

**Brotherhood of St Laurence Annual General Meeting
29 November 2006**

Excerpts from the speech given by the Executive Director, Mr Tony Nicholson

The outlook

In formally moving this motion for the adoption of the Annual Report, I want to comment on some of the most important challenges facing the Brotherhood's work over the coming years.

This reflects my belief that organisations like ours – that speak for the disadvantaged – must become agenda setters. We can't afford to simply react to social and economic trends and to other people's policy initiatives.

A reactive approach not only fails the disadvantaged people we represent. It also allows us to be portrayed negatively. It enables us to be dismissed as a "welfare lobby", always saying "no" to reform, and never having anything positive to advance for the wider benefit of the nation. The simple fact is that for most people compassion isn't enough – nor should it be. They want to hear that what we are proposing will work and will improve the prosperity of the whole community.

This view of us as simply a negative "welfare lobby" is wrong and must be combatted through forceful intervention in public policy debates.

Because the truth is we're not about providing "welfare" – we're about advancing opportunity for the disadvantaged. And we're not about taking a cut of economic growth – we're about creating more prosperity for everyone to share, including the disadvantaged.

Over the past year the Brotherhood has contributed to a growing recognition that tackling poverty and disadvantage is not only a moral imperative but also an economic necessity. In the decade ahead our nation simply cannot afford to have a significant minority of its citizens locked out of the mainstream economy and the broader life of the community.

With our ageing population, increasing every individual's economic capacities and raising overall workforce participation levels will be absolutely essential to sustaining our economic prosperity.

And while it makes good economic sense to invest in the capacities of all our people, it is the most disadvantaged individuals and communities who present the opportunity for the greatest "return on investment", if you like. In other words, giving the least well-off new work and life skills will not only help them as individuals, it will also increase Australia's national wealth.

The economic circumstances of our nation over the next 20 years – and in particular Victoria's, which doesn't have the luxury of a resources boom – mean that prosperity will only increase when disadvantage is decreased. In the next 10 years our economy cannot afford to have between 10 and 15 per cent of our potential workforce not contributing. Such a circumstance will create higher taxes and lower productivity.

Over the past 12 months, the Brotherhood has made an important contribution to Australia's economic and social debate – advancing our case for prosperity through greater opportunities for all.

Tonight I want to comment on three additional areas to which we must make a big contribution.

Youth transitions

The first issue which demands the Brotherhood's attention, and on which we are now well placed to contribute, is the challenges facing our young people in making the transition from school to adulthood.

Last year I reported on the Brotherhood's efforts to influence the national debate on child poverty through the first instalment of our Social Barometer series.

We succeeded in drawing the attention of the Australian people to some appalling facts. Despite a decade and a half of economic growth and falling official unemployment rates:

- 730,000 children are living in households with no parent in work
- the proportion of babies with low birth-weights is on the rise
- 14 per cent of 4 to 17-year-olds have some form of mental problem
- Australia is 24th out of 30 countries in the OECD in terms of spending on early childhood education
- and child prevention orders are increasing.

I am proud to report that our advocacy – alongside that of a number of our colleague organisations – is starting to influence government policy, especially here in Victoria. And we will keep our work in that area going. It is an exciting field of social policy that promises to reduce intergenerational poverty.

This year, in the second of our Social Barometer series, we have focused on the difficulty disadvantaged children face in the later school years – a point also made in the latest report in our longitudinal Life Chances study of children born in 1990, which I am pleased to announce will be released very soon.

There's no point in levelling the playing field for poor children in the early primary years if we tilt it steeply against them in the later secondary years. But that's what our society is doing.

Despite all the gains in understanding about this problem in recent years, and despite all the prosperity our society has created in the past two decades, school retention rates have changed very little.

Many educational experts, including Richard Teese, Richard Sweet and Barry McGaw, are telling all who will listen just how bad Australia's performance in secondary education is.

Australia now ranks 20th in terms of upper secondary school attainment among the OECD countries with which we compete.

And the reason for this poor performance is unequal outcomes.

Productivity Commission statistics show that that almost half of all boys from disadvantaged backgrounds failed to complete secondary school last year – compared to less than a quarter of those from more affluent families.

The children of the poor are being left far behind in the race for educational success.

This is due to policy failure. Barry McGaw has found that the social background of a student accounts for around 70 per cent of the expected difference in their educational attainment – that's higher than in just about any other OECD country. Clearly, Australia is not a land of opportunity for all.

Leaving school early puts young people at an enormous disadvantage. Nationally, a frightening 60 per cent of 15 to 24 year-olds who left school before completing year 10 are not employed. These are the people who will end up in our long-term unemployment statistics, in our youth suicide statistics, in our drug and alcohol addiction statistics, and in our gaols. It's a terrible waste of human potential.

And it is putting the nation at an enormous disadvantage as well. Overall, more than half of all Australians of working age who failed to finish year 10 are not employed. This low level of both workforce participation and skills is a drag on economic productivity. Keeping poor kids poor is making all of us poorer as well.

So what do we do about it?

A new deal needs to be struck with our disadvantaged young people and their families that places greater obligations on them and on governments.

One person who has thought about these issues a lot is the Federal MP Craig Emerson, who has developed several policy suggestions well worth considering for improving schools in disadvantaged communities – from paying teachers in such schools more, to setting up specialist “second chance” schools for kids who have dropped out, to making year 12 compulsory.

And he rightly laments the low educational aspirations that many disadvantaged families have for their children. He has suggested that limiting to six months the entitlement to welfare payments will get these young people working or studying.

While Emerson has correctly identified the problem, I suggest his solution is wrong. It probably goes down well on *Today Tonight* and *A Current Affair*, but the Brotherhood's experience of working with these young people, their parents and their teachers tells me it won't work.

And – you might be surprised to hear me suggest this – Emerson's proposal to time-limit the dole for young people will fail, not because it's too radical or too harsh on them, but because it's too conservative a solution and too easy on the young unemployed.

Time-limited benefits are an illogical compromise that sends the wrong signals to young people and their families. Effectively, what is being said is: “it's OK to bunk off for six months – and after that you're on your own”.

Six months doesn't seem long to us, but it's a decisive period in a teenager's life – it's six lost months that will encourage bad habits.

Instead, in the case of young people who are making the transition from school to adulthood, the right to welfare should be replaced with the right to work, or the right to learn, or preferably, the right to simultaneously work and learn. Only in very exceptional circumstances would there be an entitlement to financial support when not working or learning. This is the first plank of the new deal.

If we are going to create a better future for young unemployed people we need to do more than just tinker with one area of policy – dole payments.

Instead, under the “work and learn only” approach that we are putting forward, the obligation on the state will be to substantially improve its investment in the education and training of disadvantaged young people. This is the second plank of the new deal.

It’s an indictment of our current approach that Australia is ranked 18th among 30 OECD countries when it comes to our combined public and private investment in education. This is despite our private investment in education being relatively high. Yes, we are in the bottom half. To improve the lot of disadvantaged youngsters we need to be in the top bracket of OECD countries for educational expenditure and that would require our expenditure to increase by a third.

We must take an investment approach. We can of course make exceptions for special tragic circumstances, but every dollar invested in young people’s welfare should be measured against its success in making them ready to contribute economically and socially to society.

The Victorian Government’s Youth Guarantee is a good start. It guarantees young people who have not completed year 12, or its equivalent, a place in TAFE Institutions or participating adult community education organisations such as the Centre for Adult Education. Victoria is the first state or territory to enshrine this commitment in legislation, and it’s a firm foundation that government and community can build upon.

Importantly, the “work and learn only” approach would force us to radically re-think the way in which services are provided to our young people – the third plank of the new deal.

At the moment, many of the services in education, employment, health and housing that are targeted to young people are poorly integrated to the point of being rendered ineffective. They fall victim to a lack of co-ordination across Commonwealth and State areas of responsibility and from “siloes” agencies within governments.

I’m suggesting that if you’re a young person experiencing homeless, or a drug dependency, or troubled by mental illness or family trauma, the various forms of assistance provided to you should be shaped by an overarching employment and learning plan. It will require new, decentralised forms of governance of government and community agency programs in disadvantaged communities.

In other words, we don’t need time-limited welfare – we need timely-delivered investment in young people’s employability – synchronised investment that’s delivered when and where they need it in their lives.

And the fourth plank of the new deal: parents have to be helped to play their part.

The parents of many disadvantaged young people are usually young and disadvantaged themselves. They too often struggled at school and don’t know how to help their children avoid the same mistakes.

So as well as better educating disadvantaged children, we need to find new ways to engage and assist disadvantaged parents become better mentors to their teenagers,

and raise the educational aspirations of everyone living in the “postcodes of poverty” across the country.

The Brotherhood will continue its trailblazing work on new strategies to engage disadvantaged parents in the education of their children. After all they have the greatest influence on the attitudes their children have to education and the world of work. Our solutions need to be based on the recognition of the lived reality of poverty and the need to help people cope with difficulties, to give them hope and optimism and to lift their aspirations. But most of all, they need to focus on the things that will pull young people out of the orbit of the intergenerational poverty cycle – education and employability.

Climate change

The second crucial area in which we must have a strong voice is climate change.

This may seem an unusual matter for the Brotherhood to be discussing, but climate change and our responses to it directly affect the poor.

There are two main issues.

The first concerns the costs of reducing climate change – most particularly, how energy and water are to be priced.

One of the responses governments are making to climate change is to include the full environmental costs of greenhouse gas emissions in the price of energy. This aims to encourage more efficient energy use and make other sources more economically viable.

The concern of the Brotherhood is that once again the poor will be placed at risk.

Pricing can be a very blunt instrument. The use of energy by the poor is economically inelastic compared to energy use by more affluent Australians. They have little capacity to adapt to price increases. It's harder, for instance, for poor families already watching their gas and electricity bills to reduce heating further than it is for wealthier families to reduce air conditioner use. The poor can't afford newer, more fuel-efficient cars and so will be hit harder by rising petrol prices. They're far less likely to live near public transport that runs regularly enough throughout the week to be used for work and leisure. And they're less able to afford to “climate-proof” their homes by adding water tanks, insulation, solar heating and green plumbing.

Australia must adjust to climate change with serious consideration to equity by providing compensation to the least well-off for the rising price of energy and by designing strategies to assist them to adapt.

The second issue is how we adjust to the economic effects of climate change.

We know enough about global warming to know that it is going to bring about significant change to the economy. And wherever there is widespread economic change the vulnerable can be hit hard.

The de-industrialisation of the '70s, '80s and '90s, for instance, destroyed the economies of many communities – and many lives. Our response to that economic revolution was totally inadequate. Our social policy response was abysmal. We didn't plan. Instead, we put a whole generation of middle-aged men with hopelessly

outdated skills on to unemployment benefits and disability pensions. We are still coping with that failure, through high levels of male unemployment, skill shortages in emerging industries and postcodes of poverty in once thriving factory communities.

Our economy can't afford to repeat those mistakes and endure this level of waste again, even if it managed do so in decades past.

Communities built around older, energy-inefficient industries are at particular risk. But so are regional communities threatened by more frequent droughts.

We need to anticipate these economic changes now and think through how we can help communities and individuals adjust – and put in place pro-active strategies – rather than wait for the inevitable social and economic calamity to hit us.

Importantly, there's a positive side to this. As our economy adapts to climate change, new industries will be created and existing industries will be transformed. New skills will be needed.

Now is the time to anticipate these opportunities and ensure we have the right plans in place for re-skilling those people in the most vulnerable industries. Cars, for instance, won't disappear, but they will become more efficient and use cleaner technology. The workers in places such as Geelong and Broadmeadows here in Victoria and Elizabeth in South Australia must not be thrown on the scrap heap. They must be retrained.

As the author of the British Government's recent climate change report, Sir Nicholas Stern, has said: climate change is not just an environmental issue, it's an economic issue. This makes it a social issue as well. The essential interdependence between good economic policy and good social policy will never be writ larger than in our response to climate change. Over the coming years the Brotherhood has a critical contribution to make to the national debate on this aspect of climate change.

The future of the community welfare sector

Finally, the third issue we must confront is the very viability of the community welfare sector itself.

While organisations such as the Brotherhood have a crucial role to play in bringing people into the economy and increasing workforce participation, they are themselves among those most vulnerable to the competitive pressures relating to remuneration and the availability of skills that are being driven by the ageing of the population.

Our sector is a sizeable part of our economy, annually contributing more than \$2 billion to Victoria alone and employing around 36,000 people, but it's under enormous pressure. Our sector is already experiencing skills shortages and even outright labour shortages.

Inevitably this means that standards are being lowered. Unless the problem is given urgent attention by the re-elected Victorian government, some services such as those for the homeless – arguably the most complex and demanding on staff, yet meagrely resourced – face collapse within just five years. The services will simply not be able to recruit the staff needed to keep their doors open.

We need some careful planning to ensure we have adequate numbers of social workers, financial counsellors, housing officers, drug rehabilitation workers and others.

But this may not prove to be enough.

In the longer term, demands on our labour force will be such that our existing models of care may not be sustainable. Models of care that gather paid professional care providers around vulnerable people may not be sustainable.

We need to begin, right now, to shape a new community-development model for service delivery that can rally the whole community around disadvantaged people. We need to rediscover how to get more people involved in activities such as home visiting for the elderly, facilitating play groups, literacy and numeracy education and help for parents, and community integration such as mentoring for the homeless and newly arrived. In other words we need to strengthen the capacities of ordinary people to support the vulnerable within their own community.

Importantly, we also need to find ways to attract capital to the not-for-profit sector. After decades of running down our capital assets while we have been focused on meeting needs and maintaining the quality of our services, our sector faces a daunting backlog of urgently needed improvements to our deteriorating capital infrastructure.

These days, for-profit providers are entering the traditional sphere of the not-for-profits in increasing numbers because they have a competitive advantage in attracting and servicing capital – they can do more because they are able to borrow money at lower interest rates. This is assisted by their business models that target those who can afford to pay, and, in some cases, by squeezing service standards to a point that we in the not-for-profit sector would consider unacceptable.

The for-profits are opening nursing homes, child care centres, employment and training centres and other services on a daily basis. If we can learn from them, we should. But we need to persuade governments to re-examine financial arrangements for not-for-profit organisations to make it easier to raise capital. If we don't, the not-for-profits will be forced to "cannibalise" their asset base and constrict their capacity to provide services simply to survive.

If that happens, then the work I've outlined that the sector needs to undertake for the disadvantaged and for the nation – on the successful transition of all our young people to adulthood and on climate change – won't be anywhere near as effective.

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