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Western Australian
Council of Social Service Inc

Emerging Issues 2014 Forum

The Economic Environment

Ryan Buckland

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Transitioning: The WA Economy in '14 & Beyond

Ryan Buckland

Senior Economist

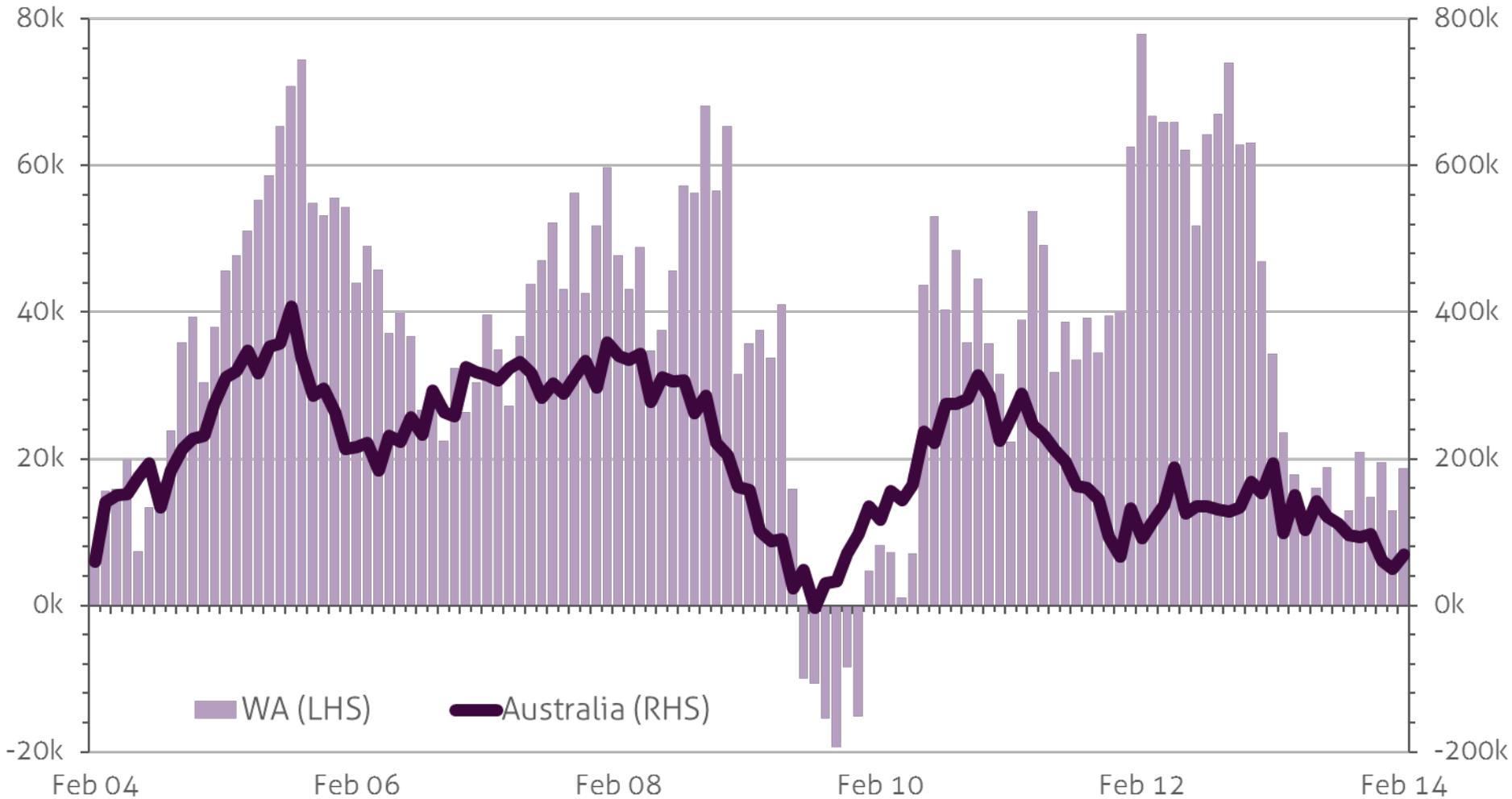
CCI Economics



Where are we now?

Employment Growth

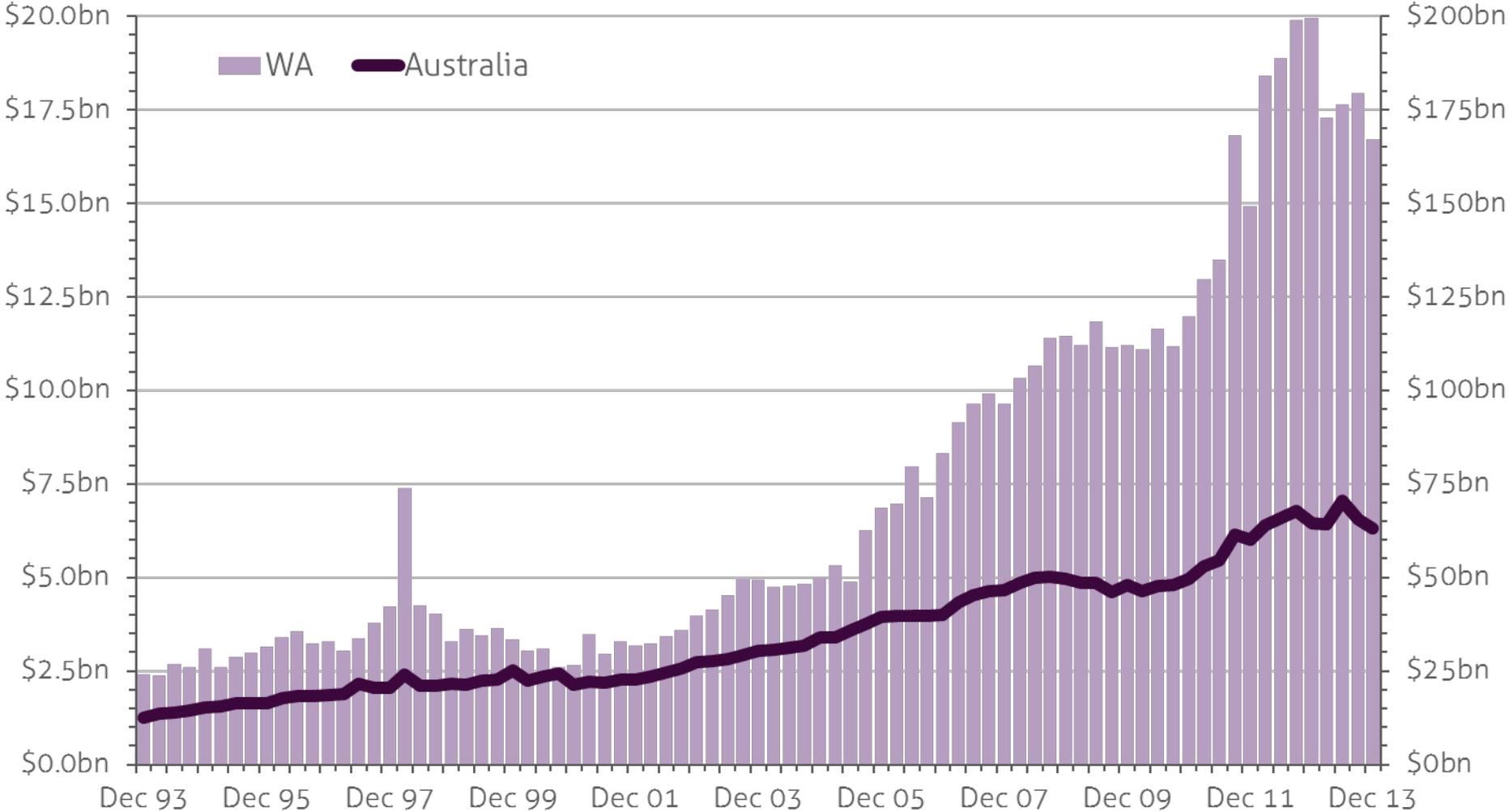
Annual Jobs Created, Western Australia & Australia, 000s



Source: ABS Cat. 6202.0, CCI Economics

Real Business Investment

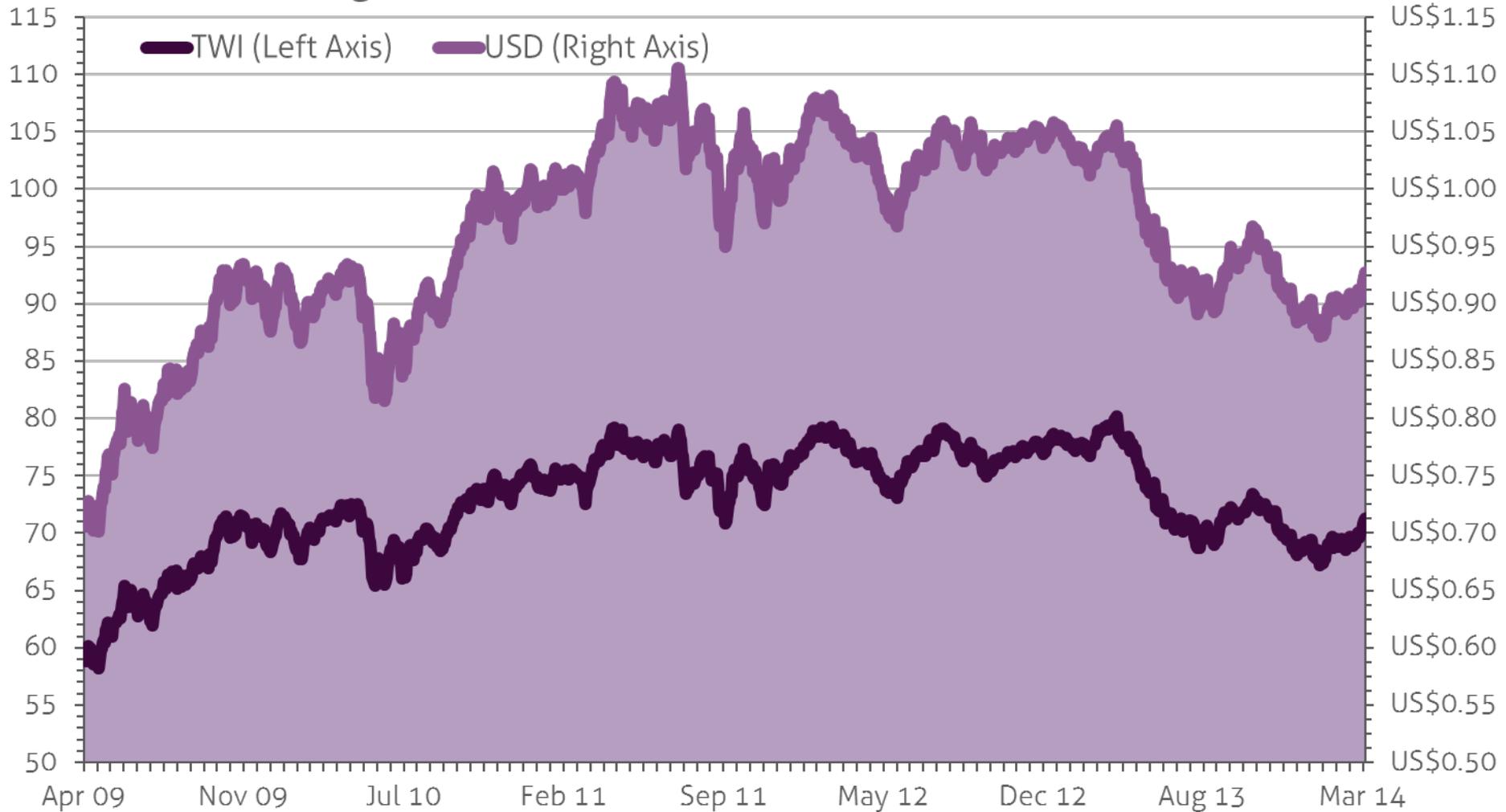
Western Australia & Australia, Billions



Source: ABS Cat. 5206.0

Australian Dollar Exchange Rate

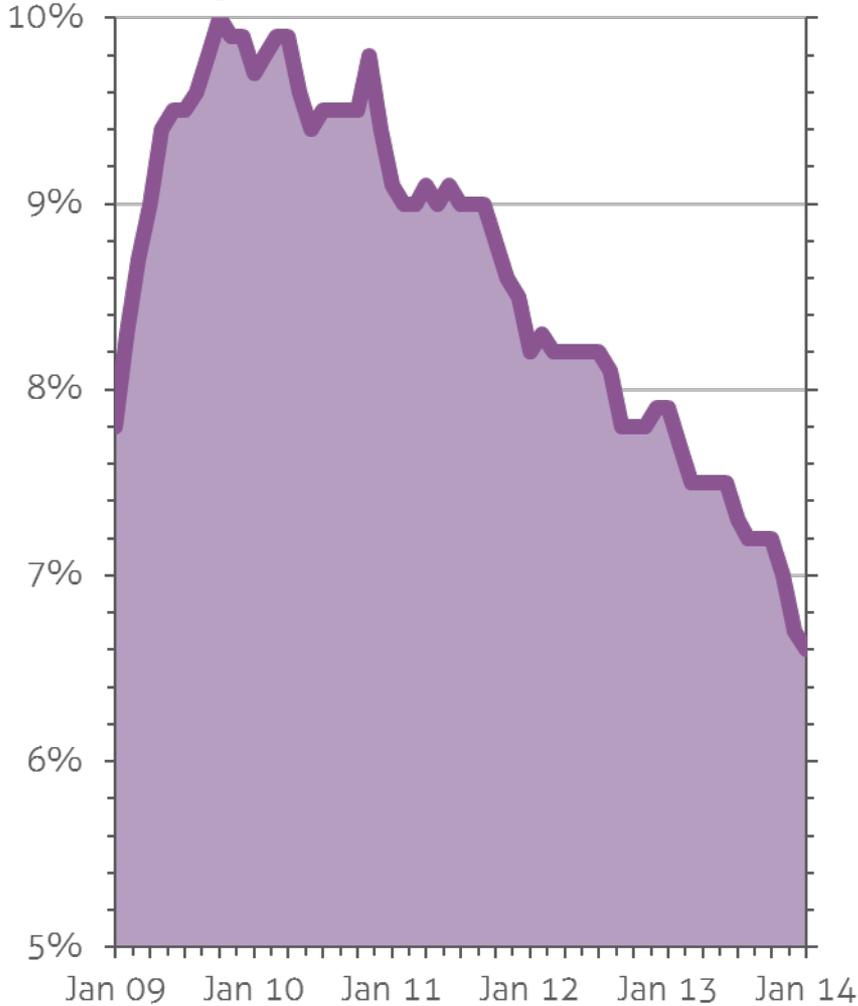
USD and Trade Weighted Terms



Source: Reserve Bank of Australia

US Unemployment Rate

Percentage of Labour Force



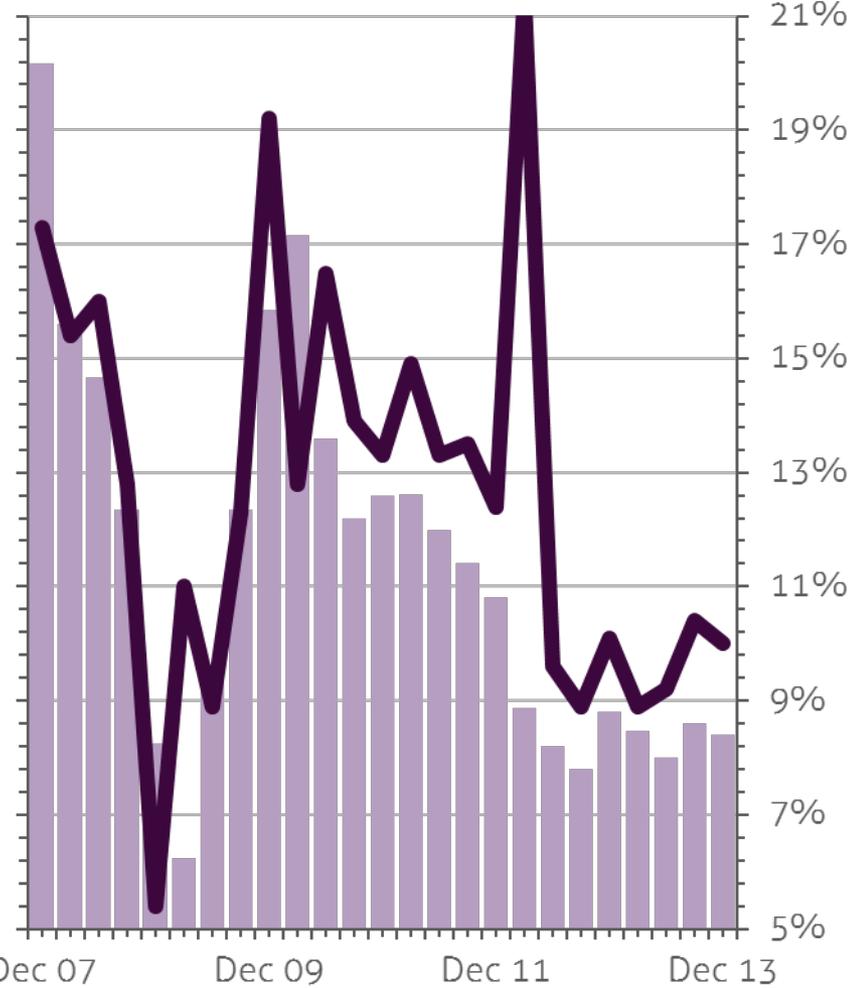
Source: Bureau of Labor Statistics

China GDP & IP

Annual Percentage Change

GDP (LHS)

IP (RHS)

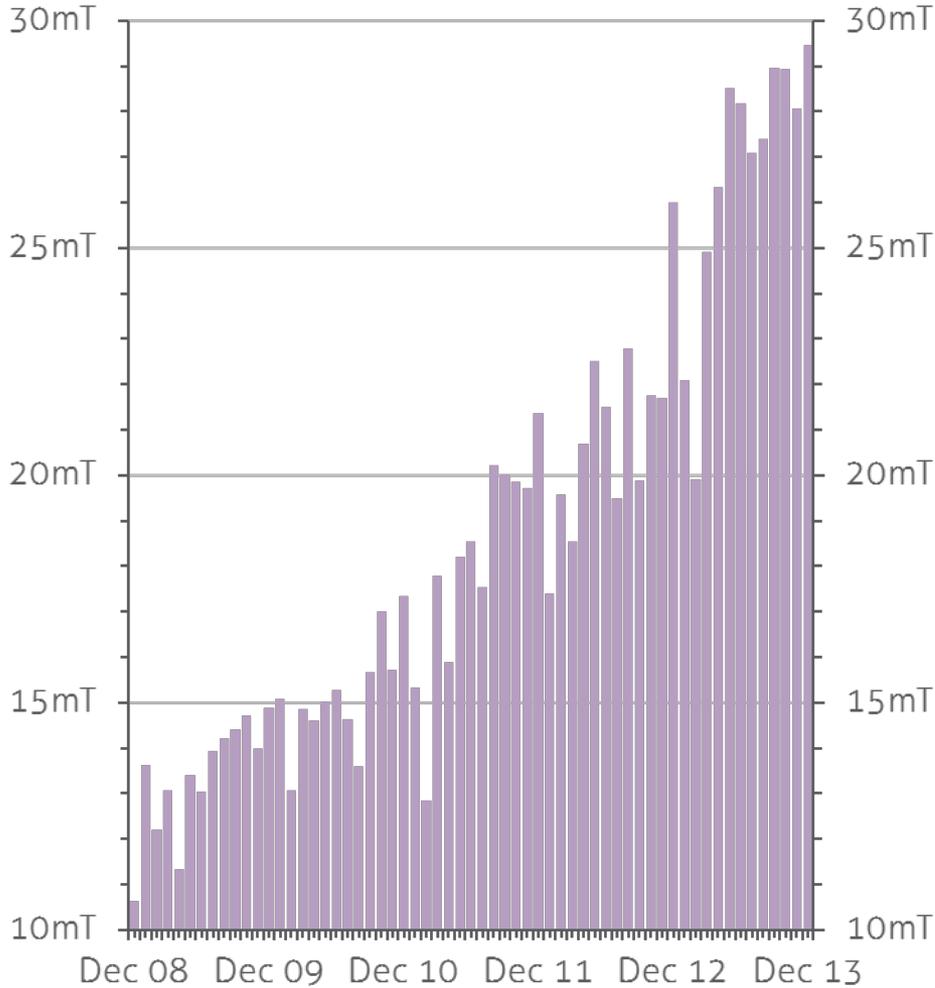


Source: CEIC

Transitioning..?

Iron Ore Exports, Port Hedland

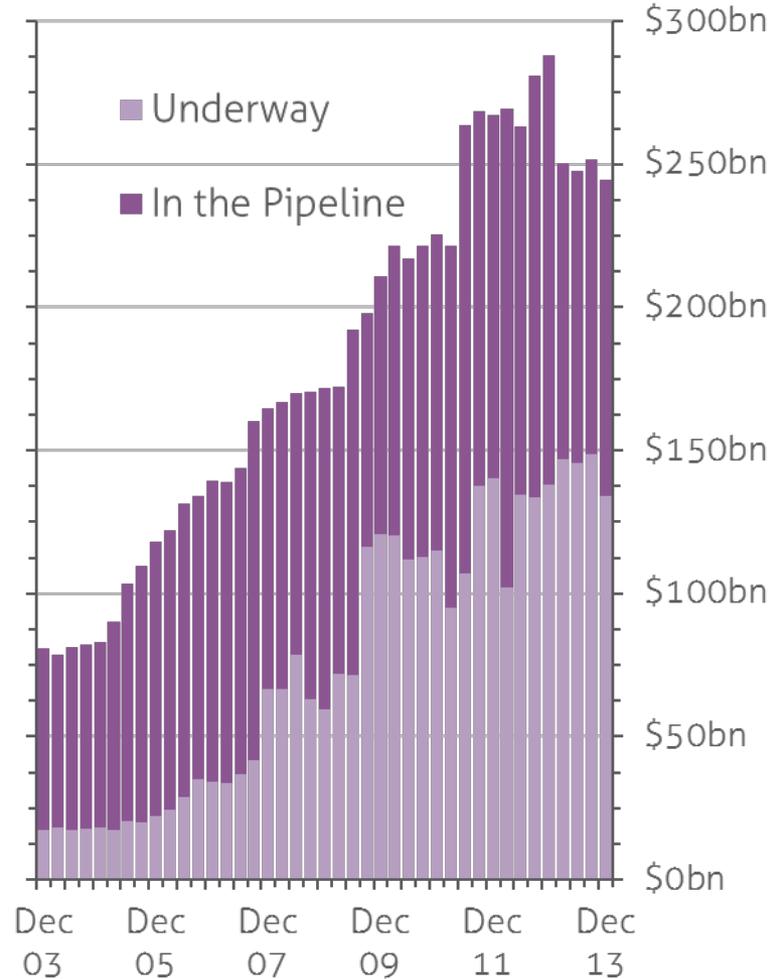
Millions of Tonnes Exported, By Month



Source: Port Hedland Port Authority

Investment Projects by Status

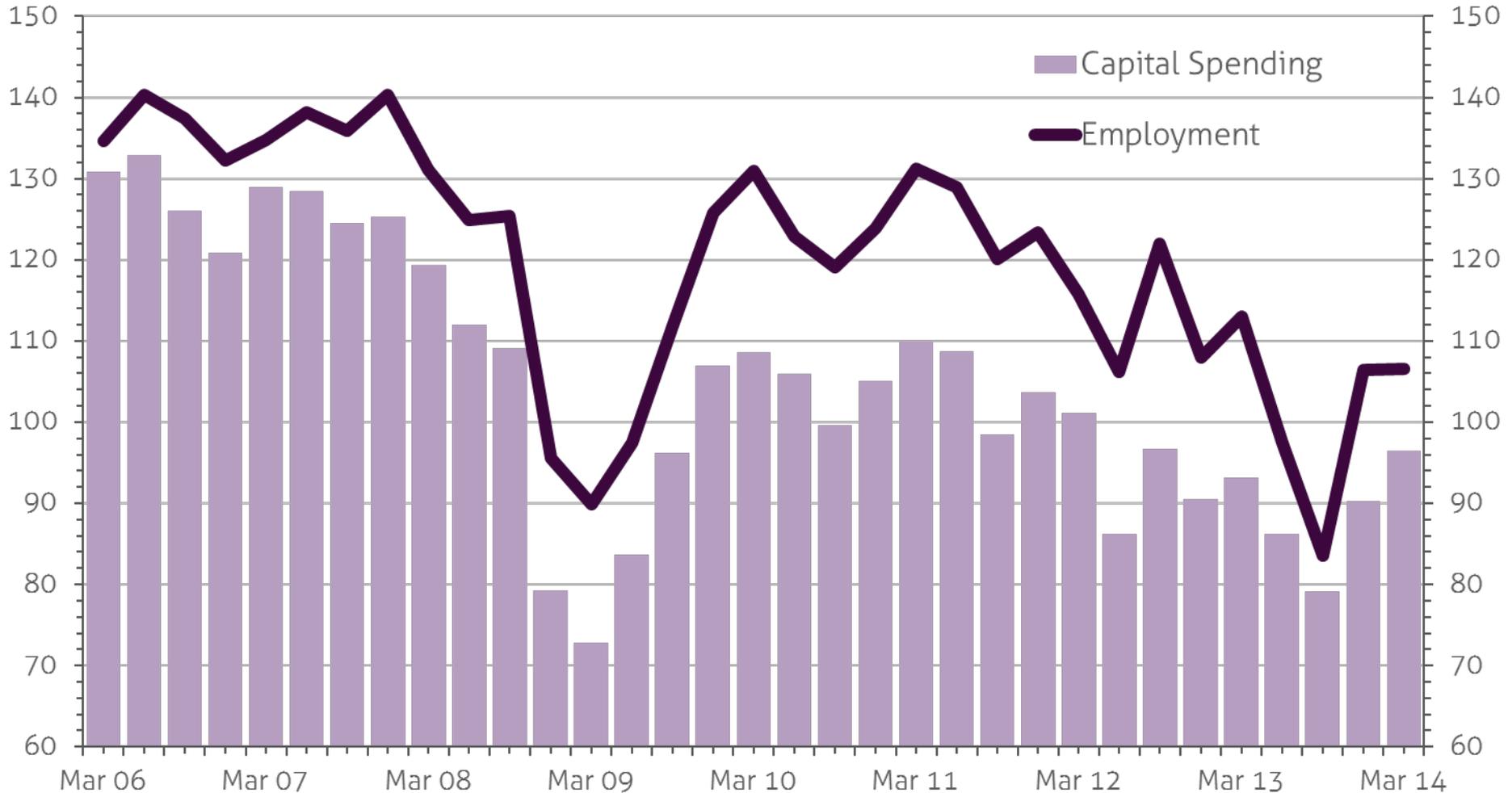
For Western Australia, December 2013



Source: Access Economics

"Expansions Plans" for WA Firms

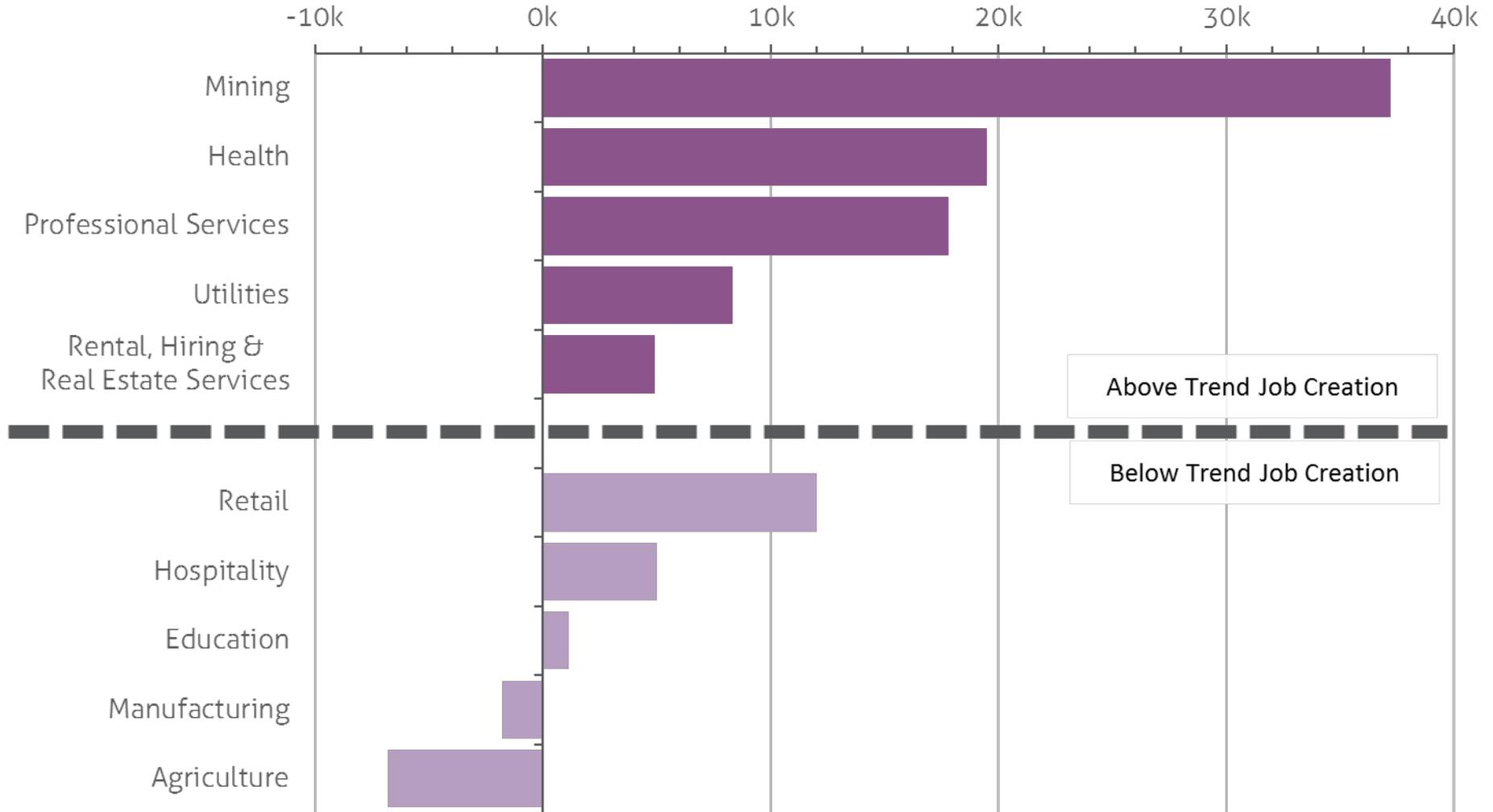
Indices of Employment and Capital Spending Expectations, Index; 100 = "No Change"



Source: Westpac-CCI Survey of Business Expectations

Job Creation by Industry, During "Parity Period"

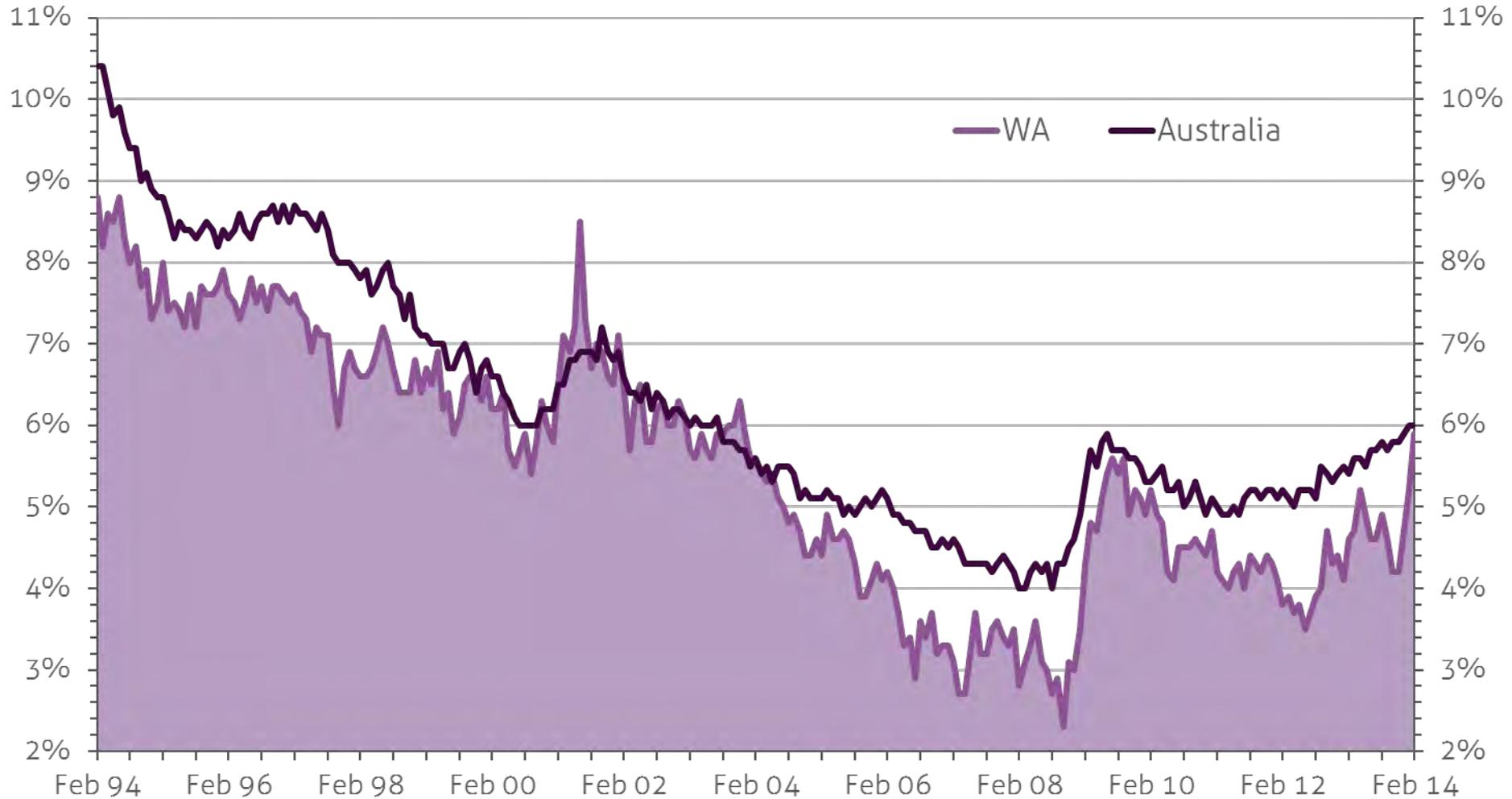
Net Jobs Created (Lost) Since June 2010, 000s



Source: CCI Economics, ABS Cat. 6203.0

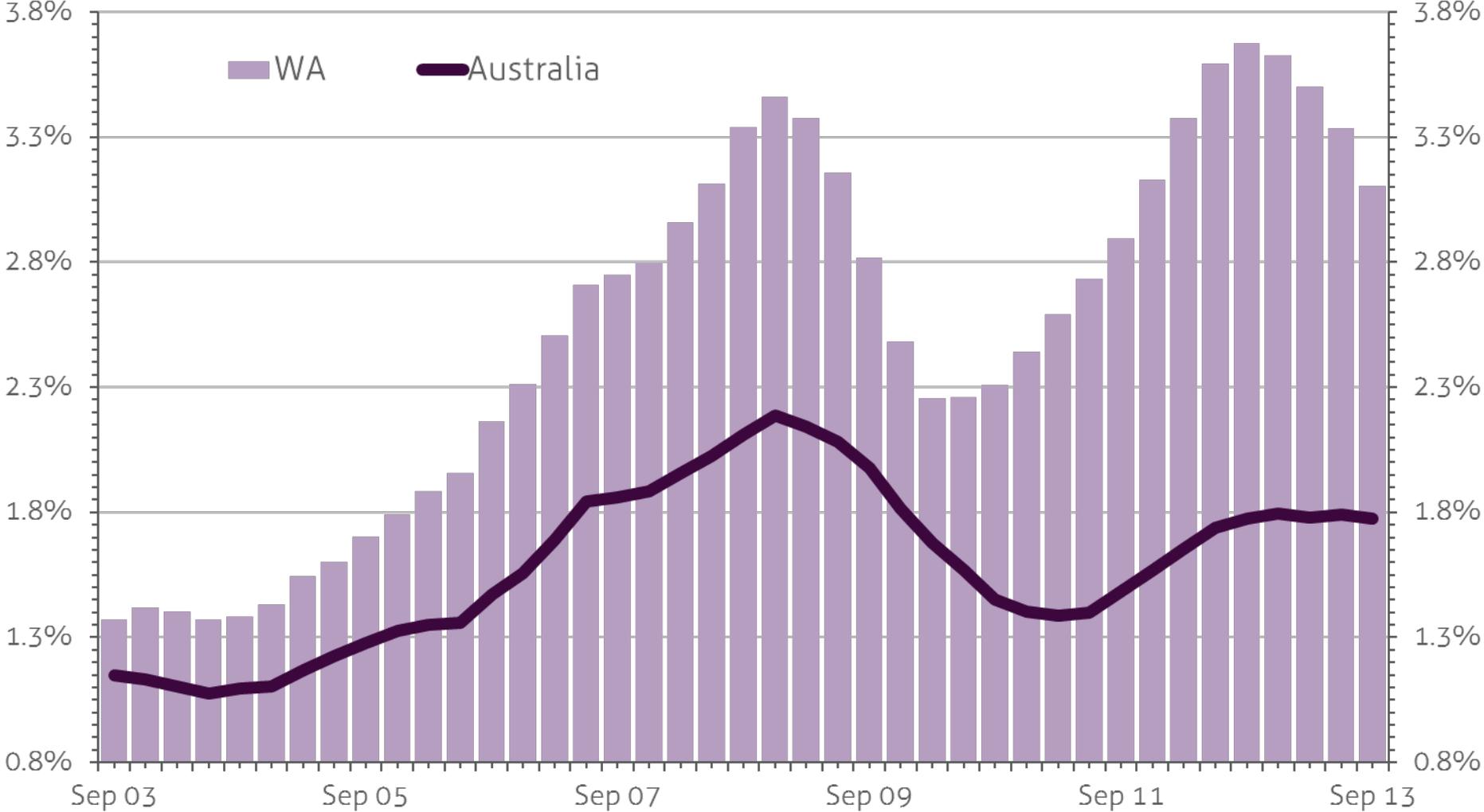
Unemployment Rate

Seasonally Adjusted



Source: ABS Cat. 6202.0, CCI Economics

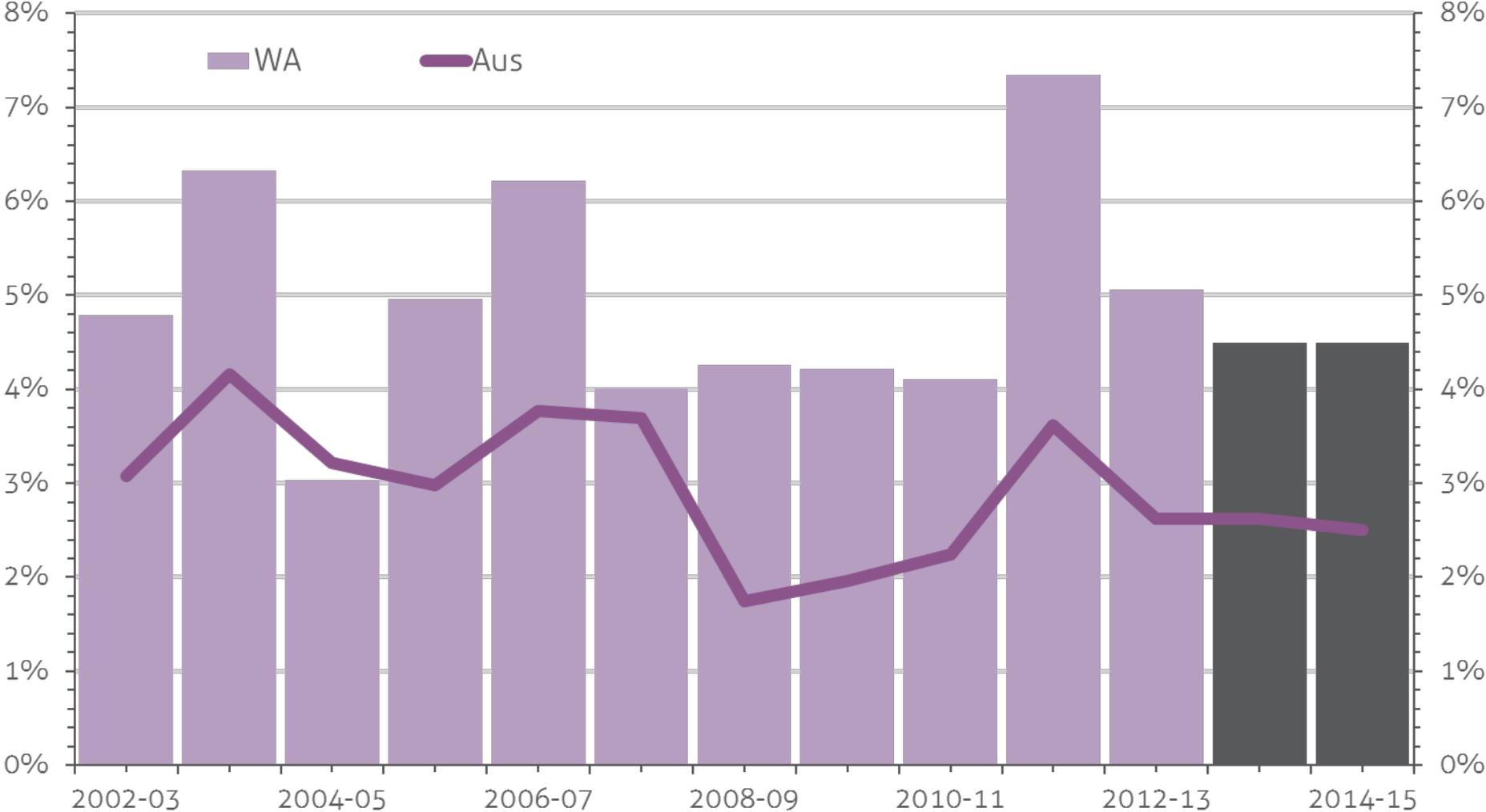
Estimated Resident Population WA & Australia, Annual Percentage Change



Source: ABS Cat. 3101.0

Real Economic Growth, Actual & Forecast

Annual % Change

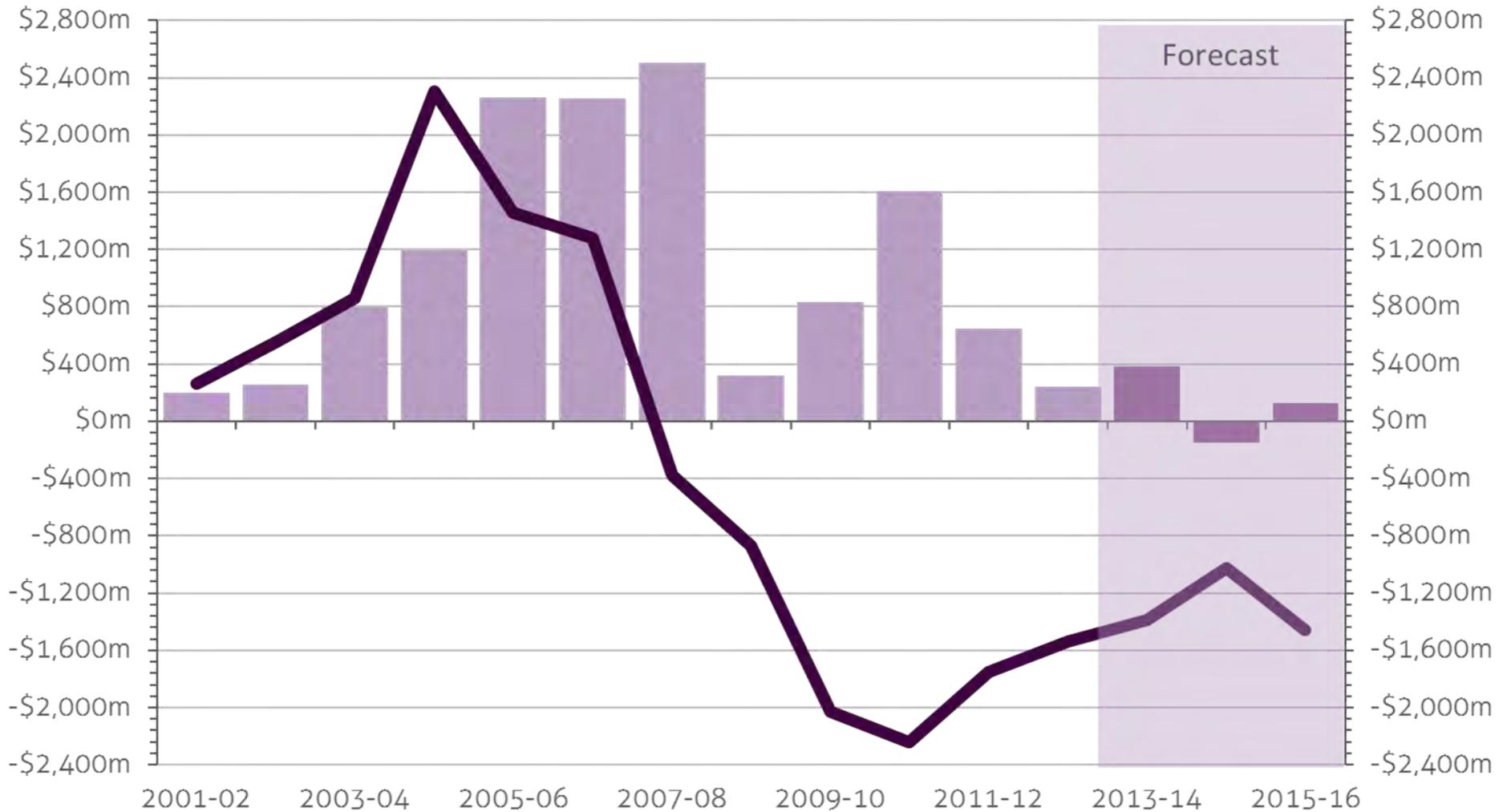


Source: ABS Cat. 5220.0, CCI

*The Year of
Restraint?*

State Government OpEx v Cash Position

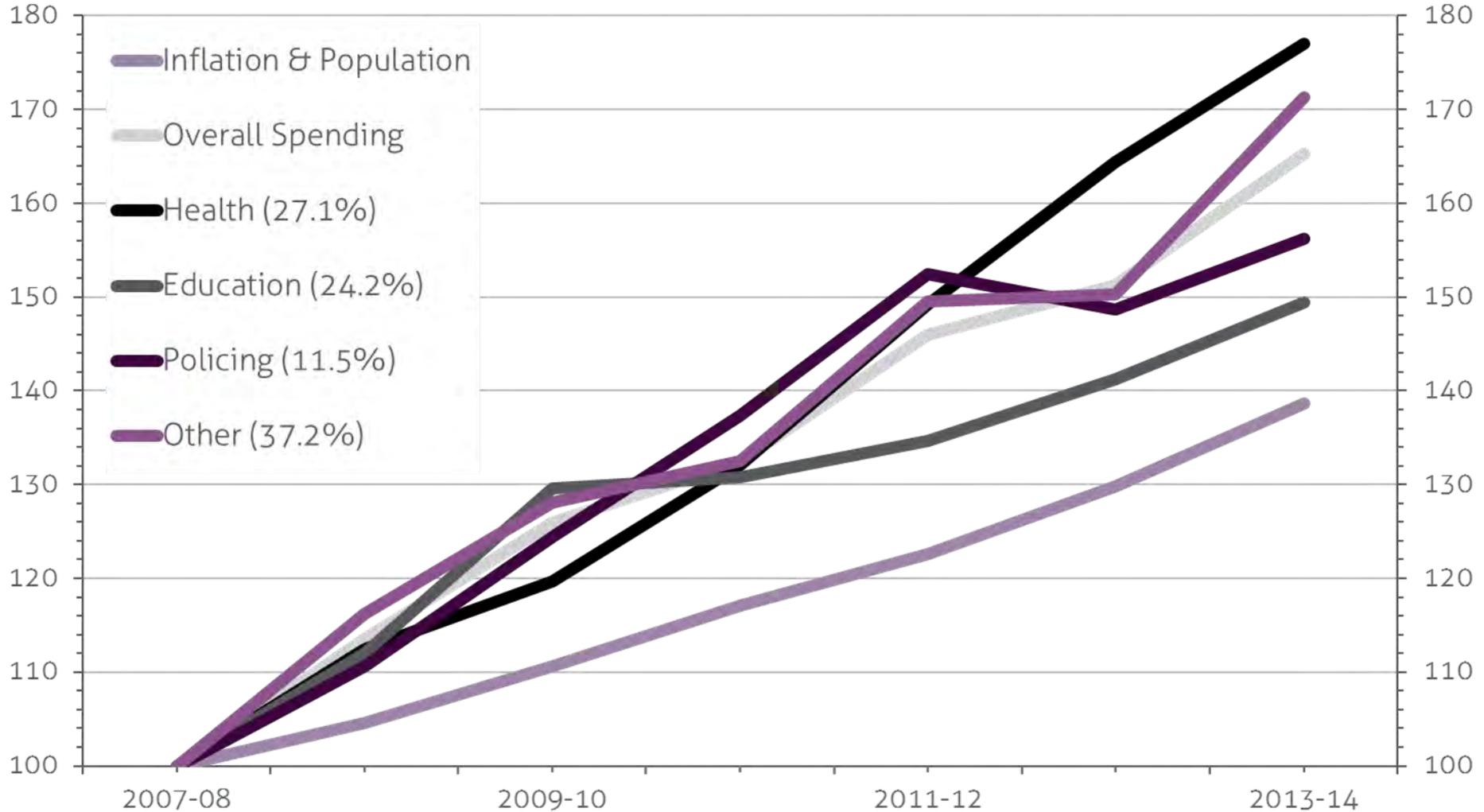
General Government Operating Balance vs Total Public Sector Cash Position



Source: State Budget Papers *Note: TPS Cash Position aligns with Federal Budget accounting practises

Government Spending by Portfolio Area

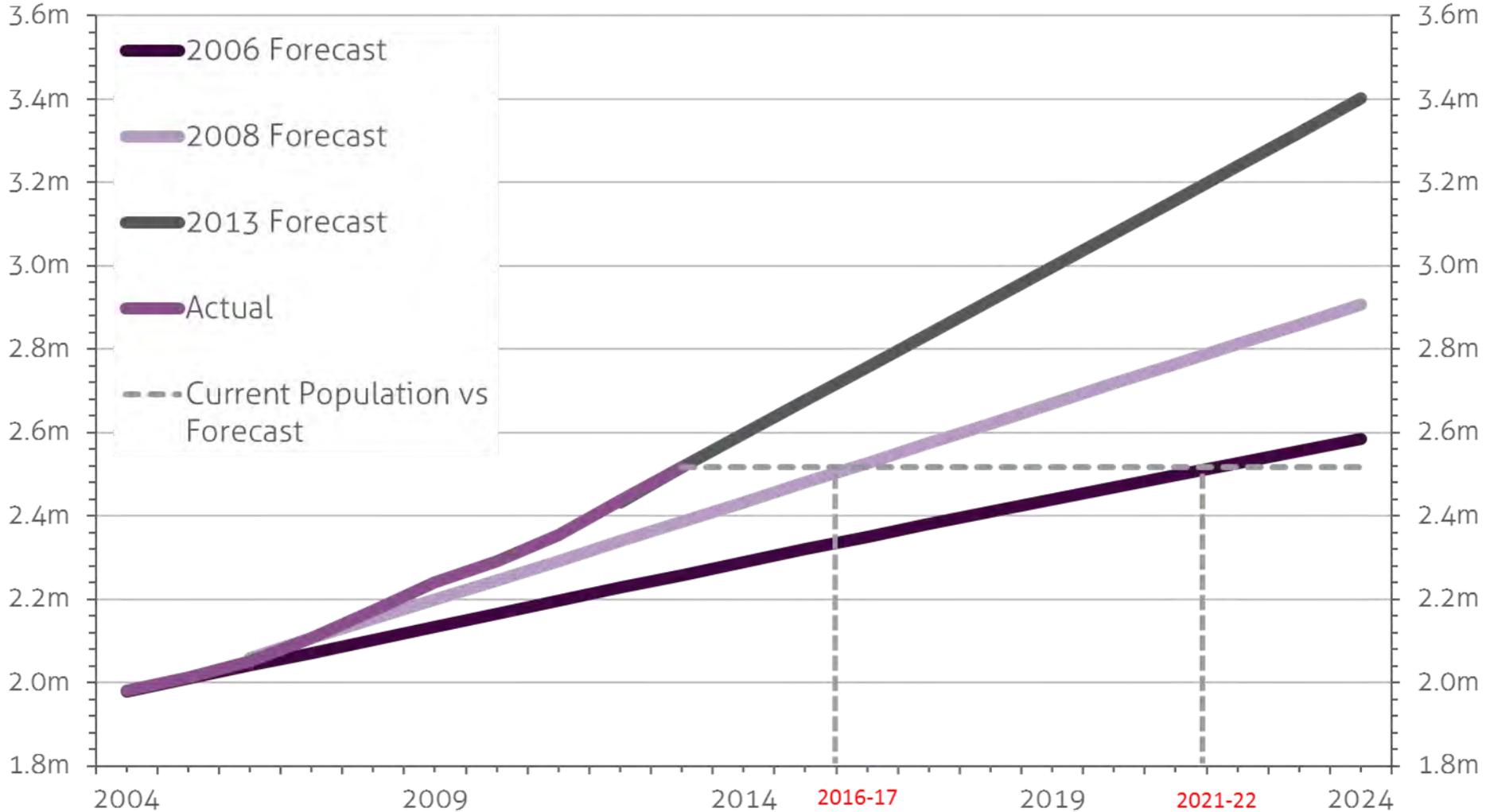
Index; 2007-08 = 100, Spending in Major Portfolios v Real Per Capita Cap



Source: CCI Economics, State Budget Papers

Population Forecasts vs Actual Population

Official Forecasts, 2006 v 2008 v 2013 v Actual



Source: ABS Cat. 3222.0

*The Missing
Ingredient: Vision*

At CCI, our vision is for WA to be

*“a **world-leading***

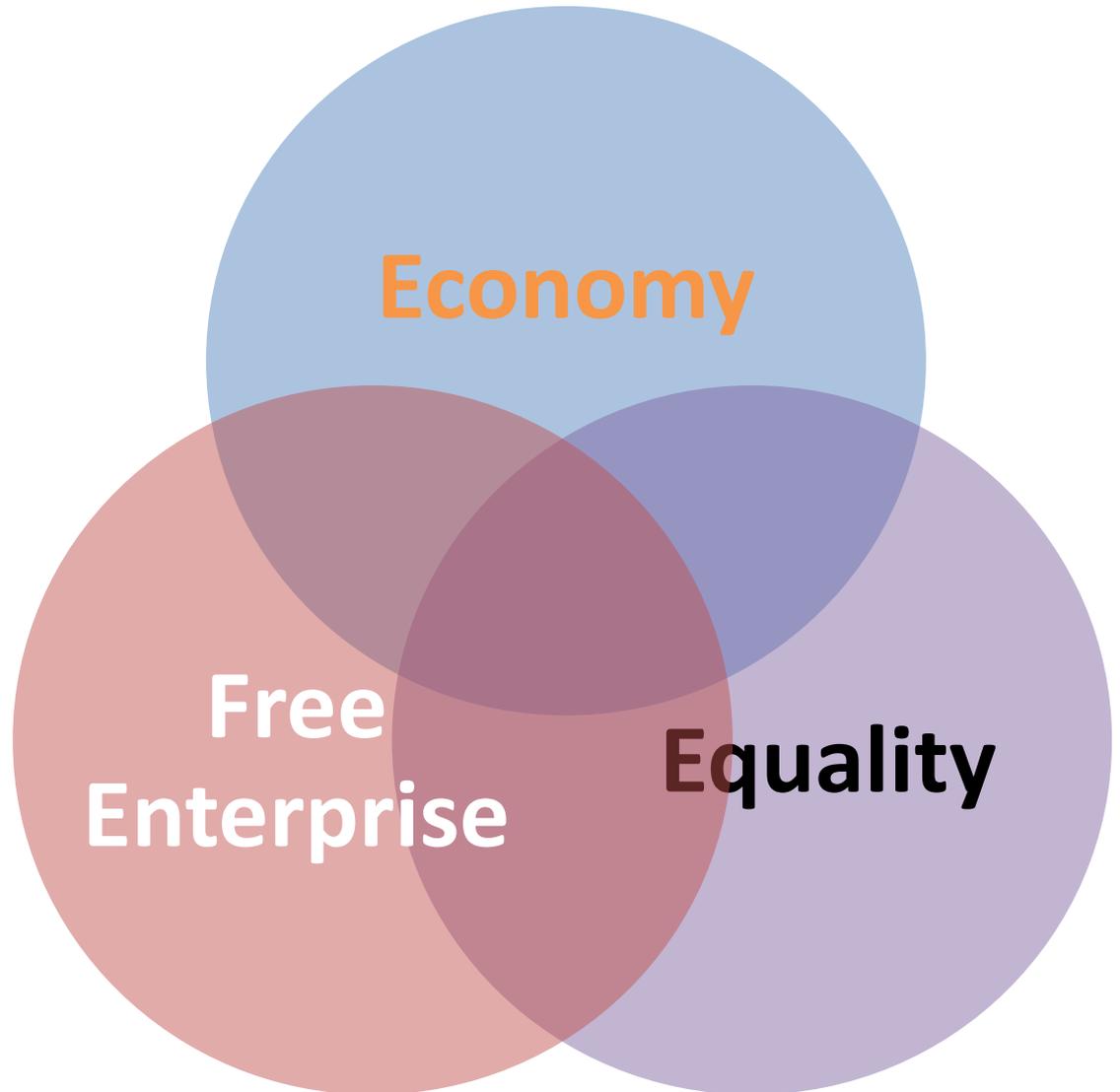
place to

live

and

do business.”

Infrastructure
Manufacturing
Universities
Agriculture
& Food
Small
Business
Social
Resources
& Energy





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Emerging Issues 2014 Forum

The Political Environment

Elena Douglas

Convenor, Centre for Social Impact UWA



THE PRAGMATISTS GUIDE TO SOCIAL POLICY IN 2014.

PREPARED FOR THE WACOSS
EMERGING ISSUES FORUM 2014
Elena Douglas, Centre for Social
Impact, UWA Business School



THE UNIVERSITY OF
WESTERN AUSTRALIA
Achieve International Excellence



Today

My presentation has these four themes, all of them are tough-minded:

1. You advocate, sell and persuade best the more intimately you understand the audience you're trying to influence. This includes understanding their world-view however different it is from your own. *I hope you will be more able to think like a Coalition Minister after this presentation. That is my aim.*

2. There will be many losers of funding levels in coming years, and some winners. The winners will be those that are able to demonstrate the impact of their work on the lives of real populations. *"We have the technology" – we need to move to action on this now.*

3. The era of individual agency effort is closing – Ministers, funders, philanthropists want to know what you are changing, how you are working together to reduce or eliminate a problem, not what your hard-working organisation is doing. *WA can lead in terms of service integration and collective impact. The groundwork has been laid, the social capital is high, risk (trial-and-error) money is coming on stream.*

4. We must all read more, think more, use evidence more, be more aware of overseas, other sector developments. No sector is an island. We have to think and learn beyond the social welfare ghetto where we've been comfortable. *Sometimes this means more market solutions. Sometimes it means being more radical. Our clinical practice cannot be the only place we seek international learning, but our management and service delivery practice needs to rise as well.*

Thinking like a Coalition Minister

All Coalition Minister's (wet & dry, socially conservative and socially-liberal) share these views:

1. Employment is the best form of welfare. They want to know how your program helps people get and sustain employment. (Especially important in indigenous policy settings).

3. They want to unwind universal service provision wherever possible and have more user-pays wherever possible.

4. They believe in market-solutions wherever possible, and people having choice, not being dictated to by bureaucrats.

5. They are on a crusade to reduce regulation, 'red-tape', bureaucracy, 'rent-seeking', and the big new enemy: "entitlements".



Financial imperative – new language

1. Manage **entitlement spending** growth (Hockey, Cormann)
2. Improve the **quality of government investment** spending (infrastructure and human capital) to grow the productive economy. Areas of potential resonance for social policy:
 - Raise work-force participation
 - Lower days lost to work (mental health, marital distress)
 - Improve cognitive and socio-cognitive capacity – early childhood
3. **Commission of audit**: “value-for money”, “eliminate waste”, “duplication between State & Federal”, “contestability”, “new technology”, “consolidation”, “rationalising”, flattening structures”. “privatisation”, “co-payments”, “price-signals”, “user-charging”, “incentive payments”.



Contestability

Dry element within the Coalition thinks this way. Create genuine markets where you can and contestability where you can't.

What does it mean?

- Markets are the best allocate or resources – better than central plans
- Real markets rely on information and price signals which are not available in the social policy arena (insufficient performance as opposed to financial Information.
- Contestability is considered an alternative to a real market – partial market – still provides competition and incentive to innovate.
- Coalition divided on the importance of competition.



Localism: ‘little platoons’, neighbourhood and civil society.

“Wherever possible, public policy should utilise the family and community organisations, rather than displacing them”.

Kevin Andrews, *Maybe I do*, p286

What does it mean?

- First line of defence idea.
- The State can never replace it “The State is not an arm of compassion”.
- The State can’t afford it with aging population and increased demands.
- Evidence base around contribution of very local – neighbourhood things - to well-being.
- Independence from, not an arm of the bureaucracy - protection FROM the arm of govt



Indigenous policy

Tony Abbott wants to be “Prime Minister for Aboriginal affairs”. “Practical changes to improve lives” - “Aboriginal children need to go to school, adults to work and the ordinary rule of law needs to operate in indigenous communities”.

1. **Priority number 1 – kids in school** – Truancy officers.
2. **Law and order** – nothing will improve without it
3. **Economic development and wealth creation:**
 - Land ownership, private property (ideological and practical)
4. **Economics v culture** – economics will be ascendant:
New Advisory Council - Mundine, Pearson, Langton
(Scullion also a businessman)

“Nothing will change if we don’t get kids to school... At present children can decide whether they go to school. This has to change.”

Nigel Scullion

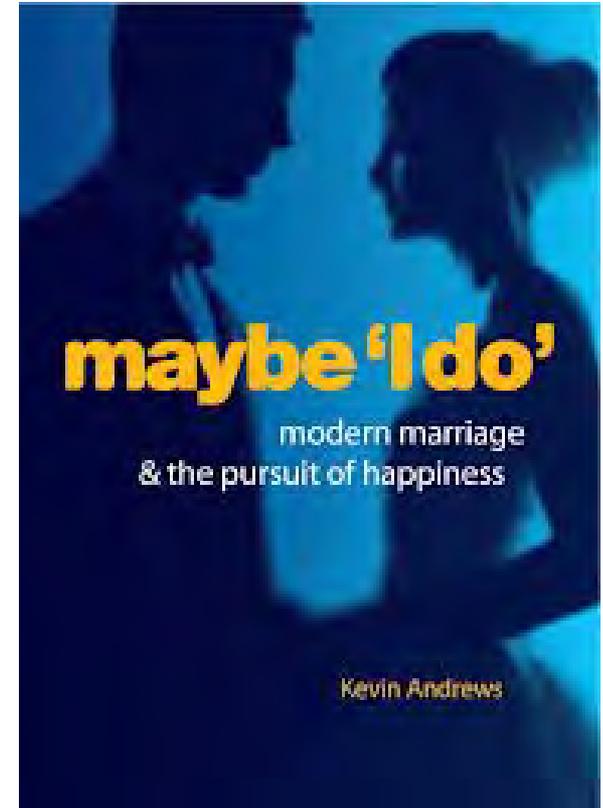
Thinking like a socially conservative Coalition Minister....

MARRIAGE MATTERS

“Over four decades of social science research across Western nations confirms one thing clear and unambiguous conclusion: A healthy marriage is the best source of physical and mental health, emotional stability, and adults and children. ”

Kevin Andrews (p 353).

This book is about putting marriage as the foundation stone of social policy for a safe and healthy society. It is not Govt policy but it was written by the Minister!



Thinking like a Coalition Minister – in summary

1. Employment and enterprise as a focus – alternative to welfare dependence, concepts of mutual obligation, pathways to job-readiness
2. Financial imperatives – reduce burden of future government spending – see the role of the commission of audit, gives strong clues.
3. Localism and little platoons, neighbourhoods, independence of civil society
4. Contestability – between and within sectors toward the creation of markets wherever possible
5. Indigenous policy directions – practical on the ground, “kids in school, adults of work & rule of law” – economic drivers, ownership, employment, wealth creation
6. Marriage as a foundation stone in social policy (for social conservatives)

There are many more – these are but predictions of emphasis.

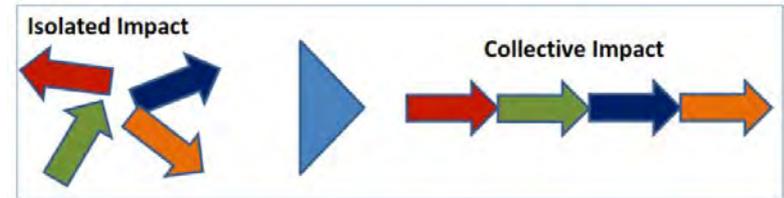
The pragmatists guide to sustainability

1. Our task now is to get closer to our collaborators across sectors. We must form into functioning ecosystems so we can make long-term population level impact that we can measure
2. All Government's in recent years have talked about "evidence bases". This will continue.
3. This is a cross-sector weakness. It can only be solved by cross-sector collaboration.
4. We have the technology – shared measurement frameworks, Results Based Accountability (RBA).
5. Outcomes and your service's contribution to achieving a population level outcome will become the new measure of your success – not your number of staff or \$.
6. Does your organisation have the capacity or the partnerships to take a leap forward in this area in a geography or service domain?



Big opportunity for WA to take next step as national policy leader

1. We have made great strides in WA (disability services, self-directed services, move to outcomes in contracts, Mental Health move to 'recovery' model, establishment of the partnership Forum, Foyer etc).
2. Building on this, our next step is to prove our mettle through *service integration* and *collective impact* which yields real direct results on real problems.
3. Will the Partnership Forum and other social capital delivers the real social dividend of better service level outcomes?
4. WA is ahead of the curve in many ways but will this result in new models and collaborations in key areas? What will this look like in your service area? In Homelessness? In Drug and alcohol?



Pragmatists learn from others mistakes and successes

1. In our current culture it is only our clinical areas which keep pace with global and national learning. What about management and service delivery, program design and funding sources?
2. We must all read more, think more, use evidence more, be more aware of overseas, other sector developments. No sector is an island. We have to think and learn beyond our social-welfare ghetto, our comfort-zone.
3. Much more open and explorative, risk-taking and innovative.
4. Innovation happens when *ideas have sex*.





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The Social Environment

Chris Twomey

Director of Policy, WA Council of Social Service

1. Increasing Poverty & Inequality

WA continues to grow more unequal

- Strong income growth for WA households
- Poorest households left behind at a faster rate –
 - [WACOSS Cost of Living Report](#)
- Only lower incomes falling behind cost of living
- Even bigger gap in wealth distribution...

- Bankwest Curtin Economic Centre [“Sharing the Boom”](#)

Emerging evidence of negative impacts of inequality

*Economic growth, health & life expectancy,
social harmony ... and even economic growth*



1. IMF report: Inequality & Growth

Redistribution, Inequality & Growth (2014)

- Higher inequality correlates with lower growth
- Inequality makes growth more volatile & creates instability that can suddenly drag on growth
- Redistribution does not effect GDP growth
Debunks the myth overcoming inequality robs the rich of incentives to invest, and the poor incentives to work

“lower net inequality is robustly correlated with faster and more durable growth, for a given level of redistribution” - IMF



1. Thoughtfully balancing the budget

ACOSS Commission of Audit recommendations:

1. Restore revenues to pre-GFC level (25.1% GDP)
2. Protect the most vulnerable
3. Secure essential services, invest in prevention
4. Opportunities for disadvantaged in labour market
5. Target income support to those in need
6. Close major gaps in social safety net
7. Realign poorly targeted expenditure
8. Close tax loopholes for high income earners



1. Increasing Poverty & Inequality

Vulnerable groups:

- Poverty in Age- *silver splitters, older unemployed...*
- Dementia crisis ... & CALD services
- Single parents, children growing up in poverty
- Increasing numbers of Children in Care
- Non-citizens - *TPVs, divorcees, foreign workers...*
- Aboriginal people, youth in justice system
- Homelessness & mental health
- Mentally ill outside of NDIS criteria
- Long-term unemployed





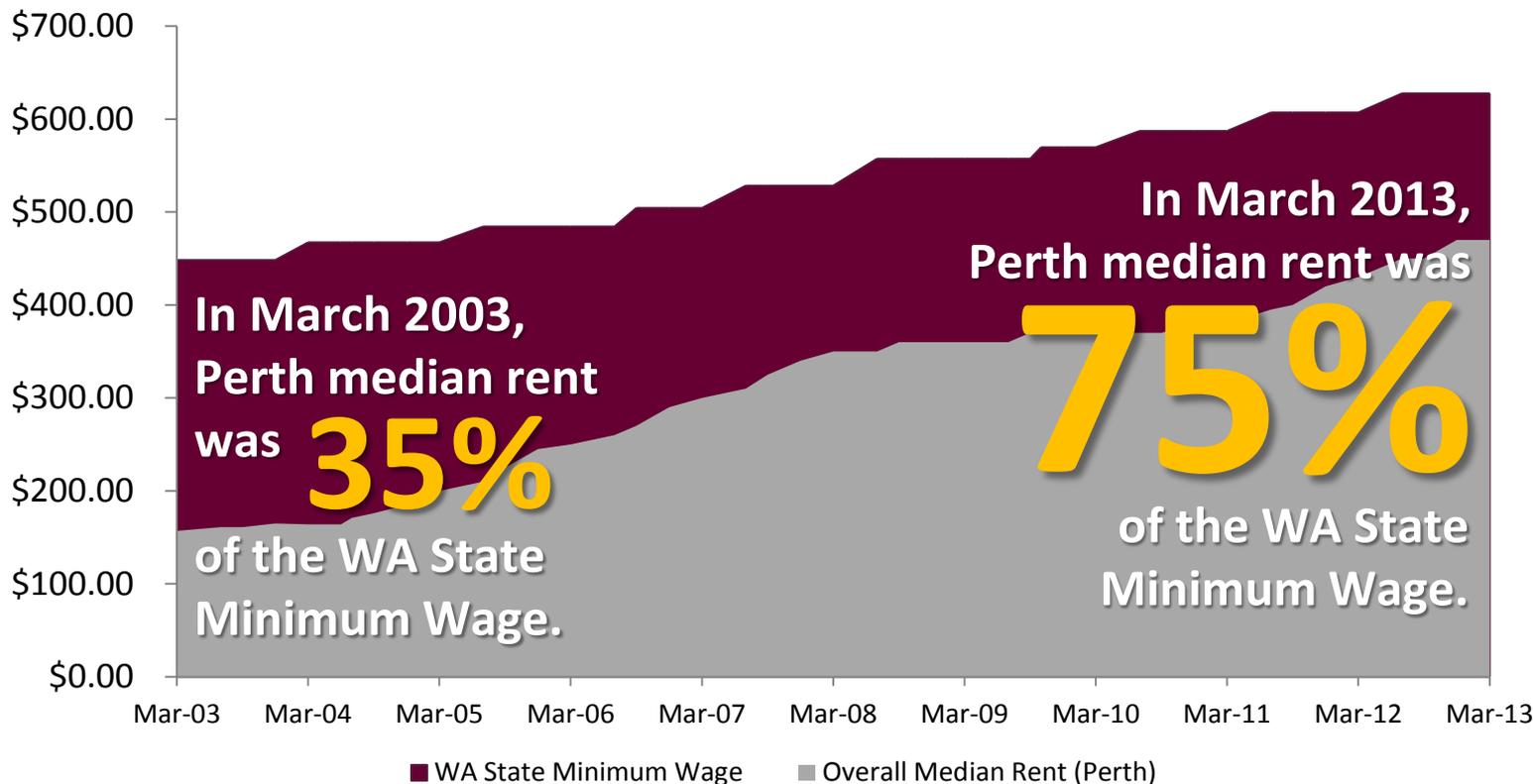
WA's housing affordability



CRISIS

Rental (Un)Affordability

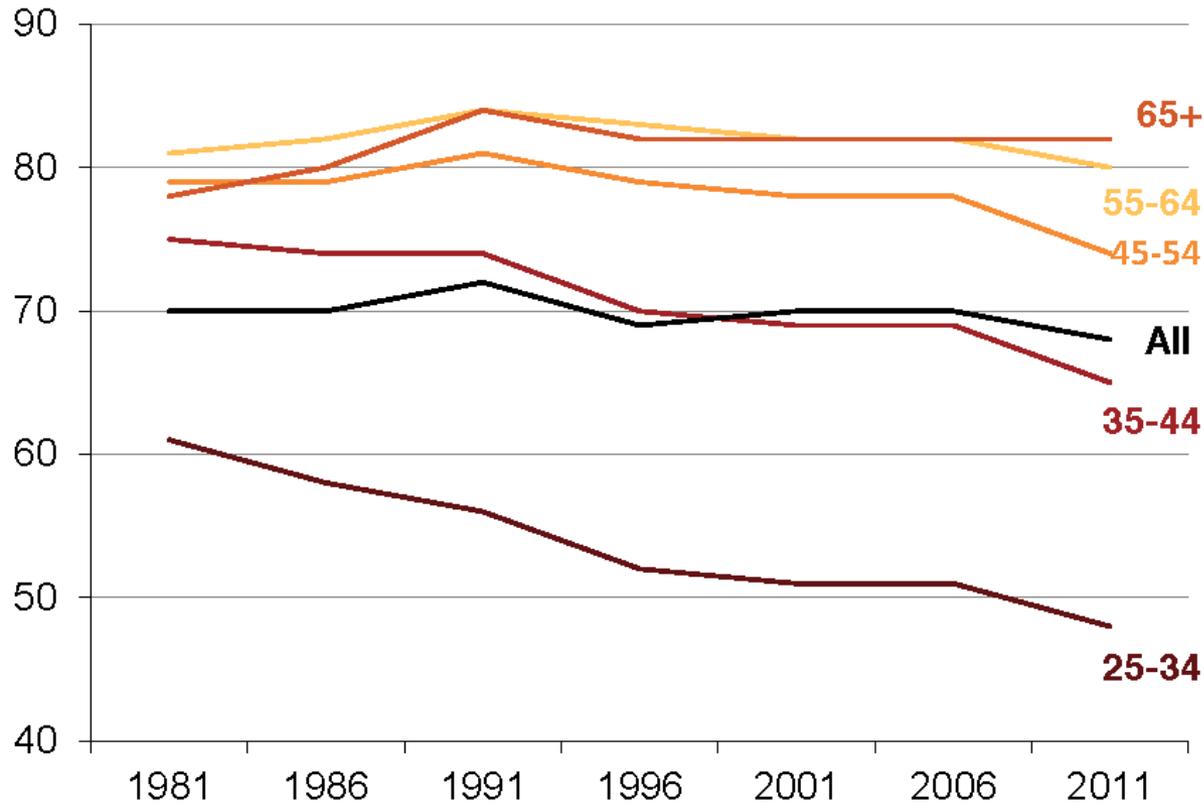
WA State Minimum Wage vs Perth Median Rental Price



Sources: REIWA [Historic Rental & Vacancy Data](#); WA Department of Commerce, *State Minimum Wage Rate*



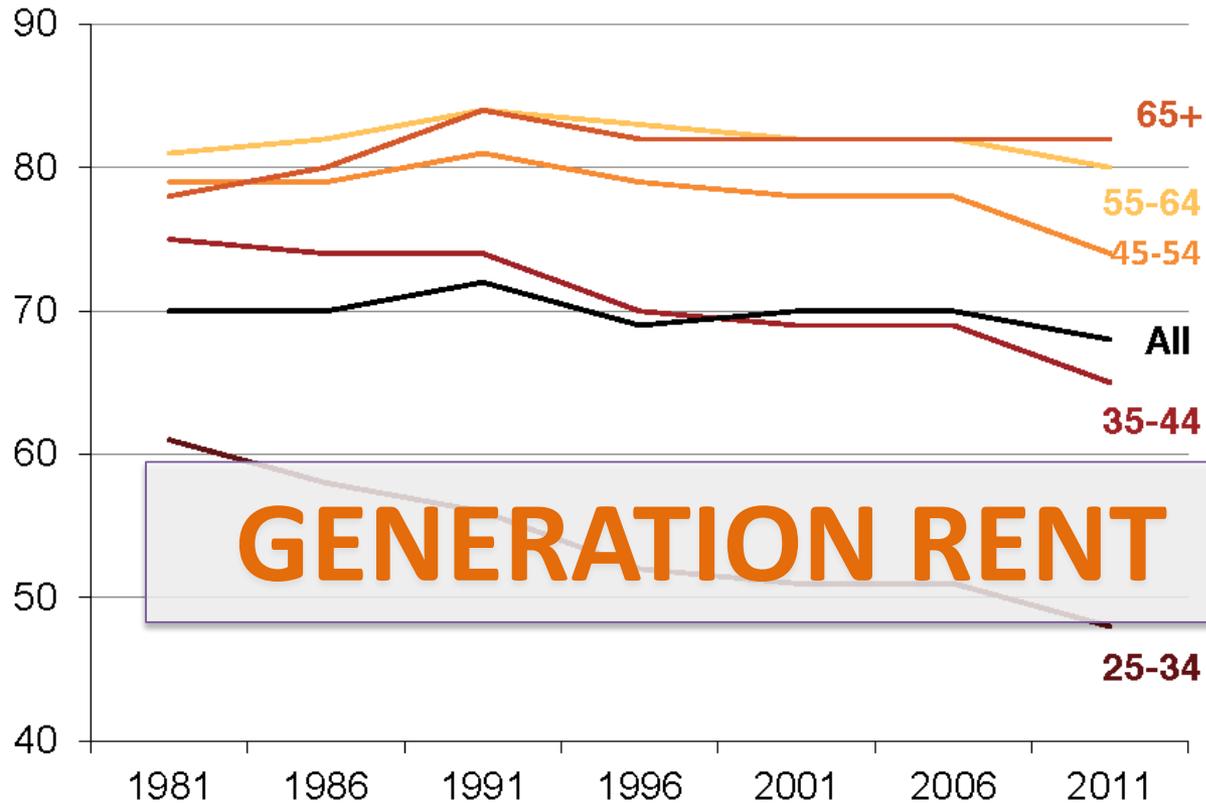
Home Ownership Rates by Age



Source: Grattan Institute (2013) [Renovating Housing Policy](#)



Home Ownership Rates by Age



Source: Grattan Institute (2013) [Renovating Housing Policy](#)



2. Housing Market Failure

Growing gaps:

- Construction vs. Demand
- Affordability vs. Availability (*... location & opportunity*)
- Intergenerational wealth

Huge subsidies for perverse outcomes

- Tax system - Negative gearing, capital gains
- First Home Owners Grant

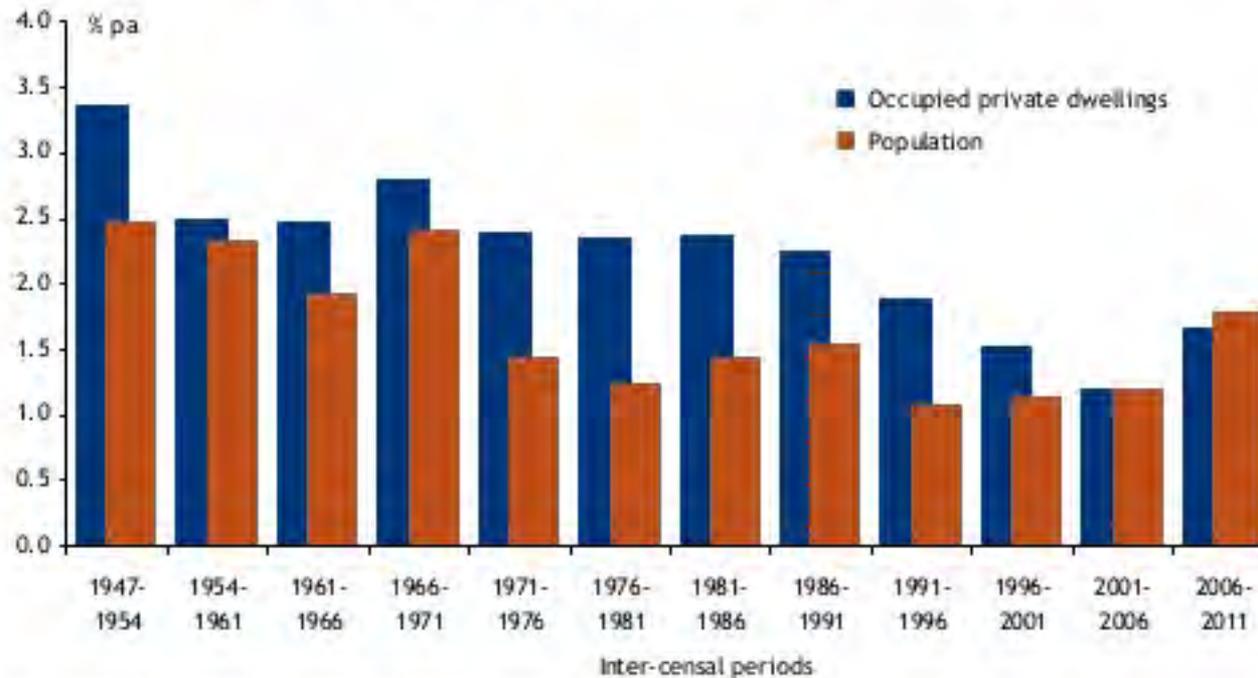
Diminishing investment in social housing



2. Housing Market Failure

Up until the past decade, the housing stock grew at a faster rate than the population

Inter-censal growth in population and the housing stock



SOURCE:
Saul Eslake
*“50 years of
Housing failure”*
September 2013

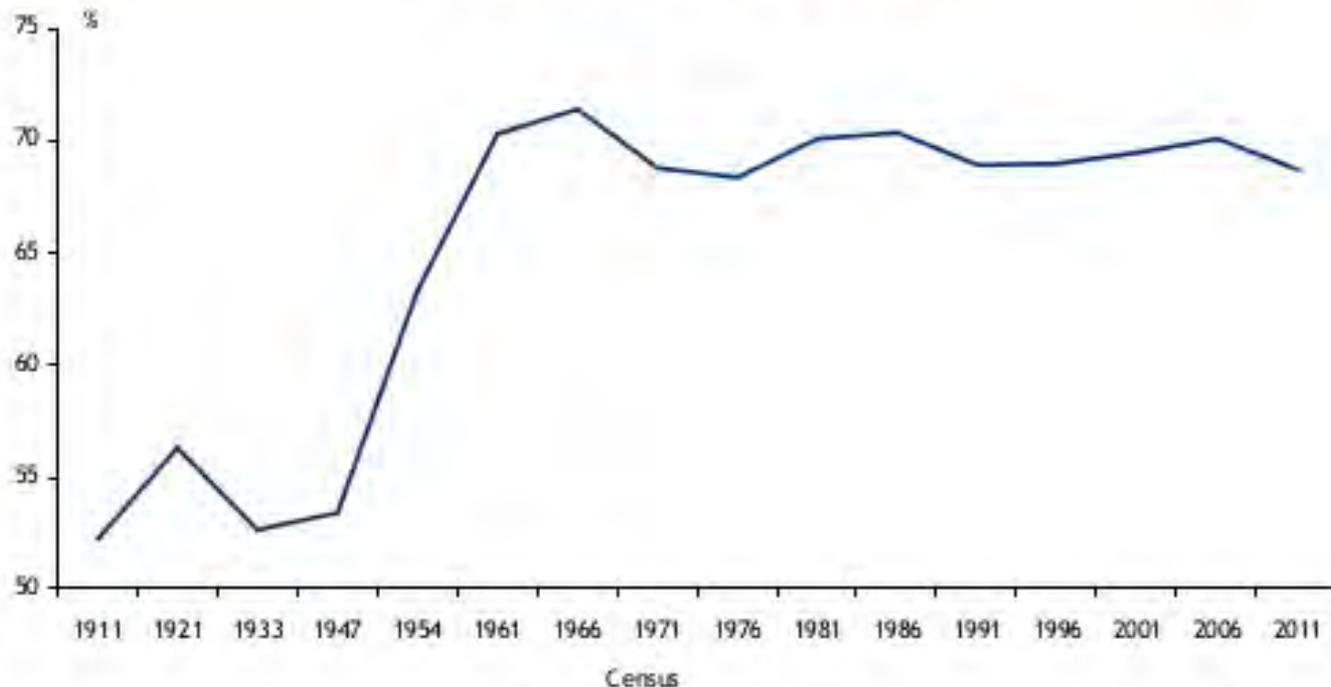
Sources: Australian Bureau of Statistics, Census results; author's calculations.



2. Housing Market Failure

Home ownership rates haven't increased at all since 1961

Home ownership rates at Censuses



SOURCE:
Saul Eslake
[“50 years of Housing failure”](#)
September 2013

Note: percentages are of occupied private dwellings excluding those for which tenure is not stated.

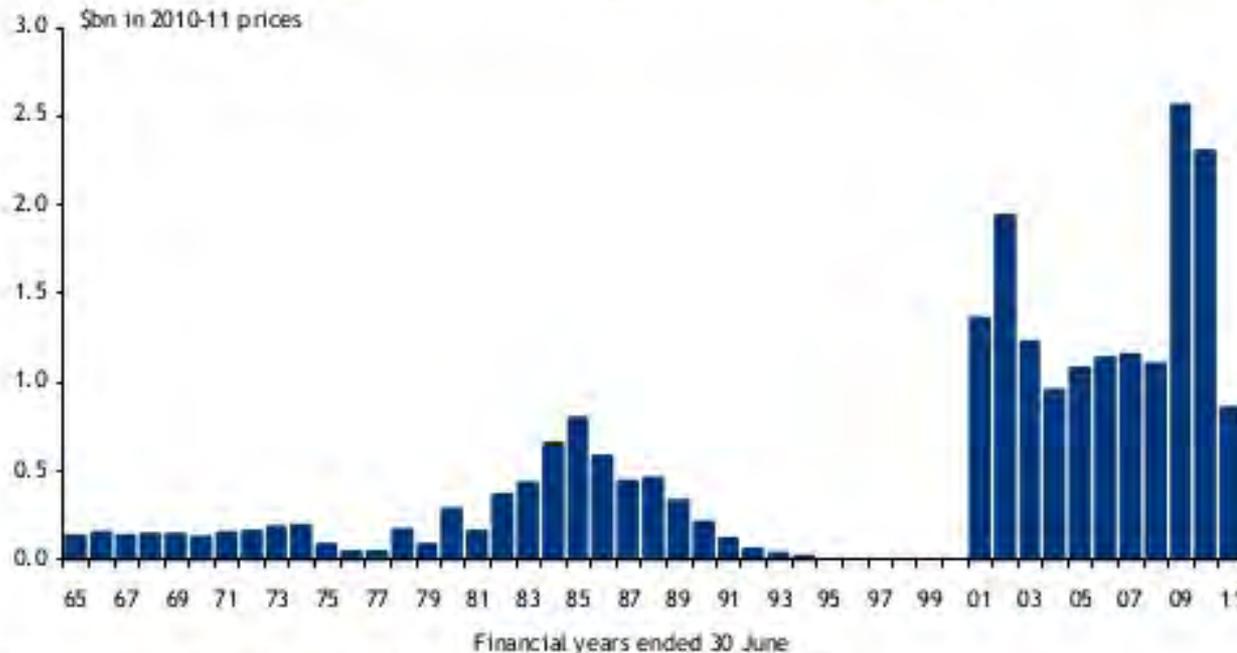
Sources: Advisory Council for Intergovernmental Relations, *Australian Housing Policy and Intergovernmental Relations*, Discussion Paper No. 14 (1982), Appendix B, Table B4; Tony Kryger, *Home Ownership in Australia - Data and Trends*, Parliamentary Library Research Paper No. 21 (February 2009), Table 1; Australian Bureau of Statistics, 2011 Census Quickstats.



2. Housing Market Failure

Governments have spent at least \$22½bn on cash grants to first home buyers over the past fifty years

Expenditure on assistance to first home buyers



SOURCE:
Saul Eslake
*"50 years of
Housing failure"*
September 2013

Note: expenditures shown are calculated as nominal values deflated by All Groups CPI.

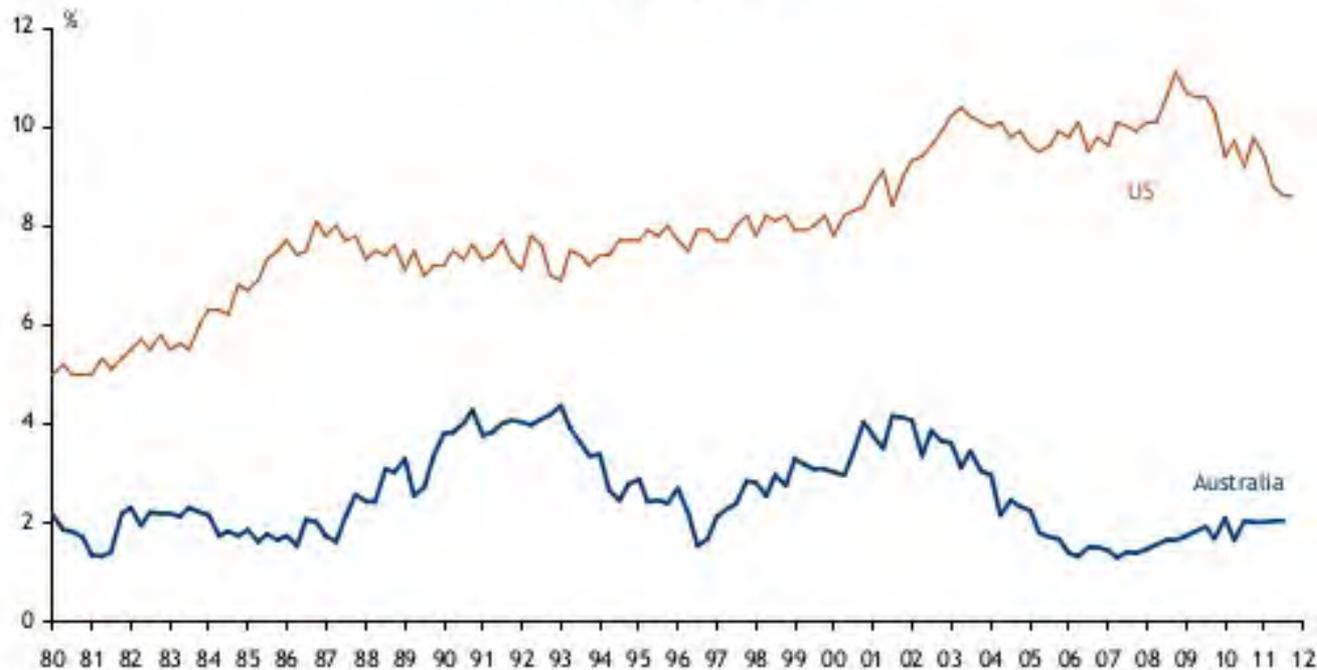
Sources: Advisory Council for Intergovernmental Relations, *Australian Housing Policy and Intergovernmental Relations*, Discussion Paper No. 14 (1982), Appendix G, Tables G5 & G6; Australian Government, Budget Paper No. 1, Budget Statements, 1983-84 through 1994-95; Commonwealth Grants Commission, *2008 Update Report* (Attachment D) and *Report on GST Revenue Sharing Relativities, 2010 Review Volume 2*; CoAG Reform Council, *National Affordable Housing Agreement: Performance Reports 2009-10 and 2010-11*.



2. Housing Market Failure

Negative gearing hasn't done anything to improve the supply of rental housing compared with other countries

Rental vacancy rates



SOURCE:
Saul Eslake
*"50 years of
Housing failure"*
September 2013

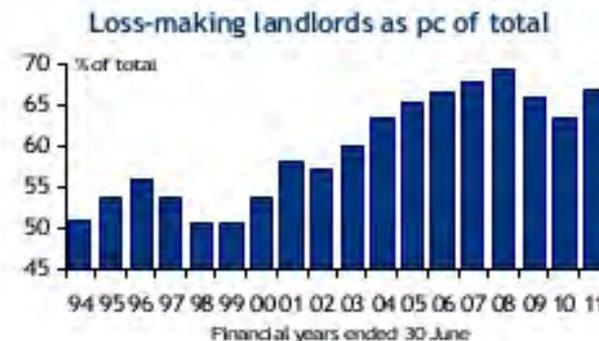
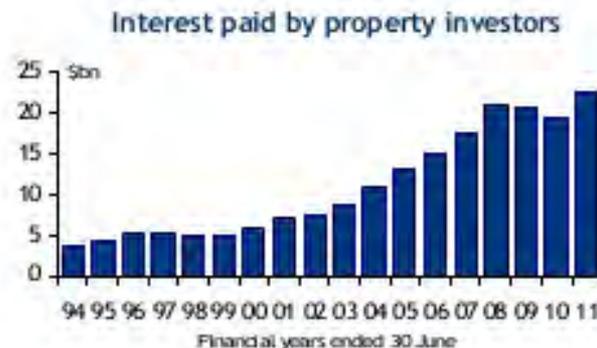
Sources: Real Estate Institute of Australia; US National Association of Realtors.



2. Housing Market Failure

'Negative gearing' became much more attractive after the 1999 decision to halve the rate of capital gains tax

Taxpaying property investors



SOURCE:
Saul Eslake
"50 years of Housing failure"
September 2013

Sources: Australian Taxation Office, Taxation Statistics 2010-11 (latest available); author's calculations.



2. Housing Policy Reform

Fixing housing affordability:

- Abolish FHOG & negative gearing
- Redirect funds saved to increase supply
- Replace State stamp duty on land transfers with broad-based land tax (*no owner-occupier exemption*)
- A holistic view of urban infrastructure – *link transport investment to ‘betterment levies’ on uplift*
- Reduce green-fields up-front infrastructure costs
- Reduce cost, complexity & uncertainty of in-fill



2. Housing Market Solutions

“We need systemic reform – but lack political will”

Saul Eslake

- **Increased public investment**
- **Increase growth of community housing sector**
- **Rebalance investment incentives** (*fix tax system*)
- **Institutional investment** [AHURI - ‘policy packages’](#)
- **More efficient city design**

Link planning and infrastructure

Transport, capture uplift, in-fill, mandate mix, local workers...





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The Services Environment

Chris Twomey

Director of Policy, WA Council of Social Service

1. Implications of Political Uncertainty

The Political Environment:

- Lack of clear social policy agenda
- Funding uncertainty beyond 30 June
- Concerning signals:

[Commission of Audit](#)

[McClure welfare review](#)

'End of Age of Entitlement'

Repeal day – a mixed blessing?



1. Implications of Political Uncertainty

Trends, Analysis & Speculation:

- Less enthusiasm for national role, smaller govt.
- Won't 'micro-manage' charities
- Shift from COAG and NPAs to ... more Bi-Lats?
- More program oversight divested to States?
- Reduced federal funding .. *But where?*
- Narrowing of scope of charitable purposes?
- US-style restrictions on advocacy ...*via tax status?*



1. Implications: Risks.. & Opportunities?

Under-developed social policy agenda

An opportunity for influence?

But limited access ...

& No formal consultation mechanisms

Risks of austerity with rising unemployment

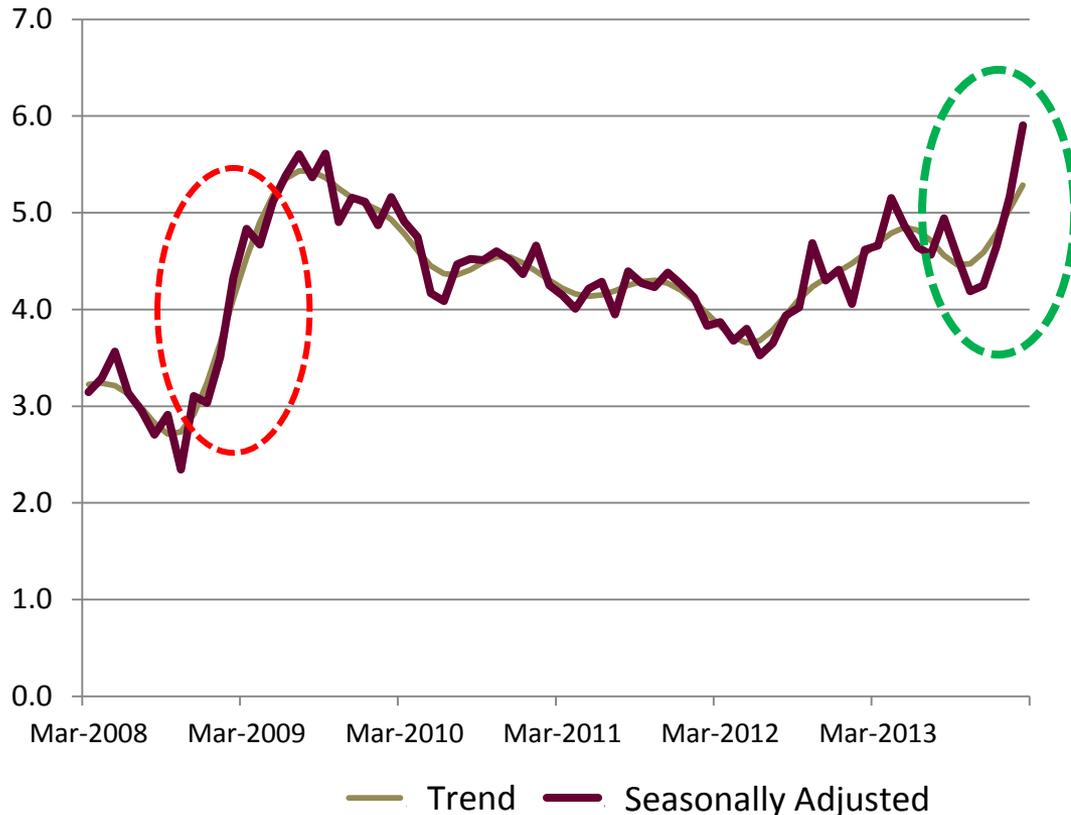
Business group warns Abbott government against tough budget cuts:

Australian Industry Group says “Coalition’s plans for economic austerity risk damaging an already weak economy”



WA Unemployment Rate (Persons)

(March 2008-February 2014)



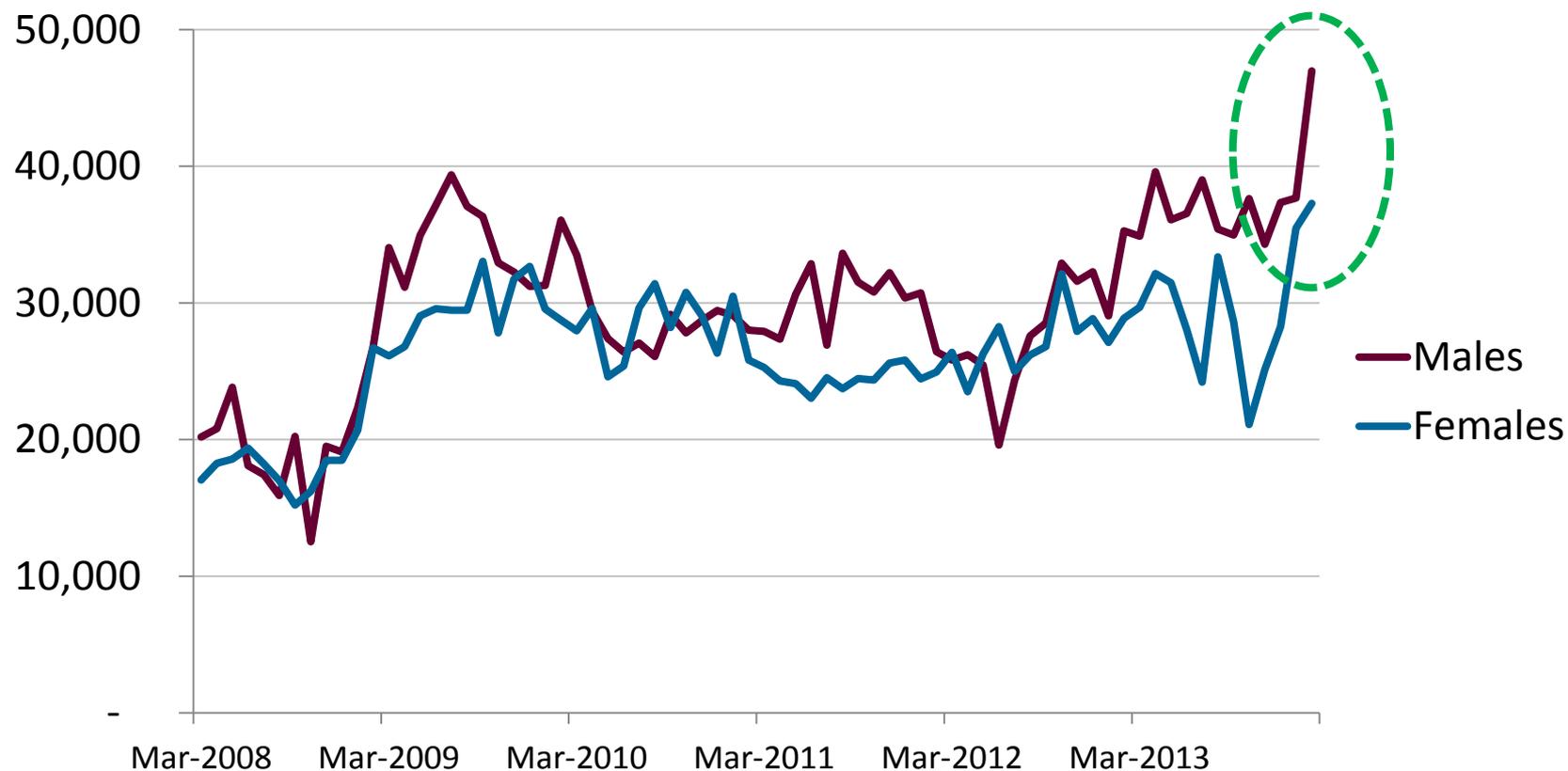
- Feb13 → Highest unemployment rate since the **GFC**.
Last at 5.9% in 2003
- Last year's WA State Budget forecast unemployment to be **5.5%** in 2013-14.

Source: ABS (2014) [6202.0 - Labour Force, Australia, Feb 2014](#), Table 8.



WA Unemployment Numbers

(March 2008-February 2014)



Source: ABS (2014) [6202.0 - Labour Force, Australia, Feb 2014](#), Table 8.



1. Implications of Social Program Cuts

How are service funding cuts targeted?

- Evidence-based & strategic vs. vegemite?
- Chronic & crisis vs. prevention & early intervention?
E.g. Medicare GP co-payments vs. Hospital & critical care costs..
- Ideology or political expediency?

How do we advocate?

Priority is outcomes for vulnerable...

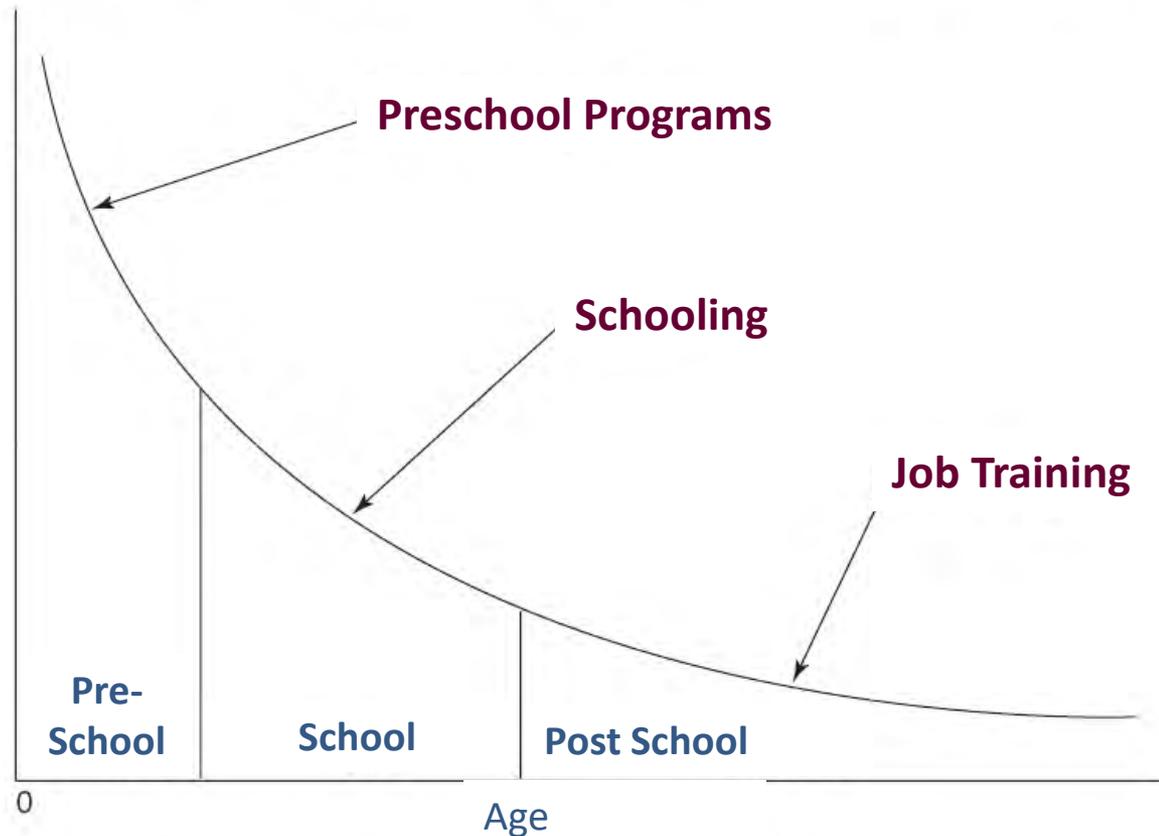
Principles: *Evidence-base, Collaborative process,
Responsible transition, Net growth to meet demand*

More intensive, linked-up & sustained services...



Reasons to Invest Early

Rate of return to investment in human capital



Source: Heckman & Masterov (2004) [The Productivity Argument for Investing in Young Children](#)



2. Service Design Environment

Changes on the policy horizon

- New Incorporated Associations Act ... *to come*
- OSH & Privacy Regs - *impact all Cwth contracts*
- Women in Workplace legislation?
- ACNC repeal, powers to ATO (*Senate may block?*)
- Charities Act changes ...
- Red tape repeals... vs protections?

Balanced & appropriate? Accountable – to whom?

Governance, service outcomes...



2. Service Design & Workforce

How do we sustain a workforce capable of delivering individualised funding? (NDIS, Aged Care...)

Skills gaps: complex needs = wrap-around, cross disciplinary, outcome-based, individualised, flexible...

Workforce strategy? Low level entry points for those excluded from labour force (eg. single parents..) OR import workforce from developing world?

Individual funding requires I R reform

Awards vs individual contracts, zero hour... etc.

Vulnerable workers, significant labour market shifts



2. Service Design & Sustainability

How do we survive transitions in funding models?

Up-front block-funding to arrears payments

Requires: scale, capital, systems, expertise ..

Will change the size & diversity of the sector (eg. UK)

Pressures to consolidate (external and internal)

- Service integration (not=) amalgamation
- Collaborative models of partnership
- Back of house support
- *Rules of engagement?*



2. Collaborative Design Opportunity...

Southwest Native Title Settlement

Will include long-term sustainable funding for Aboriginal community-controlled services...

Role of community sector leadership

- Partner & support development
- Build capacity & share expertise
- Provide back of house support
- Not to take over or displace

Opportunity to build the model for other localised community-controlled regional service development





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Chris Twomey

Director of Policy, WA Council of Social Service

1. Local Govt. & Communities?

Opportunities in localised service planning & delivery:

Amalgamation of Dept. Local Govt. & Communities

- Implications for localised service responses
- Engagement of LGAs in social planning
- Opportunities to align LGA & Dept. boundaries



1. Integrated Strategic Planning

Strategic Community Plans:

- Establish community vision for LGA future, aspirations & service expectations
- Drive the development of LGA *Area, Place & Regional Plans* – resources & informing strategies
- Ultimate driver of all other planning

The integration of asset, service & financial plans means LGA resource capabilities are matched to community needs...



1. Local Govt. & Communities

Challenges:

- LGA capacity, understanding & engagement with social planning and local services is patchy.
- A need for shared approaches, pooled resources ... & an overarching framework.
- Legacy of ill-will, due to ‘forced amalgamations.’
- No clear point of contact or shared model?
- Clarity of LGA role ... *as a planner, enabler & purchaser/partner in services – not a provider?*



1. Local Govt. & Communities

Opportunities:

- Linking social planning & place-based responses
- New Minister keen on closer sector links
- Free or low-rent premises?
- LGA's community education & referral role?
- Lead LGAs as exemplars – *demonstration initiatives*
- Strong synergies in community engagement

Changing culture, building expectations ...



1. Local Govt. & Communities

The way forward:

- Support LGAs to understand & map social needs & engage in cmtty planning with local services.
- Provide central expertise & analysis to identify & prioritise existing & emerging need.
- Align boundaries across all levels of Govt.
- Measure & showcase successful local initiatives.
- Share learnings, lead cultural change.

Social planning becomes a central part of local planning & accountability over time...



2. Partnerships

- 1. Inter-sectoral partnerships**
- 2. Government & community sector**
- 3. Developments in private philanthropy**



2... Inter-sectoral Partnerships

Challenge: better & sustained outcomes

Especially for those with complex needs

- Capture learnings of success in integrated, wrap-around & location based initiatives
- Quantify the value & cost of partnership
- Develop the funding and partnership models

Infant Mental Health project learnings:

*Service integration is a journey, not a single model
'Work' gets in the way = KPIs & contracts...*



2... The Partnership Forum

Partnership Forum – Strategic Directions 2014-16

- Political imperative to demonstrate *DCSP* outcomes
- Challenge move beyond contracts & high-level policy
- Opportunity for cmty sector to actively engage in on-the-ground demonstration initiatives

Window of opportunity – focus on outcomes



2... The Partnership Forum

Strategic Directions 2014-16

1. Housing and Homelessness
2. Youth at Risk (*esp. Aboriginal*)
3. The Early Years
4. Measuring the impacts of *DCSP*



3. *Developments in Philanthropy*

Opportunities for true industry partnerships?

First steps in cultural change in venture philanthropy

Move from grants to active partnerships

Strategic investment to unlock system potential

Private philanthropy = innovation, flexibility, risk

Complement & lead the way for public programs

- *Partner with experts, services & local cmtys*
- *Pick up successful international initiatives*
- *Leverage systemic change in public programs*



3. *Developments in Philanthropy*

Note to SMEs on first engagement with private donors

“Be careful what you wish for...”

Risk in engaging with unsophisticated private donors

*Managing funding & delivering commitments
can involve more work than benefit...*



Issues for Community Sector Leadership

Reform

How to drive change and future directions, rather than passively accepting or implementing them

Adaptation

Plan to adapt our organisations (or not), strategic directions to deliver mission in new context, implement change and manage new systems, processes, funding streams, skills and capacity

Roles

Managing roles & relationships with other sectors and Governments

Relationships

Positioning our role in civil society, particularly our relationships with consumers and the broader community





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*Ways to make
a difference*