



The economic benefits of improving social inclusion

A report commissioned by SBS

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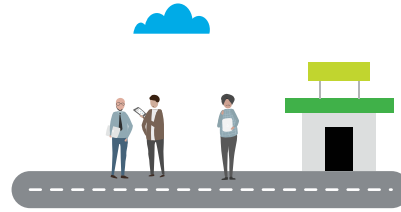
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Foreword



Australia's prosperity used to depend on the 'wide brown land' and 'riding on the sheep's back'. Our commodity exports are still mainstays of our living standards but Australia's economy is changing. As we move through the digital age, the services sector becomes more and more important as a source of output, employment and material prosperity.

For the services sector to drive steadily rising living standards for all Australians – through higher wages and rising profits – it must generate steadily improving levels of productivity or output per worker. Only a highly productive services sector can sustain high-wage jobs and profitable businesses, large and small. Productivity in agriculture and manufacturing depends a great deal on scale and technological innovation. In the services sector, productivity depends on creativity and imagination, which in turn drive innovation. Increasingly the services sector is the home of start-ups aimed at finding innovative ways to deliver new and existing services to larger numbers of clients.

Creativity and imagination, as far as we know, are uniquely human traits; and they are generally stimulated by human interaction, social creatures that we are. And the more diverse we are when we gather, the more we stimulate, challenge and goad one another to greater heights of imagination and creativity. But for diversity to work its magic, there must also be inclusion. No matter how diverse we are, without inclusion we remain separated by physical, social, cultural and emotional barriers, and the creative spark is quenched by sameness and groupthink.

Australia's future prosperity depends on our ability to include people who bring difference in all its many dimensions to our national endeavours.

Australia's SBS champions diversity and inclusion, shining a light on difference and helping to promote understanding, acceptance and engagement. This is a good thing in its own right but it is also a key to our future living standards. Our future prosperity depends on seeing through the things that divide us to the rich vein of creativity and imagination that such differences expose. In this regard, our SBS is as much a contributor to our economic growth as it is to our social, cultural and linguistic awareness.

*Professor Ian Harper, Dean of Melbourne Business School,
Reserve Bank Board Member, former Chair of the Competition Policy Review.*



..... Inclusive growth



..... Reduced cost of social services



..... Improvement in mental and
physical health



..... Improved employment
outcomes



..... Increased productivity in
workplace



..... Social inclusion
in Australia

Figure i: Economic benefits framework for social inclusion



Executive summary

Australia is entering its 28th year of uninterrupted economic expansion. We have continued to grow despite headwinds from the global financial crisis, a series of natural disasters, and an ongoing need to diversify the economy and incorporate new technologies. This economic success has helped sustain substantial growth in living standards, largely driven by productivity growth. Yet productivity growth has been weaker since 2004 and lifting it will be central to improving our future living standards and ensuring that all Australians benefit from our prosperity.¹

Some of the highest policy priorities to lift productivity growth focus on innovation. According to the Organisation for Economic Co-operation and Development (OECD), as much as half of the economic growth in developed countries is due to innovation.² Other policy priorities focus on “place” and its role in facilitating the knowledge economy.³ Economists increasingly recognise the importance of cities as incubators that bring together talented workers to promote experimentation and learning, and facilitate knowledge transfer.⁴

Policies to drive economic growth often focus on financial and quantifiable aspects of markets and regulation: investment and employment; taxes and incentives; reducing the ‘red tape’ burden on business. But there are also important *social* drivers of economic growth. How well people relate to one another in the workplace facilitates creativity; social connectivity helps labour markets function efficiently; and a healthy population adds to overall economic welfare.

This is where concepts such as diversity and inclusion fit in the economic landscape. Indeed the role of social inclusion in supporting economic growth has become an increasing area of focus for international bodies such as the World Economic Forum. In the words of Professor Joseph Stiglitz, a Nobel-Prize-winning economist, “[i]nclusiveness and growth are not mutually exclusive but a complement of one another.”⁵

Social inclusion’s influence on the economy

Improving social inclusion – defined here as ‘affording all people the best opportunities to enjoy life and prosper in society’ – is a source of economic strength and higher living standards. Having an inclusive society avoids the costs incurred when people are excluded – from jobs, from businesses and from accessing social services.

Social inclusion harnesses our diversity as a fuel for small business formation, creativity and innovation. Around one-third of small businesses in Australia, representing 1.41 million employees, are run by migrants to Australia, 83% of whom did not own a business before coming to Australia.⁶

Aboriginal and Torres Strait Islander peoples are the world’s oldest continuous culture⁷ and are the First Peoples of Australia. Almost seven million people, with 270 ancestries have migrated to Australia since 1945 alone,⁸ almost 50,000 households have same-sex couples⁹ and one in five Australians has a physical and/or mental disability.¹⁰ Not only is Australia an increasingly diverse country but the intersectionality of diversities increases that complexity.

Australia is more socially inclusive than most countries around the world.¹¹ But we must do better. There are strong human rights and moral reasons for improving social inclusion. But there is also a critical economic imperative.

1 Productivity Commission 2017, *Shifting the Dial: 5 year Productivity Review*.

2 OECD 2015, *The OECD Innovation Strategy 2015 - An Agenda for Policy Action* <<https://www.oecd.org/sti/OECD-Innovation-Strategy-2015-CMIN2015-7.pdf>>.

3 Deloitte 2015, *The purpose of place: Reconsidered* <<https://www2.deloitte.com/au/en/pages/building-lucky-country/articles/purpose-of-place-reconsidered.html>>.

4 Glaesar, E. 1999, ‘Learning in Cities’, *Journal of Urban Economics*, 46: 254-277, De La Roca, J. and Puga, D. 2017, ‘Learning by Working in Big Cities’, *The Review of Economic Studies*, 84: 106-142.

5 World Economic Forum 2016, *Global Challenge Initiative: Economic Growth and Social Inclusion* <http://www3.weforum.org/docs/WEF_GCP_Economic_Growth_and_Social_Inclusion_pager.pdf>.

6 CGU 2018, *Migrant Small Business Report* <<https://apo.org.au/sites/default/files/resource-files/2018/01/apo-nid128756-1240451.pdf>>.

7 Australian Government 2019, *Closing the Gap Report*.

8 Australian Human Rights Commission 2014, *Face the facts: Cultural Diversity* <<https://www.humanrights.gov.au/sites/default/files/FTFCulturalDiversity.pdf>>.

9 ABS 2018, *Census of Population and Housing: Reflecting Australia – Stories from the Census 2016*, ABS Cat. No. 2071.0.

10 ABS 2016, *Disability, Ageing and Carers, Australia: Summary of Findings*, Cat. No. 4430.0.

11 As per the Indices of Social Development, in 2010 Australia was ranked 14th of 129 countries for Inclusion of Minorities and 38th of 159 countries for Intergroup Cohesion.

The Special Broadcasting Service (SBS) commissioned Deloitte Access Economics to quantify the economic dividend from raising the level of social inclusion in Australia, with a focus on cultural diversity, in order to help shape its future policies and strategies for delivering on its Charter. The quantitative analysis in this report largely focuses on the benefits of social inclusion for culturally and linguistically diverse communities, specifically migrant communities, but this report recognises that there are many other groups that contribute to diversity and for whom improving social inclusion is likely to result in additional economic benefits.

Increased productivity in the workplace: Business benefits from social inclusion in a number of ways: diversity can be a source of creativity and innovation, lifting productivity; social inclusion can also lift profitability and help target market segments.

Improved employment outcomes: Greater social inclusion means people are less likely to experience discrimination-based adversity, and less likely to experience discrimination in the first place, increasing their capacity to seek employment or gain longer working hours and contribute to the economy as a whole.

Improvement in mental and physical health: Social inclusion can counteract isolation and increase community participation, which helps to alleviate health problems, especially mental health issues such as anxiety and depression.

Reduced cost of social services: Social inclusion reduces the cost of social services by easing pressure on the public health system and reducing the need for income and housing support payments.

Inclusive growth: By lifting wages and workforce participation in geographical areas of socioeconomic disadvantage, the benefits of economic growth can be shared more evenly across all Australian communities.

Based on our modelling and analysis, we estimate the economic dividend to Australia from having a more inclusive society to be **\$12.7 billion annually**.

Quantifiable impact of social inclusion

Part of the \$12.7 billion figure – approximately \$5 billion – represents higher productivity from more creative and innovative workplaces where employees experience greater inclusion. But there are also labour market benefits from increased employment, worth almost \$1.2 billion to Gross Domestic Product (GDP) each year and improved health outcomes, which are estimated to improve well-being by \$6.5 billion a year. These are benefits to all Australians and represent a lift in overall living standards.

Improving social inclusion in Australia

SBS is a champion of Australia's social inclusion, focusing as it does on exploring difference and celebrating cultural and linguistic diversity across the nation. Through its programming and services, SBS actively builds awareness, education, understanding and greater respect amongst Australia's diverse communities. SBS positively influences opportunities for participation and as such, improves belonging – these all drive changed community behaviours and contribute tangibly to a more socially inclusive Australia. Two in three Australians agree that SBS helps them to understand and appreciate diverse cultures and represents Australia's cultural diversity through on-screen content, while more than half of Australians agree that SBS helps make Australia a more inclusive nation.¹² A more socially inclusive Australia raises everyone's standard of living, enriching our lives economically as well as socially and culturally.

Deloitte Access Economics

¹² Pollinate, The Pulse 2018, *Report of SBS-specific results and the general findings*.

1. Introduction

Australia's economic success has helped sustain substantial growth in living standards in recent years. Yet productivity growth has weakened since 2004. Lifting it will be central to improving our future living standards and ensuring that all Australians benefit from our nation's prosperity.¹³

Improving labour productivity ultimately relies on either providing greater access to physical capital or developing new ways to do things i.e. innovation. According to the OECD, as much as half of the economic growth in developed countries is due to innovation.¹⁴ Good ideas, however, do not just happen overnight. They are a product of places and people coming together.

In today's knowledge economy, place has become vital in facilitating information transfer and sharing, even in the move towards a digital age of instant connectivity.¹⁵ Cities are increasingly recognised as incubators that bring together talented workers to promote experimentation and learning and facilitate knowledge transfer.¹⁶ In economies with knowledge-intensive services, this close proximity and interaction can increase the rate at which new ideas are formed and improve worker productivity.¹⁷ This can, in turn, create a build-up of economic activity in particular cities and clustering effects, known as economies of agglomeration.¹⁸

In turn, a diversity of experience, cultures and attitudes can help provide a breeding ground for new ideas.¹⁹ How well people relate to one another in the workplace is important to facilitating creativity, while social connectivity can help labour markets function more efficiently.

This is where diversity and inclusion fit into the economic landscape. In recent years, inclusion has been added to the World Economic Forum's agenda. In the words of Professor Joseph Stiglitz, a Nobel-Prize-winning economist, 'Inclusiveness and growth are not mutually exclusive but complement one another.'²⁰

Social inclusion, which we elaborate on in Chapter 2, can be defined as 'affording all people the best opportunities to enjoy life and prosper in society'. Improving social inclusion can be a source of economic strength and higher living standards.

Social inclusion avoids the costs incurred when people are *excluded* – from jobs, from businesses and from accessing social services.

At the same time, social inclusion harnesses our diversity as a fuel for small business formation, creativity and innovation. Almost one-third of Australian small businesses, employing 1.41 million people, are run by migrants to Australia.²¹ Many small business owners go on to be success stories – indeed people born overseas made up about a quarter of *Australia's Richest 250* list in 2019 and half of the top 10.²²

13 Productivity Commission 2017, *Shifting the Dial: 5 year Productivity Review*.

14 OECD 2015, *The OECD Innovation Strategy 2015 - An Agenda for Policy Action* <<https://www.oecd.org/sti/OECD-Innovation-Strategy-2015-CMIN2015-7.pdf>>.

15 Deloitte 2015, *The purpose of place: Reconsidered*, <<https://www2.deloitte.com/au/en/pages/building-lucky-country/articles/purpose-of-place-reconsidered.html>>.

16 Glaesar, E. 1999, 'Learning in Cities', *Journal of Urban Economics*, 46: 254-277, De La Roca, J. and Puga, D. 2017, 'Learning by Working in Big Cities', *The Review of Economic Studies*, 84: 106-142.

17 Glaeser, E. 2010, *Agglomeration Economics*, The University of Chicago Press.

18 Ibid.

19 Deloitte 2015, *The purpose of place: Reconsidered*, <<https://www2.deloitte.com/au/en/pages/building-lucky-country/articles/purpose-of-place-reconsidered.html>>.

20 World Economic Forum 2016, *Global Challenge Initiative: Economic Growth and Social Inclusion* <http://www3.weforum.org/docs/WEF_GCP_Economic_Growth_and_Social_Inclusion_pager.pdf>.

21 CGU 2018, *Migrant Small Business Report* <<https://apo.org.au/sites/default/files/resource-files/2018/01/apo-nid128756-1240451.pdf>>.

22 SBS News 2019, *Half of Australia's wealthiest people were born overseas* <<https://www.sbs.com.au/news/half-of-australia-s-10-wealthiest-people-were-born-overseas-new-rich-list-reveals>>.

Australia's migration has changed profoundly over time. Over the last decade, in particular, temporary migrants (overseas students, working holiday makers, employer skill sponsorships) have become increasingly important. Changing migration patterns have in turn presented different challenges to improving social cohesion in Australia.

Australia is a diverse country. Like any society, the Australian population brings together people of varying ages, gender identities and socio-economic backgrounds but also a population that draws on a vast number of cultural backgrounds and religions. The most recent Census showed that 1 in 6 people living in Australia is aged over 65, up from 1 in 7 in 2011, and that 22% of Australians speak a language other than English at home – up from 20.5% in 2011.²³ These languages are associated with the over 270 ancestries with which Australians identify. Over the same five-year period, Australia's Aboriginal and Torres Strait Islander population has grown by 18.4%, while the number of couples identifying themselves to the Australian Bureau of Statistics (ABS) as being in a relationship with a partner of the same gender has increased by 39%.²⁴ Almost one in five Australians has a disability, including physical, cognitive, intellectual, mental, sensory or developmental impairments.²⁵

As Australian society becomes increasingly diverse, the importance of fostering social inclusion will grow. This is important for our communities and our economic prosperity. To do so, we will need to place policies that support social inclusion at the forefront of our public policy agenda, and develop policies to share the economic benefits of diversity across different groups in our society.

Much of the groundwork has already been laid. Different levels of government and public organisations, like the Australian Human Rights Commission and the Workplace Gender Equality Agency (WGEA), have been setting up and implementing social inclusion frameworks and programs in recent years. This has been further complemented by the policy work of the Committee for Economic Development of Australia, looking into inequality and its effect on future economic performance and social cohesion.²⁶

Industry bodies and associations have also been hard at work, trying to make workplaces more socially inclusive. The Business Council of Australia, for example, has adopted a formal community and diversity agenda and been engaged in a range of initiatives to enhance workplace diversity, like the Business-Indigenous Network.

Media reporting can also play an important role in positively or negatively influencing community perceptions about the inclusiveness of Australian society.

In terms of the national broadcasters the Australian Broadcasting Corporation (ABC) is, by its Charter, required to “contribute to a sense of national identity.” SBS's principal function is to “provide multilingual and multicultural radio, television and digital media services that inform, educate and entertain all Australians and, in doing so, reflect Australia's multicultural society.” The Charter also sets out SBS's role to (among other things): “increase awareness of the contribution of a diversity of cultures to the continuing development of Australian society; and promote understanding and acceptance of the cultural, linguistic and ethnic diversity of the Australian people.”

23 Australian Bureau of Statistics 2016, *2016 Census QuickStats* <https://quickstats.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/036>.

24 Australian Bureau of Statistics 2016, *2011.0 - Census of Population and Housing: Reflecting Australia - Stories from the Census* <<https://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/2011.0~2016~Main%20Features~Snapshot%20of%20Australia,%202016~2>>.

25 ABS 2016, ‘Disability, Ageing and Carers, Australia: Summary of Findings, 2015’, Cat. No. 4430.0.

26 Committee for Economic Development of Australia 2018, *How unequal? Insights on inequality* <<https://www.ceda.com.au/Research-and-policy/All-CEDA-research/Research-catalogue/How-unequal-Insights-on-inequality>>.

1.1 This Report

Deloitte Access Economics was engaged by SBS to analyse the economic benefits of social inclusion in Australia. While the focus and measures of this report are predominantly related to cultural diversity (and particularly migrant communities), it is evident that the thinking and methodology could be applied, and greater consideration given, to groups in Australia that have experienced exclusion or some form of current and/or historical discrimination. The rest of this report is structured as follows:

- **Chapter 2** discusses the concept of social inclusion.
- **Chapter 3** reviews the literature linking social inclusion and economic outcomes, and introduces an economic framework for considering the benefits of social inclusion.
- **Chapter 4** looks at the role of public policy in building social inclusion. It also considers the role of SBS in helping to foster social inclusion in Australia.

2. Social inclusion

A socially inclusive society is one in which all people have the best opportunity to enjoy life and prosper.

This Chapter examines the concept of social inclusion, how it has been defined, and the way in which it impacts all Australians. It also examines Australia's performance on a range of indicators of social inclusion.

2.1 What is social inclusion?

There is no single definition of social inclusion. It can mean different things from a social policy, economics and workplace perspective. The former President of the Australian Human Rights Commission said it was when 'all people have the best opportunity to enjoy life and do well in society'.²⁷

The Australian Social Inclusion Board, formed in 2008 to report on social inclusion in Australia, defined being socially included to mean that people have the resources, opportunities and capabilities they need to:

- Learn (e.g., participate in education and training)
- Work (e.g., participate in employment, unpaid or voluntary work including family and carer responsibilities)
- Engage (e.g., connect with people, use local services and participate in local, cultural, civic and recreational activities) and
- Have a voice (influence decisions that affect them)²⁸

Another definition used by The United Nations Educational, Scientific and Cultural Organization (UNESCO) encompasses a greater focus on human rights:

*Inclusive society is defined as a society for all, in which every individual has an active role to play. Such a society is based on fundamental values of equity, equality, social justice, and human rights and freedoms, as well as on the principles of tolerance and embracing diversity.*²⁹

The Scanlon Foundation has conducted a long running survey since 2007 that seeks to map social cohesion in Australia. The notion of social cohesion is conceptually similar to the definitions of social inclusion adopted by the former President of the Australian Human Rights Commission, UNESCO and the Australian Social Inclusion Board. A summary of the definition adopted by the Scanlon Foundation is set out in the next box.

27 Triggs, G. 2013 'Social Inclusion and Human Rights in Australia', Speech presented at the Chain Reaction Foundation Breakfast Cafe <<https://www.humanrights.gov.au/about/news/speeches/social-inclusion-and-human-rights-australia>>.

28 Australian Social Inclusion Board 2010, *Social inclusion in Australia: How Australia is faring* <http://library.bsl.org.au/jspui/bitstream/1/1513/1/Social_inclusion_how_Australia_is_faring.pdf>.

29 UNESCO 2012, *Consultations of the Director-General with Member States. Social Inclusion, Social Transformations, Social Innovation: What role for UNESCO in 2014-2021?* <http://www.unesco.org/new/fileadmin/MULTIMEDIA/HQ/BPI/EPA/images/media_services/Director-General/ConceptNoteSocialInclusionSocialTransformationsSocialInnovationEN.pdf>.

The concept of social cohesion

The Scanlon Foundation discusses the concept of social cohesion in its Mapping Social Cohesion 2017 report:

As a concept, social cohesion has a long tradition in academic enquiry. It is of fundamental importance when discussing the role of consensus and conflict in society. From the mid-1990s, interest in the dynamics of social cohesion grew amid concerns prompted by the impact of globalisation, economic change and fears fuelled by the 'war on terror'. There is, however, no agreed definition of social cohesion. Most current definitions dwell on intangibles, such as sense of belonging, attachment to the group and willingness to participate and to share outcomes. They include three common elements:

- Shared vision: Most researchers maintain that social cohesion requires universal values, mutual respect and common aspirations or identity shared by their members.
- A property of a group or community: Social cohesion tends to describe a well functioning core group or community in which there are shared goals and responsibilities and a readiness to co-operate with the other members.
- A process: Social cohesion is generally viewed not simply as an outcome, but as a continuous and seemingly never-ending process of achieving social harmony.

Differences in definition concern the factors that enhance (and erode) the process of communal harmony, and the relative weight attached to the operation of specific factors. The key factors are:

- Economic: Levels of unemployment and poverty, income distribution, population mobility, health, life satisfaction and sense of security, and government responsiveness to issues of poverty and disadvantage.
- Political: Levels of political participation and social involvement, including the extent of voluntarism and the development of social capital, understood in terms of networks, norms and social trust that facilitate coordination and cooperation for mutual benefit.
- Sociocultural: Levels of consensus and divergence (homogeneity and heterogeneity) on issues of local and national significance.

The present survey has adopted an eclectic, wide ranging approach, influenced by the work of social scientists Jane Jenson and Paul Bernard, to incorporate five domains:

- Belonging: Shared values, identification with Australia, trust.
- Social justice and equity: Evaluation of national policies.
- Participation: Voluntary work, political and co-operative involvement.
- Acceptance and rejection, legitimacy: Experience of discrimination, attitudes towards minorities and newcomers.
- Worth: Life satisfaction and happiness, future expectations.

Source: Markus, A. 2017, 'Mapping Social Cohesion: the Scanlon Foundation surveys 2017'.

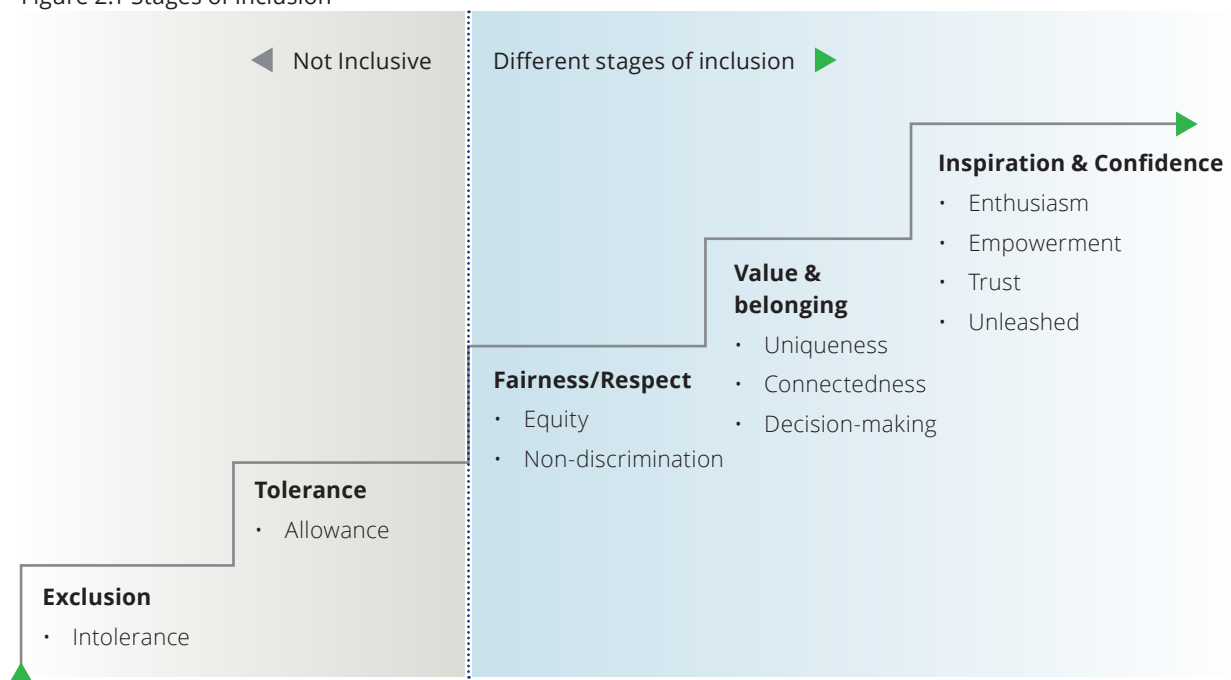
One area where inclusion has been given more prominence in recent years is the workplace, as organisations recognise the potential business benefits. Many workplaces also have social inclusion policies, defining it in ways such as:

An inclusive culture is one where everyone feels valued and respected and is able to fully contribute. It is about removing barriers to make sure everyone can fully participate in the workplace and have equal access to opportunities. Inclusion is about empowering people to contribute their skills and perspectives for the benefit of organisational performance and business outcomes.³⁰

In the workplace context, while social inclusion is often considered in terms of identifiable characteristics such as ethnicity, gender, age, religion, disability and sexuality, it is also about valuing differences like career choices, experiences and perspectives.

Social inclusion can be considered in terms of different maturity levels. This approach is outlined in Figure 2.1 below, which builds on the approach articulated in 2013 by Deloitte to illustrate that there are different stages of inclusion, rather than inclusion and exclusion being binary concepts. At one end of the spectrum, an individual may feel excluded if, for example, they suffer from racist attitudes or discriminatory practices. Moving slightly up the maturity scale, tolerance may involve a begrudging acceptance of difference, but does not actively include people with those differences.

Figure 2.1 Stages of inclusion



Source: Based on Deloitte (2013) Waiter, is that inclusion in my soup? A new recipe to improve business performance

Yet tolerance is not enough to achieve inclusion. The first level of inclusion, represented by the next rung of the ladder, involves a level of fairness and respect to support participation in society. This concept of fairness is underpinned by ideas about equality of treatment, for example in terms of opportunities or in workplaces.

30 Department of Human Services 2016, *Workplace Diversity and Social Inclusion Strategy* <<https://www.humanservices.gov.au/sites/default/files/8378-1609en.pdf>> .

In contrast, the fourth level, that of value and belonging, focuses more on each person being understood and appreciated by society, not as an isolated individual, but one who is integral. A person who feels highly included in society would not only say that they are treated fairly and respectfully but that their unique value is understood and appreciated, and they belong to the society or community.³¹ The highest level of inclusion is when people are inspired by differences and empowered to contribute. Research finds that at this level of inclusion, confidence and inspiration drive improvements in innovation, customer service, collaboration and engagement.

For this report, we consider social inclusion in the broadest sense, across a range of different personal characteristics and across the gamut from workplaces to society as a whole. As we measure and analyse the impacts from an economic perspective in later chapters, we are naturally confined to that for which data is available; this means in some instances limiting our area of study to specific groups and/or measuring inclusion in more narrow terms.³²

Related terms: social capital and inclusive growth

A related concept to social inclusion is **social capital**, which is defined by the OECD as “networks together with shared norms, values and understandings that facilitate co-operation within or among groups”.³³ The Australian Bureau of Statistics published a framework for measuring social capital in Australia, identifying a range of indicators for networks – qualities, structure, transactions and types.³⁴

Another concept gaining momentum amongst economists in recent years is **inclusive growth** – that is “economic growth that is distributed fairly across society and creates opportunities for all.”³⁵ This shift in emphasis has arisen partly in response to new evidence that inequality can undermine economic growth and that greater priority should be placed on anti-poverty measures. In particular, the OECD has found “no evidence that redistributive policies, such as taxes and social benefits, harm economic growth, provided these policies are well designed, targeted and implemented.”³⁶

31 Deloitte 2013, *Waiter, is that inclusion in my soup? A new recipe to improve business performance* <<https://www2.deloitte.com/content/dam/Deloitte/au/Documents/human-capital/deloitte-au-hc-diversity-inclusion-soup-0513.pdf>>.

32 Ibid.

33 OECD 2007, *Human Capital: How what you know shapes your life* <<https://www.oecd.org/insights/37966934.pdf>>.

34 Edwards, R 2004, *Measuring Social Capital an Australian Framework and Indicators* <[http://www.ausstats.abs.gov.au/Ausstats/free.nsf/Lookup/13C0688F6B98DD45CA256E360077D526/\\$File/13780_2004.pdf](http://www.ausstats.abs.gov.au/Ausstats/free.nsf/Lookup/13C0688F6B98DD45CA256E360077D526/$File/13780_2004.pdf)>.

35 OECD 2019, *Inclusive Growth* <<http://www.oecd.org/inclusive-growth/#introduction>>.

36 OECD 2014, *Inequality Hurts Economic Growth* <<http://www.oecd.org/newsroom/inequality-hurts-economic-growth.htm>>.

2.2 Social inclusion: it is about everyone

Inclusion policies in societies and workplaces should ultimately be focused on the wellbeing of the population and fostering a sense of inspiration and confidence. However, given the histories of discrimination, inclusion policies often focus on the need to improve the level of social inclusion experienced by specific communities or groups. Focusing on specific groups or cohorts can also help organisations measure the success of inclusion policies as well as help researchers measure the potential economic or social benefits from improving social inclusion where a particular policy has focused on improving inclusion for a specific group.

In Australia, the Department of Human Services reports on Workplace Diversity and Inclusion for culturally and linguistically diverse employees, employees with a disability, mature age employees, women, Aboriginal and Torres Strait Islander employees, and LGBTIQ+ employees.

This list is by no means exhaustive or mutually exclusive. There is a need to recognise intersectionality, that is: *“the interconnected nature of social categorisations such as race, class, and gender as they apply to a given individual or group, regarded as creating overlapping and interdependent systems of discrimination or disadvantage.”*³⁷

Social inclusion is about ensuring that every member of society feels empowered to be themselves in all aspects of life.

While recognising that social inclusion policies are often partly focused on specific groups that have experienced or are experiencing discrimination or disadvantage, social inclusion is not just about addressing disadvantage or discrimination experienced by individual cohorts or improving material living standards.

37 Oxford English Dictionary, <<https://en.oxforddictionaries.com/definition/intersectionality>>.

In the workplace, diversity and inclusion policies have matured from adhering to laws and tolerating difference. Workplace inclusion is about deeply valuing people from different backgrounds, creating a strong sense of connectedness, and belonging as well as a recognition that diversity of experience and thought can bring benefits to business productivity and the ability to connect with customers. The evolution of inclusion in the workplace can help provide a vision for how we might think of social inclusion across Australia as well.

In several ways social inclusion is about everyone. First, the Australian population is incredibly diverse, with a substantial majority of the population identifying with one or more groups that have experienced some form of current and/or historical discrimination:

- Aboriginal and Torres Strait Islander peoples are the world's oldest continuous culture and have lived in Australia for over 60,000 years. Their creation stories speak of coming from this country, born from the earth, born from the spirits. Just under three percent of Australia's population identified as Aboriginal and/or Torres Strait Islander in the 2016 Census.
- At the same time, Australians identify with more than 270 ancestries. Over a quarter of the population is made up of first generation Australians, in that they were born overseas. Nearly half of the population are either first or second generation meaning one or both of their parents were born overseas.³⁸ Among OECD countries, Australia has the third highest share of overseas-born persons. Australia's migration patterns are also changing with recent growth being increasingly driven by temporary migrants (overseas students, working holiday makers and employer skill sponsorships).
- LGBTIQ+ Australians may make up 11% of the population.³⁹ Just under 46,800 households identified as living together as a same-sex couple in the 2016 Census, representing a 39% increase since the 2011 Census, consisting of 23,700 male same-sex couples and 23,000 female same-sex couples. A quarter of those identifying as being female same-sex couples have children, and 4.5% of male same-sex couples have children.
- Around one in five Australians has a disability. Disability affects people in varying ways, ranging from an impairment that can be managed with an aid, to severe impairments, such as a mobility restriction that prevents a person from being able to care for themselves. Disabilities can be highly stigmatised, particularly those relating to mental health or neurological conditions, cognitive impairments, or developmental delays.

Naturally these dimensions are non-exhaustive and represent only a few dimensions of the diversity of the Australian population. It is beyond the scope of this report to go into detail on all the potential dimensions of diversity in the Australian population. This report nonetheless acknowledges the many groups in the population that are not explicitly identified here but contribute to Australia's broader diversity. These figures demonstrate that Australians identify with incredibly diverse backgrounds and differ across a number of dimensions such as age, religion, gender, LGBTIQ+ , experience of physical and mental disability and socio-economic background. Given the diversity of the Australian population, achieving social inclusion is even more important.

Social inclusion is something everyone can help foster. For example, while strong female organisational leaders regularly lead workplace gender-equality strategy and initiatives, men must have a role to support them. The Male Champions of Change group 'activates peer groups of influential male leaders, supports them to step up beside women, and drives the adoption of actions across private sector and government'.⁴⁰ While the Sydney Gay and Lesbian Mardi Gras parade began with protesting community activists, it now 'captures the imagination of Australia's LGBTIQ+ and mainstream communities, taking over the city for weeks on end'.⁴¹ Over recent years SBS has brought the parade to a national television audience as the official media partner and screened complementary content across the network regarding the history and social issues experienced by the community, with a particular focus on the intersectional experiences of CALD communities, and importantly, bringing these stories to a diverse audience. Contributing to social inclusion, like volunteering or contributing to charities, brings benefits for givers as well as receivers. Finally, social inclusion's benefits are likely to be broadly shared.

38 Australian Bureau of Statistics 2016, *Cultural diversity in Australia* <<http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/2071.0~2016~Main%20Features~Cultural%20Diversity%20Data%20Summary~30>>.

39 Australian Human Rights Commission 2014, *Face the facts: Cultural Lesbian, Gay, Bisexual, Trans and Intersex People* <<https://www.humanrights.gov.au/education/face-facts/face-facts-lesbian-gay-bisexual-trans-and-intersex-people#fn1>>.

40 Male Champions of Change 2019, *About the Male Champions of Change* <<https://malechampionsofchange.com/about-us/>>.

41 Sydney Gay and Lesbian Mardi Gras Ltd, *Mardi Gras History* <<http://www.mardigras.org.au/history>>.

How is Australia performing on social inclusion?

Across a range of measures, Australia has relatively high levels of social inclusion but there remains opportunity for improvement in many areas.

- The Scanlon-Monash Index (SMI) is a long running measure tracking Australia's performance in terms of social cohesion.⁴² It covers five areas of cohesion: belonging, worth, social justice, political participation and acceptance/rejection.
 - This index has declined from 100 to 88.5 over the period from 2007 to 2013, indicating that Australia has been regressing when we aggregate these five domains. Encouragingly, the index has been relatively stable since 2013.
 - Four of the five areas have been relatively stable over time, with the decline driven by a fall in the area of acceptance/rejection. A component of this measure – reported experience of discrimination 'because of your skin colour, ethnic origin or religion' has more than doubled, from 9% in 2007 to 20% in 2017.
- Notwithstanding the increase in reported racial discrimination in SMI, the Australian Human Rights Commission⁴³ notes that Australia is performing well on many aspects of cultural inclusion:
 - Some 64% of first generation and 80% of second generation migrants feel they have a strong sense of belonging to Australia.⁴⁴
 - 86% of Australians support action to tackle racism in Australia.⁴⁵
 - Over 400 organisations have signed on to the campaign, Racism. It Stops with Me.⁴⁶
- Workplace inclusion in Australia has also improved over time and by many measures performs similarly to other developed economies.⁴⁷ Yet there is also scope for improvement.
 - Workforce participation of people with a disability is almost 30% below those without a disability.⁴⁸
 - While women's workforce participation has improved a gap still remains.⁴⁹ Australia also has a gender pay gap of about 15%, which is similar to the average across OECD countries, a gap that has fallen only marginally since the mid-1970s.⁵⁰ Average superannuation balances are 42% lower for women at retirement.⁵¹ Importantly, discussions of gender equity in this report focus on cisgender women but it is recognised that transgender individuals may also experience significant barriers to employment.
 - The Diversity Council of Australia – Suncorp Inclusion@Work Index found that harassment or discrimination at work was experienced by 22% of workers and:
 - 24% of culturally diverse individuals.
 - 31% of LGBTIQ+ individuals.
 - 34% of people with a disability.
 - 38% of Aboriginal and Torres Strait Islander peoples.

42 Scanlon Foundation 2018, *Mapping Social Cohesion: The Scanlon Foundation surveys* <https://scanlonfoundation.org.au/wp-content/uploads/2018/10/ScanlonFoundation_MappingSocialCohesion_2017-1.pdf>.

43 Australian Human Rights Commission 2015, *Face the facts: Cultural Diversity* <<https://www.humanrights.gov.au/our-work/education/face-facts-cultural-diversity>>.

44 Ipsos-Eureka Social Research Institute 2011, *The Ipsos MacKay Report: SBS Immigration Nation* <http://media.sbs.com.au/home/upload_media/site_20_rand_2115667245_sbs_immigration_nation_final_report_16_dec.pdf>.

45 University of Western Sydney 2008, *Challenging Racism Project: National level findings*.

46 Australian Human Rights Commission 2017, *Racism. It stops with me* <<https://itstopswithme.humanrights.gov.au/who-we-are>>.

47 Deloitte 2017, *Diversity and inclusion: The reality gap* <<https://www2.deloitte.com/insights/us/en/focus/human-capital-trends/2017/diversity-and-inclusion-at-the-workplace.html>>.

48 ABS 2015, *Disability and Labour Force Participation*, Cat No. 4433.0.55.006.

49 ABS 2019, *Labour Force, Australia*, Cat No. 6202.0.

50 OECD 2018, *Gender pay gaps for full-time workers and earnings differentials by educational attainment* <https://www.oecd.org/els/LMF_1_5_Gender_pay_gaps_for_full_time_workers.pdf>.

51 Clare, R. 2017, *Association of Superannuation Funds of Australia* <https://www.superannuation.asn.au/ArticleDocuments/359/1710_Superannuation_account_balances_by_age_and_gender.pdf.aspx>.

Australia's performance on social inclusion can also be assessed internationally.

- The International Institute of Social Studies tracks 20 years of data (1990 to 2010) for 193 countries across 200 indicators through their Indices of Social Development (ISD).⁵² The ISD captures six dimensions of social development. The dimensions of intergroup cohesion (which refers to relations of cooperation and respect between identity groups in society) and inclusion of minorities are most closely related to the concept of social inclusion used in this report.
 - In 2010, Australia's score of 0.74 (on a 0 to 1 scale where 1 is better) for intergroup cohesion was 38th in a sample of 159 countries and its score of 0.57 on inclusion of minorities was 14th in a sample of 129 countries. The average of inclusion of minorities over the entire period was 0.61 for Australia, 21% above the international average. These figures indicate that Australia's performance on some key social inclusion indicators is well above global averages but also behind global best practice, particularly on the measure of intergroup cohesion where Australia is not even in the global top 20.
 - Australia's performance on intergroup cohesion would need to rise by 6% on 2010 levels or by 0.045 units to reach the global leader Switzerland, while our performance on inclusion of minorities would need to rise by 0.08 units or 14% higher than 2010 levels to reach the global leader, Iceland.
- Measures of trust from the World Values Survey (WVS),⁵³ a collection of nationally representative surveys conducted across almost 100 countries, also provide an indicator of social inclusion.
 - Results from the most recent wave (Wave 6) of this survey, conducted between 2010 and 2014, revealed that 51.4% of Australian respondents agreed "Most people can be trusted", but just 4.2% of Australian respondents agreed that they trust people of another nationality completely. These figures are materially below some other countries such as Sweden that perform well on the ISD.
- Australia also performs well on the Social Progress Index, another measure of social inclusion and development with Australia recording the 16th highest score of 88.32 out of 100.⁵⁴
 - Again, some of the best performing nations were from Scandinavia with Australia falling behind the global leaders in the sub-domains of 'Equality of political power by gender', 'Equality of power by socioeconomic position' and acceptance of LGBTIQ+ people. How Australia performs on these specific measures is set out in Appendix A.

These different measures provide an overall picture of Australia as a relatively inclusive nation and one in which migrant communities feel a strong sense of belonging. However, it is evident that more work needs to be done to ensure all members of society are valued and respected.

To do better on global measures of social inclusion, Australia needs to do more to ensure that political power is evenly distributed by gender, socio-economic status and across social groups and to promote greater acceptance of differences across the community. Achieving this will require a continuing national conversation to identify the best strategies to improve social inclusion in Australia.

52 The ISD is a product of the International Institute of Social Studies (ISS), a graduate school of social science/policy within Erasmus University Rotterdam. The ISS became part of the University in 2009, prior to which it was an independent research institute funded by the Dutch government. The Indices itself was launched in 2011 and remains well funded through the university. The most recent data, for 2015, was launched at the ISS in September 2018.

53 The World Values Survey is a global network of social scientists studying changing values and their impact on social and political life, headquartered in Vienna, Austria. The survey, which started in 1981, collects data across almost 100 countries, which covers nearly 90% of the world's population. The WVS is the largest non-commercial, cross-national, time series investigation of human beliefs and values ever executed, currently including interviews with almost 400,000 respondents. Moreover, the WVS is the only academic study covering the full range of global variations, from very poor to very rich countries, in all of the world's major cultural zones.

54 The Social Progress Imperative 2018, *2018 Social Progress Index* < <https://www.socialprogress.org/>>.

3. Economic benefits of social inclusion

Social inclusion generates a range of economic benefits through strengthening social networks, increasing trust, and reducing barriers for individuals to realise their potential.

This Chapter presents the findings from a review of previous research by Deloitte Access Economics and others on how improving social inclusion is likely to yield economic benefits. This review identified five key dimensions through which social inclusion can yield economic benefits as shown in Figure 3.1.

- **Increased productivity in the workplace:** Business benefits from social inclusion in a number of ways: diversity can be a source of creativity and innovation, lifting productivity; social inclusion can also lift profitability and help target market segments.
- **Improved employment outcomes:** Greater social inclusion means people are less likely to face discrimination, increasing their capacity to gain employment or longer work hours and contribute to the economy.
- **Improvement in mental and physical health:** Social inclusion can counteract isolation and increase community participation, which helps to alleviate health problems, especially mental health issues like anxiety and depression.
- **Reduced cost of social services:** Social inclusion reduces the cost of social services by easing pressure on the public health system and reducing the need for income and housing support payments.
- **Inclusive growth:** By lifting wages and workforce participation in areas of socioeconomic disadvantage, the benefits of economic growth can be shared more evenly across all Australian communities.⁵⁵

Building on this research, Section 3.6 focuses on benefits of improving social inclusion for those from culturally and linguistically diverse backgrounds and presents the results of new econometric evidence of the economic benefits of improving social inclusion for migrant communities.

⁵⁵ See Piracha, M, Tani, M & Vaira, L 2013, 'Social capital and immigrants' labour market performance', *IZA Discussion Papers* No. 7274, Institute for the Study of Labour (IZA), Bonn; D'Hombres, B, Rocco, L, Suhrcke, M. & McKee, M. 2010, 'Does social capital determine health? Evidence from eight transition countries', *Health Economics*, vol. 19, pp. 56-74; Deloitte Access Economics 2014, *Economic benefits of closing the gap in Indigenous employment outcomes* <<https://www2.deloitte.com/content/dam/Deloitte/au/Documents/finance/deloitte-au-fas-economic-benefits-closing-gap-10-feb-2014-240914.pdf>>; Bourke, J. 2016, *Which two heads are better than one? How diverse teams make create breakthrough ideas and make smarter decisions*, Australian Institute of Company Directors.



3.1 Business benefits

Businesses are increasingly recognising the value of an inclusive workplace for innovation and productivity and ultimately their bottom line. In 2018, according to the Workplace Gender Equality Agency, 47% of organisations that report to it had a formal policy or strategy to support employees who are experiencing family or domestic violence. Similarly, 52% had policies to support those with family or caring responsibilities, 56% had an overall gender equality policy, and 98% had a sex-based harassment and discrimination prevention policy.

Cultural change is leading many businesses to see it as part of their role to participate in discussions about social inclusion. Senior leaders in business, government and education in Australia have opted to join organisations like the Male Champions of Change who “use their individual and collective leadership to elevate gender equality as an issue of national and international social and economic importance.”⁵⁶ This change is needed. Australia still has a gender pay gap of about 15%, which is similar to the average across OECD countries, a gap that has fallen only marginally since the mid-1970s.⁵⁷ Similarly, 851 Australian businesses explicitly supported the Australian Marriage Equality campaign, including Commonwealth Bank, Foxtel, Qantas, Atlassian and Deloitte.⁵⁸

There are proven commercial reasons for promoting cultural change. Deloitte research suggests that workplaces that are diverse and inclusive are twice as likely to meet or exceed financial targets and eight times more likely to achieve better business outcomes.⁵⁹ An organisation’s leadership plays a pivotal role in supporting an inclusive culture and thus unleashing productivity benefits. Deloitte’s research shows that the behaviours of leaders can drive up to 70 percentage points of difference between the proportion of employees who feel highly included and the proportion of those who do not.⁶⁰ In particular, the gender balance of senior leadership can help improve inclusivity and business performance.⁶¹

Productivity benefits can result in **higher profitability**. For example, a 2017 report for Westpac, *The Diversity Dividend*, found that businesses could record an average 2.1 percentage point increase in profitability through reaching gender parity in senior management.⁶² For most businesses, this benefit would be spread over a period of years, and accrue until the business reaches parity. Improvements in other key business metrics were also found, such as lower rates of absenteeism and sick leave, better teamwork, and higher reported rates of active listening to stakeholders and engaged female customers.⁶³ This can occur, as organisations with gender diverse boards are able to avoid “groupthink” and come up with more balanced and flexible solutions to work problems.⁶⁴

The case study below draws on the findings of *The Diversity Dividend* report to consider how improving inclusiveness on boards could enhance economic outcomes in Australia. Further details of the econometric modelling underpinning *The Diversity Dividend* report are set out in Appendix C.

56 Male Champions of Change, *Home* <<https://malechampionsofchange.com>>, accessed 1 August 2018.

57 OECD 2018, *Gender pay gaps for full-time workers and earnings differentials by educational attainment* <https://www.oecd.org/els/LMF_1_5_Gender_pay_gaps_for_full_time_workers.pdf>.

58 Australian Marriage Equality Campaign 2017, *Join 851 corporations that support marriage equality* <<http://www.australianmarriageequality.org/open-letter-of-support/>>.

59 Bourke, J. & Dillon, B. 2018, *The diversity and inclusion revolution, eight powerful truths* <<https://www2.deloitte.com/insights/us/en/deloitte-review/issue-22/diversity-and-inclusion-at-work-eight-powerful-truths.html>>.

60 Ibid.

61 Isidro, H. & Sobral, M. 2015, ‘The Effects of Women on Corporate Boards on Firm Value, Financial Performance, and Ethical and Social Compliance’, *Journal of Business Ethics*, pp. 1-19; Carter, D., Simkins, B., Simpson, W. 2003, ‘Corporate Governance, Board Diversity and Firm Value’, *The Financial Review*, pp. 33-53.

62 Deloitte Access Economics 2017, *Diversity Dividend Report* <https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/Inclusion%20and%20Diversity/DeloitteAccessEconomics_WestpacDiversityDividendReport.pdf>.

63 Ibid.

64 Page, S. 2007, *The Difference: How the power of diversity creates better groups, firms, schools and societies*, Princeton University Press; Deloitte Touche Tohmatsu 2011, *Working in an ideological echo chamber? Diversity of thought as a breakthrough strategy* <<https://www.globalwomen.org.nz/assets/Uploads/resources/Leadership-resources/Deloitte-Working-in-anIdeological-echo-chamber.pdf>>.

Estimating the productivity benefits of gender parity in senior leadership

Gender diversity in the workplace has significant social benefits, including improved living standards, increased financial independence for women, improved mental health and a more equitable society.⁶⁵

These benefits alone provide a strong rationale for supporting gender diversity. Gender diversity can also create less well-known improved outcomes for business. According to the Centre for Ethical Leadership (2013):

*"A diverse and inclusive workforce regardless of size and industry generates tangible benefits, such as increased efficiency, productivity, innovation, creativity and improved employee engagement."*⁶⁶

To understand the economic value of achieving gender parity in senior leadership, Deloitte Access Economics considered a scenario in which all businesses achieved gender parity in senior leadership. The econometric analysis in *the Diversity Dividend* report found that increasing the proportion of women in senior leadership to 50% would increase profitability for a firm by 2.1%.

Part of the improvement in profitability of firms with greater female representation in senior leadership found in the econometric analysis may be due to gains in market share relative to other firms. Firms with greater gender parity in leadership are both more productive themselves and more productive relative to other firms with less equal representation. In other words, the results may capture a degree of market share reallocation. A research paper from the ABS on labour productivity gains in manufacturing and business services found that almost all of the growth in labour productivity in manufacturing and close to half of the gains in labour productivity in business services between 2003-04 and 2010-11 were not due to market share reallocations.⁶⁷ Based on this study it is assumed that 50% of the profitability gains are due to overall productivity improvements rather than market share reallocations.

Given that Gross Operating Surplus (a measure of profit contained in the ABS national accounts) in the Australian corporate sector was worth \$477 billion in 2018, the improvement in profitability from achieving gender parity in senior leadership, after accounting for potential market share reallocation effects, is estimated to add **\$5.0 billion a year to Australia's GDP**. This implies a significant economic dividend from achieving gender inclusion in the workplace.

A 50% female leadership team may not be achievable in every situation. Factors like female participation in the labour force, and representation in a given industry, could influence what a diverse leadership team looks like in practice. In some industries, a representative leadership team could include more than 50% women.

There is a wide body of literature internationally which examines the impact of women on boards, and more specifically on company financial performance.⁶⁸ Of course, many of these studies identify correlation only, and not causation. By contrast, Vafaei et al. (2015) control for firm-specific, ownership and governance characteristics, and still found gender diversity and financial performance to be closely aligned. From this they are able to say that gender diversity drives financial performance, rather than financial performance allows businesses to hire more women.⁶⁹

65 World Bank 2012, *Gender equality and development* <<https://siteresources.worldbank.org/INTWDR2012/Resources/7778105-1299699968583/7786210-1315936222006/Complete-Report.pdf>>.

66 Centre for Ethical Leadership 2013, *Building a Business Case for Gender Diversity* <https://sage-pilot.uq.edu.au/files/127/building_a_business_case_for_gender_diversity_%28april_2013%29.pdf>.

67 Nguyen, T. and Hansell, D. 2014, 'Firm dynamics and productivity growth in Australian Manufacturing and Business Services', *ABS Research Paper*.

68 Credit Suisse Research Institute 2016, *The CS Gender 3000: the Reward for Change* <<https://glg.it/assets/docs/csri-gender-3000.pdf>>, McKinsey & Company 2015, *The Power of Parity: How advancing women's equality can add \$12 trillion to global growth* <<http://www.mckinsey.com/global-themes/employment-and-growth/how-advancing-womens-equality-can-add-12-trillion-to-global-growth>>.

69 Vafaei A., Ahmed K., Mather P. 2015, 'Board diversity and financial performance in the top 500 Australian firms', *Aust Account Rev* 25:413–427.

The research and modelling which has illustrated the benefits of gender diversity on financial performance is likely to provide a good proxy for the benefits to firms from achieving diversity in leadership in other areas. Workplace diversity may support higher profits in several ways. First, demographic diversity in the workplace may improve understanding of different **market needs**. For example, a person with disability would have a good understanding of the specific wants and needs of people with a similar disability, and thus would be better able to develop goods and services for those individuals. According to the Diversity Council of Australia, inclusion of people with a disability at work can improve team effectiveness, discretionary effort, and customer service for a business.⁷⁰ Comparing inclusive and non-inclusive teams, the Diversity Council of Australia found that performance in each of these areas was several multiples higher when people with a disability were placed in inclusive teams.⁷¹ This type of demographic diversity can in turn allow firms to better deliver their products and services to their target customer base. Moreover, Australia's linguistic and cultural diversity can help open up new trading and investment opportunities overseas.

There are also significant benefits to firm performance when diversity and inclusion in the workplace is driven by business leaders. For example, teams with inclusive leaders are 17% more likely to report being high performing, 20% more likely to say they make high-quality decisions, and 29% more likely to report collaborative behaviour.⁷² In addition, a 10% improvement in perceptions of inclusion among employees has been associated with an uplift in annual work attendance of almost one day per employee. This significantly reduces the cost of absenteeism.

Inclusion at work is about more than just specific groups of people, it is also about different ideas. Cognitive diversity captures the degree of difference in workstyles and approaches to problem solving. For example, some workers focus on the evidence and data available, whereas others focus on the people involved in the project. Others may take a higher-level approach and focus on potential risks or project outcomes. Diversity of thinking has been found to enhance innovation by about 20% and to better equip teams in identifying risks. It also smooths the implementation of decisions by creating buy-in and trust.⁷³

Workplaces with employees that focus on different aspects of a problem are better able to solve problems in a creative way. At the same time, a workplace that supports people who raise concerns or risks is also much more likely to identify and mitigate risks, than a workplace in which employees are discouraged from interfering with decision-making.

70 Diversity Council of Australia and Suncorp 2018, *Inclusion@Work Index* <<https://www.dca.org.au/media-releases/australians-disability-among-most-discriminated-work>>.

71 Ibid.

72 Bourke, J. & Espedido, A. 2019, 'Why inclusive leaders are good for organisations and how to become one', *Harvard Business Review* <<https://hbr.org/2019/03/why-inclusive-leaders-are-good-for-organizations-and-how-to-become-one>>.

73 Bourke, J. 2016, 'Which two heads are better than one? How diverse teams create and breakthrough ideas and makes smarter decisions', *Australian Institute of Company Directors*.

Migrant communities and small business

Another way in which social inclusion can generate business benefits is through the creation of small businesses. **Small businesses are an important part of our economy – they make up 90% of all businesses in Australia, contribute to 33% of GDP and employ more than 40% of Australia's workforce.**⁷⁴ Given that Australia's GDP is currently just under \$1.9 trillion according to the ABS, this suggests that small business contributes around \$626 billion to Australia's GDP. Small businesses do not simply add to activity, they contribute to innovation, and according to the OECD, contribute to economic diversification and resilience.

Migrant communities are some of the most significant owners of small businesses in Australia. Almost one-third of small businesses, that is, almost 750,000 small businesses, employ 1.41 million people, and are run by individuals born overseas.⁷⁵ This is despite 83% of those born overseas not owning a business before coming to Australia, with many more facing language barriers and having few social connections on arrival.⁷⁶

An Australia that is inclusive of migrants has allowed more people to come to the country, start small businesses and contribute to the prosperity of the country. If this trend continues, the economic and social dividend created from increased small business creation will continue to grow.

The high rates of small business ownership amongst migrant Australians are in part due to the similar personal attributes required for migration and entrepreneurship. As Professor Graeme Hugo from the University of Adelaide observes, "there are a number of personal attributes which are associated with both processes – a propensity to take risks, not to accept the status quo, to take advantage of opportunities when they arise".⁷⁷ These characteristics, as well as a hard-working attitude and a desire for self-sufficiency, make migrant communities more likely to form their own business relative to other groups.⁷⁸

Social inclusion can also play an important role, particularly when it is supported by policy. Social inclusion programs, such as the Australian Cultural Orientation program and the Humanitarian Settlement Program, provide migrant communities with a basic civic and legal education, but also help in the first steps to starting a small business. Other initiatives like the Inspiring Rare Birds program provide business mentoring to migrants, giving them the knowledge, skills and confidence to build a small business.

3.2 Employment benefits

Social inclusion plays a role in helping people participate in the labour market. When people are socially included, they are less likely to face discrimination and/or perceive that they may be discriminated against in applying for jobs, increasing the capacity and incentive to seek employment. Socially included people are also more likely to have stronger and/or larger networks that can further assist in finding the right job opportunity.

A number of empirical studies have **confirmed the effects of social inclusion and networking on labour market participation rates**. Piracha, Tani and Vaira (2013) found that social inclusion has a positive impact on labour market outcomes in Australia. Using data from the Households Income and Labour Dynamics in Australia (HILDA) survey, they look at social inclusion at the individual level, using measures such as whether a person is an active member of society, has strong social networks and feels like a part of their local community.⁷⁹ Other international studies, including Aguilera (2002) and Puga & Soto (2018) find the same.⁸⁰

74 Ibid.

75 Ibid.

76 Hugo, G. 2011, *Economic, Social and Civic Contributions of First and Second Generation Humanitarian Entrants: Final Report to Department of Immigration and Citizenship*.

77 Flanagan, J. 2007, *Dropped from the moon: the settlement experiences of refugee communities in Tasmania*, Social Action and Research Centre, Anglicare Tasmania; Adult Multicultural Education Services 2008, *Review of Employment Services*, prepared for Minister for Employment participation, AMES Research and Policy.

78 Hugo, G. 2013, *The Economic Contribution of Humanitarian Settlers in Australia*, International Migration, vol. 52, no. 2, pp. 31-52.

79 Piracha, M., Tani, M. & Vaira, L. 2013, 'Social capital and immigrants' labour market performance, *IZA Discussion Papers* No. 7274.

80 Aguilera, M. 2002, 'The impact of Social Capital on Labour Force Participation: Evidence from the 2000 Social Capital Benchmark Survey', *Social Science Quarterly* vol. 83, no. 3, pp. 853-874; Puga, I. & Soto, D. 2018, 'Social Capital and Women's Labor Force Participation in Chile', *Feminist Economics*, vol. 24, no. 4, pp. 131-158.

Across the broader economy, there may even be greater benefits from social inclusion's impact on labour market outcomes. Recently, Deloitte Access Economics (2018) estimated that a better migrant skill recognition system and more inclusive hiring practices could generate a long-term dividend to Queensland of \$250 million over 10 years.⁸¹

In a 2011 report, Deloitte Access Economics found reducing the disparity between labour market participation rates and unemployment rates for people with and without disabilities by one-third would result in a cumulative \$43 billion increase in Australia's GDP over a decade in real dollar terms.⁸² Over 20 years, the modelling suggested that GDP could be 0.85% higher. These estimates only accounted for the direct impact on GDP, and did not include indirect effects from improved government fiscal balances and increased employment opportunities for carers.

The next Chapter of this report builds on the findings for labour force participation by examining whether the probability of employment differs across individual migrants in Australia who feel more or less socially included.

3.3 Health

Improving social inclusion also has the potential to improve a range of health outcomes. Research in this area has consistently found that people who are isolated and have lower levels of community participation are more likely to suffer a range of health issues, especially in the area of mental health such as depression and anxiety.⁸³ The more included a person feels by society may have a preventative effect on negative individual health outcomes. This can produce a virtuous circle, where people who are socially included experience better health outcomes and those with better health outcomes are less likely to be excluded – being more physically and mentally able to participate in society.⁸⁴

Social inclusion's impact on health outcomes is broad. As Ronconi, Brown and Scheffler (2012) note, the level of social inclusion in a community can affect how health information is publicly disseminated and whether community members access health services.⁸⁵ Community levels of trust, networks and cooperation can thus have positive information effects on individual and community health outcomes, by keeping individuals informed of preventative health strategies and possible treatment options.

A number of studies have sought to quantify the effect of these mechanisms at the individual and community level. D'Hombres, Rocco, Suhrcke and McKee (2010) found that individuals who perceive their community to have a **high level of trust, are 6.7% more likely to report being in good health, while those that are socially isolated are 10.5% less likely to report being in good health.**⁸⁶

81 Deloitte Access Economics 2018, *Seizing the opportunity: Making the most of the skills and experience of migrants and refugees* <<https://www2.deloitte.com/content/dam/Deloitte/au/Documents/Economics/deloitte-au-economics-making-most-skills-experience-migrants-refugees-011118.pdf>>.

82 Deloitte Access Economics 2011, *The economic benefits of increasing employment for people with disability* <https://www.and.org.au/data/Conference/DAE_Report_8May.pdf>.

83 VicHealth 2005, *Social Inclusion as a determinant of mental health and wellbeing* <<https://www.vichealth.vic.gov.au/media-and-resources/publications/social-inclusion-as-a-determinant-of-mental-health-and-wellbeing>>.

84 Brotherhood of St Laurence 2018, *What is Social Exclusion* <<https://www.bsl.org.au/research/social-exclusion-monitor/what-is-social-exclusion/>>.

85 Ronconi, L., Brown, T., & Scheffler, R. 2012, 'Social capital and self-rated health in Argentina', *Health Economics*, vol. 21, no. 2, pp. 201-8.

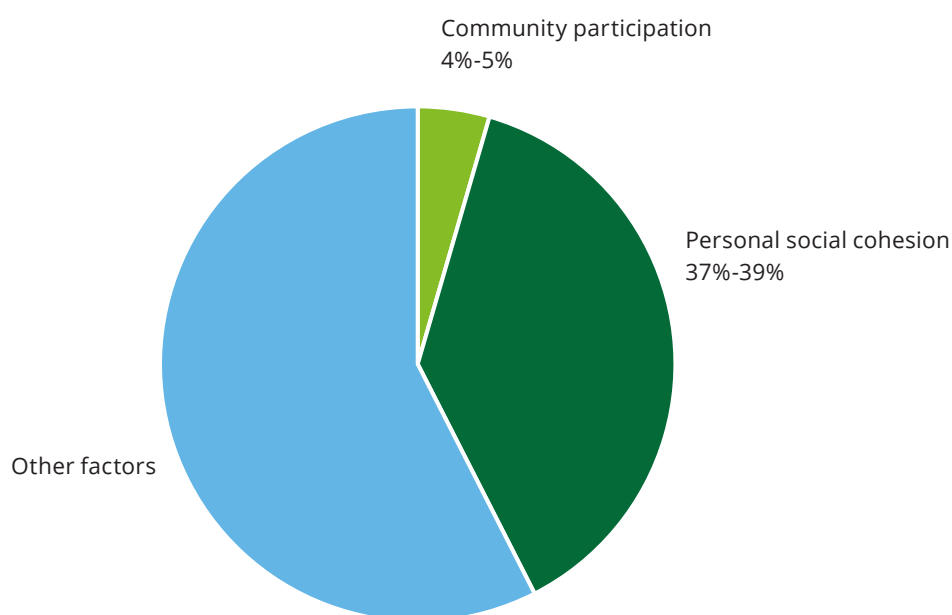
86 D'Hombres, B., Rocco, L., Suhrcke, M. & McKee, M. 2010, 'Does social capital determine health? Evidence from eight transition countries', *Health Economics*, vol. 19, pp. 56-74.

This finding has been confirmed in a number of international studies. Folland (2007), in a study of US states, found that social capital at the state level has a statistically significant effect in reducing total mortality, cancer mortality, accident mortality and suicide rates.⁸⁷ Scheffler, Brown, Syme, Kawachi, Tolstykh and Iribarren (2008) found in a similar study that community-level social inclusion is also negatively associated with the recurrence of acute coronary syndrome.⁸⁸ Kim, Baum, Ganz, Subramanian and Kawachi (2011) took a broader approach and considered the impacts of country-level social inclusion on individual health outcomes.⁸⁹ They found a 10 percentage point increase in social inclusion at the country-level was associated with a 0.1 unit increase in self-rated health scores (measured on a scale between 1 and 5).

Some studies also link the inclusiveness of a society to mental health outcomes. Scheffler, Brown and Rice (2007), for example, found that social capital reduces non-specific psychological distress, with the first quartile of social capital reducing the occurrence of psychological distress by between 0.6% to 1.0%.⁹⁰

Welsh and Berry (2009) similarly found that community participation and individual social cohesion (as measured by perceived trust, reciprocity, social support and sense of belonging in the community) are statistically significant determinants of self-reported mental health. Using HILDA data, they observe that community participation is able to explain between 4% and 5% of the variance in mental health scores, while personal social cohesion explains between 37% and 39% of the variance.⁹¹ These findings are illustrated in Chart 3.1 which shows the influence of community participation and personal social cohesion in explaining differences in individual mental health outcomes.

Chart 3.1: Factors that explain the variation in self-reported mental health in the HILDA survey



Source: Welsh and Berry (2009).

87 The effect, however, does not appear to hold for heart and infant mortality and low birth weight rates. Folland, S. 2007, 'Does community social capital contribute to population health', *Social Science and Medicine*, vol. 64, pp. 2342-2354.

88 Scheffler, R., Brown, T., Syme, L., Kawachi, I., Tolstykh, I., & Iribarren, C. 2008, 'Community-level social capital and the recurrence of acute coronary syndrome', *Social Science and Medicine*, vol. 66, no. 7, pp. 1603-13.

89 Kim, D., Baum, C., Ganz, M., Subramanian, S. & Kawachi, I. 2011, 'The contextual effects of social capital on health: a cross-national instrumental variable analysis', *Social Science and Medicine*, vol. 73, no. 12, pp. 1689-97.

90 Scheffler, R., Brown, T. & Rice, J. 2007, 'The role of social capital in reducing non-specific psychological distress: the importance of controlling for omitted variable bias', *Social Science and Medicine*, vol. 65, no. 4, pp. 842-54.

91 Welsh, J. & Berry, H. 2009, 'Social capital and mental health well-being', *Biennial HILDA Survey Research Conference, National Centre for Epidemiology and Population health, The Australian National University, Melbourne*, <https://melbourneinstitute.unimelb.edu.au/assets/documents/hilda-bibliography/hilda-conference-papers/2009/Welsh_Jennifer_paper.pdf>.

3.4 Social services

There are a number of ways that improved social inclusion may reduce the cost of providing social services. This may emerge through the aforementioned health benefits and, thus, lower demand on the public health system. It may also occur through the reduced demand for unemployment benefits and support payments due to the increased opportunities for individuals to participate in the labour force and, more specifically, for people with a disability to obtain stable employment. This is a very important issue as Australia has experienced rising costs of welfare (cash payments, welfare services, and unemployment benefits). Between 2006/2007 and 2015/2016, the average growth rate (in real terms) was 3.4% per annum.⁹² Improving social inclusion can also reduce the risk of social unrest which can reduce the need for expenditure in areas such as policing, security and health services.

A 2014 study on the need to close the gap for Aboriginal and Torres Strait Islander peoples' employment outcomes, found that there would be a net fiscal improvement to the Australian government of around \$12 billion. This was partly driven by greater tax revenue; however, there was also an estimated benefit of \$4.7 billion in lower expenditure in areas such as health, housing and social security.⁹³ Similarly, the Australian Human Rights Commission has recognised that improved employment outcomes for people with a mental disability would reduce demand on welfare systems.⁹⁴

3.5 Inclusive growth

Another way in which social inclusion can increase economic performance is by reducing inequality – known in the literature as 'inclusive growth' or 'sustainable growth'. Inclusive growth is defined as economic growth that is distributed fairly across society and creates opportunities for all.⁹⁵

Where growth is not inclusive, adverse outcomes such as the cost of unemployment are borne by everyone, from individuals, the community, and all levels of government, with the costs ranging from foregone income, to welfare payments, foregone taxation revenue, and higher incidences of crime and poorer health and education outcomes. The International Monetary Fund finds that reducing inequality through inclusive growth has benefits for economic growth and greater financial stability.⁹⁶

92 AIHW 2017, *Australia's Welfare* <<https://www.aihw.gov.au/reports/australias-welfare/australias-welfare-2017/contents/summary>>.

93 Deloitte Access Economics 2014, *Economic benefits of closing the gap in Indigenous employment outcomes* <<https://www2.deloitte.com/content/dam/Deloitte/au/Documents/finance/deloitte-au-fas-economic-benefits-closing-gap-10-feb-2014-240914.pdf>>.

94 Ibid.

95 OECD 2019, *Inclusive Growth* <<http://www.oecd.org/inclusive-growth/#introduction>>.

96 IMF 2018, *Reducing inequality can open doors to growth and stability* <<https://www.imf.org/external/pubs/ft/ar/2018/eng/spotlight/making-growth-inclusive/>>.

Deloitte has looked at both the economic benefits of prioritising inclusive growth and the costs that can arise from neglecting it as a policy objective. The 2017 *Confidently Queensland* report found that home ownership, job opportunities and access to education were becoming increasingly concentrated in the central and south-east areas of Queensland, with regional areas being left behind.⁹⁷ The potential dividend from addressing this disparity and achieving inclusive growth, among other policy objectives, was estimated to be a \$54 billion bigger Queensland economy by 2027.⁹⁸ Similarly, Deloitte has found in Victoria that social disadvantage has been increasingly clustered around the outer fringes of Melbourne, with these areas experiencing lower labour participation and wages than inner-Melbourne areas.⁹⁹ Lifting wages and workforce participation in these areas of socioeconomic disadvantage may help benefits to be realised across the whole state – estimated by Deloitte to be some \$3.3 billion per annum.¹⁰⁰ Similarly, there are often large disparities in economic and social outcomes in some regional, remote and very remote areas of Australia.

A focus on inclusive growth can also involve looking beyond GDP as a measure of growth. Concentrating on limited economic indicators can have negative implications for individuals and countries. New and improved models and metrics are required to ensure that economic growth actually improves lives, and report on who is benefitting from growth, how people feel about their lives and what factors contribute to individual and country success.¹⁰¹

Individuals also benefit from having a greater stake in economic growth, rather than the benefits flowing to a minority. Inclusive growth policies support fairer tax systems and wages for workers, ensuring they are able to earn the wages they need to thrive.¹⁰²

97 Deloitte Access Economics 2017, *Confidently Queensland: Liveable communities, Diversified economy, Inclusive growth* <<https://www2.deloitte.com/au/en/pages/future-of-cities/articles/confidently-queensland.html>>.

98 Ibid.

99 Deloitte 2018, *A tale of two cities – why inclusive growth matters* <<http://blog.deloitte.com.au/tale-two-cities-inclusive-growth-matters/>>.

100 Ibid.

101 OECD 2018, *Beyond GDP: Measuring What Counts for Economic and Social Performance* <<http://www.oecd.org/social/beyond-gdp-9789264307292-en.htm>>.

102 OECD 2019, *Inclusive Growth* <<http://www.oecd.org/inclusive-growth/#introduction>>.

3.6 Quantifying the economic dividend from improving social inclusion

There has been substantial research on the economic benefits of more inclusive workplaces and the potential economic benefits of lifting economic and social participation for specific groups. This subsection builds on this literature by examining the degree to which improving social inclusion for migrant communities is associated with improved labour market and health outcomes and combines this with the analysis of the economic benefits of improving gender diversity in leadership to provide an estimate of the magnitude of the economic benefits associated with improving social inclusion in Australia.

3.6.1 The data used in the analysis

To estimate the benefits of improving social inclusion for Australian migrant communities, our analysis draws on data from the HILDA survey. HILDA contains a vast amount of information regarding respondent health and well-being, labour-force indicators, income and housing.

Of particular relevance to this analysis, it also contains a range of subjective questions that can help assess the degree to which respondents feel included in society. HILDA participants are required to complete a Person Questionnaire each year, which contains questions relating to their satisfaction with various aspects of their life. Respondents can score their level of satisfaction between 0 and 10, where 10 indicates that the respondent is 'Completely Satisfied' and 0 indicates they are 'Completely Dissatisfied'.

Our analysis used two specific questions to measure individual feelings of social inclusion. These two questions are *how satisfied the respondent is with feeling like a part of their local community* and *how satisfied they are with the neighbourhood in which they live*. A social inclusion index measured on a 0 to 20 scale was created by summing individuals' responses to these questions. In essence, these questions gauge the degree to which individual migrants feel a part of their local community and are satisfied with the neighbourhood in which they live. Importantly, this is a narrower measure of social inclusion and it is possible that it may not fully capture an individual's feeling of inclusion in employment, education and access to other social services but is likely to provide a reasonable measure of perceptions of social inclusion.

There is a limitation to only examining migrant Australians, or overseas-born population, as a proxy for culturally and linguistically diverse (CALD) people. This is necessitated as existing data often only identifies if a person is born overseas and not whether they are a second or third generation migrant. We note, however, that there may be other Australians who identify as CALD who fall outside this scope or, alternatively, people within this scope who do not identify as being CALD. For example, second, third (or more) generation migrants may identify as CALD but are not born overseas. On the other hand, some individuals born overseas (for example, to Australian parents) may not consider themselves CALD.

3.6.2 Modelling approach

To examine the relationship between a migrant's level of social inclusion and employment and health outcomes, Deloitte Access Economics used a form of statistical analysis known as regression analysis. The purpose of this analysis is to examine the strength of the relationship between social inclusion and employment and health outcomes after controlling for a range of other characteristics other than social inclusion that may impact employment and health.

Specifically, the analysis controlled for an individual migrant person's age, highest educational qualifications, gender, marital status, whether or not they had children, location (metropolitan, regional or remote) and English-speaking ability.

Additionally, when examining the relationship between social inclusion and employment outcomes the analysis controlled for years of work experience (which is a common approach in the labour economics literature) and restricted the sample to those aged between 21 and 65 to capture individuals that are most likely to be in the labour force.

To estimate the relationship between social inclusion and employment and health outcomes, a range of different model specifications were estimated. The results of these different models are set out in Appendix A. There are two reasons for the range of models. The first is to examine how sensitive the results are to different functional forms. The second is to examine whether the results continue to hold in models that seek to control for two particular challenges in estimating the relationship between social inclusion and employment and health outcomes, namely:

1. The potential that migrant Australians who report higher levels of social inclusion have other unobserved characteristics that make them more likely to have better health and employment outcomes.
2. The potential that positive employment and health outcomes improve the extent to which an individual feels socially included versus that by improving social inclusion, this will lead to better health and employment outcomes.

The first issue is addressed by controlling for individual differences in health and employment outcomes over time, exploiting the fact that the HILDA survey follows a set of individuals over time. This is referred to by econometricians as controlling for 'individual fixed effects'.

The second issue, namely the potential for reverse causality, can potentially be addressed by including an instrumental variable in the analysis. An instrumental variable is a variable that is likely to be strongly correlated with an individual's level of social inclusion (which is what the analysis is interested in) but not the potential for employment/health outcomes to affect social inclusion i.e., not suffer from reverse causality. The analysis here used a measure of neighbourhood quality capturing the level of interactions among neighbours and perceptions of safety as an instrumental variable on the basis that perceptions of neighbourhood quality are likely to be strongly correlated with an individual's feeling of social inclusion but not affected by changes in individual employment or health outcomes.

Results of all statistical specifications are set out in Appendix A. It is important to note that the degree to which the analysis is able to capture a causal relationship between social inclusion and health and employment outcomes will depend on the quality of the instrumental variable available. That is, how effective the instrumental variable is in removing the bias introduced by the reverse causality.

3.6.3 The relationship between social inclusion and health outcomes among migrant communities

To consider the relationship between social inclusion and health outcomes for Australian migrant communities, regression analysis was used to examine the extent to which social inclusion affected health outcomes after controlling for the impact of a range of demographic characteristics, which might also influence a migrant's health.

Specifically, the HILDA questionnaire contains 36 questions based on the Medical Outcomes Study Short Form (SF-36), a widely used approach to measuring self-reported individual health status.¹⁰³ These 36 items can be combined to generate eight different health concepts: physical functioning, role physical, bodily pain, general health, vitality, social functioning, role emotional and mental health, each drawing on multiple items in the survey. The analysis of health outcomes for migrants is focused on three of these eight concepts, namely:

- General Health;
- Physical Functioning; and
- Mental Health.

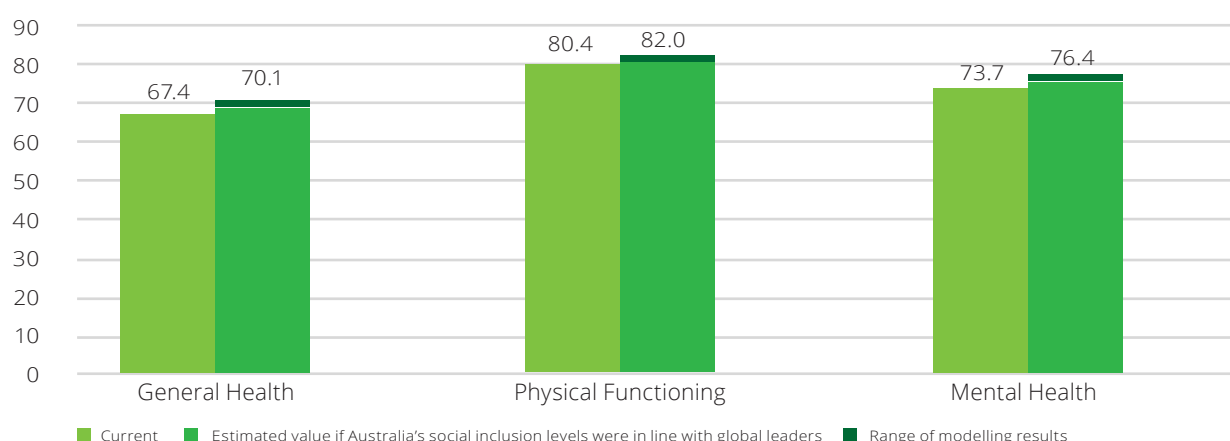
Each of these concepts is calculated based on responses to a number of questions and standardised so that they are reported on a scale of 0 to 100. In general, outcomes for migrants were similar to all Australians for General Health and Mental Health but the average score of migrants for Physical Functioning was 80.4 compared to 83.1 for all Australians.

The results of the analysis showed that after controlling for a range of individual characteristics that may affect migrant person's health outcomes, social inclusion was associated with improved health outcomes for a migrant person's communities.

This finding was highly statistically significant across all the models estimated. The impact of improvements in social inclusion on health was largest in the model which controlled for potential reverse causality (by including a measure of neighbourhood social interactions as an instrumental variable). Specifically, a one-unit improvement in social inclusion (recorded on a 0 to 20 scale) was associated with a 0.5 to 1.3 unit increase in General Health scores, a 0.3 to 0.8 unit increase in Physical Functioning scores and a 0.5 to 1.3 unit increase in Mental Health scores across the range of models estimated.

These results are illustrated in Chart 3.2 which considers a scenario in which Australia's performance on the inclusion of migrants component of the ISD index (discussed in Chapter 2) rose to be equal to that of the global leader, approximately 14% higher than the current position. This 14% difference translates to a two point increase in the social inclusion index for Australian migrants. Chart 3.2 demonstrates how a two-point increase in the social inclusion index is associated with positive changes in health outcomes based on the range of results estimated in the econometric modelling.

Chart 3.2: The impact of social inclusion on migrant health outcomes (0 to 90 scale)



Source: Deloitte Access Economics

¹⁰³ Ware, J., Gandek, B. 1998, 'Overview of the SF-36 Health Survey and the International Quality of Life Assessment Project', *Clin Epidemiol*, 51:903-912.

Currently, there are 6.8 million migrants living in Australia.¹⁰⁴ One way of capturing the value of improved health outcomes associated with improving social inclusion level for migrant communities is to use techniques from the health economics literature to translate the improvement in health outcomes to a measure of utility.¹⁰⁵ This change in utility can then be regarded as a change in Quality Adjusted Life Years (QALYs) – a measure developed to account for the impact of health conditions on quality of life. The estimated change in Quality Adjusted Life Years can then be multiplied by the Value of a Statistical Life Year. This is estimated to be worth \$194,800 in 2018 based on the value advocated by the Office of Best Practice Regulation.¹⁰⁶

Using this approach suggests that if social inclusion levels were to improve by 14% increase amongst migrant communities, using the most conservative estimate from our econometric modelling, there would be a \$6.5 billion increase in quality of life for the migrant community population of Australia (calculations set out in Appendix A).

It is important to note that the value of improvement in health outcomes captures an individual's willingness to pay for improved health. In this respect, it provides an assessment of the improvement in individual welfare associated with improving levels of social inclusion. In this way it differs from other economic metrics such as GDP or expenditure on health care, which capture the value of production.

3.6.4 The relationship between social inclusion and labour market outcomes for migrants to Australia

To examine the relationship between social inclusion and labour market outcomes for migrant communities, regression analysis was also used to control for a range of other factors which might influence labour market outcomes for individual migrants.

The analysis found that an increase in the degree to which migrants felt socially included led to a small but statistically significant reduction in the probability of being unemployed. In particular, a one unit increase in the social inclusion index (measured on a 0 to 20 scale) reduced an individual migrant's probability of being unemployed by 0.16%.

To illustrate what this finding indicates in terms of how a more socially inclusive society might reduce unemployment in Australia, Deloitte Access Economics considered a scenario in which Australia's performance on the inclusion of minorities component of the ISD index, discussed in Chapter 2, rose to be equal to that of the global leader, approximately 14% higher than the current position. This 14% difference translates to a two point increase in the social inclusion index for Australian migrants.

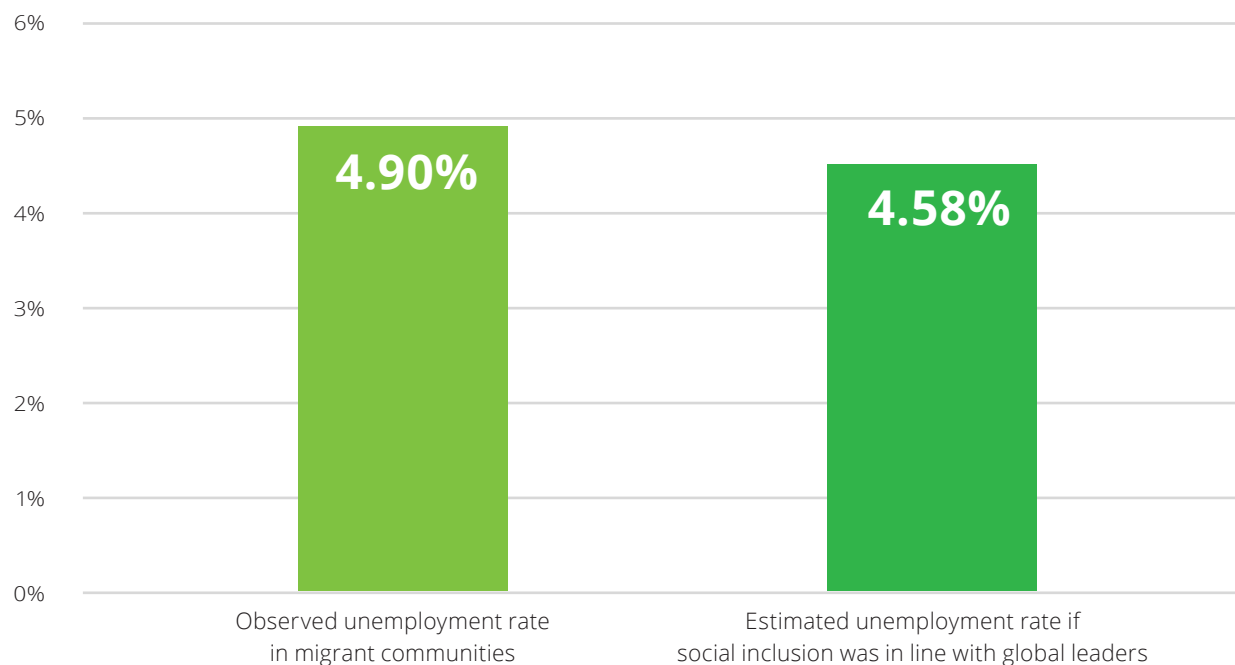
Chart 3.3 illustrates the estimated impact of a two-point improvement on the social inclusion index on average unemployment rates for Australians born overseas. An increase in social inclusion reduces the rate of unemployment for migrant communities by 0.32% or, in other words, creates an employment opportunity for 6.5% of those currently unemployed.

104 Australian Bureau of Statistics 2016, *Characteristics of recent migrants*, Cat. No. 6250.0.

105 This is done by using the results of model EQ(3) in Table 3 in Ara, R. and Brazier, J. 2008, 'Deriving an Algorithm to Convert the Eight Mean SF-36 Dimension Scores into a Mean EQ-5D Preference-Based Score from Published Studies (where Patient Level Data Are Not Available)', *Value in Health*, 11(7), to convert SF-36 concept scores from HILDA to EQ-5D scores, a widely used measure of health utility. The analysis assumed other SF-36 concept scores (other than the three considered here) remained unchanged. The estimated impact on EQ-5D scores can then be interpreted as a change in Quality Adjusted Life Years.

106 Department of Prime Minister and Cabinet: Office of Best Practice Regulation 2014, *Best Practice Regulation Note: Value of statistical life* <https://www.pmc.gov.au/sites/default/files/publications/Value_of_Statistical_Life_guidance_note.pdf>.

Chart 3.3: The impact of social inclusion on unemployment rates for migrant communities in Australia



Source: Deloitte Access Economics

Considering that 3.9 million individuals born overseas are currently in the labour force, lifting Australia's social inclusion levels to become world leading is estimated to reduce the level of unemployment in Australia by around 12,300 people as shown in Table 3.1 below.

Table 3.1: Estimated labour market impact of improving social inclusion among migrant communities

Fall in migrant unemployment rate from 1 unit increase in social inclusion index	Fall in migrant unemployment rate from 2 unit increase in social inclusion index [^]	Labour force born overseas	Reduction in unemployment in Australia
0.16%	0.32%	3.9 million	12,300

Source: Deloitte Access Economics

Note: [^] This represents a 14% change in the HILDA social inclusion index, equivalent to the distance between Australia and the global leader on the inclusion of minorities ISD index.

To place a monetary value on the benefits of lower unemployment levels, estimates of the direct costs of unemployment to the individual (capturing lower income and other costs to the individual) and the broader costs of unemployment to the rest of society were used, drawing on unpublished analysis undertaken by Deloitte Access Economics for the Victorian government. These estimates indicated that the cost of a year of unemployment to the individual was \$77,431 and the total cost to society was \$97,126. Combined with the estimated difference in unemployment in Table 4.1, improving social inclusion is estimated to reduce the cost of unemployment to Australian society by \$1.2 billion a year. These figures help demonstrate the potential dividend from improving social inclusion both in terms of labour market outcomes for migrant communities and the economy more broadly (see Figure 3.2).

Figure 3.2: The economic benefits of social inclusion in reducing unemployment



3.6.5 The economic dividend from a more inclusive Australia

The modelling and analysis in this Chapter as well as the estimates of the productivity benefits to business from reducing the gender gap in senior executive positions in Chapter 2 can be used to demonstrate the magnitude of the potential economic dividend from a more inclusive Australia.

Based on our modelling and analysis, Deloitte Access Economics estimates the economic dividend from a more inclusive Australia to be \$12.7 billion annually. This figure incorporates the value of:

- improving social inclusion on labour market outcomes for migrant communities, which is estimated to be worth \$1.2 billion a year
- improving social inclusion on health outcomes for migrant communities which is estimated to improve individual welfare by \$6.5 billion a year
- achieving gender equality in senior executive positions which is estimated to increase aggregate business productivity by \$5 billion a year through more innovative workplaces.

The improvement to labour market outcomes includes wage benefits, reduced government welfare benefits and reduced demand for government services associated with reducing unemployment rates. The improvement in health outcomes reflects the degree to which individuals are willing to pay for improved health outcomes while the productivity improvement reflects increased output for businesses. Collectively, these figures reflect an improvement in social welfare. However, collectively these figures are not comparable to other economic metrics such as GDP, which capture the value of production, rather than an improvement in social welfare. For example, GDP would capture increases in wages or business productivity but not individual valuations of improved health outcomes.

Finally, these figures capture some important dimensions of the economic benefit of improving social inclusion but are by no means exhaustive. While it is reasonable to assume that the findings that firms with women in senior leadership achieve a greater return on assets may reflect the benefits of more inclusive leadership generally, improving social inclusion outside the workplace is likely to benefit many groups in addition to migrant communities. The studies referred to in the previous chapter on the value of lifting economic and social participation for Indigenous peoples and persons with a disability are testament to the potential economic benefits of improving social inclusion for these groups.

Thus, while the figures in this report suggest a significant economic dividend from improving social inclusion the true economic dividend is likely to be considerably larger.

3.6.6 An alternative measure of the economic benefits of social inclusion using international comparisons

Another approach to quantifying the economic benefits of social inclusion is to compare economic outcomes across countries based on how they perform on different international measures of social inclusion such as those outlined in section 2.2 of this report.

One study by Pervaiz and Chaudhary (2015) looked at the relationship between the intergroup cohesion index in the ISD survey and economic growth across countries. The study assessed how differences in intergroup cohesion impacted growth across a sample of 131 countries over time*. The analysis included country specific fixed effects (to control for the tendency of some countries to grow at different rates over time) and differences in the level of physical and human capital countries which may impact differences in growth rates as well as the share of government consumption in the economy.

This approach provides an alternative way of measuring the degree of economic benefits associated with improving social inclusion by focusing on whether countries with a higher level of social inclusion grow more quickly rather than looking at outcomes for differences in outcomes for individuals as level of social inclusion change. Neither approach is perfect. The main limitation to comparing growth across countries based on differences in their level of social inclusion (which economists refer to as cross-country growth regressions) is that measures of social cohesion may capture some of the impact of interrelated factors that can support economic growth e.g. the quality of institutions or adherence to the rule of law. While including country specific fixed effects will account for most of the variation in these factors across countries in the analysis, it is possible that improvements in social inclusion could be related to improvement in other areas. Put simply improvements in social inclusion may be driven by or related to other factors that support economic growth.

Nonetheless, international comparisons provide another source of evidence on the relationship between social inclusion and growth. Pervaiz and Chaudhary (2015) find that an increase from 0 to 1 in the intergroup cohesion index of ISD increases growth in GDP per capita by 6.05%.

To express this finding in terms of the potential benefits from improving social inclusion in Australia, Australia is currently 0.045 units behind the global leader in the intergroup cohesion index. If Australia's performance on the intergroup cohesion was to equal that of the global leader, Australia's GDP would grow by an extra \$5.23 billion a year. This provides a useful alternative measure of the economic benefits of improving social inclusion that is similar in size to the impact of improving greater gender equality in leadership (\$5 billion).

Importantly, the results of the international comparison approach are not additive with those discussed above as both approaches essentially capture different ways of measuring the way in which improvements in social inclusion translate to increased economic activity. Relevantly, the impact on GDP using the findings in Pervaiz and Chaudhary (2015) does not capture the relationship between social inclusion and health which the analysis in section 3.6.3, which was found to also yield substantial benefits in the form of improved quality of life. Nonetheless, it provides a useful alternative measure of the economic impact of social inclusion and supports the conclusion that, internationally, social inclusion is associated with higher economic growth.

* Pervaiz, Z. and Chaudhary, A. 2015, 'Social Cohesion and Economic Growth: An Empirical Investigation', Australian Economic Review, 48(4): 369-81.

4. Building social inclusion for the future

Everyone - individuals and organisations - has a role to play in building a more socially inclusive society. SBS sits at the heart of the national conversation around social inclusion. It has and will continue to play a vital role in celebrating our diversity and shining a light on the path to a more inclusive Australia.

Australia is a diverse country, with a relatively high degree of social inclusion when compared to other countries. Much of this inclusiveness is due to the various policies that have been adopted broadly across government and public organisations and agencies, like the Australian Human Rights Commission and the Workplace Gender Equality Agency (WGEA).

Maintaining and fostering this level of social inclusion for the future is a challenge. Rapid social change and certain events can lead to a disconnect between different communities and in some cases, even harbour tension and hostility, and lead to discrimination. Media and public broadcasting here are key and can play a particularly important role in setting the tone of public discourse and ensuring that diverse viewpoints and stories are presented.

In this Chapter, we explore the various social inclusion policies that have been adopted by government and public organisations and institutions. We then turn to the role of public broadcasting in contributing to social inclusion before finally, considering the role of SBS in this area.

4.1 Social inclusion policies

It is hard to name any major areas of public policy that have not had some implication for the level of social inclusion in Australia. Beyond explicit anti-discrimination laws and specific programs like the Adult Migrant English Program,¹⁰⁷ many other policies have a role. According to the broad approach of the former Australian Social Inclusion Board, inclusion encompasses learning, working, engaging and having a voice,¹⁰⁸ and so policies relating to education and training, employment, social services and health care can affect social inclusion. More recently, initiatives such as the National Broadband Network and the National Disability Insurance Scheme can improve social inclusion.

There can also be many small actions that form a part of a social inclusion agenda, for example providing a transport service to a recreational activity at a local level. Councils and local organisations have traditionally held the responsibility here for implementing programs and initiatives aimed at building more socially cohesive communities. Previous initiatives at the local level have ranged from establishing formal frameworks to assess progress towards social inclusion, such as the City of Sydney's Community Wellbeing Indicators Framework, to the engagement and support of specific community groups.¹⁰⁹

107 At the Federal level, these include the Racial Discrimination Act 1975 (Cth), the Sex Discrimination Act 1984 (Cth), the Australian Human Rights Commission Act 1986 (Cth), the Disability Discrimination Act 1992 (Cth) and the Age Discrimination Act 2004 (Cth).

108 Triggs, G. 2013, *Social Inclusion and Human Rights in Australia* <<https://www.humanrights.gov.au/news/speeches/social-inclusion-and-human-rights-australia>>.

109 Australian Human Rights Commission 2015, *Building social cohesion in our communities* <https://www.humanrights.gov.au/sites/default/files/document/publication/WEB_Building_social_cohesion_A4_brochure.pdf>.

The City of Greater Bendigo, Victoria, recently supported the establishment of the Bendigo Interfaith Council to encourage acceptance of other religions emerging in the community, while Murray Bridge in South Australia has helped to provide support for new arrivals through the Murraylands Multicultural Migration Settlement Committee.¹¹⁰

Social inclusion policies often have a focus on specific groups within the wider community. These cohorts can include people from CALD backgrounds; Aboriginal and Torres Strait Islander communities; and LGBTIQ+ Australians. In South Australia, for example, the Department of Human Services has a 'key role in strengthening communities and representing the interests of population groups such as young people, women, carers, people of CALD backgrounds, and volunteers'.¹¹¹

A focus on economic outcomes can be a limitation on the social inclusion agenda with some criticising approaches which primarily focus on outcomes for socio-economically marginalised groups rather than promoting a broader social inclusion agenda.¹¹²

Social inclusion policies are not unique to Australia; they are part of how policy makers around the world are addressing economic and social challenges. Already by 2014, the United Nations Development Program found that uneven progress in achieving the Millennium Development Goals was a problem that could be traced back to economic inequality. Economic inequality is in itself strongly linked to clearly defined groups experiencing structural exclusion, such as "the poor, women, minorities, Indigenous peoples, people in rural or remote areas or living with disabilities".¹¹³ This led to various countries renewing commitments and establishing fresh initiatives targeted towards women's and children's health and combatting poverty and hunger. It ultimately also paved the focus for the succeeding Sustainable Development Goals in 2016, which again largely target the eradication of poverty, achieving gender equality and reducing inequality within and between countries.

4.2 The role of public broadcasting in social inclusion

Social inclusion is not only an area of public policy, but a common theme in our national conversation. It touches people from all walks of life in Australia. Recent examples include the 2017 Australian Marriage Law Postal Survey, and rise in new social media movements, like #MeToo and #IllRideWithYou.

Media reporting can also play an important role in positively or negatively influencing community perceptions about the inclusiveness of Australian society. Public broadcasters in Australia support social cohesion in line with their mandate to present a range of different viewpoints, and to contribute to inclusiveness and pluralism in Australian media. Public broadcasters can provide diverse programs and stories, ensuring access and participation for groups less represented by commercial media.

Since its beginnings in 1975 as a two-frequency radio station broadcasting government messages about national healthcare in languages other than English to Australia's migrant community, SBS has grown and evolved alongside more than 40 years of national endeavours to advance Australia's social and economic prosperity.

Australia as a whole continues to benefit from successive government investment in SBS as a dedicated multicultural and Indigenous broadcaster. In particular, the corporation's legislative purpose inherently prescribes it to provide content and services which contribute to social inclusion. As described in the SBS Charter, SBS's principal function is to:

110 Ibid.

111 Government of South Australia Department of Human Services 2019, *About us* <<https://dhs.sa.gov.au/about-us>>, accessed 2 April 2019.

112 Ibid.

113 United Nations Development Programme 2014, *Sustaining Human Progress: Reducing Vulnerabilities and Building Resilience* <<http://hdr.undp.org/sites/default/files/hdr14-report-en-1.pdf>>.

provide multilingual and multicultural radio, television and digital media services that inform, educate and entertain all Australians and, in doing so, reflect Australia's multicultural society.

In performing its principal function, SBS must increase awareness of the contribution of a diversity of cultures to the continuing development of Australian society and promote the understanding and acceptance of the cultural, linguistic and ethnic diversity of the Australian people. And, it must contribute to meeting the communication needs of Australia's multicultural society, including CALD and Aboriginal and Torres Strait Islander peoples.

Australia is amongst a minority of countries which have determined that a public broadcaster like SBS is central to the ability of citizens from diverse backgrounds to participate in society, and essential to promoting greater respect and understanding of the differences that make up the nation today. An important function of SBS is also to champion the benefits of diversity for all Australians, for the specific goal of furthering social cohesion. SBS performs its role in an increasingly complex society of intersectionality across cultural, religious, gender, age, ability and experience diversities, in a world of polarised views and debate, and in the context of a rapidly evolving media environment.

"SBS plays a vital role in ensuring our society is truly reflected and explored, not only so all Australians are represented in the media, but so society as a whole can better understand each other and embrace diversity in all its forms. By recognising the economic benefits of social inclusion, this report makes a valuable contribution to harnessing the energy to create a society that leaves no-one behind."

Suzanne Colbert AM, Chief Executive, Australian Network on Disability

SBS services and social inclusion

Audio and digital news services are offered by SBS in more languages than any other public broadcaster globally. Across its radio network, there are 68 services catering for large migrant populations such as Arabic and Mandarin, as well as newer or high-needs communities, providing news and information about Australia in languages like Rohingya and Kirundi. In some instances, the news services provided by SBS afford migrants their only available in-language media in Australia, enabling them to navigate life in a new country and contribute to feeling a sense of belonging. These services also help newly arrived migrants build confidence to participate in society, facilitate sharing of their cultures, and to be active voices in the community.

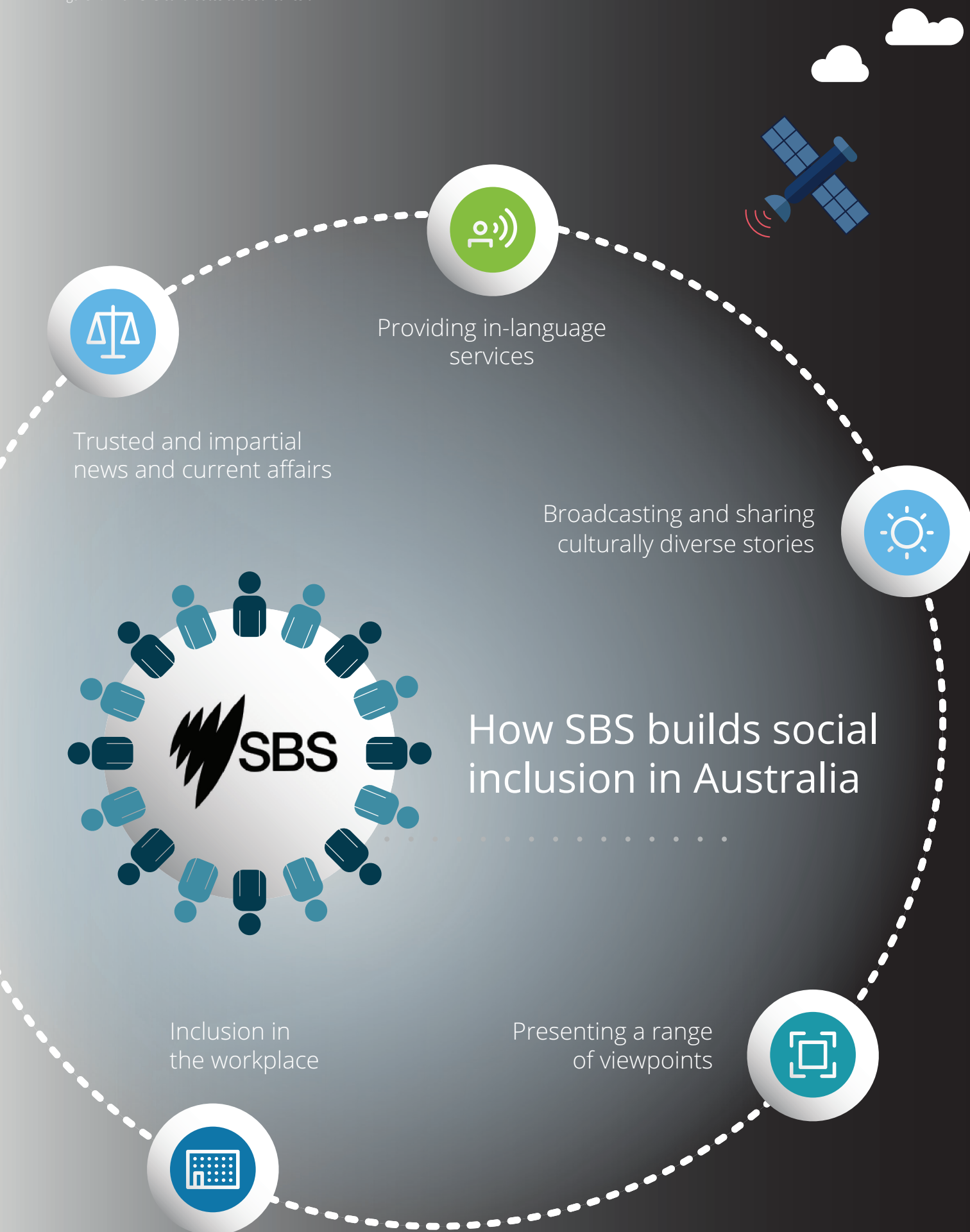
At the core of SBS's role is its independent news and current affairs offering. At a time of diminishing trust in the media overall, SBS is maintaining a high level of community trust - 91 per cent according to SBS audience polling.¹¹⁴ This reflects society's demand for balance and impartiality in news and current affairs; but also, for a media organisation which provides different, educative, informative and indeed, broader perspectives on issues facing our society.

The increasing value communities place on accessing media which offers a plurality of views and perspectives, and the increasing popularity of these programs on SBS, speaks to the important role it plays in telling diverse stories of Aboriginal and Torres Strait Islander peoples and multicultural communities otherwise untold and unheard. Through its content, services and engagement with Australia's diverse communities, SBS, like no other broadcaster, also promotes the important role and responsibility of all individuals to contribute to Australia's success as a cohesive and prosperous society, now and in the future.

Figure 4.1 summarises the role of SBS in contributing to social inclusion in Australia. In the remainder of this Chapter we provide case studies of how SBS contributes to social inclusion through the areas shown in the Figure 4.1

114 SBS 2019, *Quarterly Brand Tracker*.

Figure 4.1 How SBS contributes to social cohesion



Recent SBS audience polling indicated 96 per cent agreement¹¹⁵ that it is good that SBS exists. SBS attracts similarly high levels of audience support for its role in driving social cohesion through programs which help to build awareness and understanding of different perspectives and diverse cultures in Australia, at 92 per cent.¹¹⁶ Importantly, 94 per cent of audiences say that SBS helps them discover content they would not find elsewhere.

The role of SBS in promoting the benefits of social inclusion to the community at large are also widely recognised, including by those who might not necessarily engage with SBS content or services. A nationally representative sample undertaken by market research company Pollinate in 2018 found that:

- Almost two in three Australians (65%) agreed that SBS helped them understand and appreciate different cultures in Australia – with five times as many strongly agreeing to this statement for SBS relative to commercial television broadcasters
- More than half agreed that SBS helped Australia be a more inclusive nation.¹¹⁷

A more detailed description of SBS activities and its full Charter is provided in the box below.

“SBS remains a distinctive media partner successfully navigating its Charter in a highly competitive market where audiences have unprecedented choice. SBS is in a unique position to help advertisers understand, reach and better connect across the spectrum of media consumers reflecting the diversity of the Australian population.”

Peter Horgan, Chief Executive Officer, Omnicom Media Group Australia & New Zealand

SBS activities

SBS broadcasts five free-to-air television channels: the SBS main channel, National Indigenous Television (NITV), SBS VICELAND, SBS Food and SBS World Movies (from 1 July 2019), as well as its streaming platform, SBS On Demand. It provides news services that are highly esteemed and regularly ranked among the most trusted in Australia,¹¹⁸ alongside long-running and reputable current affairs programs.

SBS is the world's most linguistically diverse public broadcasting service, available on radio, online, digital television and social media. Across its radio services, content is delivered in 68 languages - SBS1, SBS2, SBS3, SBS Chill, SBS PopAsia, SBS PopDesi and SBS Arabic24, in addition to online services, serving Australia's diverse communities and the nearly five million Australians, almost 20 per cent of the population, who speak a language other than English at home. Across the network and on multiple platforms, SBS Radio provides a mix of news, information, music and entertainment.

More broadly across its network, SBS's commitment to diverse and multilingual programming is demonstrated through its SBS and SBS VICELAND linear TV channels where 80% of content is CALD, 75% of drama programs featured on its streaming service SBS On Demand are in languages other than English (LOTE). In May 2019, SBS announced its fifth free-to-air TV channel, SBS World Movies, would feature at least 50% LOTE programming.

SBS works effectively in partnership with Australia's independent production sector to commission local programs in factual, food, drama and entertainment genres, and acquires programs globally to enhance the distinctiveness of its services, and provide diversity of choice for Australian audiences.

What makes SBS different from other Australian media providers is its founding principles - that the public interest is best characterised by a plurality of views and perspectives in the media, and that a cohesive multicultural society is best served when cultural diversity is at the forefront of the national conversation. These principles are captured in SBS's purpose:

¹¹⁵ Ibid.

¹¹⁶ Ibid.

¹¹⁷ Pollinate, The Pulse 2018, *Report of SBS-specific results and the general findings*.

¹¹⁸ Roy Morgan 2018, *MEDIA Net Trust survey* <<http://www.roymorgan.com/findings/7709-roy-morgan-annual-net-trust-score-review-august-2018-201808272319>>.

to inspire all Australians to explore, respect and celebrate our diverse world and in doing so, contribute to a cohesive society.

SBS has continued to adapt to the changing needs of Australia's diverse communities, whilst embracing the evolving media market and opportunities afforded by advancements in technology. SBS uses its expertise to further engage Australians with programs and services that reflect the SBS Charter across a range of channels and platforms, and to drive conversations within the Australian community that lead to greater understanding and acceptance of the value of inclusion.

SBS Charter

1. The principal function of the SBS is to provide multilingual and multicultural radio, television and digital media services that inform, educate and entertain all Australians and, in doing so, reflect Australia's multicultural society.
2. SBS, in performing its principal function, must:
 - a. contribute to meeting the communications needs of Australia's multicultural society, including ethnic, Aboriginal and Torres Strait Islander communities; and
 - b. increase awareness of the contribution of a diversity of cultures to the continuing development of Australian society; and
 - c. promote understanding and acceptance of the cultural, linguistic and ethnic diversity of the Australian people; and
 - d. contribute to the retention and continuing development of language and other cultural skills; and
 - e. as far as practicable, inform, educate and entertain Australians in their preferred languages; and
 - f. make use of Australia's diverse creative resources; and
 - g. to the extent to which the function relates to radio and television services— contribute to the overall diversity of Australian television and radio services, particularly taking into account the contribution of the Australian Broadcasting Corporation and the community broadcasting sector; and
 - h. to the extent to which the function relates to radio and television services— contribute to extending the range of Australian television and radio services, and reflect the changing nature of Australian society, by presenting many points of view and using innovative forms of expression.

"There are few institutions in Australia that have contributed more to promoting a positive recognition of the economic value and social benefits of multicultural diversity as SBS. It remains a world leader in using a wide range of media to enhance social cohesion in ways which inform and entertain."

Professor Peter Shergold AC, Chancellor, Western Sydney University

The effectiveness of SBS's influence on social inclusion is in part evidenced by its successful engagement of audiences via a multitude of platforms and network access points, indicating a growing community demand for diversity of programs offering a breadth of perspectives.

In-language services – a focus on SBS Radio and growing digital demand

Over four decades, SBS has built a reputation as a voice for multicultural Australia and today its language services extend across radio networks, podcasts and online services, all focused on Australian news and information to aid new and established migrant communities to participate in Australian life. Its broadcasters have close ties with the communities they serve.

SBS Settlement Guides are produced in 35 languages and focus on providing newly arrived migrants with information on topics of interest such as how to enrol to vote in an election, obtain a driver's licence, find a playgroup and access medical care. These Guides are highly valued by settlement service providers and audiences alike.

“Newcomers to Australia have a lot to offer our communities and society more broadly. They make incredible contributions through businesses, education, the arts, innovation and civic participation. At SSI, we see this each and every day, assisting migrant and other community members to achieve their full potential. SBS helps tell the stories and celebrate the successes of our established migrant communities and, of new and emerging communities as well, through services such as SBS Radio, connecting the broader community to local business heroes and business service support through informative content available on the SBS Radio Settlement Guide”.

Violet Roumeliotis, Settlement Services International (SSI)

The range and platform composition of SBS language services is determined following each Australian Census to ensure they reflect the evolving demography and needs of multicultural communities. Communities are consulted extensively and criteria assessing the needs, English proficiency, recentness of arrival, proportion of the community ageing, and household resources is deployed to make decisions around the distribution of language programs. With the 2016 Census revealing that the fastest growing language communities were aged 25-54, SBS accelerated investment in digital language content, including through the addition of seven languages serviced solely by digital platforms.

36%
of SBS employees
were born overseas

81%
SBS employee
engagement score,
above Australian
average of 74%¹

94%
of audiences
say SBS helps them find
content they wouldn't find
anywhere else²

Today, SBS is
connecting with
more Australians
than ever before

SBS is
recognised as
one of Australia's
trusted media
brands³

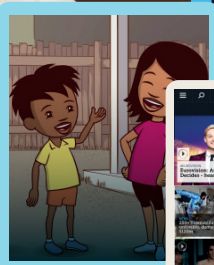


SBS network reaches
12.3 million
Australians on TV
each month⁴

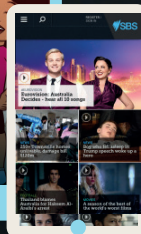
NITV reaches
2.2 million
Australians each month⁴



6.5 million registered users
across digital platforms,
up 39% during last 12 months⁵



15.9 million
unique visitors each month
to SBS websites, up 16%
year on year⁵



3,462 hours
of subtitled programming
in 2018/19 and growing

 **SBS Radio**

 **VICELAND**

 **SBS FOOD**

 **ON DEMAND**

 **NITV**

 **WORLD MOVIES**



ONDEMAND

66% of content is culturally and linguistically diverse

75% of drama is in a language other than English



SBS

70% of content on SBS and SBS VICELAND is culturally and linguistically diverse,

around
13,000 hours in 2018/19



SBS Radio

68 languages,
1.5 million podcast downloads each month, up 25% year on year⁶ and

2.4 million unique visitors to language websites each month, up 29% year on year⁷



Our audiences tell us...

91%

SBS helps Australia to be a more successful multicultural nation²

92%

SBS increases social cohesion through telling stories from different perspectives and different cultures²

94%

SBS and NITV increase awareness and understanding of Indigenous Australia²

1 Culture Amp 2019 Australia Benchmark
2 SBS Quarterly Brand Tracker - April 2019
3 Roy Morgan MEDIA Net Trust Survey 2018
4 OzTAM/ RegTAM, Jul 2018 - Jun 2019

5 Adobe Analytics, Unique Visitors + Registered Users, Jul 2018 - Jun 2019
6 Feedpress, Uniques Jul 2018 - Jun 2019
7 Adobe Analytics, Unique Visitors Jul 2018 - Jun 2019



"I strongly believe that [SBS Radio Kirundi] will be beneficial for our communities as well as life changing."

Dr Nadine Shema, Great Lakes Agency for Peace and Development International,
22 September 2017

While programming certainly focuses on celebrating diverse cultures and enhancing access to Australian news, SBS language services also highlight important cultural events and issues to promote cohesion and understanding. For example, Lunar New Year festivities are given extensive coverage across all language services and indeed across the entire SBS network, including a first in 2019 whereby SBS launched a special collection of a number of its commissioned programs on SBS On Demand, subtitled in Simplified Chinese. Another key focus is debunking cultural stereotypes existing within language speaking communities due to political, cultural and religious differences, as well as cross-cultural sharing of information about and between the many cultures which make up Australia.

The following case study of SBS Arabic24 highlights the role of SBS's in-language broadcasting in providing news and information by removing barriers to participation and, in turn, aiding social inclusion.

Case study: SBS Arabic24

SBS Arabic24 is an Australian 24-hour Arabic radio station, which features interviews, current affairs in Australia, community stories, music, and news from Australia and around the world. It is the most listened-to radio network for Arabic-speaking Australians, with a weekly market share of 24 per cent. Audiences for SBS Arabic24 are up 100% since the service moved from two hours a day to a 24/7 service, and it is 10% ahead of the next most popular Arabic language stations in Sydney and Melbourne.

Digital consumption is also growing quickly. About 93% of listeners were not born in Australia and nearly 40% have lived in Australia for less than 10 years. The majority of listeners (84%) tune into SBS Arabic24 to engage with Australian news and information in their first language, while 73% of listeners tune in to receive news about their community in Australia. Arabic-speaking listeners also come to SBS Arabic24 to receive information about government services. Polling by SBS showed the audiences considered the program to be trustworthy, relevant and balanced.

SBS Arabic24 has maintained and is growing public engagement from Australian Arabic-speaking communities, evident from the radio program's popularity and the type of content Arabic-speaking listeners are demanding.

"I live alone so I feel like someone is living with me here."
SBS Arabic24 audience member, August 2018.

"It feels like my family and friends"
SBS Arabic24 audience member, August 2018.

4.3 Diverse cultural programs

Content is a powerful vehicle for inclusion. Through drama, entertainment, documentaries and food genres, locally-made SBS television programs explore and reflect the stories of multicultural and Aboriginal and Torres Strait Islander communities, whilst also reflecting issues facing all Australians. These programs also help to ensure the faces of modern Australia are positively reflected in the domestic media. Within SBS, a range of mentorship programs foster career development for aspiring media practitioners from diverse backgrounds. These schemes are designed to not only provide employment and professional development opportunities, but to also further facilitate more diverse stories being shared through content. For example, SBS's Diversity Talent Escalator focuses on improving the cultural diversity of those involved in producing Australian television.

The 2017 SBS mini-series *Sunshine* is one example of SBS's production approach emphasising its commitment to bringing untold stories to the forefront of our society.

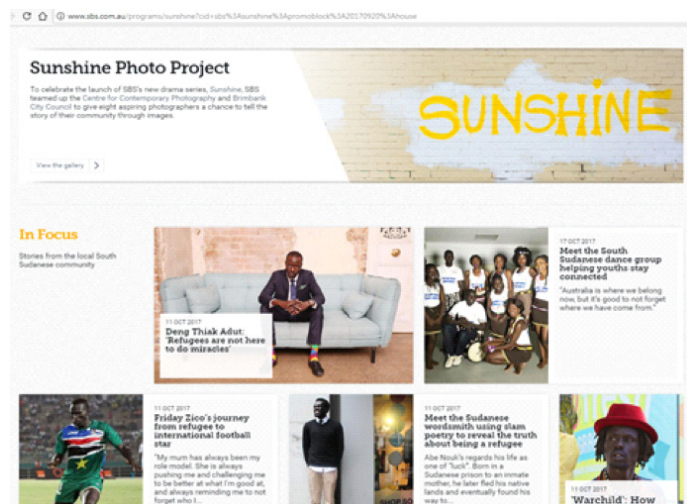
Case study: Sunshine

Sunshine is a 2017 SBS drama mini-series set in Melbourne exploring the journey of a young South Sudanese man making his way in Australia. It was set against the backdrop of highly publicised reports of youth gangs in the city and explored the hopes and challenges of Melbourne's South Sudanese community. SBS provided a platform for this community to share its story with the broader Australian community to drive more informed conversation and greater understanding. The production of *Sunshine* was part of the SBS Diversity Talent Escalator program, with Ez Eldin Deng employed as a director's attachment, cultural consultant and liaison between the production and liaison between the production company and the South Sudanese community in Sunshine, Victoria.

Community perceptions about South Sudanese migrants changed after watching the series with 77% reporting they were better informed and educated as a result of *Sunshine*. An accompanying documentary *Apex Gang: Behind the Headlines*, received acclaim for its unique perspective on the issues, beyond mainstream media coverage. Further, 86% of survey respondents said they felt *Sunshine* promoted cultural diversity, contributed to the overall diversity of Australian television and helped to drive social cohesion.

SBS also collaborated with the Centre for Contemporary Photography and Brimbank City Council to celebrate *Sunshine*, by giving eight aspiring photographers a chance to tell the story of their community through images, with access to expert-led workshops to facilitate their storytelling.

Artist workshops had positive outcomes on the selected photographers, with increased community engagement. Photographers expressed interest in supporting other SBS outreach projects, while others used this opportunity as a step towards becoming a professional photographer. Many photographers have since continued their passion in photography and considered it a new career option.



Documentaries have been the cornerstone of SBS's delivery of its Charter for decades and today account for around two thirds of the organisation's overall investment in television content, in a key point of difference from its commercial counterparts.

SBS documentaries have earned acclaim in Australia and abroad, in particular for using disruptive production formats to spark community interest and drive conversation about important national issues. The SBS series, *Go Back to Where You Came From*, is highly-regarded for its ongoing contribution over the past eight years to the national debate about refugee and asylum seeker issues. The series has become a model for other SBS series such as the series *Filthy, Rich and Homeless* which aimed at improving information available to the community to increase understanding and empathy, through sharing first-hand accounts of people facing hardship.

Case study: Filthy, Rich and Homeless

Filthy, Rich and Homeless (Season 2) was a 2018 documentary series, which followed five high-profile Australians who volunteered to experience homelessness. Like the TV Week Logie Award-winning first season, *Filthy, Rich and Homeless Season 2* sought to explore what life is like for people experiencing homelessness in Australia today.

Alongside the series broadcast, SBS produced resources aimed at helping audiences to better understand homelessness and to participate in a more informed conversation about it. This included launching an interactive website where audiences could learn more about the issues involved, and educational resources and factsheets, developed by the education arm of SBS, SBS Learn, and the St Vincent De Paul Society of NSW. These factsheets provided information about how Australians can help people experiencing homelessness.

A combination of the series and educational resources resulted in *Filthy, Rich and Homeless* returning a strong audience endorsement for its positive contribution towards Australia's homeless community. A post-series survey showed that more than two out of three viewers (68%) reported either changing their behaviour towards people experiencing homelessness, having an improved attitude towards homeless people; or donating to a charity or volunteering their time.

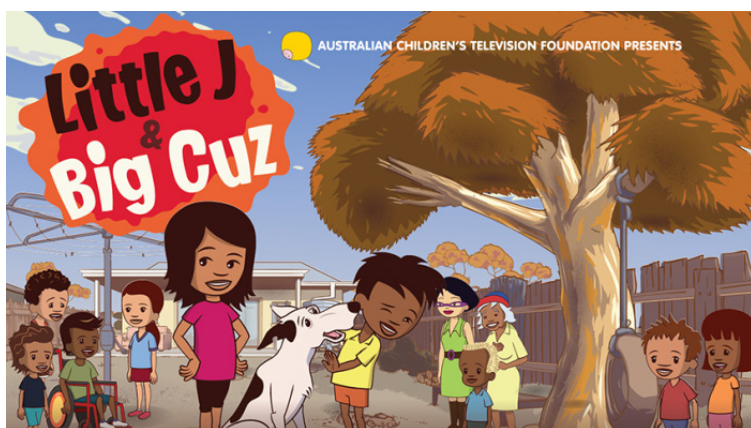
Following the series, St Vincent de Paul Society of NSW reported to SBS increases in:

- Those donating food or clothing (to a charity or individual).
- Eye contact being made with people experiencing homelessness.
- Donations of money (to a charity or individual).
- People engaging in a conversation or saying hello to someone experiencing homelessness.

On SBS's dedicated national Indigenous television channel, NITV, programs such as award-winning children's series *Little J & Big Cuz* demonstrate SBS's capacity to positively influence inclusion outcomes. This series allows Aboriginal and Torres Strait Islander children to see themselves and their stories portrayed on screen, and also engages non-Indigenous children in a positive and informative portrayal of a young Aboriginal family.

Case study: Little J & Big Cuz

Little J & Big Cuz is a TV Week Logie Award-winning 13-part animated television series on SBS's NITV channel commissioned to build school readiness of children and support the successful home-to-school transition of Aboriginal and Torres Strait Islander children. It was developed in partnership with the Australian Council for Educational Research (ACER), the Secretariat for Aboriginal and Islander Childcare (SNAICC) and Ned Lander Media. Importantly, it affords Aboriginal and Torres Strait Islander children the chance to see themselves positively reflected on screen. Accessibility to the first series was enhanced through translation into a range of Aboriginal languages (including Djambarrpuynu, Pitjantjatjara, Arrernte, Walmajarri, Yawuru and Palawa kani). Teaching and learning resources founded upon the principles of the Early Years Learning Frameworks and the National Curriculum were developed as a starting point for engaging with and embedding Aboriginal and Torres Strait Islander perspectives and pedagogies in Early Years education environments (K-2).



There is evidence that culturally relatable educational TV programs can help improve children's school readiness by building literacy and numeracy skills, cultural awareness, self-esteem and appropriate behaviours, with such educational benefits potentially lasting into secondary school. Supporting evaluation by the renowned Dusseldorp Forum suggests that there is indeed a positive impact made by culturally relatable educational TV programs.

An ACER report into *Little J & Big Cuz* concluded that there were early indicators the series and its associated resources support Aboriginal and Torres Strait Islander children's transition to school. This includes the development and improvement in pedagogical approaches by educators, recognition of the strengths in learners, celebration and incorporation of Indigenous knowledge into the learning environment, bolstering pride and identity in children and support for all learners' emotional well-being.

Little J & Big Cuz picture books, produced by SBS, have also received positive reviews and social outcomes, from Indigenous community groups reporting increased educational engagement and further interest from children in the characters and their stories.

Social inclusion at its core is about respecting and valuing different points of view and experiences. The belief that championing difference helps communities to realise their true value and build a more inclusive society, underpins SBS's approach to providing diverse and alternative perspectives through its programs.

SBS's esteemed news and current affairs offering generates conversations about issues connected to social inclusion. One stand-out example is SBS's long-running current affairs program, *Insight*. This program not only continues to attract strong audience viewing in a challenging linear television market, it is unique in its format, which is focused almost solely on providing ordinary people with a national platform to contribute to conversations about issues linked to inclusivity.

Case study: SBS Insight

Insight is SBS's most popular regular program, averaging nearly 400,000 viewers each week for 40 episodes each year.

The program is unique in the Australian media, discussing significant social issues which cross cultural boundaries by focusing on first person stories of Australians, and sharing diverse perspectives not available elsewhere. Guests of a high profile, including politicians and celebrities, are rarely featured in the program, unless they are directly relevant to the subject matter.

Panellists and audiences reflect the diversity of Australia, with a high proportion of migrant, refugee and Aboriginal and Torres Strait Islander peoples.

Topics are rarely about the "news of the day"; *Insight* covers single themes in subject areas focusing on the issues that affect the lives of all Australians and in particular focus on the intersectionality of diversities across cultures:

- Mental and physical health.
- Family, sexual and other relationships.
- Social, cultural and ethnicity issues.
- Human triumphs and tragedies.

Insight is hosted by Jenny Brockie, one of Australia's most respected journalists, with guest hosts of diverse backgrounds including Janice Petersen and Marc Fennell.

In a challenging market for evening linear television viewing, ratings have remained strong with the past three years representing some of *Insight*'s strongest results in more than a decade, and is an indicator of the desire amongst Australians for media which helps them to better understand issues.

Insight has an ever-growing digital presence, with unique visitors to its website up 30 per cent, website Chapter Views up 60 per cent and SBS On Demand views up 60 per cent in 2018.

Insight's contribution to social inclusion is evident in the surveys and the data collected by SBS. In 2019, 77% of regular and non-regular SBS viewers agreed that the program is inclusive of all Australians. Audiences generally agree that *Insight* tells stories of diverse Australians that otherwise would go untold. Seventy three percent of SBS viewers surveyed agree that *Insight* helps drive social inclusion, while 78% agree that it helps to promote cultural diversity and 79% believe that the conversations generated are of high quality. Moreover, 78% agree that *Insight* helps to generate conversation about diversity on Australian television.*

* The Exchange, *Insight* Research, January 2019.

One example of Insight's unique capacity to contribute to fostering greater understanding between Australia's diverse communities is its episode in late 2018 exploring how people who are Intersex navigate life and the medical system.

Nearly 2% of Australians have some sort of Intersex variation, which makes the condition as common as people with red hair. The episode sought to break down misunderstanding about Intersex people through sharing a number of powerful first person stories with a national audience. The outcome was an episode which enabled Australian audiences to gain a greater understanding of the complexities and challenges facing Intersex people, reflected by the popularity of the episode. An average audience of 401,000 viewers watched it on SBS,¹¹⁹ with more than 30,000 video chapter views online. This is but one example of the inclusive ability of themes explored through SBS news and current affairs programming.¹²⁰

"[Insight] gives an unbiased view of issues not commonly seen on other TV panel/information shows"

Cathy, 60, Melbourne

"Having 'ordinary' Australians speaking out"

Karin, 61, Sydney

"I learn more about others' perspectives, even when I disagree"

Suzanne, 48, Regional QLD

"We can all learn from tangible practices in the community that contribute to making our society a truly inclusive place. Through its programming, SBS champions the benefits of diversity. It also delivers its Charter in ways that can have a direct impact on how we live and connect with one another; services such as SBS's Cultural Competence Program, which helps individuals and organisations build greater understanding of diversity and inclusion, in the workplace and beyond."

Elizabeth Broderick AO, Founder and Convenor, Male Champions of Change, UN Independent Expert on discrimination against women and girls, Principal, Elizabeth Broderick & Co.

"We welcome the release of this report, which outlines the tremendous value of inclusion for all people of diverse backgrounds within Australian society. Increasingly we are seeing more and more organisations across Australia work towards making workplaces, sporting fields and health care settings be more inclusive. We know that when people feel safe and included this leads to better health outcomes. ACON continues to support community groups, corporate organisations and other partners in creating inclusive policies and programs for people of all diverse sexualities and genders. "

Nicolas Parkhill, Chief Executive Officer, ACON.

119 OzTAM & RegTAM Regional FTA Database; 5 City Metro + Combined Aggregated Regional Markets including WA; Insight, SBS; Total Individuals Including Guests; Tuesday 20:30-21:30; Average Audience; Consolidated 28 (Live + As Live + TSV 1-28 Days) for 07/11/2017 and 18/09/2018.

120 Adobe Analytics (SBS Production); sbs.com.au and SBS On Demand; Video Chapter Views; 01/07/2018 - 30/06/2019; report run 30/07/2019.

4.4 Inclusion in the workplace: Cultural Competence Program

Through its policies and practices, SBS strives to replicate the inclusivity it promotes in the broader community within its own workforce. SBS's focus on creating an inclusive workplace is evidenced through employee engagement levels which are consistently above the Australian company average.

SBS also utilises the skills and reputation it has built over the organisation's history to positively contribute to inclusion in workplaces of the broader Australian community, predominantly through its SBS Cultural Competence Program.

The SBS Cultural Competence Program is an online training course, which aims to help organisations build greater employee understanding of cultural diversity and inclusion in the workplace.¹²¹ The program, developed in partnership with Multicultural NSW and International Education Services, was created in response to the growing focus of organisations on inclusion as a core value of business success.¹²² It covers a wide range of topics from cross-cultural communication to unconscious bias and stereotypes.¹²³ Topics are mainly explored through animation and film content, and interactive games.¹²⁴ However, other resources are also available. These include the Cultural Atlas, a free online database of culture-specific information for almost 70 countries, and the Australian Teachers of Media (ATOM) Study Guides, a handbook to culture, diversity and inclusion for secondary students based on the Australian Curriculum.¹²⁵

Feedback on the course has been positive. Of a sample of 1,300 Cultural Competence Program participants surveyed, 89% said their cultural competence had improved from participating in the program in 2018.¹²⁶ The program has been popular with organisations across both the private and public sector, and has also been popular with school students. Following the launch of the program in 2016,¹²⁷ it has been adopted by more than 200 organisations, and licensed to more than 120,000 employees and 130,000 secondary school students. The accompanying Cultural Atlas has additionally attracted more than six million page views.

SBS is further expanding its program with the introduction of a new SBS Inclusion Program which will build capability and knowledge in organisations across all aspects of inclusion, and will include specific information and skills on a range of diversity characteristics including LGBTIQ+, age, disability, gender, culture and Indigenous understanding.

SBS is intently focused on being an effective leader within the Australian community in championing the benefits of diversity as a means to a more inclusive society, where everyone not only feels welcome, but also prospers from the shared economic benefits of inclusion.

"As the peak, national body representing Australians from culturally and linguistically diverse backgrounds, we absolutely recognise the economic benefits of social inclusion. Through generations of migration to this country we have more recently seen the positive impacts and influences of key business leaders and corporates driving workplace and employment diversity initiatives. The media has the responsibility to tell the stories of contemporary Australia and the boundless economic contributions migrants have and continue to make in this country. SBS plays a vital role in informing the wider population of these economic contributions, sharing the stories of everyday Australians and those new to this country of the risks and journeys they take to succeed."

Mary Patetsos, Chair, Federation of Ethnic Communities' Councils of Australia

121 SBS 2018, *Cultural Competence Program* <<https://cultural-competence.com.au/home>> accessed 1 April 2019.

122 Ibid.

123 Ibid.

124 Ibid.

125 SBS 2018, *Cultural Diversity Study Guides* <<https://www.sbs.com.au/learn/cultural-competence-program/about>>, accessed 1 April 2019.

126 SBS 2018, provided data.

127 SBS 2016, *Multicultural NSW and International Education Services launch cultural training app for workplaces* <<https://www.sbs.com.au/aboutus/news-media-releases/view/id/1352/h/SBS-Multicultural-NSW-and-International-Education-Services-launch-cultural-training-app-for-workplaces>> accessed 1 April 2019.

Conclusion

Australia has experienced an unparalleled run of economic growth lasting almost the last three decades. To continue this trajectory, Australia will have to continue to promote policies that contribute to productivity growth and foster an innovative culture in our cities and regions.

While policies to drive economic growth often focus on reforms to markets or regulation, enhancing social interactions can also be critically important. How well people relate to one another in the workplace facilitates creativity; social connectivity helps labour markets function efficiently; and a healthy population adds to overall economic welfare.

This report has found that lifting social inclusion – defined here as ‘affording all people the best opportunities to enjoy life and prosper in society’ – can play a significant role in lifting Australia’s living standards. Social inclusion avoids the costs incurred when people are excluded – from jobs, from businesses and from accessing social services. Social inclusion harnesses our diversity as a fuel for small business formation, creativity and innovation.

Existing research and the modelling undertaken for this report finds that social inclusion can support increased productivity in the workplace, improved labour market outcomes, support better mental and physical health, and reduce the cost of providing social services.

Based on our modelling and analysis, we estimate the economic dividend from a more inclusive Australia to be \$12.7 billion annually through improved workplace productivity and better employment and health outcomes.

Individuals and organisations have a role to play in enhancing social inclusion in Australia, from governments to workplaces to community groups. SBS was established with a distinct social inclusion policy objective, and for more than 40 years has played an important role in promoting social inclusion in Australia, focusing as it does on identifying and celebrating cultural and linguistic diversity across the nation.

Through its programming and services, SBS actively builds awareness, education, understanding and greater respect amongst Australia’s diverse communities. SBS positively influences opportunities for participation and as such, improves belonging – these all drive changed community behaviours and contribute tangibly to a more socially inclusive Australia.

Two in three Australians agree that SBS helps them to understand and appreciate different Australian cultures and provides a representation of Australian cultural diversity through on-screen content, while more than half of Australians agree that SBS helps make Australia a more inclusive nation.¹²⁸

The opportunities to build on the work in this report are many. Specific longitudinal tracking of Australia’s social inclusion performance would help inform the discussion. The econometric analysis in this paper could be broadened to other groups. Specific analysis of the most effective policies would also help inform government action. Nevertheless, this report makes an important contribution to understanding the role that social inclusion plays in driving economic outcomes and improved living standards for all Australians.

Its ultimate ambition is to put an end to the debate over whether multiculturalism, or the inclusion of people from a diversity of faiths, beliefs, gender, identity, preferences and values is good for Australia - by proving empirically that social inclusion is good. And in ending this debate, help us all focus on, work towards and benefit from increasing the richness of diversity of our nation, as a modern and inclusive society.

¹²⁸ Pollinate, The Pulse 2018, *Report of SBS-specific results and the general findings*.

Appendix A

This Appendix provides further detail on the data and econometric modelling used to examine the relationship between social inclusion and health and employment outcomes for migrant communities in Australia.

A.1 The Household, Income and Labour Dynamics in Australia (HILDA) survey

The HILDA survey has collected data on household characteristics, occupant health and well-being, and labour force indicators on an initial 19,914 individuals from 7,682 privately owned dwellings since it began in 2001.¹²⁹ Changes in composition to the original households have required adjustments to be made to the sample to maintain its national representativeness. These changes included adding an additional 2,153 households containing 5,462 individuals added to the survey population in 2011. These additions to the survey and increases in household size over time have expanded the total number of HILDA participants to 23,292, as of 2018.¹³⁰

In addition to a range of questions on their demographic characteristics, income, and labour force status, HILDA respondents are asked to rate their level of satisfaction with various aspects of life. Two of these questions are closely related to the concept of social inclusion, and were therefore used to construct the index of social inclusion for the domestic analysis. These questions are:

- On a scale of 1 to 10, how satisfied are you with feeling part of your local community?
- On a scale of 1 to 10, how satisfied are you with the neighbourhood in which you live?

These two variables were summed across the estimation sample to construct a social inclusion index measured on a 0 to 20 scale.

A.2 Modelling approach

To estimate the relationship between health and employment outcomes for individuals born overseas and social inclusion, the following specification was used:

$$y_{it} = \alpha + \beta SI_{it} + \gamma X_{it} + u_i + \varepsilon_{it} \quad (1)$$

Where y_{it} indicates an individual's health or employment outcome at time t , SI_{it} refers to their social inclusion index, X_{it} is a vector of individual demographic characteristics, u_i is an individual fixed effect (the unobserved difference in an individual's health or employment outcomes) and ε_{it} is a random error term.

Equation (1) was estimated using regression analysis. The modelling specifications adopted differed depending on the form of the dependent variable being considered. In the case of employment and unemployment, where the dependent variables take a value of 0 or 1, models were estimated using a logit model both with random effects and subsequently controlling for individual fixed effects. In the case of the health measures, which are non-binary, regressions were estimated using a linear regression model with both random effects and subsequently controlling for individual fixed effects.

In general, the model with fixed effects is likely to be preferable as it controls for potential unobservable characteristics which may make individuals inherently more (or less) likely to be employed or in good health which may be correlated with levels of social inclusion. In other words, individual fixed effects help control for the possibility that individuals who have higher levels of social inclusion also have other innate characteristics which lead them to have better health and employment outcomes.

129 Summerfield, M., Bevitt, A., Freidin, S., Hahn, M., La, N., Macalalad, N., O'Shea, M., Watson, N., Wilkins, R. & Wooden, M. 2016, *HILDA User Manual - Release 16* <https://melbourneinstitute.unimelb.edu.au/_data/assets/pdf_file/0006/2597865/HILDA-User-Manual-Release-16.0_LATEST.pdf>.

130 Ibid.

A key challenge in modelling the relationship between social inclusion and economic outcomes is the potential for 'reverse causality' between social inclusion and outcomes relating to labour market participation and health. That is, individual migrants who gain employment or have good health outcomes may be more likely to feel included in their local community, rather than improvements in social inclusion necessarily leading to improved health and employment outcomes in and of themselves. This reverse causality can potentially lead to biased estimates of the relationship between social inclusion and health and employment outcomes.

The most common econometric strategy used in the literature to address the potential for reverse causality is to find a variable that is not related to an individual's employment and health outcomes directly, other than through improving an individual's level of social inclusion. This is referred to by economists as an "instrumental variable". An appropriate instrumental variable needs to be sufficiently strong to capture the variation in an individual's social inclusion but not directly related to employment or health outcomes other than by improving social inclusion.

After reviewing a series of studies in the literature, and available data from the HILDA survey, an instrumental variable based on an individual's assessment of the quality of their neighbourhood was used. The instrument was based on a weighted average of individual assessments of how common the following were in their neighbourhood:

- Burglary and theft
- People being hostile and aggressive
- Homes and gardens in bad condition
- Neighbours doing things together
- Neighbours helping each other out
- Vandalism and deliberate damage to property

The rationale behind using this instrument was that neighbourhood perceptions/neighbourhood social capital is likely to be correlated with individual feelings of social inclusion but is not likely to be directly related to individual health and employment outcomes other than through social inclusion. While living in neighbourhoods in which anti-social behaviour occurs may impact an individual's employment or health outcomes due to marginalisation, this effect is arguably likely to largely occur through its impact on social inclusion rather than directly impacting health or employment outcomes. However, if this is not the case then results based on this instrument will not be valid. For this reason, when calculating the value of improved health outcomes, we use the coefficient from a fixed effects model to be conservative, as the effect is considerably larger when an instrumental variable is used.

Finally, it should be noted that this instrumental variable was not available in all waves (or answered by all respondents) so including it as an instrument for social inclusion does reduce the sample size available.

A.3. Detailed econometric results

Detailed econometric results on the relationship between social inclusion and each of the dependent variables are set out below.

A.3.1. Health outcomes

Table A.1 reports the estimated regression results where the dependent variable is self-reported general health. These results imply that a one unit increase in our social inclusion index is associated with a between 0.5 to 1.3 unit improvement in self-reported general health scores for migrants.

Table A.1: Estimated regression results for self-reported general health

Dependent Variable:	General health		
Model specification:	OLS model with RE	OLS model with FE	2SLS (IV) model with FE
Age	-0.404*** (0.013)	-0.527*** (0.025)	-0.546*** (0.022)
Gender (male)	-0.090 (0.454)		
Education			
Post-graduate qualification	3.500*** (0.864)	2.913 (1.602)	2.342 (1.714)
Graduate diploma	3.396*** (0.913)	3.230* (1.591)	3.917* (1.651)
Bachelor or Honours degree	3.234*** (0.646)	2.865* (1.139)	2.994* (1.215)
Advanced diploma	3.891*** (0.712)	3.092** (1.134)	3.230* (1.401)
Certificate III or IV	1.070 (0.624)	0.854 (0.930)	0.642 (0.966)
Completed year 12	0.545 (0.592)	-0.168 (0.854)	-1.048 (0.961)
Employed	2.080*** (0.267)	1.324*** (0.288)	1.458*** (0.324)
Married	0.354 (0.340)	-0.271 (0.396)	-0.255 (0.431)
Children aged 0 to 14 years	-0.054 (0.249)	-0.272 (0.264)	-0.677* (0.319)
Location			
City	-0.119 (1.249)	0.624 (1.458)	2.208 (1.789)
Regional	-0.288 (1.248)	-0.132 (1.433)	0.593 (1.777)
Speaks English at home	6.164*** (1.863)	1.260 (2.202)	-2.250 (3.278)
English-speaking ability (if not English-speaking at home)			
Very well	5.421** (1.866)	1.616 (2.190)	-2.065 (3.262)
Well	3.911* (1.865)	1.040 (2.174)	-2.327 (3.239)
Not well	2.397 (1.830)	1.579 (2.086)	-1.286 (3.156)
Social inclusion index	0.596*** (0.030)	0.466*** (0.032)	1.323*** (0.163)
No. of observations	46622	46622	21199
R ²	0.111	0.082	0.103

Source: Deloitte Access Economics modelling.

Note: The sample across all model specifications was restricted to migrants. All standard errors reported are those clustered at the individual level. R² reported are overall R², which take a weighted average of within R² and between R². ***, **, * indicate statistical significance at the 1%, 5% and 10% level, respectively.

Table A.2 reports the estimated regression results where the dependent variable is self-reported physical health. These results imply that for migrants, a one unit increase in our social inclusion index is associated with a between 0.3 to 0.8 unit improvement in self-reported physical health scores.

Table A.2: Estimated regression results for self-reported physical health

Dependent Variable:	Physical health		
Model specification:	OLS model with RE	OLS model with FE	2SLS (IV) model with FE
Age	-0.488*** (0.015)	-0.485*** (0.029)	-0.470*** (0.027)
Gender (male)	1.695*** (0.476)		
Education			
Post-graduate qualification	8.778*** (0.829)	4.430** (1.539)	1.988 (2.161)
Graduate diploma	9.173*** (0.886)	5.338*** (1.579)	3.962 (2.075)
Bachelor or Honours degree	6.316*** (0.645)	2.722* (1.130)	1.637 (1.531)
Advanced diploma	6.880*** (0.788)	5.365*** (1.304)	4.913** (1.751)
Certificate III or IV	4.154*** (0.749)	2.750* (1.235)	2.390* (1.214)
Completed year 12	3.142*** (0.637)	1.853* (0.937)	0.981 (1.214)
Employed	4.430*** (0.319)	3.150*** (0.350)	3.699*** (0.408)
Married	1.653*** (0.395)	0.918 (0.477)	1.378* (0.543)
Children aged 0 to 14 years	1.007*** (0.300)	0.949** (0.326)	0.178 (0.401)
Location			
City	-2.843* (1.276)	-2.029 (1.655)	1.237 (2.253)
Regional	-2.786* (1.278)	-2.654 (1.610)	-0.043 (2.241)
Speaks English at home	6.112** (2.372)	0.228 (2.983)	2.458 (4.114)
English-speaking ability (if not English-speaking at home)			
Very well	4.527 (2.381)	0.611 (2.983)	1.868 (4.094)
Well	3.059 (2.382)	0.714 (2.967)	1.929 (4.065)
Not well	0.960 (2.436)	0.361 (2.941)	2.285 (3.960)
Social inclusion index	0.383*** (0.036)	0.296*** (0.039)	0.825*** (0.204)
No. of observations	46695	46695	21230
R ²	0.224	0.193	0.198

Source: Deloitte Access Economics modelling.

Note: The sample across all model specifications was restricted to migrants. All standard errors reported are those clustered at the individual level. R² reported are overall R², which take a weighted average of within R² and between R². ***, **, * indicate statistical significance at the 1%, 5% and 10% level, respectively.

Table A.3 reports the estimated regression results where the dependent variable is self-reported mental health. These results imply that for migrants, a one unit increase in our social inclusion index is associated with a between 0.5 to 1.3 unit improvement in self-reported mental health scores.

Table A.3: Estimated regression results for self-reported mental health

Dependent Variable:	Mental health		
Model specification:	OLS model with RE	OLS model with FE	2SLS (IV) model with FE
Age	0.029** (0.010)	0.011 (0.020)	0.007 (0.021)
Gender (male)	1.823*** (0.352)		
Education			
Post-graduate qualification	2.312** (0.733)	0.528 (1.643)	1.265 (1.635)
Graduate diploma	3.522*** (0.664)	2.497 (1.388)	4.625** (1.567)
Bachelor or Honours degree	2.263*** (0.527)	0.395 (1.109)	1.577 (1.160)
Advanced diploma	2.549*** (0.623)	0.859 (1.219)	3.193* (1.332)
Certificate III or IV	0.879 (0.522)	-0.139 (0.876)	1.308 (0.919)
Completed year 12	0.798 (0.506)	0.152 (0.819)	0.774 (0.919)
Employed	1.647*** (0.229)	1.210*** (0.253)	1.370*** (0.310)
Married	2.338*** (0.306)	2.247*** (0.382)	2.284*** (0.410)
Children aged 0 to 14 years	0.134 (0.223)	0.162 (0.243)	-0.015 (0.304)
Location			
City	-0.741 (1.341)	0.777 (1.651)	3.618* (1.699)
Regional	-0.903 (1.365)	0.209 (1.655)	2.489 (1.686)
Speaks English at home	3.771* (1.468)	0.826 (1.851)	-3.730 (3.136)
English-speaking ability (if not English-speaking at home)			
Very well	3.202* (1.475)	1.083 (1.841)	-3.591 (3.121)
Well	2.222 (1.477)	1.076 (1.827)	-3.746 (3.100)
Not well	0.704 (1.444)	0.881 (1.712)	-3.106 (3.020)
Social inclusion index	0.688*** (0.029)	0.536*** (0.031)	1.337*** (0.155)
No. of observations	47162	47162	21440
R ²	0.1093	0.089	0.0908

Source: Deloitte Access Economics modelling.

Note: The sample across all model specifications was restricted to migrants. All standard errors reported are those clustered at the individual level. R² reported are overall R², which take a weighted average of within R² and between R². ***, **, * indicate statistical significance at the 1%, 5% and 10% level, respectively.

The way in which improvements in social inclusion is converted to changes in health outcomes is set out in Table A.4 below. The impact of a 14% improvement in social inclusion levels among migrants, using the, was estimated to lead to a \$6.5 billion improvement in migrant welfare annually.

Table A.4: Relationship between social inclusion and value of improved health outcomes for migrants.

Change in health associated with a 3 unit increase in social inclusion [^]	Change in QALYs per migrant	Change in QALYs across migrant population	Value of Quality Adjusted Life Year	Value per year across migrant population
General Health (1.4 units) Physical Functioning (0.9 units) Mental Health (1.6 units)	0.005	33,232	\$194,805	\$6.5 billion

Source: Deloitte Access Economics

Note: [^] This represents a 21% change in the HILDA social inclusion index, equivalent to the distance between Australia and the global average. The effect on General Health, Physical Functioning and Mental Health was based on the most conservative estimates of the effect of social inclusion and health including individual fixed effects.

A.3.2. Employment outcomes

Table A.5 reports the estimated regression results where the dependent variable is a binary variable indicating whether a migrant is employed. Results are presented in terms of logit and probit coefficients so cannot be directly interpreted as a change in the probability of employment. Social inclusion is positively and significantly related to employment in logit models with random and fixed effects but not in a probit model in which neighbourhood quality is used as an instrumental variable for employment.

Table A.5: Estimated regression results for employment

Dependent Variable:	Individual employment		
Model specification:	Logit model with RE	Logit model with FE	Probit model with IV
Age	0.486*** (0.028)	0.598*** (0.042)	0.147*** (0.011)
Age ²	-0.007*** (0.000)	-0.008*** (0.000)	-0.003*** (0.000)
Gender (male)	1.113*** (0.099)		0.294*** (0.041)
Education			
Post-graduate qualification	2.527*** (0.208)	1.748** (0.619)	0.734*** (0.087)
Graduate diploma	1.974*** (0.199)	0.815 (0.566)	0.763*** (0.086)
Bachelor or Honours degree	1.924*** (0.156)	1.022* (0.516)	0.629*** (0.063)
Advanced diploma	1.574*** (0.188)	1.021* (0.517)	0.434*** (0.073)
Certificate III or IV	1.315*** (0.175)	1.008** (0.356)	0.300*** (0.063)
Completed year 12	0.773*** (0.167)	0.191 (0.485)	0.277*** (0.066)

Dependent Variable:	Individual employment		
Model specification:	Logit model with RE	Logit model with FE	Probit model with IV
Completed year 12	0.773*** (0.167)	0.191 (0.485)	0.277*** (0.066)
Experience	0.120*** (0.010)	0.032* (0.013)	0.065*** (0.003)
Married	-0.033 (0.094)	-0.180 (0.122)	0.144** (0.048)
Children aged 0 to 14 years	-0.970*** (0.079)	-0.956*** (0.092)	-0.337*** (0.039)
Location			
City	-0.597 (0.565)	-0.524 (0.638)	-0.033 (0.174)
Regional	-0.857 (0.567)	-0.639 (0.626)	-0.163 (0.178)
Speaks English at home	2.963*** (0.454)	1.024* (0.493)	1.426*** (0.301)
English-speaking ability (if not English-speaking at home)			
Very well	2.776*** (0.454)	1.050* (0.485)	1.465*** (0.302)
Well	2.222*** (0.455)	0.929 (0.480)	1.132*** (0.302)
Not well	1.144** (0.441)	0.654 (0.458)	0.576 (0.305)

Source: Deloitte Access Economics modelling.

Note: The sample across all model specifications was restricted to migrants aged between 21 and 65. All standard errors reported are those clustered at the individual level. ***, **, * indicate statistical significance at the 1%, 5% and 10% level, respectively.

Table A.6 reports the estimated regression results where the dependent variable captures whether or not an individual migrant is unemployed. Results are presented in terms of logit and probit coefficients so cannot be directly interpreted as a change in the probability of unemployment. In both a logit and probit model with random effects an increased in social cohesion was found to significantly reduce the probability of an individual migrant experiencing unemployment. Introducing fixed effects reduced the available sample size considerably, which is likely to have increase the standard errors and led to the coefficient no longer being statistically significant although the negative relationship between social inclusion levels and the likelihood of being unemployed remained.

A probit model with an instrumental variable was also run but results from a Wald test of exogeneity suggested that social inclusion was not endogenous. That is, there was no need to include an instrumental variable for social inclusion when assessing the relationship between social inclusion and unemployment. Consistent with this, the coefficient on social inclusion was almost identical in the probit model with an instrumental variable to that in the probit model with random effects (or the standard probit model).

The coefficient on social inclusion from the probit model was converted to a marginal effect and indicated that a one unit increase in social cohesion was associated with a 0.16% reduction in the probability of unemployment.

Table A.6: Estimated regression results for the probability of unemployment

Dependent Variable:	Probability of unemployment		
Model specification:	Logit model with Random Effects	Logit model with Fixed Effects	Probit model with Random Effects
Age	-0.132*** (0.033)	-0.312*** (0.063)	-0.066*** (0.016)
Age ²	0.002*** (0.000)	0.003*** (0.001)	0.001*** (0.000)
Gender (male)	0.133 (0.109)		0.069 (0.054)
Education			
Post-graduate qualification	-0.611** (0.224)	1.752* (0.819)	-0.321** (0.111)
Graduate diploma	-1.212*** (0.265)	1.411* (0.717)	-0.605*** (0.130)
Bachelor or Honours degree	-0.810*** (0.178)	1.543* (0.633)	-0.410*** (0.089)
Advanced diploma	-0.578** (0.203)	0.405 (0.637)	-0.294** (0.102)
Certificate III or IV	-0.326 (0.171)	0.420 (0.377)	-0.168 (0.086)
Completed year 12	-0.275 (0.182)	0.515 (0.555)	-0.131 (0.092)
Experience	-0.088*** (0.008)	-0.016 (0.017)	-0.045*** (0.004)
Married	-0.510*** (0.110)	-0.269 (0.159)	-0.258*** (0.055)
Children aged 0 to 14 years	0.192 (0.106)	0.291* (0.140)	0.097 (0.052)
Location			
City	-0.405 (0.456)	-0.558 (0.769)	-0.239 (0.227)
Regional	-0.228 (0.464)	-0.135 (0.749)	-0.155 (0.230)
Speaks English at home	-2.545*** (0.572)	-1.451* (0.597)	-1.321*** (0.324)
English-speaking ability (if not English-speaking at home)			
Very well	-2.548*** (0.575)	-1.626** (0.573)	-1.332*** (0.326)
Well	-1.941*** (0.574)	-1.557** (0.556)	-1.023** (0.326)
Not well	-0.869 (0.557)	-1.006 (0.567)	-0.467 (0.316)
Social inclusion index	-0.034** (0.013)	-0.018 (0.016)	-0.018*** (0.007)
No. of observations (n)	30740	6111	30740

Source: Deloitte Access Economics modelling.

Note: The sample across all model specifications was restricted to migrants aged between 21 and 65. All standard errors reported are those clustered at the individual level. ***, **, * indicate statistical significance at the 1%, 5% and 10% level, respectively.

Appendix B

This section provides more detail of Australia's performance on a range of international measures of social inclusion.

B.1. International comparisons

Australia's performance on social inclusion can be examined against various international indices. The International Institute of Social Studies' Indices of Social Development (ISD) tracks 193 countries' data from 1990 to 2010, across 200 indicators.¹³¹ It looks at six dimensions of social development: civic activism; clubs and associations; intergroup cohesion; interpersonal safety and trust; gender equality; and inclusion of minorities. Specifically:¹³²

- Intergroup cohesion refers to relations of cooperation and respect between identity groups in a society. This measure captures the presence of ethnically or religiously motivated conflicts, including murders, targeted assassinations and kidnapping, acts of terror such as bombings or shootings, and riots that cause harm to citizens.¹³³
- Inclusion of minorities measures the level of discrimination against vulnerable groups such as Indigenous peoples, migrants and refugees. It focuses on the presence of systemic bias among managers, administrators and members of the community in the allocation of jobs, benefits, and other social and economic resources regarding social groups.¹³⁴

These dimensions of social inclusion are measured on a 0 to 1 scale, with higher scores representing greater intergroup cohesion or inclusion of minorities. Each nation's score on these indices should be interpreted as an aggregate of the related indicators captured within the ISD. For example, Switzerland's score of 0.79 on the intergroup cohesion scale is a function of its performance on the following:

- Ratings for the propensity and severity of violent demonstrations, deaths in conflict, intergroup grievances, civil disorder, internal conflicts, and risk of terrorism; and
- The number of assassinations, guerrilla acts, riots and acts of terrorism per capita.

Specifically, Switzerland achieved a score of four out of four on both civil disorder and terrorism, sub-indexes which are measured on a 0 to 4 scale. Indicating very low levels of civil disorder and risk of terrorism, respectively. Switzerland also had the lowest score on acts of terrorism per capita across the sampled countries. In contrast, Iraq received the second poorest score on civil disorder, the poorest for risk of terrorism, and the highest for acts of terrorism per capita.

Looking more closely at Australia's performance on the ISD provides further details on Australia's relative performance. In particular, Australia receives a less favourable score than Switzerland on the intergroup cohesion measure for internal conflicts, demonstrations and risk of terrorism. In contrast, our rating for ethnic tension is equivalent to that of Switzerland, while we receive a more favourable score for religious tension.

¹³¹ The ISD is a product of the International Institute of Social Studies (ISS), a graduate school of social science/policy within Erasmus University Rotterdam. The ISS became part of the University in 2009, prior to which it was an independent research institute funded by the Dutch government. The Indices itself was launched in 2011 and remains well funded through the university. The most recent data, for 2015, was launched at the ISS in September 2018.

¹³² Indices of Social Development website.

¹³³ The ISD measure intergroup cohesion using data on inter-group disparities, perceptions of being discriminated against, and feelings of distrust against members of other groups. They also use data on the number of reported incidents of riots, terrorist acts, assassinations and kidnappings, agency ratings on the likelihood of civil disorder, terrorism and social instability, and reported levels of engagement in violent riots, strikes and confrontations.

¹³⁴ ISD measures the level of inclusion of minorities using indicators which are based on direct measurement of social institutions and their outcomes, and perception-based indicators, based on assessments by public opinion surveys, private agencies and non-governmental organizations, and proxy measures to measure the access to jobs and educational attainment.

Table B.1 below provides an overview of Australia's performance and positioning on the intergroup cohesion and inclusion of minorities indices. As of 2010, Australia's score of 0.74 for intergroup cohesion was 38th in a sample of 159 countries and its score of 0.57 was 14th in a sample of 129 countries for inclusion of minorities. The average of inclusion of minorities over the entire period was 0.61 for Australia, 21% above the international average of 0.49, indicating that Australia is a relatively inclusive country for minorities.

Table B.1: Australia's performance on international measures of social inclusion

Rank	Country	Intergroup cohesion	Rank	Country	Inclusion of minorities
1	Switzerland	0.789	1	Iceland	0.649
2	Sweden	0.787	2	Andorra	0.627
3	Norway	0.785	3	Sweden	0.626
...			...		
37	Dominican Republic	0.744	13	Switzerland	0.568
38	Australia	0.744	14	Australia	0.568
39	Romania	0.742	15	Italy	0.567
...			...		
158	Nigeria	0.204	128	Nigeria	0.311
159	Iraq	0.183	129	Sudan	0.284

Source: Indices of Social Development 2018

Australia was approximately 0.045 units and 0.08 units (respectively) below the best performing nations, Switzerland and Iceland, for intergroup cohesion and inclusion of minorities in 2010. Expressed in terms of our existing performance, Australia's intergroup cohesion would need to rise by 6% and Australia's performance on inclusion of minorities would have to rise by 14% of existing levels to match the global leaders on these respective indices.

Interestingly, while Australia performs better on intergroup cohesion than inclusion of minorities in absolute terms, and is closer in score to the global leader, it is ranked 24 places lower overall. This indicates that, in general, countries are doing better at promoting cohesion between social groupings than they are at including minority communities in wider society.

Another index which can be used to examine Australia's social inclusion performance is the World Values Survey (WVS),¹³⁵ a collection of nationally representative surveys conducted across almost 100 countries covering nearly 90 per cent of the world's population. Results from Wave 6 of this survey, conducted between 2010 and 2014, revealed that 51.4% of Australian respondents agreed "Most people can be trusted". However, when asked how much they trust people of another nationality, just 4.2% of Australian respondents agreed that they trust them completely. By comparison, 66.1% and 17.7% (respectively) of respondents from Sweden, a nation that performs very well on both the Intergroup Cohesion and Inclusion of Minorities measures, stated that "Most people can be trusted" and that they trust people of another nationality completely.¹³⁶

Australians' level of trust compares favourably to that of nations that also perform poorly on the ISD measures. For example, just 15% of respondents to the WVS in Nigeria agree that most people can be trusted. Moreover, 64.1% of respondents stated that they either do not trust people of other nationalities very much (38.3%) or they do not trust them at all (25.8%). Conversely, just 24.1% and 4.9% of Australians gave these two responses, respectively. This discrepancy in trust may plausibly explain some of the difference in performance on the ISD measures of social inclusion.

The Social Progress Index is another measure of a country's performance across social inclusion and development.¹³⁷ Published by the Social Progress Imperative, this database measures countries' annual performance on a scale of 0 to 100 across three domains: 'basic human needs', 'foundations of wellbeing' and 'opportunity'.¹³⁸ Australia's performance between 2014 and 2018 largely validates the findings from the ISD, with a fall in the index from 10th to 16th despite experiencing an increase in score from 87.73 to 88.32. Moreover, the best performing nations are, again, predominately Scandinavian, with Denmark and Norway consistently ranking near the top of the global index.

Interestingly, despite achieving largely comparable ratings across the majority of domains within the Social Progress Index, it is in 'Inclusiveness' that the discrepancy is largest between Australia and global leaders in the ISD measures, Sweden and Norway. Specifically, Australia receives a score of just 68.53 while Sweden and Norway receive 81.26 and 81.73, respectively. When the individual components of this domain are analysed, it appears as though relatively poor scores in 'Equality of political power by gender/socioeconomic position' drive Australia's overall performance, as shown in Table B.2.

135 The World Values Survey is a global network of social scientists studying changing values and their impact on social and political life, headquartered in Vienna, Austria. The survey, which started in 1981, collects data across almost 100 countries, which covers nearly 90% of the world's population. The WVS is the largest non-commercial, cross-national, time series investigation of human beliefs and values ever executed, currently including interviews with almost 400,000 respondents. Moreover, the WVS is the only academic study covering the full range of global variations, from very poor to very rich countries, in all of the world's major cultural zones.

136 Inglehart, R., Haerpfer, C., Moreno, A., Welzel, C., Kizilova, K., Diez-Medrano, J., Lagos, M., Norris, P., Ponarin E., & Puranen, B. 2018, *World Values Survey: All Rounds - Country-Pooled*, Madrid: JD Systems Institute <<http://www.worldvaluessurvey.org/WVSDocumentationWVL.jsp>>.

137 The Social Progress Index is a global non-profit organisation based in Washington, DC, that aims to provide data on the social and environmental health of societies and help prioritise policy-making that accelerates social progress. Launched in 2014, the Social Progress Index now directly measures what life is like for 98% of the world's population, and is partnered with organisations in 45 countries around the world. It is designed to complement, rather than replace, economic measures such as GDP as a measure of a country's progress.

138 The Social Progress Imperative 2018, *2018 Social Progress Index* <<https://www.socialprogress.org/>, accessed February 2019>.

Table B.2: Inclusiveness measured by the Social Progress Index, select countries

Rank	Country	Inclusiveness (0=low; 100=high)	Acceptance of LGBTIQ+* persons (0=low; 100=high)	Discrimination and violence against minorities (0=low; 10=high)	Equality of political power by gender (0=unequal power; 4=equal power)	Equality of political power by socioeconomic position (0=unequal power; 4=equal power)
1	Finland	82.28	80.42	1.5	3.09	3.25
2	Norway	81.73	88.90	3.4	3.61	2.98
3	Sweden	81.26	78.86	1.8	3.33	3.08
...						
15	Italy	69.54	62.78	4.8	2.67	2.77
16	Australia	68.53	74.64	3.6	2.50	2.50
17	France	67.48	71.08	7	3.20	2.73
...						
169	Tajikistan	11.24	1.12	7.1	0.46	0.13

Note: * The index uses the term 'Acceptance of gays and lesbians' but the term LGBTIQ+ is preferred in this report.

Source: Social Progress Index 2018

Overall, Australia performs reasonably well on the Social Progress Index. As shown in Table B.2 above, Australia performs particularly well in the "Discrimination and violence against minorities" domain of Inclusiveness, falling only narrowly behind Norway.

Appendix C: Modelling the business benefit of gender diversity

This section outlines the econometric techniques used to examine the association between gender diversity in senior leadership and firm financial performance in Australia in the Diversity Dividend Report undertaken by Deloitte Access Economics in 2017 for Westpac. The results suggest that a 1% increase in the proportion of senior women is associated with a 0.07% increase in the company's Return on Asset (ROA), on average, controlling for business size, industry and their ROAs from the previous financial period.

Empirical studies investigating the association between gender diversity and firm financial performance are often focused on the proportion of females at the board level. For example, Vafaei, Ahmed and Mather (2015) shows that a 1% increase in female directors is associated with a 0.231% increase in ROA. However, the impact of gender diversity at senior management levels has not been studied for businesses in Australia.

In the Diversity Dividend Report, Deloitte Access Economics addressed such limitations in previous studies by utilising a regulatory database from the Workplace Gender Equality Agency (WGEA) which records the number of male and female employees at various levels in a variety of Australian companies. The financial performance metric (i.e. ROA) was sourced through the IBISWorld and Capital IQ databases.

C.1. Methodology

The association between gender diversity and financial performance was examined through the following autoregressive time series model:

$$ROA_{i,t} = \beta_0 + \beta_1 ROA_{i,t-1} + \beta_2 \Delta \% \text{ female in senior}_{i,t,t-1} + \beta_3 \Delta \log(\text{number of employees})_{i,t,t-1} + \text{industry dummies} + \epsilon$$

$$\epsilon \sim N(\mu, \sigma^2)$$

where firm i 's ROA in year t is a function of its ROA in the last period (i.e. year $t-1$), the growth in the percentage of female senior leaders between year t and year $t-1$, the growth in the log of total employees in the same period (i.e. the percentage growth in total employees), industry specific fixed effects and a normally distributed error term.

The specification of the model is also known as the lagged dependent variable model, because the lag of the dependent variable, ROA, enters the model as a predictor in the right hand side of the equation. The inclusion of the lagged ROA is intuitive as the firm financial performance from the last period is likely to have an impact on this period. In such a case, not including the lagged dependent variable will lead to omitted variable bias that makes the result unreliable.

Return on assets was selected as an appropriate measure of business success because it incorporates debt and equity assets. Therefore, it is more comprehensive than the usual measure of investment return, which is Return on Equity (ROE). ROA data was also more widely available, ensuring a large sample could be used in the analysis. For the purpose of the analysis, a number of observations were removed for various reasons. Table C.1 outlines the four filtering criteria and their respective rationales.

Table C.1: Criteria of sample filtering

Filtering criteria	Rationale of removal	Number of observations removed
Firms with an increase/decrease in ROA of more than 100%	Significant change in ROA is likely a result of unobserved characteristics (e.g. record error) that cannot be accommodated by the model	2
Firms with more than 50% females already in senior roles	The direction of effect of the percentage of female seniors is expected to reverse as it exceeds 50% (there are not enough observations to examine the actual impact)	31
Firms making a loss in 2015 but a profit in 2016, vice versa	The change in profitability between the two years is likely a result of unobserved characteristics of the firm/market that cannot be accommodated by the model	73
Observations with Cook's distance greater than 0.2	Observations that need to be removed due to high leverages (highly influential on the modelling outcome)	3

Source: Deloitte Access Economics analysis

The sample consisted of 353 Australian firms covering 18 industries after the filtering process as outlined in Table C.1.

C.2. Data

Under the Workplace Gender Equality Act 2012, non-public sector employers with 100 or more staff are required to report to the Workforce Gender Equality Agency (WGEA) annually about the gender composition of their workforce at different levels of the firm.

To measure gender diversity in senior leadership, Deloitte Access Economics calculated the proportion of female employees with the position of senior manager or above. Table C.2 shows the relevant WGEA labels and definitions for each senior position in the reporting organisation.

The WGEA dataset also provides the total number of employees and industry division captions which enters the regression as control variables.

The financial performance data (i.e. ROA) was sourced from two complementary databases from IBISWorld and Capital IQ. The data for listed companies was sourced through Capital IQ while for non-listed firms it was sourced (where available) from IBISWorld.

Table C.2: WGEA definition of seniority

WGEA label	Definition
CEO	The Chief Executive Officer (CEO) or equivalent is the head of business in Australia
KMP	Key management personnel (KMP) refers to those persons who have authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, in accordance with Australian Accounting Standards Boards AASB124. A defining feature of KMPs is that their influence is at the entity level. They are likely to be functional heads such as head of operations or head of finance and direct how that component contributes to the entity's outcome, with a strategic focus. The KMP is a manager who represents at least one of the major functions of the organisation and participates in organisation-wide decisions with the CEO.
OEXE	Other executives/general managers (OEXE) hold primary responsibility for the equivalent of a department or a business unit. In a large organisation, this manager might not participate in organisation-wide decisions with the CEO. Alternatively, this manager could have influence in organisation-wide decision making forums to provide expertise or project development but because they do not actually hold authority at an entity level they would not be defined as a KMP.
SEN	Senior managers are charged with one or more defined functions, departments or outcomes. They are more likely to be involved in a balance of strategic and operational aspects of management. Some decision-making at this level would require approval from one of the three management levels above it. Senior managers are responsible for resourcing, a budget and assets (capital expenditure).

Source: Workforce Gender Equality Agency (WGEA)

C.3. Causality

It is important to note the general issue of causality for the econometric modelling. In particular, the failure to test for reverse causality (endogeneity) could result in inconclusive findings. In the context of this report, it is unclear whether it is the higher female representation that improves financial performance or better financial performance attracting more women to senior leadership.

However, given the ways in which female leadership was found to improve business governance and workforce productivity in the Diversity Dividend report, it is likely that the representation of women in senior positions boosts financial outcomes of the business.

C.4. Results

Table C.3 shows the estimated coefficients of the regression models. A change in the proportion of females in senior leadership ($f_ptg_senior - f_ptg_senior_lag$) is associated with a positive coefficient which is significantly different from zero at 5% statistical significance (i.e. with p value less than 0.05).

The results suggests that a 1% increase in the proportion of female seniors is associated with a 0.07% increase in the company's ROA, on average, controlling for business size, industry and their ROAs in the previous financial period.

Most of the industry dummies and the size variable are not statistically significantly different from zero (i.e. with p value greater than 0.05). But the lagged ROA term is highly significant. It is conceivable that with merely two years of data the regression is not able to accurately estimate the impact of industry and size on financial performance, controlling for financial performance from the previous period.

Table C.3: Estimated regression coefficients for the association between female senior leadership and financial performances

Term	Estimate	Std.error	Statistic	P.value
(Intercept)	0.006	0.021	0.275	0.783
ROA_lag	0.817	0.034	24.390	0.000***
l(f_ptg_senior - f_ptg_senior_lag)	0.075	0.036	2.062	0.040*
l(log(emp) - log(emp_lag))	0.006	0.007	0.755	0.451
Industry Administrative and Support Services	-0.007	0.025	-0.279	0.780
Industry Agriculture, Forestry and Fishing	-0.014	0.026	-0.524	0.600
Industry Arts and Recreation Services	0.017	0.028	0.621	0.535
Industry Construction	0.012	0.024	0.510	0.610
Industry Education and Training	-0.006	0.026	-0.236	0.813
Industry Electricity, Gas, Water and Waste Services	-0.004	0.027	-0.149	0.882
Industry Financial and Insurance Services	-0.004	0.022	-0.167	0.868
Industry Health Care and Social Assistance	-0.006	0.027	-0.209	0.835
Industry Information Media and Telecommunications	-0.001	0.024	-0.048	0.962
Industry Manufacturing	0.006	0.022	0.278	0.781
Industry Mining	-0.011	0.023	-0.462	0.644
Industry Other Services	-0.010	0.030	-0.343	0.732
Industry Professional, Scientific and Technical Services	-0.004	0.023	-0.194	0.846
Industry Rental, Hiring and Real Estate Services	0.030	0.026	1.165	0.245
Industry Retail Trade	0.018	0.024	0.775	0.439
Industry Transport, Postal and Warehousing	-0.002	0.024	-0.083	0.934
Industry Wholesale Trade	0.007	0.023	0.291	0.771

Source: Workforce Gender Equality Agency (WGEA)

Note: ***, **, * indicate statistical significance at the 1%, 5% and 10% level, respectively.

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