



Centre for the Study of Higher Education

Education, Science and the Future of Australia

A Public Seminar
Series on Policy

What can governments achieve? Imagining and implementing policy

Ms Maxine McKew
ALP Candidate for Bennelong
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INTRODUCTION

That this series of lectures considering public policy and its effects should be presented at and by Melbourne University is no surprise. It is a reflection of the seriousness of purpose with which Vice Chancellor Glyn Davis has launched his plan to rethink how a 21st century university education can be offered in a more demanding yet diverse and flexible program.

Indeed, it is my good fortune to be the last speaker in what has proved to be a most thoughtful series of lectures on one of the most important long term policy challenges facing Australia today.

The earlier speakers have provided an excellent preamble to my discussion today of priorities in education policy.

They have shown that Australia has an undeveloped capacity to significantly improve our productivity through development of human

capital, and that we have the ability to build a better future than today's educational and economic benchmarking and indicators would immediately suggest is likely, or even possible.

The challenge for me is to consider the role of policy in achieving a government's goals. The underlying principles which I hope will emerge are the importance of long term policy and planning, the goals both explicit and implicit, that underlie good and bad policy and the urgent necessity of realising no single policy exists in a vacuum. Good policies reinforce rather than undermine or each other. I will show how a new government, with a New Direction, a new purpose, and a new set of priorities, can use undeveloped capacity and capability to significantly improve our national prosperity through equity in education.

But, as I am going to demonstrate, fairness and equity are not merely a nice byproduct of a good policy. They are essential to prosperity and must be provided through sound policy. Labor's number one priority is to build a first class educational system from kindergarten through graduate school that is fit for a first-world economy.

Unlike John I believe that a government that prioritises fairness and equity in education will promote prosperity and growth more effectively than a government that views economics as a zero-sum game, and how we will never fulfill our capacity when government makes education policy according to short term goals, in order to grab headlines, or to fight another agenda such as the debilitating battle between the state and federal governments.

The Labor Party, in shaping its policy package, has imagined a better future for Australia and has studied the research evidence, enlivened by listening to the real people whose lives make up the statistics.

In my 30 years as a journalist I have had the privilege of studying up close what contemporary governments, especially Australian governments, can achieve, have achieved and have failed to achieve.

My journalism has covered domestic and international policies in almost every field and it is time for me to move from the neutral, questioning stance of the journalist to apply what I have learned to the active arena of national government.

How government chooses policy priorities, and how it defines and explains them, determine both public understanding and social and economic outcomes.

The only valid and non corrupt motivation for public policy and spending is the greater public good.

Genuine concern for health infrastructure for instance in Australia requires careful spending on the hospital system and its staff in an orderly, coordinated way, rather than in an un-researched experiment outside a sound consultative process.

But we are now seeing the same ad hoc policy flaws in education policy as we do in health.

As a consequence, we have wasted our prosperity gain of the last ten years and now face the extraordinarily difficult task of restoring infrastructure in health, education, transport, roads and other national needs that serve the economy.

The great wealth generated by the commodities boom in WA conceals the looseness of recent ad hoc spending decisions. Boomcash has given the government license to abandon former tight spending policies. But there is a price to pay.

In designing economic strategy, it is important to remember that profits are only one part of the economy; the other is human capital, people and the lives they lead.

Budgets, taxes and corporate profits have been the drivers of our national policies in the last ten years. In contrast, the Labor Party recognises that a budget is only a tool for achieving other goals. By treating surpluses and profits as a means to an end, and not as an end in themselves, we are better able to provide for long-term sustainable prosperity.

And it is for that reason that the Australian Labor Party has made improving our education infrastructure its highest priority.

In the 1980s and 90s, the reforms of the Hawke and Keating governments prepared Australia for a period of extraordinary growth.

Ross Gittins, writing in the *Sydney Morning Herald* two weeks ago, highlighted the luck of John Howard and Peter Costello:

They inherited the economy after their predecessors had done most of the heavy lifting of economic reform, but before that reform had begun to pay off.

Gittins goes on to give policy reasons to explain why we are now hitting capacity constraints and he laments that Messrs Howard and Costello

haven't "paid more attention to the supply side of the economy". Gittins concludes,

We'd have a better educated workforce and fewer worries about shortages of skilled labour if we hadn't been neglecting technical and further education and hadn't been using a 15-year squeeze on university funding to achieve de facto commercialisation of higher education.

Gittins blames Costello's policy of, as he puts it:

demonising all government debt and thereby creating a political climate that encouraged the states to under-invest in economic infrastructure.

He presents a compelling view of state-federal relations that explains why today we are confronted by crumbling infrastructure in roads, hospitals, public transport, schools, universities and research institutions. Much of the crumbling is in bricks and mortar, or even sandstone! But human capital has also crumbled because government has neglected its needs.

Howard and Costello are boastful about their economic management of Australia. We accept that they have achieved what they have wanted to achieve. Let's consider whether their boasts are justified.

In January this year the Leader of the Opposition, Kevin Rudd, and the Shadow Minister for Education and Training, Stephen Smith, launched their *New Directions Paper on the critical link between long term prosperity, productivity growth and human capital investment*.

This paper calls for "a new national vision – for Australia to become the most educated country, the most skilled economy and the best trained workforce in the world". If that sounds familiar and you thought we were already on our way to achieving such goals under the present government, consider international benchmarking that shows Australia having made good progress in the 1980s and 90s toward these goals, but sliding backwards since the Howard government's election in 1996.

Between 1998 and 2005 Australia's labour productivity as benchmarked against the United States fell from a peak of 85% to only 79%, losing almost completely our relative productivity gains of the early 1990s.

During this same period, we fell when benchmarked against our own performance as well.

In 1998 we finished a five year period of average annual labour productivity growth of 3.2%. In the next five year period ending in 2004, this growth fell to only 2.2%.

These figures are not a blip. If we keep going as we are, we will confirm the 2006-07 Mid-year Economic and Fiscal Outlook statement of the Commonwealth Treasury, which downgraded its projected long-run average productivity growth rate from 2% to 1.75%.

A number of other expert reports confirm figures similar to these and agree that we have a projected productivity performance too low to guarantee long-term prosperity.

Could it be that good economic management of the country is not the responsibility solely of the Treasurer and is not confined to the balance sheet and the bottom line?

Could an annual surplus in the national accounts mask gross mismanagement in our most important economic management tools, especially education and research?

My answer is a resounding YES.

Education and equity are the economic management tools that economic policy has so far neglected.

Not only have we been going backwards since 1996, not only have we failed to build an education program designed for the 21st century, but we have not understood the role of education in economic management or acknowledged the critical link between education, human capital and the future prosperity of our country.

Australia is facing a silent killer, a negative growth in education and education equity, that is much more serious than the stock market's loudly proclaimed negative growth in the last few weeks. Worse, while the stock market may return to new highs in the near future, the losses in the education stakes will take much longer to recover, and without strong policy direction they won't be recovered at all, in the face of up and comers such as India, Finland, Korea and Hong Kong.

For the Australian children who as individuals make up the current statistics, the recovery will never come and their lost opportunity will be compounded each year, never to be fully compensated.

When the Australian population understands the critical importance of education to our future, they will realise education planning and policy are as important as daily movements in the ASX.

OECD research shows that if the average educational level of the working age population were raised by one year, the economy would be 3-6% larger and the growth rate 1% higher. When this compounds, it makes a significant difference for the countries that reap the prosperity benefit and compounds the difficulties for countries left behind to catch up. Right now, that's us.

Dr Peter Andrews, Queensland Chief Scientist, points out that to rise to the productivity level of the Scandinavian countries Australia needs to increase the number of scientists and engineers in the workforce by 25%, or at least from 500 000 to 700 000. This will not be done quickly.

Productivity growth or shrinkage is linked by the OECD to large scale, sustained investment across the human capital spectrum, that is, education, health, housing and similar supports for the individual members of our society, otherwise called our workforce.

How has our public investment in education fared in the last ten years?

Since 1995, Australia's public investment in tertiary education has decreased by 7% while the average increase by other OECD countries was 48%. We have moved 55 points down from the OECD average!

Australia is the only OECD nation that has actually **cut** its public investment in tertiary education. Turkey and Greece **more than doubled** their expenditure between 1995 and 2006, while Australia hangs upside down and alone on the chart at 7% negative.

Commonwealth grants to universities have decreased from 57% of the university's revenue in 1996 to 41% in 2004.

The Commonwealth government claims a 6% increase in expenditure on tertiary education since 2001 but it ignores the 12% increase in full time students.

If we had another hour, we could bemoan the multitudinous ways Australian university education has been damaged by under-funding.

In the absolutely most important area and the one that pays the highest dividends, early childhood education, we spend a miserly 0.1% of GDP, 1/5th of the OECD average; and we aspire to compare with the countries that lead the world, who clearly spend much more than the average.

An international study by Kruger and Lindahl published in the *Journal of Economic Literature* demonstrated the validity of this human capital view and showed that the return on early education is greater than later investments.

This is obvious. Early literacy and numeracy build the child's confidence as a learner and avoid years of misery. Early foundations of learning are the strongest foundations.

If we take Early Childhood Education and Care into account as advocated by Professor Collette Tayler¹ [sic], by adding what we spend on child care to early education expenditure, I strongly suspect our figures would give a new meaning to "Downunder".

In the last survey Australia showed an investment of only 5.8% of GDP in school education, behind 17 other OECD countries.

What about the workforce?

Here is why we are facing workforce shortages.

Too many of our children do not complete secondary school.

Whereas the top performing OECD countries have 95% or more school completion, Australia's retention to Year 12 is 80%. For Indigenous students, the current retention to Year 12 rate is 40%. Shame on us all.

It's Crunch Time, a report released this month by the Australian Industry Group and the Dusseldorp Skills Forum, urges Australia to aim for 85% completion by 2011 and 90% by 2015.² We will still be way behind.

Look ahead to 2040.

Access Economics (2005) calculates that achieving a 90% school completion rate by 2010 would contribute 65 000 more workers and expand the economy by more than \$9 billion in today's money by 2040.

It's Crunch Time points out that if by 2040 we have increased school and training retention rates among 15-25 year olds to 90% the impact on the economy would be the same as

- increasing Australia's total migrant intake by 180,000

- increasing workforce participation of older workers by 6.6%
- boosting GDP by 1.1% representing an additional \$500 per Australian in today's money

The increased school retention rates would also contribute \$2.3 billion in additional annual taxation receipts by 2040.

Workforce and vocational training usually invoke images of blue collar work and TAFE training.

University education; TAFE training. Why not University training and TAFE education? Both are equally vocational and should be equally valued by our culture and our laws. In an odd sort of even-handedness from the government, both have suffered from under-investment since 1996.

Charles Murray, co-author of *The Bell Curve*, a book emphasising the needs of the brightest students, also supports TAFE style education in pointing out that the trades and crafts offer valid alternatives students can choose based on how they want to lead their lives; he suggests that the choice of TAFE should not reflect intelligence but life style choices.³

Dr Peter Kell of the University of Wollongong has completed an inquiry into TAFE that shows we are falling behind in benchmarks in vocational education as much as in university measures. He also cites the need for TAFE to be a first choice for students.

The choice of TAFE, however, needs to reward the student with a well resourced and staffed tertiary education experience that will equip him or her with the skills and general education that will make our workers a competitive force in the global marketplace.

Professor Barry McGaw in Lecture 3 used the OECD PISA test scores to demonstrate clearly that there is serious inequity in Australian education: socio-economic status strongly influences educational results.

The wealthier an Australian family is, the more likely it is the children will finish school and be awarded a higher university entrance score. This fact distinguishes us from the really high performing countries such as Finland and Korea, where socio economic factors do not significantly affect school performance. In these and similar countries, government policy has created school systems in which more children come closer to their academic potential and whatever differences there are, they are not based on wealth.

The spread of literacy and numeracy results in the top performing and most equitable countries is much narrower than ours, indicating that equity in the education system has paid off in raising general literacy levels, thus earning the productivity bonuses described above. There are of course further bonuses in a population whose citizens are more fulfilled, live at a higher standard and feel more social cohesion.

The local research of Cardak and Ryan,⁴ at the ANU and Latrobe University, substantiate these international benchmarks. They studied students' Year 9 numeracy and literacy test scores and subsequent university entrance scores. Considering students with median scores in Year 9, high socio-economic status students had a 66% chance of going to university with a university admission index of 77.

Low SES students were dramatically differentiated with only a 20% chance of getting to university. They had a university admission score of 63. Being poor cost these students 13 university entrance points. Not providing these equally intelligent students with equitable access to education costs the nation greatly in lost productivity, innovation and potential.

But if the poorer students did get to university, a study by Miller and Birch of the University of Western Australia,⁵ shows that at every level of entry score, low SES students earned a 3% better first year result than did high SES students, including those who attended private schools.

Could there be a clearer example of how our failure to ensure equity in education is holding us back economically?

This is waste. Wasted prosperity. Wasted potential. Wasted youth. It has to stop.

In the last ten years, the federal government has failed to see the importance of human capital to the future of our nation. The Labor alternative government has designed New Direction policies that address these failures and aim to make up the deficiencies in the most effective and efficient way.

As Stephen Smith has said extra resources clearly have to go to primary schools in lower socio-economic areas, indigenous education and special needs.

An education policy such as that offered by the present Minister for Education, Julie Bishop, that would tinker with education through the last

years of schooling is doomed to make insignificant, albeit expensive, improvements.

A genuine school education policy should start in Kindergarten and operate as a coherent program from K to 12.

But actually, a healthy pregnancy is the real beginning of success at school. Government cannot guarantee a stable relationship between mother and father, but government can and should guarantee health care for mother and child. Good nutrition and health checks with follow up action are obvious health policies that must complement education policy.

Maslow's Hierarchy⁶ reminds us that before learning the three Rs, other more basic needs must be satisfied. After physiological safety – water, food, shelter and protection from the elements – the child needs to be loved and to belong to a community. The research is unequivocal: time spent with parents and family building strong relationships is fundamental to getting the most out of education. Only when these basic needs are supplied is the child physically, psychologically and emotionally secure enough to be ready for school, and not before.

Do Australian families today have the continuing security which is necessary to maximise educational opportunity?

The uncertainty of working hours under AWAs, the amount of work required to be done in shifts, on weekends and holidays and at short notice without the employee having a practical right to refuse, even on family grounds, creates new tensions in the family that can only penalise children and harm family relationships.

Work Choices damages the security young children need in the family and thus becomes **an anti-education policy**. We need flexible workplace laws that suit today's economic conditions but they must first provide working hours, maternity leave, family leave and childcare provisions adequate to support healthy family life and cognitive development of pre-schoolers.

Children in single parent families headed by a woman are disadvantaged in education by their relative impoverishment. For women, who work disproportionately in the retail, hospitality and child care sectors, wages are being eroded and gender equity is worsening.

All of these factors act to lower family security and the socio-economic status of the very families who should be able to make the biggest additional contribution to our workforce over the next decades through

the education and good employment prospects of their children. Poverty, relative poverty and the tensions created in families by poor employment legislation add up to a major capacity constraint that policy in a Labor government will counteract.

The importance of early childhood extends into school life. The more quickly and effectively health or educational problems are addressed, the more benefit the child can derive from good teaching programs. The significant expense of early intervention will be more than repaid through less expense in later remediation. Economic flow-on benefits are obvious.

Early intervention support includes full time permanent reading and mathematics specialists, nurses and educational counselors on the staff of every primary school. Every child should be evaluated at the start of school and at appropriate stages during primary school. And once a problem is diagnosed, it should be followed up with whatever health or teaching interventions are required. What a wonderful investment in our nation this will be.

Our policy recognises a learning core of skills and knowledge every child is entitled to and will depend on for further learning, eventual workplace skills and for self actualisation. These most essential elements of education will form a national curriculum that will bind young Australians together in shared knowledge, understanding, skills and equity.

Beyond literacy and numeracy, science, mathematics, history and languages other than English will be emphasised in our program to prepare our youth for a world of global competition, a world that will expect others to speak to them in Mandarin, Hindi, Arabic or Spanish.

It will also be important to do a better job of helping immigrant students and their parents learn English quickly and effectively so that they are able to participate in their children's lives at school, with friends and in the Australian culture. The positive effect on social cohesion will be a worthwhile investment in our schools.

Before I speak about teachers, I must declare a bias. I am a champion of teachers at all levels from preschool to university. I remember from my own education in Catholic schools many good teachers and the few real stars, like those scattered through, I hope, everyone's school memories.

These are the teachers who understood me, who pushed me – who let me dream.

The teachers who were my stars may not have been the stars for all other pupils. Each child is part of a different constellation and will need her own star. For this reason, we must value every teacher and create salary systems and public respect, to retain them whatever subject they teach, and encourage the best of our youth to choose teaching as a career highly valued by our nation.

My view is supported by the research.

Quality teachers are the most important single school factor affecting the standard of education, and good teachers influence the willingness of students to remain in school and to continue into tertiary education.

Students with low university entry scores often slip into teaching because the entry requirements are low. Some will have other abilities that will make them good classroom practitioners. Usually, however, the intellectual demands of teaching as we move further into the 21st century will be met only by teachers of superior ability. We should emulate Finland, Singapore, South Korea and Alberta, Canada, acknowledged by Michael Barber, Education Advisor to Tony Blair and to the Chancellor of NYC schools, to be the four best school systems in the world. All four of these schools systems select their teachers from the top third of university graduates.⁷

We need to encourage the best and brightest into teaching.

Australia has excellent teachers, thousands and thousands of them. But the retirement of baby boomers means that we need many more. In addition, to raise our education standard, teachers need to be better prepared than ever before.

Those teachers who do not reach our quality requirements deserve professional development to raise their knowledge and skills, or to assist them in identifying more appropriate career paths.

Our society already accepts paying more to those who carry heavy burdens of responsibility. Think of your own child as you listen to Haim Ginott as he describes his own feeling of tremendous responsibility in the classroom:

I've come to a frightening conclusion that I am the decisive element in the classroom. It's my personal approach that creates the climate. It's my daily mood that makes the weather. As a teacher I possess a tremendous power to make a child's life miserable or joyous. I can be a tool of torture or an instrument of inspiration. I can humiliate or humour, hurt or heal. In all

situations, it is my response that decides whether a crisis will be escalated or de-escalated and a child humanised or de-humanised.

Ladies and Gentlemen, only the countries operating with effective long term human capital policies will enjoy the fruits of the huge expansion of human knowledge and endeavour that is the exciting future for the wise nations of the world.

We have suffered under limited vision, vision so narrow it cannot see self imposed capacity constraints, vision so narrow it has wasted the prosperity we should have been investing wisely since 1996.

It is time to invest in our most important human capital account, the youth of our nation.

¹ Professor Tayler spoke in Lecture 3

² Australian Industry Group and Dusseldorp Skills Forum, *It's Crunch Time*, August 2007

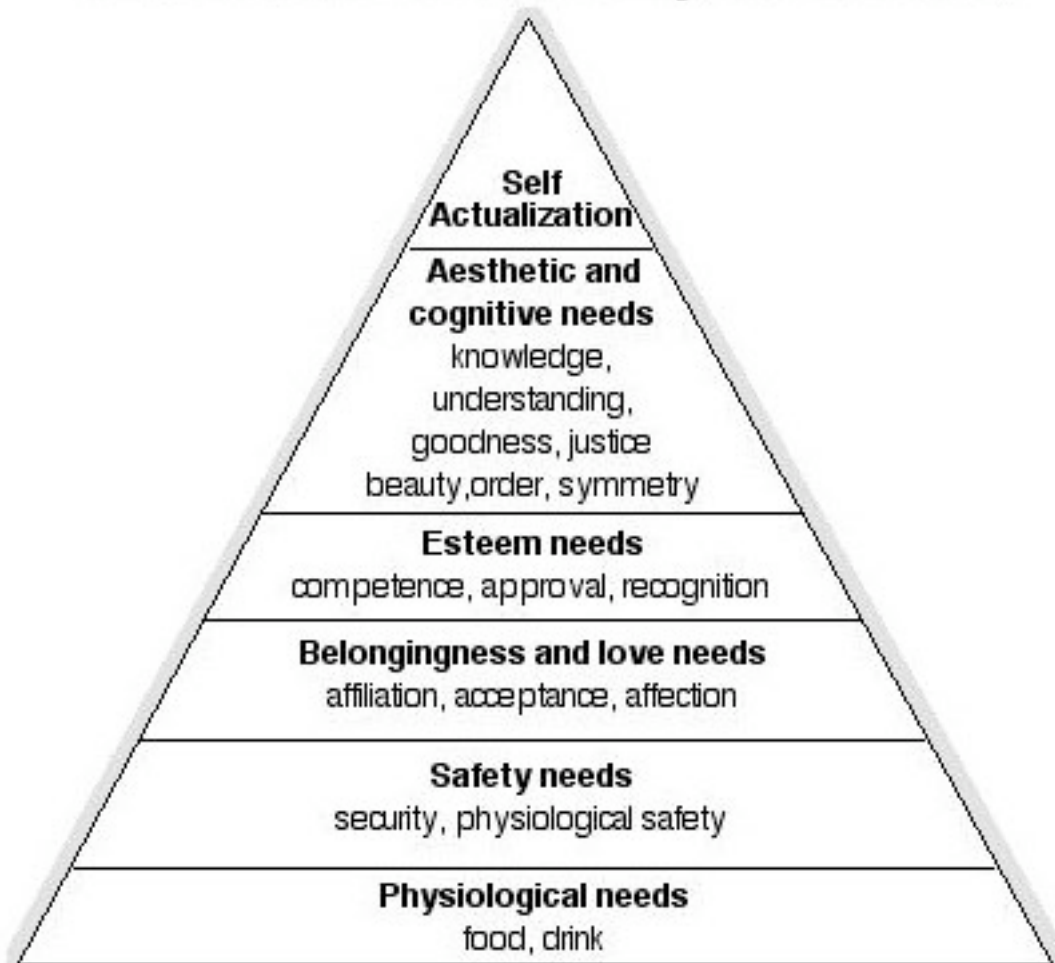
³ Charles Murray speaking on ABC Radio National, August 2007

⁴ Cardak, Buly A and Chris Ryan, "Why are high ability individuals from poor backgrounds under-represented at university?" Discussion paper No A06.04, June 2006

⁵ *The Influence of Type of High School Attended on University Performance*

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Maslow's Hierarchy of Needs



⁷ Sir Michael Barber, education advisor to former UK Prime Minister Tony Blair, to the Ohio Board of Education and to the New York Schools Chancellor, has a short list of four great school systems: Finland, Singapore, South Korea and Alberta, Canada. Their common feature is that "They all select their teachers from the top third of their college graduates, whereas the US selects its teachers from the bottom third of graduates". [NYT 15-08-07]