER Review Board - October 2008*, available at <[http://www.nterreview.gov.au/docs/report\\_nter\\_review/default.htm](http://www.nterreview.gov.au/docs/report_nter_review/default.htm)>.
18. Australian Government, *Closing the Gap on Indigenous Disadvantage: The Challenge for Australia*, 27 February 2009, available at <[http://www.fahcsia.gov.au/indigenous/closing\\_the\\_gap/default.htm](http://www.fahcsia.gov.au/indigenous/closing_the_gap/default.htm)>.
19. B. Hunter 'Prospects for closing the gap in a recession: Revisiting the role of macroeconomic factors in Indigenous employment', *CAEPR Topical Issue No. 1/2009*, available at <[http://www.anu.edu.au/caepr/Publications/topical/Hunter\\_Recession\\_0109.pdf](http://www.anu.edu.au/caepr/Publications/topical/Hunter_Recession_0109.pdf)>.
20. See the Australian Bureau of Statistics, *Labour Force Characteristics of Aboriginal and Torres Strait Islander Australians*, 2007, available at <[http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/F6AE80CEC4FD6F5FCA257450001581EB/\\$File/62870\\_2007.pdf](http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/F6AE80CEC4FD6F5FCA257450001581EB/$File/62870_2007.pdf)>.

21. Nicholas Biddle, John Taylor, and Mandy Yap, 'Indigenous Participation in Regional Labour Markets', 2001–06, *CAEPR Discussion Paper 288/2008*, available at [http://www.anu.edu.au/caepr/Publications/DP/2008\\_DP288.pdf](http://www.anu.edu.au/caepr/Publications/DP/2008_DP288.pdf).
22. See Council of Australian Governments (COAG), Communiqué 29 November 2008, available at [http://www.coag.gov.au/coag\\_meeting\\_outcomes/2008-11-29/](http://www.coag.gov.au/coag_meeting_outcomes/2008-11-29/).
23. Australian Government, Joint Media Release, Brendan O'Connor and Jenny Macklin, 'Government Welcomes Australian Employment Covenant', 30 October 2008, available at [http://www.pm.gov.au/media/release/2008/media\\_release\\_0574.cfm](http://www.pm.gov.au/media/release/2008/media_release_0574.cfm).
24. Jon Altman, submission to the Inquiry into the Nation Building and Jobs Plan, Senate Finance and Public Administration Committee, 10 February 2009, available at [http://www.aph.gov.au/Senate/committee/fapa\\_ctte/stimulus\\_package/submissions/sub30.pdf](http://www.aph.gov.au/Senate/committee/fapa_ctte/stimulus_package/submissions/sub30.pdf).
25. Tiga Bayles (journalist) interviewing Jon Altman on 98.9FM (Brisbane) Radio, *Let's Talk*, 11 March 2009. Available to download or listen at [http://989fm.com.au/index.php?option=com\\_wrapper&Itemid=29](http://989fm.com.au/index.php?option=com_wrapper&Itemid=29).



**Holding Hands for Strong Communities**  
community event to show opposition to the NTER  
legislation at Mindal Beach, **September 2007**

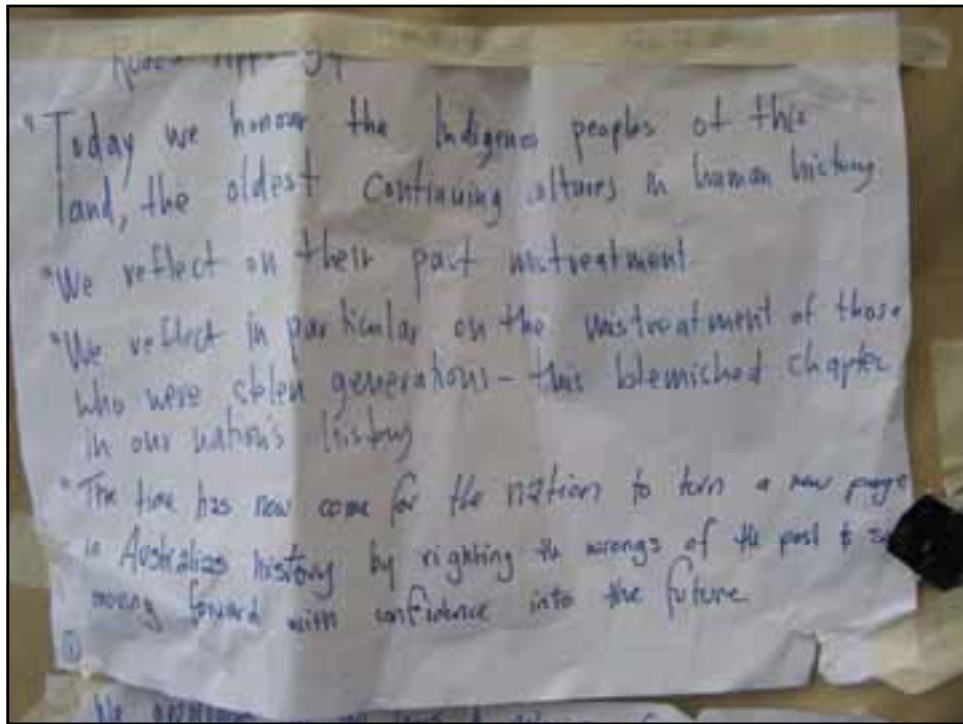


**National Day of Action against the Intervention** event in  
Mparntwe (Alice Springs), one of 12 around the country,  
**November 2007**

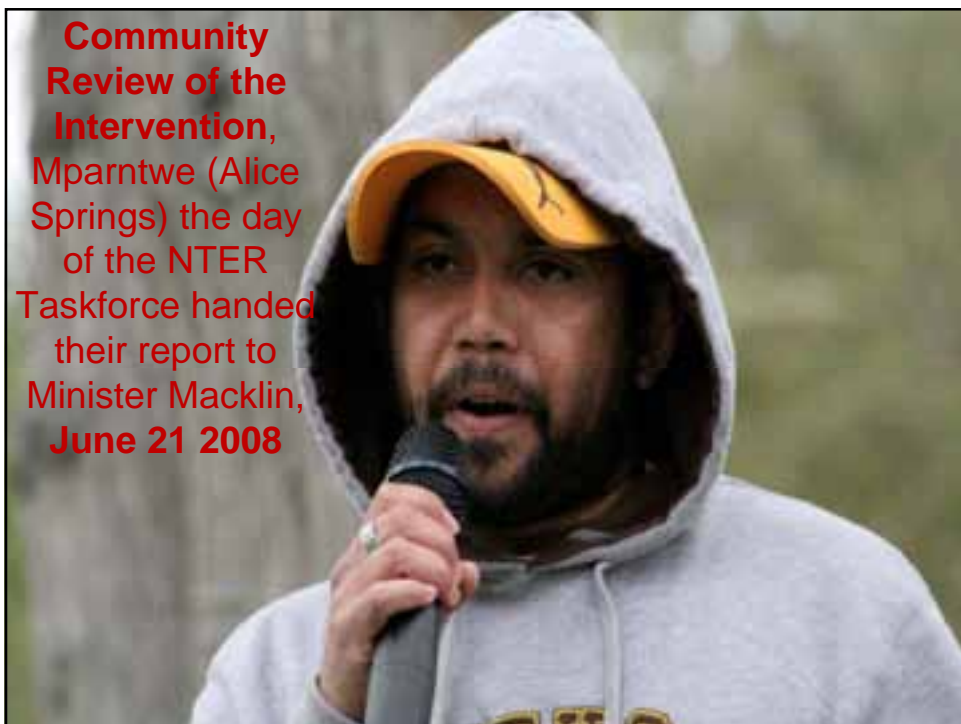












**Community  
Review of the  
Intervention,  
Mparntwe (Alice  
Springs) the day  
of the NTER  
Taskforce handed  
their report to  
Minister Macklin,  
June 21 2008**





One of a number of CDEP workers from Amoongana community who spoke about how they have begun a court case against the Intervention







Intervention Rollback Action Group **planning day** at Mt Nancy Town Camp, **June 28 2008**





Intervention Rollback Action Group on our way to  
Titjikala to do **interviews** after being invited to come  
and talk to people, **July 25 2008**





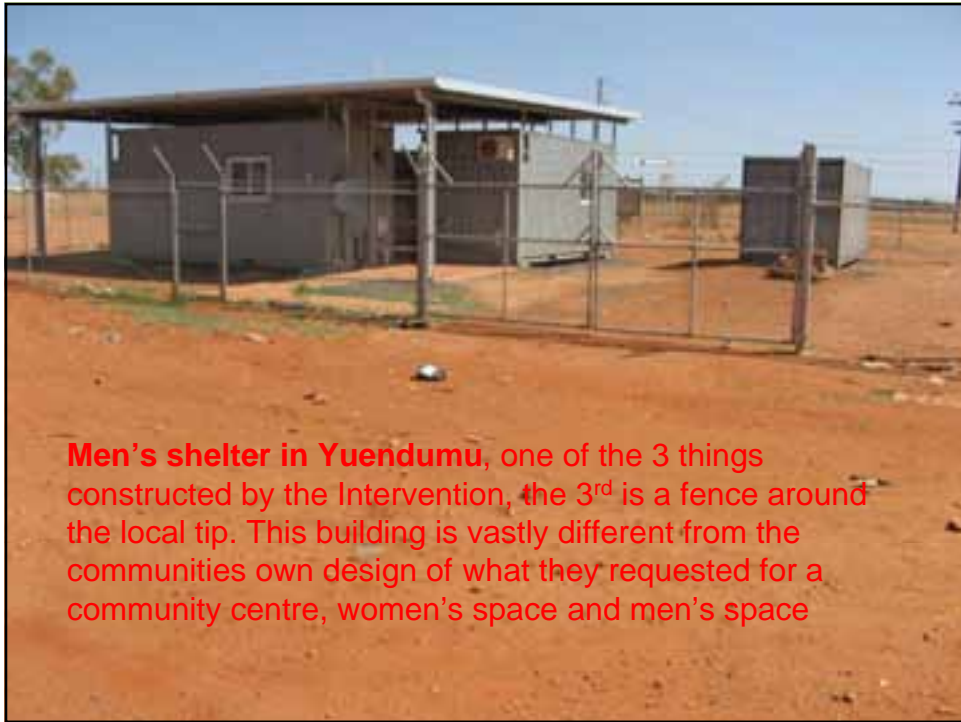
**Converge on the Centre** and listening tours, 200 people come to Mpartnwe from the East Coast for **September 2008**







**Yuendumu Listening Tour**, 20 people travel to listen to people from Yuendumu speak about their experience of and opposition to the Intervention. **Government Business Manager's compound, September 2008**









On the way to  
**Canberra  
Convergence**,  
15 people from  
communities in  
the central  
desert,  
**February 2008**



**Canberra convergence, at High Court,  
February 2009**



**Public Forum in Canberra, over 500 people  
gather to listen to the delegation of speakers  
from the NT and their lawyer who taken a case  
to the UN, February 2009**





**Canberra Convergence rally against the Intervention, opening day of parliament, February 2009**

