



Australian Government

Department of Education, Employment
and Workplace Relations

Social Inclusion



THE ORIGINS, MEANING, DEFINITION AND ECONOMIC IMPLICATIONS OF THE CONCEPT SOCIAL INCLUSION/EXCLUSION

Incorporating the core indicators developed by the European Union and other illustrative indicators that could identify and monitor social exclusion in Australia.

January 2009

This is the first of a series of commissioned papers on social inclusion/exclusion, prepared for the Australian Department of Education, Employment and Workplace Relations by Professor Tony Vinson, Faculty of Education and Social Work, University of Sydney.

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PART I: THE MEANING OF 'SOCIAL EXCLUSION'

Background

Because definitions of an abstract term like 'social exclusion' will inevitably vary to some extent in the qualities they emphasise, it is helpful to begin by looking at the general nature and derivation of the concept. Before the 1990s the term was infrequently used in discussions about social policy. Instead, 'social disadvantage' and especially 'poverty' served as all-encompassing terms to signify circumstances in which people lacked many of the opportunities available to the average citizen. A central ingredient of those circumstances was low income although that deficiency was known frequently to be accompanied by additional facets of disadvantage. The formal concept of social exclusion arose in France with an emphasis on citizenship and social cohesion. The 'Anglo-Saxon' idea of poverty was thought to patronise or denigrate equal citizens. In French thought social exclusion referred to rupture of the social bond or 'solidarity.'¹ Thereafter the term gained wide currency within the European Union especially after the Maastricht Treaty of 1996. The general European trend in recent decades has been to conceive of social exclusion as distinct from income poverty. "Poverty is a distributional outcome, whereas exclusion is a relational process of declining participation, solidarity and access" (Silver and Miller, 2002).²

In the UK the new Labour administration in 1997 related its goals to the reduction of social exclusion. A greater emphasis was placed on the social consequences of being in a deprived situation, especially the alienation or disenfranchisement of people caught in poor circumstances.³ It was argued that focusing on income alone can over-state its role in determining quality of life. Social exclusion focuses more on social relations and "the extent to which people are able to participate in social affairs and attain power to influence decisions that affect them."⁴ A variety of forces shape exclusion including: barriers to the job market, limited support networks, special difficulties in negotiating social provisions, children not succeeding in the education system, alienation from one's society (for example, 'disaffected youth'), and residing in a locality marked by extreme social disadvantage with a social environment that helps to lock residents into an 'outsider' position.

Reducing social exclusion has become a goal with wide appeal across the political spectrum. A hazard, however, is that the very breadth of application of the concept puts it in danger of losing clarity. There remain uncertainties about whether the concept of exclusion/inclusion describes the complex nature of social disadvantage. According to one commentator, "This is because (the terms') power comes not from their analytical clarity, which is conspicuously lacking, but from their flexibility."⁵ Indeed, there is an in-built complication which social exclusion shares with all concepts through which we try to represent the social world, namely, it is a metaphor. One commentator⁶ has suggested that the proper question to ask about the idea of social exclusion is not what does it mean but what do we mean by it?

1 Silver, H., Miller, S., (2002) "Social Exclusion: The European Approach to Social Disadvantage," *Poverty and Race*, Vol. 11, Issue. 5, October
2 Ibid.
3 Relative poverty, absolute poverty and social exclusion, www.poverty.org.uk/summary/social20%exclusion.shtml
4 Pierson, J., (2001) *Tackling social exclusion*, Oxford, Routledge, p.2
5 Humpage, L., (2006) "An 'inclusive' society: a 'leap forward for M ori in New Zealand?"; *Critical Social Policy*, Vol. 26, No.1, 220-242
6 Levitas, R., "The Idea of Social Inclusion," 2003 Social Inclusion Conference, University of Bristol: www.ccsd.ca/events/inclusion/papers/rlevitas.htm

The current briefing paper has essentially pragmatic aims but a very brief diversion into the realm of ideology is necessary to avoid missing the point that one's choice of indicators is linked to more general beliefs about what is fundamentally important in society. Levitas (2003)⁷ on the basis of an examination of EU documents and public debate in the UK has discerned three different emphases with respect to the meaning of 'exclusion': (i) the first centres on people's ability to participate in the customary life of society. It recognises the central importance of poverty but also acknowledges that discriminatory and exclusionary practices contribute to the occurrence of poverty; (ii) by the mid-1990s social integration was posed as the opposite of social exclusion with paid work as the primary means of integrating individuals of working age into society. The possibility that paid work may fail to prevent exclusion or even contribute to it where long and asocial hours block other forms of social participation, received scant consideration. Levitas concludes, for example, that labour force attachment was a key understanding of the interpretation of social exclusion in the rhetoric and policy of New Labour; (iii) a third approach focuses on the consequences of social exclusion for social order and the "moral hazard" of dependency with special concern about groups such as unemployed and potentially criminal young men, lone (never married) parents, rough sleepers and truants.

By the late 1990s the dominant discourse within the EU had shifted decisively towards the second (labour force attachment) orientation. In Britain there has developed an emphasis on *opportunity* with the practical clues to that term's meaning embedded in the indicators used to monitor progress in tackling poverty and social exclusion. Levitas believes that the indicators employed in annual British *Opportunity for All* reports reflect a strategy of providing people with opportunities to climb out of poverty, not on the abolition of poverty itself. "Inclusion does not necessarily imply a redistributive agenda." My own scrutiny of the indicators included in the latest *Opportunity for All* report⁸ does lend some support for Levitas' contention because there is a heavy emphasis on work-related factors. But there are also sets of indicators pertaining to potential improvements in the wellbeing of children and young people, deprived communities and people in later life. I will later suggest that more than compassion may be involved in the use of such indicators but in any event, it is necessary to draw a distinction between the collection of comprehensive inclusion/exclusion data, on the one hand, and elements of the assembled information that actually shape policy, on the other. In the case of the UK, Armstrong (2006) contends "While the *problem* of social exclusion has been identified as dynamic and multi-dimensional, political *solutions* have focused more narrowly on reforms to social welfare systems and labour markets."⁹

7 Ibid.

8 Department for Work and Pensions, *Opportunity for All, Indicators Update 2007*, London

9 Armstrong, K., (2006) 'The 'Europeanisation' of Social Exclusion: British Adaptation to EU Coordination,' *British Journal of Politics and International Relations*, Vol. 8, 79-100

Foundations: EU indicators

While it is important to acknowledge variations in the emphases attached by different states to aspects of social exclusion, there is available a solid core of indicators for the Australian Government's consideration. While member states of the EU also differ in the qualities they emphasise, there is considerable common ground about the issues that need to be covered by indicators of social exclusion: poverty, deprivation, low educational qualifications, labour market disadvantage, joblessness, poor health, poor housing or homelessness, illiteracy and innumeracy, precariousness and incapacity to participate in society. In this briefing paper the EU indicators are treated as constituting a basic standard before examining wider, additional possibilities in the light of work undertaken elsewhere on social exclusion indicators, including in America, the UK, Canada, New Zealand, Sweden and Australia. It is advisable to cast the net more widely because EU indicators are somewhat better developed for material and labour market deprivation than for social, political or cultural dimensions.¹⁰

Foundations: definitions

The aim in this section is to converge on a plain-English definition of social exclusion and its main drivers (see page 7). A useful, albeit general, starting point derives from America where Sheila Kamerman (2005)¹¹ defines social exclusion as a multi-dimensional concept which involves economic, political and cultural and other special aspects of disadvantage and deprivation, all of which play a role in excluding individuals and groups from participation in society. The concept focuses on the lack of access to civil, political and social rights and opportunities. These exclusions are frequently experienced in multiple and reinforcing ways. As early as the 1970s the New Zealand Royal Commission on Social Security (1972) emphasised the inclusive 'participation and belonging' objective of welfare provisions rather than the mere relief of poverty.¹² Health Canada cites the example of groups of people living in low-income areas who are likely to experience inequities in gaining employment, adequate housing and social services, as well as experiencing stigmatization, isolation from civil society, higher health risks and lower health status.¹³ To make this proposition more concrete, Health Canada specifies a number of groups in its country who are most likely to fill the ranks of the excluded: Aboriginal peoples, immigrants and refugees, people with disabilities, single parents, children, youth and women in disadvantaged situations, older people and unpaid caregivers, gays, bisexuals, trans-gendered people, and racialised groups. These people are exposed to four aspects of social exclusion:

- *Exclusion from civil society*: disconnection through legal sanctions, institutional mechanisms or systemic discrimination based on race, ethnicity, gender, disability, sexual orientation and religion;
- *Exclusion from social goods*: failure of society to provide for the needs of particular groups, such as housing for the homeless, language services for immigrants, and sanctions to deter discrimination;
- *Exclusion from social production*: denial of opportunities to contribute to and participate actively in society; and
- *Economic exclusion*: unequal or lack of access to normal forms of livelihood.

¹⁰ Silver and Miller (2002) op. cit.

¹¹ Kamerman, S., (2005) Child Policy Glossary, www.childpolicyintl.org/glossary.htmKamerman, 2005

¹² St John, S., (2001) Redesigning the Welfare State in New Zealand, paper presented at the Promoting Social Inclusion in the Commonwealth: the UK, Asia, Australia and New Zealand Conference, University of Queensland, October 4-5th

¹³ Health Canada, (2002) Social Inclusion as a Determinant of Health, Toronto, based on papers by Galabuzi, G and Labonti, R, Social determinants of health across the life-span conference, November

The concept of exclusion/inclusion has particular difficulties when it comes to dealing with some minority cultural groups. The concept, by its very orientation, is limited in its ability to account for 'difference.' Humpage (2006) has shown how the goal of an inclusive society is an ambiguous one for Mori because social inclusion is conceptually incapable of acknowledging the specific needs and rights of Mori as indigenous people and treaty partners. The concept does not sufficiently take account of the fact that self-exclusion from mainstream society may be an assertion of the positive value of a particular cultural-political community or 'nation.' This assertion may occur in the face of social policies that are pledged to the ideal of community, offering the prospect of social benefits flowing from better inclusion, with enhanced social cohesion and a strengthening of the presumed unity of the nation.¹⁴

The definition adopted by the Blair Government's Social Exclusion Unit after 1997 emphasised an inter-generational dimension and that in order to break the cycle of social exclusion there needs to be a focus on prevention and the early years:

Social exclusion is about more than income poverty. Social exclusion happens when people or places suffer from a series of problems such as unemployment, discrimination, poor skills, low incomes, poor housing, high crime, ill health and family breakdown. When such problems combine they can create a vicious cycle. Social exclusion can happen as a result of problems that face one person in their life. But it can also start from birth. Being born into poverty or to parents with low skills still has a major influence on future life chances (Social Exclusion Unit, 1999). Social Exclusion Unit, 1999a Social Exclusion Unit, Definition of social exclusion (1999).¹⁵

This brings us to the issue of an over-arching definition of social exclusion. Sweden's approach has a rightful claim to consideration because of its serious pursuit of indicator studies, including many touching on the topic of exclusion, for more than forty years.¹⁶ The Survey of Living Conditions (ULF) commenced in 1973/74 and covers 700 indicators, many of which will be referred to later in this paper. Sweden has an over-arching conception of the nature of social exclusion:

Social exclusion means that people or groups are excluded from various parts of society or have their access to them impeded. Social exclusion occurs in part through people not gaining access to key parts of social life such as the labour market (and culture, leisure activities, social relations politics and housing) and in part through a process in which people are gradually (attached) as a result of a social problem to several other subsequent problems. It is thus a social phenomenon which is more complex and dynamic than that covered by the term social problem, which often involves one problem at a time...¹⁷

14 Humpage, (2006) op. cit, p.225

15 Social Exclusion Unit, (1999) Definitions of Social Exclusion, www.socialexclusion.gov.uk/page.asp?id=213.

16 Vogel, J., (2001) "The Swedish System of Official Social Surveys," EU Reporting Working Paper No. 27: www.mzes.uni-mannheim.de/projekte/mikrodaten/wp_27_sweden.pdf

17 Ministry of Health and Social Affairs, (2006) "Sweden's Strategy Report for Social Protection and Social Inclusion 2006–2008," September, p.13

Sweden's approach to defining and measuring social inclusion has focused on seven key policy priorities identified within EU Councils in 2005. These have served as important points of departure for the strategies underlying Sweden's Action Plan for social inclusion:¹⁸ (i) increase labour market participation, (ii) modernise social protection systems, (iii) tackle disadvantages in education and training, (iv) eliminate child poverty and enhance assistance to families, (v) ensure decent housing and tackle homelessness, (vi) improve access to quality services (health and care services, life-long learning, financial services, legal advice services, transport etc.), and (vii) overcome discrimination and increase the integration of people with disabilities, ethnic minorities and immigrants (first and second generation).

The Laidlaw Foundation of Canada, reflecting upon its nation's experience of social exclusion, stresses that social inclusion extends beyond bringing the 'outsiders' in, or notions of the periphery versus the centre. "It is about closing physical, social and economic distances separating people, rather than only about eliminating boundaries or barriers between *us* and *them*."¹⁹ The Institute says that social inclusion is about making sure that all children and adults are able to participate as valued, respected and contributing members of society. The concept reflects a proactive, human development approach to social wellbeing that calls for more than the removal of barriers and risks. It requires investments and action to bring about the conditions for inclusion.

Distillation: a practical definition and key drivers

A complicating factor is that exclusion does not refer to a bounded state but rather a process, which is no less important because it cannot be equated with a fixed quantum of a particular attribute. Pierson's (2001) definition is sensitive to the flexibility of the concept while offering practical guidance as to its identification. His approach has informed and shaped the line of argument developed in this paper:

Social exclusion is a process that deprives individuals and families, groups and neighbourhoods of the resources required for participation in the social, economic and political activity of society as a whole. This process is primarily a consequence of poverty and low income, but other factors such as discrimination, low educational attainment and depleted living environments also underpin it. Through this process people are cut off for a significant period in their lives from institutions and services, social networks and developmental opportunities that the great majority of a society enjoys.²⁰

The UK Development Trusts Association (2008) has recently defined Social inclusion as a process involving a range of policies aimed at promoting equality of opportunity, maintaining social cohesion, building social capital and minimising social exclusion.²¹ Politically, social inclusion is driven by the principle that governments should aim to provide a minimum quality of life for all its citizens/residents. Economically, social inclusion is driven by the identification of lower rates of participation in the formal economy with economic under-performance and the identification of high social capital as a key ingredient to economic success in the 'global' society. It also identifies social exclusion as a major and structurally threatening cost to government, with the costs of exclusion (including social security, health, education, law and order and housing and environment outlays) accounting for around half of the UK Government's expenditure. Hence, the UK Treasury desires to shift from such 'sticking plaster' expenditure to more productive investment.

18 Ibid. p.14

19 Omidvar, R., Richmond, T., (2003) Immigrant Settlement and Social Inclusion in Canada, Toronto, The Laidlaw Foundation, pp. iii-iv

20 Pierson, J., (2001) Tackling Social Exclusion, London, Routledge

21 Development Trusts Association, (2008) "Social Inclusion," www.dta.org.uk/resources/glossary/socialinclusion.htm

If definitions of the foregoing kinds were the only tools available to enable policy makers and administrators to identify concentrations of social exclusion, the endeavour would still be challenged by the generality of its formulation. However, researchers and practitioners have been successful in crafting a set of indicators that reflect critical dimensions of social exclusion, such as those featured in Pierson's definition. These dimensions can be measured within a nation or specified regions and groupings. As a consequence, the concept takes on a more concrete form permitting comparisons of relative degrees of inclusion/exclusion within different social entities.

Naturally, a variety of definitions of wide and narrow scope have emerged to aid in the identification of social exclusion. Levitas et al. (2007) have provided a working definition that closely resembles that of Pierson's but adds 'cultural' to the spheres of activity from which some people can be excluded.²² In general, the varied definitions contain common elements of 'lack of connectedness,' and the many-sided nature of exclusion as well as the fact that the social and physical environments in which people live are implicated.²³ We have yet to consider in a detailed way the international development of indicators of social exclusion and their possible adaptation to Australian society. Before doing so, by way of fleshing out the nature of the basic concept, note should be made of five key forces that, according to Pierson and a number of other authorities, drive the process of social exclusion:

Poverty and low income—the most potent element in the process. In a country like Australia this is a relative entity and refers to the lack of resources needed to obtain the kinds of diet, or access to computer disseminated information, or participation in the activities and living conditions and amenities that are generally available to most people in our society. These aspects of life and their measurement will be explored in greater detail later but for the moment people in the circumstances described are, in effect, excluded from ordinary living patterns and social activities. However, it is not enough to rely on income measures alone for as Boarini and d'Ercole (2006) state, such information does not give us a sufficient picture of "command over resources."²⁴ A study in the UK undertaken for the Office of the Deputy Prime Minister (Social Exclusion Unit, 2004),²⁵ identifies low income as a primary driver of social exclusion. The study declares that those most at risk of social exclusion in the UK are the persistently poor—women and children, those living in lone parent households and single pensioner households;

Lack of access to the job market—most obviously those lacking work-related skills have difficulty re-entering the job market, with implications for income. But another relevant idea is the concept of 'soft skills' related to motivation, teamwork and problem solving, especially given the increasing importance of services and retail and team production processes. There is another perspective besides remuneration: work provides social interaction and networks for which there are few matching opportunities elsewhere as well as contact with relatively powerful institutions.²⁶ Unemployment can be caused by other drivers of social exclusion (ill-health, low educational attainment and lack of skills).²⁷ It also has 'knock on' effects in other dimensions of social exclusion including homelessness, health, crime and drug and alcohol problems;

22 Levitas, R., Pantazis, C., Fahmy, E., Gordon, D., Lloyd, E., Patsios, D., (2007) "The Multi-Dimensional Analysis of Social Exclusion," Department of Sociology and School for Social Policy, University of Bristol

23 Department for Communities and Local Government, (2007) Decent homes and decent places, English House Condition Survey, London, September

24 Boarini, R., d'Ercole, M., (2006) "Measures of material deprivation in OECD Countries," Working Paper No. 37, Directorate for Employment, Labour and Social affairs, Paris, OECD

25 Social Exclusion Unit, (2004) The Drivers of Social Exclusion: a review of the literature for the Social Exclusion Unit in the Breaking the Cycle series, West Yorkshire, ODPM Publications

26 Ibid. p.12

27 Social Exclusion Unit, (2004) op. cit

Limited social supports and networks—‘network poverty’ is a barrier to social support and informal help that we all need to take part in community life and to enjoy the standards of living shared by the majority of people. Some networks help people to get by on a day-to-day basis (filling gaps in childcare, looking after someone when that person is ill, providing small amounts of cash to make ends meet and celebrating family or life landmarks). There are others that are important for getting ahead (providing information on jobs, education, training and opportunities for advancing one’s interests). Seminal work by Wilson (1987) has shown how important ‘connections’ can be for securing work in the modern world.²⁸ In summary, social networks can provide social support, social influence, opportunities for social engagement and meaningful social roles as well as access to resources and one-on-one contact;²⁹

The effect of the local neighbourhood—in recent decades our understanding of the impact of place on individual and family wellbeing has been both rediscovered and deepened by increasingly sophisticated research on the subject. When poor conditions persist over years and even generations the social climate of an area can exercise an influence over and beyond the sum of individual and household disadvantage.³⁰ People can become resigned to their limited life opportunities, have limited identification with their local area, be preoccupied with simply getting through each day,³¹ and lack the confidence and will to try and improve their collective situation.³² Locality, then, can be an important and enduring locus of social exclusion;³³

Exclusion from services—in persistently disadvantaged neighbourhoods there are often barriers to obtaining a range of in- and out-of-home services which it is beyond the ability of individuals to overcome. The services range from developmentally vital education, child care and health services to home help and home care support, to transport and financial services. Reduced services of these kinds can have a compounding effect upon other forms of exclusion.³⁴ Canadian researchers evaluating the drivers of exclusion in the case of ‘racialised groups’ arrive at a similar list to the foregoing but with the addition of disproportionate contact with the criminal justice system and higher health risks.³⁵ The UK Social Exclusion Unit concludes that exclusion is driven by interplay of demographic, economic, social and behavioural factors that are linked and mutually reinforcing. It is cumulative and often intergenerational and concentrated in the poorest individuals and communities.³⁶

28 Wilson, W., (1987) *The Truly Disadvantaged*, Illinois, University of Chicago Press

29 Cited by VicHealth and based on Berkman, L., Glass, T., (2000) “Social integration, social networks, social support and health,” in Berkman, L., and Kawachi, L., *Social Epidemiology*, New York, Oxford University Press

30 Vinson, T., (2004) *Community adversity and resilience*, Richmond, Jesuit Social Services, p.36

31 Garbarino, J., Sherman, D., (1980) “High-Risk Neighbourhoods and High-Risk Families: The Social Ecology of Child Maltreatment,” *Child Development*, Vol. 51, No.1, March, 188-198

32 Sampson, R., Morenoff, J., Gannon-Rowley, T., (2002) “Assessing ‘Neighbourhood Effects’: Social processes and new Directions in Research,” *Annual Review of Sociology*, Vol.28,443-478

33 Vinson, T., (2007) *Dropping Off the Edge: the distribution of disadvantage throughout Australia*, Richmond, Jesuit social Services/Catholic Social Services Australia

34 Fisher, T., Bramley, G., (2006) “Social Exclusion and Local Services,” in Pantazis, D., Gordon, D., Levitas, R., (eds.) *Poverty and Social Exclusion in Britain. The Millenium Survey*, Bristol, Policy Press

35 Health Canada, (2002) *Social Inclusion as a Determinant of Health*, Toronto, based on papers by Galabuzi, G and Labonti, R, *Social determinants of health across the life-span conference*, November

36 Social Exclusion Unit, (2004) *op cit.*, p.3

Economics of social inclusion

It lies beyond the purposes of this paper to deal at length with the economic benefits of greater social inclusion. However, these introductory remarks would be incomplete without some evaluation of such benefits. Gary Banks (2008) reminds us that policies aimed at raising participation are of value only when they yield benefits to societies that exceed the costs.³⁷ That assessment can be complicated, for example, people who are 'economically inactive' may by family care, volunteering and other means, generate economic value equivalent to 12 per cent of GDP. At the same time, Banks points out that the benefits of having people in paid work are generally greater than the direct value of their output. As will be illustrated in this section, participation in work is associated with reduced crime and social problems and reduced demands upon welfare budgets.

Conceptually the evaluation of the economic benefits of greater social inclusion can be conducted at two levels. First, the appraisal can be made at the level of the economic 'pay-offs' of strategies that focus upon specific inclusory targets. A second possible level of analysis is to appraise the economic impact of more comprehensive patterns of social inclusion. It will be seen that claims of positive economic benefits have been quantitatively and tightly demonstrated with respect to a small number of specific interventions, particularly those relating to the early education and care of children. But the case for the economic effects of inclusion-building that involves a wide-ranging package of measures rests mainly on arguments developed from more general social observation and theory. This, of course, is true of much social policy and as a basis for action is not to be lightly dismissed. The work of Robert Putnam illustrates the case.

A socially inclusive society marked by widespread participation tends, in the view of Putnam (1993), to be high on 'social capital'.³⁸ Putnam contends that where this is the case many economic benefits ensue, including public sector efficiency in the provision of services, increased initiatives in all areas of social and economic life, growth of a culture of reciprocity and trust which facilitates the economics of association and constrains the high costs associated with conflict. Barnes, Peck, Sheppard and Tickell (2004) further assert that a regional culture of social inclusion "is likely to encourage economic creativity by allowing diverse social groups and individuals to realise their potential."³⁹

A related set of claims has been made by the Ministerial Advisory Committee for Victorian Communities (2007)⁴⁰ which asserts that increased social and economic participation will lift Victoria's overall capacity and productivity while reducing the gap between those currently excluded and the rest of the population. The Advisory Committee refers to the experience of Finland where, it is said, strong investment targeted at social and economic participation results in significantly lower rates of disadvantage and poverty, and a strong economy. I find the choice of this example a little surprising. It is true that there has been a particular emphasis in Finland upon programs for 15-17 year olds at risk of social exclusion and a vocational rehabilitation program at an early stage for long-term unemployed persons aged 45 years and older.⁴¹

37 Banks, G., (2008) "Riding the Third Wave: some challenges in national reform," Melbourne, Australian Productivity Commission, March, Economic and Social Outlook Conference, Melbourne

38 Putnam, R. D., with R. Leonardi and R. Y. Nanetti (1993). Making democracy work: Civic traditions in modern Italy. Princeton, NJ: Princeton University Press.

39 Barnes, J., Peck, J., Sheppard, E., Tickell, A., (2004) Reading Economic Geography, Oxford, Blackwell, pp.56-58

40 Ministerial Advisory Committee for Victorian Communities, (2007) Social Inclusion: the next step for a fairer Victoria, Melbourne, May

41 Virtanen, P., (2005) Report on Social Exclusion in Finland, Helsinki:
www.ec.europa.eu/employment_social/social_inclusion/docs/efi_en.pdf

It is also true that Finland places great emphasis upon maintaining an internationally competitive economy but the link between its recovery from recession in the 1990s and its social policies is hard to trace in terms of empirical evidence.

Indeed, what tangible evidence is there for the claimed economic benefits of social inclusion principles and practices? One source of support is a series of case studies undertaken by French economists in four regions to investigate the influence of social connectedness on regional economic development.⁴² They hypothesised that bridging ties (those that span different social groups) bring substantial original information. Then the prevalence of trust and loyalty (bonding ties) allows a decrease in transaction costs and associational ties, which may facilitate collective action involving the production of public benefits. The researchers fashioned appropriate indicators to cover these possibilities. The case studies and econometric analysis employed provided coherent results, both indicating robust relationships between the sociological and economic spheres. Advantageous economic performance, particularly growth in employment, across the four regions was associated with both bridging ties and bonding ties. The researchers concluded that “although cohesion and cooperation often play a significant role, more attention should be given to external links as a factor of development.” Another series of case studies undertaken by the (English) Neighbourhood Renewal Unit and the British Retail Consortium illustrates how socially engaged employers who have targeted areas of high unemployment and ethnic diversity have benefited from a low turnover of staff and improved productivity.⁴³

Quantitative studies reporting a statistically tight association between inclusory principles and practices and economic benefits are sparse. A substantial search of data bases and journals has produced meagre results, as reported above. But this conventional way of viewing the social qualities as independent variables and economic factors as outcome variables may miss the point. It may be at least equally profitable to view the contemporary focus on social inclusion as being in many ways part of a response to the need for a new kind of state to facilitate a knowledge economy. The recent emphasis on programs inspired by neo-liberalism has seen evident strains, particularly income polarisation and persistent poverty (Jenson and Saint-Martin, 2003).⁴⁴ As far as the EU is concerned there has been an explicit emphasis upon three policy areas: reinforcing active labour market policies and particularly increasing the employment rate; modernising social protection to make it sustainable; increasing the fight against social exclusion.⁴⁵

Bolstering these ambitions is an increasing focus upon social investment and the view that social spending is productive if it holds promise of future ‘pay-offs’. Hence the contemporary stress on investing in human capital (including encouraging a healthy childhood) and life-long learning as sound bases for security in the modern world. The same orientation lies behind the view that social policy should be ‘productive’ and should shift from consumption and maintenance programs to those that invest in people and increase their capacity to participate in the productive economy.⁴⁶ Without completely overriding notions of social justice, much of the social investment is directed to particular populations deemed to be at the margins or at risk of exclusion. “A very tight link now exists in policy circles between fostering participation in the present so as to ensure well-being, including social cohesion, in the future.”⁴⁷

42 Callois, J.M., Aubert, F., (2007) “Towards Indicators of Social Capital for Regional Development Issues: the case of French Rural Areas,” *Regional Studies*, 41:6, pp.809-821

43 Walker, B., (2003) “Firms can deliver social inclusion,” *Regeneration and Renewal*, June 13th, p.9

44 Jenson, J., Saint-Martin, D., (2003) “New routes to social cohesion? Citizenship and the social investment state,” *Canadian Journal of Sociology*, Vol. 28, No. 1., Winter

45 Rodrigues, M., (2002) *The New Knowledge Economy in Europe—A Strategy for International Competitiveness and Social Cohesion*, London, Edward Elgar

46 Jensen and Saint-Martin, op cit.

47 Ibid.

These intentions were embodied in a key strategic document produced by the New Zealand Ministry of Social Policy (MoSP, 2001).⁴⁸ A number of factors were listed as separately or in combination contributing to social exclusion including: poverty, illiteracy and low levels of educational qualifications; unemployment or poor quality employment; poor health and avoidable mortality; criminal victimization; social isolation; discrimination; and alienation from political participation. The excluded were regarded as constituting both an economic and social cost. "This justified social protection, as well as 'social investment' in policy initiatives that not only improved social wellbeing but raised human and social capital for the wider project of creating a globally competitive and integrated national economy."⁴⁹

Children become a natural target for social investment because many of the worrying problems in today's society (including poor educational attainment, drug usage, crime, unemployment, early pregnancy and the transmission of social disadvantage) have their origins in the deprived childhoods of many future citizens. One of the best established findings in social research is the beneficial effect of quality early intervention and pre-school on children from markedly disadvantaged backgrounds. A recent RAND Corporation overview of *Early Childhood Interventions* (Karoly, Kilburn and Cannon, 2005),⁵⁰ identified 20 studies of early childhood intervention projects that have employed scientifically rigorous methods of evaluation. Statistically significant benefits were found in at least two-thirds of the programs reviewed. The magnitudes of the favourable effects were sometimes sizable and long lasting particularly with respect to educational progress, labour market outcomes, welfare dependency, and pro-social behaviours. The estimates of returns to society for each dollar invested extended from over one dollar to more than \$17. The available evidence indicates that the economic returns from investing in early intervention programs are larger when higher-risk populations are targeted (Schweinhart, 2005).⁵¹

'Workless households' within the EU are an equally inviting target of social policy because it has been established that, on average, a child living in those circumstances is approximately four times more likely to be growing up in poverty than a child in a household with at least one working adult.⁵²

A related set of studies have focused on the benefits of comprehensive responses to youth homelessness. In 2008 the National Youth Commission in Australia reported on the benefits to costs of programs to assist homeless youths and after taking account of the cost offsets to the justice and health systems concluded that the benefits associated with homelessness programs are "overwhelmingly financially positive"—of the order of 4-5 times the cost of the programs.⁵³ That conclusion was reached without taking into account the educational disadvantage which untreated homelessness brings and its social impact by way of lost productivity.

Overall, the economic and social benefits of early intervention have been summarised by the Australian Institute of Family studies (Stronger Families Learning Exchange, 2002) in the following terms⁵⁴:

48 Ministry of Social Policy (MoSP) (2001) *The Social Development Approach*, Wellington, Ministry of Social Policy

49 Humpage, L., (2006) op cit, p. 227

50 Karoly, L., Kilburn, R., Cannon, J., (2005) *Early Childhood Interventions. Proven Results, Future Promise*, Santa Monica, RAND Corporation, March

51 Schweinhart, L., (2005) "High Quality Preschool Program Found to Improve Adult Status," High/Scope Educational Research Foundation, www.highscope.org/Research/PerryProject/perryfact.htm

52 UNICEF (2000) *A League Table of Child Poverty in Rich Nations*, Innocenti Report Card #1, Florence, Innocenti Research Centre: www.unicef-icdc.org

53 National Youth Commission, (2008) *Australia's Homeless Youth*, Brunswick, National Youth Commission

54 Australian Institute of Family Studies, (2002) "The benefits of early intervention," item prepared by Ellen Fish for Stronger Families Learning Exchange, Bulletin No. 2Spring/Summer; www.aifs.gov.au/sf/pubs/bull2/ef.html

Early intervention programs have been found to provide psychological and social benefits to children, families and communities. These include: higher rates of employment and skill levels in mothers; decreased welfare expenditure; increased school performance; a lower rate of criminality within families; a reduction of child abuse and neglect notifications and some decrease in health services (emergency room) attendance rates...an investment in the health and development of young children while producing social benefits will also produce economic benefits, particularly associated with a decreased need for services.

The available evidence on the benefits of early intervention led the New Zealand Treasury (2001)⁵⁵ to observe:

...investing in education and increasing labour-market participation are robust ways to improve social capability in dimensions such as increasing economic and social participation, increasing trust, improving health and reducing crime and victimisation. This win-win character of active policies makes them particularly attractive.

Much of what is being attempted can be seen as enhancing structural competitiveness through socio-economic innovation in open economies, involving supply-side interventions. To undertake these, social policy has become, at least in part, 'an instrument of economic change intended to increase labour market flexibility, participation and international competitiveness in the knowledge-based economy.' It is also intended to respond to new risks (Vandenbroucke, 2001).⁵⁶ Needless to say, to emphasise future pay-offs without the balancing requirements of moral obligations is to risk preoccupation with those investments having the highest rates of return on investment. Children would be an obvious priority with declining investment in youth, adults and especially the elderly.

55 The Treasury. (2001). Towards an inclusive economy. Wellington: The Treasury, p.63

56 Vandenbroucke, F., (2001) "The Active Welfare State: a social-democratic ambition for Europe," The Policy Network Journal, Issue 1

PART II: THE EU FRAMEWORK

In 2001, the European Council held at Laeken in Belgium adopted a set of commonly agreed and defined indicators to assist in monitoring the performance of member states in promoting social inclusion. Atkinson, Marlier and Nolan (2004) describe the key features of the indicators and some of the ways in which they can be developed.⁵⁷ They caution that indicators are measured with error and that not too much emphasis should be placed on minor shifts. Their greatest value, it is argued, is in pointing to underlying mechanisms and areas where policy can fruitfully be applied. The EU authorities agree that the selected indicators should address social outcomes rather than the means by which they are achieved (for example, the level of education attained rather than total spending on schools).⁵⁸

Scholars also have proposed the adoption of a set of principles concerning the choice of indicators of social inclusion.⁵⁹ With regard to single indicators they recommend:

- an indicator should identify the essence of the problem and have a clear and accepted normative interpretation. The indicator should be recognised as meaningful by users of all kinds including the general public. It should have ‘intuitive validity,’
- an indicator should be robust and statistically validated. It should be measurable in a way that commands general support,
- an indicator should be responsive to effective policy interventions but not subject to manipulation, and
- a portfolio of indicators should be balanced across different dimensions. EU officials have also cautioned against presenting an overwhelmingly large number of indicators arguing that “readability” is important.⁶⁰

Atkinson et al (2004) believe that the effective implementation of inclusion/exclusion indicators depends on the adoption of formal quantified targets that are ambitious but attainable, measurable and time specific, as has happened in a number of EU States.

Because of the multidimensional nature of social exclusion, a number of indicators are needed. The EU authorities have divided them into two tiers:

- *primary* or lead indicators covering the most salient elements contributing to social exclusion. The number of each indicator (below) is preceded by the letter P;
- *secondary* indicators supporting the lead indicators and describing other dimensions to the problem. In the following narrative the secondary indicators are shown in reduced print size and the number of each indicator is preceded by the letter S.

57 Atkinson, A., Marlier, E., Nolan, B., (2004) “Indicators and Targets for Social Inclusion in the European Union,” Journal of Common Market Studies, Vol. 42, No. 1, 47-75

58 Guio, A., (2005) “Income, Poverty and Social Exclusion in the EU 25,” Eurostat, 13/2005 www.epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-NK-05-013/EN/KS-NK-05-013-EN.PDF

59 Atkinson, T., Cantillon, B., Marlier, E., Nolan, B., (2002) Social Inclusion, The EU and Social Inclusion, Oxford, University Press

60 EU Luxembourg Presidency Conference, (2005) “Taking Forward the EU Social Inclusion Process,” Report to the Social Protection Committee: www.ceps.lu/eu2005_lu/inclusion

EU Primary and Secondary Social Inclusion Indicators

The Social Protection Committee of the EU generated and recommended the following set of indicators of social inclusion. Some slight modifications have been introduced here in recognition of the fact that a single nation (and currency) would be involved in the application of the EU approach within Australia:

P1 At-risk-of-poverty rate after social transfers. More than money determines a state of poverty and exclusion; hence the emphasis in indicator analyses is upon *vulnerability* to being poor. Moreover, other offsets can affect the significance of income (the availability of other resources, assistance from family and friends, 'imputed' rent, the informal economy, and benefits in kind). The EU has resorted to a relative income threshold settling on a standard that enjoys considerable international support, namely, *share of persons living in households with an income below 60% of the national median income*.⁶¹ In calculating household income, an adjustment known as 'equivalisation' is made for the number of adults and children it contains.

P2 Depth of deficient income. To establish the extent to which those below the 60% of national median income fall short of that threshold another measure is necessary. It takes the form of the *difference between the median income of persons below the 60% risk-of-poverty threshold and that threshold*.

P3 Income distribution. To measure any changes occurring in the distribution of income a simple measure has been devised. It is *the ratio of total income received by the top 20% of the country's population with the highest income (top quintile) to that received by the 20% of the country's population with the lowest income (bottom quintile)*.

S1 Income inequality. The Gini coefficient is widely used as a summary income inequality measure. In this instance it is used to capture the relationship of cumulative shares of the population, arranged according to the level of income, to the cumulative share of the total income.

P4 Persistent risk-of-poverty rate. To overcome the possibility of short-run income deficiencies distorting the inclusion/exclusion picture, another measure covering persistent shortages has been devised. It is based on the proportion of persons living in households with *an income below the 60% threshold in a current year and in at least two of the preceding three years*. The UK evidence indicates that of those in income poverty in any given year, around three-fifths would have been in poverty in at least two of the preceding three years.

S2 More stringent persistent risk-of-poverty rate. Share of persons with an income below the 50% risk-of-poverty threshold in current year and in at least two of the preceding three years.

P5 Persons living in jobless households. Lack of involvement with the world of work entails poverty-related risks but the salience of this indicator is thought to rest also on the disconnection of those involved from a primary set of relations in modern western societies. Involved *is a count of persons aged 0-65 years living in eligible households where no one is working*. Excluded from that count are households which would only be so designated if students aged 18-24 and in full-time education were the basis for qualifying a household as jobless. The latter is captured by lack of employment regardless of whether those who do not work are unemployed or inactive.

⁶¹ The median being the point in the range of incomes below which half of the households will be located. It is an 'average' measure that is less affected by extreme rich income levels.

The risk of a child living in income poverty depends pretty much on how much work is being done by their family. That risk ranges from 5% where all adults are working (one at least full-time) to 80% or more for workless families.⁶² Among households with children, two-fifths of lone parent households are workless, around seven times the rate for couple households.⁶³ However, while the UK Government has subscribed heavily to the belief that work is the route out of poverty, in the last two years for which data is available (2004/05 and 2005/06) the number of people living in poverty and belonging to working families has risen suggesting the continuing importance of additional measures.⁶⁴

P6 Long-term unemployment. This factor is acknowledged as being a key cause of poverty and social exclusion. The primary measure is *the number unemployed for a year or more as a proportion of the total active population*.

S3 Long-term unemployment share. The proportion of the total unemployed that has been unemployed for 12 months or longer.

S4 Very long-term unemployment rate. The proportion of the total active population that has been unemployed for 24 months or longer.

P7 Regional disparity in employment rates. *The variation in employment rates across specified regions*, as captured statistically by a coefficient of variation, is one of the primary social inclusion indicators.

P8 Early school leavers not in education or training. This is calculated on the basis of the *proportion of 18-24 year olds not currently attending education or training*.

S5 Persons (adults) with low educational attainment. This EU indicator makes use of an educational scale for which there are international equivalents. In the case of Australia the specified level (ISCED level 2) refers to the lower secondary or second basic stage of education, programs designed to ready students for the next stage of preparing them for access to tertiary education.⁶⁵ The indicator is calculated on the basis of *the educational attainment rate of ISCED level 2 or less for adult education (by the age groups 25-34, 35-44, 45-54, 55-64)*.

P9 Life expectancy at birth. Life expectancy is considered a general reflection of health status which has a bearing on social inclusion. The relevant calculation is *the number of years a person may be expected to live, starting at age 0*.

P10 Self-defined health status. The ratio of the bottom and top income quintile groups of the population aged sixteen years and over who *classify themselves as in a bad or very bad state of health*.

62 Rowntree Foundation, (2007) Monitoring poverty and social exclusion 2007, York (report prepared by G. Palmer, T. MacInnes and P. Kenway).

63 Ibid. p.52

64 Ibid. p.36

65 ABS (2001) 1272.0 - Australian Standard Classification of Education (ASCED), 2001, 22nd August

Acknowledged gaps

There is no uniform coverage in the EU indicators of housing conditions, housing costs, homelessness and other precarious housing conditions.⁶⁶ While it is appropriate for indicators of inclusion/exclusion to emphasise relative disadvantage, because of the universally recognised needs of children in their formative years it would be desirable to include a more absolute measure of their material wellbeing. The role of chronic disability in blocking access to schooling, employment, independent housing and other aspects of participation cannot be gleaned from data gathered within the existing framework. Similarly, failure to access health care due to financial constraints is important from a social inclusion perspective although difficult to measure. Given the determinative role of education and considering the post-schooling situation of young people, the EU framework does not focus particularly on the absence of education/training of 16-18 year olds. This is a group within the broader 16-24 years range of special concern and whose lack of work-life credentials may possibly be more open to amelioration.

Finally, for present purposes, there is a sense in which certain shared perceptions and cultural expectations help to shape people's *feelings* of inclusion or exclusion. Originating in the socio-medical field through the work of Wilkinson⁶⁷ and others, a considerable body of work has pointed to the fact that disadvantage is not purely a matter of what is objectively in people's pockets but also what is in their minds about others' circumstances. A sense of disadvantage can arise from an individual's reflections upon her or his circumstances compared with the amenities believed to be broadly enjoyed by others. Almost thirty years ago the English sociologist Peter Townsend influentially made the case that poverty was not having the means to enjoy a 'customary' standard of living within one's society:

*Individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the types of diet, participate in the activities and have the living conditions and amenities which are customary, or at least are widely encouraged or approved, in the societies to which they belong. Their resources are so seriously below those commanded by the average individual or family that they are, in effect, excluded from ordinary living patterns, customs and activities.*⁶⁸

As earlier stated, it is important to keep the volume of indicator data within digestible limits. However, the omission of information about people's access to what a majority of members of our society consider 'essential' would seriously limit our understanding of the meaning and scope of social exclusion.

66 Atkinson et. al., (2004) op.cit., pp.59-60

67 Wilkinson, R., (2000) *Mind the Gap*, London, Yale University Press; Wilkinson, R., Kawachi, I., Kennedy, B., "Mortality, the social environment, crime and violence," *Sociology of health and illness*, Vol. 20, No. 5, 578-597

68 Townsend, P., (1979) *Poverty in the United Kingdom*, Hammondsworth, Penguin.

NOTE: A FURTHER DEVELOPMENT OF THE THEMES OF THIS PAPER

In recent times the EU indicators have been contracted in some respects and considerably expanded in other ways. These changes have been incorporated in a Commonwealth Social Inclusion Board project initiated after the present paper was completed. The project has also included a number of supplementary indicators of particular relevance to Australian society using both ABS and Eurostat data where that has proved possible. Many of the indicators were discussed in a general way in the original version of this paper. However, since they have now been taken to the next stage of incorporating comparative data it has been decided to abridge this document in anticipation of the Social Inclusion Board's forthcoming publication. That should be available in April-May, 2009.

