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**SPEECH**

**INCLUSIVE GROWTH: A PHILOSOPHICAL FRAMEWORK FOR  
AUSTRALIAN SOCIAL POLICY?**

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**\*\*CHECK AGAINST DELIVERY\*\***

I would like to begin by paying my respects to the Traditional Owners of the land: the Wurrundjeri people.

I honour their elders, past and present.

I would like to thank The Conversation for hosting this important discussion.

The topic for this conference 'The Future of Welfare' could not be more timely.

This is an exciting time for social policymakers both here in Australia and around the world.

Internationally, the Global Financial Crisis and six years of economic stagnation in many countries have opened new debates about the role of social policy in building good societies, and strong economies.

Organisations that were once considered to be the bastions of free market economics – the IMF, the OECD and the World Bank – are now actively pursuing social policy agendas.

This would not have been believable a generation ago.

In February this year, Christine Lagarde, the Managing Director of the International Monetary Fund appeared on the ABC's QandA program.

In response to a question on the challenge of inequality to global growth, she railed against rising inequality and made clear her view that rising inequality is not conducive to sustainable growth.

She said: "In response to that risk of rising inequality, the least that should be done...that must be done...is proper investment in health and education".

In June of this year, I was fortunate enough to meet with Nobel Laureate Joseph Stiglitz.

"A country's most important resources are its people" he said on Lateline shortly thereafter.

"And if you don't invest in your children, if you don't invest - make sure they have adequate nutrition, education, health, it will jeopardise your future."

Both these comments herald a shift in the previously accepted role of social policy.

Internationally, the world's leading economists are now accepting that social policy has a critical role to play in ensuring our future economic prosperity.

No longer is social policy considered the poor cousin of economic policy.

Not only are issues like poverty, inequality and social isolation bad for people, for society.

They are now widely recognised as bad for economic growth.

Of course, many of us have been arguing this for years.

In Australia, the debate around the current budget is, I believe, fundamentally about these same issues.

This budget goes to the very core of the Australian social contract.

Of the fair go.

It has caused Australians to pause and examine what kind of society we want for ourselves, and for our children.

Do we want an Australia with no universal healthcare?

A sub-standard pension system?

A deregulated higher education system?

A safety net only for the deserving few?

Australians have recognised these policies for what they are: an attack on our social fabric.

And - I am pleased to say - Australians have rejected this cruel future for our country.

But this budget is more than just bad social policy.

It is also bad economic policy.

It will not lead to growth, and it will not lead to prosperity.

What it has done is open a new conversation about the kind of society - the kind of world - that we want for the future.

This Government has outlined in this budget where it thinks our future lies.

Today, I want to discuss an alternative path, which envisages a new pathway to growth firmly based in the great Labor tradition of the fair go.

Inclusive Growth.

## **A SHORT HISTORY OF SOCIAL POLICY**

To understand the debate we are currently in – and the significance of it – I think it is helpful to look its origins.

In 1942, British economist and social scientist William Beveridge published his landmark report, *Social Insurance and Allied Services*.

This would become the architecture for the post-war welfare state.

He argued that all people of working age should pay a weekly national insurance contribution.

In return, benefits would be paid to people who become sick, unemployed, retired or widowed.

Beveridge argued that *government* should take responsibility for providing a minimum standard of living “below which no one should be allowed to fall”.

His primary aim was the alleviation of poverty.

He recommended that Government should find ways of fighting the five 'Giant Evils'.

Want, Disease, Ignorance, Squalor and Idleness.

Beveridge outlined a specific role for government in tackling these social ills.

He also acknowledged that employment was the key to prosperity; for individuals, and for society.

He knew that policies which help people get to work would deliver personal prosperity, and economic growth.

Alongside his economic counterpart, John Maynard Keynes, Beveridge would oversee the design of an integrated set of economic and social policies that achieved a period of shared prosperity.

Beginning in the 1970s, the economic and political dominance of Keynes and Beveridge gave way to new economic principles which saw a vastly different role for social policy.

The rise of neoliberalism.

During this transformation, the primary objective of full employment was displaced by a policy focus on balanced budgets, low inflation, stable currency, central bank independence, privatisation and a drive towards labour market deregulation and tackling welfare dependence.

The market became the source of human wellbeing.

Because social spending was seen to interfere with the market, it no longer had a role in ensuring economic growth or social progress.

Where social policy was justified, it was only as a 'safety net' to correct an error in the market.

And while there can be no doubt that market based economics has delivered growth, indifference to broader social goals has not come without costs.

Around the world, inequality has increased.

Social mobility has been restricted.

Poverty remains.

The wealth that was generated over the last 30 years has not 'trickled down' as was promised.

Our growth has not been inclusive.

In response to the growing awareness of this, in the late 1990s, new ideas began to emerge about the role of social policy.

The Social Investment Agenda.

This agenda recognises that social policy has a critical role to play in securing social and economic prosperity.

Passive welfare policy interventions of the post-war period were seen to be out of kilter with the needs of the new 'knowledge' economy.

To succeed in this new economy it is necessary to have a highly skilled and educated workforce.

The goal of Social Investment is to prepare people for this new 'knowledge economy' by investing in human capital.

Whereas Beveridge promoted a form of Social Protection 'from the cradle to the grave', Social Investment focuses on investment 'across the life course'.

Starting with early childhood development,

A quality education,

Strong welfare to work policies, and

Lifelong learning.

These investments are not only good for individuals, but also for society.

The Social Investment Agenda refutes the neoliberal view that social spending is harmful to the economy.

Social policy becomes a driver of economic growth.

And takes centre stage in the debate about human prosperity.

More recently, the Social Investment agenda has broadened into one about Inclusive Growth.

This was a direct response to the 'trickle down' economics of neoliberalism and austerity budgets.

It has grown out of the realisation of what comes with austerity.

Lower wages.

Lower skills.

Rising unemployment

Rising inequality.

Social fragmentation.

An erosion of hope and an absence of dignity.

Austerity does not lead to prosperity.

Austerity most certainly does not create opportunity.

Fundamental to Inclusive Growth is the view that poverty, inequality and a lack of social mobility are not just bad for society, but also bad for the economy.

They drain human potential, and restrict economic growth.

Inclusiveness - a concept that encompasses equity and equality of opportunity – is seen as an essential ingredient in any successful growth strategy.

Social policy – tasked with tackling these issues – must play a critical role in achieving economic growth.

## **SOCIAL INVESTMENT AND INCLUSIVE GROWTH IN AUSTRALIA**

Is Australia suited to an Inclusive Growth Agenda?

The historical and contemporary policy context is of course very different here to that of the US or Europe where these ideas originated.

But I believe our tradition of social investment goes back to our foundation.

A rejection of the class divides in the UK, and a strong embrace of the great Australian concept of the 'fair go'.

For Labor, a 'fair go' is more than a slogan. It is a representation of the type of society that we want, and the policies that we as a government implement to build that society.

Since Federation, Labor has recognised the importance of both social protection and social investment.

A fair minimum wage.

The development of universal access to education.

Medicare.

A fair pension system.

Whilst the Hawke and Keating Governments are perhaps best remembered for their transformational economic policies, both of these governments recognised the importance of social policy, and made historic investments in human capital.

Yes - the economic transformation that was implemented was an embrace of the market.

But it also rejected the unbridled neoliberalism of Thatcher and Regan.

Hawke and Keating understood that renewing Australia's social policy was as critical to our future prosperity as renewing our economic policy.

What Keating described as the Inclusive Social Wage made social investment a key component of his growth strategy.

Working Nation had, at its core, getting people into work.

These great Labor reformers recognised that social policy is a key driver of economic growth.

And this social investment tradition is something that we were able to build upon during the Rudd and Gillard governments.

We introduced the country's first ever paid parental leave scheme.

An investment in working mothers.

We invested a record amount in the capacity of Aboriginal and Torres Strait Islander peoples through the Close the Gap framework.

We invested in early childhood education, schools, higher education and VET.

And these social investments were not just feel good initiatives.

Yes, they are based in a fundamental belief in the fair go.

But they are also grounded in solid economics.

To me, possibly the best example of this is the National Disability Insurance Scheme.

Done right, the NDIS will lift participation, lift productivity and drive future growth.

Labor knows the social and economic benefits that come from social investment. We have been doing it for generations.

So the question now is: what next?

### **THE CHOICE: AUSTERITY v STIMULUS**

Australia faces a choice.

Do we accept a future based on the failed economics of austerity, now widely rejected by economists the world over?

This is the current Government's agenda, so brutally outlined in this year's budget.

Or do we embrace a new agenda towards Inclusive Growth based on social investment in human capital?

This is the choice that lies before us.

Labor understands that poverty, inequality, social exclusion and lack of social mobility are bad for people; and bad for the economy.

We have always understood this.

But our opponents have embraced a different path.

Leaving young people without any income support for six months is an extreme example of policies that lead to the destruction of human capital.

Pushing young Australians into poverty will not help them build skills or get jobs.

It will hamper their potential, and in so doing diminishes all our potential.

Across Australia, people are coming to understand that the “End of the Age of Entitlement” is much more than a political slogan.

It is a political ideology with its roots in the failed economics of austerity.

And must be rejected.

I believe we must embrace an investment approach with a renewed emphasis on the development of our human capital.

This is what our country needs if we are to prosper together.

The foundations of this agenda must be health and education.

The Gonski reforms of the previous Government demonstrate Labor’s capacity to develop the schools policy that our future prosperity needs.

My colleagues Kate Ellis and Catherine King are leading the work in these priority areas.

But there are other policies where we need to focus on the development of our human capital.

Australia is in the midst of a period of rapid economic and social change.

Our open, dynamic economy is driving fundamental shifts that impact on the lives of all Australians.

We know that for many Australians, the changes that have taken place over the last thirty years – and those happening right now - mean secure employment, stable family relationships and economic security are increasingly difficult to obtain.

Poverty remains.

Inequality is growing.

Families are struggling to juggle work and children.

Our population is ageing.

This social and economic transformation is happening now.

Our task is to respond to these challenges with new social policies that recognised the transformation that is underway.

Supporting more people into work, reducing poverty and inequality, sharing the risks that come with a dynamic, open economy and ensuring people can effectively manage work and care.

These are the priorities that I have set myself for the social policy review that I am leading.

## **ECONOMIC REFORMS**

Of course, this is only part of what is required.

We also need economic reform.

We need to ensure that our economic policies support this inclusive approach to growth.

It was Keynes and his post-war economics that provided the basis for Beveridge's welfare state.

And neoliberal economics which saw its demise.

Social and economic reforms go hand in hand.

To achieve Inclusive Growth we need a new set of economic policies that recognise the importance of human capital.

And drive growth by strategically investing in that capital.

And – importantly - generate the revenue to pay for it in a way that is good for the economy and society.

Only then will we have what is required to achieve Inclusive Growth.

### **THE CHALLENGE**

We also need a new narrative.

Having good policies is not enough to deliver change.

It is our job to bring people along with us.

And I don't mean just a three word campaign slogan. I mean a story that all Australians can relate to and from it recognise that it's in all of our interests to have an Australia with Inclusive Growth at its core.

When we were in government we did this well in some particular policy areas, and not so well in others.

The NDIS is good policy coupled with a strong social and economic narrative will be championed by the Australian people.

This was driven, of course, by people with a disability, who had been ignored for generations.

This reform belongs to them.

And when the Productivity Commission first put forward their design for a National Disability Insurance Scheme, they outlined the benefits that would flow from the investment, for individuals with disability, their carers and families.

But they also outlined an economic case for reform.

I think this was an important part of making the case for change.

Today, people are starting to see the NDIS as the next pillar of the Australian social contract.

Taking its place alongside Medicare.

A key component of a fair and prosperous Australia.

Education has always been at the core of Labor's social policy priorities.

We have always recognised that education is the key to opportunity.

When we put the case for the Gonski reforms to the Australian people, we set a new benchmark for education policy in this country.

Of course, fairness and opportunity are at the very centre of what we were trying to achieve with the Gonski reforms.

But these reforms are about more than that.

We know that if we are to thrive in an increasingly competitive world, we need to invest more in education.

Our challenge is to make sure that education is the very core of Labor's economic narrative.

Because it is education that will be the driver of our economic growth going forward.

Without it we will not succeed in this changing world.

But to get there we must change the narrative about growth.

In his recent speech to the Crawford School, Ken Henry outlined this challenge.

"In Australia, the dominant economic narrative goes like this" he said.

“Reforms that enhance productivity and cut costs build international competitiveness; international competitiveness drives exports; exports drive growth; growth drives jobs; and jobs support living standards”.

This is the standard trickle-down economics of the neoliberal era.

Yet, as Henry points out in his speech, this does nothing to demonstrate the true wealth of our nation.

It does nothing to show how well people are actually doing.

How educated we are.

How healthy we are.

It fails on any measure of wellbeing, dignity or opportunity.

In this narrative there is only a very narrow economic measure of social progress.

Based on an outdated vision of what drives growth in the economy.

And what leads to prosperity.

So long as our narrative is based on this narrow understanding, investments of the kind we envisaged with Gonski will never be a central part of our economic narrative.

In this narrative, even investment in education leads only to more debt and deficit.

We cannot let this narrative continue.

This will not be easy. There is still a long way to go.

Over the next two years, as we prepare for government, we are turning our minds to both these questions.

What are the policies that will deliver the kind of Inclusive Growth that we want?

And how can we frame that agenda in a way that the Australian people understand?

One thing is for sure: social policy is back.

I believe our future prosperity depends on it.

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