

On Welfare

Eidos Institute Board Breakfast

17 July 2007

Thank you to the Eidos board for this kind privilege of addressing your breakfast here this morning. Let me also acknowledge the traditional owners and the indigenous people of the Brisbane area.

I'm going to give an overview of the basic thinking that's driving our agenda in Cape York Peninsula. I want to say that I'm in the business of social attack and some of our agenda is bracing, challenging and confronting for people who labor very diligently on the stony fields of disadvantage.

The bracing thing about our social attack agenda is that we want to dismantle eventually a large proportion of the social welfare industry. We understand that people who labor deep into the dark night of dysfunction and social collapse, that you do valuable jobs and you give succour to people living out of loneliness. But we've got to envision the day when that industry recedes. We've got to envisage the day when even the lowest classes in our country have got families together. They've got hope. They've got some basic functionality. So that we're truly a society where even people from the lowest depths of our community can go from a log cabin to a white house. It's not an impossible temporal goal for any society, particularly one such as ours. We should not see it impossible for people from the lowest points of the pyramid of Australia to nevertheless rise up and take a fair and rightful place.

Let me say that I think we do in this country great many things very, very well. We do wealth creation, we do economics. We do a great range of things really well. I think we'll do the environment really well when we finally turn our serious heads to it. What we don't do well is attack disadvantage. And we do that less well. And disadvantage does not just cover poor working people nowadays. Disadvantage covers huge and growing underclass of people who, unlike the working classes of old, don't actually improve the prospects of their children in the next generation.

Instead, we have a perpetual and growing underclass and everything that we do, all of the budgets we allocate, all of the programs, policies, and projects that we construct, give me little confidence that we're making much headway. And if we undertake a proper analysis of what it is that we do to try and attack entrenched and endemic disadvantage and dysfunction, we should very quickly realise that the things we're doing are not going to result in people getting their act together and improving their lives, in fact we're going to perpetuate ongoing dysfunction.

In the first place, I think we have to get our thinking straight about what we do in our conversation about welfare. From the start I tried to make clear that we distinguish between classical welfare; that is a basically reciprocal redistribution system where people in their childhoods are supported by a society for whom they in turn grow up and become taxpayers and contribute to social safety supports for their own retirement and for the next generation of children. Classical welfare states in the western world were reciprocal systems, they made rational sense. They redistributed opportunity across an individual's lifetime and across society.

Construction of the classical welfare state we have no truck with. In fact, it's been a hugely civilising achievement in the western world. What we have truck with, is passive welfare. An originally marginal component of the welfare state that was created. Passive welfare was not really had in mind when social income supports were first conceived because remember, when unemployment benefits were first constructed, the time delay between jobs in the 50s and 60s was less than six weeks. You were just moving from one job to the next. But we live in an economy now where the time delay between jobs has broken out into months and years. And for certain classes of people that time delay has entered their second and third generations.

The original concept of income support for people no longer active in the economy or temporarily disengaged from economic activity, didn't imagine the day when we'd have countless thousands of parents, both jobless, bringing up children with no model of economic participation and basic provisioning for their own livelihood.

So, we make a very clear distinction between our absolute support for classical welfare - the classical welfare that gives you universities and great hospitals and great public infrastructure. What we have problems with which, which the Social Democratic Left need to wake up to, we have problems with passive welfare. That is the idea that there should be a permanent class of people on the drip feed.

The second concept to keep in mind is the distinction that flows from that between poverty and passivity. That realisation first struck me when I went to Vietnam 18 years ago or something. I saw people in the Third World, and I thought about my own people and the realisation hit me that, here were a people, which if you flashed the mere glint of opportunity, they would seize upon it. These were a people whose problem was not a problem of hunger or outlook. This was a problem of opportunity.

I then understood the clear distinction between miserably poor people in Vietnam and the same kind of squalor that I saw in my home community and in my home region. And that distinction was the people in Vietnam by and large suffered from a problem of poverty, whereas my people suffered from a problem of passivity. If Vietnamese villages occupied Hope Vale and had of the land and had the health services and had the education scholarships and the opportunities for enterprise and so on, they'd be scrambling to build as swiftly as possible a better life for them and their families. There'd be no problem of motivation. There'd be no problem of outlook. There'd be no problem of discipline.

Today, we face a problem of passivity, which is, in many ways, a much more profound problem than material poverty. Of course, the truth in indigenous Australia is that we have a conflation of poverty and passivity. There is real poverty. But we have to face up to the fact that much of that poverty is also caused by behaviour. If you don't have money in the fridge but you got paid on Wednesday, and you gave it all to the breweries, or to the drug dealers, or to the gambling school - can you really call your condition a problem of poverty? There's a behavioral dimension to poverty that the Social Democratic Left and those who work in social welfare have got to wake up to, if we're really going to tackle disadvantage and dysfunction. There's a behavioral dimension to people's miserable means.

Let me also say that, as well as very keenly appreciating the difference between poverty and passivity, we have an emerging determination to avoid avoidable tragedy. I get a sense when I see all of the accounts

when I get all of the nauseatingly uninterrupted stream of statistics about entrenched and endemic disadvantage and suffering. I get a sense that we are becoming a society that is resigned to having a certain percentage of people living in misery. I get a sense that tragedies are kind of accepted. The latest outrage we read on about tragedy amongst the underclasses. We have become immune to them. And we've become accepting that they're the casualties of the kind of vast and cosmopolitan society that we live in.

Of course, tragedies are part of the human condition. But the thought that's been obsessing my mind is the extent to which the avoidable tragedies aren't being avoided. And that's what we have to focus on. I don't urge a focus on trying to eliminate tragedy entirely, but I urge a social attack on those tragedies that are avoidable. That are within our human compass, and within our human capability as a society to tackle. And when I ask myself the question as to whether many of the cases I read about and I know about and I see, I ask myself the question, will need it have been the case that that suffering occurred?

I find myself too often coming to the conclusion that, no, something could have been done here. This could have been avoided. This is not an act of God. This is an act of human failure. Human failure when there was real possibility of us being able to do something about it. And I can tell you, we will never come to the state when we avoid avoidable tragedy, as long as we continue to adopt the mindset and outlook of our helping industries. And I'm on a full course collision with much of that thinking that underpins the social welfare industry. I'll soon outline the basis of my objection.

Our simple metaphor for how it is that humans operate in a capitalist society that we live in, is our metaphor of the staircase. It's a much more realistic and richer explanation may I say it, than the ladder of opportunity or any of the other mundane menopause that my competitors try to sell to you.

The staircase has three dimensions. Firstly, a staircase needs strong foundations, and the foundations of our staircase we call norms: basic social and cultural norms, respect, and responsibility. We believe that a staircase of opportunity and social progress requires society to ensure that neighborhoods and communities and villages and cities and streets are underpinned by set functional social norms.

I'm very keenly aware of the importance of social norms because I grew up in a community that had strong social norms, and I've seen those norms crumble over the course of a couple of decades. I've seen a community abiding by very strong social norms in relation to respect for your neighbors. Responsibilities of parents. Respect for your elders. Regard for your community. I've seen how all of that has fractured and fallen apart. I've seen how strong social norms within a community can be an important prophylactic against the growth of any kind of substance abuse.

I grew up in the community of Hope Vale that never had marijuana, even when marijuana was a huge issue in Cooktown, 40 kilometers away. None of the black fellas used it. And then I saw one user come into this community and gather around him a small group of young men. And one of those young men was my cousin. Within three years, my cousin was the first suicide in a hundred and twenty years of our history - a cocktail of alcohol and marijuana.

Since then, we've had approximately a dozen suicides. How does a community that avoids suicide for a hundred years then have a dozen over the course of about 12 years? How does a community that never had

any substance abuse become one where we hear of 11 and 12 year old's dealing in marijuana, and it's like water off a duck's back. Social norms and their restoration is a heavy priority in our thinking about the way forward for our people. We have to reconstruct norms of respect and responsibility.

The second part of our staircase are the underpinnings - the supports under the stairs. And those supports we call capabilities, to use the terminology of the Nobel laureate Amartya Sen. Capabilities is a better word than opportunities. For me, Amartya Sen really exposed the liberal conceit that it's just about choice. Sen says that you need capabilities to be able to choose. You need good education, good health, good basic social supports so that you have the freedom to choose. And in my view, basic capabilities of health and education - the support infrastructure under the stairs - you get societies and groups of people and families and individuals develop real capabilities so that they're in a position to exercise real choice by matching opportunity with responsibility. Opportunity + responsibility = capability.

So, society has a responsibility to spread opportunity as widely as possible and to redistribute opportunity to each and every member. But opportunity in itself is not enough. If you want to turn opportunity into capability, somebody has got to exercise some responsibility. In other words, a parent's got a front you to the school. In other words, a parent's got to take you to the health clinic. Parents have got to manage the money. Somebody has got to exercise some responsibilities if you want to convert the protein of opportunity into muscle. And it's those communities and those peoples who exercise responsibility, who achieve the conversion of opportunity to real capabilities.

The final component of our stairs is, of course, that ephemeral thing called choice. And this is where the Liberals are absolutely correct, that you've got to get the incentives right. The choice has got to be rational. The staircase has got to have a rationale to it. And people have to be able to see real reasons why they want to climb. You've got to get the incentives right. The important thing about the stairs as well is that there's no such thing as society that climbs stairs - it's individuals that vote with their feet for a better life for themselves and their families. Stairs are not climbed by this theoretical thing called community. Stairs are climbed by real live human beings. And there is no one human being alive that can carry 900 people upon his shoulder towards a better destination. Each of those 900 people has got to climb on their own, clutching their kids with them. That's how the world works. We in the community sector have got to stop promising some kind of communal uplift. We've got to understand that uplift at the end of the day - the way in which the real-world works - uplift happens because individuals are motivated to climb, and they climb for the same reasons that Peter Kahn and I climb, and John Goddard and I climb, it's because we see real incentives for climbing.

And that's why we have such an absolute focus on why it is that there is distortion at the bottom of the stairs. Poor people, dysfunctional people, underclass people, are as rational as the rest of us. The problem with the welfare system is the prices are distorted down at the lowest end. They distorted because they're set by government artificially. All of the other prices in the marketplace at the top of the stairs are set by the market. It's the prices set by welfare that are distorting the choices of the most unprivileged people.

And in our analysis in Cape York Peninsula, we use the words of one of the grandmothers who reacted to our metaphor. That there's a pedestal at the bottom of the staircase. There's a pedestal that is priced higher

than the lowest rung on the staircase. It's only modestly higher, but it's higher. And to get on the real staircase involves a bit of loss. It involves a reduction in the hourly pay rate.

It involves us thinking about the really difficult question that if you're an indigenous person on the Work for the Dole Program on 200 bucks a week and you're getting family tax benefit for five kids, your income is now more competitive than a first-year wage. And yet you will remain on that income for the rest of your life as long as you remain on the pedestal.

The young trainee nephew of mine who makes the price choice between life on the Work for the Dole Program and the traineeship with Camalco, faces that pedestal choice: I either stick with this first-year pushed around the workshop, hose the yard, pick up the rubbish job under a Camalco tyrant. Or I go back home on the Work for the Dole Program and remain on Work for the Dole for years' time, while my colleagues who did the hard yards are out in the mining workforce making money. We've got to attack the prices at the bottom of the stairway to make sure that our people are not trapped in perpetuity on the first pedestal.

Now let me say some quick things about our metaphor. It's completely politically promiscuous. When it comes to social norms, we are diehard conservatives. We are on a unity ticket with John Howard. We're on a unity ticket with the Conservatives when it comes to social norms. Liberals, liberal minded people, because they naturally grow up in functional communities and so on, are actually blind to the benefits they take from intact social norms. Intact social norms are so invisible to people, they take them for granted. And that's why the focus of liberal philosophy, is solely concerned with choice and price because they take for granted two things. They often take for granted the solid social foundations that underpin their success. And they also take for granted, or many take for granted, the opportunities they gain from the capability investments that society provided them. The provisioning of universal health and education and infrastructure through our redistribution system. Liberals have a tendency and a prejudice to focus on the question of choice and price and overlook that their capacity to choose is underpinned by a social investment in capabilities and a foundation of conservative norms.

And vice versa, social democrats, in my view, have an obsessive focus solely on redistribution. A growing appreciation of the importance of price and choice, but still a basic disregard for the importance of functional norms. Conservative norms. So social democrats resist measures such as drug testing in schools. You know who provide drug testing in schools for kids experimenting with marijuana and so on? In this country, Melbourne Grammar does. Geelong Grammar and Melbourne Grammar, provide compulsory drug testing and random drug testing to students. They want to add to privilege. They want to make sure the 1% kids that might not go through to a successful life is picked up and put on the path. They are prepared to take the steps necessary to make sure that the small percentage of their own that might not succeed in life, that might go off the rails, is supported in the most realistic way possible. And yet we in the public system, where these problems are not small percentages, they are rife problems. We are the most reluctant to take the decisive measures to put young people on a path.

The most effective intervention with drugs that we're having with young people, is the young people we're sending down south with Victoria, who end up working in the abattoirs, and they love the abattoir work. And they love the money that comes with it. These are boys that have been doing marihuana for a long

time, but brought forward in their calculation is the severity that comes with a positive drug test. And they lay off it. They lay off it because there is severity in the consequences of them showing a positive test. Namely the abattoir won't let them work there anymore. Bringing forward a real negative calculation as well as a positive one standing next to it. So that they can choose decisively to put their lives on the right track. But that kind of thinking is absolutely impossible in the fields in which we work.

Let me finally say that we have three agendas. Firstly, we have a welfare reform agenda whose aim is payment reform. We want to make sure that we finally insert obligations on receiving payments. I hope that Australia will now move from an unconditional welfare system to a conditional one, that we attach real conditions on the receipt of income.

The second area that we're focusing on is this question of price. To make sure that there are no distortions at the bottom of the staircase that discourages people from engaging in real employment. This is a very hard question, because we've got some solutions that we've proposed to the federal government about those price distortions. But the biggest price distortion is family tax benefit. Because it is so generous. And it's available to everybody. If you're a young couple on family tax benefit it makes it almost irrational to get a job. And it's a huge quandary because the electorate won't have a bar of any political party attacking the pedestal effects of family tax payments. It's a huge policy quandary to which we propose no solution.

All I do know is that if you're young and you have a heap of kids young, which indigenous people are doing, then the pedestal effects of family payments are very severe. It will make a nephew whose 27 years old and has five kids chose to remain on the pedestal.

The second part of our agenda is that we want decisive and effective primary support. We have to dismantle the secondary program industry that's been constructed. If we think about social welfare's three circles: primary support and intervention to stop family collapse and to support family reconstruction, secondary interventions that deal with the fallout of failed families, and of course, the tertiary cost involved in incarceration and the child safety protection system. In my view, we've got to get rid of this parasitic secondary industry and collapse the investment into real primary support. There's a million and one girls and boys unadventurous constructed in the social welfare field that are aimed at bandaging in different ways the fallout of basic family collapse. And all of them are very difficult to attack because they address real problems. But in my view we need a very aggressive reinvestment inwards to primary supports for families.

Those primary supports in our thinking in Cape York Peninsula have got a set around four things. How do you get a family reconstructed and supported? Four things have got to work. You've got to manage the money. The domestic resources have to be carefully managed and budgeted for. And people need to be supported with financial literacy. They need to be supported with account facilities. And money management facilities. Including facilities that enable them to manage money against their own addictions and passions and diversions. That this is to lock money away from relatives or their own addictions.

The rugby league player Steve Price was notoriously reported for an addiction problem with gambling. How did he get over that problem? His wife and his manager locked the money away from him. And poor families need the capacity for accounts that put the money out of reach of addicts and so on.

So, first thing: get the money managed. Because from that many good things flow. The children's uniform and tuck can be paid for. The sofa can be paid for and the fridge can eventually materialise.

Second part of the family development strategy that we pursue is to support every family member and their health. And for the most part that means supporting families in the use of available health services and to engage in the use of health services. And to attend to all of the families' needs in relation to health.

Third part: support your kids in their education. If we can mobilise parents - everybody starts with mothers and of course that ultimately is the engine to seeing a way to the future. Engaging in a vision for the children. Engaging in the idea that though life might be miserable for us, there is a hope for our children if we invest in their education and if we just back them. My mother is illiterate - can't read and write. But she gave me vegemite, vita-brits, clothes, and off to school. Magical things can come together if you just do the basic vegemite, vita-brits routine. And if your father reads to you.

The fourth part of our four-part development strategy is housing. We've got to make the house the home. All of this ruckus about derogation from land rights in the Northern Territory. You know what this is a debate about? This is a debate about the Commonwealth Government wanting to make provision for individual families in the community to own individual titles so that they can own their own homes.

The reason why the townships are being acquired is so that the administrators of that township can issue individual leases to families in the community so they can own their own home. There's no question of the Government taking over the land, or ending up with the leases themselves. The resistance here is to the basic idea that black fellas should have some skin in the game and a roof over their heads.

I don't know whether home ownership is entirely the solution but what I do know is that when an Aboriginal house on Aboriginal land has a life expectancy of seven years, there's something economically irrational going on. People have got to have skin in the game. People living under the roof have to have skin in the game. And in our view, concepts of home ownerships are part of the solution to the issue of skin. There's got to be a home that you're proud of, that you've got some stake in. That you feel safe in, that you're going to look after. That you're going to feel is a home for your children.

Get those four things in order and let's get rid of this leakage of investment and secondary supports and programs run by bureaucrats and NGOs with their own girls and boys and ventures and so on. Get the investment into those four things. Bendigo Bank and Westpac can do more to reconstruct a family by setting up financial literacy and account keeping facilities than any social welfare program. You get the money in order; you got the education in order, you got the health and nutrition in order, because you've got money to buy something.

Get the money, the health, the education and the home. There's no reason why society can't support each and every family, black or white, living in the underclasses, in relation to those four things. We can tackle those four things. And if we tackle those four things, they're the basic ingredients for family success. Sitting the mother down to do yet another workshop on this and that, by all means. But at the end of it, sit them down with Bendigo Bank representatives to do a budget. And then they'll see some way through the fog.

And finally, the next stage of our struggle is going to be whether the A costs and the Q costs, welfare rights, and all of the welfare lobby and the welfare organisations, whether we can get them to join with us. Or to realise the folly of the things that they unfortunately support. Because otherwise there will eventually be a full-frontal confrontation with those who say they speak for the disadvantaged. And that confrontation is about deconstructing the passive welfare industry.

This whole resistance of getting these secondary investments down to the primary level will be met with objections from the social welfare lobby. Because we now have thousands and thousands and thousands of careers, theories, and projects and teams and budgets dedicated to these useless investments. In fact, many of these boys and girls are marked three, developed and dress the problems with mark one and mark two.

There's a certain extent to which the conservative writer Theodore Dalrymple is quite correct when he says that 'misery rises to the means available for its amelioration'. Misery rises to the means available for its amelioration. I see that truth born out time and time again. I'm not saying that there's no need for support in times of crisis and breakdown and urgency, of course, there has to be capacity in response but we have made the mistake, I believe, that the crisis response has become the permanent response. And we've not set a sunset clause on that intervention. We've not said that the intervention must come to an end and we must restore responsibility to those who can best uphold them. And that's the individual, the family and the community. What we have is an industry that's disgraced the optimal exercise of responsibility.

In fact, the whole failure of indigenous policy is that the indigenous carcass has almost been bled dry by that industry. It has been made to lie down on the pillow. And responsibility has been completely sapped from the patient. And there is an industry of programs attending to the patient. And there is no sense that that patient will one day get back on his own feet. This is a confrontation, as I say, that we're going to have with the social welfare lobby in relation to this whole question. We have to rebuild responsibility where it is best exercised.

I want the people involved in this middle-class industry to look at themselves in the mirror, and look at their children, and look at the food in the fridge, look at the vegemite and the vita-brits on the table. Look at the violin lesson, look at the good salaries, and say; 'well, why is it that we can't imagine the same things for that mob'? Why is it that we just imagine permanent, perpetual disadvantage and dysfunction? Why don't we have the same ingredients for our own success prescribed for our clients?

Thank you.