



remain an overwhelmingly energy resource, mineral and agricultural product exporter? New industry development and a services sector has been called for.

It is not clear how these will make their way in a highly competitive market. To make life more difficult, the Chinese economy and others may be slowing down and about to enter a new phase. How can Australia adjust to such changes?

Our current reliance for export revenue on mining and agriculture has long-term environmental consequences, both here and abroad. Are our current energy export strategies environmentally sustainable?

Some imagine Australia becoming the food bowl of Asia. Notwithstanding utopian ideas about genetic modification, this is not an easily achievable goal given Australia's highly fragile natural environment.

Expanding the mining and agricultural sectors may have short- to medium-term economic gains. Yet, expansion could be socially disruptive to Indigenous communities, further weakening their connection with traditional lands.

But there is more to the Asian century than just economics. The White Paper recommends the development of a world-class educational system, with much emphasis on developing our training infrastructure and language competencies. This is mostly presented as a passport to material prosperity; our interest in Asia, it seems, is largely instrumental.

We have yet to devise policies that acknowledge the richness of Asian cultures, their literatures, their values, their ancient and still living wisdom. Our much vaunted multiculturalism could gain much from a deeper religious and ethical understanding, as well as the political and legal systems that are integral to a re-emerging Asia.

If culture is the great unspoken subject in Australia's efforts to engage with Asia, security is not far behind, most noticeably China's rise. While Japan, South Korea, India and Indonesia will all be important partners for Australia, relationships with them

are more easily managed either because they are themselves aligned to the United States, or because they pose much less of a threat to US ascendancy in Asia. China is a different proposition — politically, culturally, and strategically.

The dialogue with China has to engage not just political leaders, generals and diplomats, but our business communities, lawyers, doctors, architects, athletes, intellectuals, students, artists and journalists. It must address traditional security concerns, including China–Japan tensions, the South China sea dispute, nuclear proliferation, and UN peace operations, but also emerging regional challenges, including climate change, piracy, organised crime, and child trafficking. It must also take account of the legitimate interests and concerns of our Southeast Asian neighbours.

A durable China–Australia conversation can serve as a powerful tool for mutual listening and learning. If properly conducted, it will be a catalyst for high-quality joint research and policy innovation.

As for the United States, Australian policy makers and citizens alike have to recognise that it is no longer the dominant power it once was. A special relationship with the United States is worth preserving in trade, investment, education, technical innovation and culture; so, too, is a cooperative approach to climate change, humanitarian emergencies, peacekeeping, arms control, and disarmament.

There is little to be gained from subservience to US military priorities and diplomatic interests, or support for policies that seek to contain China. We may also need to take our distance from US military interventions in the Muslim world, including surveillance, drone strikes and the punitive responses surrounding the Assanges and Snowdens of the world.

Which brings us to the new realities of a shrinking and increasingly porous world. We are just beginning to realise — all too slowly — that most of the problems we presently face exceed the problem-solving capacities of any one nation.

Drug trafficking and people smuggling, climate change, humanitarian disasters, refugee flows, piracy, pandemics, nuclear proliferation, terrorism, and financial crises are just some of the challenges weighing heavily on Australia's future. They bear upon not just our external relations but every facet of Australian society, economy and environment. They straddle foreign and domestic policy.

As daunting as they are, these challenges also offer opportunities for a middle power like Australia to develop a unique path to "international good citizenship". We have at different times dabbled with the idea, but have rarely taken it seriously.

Kevin Rudd, in his first term as prime minister, floated the intriguing idea of an Asia-Pacific community. The initiative was poorly articulated and made little headway, lacking prior consultation with neighbours and awareness of sensitive cross-culture dialogue.

In the 1990s, Paul Keating established the Canberra Commission for the elimination of nuclear weapons. More than a decade later, Kevin Rudd initiated another commission — co-chaired by Gareth Evans — on the same subject. Both produced excellent reports, but conservative and Labor governments have not followed through.

Regarding the fraught question of boat arrivals, none of the parties has yet articulated or implemented a policy which distinguishes action against people smuggling from our obligations to asylum seekers. Many of those seeking refuge are fleeing situations in Afghanistan, Iraq or Iran (to which we contributed through military intervention or sanctions) and in Sri Lanka (where we failed to respond to gross human rights abuses and possible war crimes).

We devoted much effort to secure a seat on the UN Security Council, with little consultation with our Asian neighbours.

Simply put, the idea is that people — individuals and communities — rather than the state should be at the core of all security-related policies. In other words, security policy needs to

go beyond mere defence of territory to include economic security, environmental security, human rights, democratic governance and the rule of law.

Though Australian governments have periodically paid lip service to human security, we have yet to see a carefully crafted statement of objectives with a detailed plan for the institutional and policy changes needed.

Such a programmatic approach offers several advantages. First, it signals a clear commitment to good international citizenship, and invites wide-ranging consultation and cooperation with Asian partners and vulnerable societies as well as allies.

Second, it fosters a whole-of-government approach that overcomes the artificial separation of domestic and foreign policy. It calls for a systematic effort to bring together all government bodies — federal but also state and local — whose expertise and insights bear upon a given problem area.

Third, a human security framework can more effectively engage civil society in the formulation, implementation and review of policy. It opens the way for institutional arrangements that can harness the expertise, insights and connections of universities and research centres, development, human rights, disarmament and other advocacy groups, professional associations, ethnic community and religious organisations and the wider public.

It is unlikely that our major parties will embrace the vision outlined here any time soon. Yet the need to set a new agenda has never been more pressing. Perhaps the coming election campaign can at least contribute to a wider and more focused public conversation.

# Looking after Australia

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4 August 2013

*Today, we examine conservation, sustainability and biodiversity in modern Australia.*

In election season, policy wishlists abound. Rent-seeking interest groups, industries and communities compete for media and politicians' attention. The richer ones buy both.

Environmental concerns, if mentioned at all, appear lower down in the ubiquitous polls. Are we relaxed and comfortable about our environment and how well it is being managed?

## **Taking the environmental pulse**

According to the last two *State of the Environment* reports, it is difficult to be definitive about environmental conditions because we have failed to invest in proper monitoring. But overall trends in water quality, wildlife habitat and fauna populations are mostly negative.

There are positive signs. Energy and water consumption have declined in a strongly growing economy. Urban air quality has improved; we've seen gains in water use efficiency in irrigated agriculture; there's better waste management in cities and extraordinary growth in household adoption of solar PV. South Australia already derives almost 30% of its energy from wind and solar.

Notable landscape restoration efforts from 20 years of landcare and catchment planning and a high level of involvement by farmers have improved tree cover, habitat quality and river health in some districts.

Informed by comprehensive policy analysis and reviews, the Clean Energy Future (carbon pricing) package was ground-breaking, and the Murray Darling Basin Plan is an historic attempt to correct decades of over-allocation of water resources.

## The work on the ground

The Commonwealth has become a major investor in national environment, natural resources and agriculture programs over the past 20 years, but this very welcome funding has probably been more than offset by concurrent cost-shifting, backsliding (such as on environmental regulation and compliance, now derided as “green tape”) and disinvestment among state and territory governments.

Government environment programs tend to be short term (usually one electoral cycle) and lack continuity with previous programs (especially after a change of government). Floating the carbon price early and axing the Biodiversity Fund without consultation are merely the latest examples. Such ad hoc decisions perpetuate uncertainty and job insecurity for professionals in the field, and confusion for the community and hapless citizens. The bipartisanship so evident in the 1990s Decade of Landcare is long gone.

There will never be sufficient public funds for environmental management. Our multilayered environmental management system runs from landholders to landcare and other community groups, to regional or catchment natural resource management bodies, to the states and the Commonwealth. The growth of environmental NGOs, private nature conservation, community landcare and other community efforts are important environmental assets.

A strong thread of voluntarism gives this model resilience and flexibility.

Governments have a habit of initially showing trust and devolving responsibility to appropriate levels, then re-centralising funding and control. Increasingly, it seems that governments are unaware of this devolved network and its replacement value. Our natural resource management system is unique, but in danger of decaying through ignorance and neglect.

## **Can we insure our environment against destructive change?**

The processes we are trying to influence operate over decades if not centuries, often at continental scale. Short-term, sporadic, disconnected interventions tend to be ineffective, especially as we confront increasingly difficult climates.

Climate change amplifies environmental risks, and makes the implementation of best-practice environmental management even more important.

Even World Heritage-listed conservation icons such as the Great Barrier Reef and Kakadu National Park are struggling to secure the resources and protection they deserve. The private, community and philanthropic sectors are taking up some slack in looking after special areas, but overwhelmingly, public good investment is left to governments.

Protected areas (marine and terrestrial) remain an important tool in the conservation toolkit, but there is a healthy debate about their role in a rapidly changing world.

Risks to particular assets such as the Reef and Kakadu, or the impact of a particular development, such as an open-cut mine, are visible and quantifiable. But of greater concern are the impacts caused by insidious, cryptic and chronic processes operating all the time over whole landscapes: such as invasive species, altered fire regimes, over-pumping from or contamination of aquifers, land clearing, sea level rise and coastal erosion.

The Australian community, industries and governments at all levels have yet to fully grasp the implications of climate change: the likely frequency and intensity of major events, the need for new planning approaches, the need to rethink infrastructure, the need for much more nimble and responsive approaches that can bounce back after more frequent and more damaging disasters, and the futility of just “putting things back as they were”.



## What to look for in election commitments

Over the past 40 years, Australia has been most effective in achieving societal change when we have applied a mix of policy instruments strategically over decades. Road safety, AIDS, drink driving and anti-smoking campaigns are obvious examples.

The closest environmental equivalent is the carbon pricing package. But it has suffered from volatile policy settings, virulent public debate, and insufficient time to prove its return on investment, notwithstanding early promising signs. While our aggregate emissions are flat, Australian per capita emissions are still the highest in the world. We have a huge emissions reduction challenge.

So, what should we be looking for in the policy platforms of all parties, and in the environmental understanding of local candidates?

We need policy commitments that show we want to manage this old continent as if we intend to stay for good. For example:

- Commitment to governance reforms to sort out the respective roles of the Commonwealth, states and territories; for example, for mega resource development projects. These are depletable resources, owned by the people, that we can only dig up and sell once. We must maximise total benefits over the long term, taking off-site (including global emissions) and inter-generational impacts into account.
- Regional leadership in renewable energy. We must maintain a meaningful carbon price and ambitious targets for emissions reduction and renewable energy production, and substantially remove fossil fuel subsidies.
- Close, active engagement with the countries in our region as strategic investors and partners in emissions reduction and clean technologies, not just as markets for our exports or aid recipients.

- Rethinking the role of and reinvesting in active management of protected areas terrestrial, coastal and marine.
- Intelligent research investors, supporting long-term research programs, ecosystem monitoring and research infrastructure to measure progress at scales from site to continent.
- “Little platoons” of willing land-owners, community groups and catchment bodies can do more to improve the environment and food system than central governments, but only if governments acknowledge and support grassroots efforts (through funding, research, training and access to data and information).

Most Australians still care deeply about the environment. Enlightened environmental leadership pays political dividends, and the community wants to see bipartisanship and commitment to long-term programs needed to look after Australia.

Australia can and should be playing an environmental leadership role in the region and beyond. This would position us well, economically and geopolitically, in the Asian century.

If you have a conscience, kids or grandchildren, you have a stake in this and it should influence your vote.

## The way we learn

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6 August 2013

*Today, we examine the issue of education, all the way from early childhood to tertiary level.*

Most of us have a stake in education policy, for one reason or another: your children, grandchildren, nieces or nephews might be currently in school; you might be planning to start a family; or, at the very least, you once were a school student yourself.

So it is quite right that education receives the attention it deserves from the media and from our politicians in this upcoming election.

However, if you have been paying attention to education coverage in recent weeks and months, you would be forgiven for thinking the Australian education system is on a verge of a major crisis. It is not. But there are some matters that need attention.

To bring it back to basics, Australia has a good education system and we perform well on international measures. However, there are some matters that need to be addressed:

- Levels of participation in early childhood education are too low, and too many students start school below the expected level of capability.
- We have low levels of equity compared to other developed nations; the gap between our highest and lowest performing students is among the highest in the OECD.
- While our international performance is strong, it is slipping and our most able students are slipping the most.
- Our new teachers, on the whole, are not receiving the preparation they need to be as effective as possible in the classroom.
- The profession of teaching is generally held in low esteem, when it should be one of our most respected.

Essentially, the answer to all these challenges comes back to one basic principle: teaching is key. Research has shown time and again that teaching is by far the most crucial, adjustable driver of student outcomes. With this in mind, I would like to explore some of these challenges and potential solutions in a bit more detail.

### **Early childhood education**

Education is a vital part of young children's wellbeing and development, yet many of the young children who really need access to a high-quality learning environment are not receiving it.

Indeed, Australia's levels of participation in early childhood education is well below the OECD average.

The children who suffer the most from this are those from disadvantaged backgrounds, who do not receive the support they need at an early age. They then start school behind their peers and it becomes difficult for them to catch up.

Quality is another issue in early childhood education — it is highly variable, to say the least. And yet, we know from research that quality early educational intervention makes significant long-term differences to IQ, social, educational and employment outcomes.

The Labor government under both Kevin Rudd and Julia Gillard has made significant steps towards addressing both the participation and quality issues in Australian early childhood education, and this should be commended. However, there is still much to be done. In particular, clinically trained early childhood education experts should be deployed through the system, to work with local networks of early educators and families to provide specific guidance and coaching on infant and toddler education.

### **Meeting the needs of every learner**

A major study led by Patrick Griffin from the Melbourne Graduate School of Education has found that improvement in student achievement is concentrated among less able students, with the performance of more able students almost flatlining. Professor Griffin also found that teachers do not have the strategies to develop higher order skills in numeracy or literacy among their students. It is likely that this is a result of the recent focus on disadvantaged students.

These findings are consistent with Australia's performance in the international Programme for International Student Assessment (PISA) tests, which show that our top 30–40% of students are underperforming. They point to a worrying trend — if Australia does not realise the potential of its brightest learn-

ers, we will not be able to compete internationally, particularly as our Asian neighbours continue to flourish.

It is vital every student in our system — regardless of their ability — receives a year of learning growth in return for a year of input. Our obsession with meeting “minimum standards” may be contributing to the lack of attention our most able students are receiving. To put it simply, a student may meet or exceed the minimum standards set by, for example, National Assessment Program — Literacy and Numeracy (NAPLAN), but their learning may not have grown sufficiently over the past year.

We need a shift in focus from meeting set standards to demonstrating growth.

We also need to focus more on the learners’ needs and identify when they understand a concept on the surface or at a deeper level.

Greater attention needs to be given to using data and evidence to meet the needs of individual learners. Teachers can then determine what each student is ready to learn; have the capabilities to support learning; and are able to evaluate the impact they have on the learner. Teacher education courses and professional development for existing teachers needs to prepare teachers with these vital skills.

### **Teacher education**

There has been a lot of debate this year about perceived falling entry standards into teacher education courses. While university entrance scores or ATARs are an imperfect measure of student ability, and high numbers of teacher education students enter at the graduate level (where ATAR scores are no longer relevant), the fact remains that since 2009, the proportion of teacher education offers to school-leavers with an ATAR below 70 has increased to 52% last year from 45%.

At the same time, Australia has been increasing its over-supply of teaching graduates (particularly in primary and secondary humanities). This is being exacerbated by the demand-

driven system — a policy which saw the removal of the government cap on undergraduate places.

This higher education policy is contributing to the steady decline in the average ATARs of undergraduate teaching students nationally, in turn lowering the esteem in which society holds the profession and deterring high performing students from studying teaching.

As Ed Byrne, Vice Chancellor of Monash University, recently wrote, we would not accept low entry standards into other important professions, like medicine. What makes teaching an exception? I would argue that we cannot fix some of the major challenges facing our education system, including the low esteem in which teachers are held, until we fix this fundamental issue with teacher education.

We should also consider allocating Commonwealth supported places in teacher education according to national supply and demand data, as currently happens in other professions. This will address issues of over-supply, and help target priority areas including special education, mathematics, science and foreign languages.

### **A note on funding**

School funding has dominated the Australian education debate this year. The reforms proposed by businessman David Gonski and his panel are commendable; they offer a practical solution to address Australia's overly complicated and vastly inequitable system of school funding.

While the watered-down version currently under debate is far from perfect, it still represents a potentially large injection of additional funds into government schools, which is certainly called for. With the majority of states and territories now on board and newly announced bipartisan support, it looks as though the changes to school funding are here to stay.

However, it is important to bear in mind that additional funding, while necessary, is not a magic bullet in itself. How that money is spent is just as important, and I would argue this should be on measures that support teachers and teaching.

## Conclusion

Governments have got some things right in education policy over recent years — notably the increased focus on quality early childhood education and ongoing reforms to Australia’s school funding system. However, there is still much to be done to ensure Australia continues to enjoy a high performing education system, and to make sure the needs of all our learners — no matter their background or their ability — are met.

In addressing these challenges, we need to remember that it all comes back to teaching; and in doing so, we need to give the profession the respect it deserves.

## What do we look like?

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9 August 2013

*Today, we examine the “face” of Australia: what we currently look like, and how and why asylum seekers and immigration issues dominate our political debate.*

Surveys ranking the electoral significance of political issues consistently find economic issues are ranked first, followed by health and education. Population issues and asylum, along with the environment, rank as second-level issues.

One of the most recent surveys, conducted in July 2013 by Essential Research, asked respondents for the “three most important issues” in deciding their vote at the federal election. It found

just 9% indicated “managing population growth” and 14% rated “treatment of asylum seekers” as important, up from 6% in November 2012 and 11% in June 2013.

### **Population growth**

The broader context for population issues at this election is the above average population growth in recent years. Over the period 1970–2010 annual population growth averaged 1.4%. There has been above average growth in six of the past seven years, with a peak at 2.2% in 2008.

In 2012, Australia’s population increased by an estimated 394,200 to reach close to 23 million. Of this increase, 60% was contributed by overseas migration and 40% by natural increase. The highest growth was in Western Australia, where the population grew by 3.5%, followed by the ACT (2.3%) and Queensland (2.0%).

Immigration policy has undergone substantial change in recent years with the majority of migrants arriving on long-stay rather than permanent visas, as well as the substantial migration of people from New Zealand, who gain settlement here but limited rights. The magnitude and significance of these changes is little understood in public discussion.

The biggest categories of long-term admissions are overseas students, business visa holders and working holiday-makers. The long-term intake was designed to be flexible and self-regulating, providing benefits to Australia in terms of labour supply, notably through the employer-driven 457 visa program.

The large numbers of overseas students, who bring benefits to our university sector through fees and enriching student interaction, also have work rights while in Australia. Long-stay visas entail tax obligations but do not confer welfare benefits and hence limit cost to government. There is, however, the risk of developing an under-class — an issue that is gaining attention with regard to arrivals from New Zealand.



## Controversies in migration policy

Population issues have sparked a range of controversies in recent years. One concerned the rate of population growth, an issue that figured prominently in the 2010 election, with the Liberal Party presenting a policy to cut immigration and Labor arguing that reduction to the intake had already been made.

The issue in part stemmed from the 2010 Intergenerational Report, which projected an Australian population of 35.9 million in 2050 on the basis of a relatively conservative estimate of annual population growth of 1.2%. In the ensuing debate, supporters of growth were characterised as the advocates of a “Big Australia”.

Most opinion polls between 2007 and 2012 have indicated majority support for the immigration intake. The Scanlon Foundation surveys, the one consistent measure of attitudes over these years, found that in four of the five surveys, support for immigration was close to 55%, with a substantial minority of almost 40% who considered the intake to be too high. Reasons for concern were tested in the 2011 Scanlon Foundation survey and the greatest concern was with the overcrowding of cities.

Students have been motivated to study in Australia by the expectation that this would enhance their path to permanent residence. There was much disappointment in 2010 when the government introduced a changed points system, greatly reducing the occupations scored favourably in applications for residence.

Students in Australia have also reported many cases of racist attacks, with a crisis in 2009 sparked by violence against Indian students, including acts of murder. The number of overseas students had increased rapidly between 2005 and 2009, from 192,775 to 386,258. Since the 2009 peak, there has been a decline to 307,050 in June 2012 and, significantly, the number of Indian students has declined from 91,920 in 2009 to 38,029 in 2012.

One current controversy concerns 457 visas holders, who are entitled to an initial residence of up to four years. The number of 457 visa holders reached 162,230 in June 2012.

In June 2013 the Labor government, responding to criticisms that local workers were being denied job opportunities and employers were exploiting foreign workers — claims contested by industry groups — secured the passage of amended legislation to ensure that foreign workers are introduced only to fill genuine skill shortages. The changes require employers to first test the labour market by job advertisement, and there is increased funding for inspections to ensure that wages and work conditions are not undercut. The legislation passed without opposition support.

### **The asylum seeker dilemma**

By far the most prominent issue in 2013 relating to immigration concerns the arrival of asylum seekers by boat. While asylum is not strictly an immigration issue, it is seen as such by a significant section of the electorate.

Analysis of Google searches over the past 12 months indicates that between 10% and 20% of people use the terms “illegal immigrant” and “boat people” when seeking information on asylum seekers, with the highest proportion using such terms in Western Australia.

When Scanlon Foundation surveys asked respondents why asylum seekers were seeking to enter Australia, by far the most common response to an open-ended question was that they “came for a better life”.

The asylum seeker issue has sparked controversy in earlier times, with the 2001 election fought on the rallying cry of prime minister John Howard that “we will decide who comes to this country and the circumstances in which they come”. The Howard government introduced a range of policy innovations, including temporary protection visas and the so-called “Pacific Solution”, entailing offshore processing for asylum seekers.

In following years, the number of asylum seekers arriving by boat fell sharply from an annual average of close to 3,500 between 1999–2000 and 2001–02, to just 40 per annum over the

next six years. Following the repeal by Labor of key elements of the Howard policy in 2008, there has been a steady increase in the number of asylum seekers arriving by boat from 668 in 2008–09 to an unprecedented 25,000 in 2012–13.

While the exact cost of the increase is not readily available, the core budget allocation increased from A\$112 million in 2008–09 to \$1.05 billion in 2011–12, and now an estimated \$2.867 billion for 2013–14.

Attempts by the Gillard government to halt or reduce arrivals failed, despite the reintroduction in August 2012 of offshore processing on Manus Island and Nauru and the introduction of a “no advantage” policy, whereby those arriving by boat gain no advantage over refugees who apply overseas for protection in Australia. On July 19 this year, the Rudd government announced that those arriving by boat would be sent to Papua New Guinea and would have no prospect of being settled in Australia.

The 2013 change in Labor policy arguably left little difference between the policies of the two major parties. The Greens, in contrast, advocate the closure of Australia’s offshore detention centres; completion of health, security and identity checks in a maximum of 30 days; the fostering of regional cooperation to deal with the asylum problem; and an increase in the annual refugee intake by 10,000 to 30,000. The stated aim of the policy is to stop people smuggling by presenting refugees and asylum seekers with a viable alternative to risking their lives at sea.

The asylum issue sharply polarises the electorate, with a number of polls finding less than 30% of the population support permanent settlement in Australia for asylum seekers arriving by boat. Essential Research surveyed respondents to see if they supported the Labor policy of settling all asylum seekers arriving in Australia by boat in Papua New Guinea and found 61% approval and 28% disapproval.

Irrespective of the electoral outcome, it is likely that there will be difficulties in the short-to-medium term in halting the

arrival of asylum seekers by boat or the protests in offshore detention centres, and the increasing polarisation of Australian society.

## Australians, one and all?

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13 August 2013

*Today, we examine social inclusion, equality and addressing Indigenous disadvantage.*

Politics and policy during elections offer a compressed vision of what the contenders for power decide will win votes and what they hope to achieve.

Voters have been told for years that the role of government is primarily to make economics work for GDP growth. But the constant debates on surpluses, deficits, spending and cuts leaves little space for debating social policy directions and values of equity, fairness and social cohesion.

While economic growth and engagement are important, both individually and as a society, making these the basis for policy decisions is likely to cause serious harm to our social ethos and, more specifically, to those who lose out.

Electorally, we are assumed to live in an economy, not a society. Even general policies tend to be discussed and justified via their economic contribution: better education funding = more jobs; more help with disability = more able to find paid work. Even when a policy could be seen as making a social contribution (such as the government's out-of-school care package), the justification is often only economic (to make it easier for more women to find jobs, which will boost the economy).

When asked about what's important to them, most people value social wellbeing: relationships, community, dignity, belonging, respect, being valued and feeling useful. And as the World Health Organization notes, social factors have an important impact on health and wellbeing.

So why do these issues fail to raise much political interest in contenders for government?

Neither major party has issued policies that indicate they have future visions of a healthy, inclusive, optimistic society. Their push to identify most voters as self-interested consumers commodifies and coarsens election choices. It leaves little space for discussion of what else matters and legitimises targeting those not seen as economic contributors.

The current election agenda and gaps suggest this election will be the first where major parties compete to be seen as tougher on some of our most vulnerable groups, such as Indigenous Australians and sole parents.

### **Reviewing existing policies**

Alongside implementing new policies, it's important to take stock and assess what works and what doesn't, and abandon poor social policies. There is ample social data that could inform policies for reducing inequalities of groups that have lost out.

But despite the government claiming to practise evidence-based policy-making, it has regularly failed to use its own data. We hear little, for example, about the Social Inclusion program, set up in the early Rudd days, and the Closing the Gap program to redress Indigenous disadvantage. The latter prompted many reports, via the Australian Institute of Health and Welfare, but there is little evidence these are read, let alone used.

As a result, a number of poor social policies have been introduced, continued or expanded:

- widespread cuts to sole parent payments, including most who had jobs, that fail to recognise parenting time demands and create serious poverty

- low levels of Newstart payments, despite wide evidence of its inadequacy for job seekers
- changed criteria for the Disability Support Pension reduce the numbers that are eligible for the higher payment
- the Northern Territory intervention, started by Howard but adopted by the ALP as Stronger Futures
- income management, which is now spreading widely to a range of welfare recipients
- Closing the Gap programs that fail because they don't meet basic criteria for what works.

The imposition of ever more punitive conditions on welfare recipients are excused as being for their own good — getting sole parents, people with disabilities, and other disadvantaged Australians into paid work. These controls are increasing as more categories of payment recipients are being put on compulsory income management, which restricts where they spend at least half of their benefit's income.

All of these welfare recipients face external barriers in finding paid work, particularly in a time when nearly 700,000 Australians are “looking for work”. This number alone grossly exceeds the number of advertised job vacancies by a factor of at least five to one. Add in the levels of skill and recent experience required by employers, geography, transport, age, language skills, minor visible disabilities and the needs of children, and most will be rejected by employers.

The official assumption that there are enough jobs out there for all becomes ever less credible. Add in to the picture the 300,000-plus recipients of the inadequate Newstart allowance of around \$497 per fortnight who are exempted from job-seeking and the logic of poverty pay becomes even more absurd.

The Greens and some lobby groups of sole parents have been trying to raise these issues but the major parties ignore them despite none delivering good outcomes.

So, which social issues should be on the election agenda?

## **Sole parents and Newstart**

There is a campaign by sole parents and some supporting groups to put all sole parents with dependent children back onto the parenting payments. This would not only increase the payment rate, it would also allow parents to do more part-time work before their payments are reduced.

The 2006 “welfare to work” reforms placed sole parents who entered the welfare system on Newstart if the youngest child was aged eight years or older. This was extended by the Gillard government in January this year, moving all sole parents with children aged over eight from parenting payments to the lower-paying Newstart.

This occurred despite the lack of evidence that these 2006 changes improved the rates of employment. Australian Bureau of Statistics figures showed no related changes in finding jobs between 2005 to 2011, and a recent report showed sole parents’ income had dropped over the same period. As most of those transferred in January were already in paid work, the government’s claim that the cuts would push them into paid work doesn’t stack up.

The data and experiences suggest that parents of children under 16 should be returned to parenting payments, as this encourages more part-time work than Newstart.

## **Compulsory income management**

This program was part of the original NT emergency response, and is often ignored as it is assumed to be targeted at Indigenous people. It has, however, already been extended to other welfare recipients in the NT and to six other (pilot) sites, including Bankstown and Shepparton, despite the absence of evidence that it has worked in the NT.

The stage-one report stated the data offered little significant evidence of benefits. The research, led by the Social Policy Research Centre, also expressed concern about the possible damage the program could have on recipient self-esteem and a

sense of agency, as Centrelink controlled how they spent at least half their income.

Minister for Families, Community Services and Indigenous Affairs Jenny Macklin ignored these findings and has since announced further categories of payments, including ex-prisoners and young people at school. These moves suggest the government will increasingly take control over the spending of payments of any group they consider needs order and discipline.

The compulsory program should be terminated, with those who find it useful being transferred to Centrepay (where customers can pay bills as regular deductions from their Centrelink payments), or a voluntary version. Any recipient of payments who is proven to have money problems should be individually case managed. This would also save money, as A\$1 billion-plus has already been spent or allocated.

### **Closing the Gap**

Here, the major parties' rhetoric often assume problems come from deficits in people and Aboriginal communities, so the programs fail to recognise external cultural and structural factors that damage their communities. The gap is not just vertical, but also horizontal because, as non-Indigenous Australians, we fail to acknowledge what we need to learn from them.

Starting bottom up and engaging local people in partnership, rather than deciding in Canberra, would improve outcomes. The question is how more autonomy and local decision-making can link into wider results that offer better options to all, including us.

### **Conclusion**

Australia as a unified nation does not mean imposing a one-size-fits-all model on very diverse populations; it does mean offering a fair go to all who share this country.

This must start by addressing these serious deficits in the election policy agendas of both major parties and making sure



these issues are not ignored. The over-emphasising of primarily economic needs, interspersed with increased social control of those who fail to fit in, will not create the necessary resilient ties we need to nurture unity in this nation-state.

## The ground beneath our feet

Jonathan Law

CSIRO

14 August 2013

*Today, we examine Australia's mining and resources boom, its challenges and how we are positioned for the future.*

Australia has a massive global advantage — thanks to its geology. Almost 60% of the continent remains to be explored for minerals and energy.

But the harsh reality is it will not be explored without a national vision that balances development with social and environmental constraints.

Natural resources are now at the centre of political, economic, social and environmental debate. Driving this is the world's growing population and shifting dynamics of the global economy.

Nowhere has this debate been more polarised than in Australia where, on the topic of minerals and energy, national and commercial interests compete on the global stage.

So, how should we proceed if we are to embrace our geological riches?

### Two truths

The distribution and development of minerals and energy has shaped our nation. The future will be no different. But how we best manage this development has been lost in the noise.

Two important truths are often overlooked.

First, we are all consumers and beneficiaries of the natural resources provided by planet Earth. So we all share the consequences of our decisions.

Second, “earth systems” and the global economy are inextricably linked and changes to these systems have far-reaching implications.

Our iron ore exports, for example, drive growth in Western Australia but also feed steel mills that generate employment and drive greenhouse gas emissions around the globe. There is no doubt that the sector and its accompanying services sectors are integral to the health of Australia’s economy — mineral and energy resources make up the largest portion of Australia’s exports (A\$191 billion of \$317 billion).

Demand and the price of resources are cyclical, but the trend over the last 200 years for mineral resources has seen demand increase and metal prices decline. For our energy resources such as coal and gas the demand will also continue. As CSIRO’s Dr Alex Wonhas recently noted, despite the rapid growth in renewable energy, the International Energy Agency forecasts that 75% of global energy will still be met by fossil fuels by 2035.

To talk of the “extractive industries” without looking at their impact on our lives is a constant source of tension in the resources debate. So, we need to seek solutions built on a strong knowledge base and strong understanding of all views.

### **What are the big hidden challenges?**

Technical challenges facing the resources industry are many and well documented: declining quality of current deposits, reduced rates of discovery of new resources, cost and productivity pressures, safety and environmental concerns, and shifting social expectations.

Many of these issues are directly addressed by industry and the research community. A core role of CSIRO is to build

cohesion across these sectors and align industry and research interests with the national interest.

Inevitably, mining companies are driven by single development opportunities, rather than taking a national view. And that's where things get interesting. At the national level, there are several constraints that make it difficult to ensure mining benefits the nation.

First is knowing what we have and recognising that it is finite: ore-forming processes operate slowly, thus energy and mineral resources are non-renewable assets. Our history of resource development means that known assets are already highly depleted.

It may surprise you to know that we have only a limited understanding of the distribution and variability of many of our resources. One inevitable consequence of this is that newly discovered deposits are under pressure for rapid development, because there are limited known alternatives. Declining discovery rates will make this challenge more acute with time. These hidden deposits represent Australia's "future options" and so we must enable successful exploration.

Second, quality is king in resource developments: some deposits are called "company makers" — these are high quality resources of giant scale. Broken Hill, Kalgoorlie, Olympic Dam, Bendigo, and the Bowen Basin all fit in this basket. These kind of deposits can weather cyclic commodity markets and generate sustained wealth. In fact, Minex Consultants estimate that for base metal discoveries from 1985 to 2003 globally, 14% of the deposits deliver over 65% of the total value.

Many Australian deposits are either too complex or too low quality to justify commercial development. For example, two-thirds of our nickel is tied up in oxide deposits that are large scale but their low grade and complex mineralogy preclude developing them. We need a strategy to deliver "company makers" and national wealth creation.

## Positioning Australia

So what can we do differently to better manage the interface between individual companies, resource industries and the national economic and social needs? One solution is to better balance today's pressures with long-term industry transformation through research and development. On a national scale our efforts to do this remain fragmented.

Tackling discrete issues will not lead to transformation. The industry and research community need to put together the pieces of the puzzle — from exploration to metal production and manufacturing.

Initiatives such as UNCOVER, led by the Australian Academy of Science, do this. Because of UNCOVER, we will better understand our national endowment of mineral resources. This will help us make better decisions about mining, processing and metal production.

At a more strategic level, we need to recognise that fragmented conversations at a local or operational scale no longer deliver long-term value. At worst, they send mixed messages to industry, investors and the community.

We need to start with an all-encompassing national conversation about the future of the sector. This must include a frank and balanced exchange about what is really driving development options. It needs to deliver a national vision for the development of resources that frames the principles to which we aspire, so that any policy uncertainties remain within a national strategy.

Then, and only then, will we be able to manage our resources effectively and deliver shared solutions that acknowledge short-term interests but position Australia strategically for the long term.

This is clearly a national issue with major implications for Australia's future and what we, as Australians, want our future to be.

# How we live and die

Jim Gillespie

*University of Sydney*

15 August 2013

*Today, we examine the issue of health care, from service reform and hospitals, to balancing the budget, and keeping Australians healthy.*

This year is shaping up to be one of the first federal elections in decades where health is not a headline issue. So far, both parties have avoided grand promises. And the partisan rancour that once marked Australian health policy has diminished.

A decade ago, cuts to Medicare funding had proved a major sore for the Howard government. A decline in bulk billing was causing electoral pain, driven by the Howard government's slow squeeze on payments to general practitioners (GPs). Tony Abbott made his name as the health minister tasked — and funded — to remove this electoral liability. He restored bulk billing levels and declared himself “the best friend Medicare ever had”.

Both Kevin Rudd and Abbott have a history of grandiloquent claims in health services reform: Abbott declaring that the only reform worth doing was removing control of hospitals from the states (until swiftly silenced on the issue by John Howard); while Rudd combined grand promises of sweeping health system reforms with the threat of a referendum to seize state hospital powers.

These ambitions have disappeared in the current campaign. It may be that the Australian public, and politicians, have been exhausted by the recent reform agenda. Changes have been implemented at the organisational and funding level, with reform objectives getting lost in the mire of federal financial relations. It will take years before their effects are clear. And the benefits for consumers are taking even longer to trickle down.

So, what are the key health issues that could emerge during the election campaign?

### **Bipartisan support for Rudd health reform**

The Coalition has been silent on Rudd's and Julia Gillard's shift of hospital funding towards "efficient pricing", where hospitals are paid a standard price for each service they provide. This rewards hospitals which can provide services for less than the standard price.

Rudd's hospital funding reforms will gradually increase the proportion of hospital funds coming from the Commonwealth government. Again, since the states signed off on this deal, it has become bipartisan policy.

Labor also set up Medicare Locals to coordinate primary care — GPs, allied health and pharmacists — and to link these community services with hospitals. For a long time, the Coalition (egged on by the Australian Medical Association) threatened to abolish this "new level of bureaucracy". But Coalition and AMA hostility has been receding.

Medicare Locals are now well established and many are successfully pulling together our fragmented health services. The threat of abolition has turned into a promise of a review, which would centre on the regions where the Medicare Locals have been less successful.

Other recently created agencies may be more vulnerable — the Australian National Preventive Health Agency (2011) and the Australian Commission on Quality and Safety in Health Care (2011) through to the Independent Hospital Pricing Authority (2011) and the National Health Performance Authority (2012).

However, each agency has responsibilities under the complicated federal arrangements negotiated by Rudd and Gillard. So, simple abolition may prove difficult.

## **Mental health**

Both parties played a catch-up game with mental health in the 2010 election, offering counter bids to fund adolescent and other early-intervention services, such as Headspace and Partners in Recovery, local consortiums of non-profit mental health providers led by Medicare Locals to target areas of high need.

Delivery on these new services has been uneven, and both sides of politics have lost interest. Mental health advocates have now diagnosed their own malady: obsessive hope disorder.

## **Hospitals**

Public hospitals and their waiting lists have usually provided the storm centre of political controversy. The “blame game” of buck-passing between states and federal government targeted by the first Rudd government is still thriving.

The Coalition demand for a shift towards local control of hospitals, with a return to the old system of local boards, sits awkwardly with the new reform structures, which have created several layers of federal oversight. The strongest demand from state hospital systems is for breathing space, rather than another round of radical reform.

## **Private health**

Despite the noise, for the moment, the subsidy of private health insurance has shifted to a means-tested formula. Individuals with incomes below A\$84,000 now receive a 30% rebate, and the subsidy gradually reduces to zero for incomes greater than \$124,000.

While the Coalition has promised to remove the means test, this has been postponed to an indefinite future, when budgetary situations justify the extra cost. Unless the more lurid warnings of a mass exodus from the private health funds prove correct, the current compromise — of means testing rather than abolishing the rebate — is likely to remain.

## **Preventive health**

Policies around prevention are the main divide between the parties. The half-hearted bipartisan support for plain packaging of tobacco products has been crumbling. Tony Abbott and Joe Hockey have attacked the rise in tobacco excise as merely another Labor tax.

For sections of the Coalition, this is part of a sharpening of the divide around “nanny state” measures. The Australian National Preventive Health Agency may become a symbolic victim of this campaign. However, the federal government is now so bound in partnership agreements with the states on prevention, these functions would have to be recreated — if only to report on how Commonwealth funds are spent.

## **Future challenges**

The health system faces major challenges in four areas: none is likely to figure much in the election campaign. They will provide the main challenges to a government trying to control spending while improving care.

## **The relationship between public and private sectors**

This issue has been swept under the carpet by both sides of politics. The majority of Australian health services have always been delivered by the private sector (including GPs). Health care services have been paid for with a complicated mix of public and private funding.

Recent years have seen a major shift in specialist services to the private sector. Public hospitals have become the domain of more complicated medical admissions, while elective surgery has continued a long-term move to the private sector. This has fuelled out-of-pocket payments. Services have moved outside the reach of many and the cost of illness has returned as a cause of poverty.

## **Medicare reform**

Medicare was well designed to meet the health problems of the 1960s and 1970s. But we now face a growing burden of chronic



illness for which our health services and funding arrangements are ill-equipped. Nor has Medicare kept up with growing costs that fall on the consumer, such as co-payments for pharmaceuticals and the lack of coverage of dental services.

A broad-based campaign to “mend Medicare” — drawing in an impressive range of interest groups, ranging from Catholic Health through consumer organisations — is calling for a fundamental rethink. However, we are unlikely to see much progress until the glare of the election campaign has passed.

### **Balancing the health budget**

Whatever the truths of the “debt and deficit” debate, rising healthcare costs are a major challenge. Health costs increased more than 74% over the past ten years — far faster than GDP and other areas of social expenditure.

Again, it is hard to put any partisan gloss on these complex issues: promises to drastically cut the Commonwealth Department of Health as “it doesn’t actually run a single hospital or nursing home, dispense a single prescription or provide a single medical service” may provide nice rhetorical flourishes, but would not touch the real cost drivers.

The temptation will be to make cuts rapidly, primarily as budget measures. In the past, this has led to attacks on low-hanging fruit — payments to GPs and investment in training new medical professionals, for instance — while avoiding much larger problems.

Health is a difficult terrain, with well-organised interests prepared to fight to defend great personal and corporate investments in current patterns of care. The most likely road to success will be one that accepts that overnight success — especially major cuts in expenditure — gives illusory gains.

### **Consumer-directed payment systems**

We are currently seeing a major shift in the funding of social care services — this is one of the possible drivers of real reform. Top-

down systems focused on funding service providers are gradually being displaced by “consumer-directed” payment systems. This started in aged care on July 1 and will continue as DisabilityCare Australia (the former National Disability Insurance Scheme) gradually rolls out, again with bipartisan support.

This will create new possibilities for health service consumers. Will people who are used to organising and purchasing their own personal care services be content with a centralised health care funding model that ignores consumers’ needs? This may provide the largest challenge to a system packaged primarily to suit service providers, whether state governments, hospitals or Medicare.

## Conclusion

Health may not arouse the same political passion as in early elections. An optimistic reading is that we have finally moved beyond the standoffs over the survival of Medicare and the need for a vibrant private sector. On September 8, Australia’s next government will face crises of cost and access that will need fresh thinking, and considerable political courage.

## How we grow and care for each other

Yvonne Haigh

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22 August 2013

*Today, we examine the issue of caring, from paid parental leave and child care, to disability and aged care.*

In the current election campaign, the major parties use the language of “care” in a battle of claims and counter-claims over “who cares the most”. On the one hand, this public face of care

emphasises the importance of economic management, building productivity and providing the right conditions to secure the nation's borders. On the other hand, demonstrating each party's "care credentials" is played out in their policies on paid parental leave, child care, disability and aged care.

The policies of both the major political parties appear caught between a neoliberal emphasis on the importance of the economy, and a social democrat emphasis on the importance of society. At a simple level, we assume policies put forward attempt to balance the pros and cons of both positions: one that protects us from the vagaries of the market while ensuring Australia continues to develop into a vibrant and diverse society.

However, developing and implementing policy is never simple, and election campaigns provide citizens with the chance to explore and examine the positions put forward by each political party.

Care is a social good; it shapes society and links the world of personal relations with the public world of politics, policy and the public sector.

Few would suggest that Australians are "uncaring". After all, Australia is one of the top performing nations on the OECD Better life Index, across the range of indicators. But while Australia has a social welfare system that provides for citizens and a redistributive taxation system that ensures those who are struggling receive some financial assistance from the state, an examination of the different approaches to policies that "care" raises serious questions about what it means to care in the current political environment.

### **Caring for families**

Caring for families is a key policy area for all political parties. Care-based policies include paid parental leave and access to good quality, affordable child care. However, the major parties use different "care credentials" to demonstrate their caring ability.

For the Labor government, paid parental leave amounts to 18 weeks pay post birth set at the minimum wage, roughly A\$620 per week. The Coalition's approach is to provide 26 weeks at full pay for those who earn up to \$150,000 (the total payment is up to \$75,000), supported in part by a levy on Australia's wealthy businesses and supplemented by the government.

While there are questions about the funding for the more extensive Coalition policy, the idea that governments care for families is emphasised in the allocation of benefits. Certainly, the Labor government's introduction of the paid parental leave scheme in January 2011 provided the essential ingredient to support families; the issue now appears as "who cares the most" when care equates with receiving financial assistance.

For many families, child care enables both parents to work, which has flow-on effects for the economy. Accessing child care has been highlighted as a long-standing problem, with limited places available and growing costs to cover appropriate care for children. This situation certainly makes returning to work difficult.

The Labor government introduced the National Quality Framework (2012) to ensure quality of educative and care services, and it tinkered with rebates and family benefits to the tune of a \$7,500 rebate for many families per child. But this does not cover the total costs for children attending day-long or out-of-school child care.

The Coalition has proposed a Productivity Commission inquiry into child care: one that takes into account costs, rebates and subsidies but does not target funding for child care centres.

As proposed solutions, these positions reinforce the tension between policies that "care" and enhancing the economic bottom line. The Coalition's paid parental leave policy has been criticised for reinforcing inequality and discrimination against women; the Labor Party's approach has been criticised for excluding super-annuation. In both positions, the importance of care is lost in the rhetoric that focuses on time periods and amounts of financial assistance.

It is not unreasonable for all involved — government, business, society and families themselves — to take some responsibility around caring for the wellbeing of families; a shift in the terms of reference from “who gets what” to that of how best to meet the needs of all families situates equality as the defining feature.

### **Caring and disability**

People with disabilities, their carers and service providers have been calling for radical changes to this policy area for decades. Imagine the pressure on a family with a severely disabled young adult with no prospect of finding suitable accommodation or even appropriate respite.

For many families, the prospect of inadequate care arrangements and ineffective employment prospects, coupled with ignorant community attitudes towards people with disabilities provided the baseline for discussions at the 2020 Summit held in 2008, where the the idea of a National Disability Insurance Scheme (NDIS) was formally raised.

As a response, the Labor government called for a Productivity Commission report on the state of disability services in Australia. The Disability Care and Support Inquiry (2011) highlighted that a 90% increase in funding was needed to ensure the wellbeing of people with disabilities. The report demonstrated the need for a national scheme that enables people with an ongoing disability to receive a range of supports and care that enhances their life and wellbeing.

The Labor government worked with the states to roll out the NDIS; however, gaining support from all the states was slow going, with Western Australia finally agreeing to be part of the package earlier this month.

The key feature of the report and the implementation of the policy through DisabilityCare Australia is that the people concerned, their families and carers are the ones to choose the type of assistance required. Similar to approaches in the United

Kingdom, the Australian model draws on the ideas of community-led supports, enhancing connections through local area coordination and reinforcing the use of the market through expanding the National Disability Employment Initiative.

Certainly, these initiatives provide a reinigorated approach to supporting and caring for people with disabilities. There is, however, the need for the new model to ensure clear, transparent and accountable governance practices to protect all in their decision-making processes.

As with family care policies, disability care also situates the problem in line with the importance of the economy. The Productivity Commission's report advocated the need for funding to be based on certainty, sustainability, equity and efficiency, the preferred option being legislation that funnels funds from consolidated revenue into the NDIS fund. This has required a form of "tax swap" between the states and the Australian government, which for all intents and purposes created tensions between the levels of government.

Linking care, disabilities and the economy has resulted in the Labor government increasing the Medicare levy to ensure the NDIS is adequately funded. With rhetoric aside, the major parties have agreed that for the time being, this is the most effective and sustainable approach to funding such a national insurance initiative.

### **Care and ageing**

Questions around ageing and how to ensure that older Australians remain a valued and integral part of society are part of the Labor government's Living Longer Living Better aged care package. Ageing is something we all face, and for those who are confronted with the need for parents and loved ones to move into aged care, many areas of conflict arise.

The Productivity Commission's 2011 report, *Caring for Older Australians*, outlined a framework that would enhance the

options for aged care services in Australia. The report primarily argues that the current rationing approach, one that restricts the quantity and type of services offered by providers, requires significant changes.

This includes: increasing flexibility of types of care; being consumer-directed so that citizens have a choice and control over how they live; being affordable, equitable and transparent; and above all, treating people with dignity and respect.

The Coalition supports the framework and adds that it will establish an Aged Care Provider Agreement with the sector.

The Council of the Ageing (COTA) also argues that the current situation that is supposed to care for aged Australians is not acceptable. Many people are on extended waiting lists for either in-home support or residential care, while others receive some support but it is ineffective or insufficient.

Added to these pressing problems is the recognition that Australia's population is ageing and that by 2050, well over three million people will require some form of aged care assistance. As it stands, many people are, and will be, left in limbo waiting for an appropriate aged care place to become available.

## **Conclusion**

How we care as a nation says a lot about the type of society in which we live; it also says something about how we see ourselves as people. Governments have developed and implemented policies that aim to care — and the NDIS stands out as a policy that radically changes our approach to addressing the rights of people with disabilities.

The debates around how we care and for whom we care, and the inevitable questions of affordability require a vigilant citizenry to ensure that it is not the economy that dictates care, rather it needs to be a basis in humanity that puts care first.

# Governing Australia

Jennifer Menzies and Robyn Hollander

*Griffith University*

26 August 2013

*Today, we examine the issue of governance, the role of the states and the challenges facing the future leader.*

Federal election campaigns are increasingly focused on a broad range of issues, such as education, health, and law and order, which are largely the responsibility of the states and territories. Despite this, establishing and managing the relationship between the Commonwealth and state governments is seldom a top priority for an incoming prime minister.

Both Tony Abbott and Kevin Rudd claim to be federalists rather than centralists. Kevin Rudd announced himself as a cooperative federalist in the run-up to the 2007 election. Tony Abbott's conversion is more recent. In his 2009 book *Battlelines*, Abbott declared the federation "Australia's biggest political problem" and outlined his desire to abolish the states. He has since updated that view, and in May this year committed to a white paper on federalism if elected.

For the first time we have two potential prime ministers with previous experience of Commonwealth/state relations and who have committed to forging a better relationship with the states and territories. But so far in the campaign, neither party has released a policy on how to make this a reality.

## **Abbott and the states**

Abbott has been the most forthcoming and committed to reviewing the Council of Australian Governments (COAG) and seeking to clarify responsibilities between the different levels of government and reduce duplication.



He has campaigned with Coalition premiers in their states and has no doubt been influenced by their stories and concerns about “megaphone federalism”, when the prime minister of the day publicly announces policy well in advance of any negotiations with the states and simply assumes they will fall into line. Though this didn’t stop Abbott announcing his paid parental leave scheme last week, whose funding, the premiers realised with alarm, was dependent on “savings” from the states.

Nevertheless, the opposition leader’s renewed intellectual commitment to reducing centralisation, acknowledging the sovereignty of the states and increasing local autonomy is music to the ears of the premiers, both Labor and Liberal. But this commitment to local autonomy also includes local government, with the implication that the states should also seek to devolve responsibility to as close to the community as possible.

Abbott’s views position him as a radical decentralist, rather than a classic federalist, and he will look to support models where local communities run local services, rather than the state bureaucracies. We therefore might expect to see a reprise of Howard’s “parallel federalism”, with attempts to bypass the states and provide direct funding to hospitals, schools, community organisations, and possibly local governments.

### **Rudd and the states**

Rudd has so far not announced anything during this campaign on his intentions about managing Commonwealth/state relations. But during the 2007 election, his commitment to cooperative federalism was seen as a positive. For Rudd, cooperative federalism is about delivering “national outcomes that are politically sustainable”, and these outcomes should be achieved collaboratively with the states.

In 2007, Rudd harnessed a mood for change, both from the states and territories and a public who were put off by the endless blame shifting and bickering over intergovernmental negotia-

tions. As a cooperative federalist the first time around, Rudd changed the role of COAG and made progress on a range of issues around productivity and infrastructure provision that had been top of the agenda for the states and territories.

Yet territorial cracks soon appeared with Rudd's commitment to "fix" the health care system. His plan in 2010 to hypothecate a third of the GST revenue paid to the states for dedicated health care funding meant a loss of control of GST revenues and an unwelcome centralisation of policy control from Canberra.

This was followed by a unilateral announcement of a resources tax, without any consultation with the resource states of Queensland and Western Australia, and was the death knell for any aspiration to cooperative federal–state relations.

### **Post-election challenges**

No matter who wins government, both Abbott and Rudd will face similar challenges in rebalancing Commonwealth–state relations.

The first challenge is to rethink the role of the Commonwealth government within the federation. The spotlight usually falls on the states and territories as the "problem", but in reality the states remain clear, as does the Constitution, on their service delivery responsibilities. It is the Commonwealth role which is unstable, with different departments and programs springing up and then disappearing as prime ministerial attention wanes.

The review of roles and responsibilities, which Tony Abbott has committed to through his white paper, will hopefully bring some clarity to this confused area.

The next challenge is in developing a clearer role for COAG, supported by new institutional arrangements. COAG agendas are becoming large and unmanageable, and the institutional arrangements favour Commonwealth control of both the agenda and the funding.

Either a Labor or Coalition government will need to rethink the role of COAG and establish an agenda that can drive reform in areas that require the cooperation of both levels of government.

As part of this process, a debate on what constitutes the “national interest” could clarify what genuinely needs the involvement of the Commonwealth or can be managed through subnational jurisdictions.

No re-establishment of the roles and responsibilities of the different jurisdictions can be undertaken without reviewing the extreme vertical fiscal imbalance that characterises the Australian federation and leaves the states unable to meet the increasing funding burden of expensive service delivery. This issue has sat in the too-hard basket since the establishment of COAG in 1992 by prime minister Bob Hawke and underlies much of the dysfunction that has come to symbolise Commonwealth-state relations.

The final challenge facing the new prime minister is that of implementation. The COAG Reform Council (CRC) was established to regularly report to COAG on the outcomes of implementing national agreements. The lack of structure and certainty around COAG meetings has meant the detailed reports of the CRC have not been given the consideration by COAG they deserved. The valuable lessons learnt from these agreements are in danger of being lost to the next tranche of intergovernmental reform.

Change in the federation is complex and difficult because it involves public, private and political interests as well as constitutional and institutional constraints. Since Whitlam there have been waves of so-called “new federalism”. But with two-thirds of Australians now concerned federal and state governments are not working well together, the stars might have aligned for the next prime minister of Australia to commit to reforming this fraught area.

Any change requires some relinquishment of Commonwealth power, whether fiscal or policy, which has been growing since 1901. Australia’s next prime minister will need rock solid and bipartisan support from state premiers, as well as Cabinet buy-in, to shift the ingrained Commonwealth centralist culture.

# The way we work

George Collins

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28 August 2013

*Today, we examine the relationship between innovation and productivity in Australia.*

In his admirable attempt to pack a full term as prime minister into 72 days and as an exemplar of political productivity, Kevin Rudd has indicated economic productivity as one difficult issue he wants to tackle.

Industry and trade unions have been eager to join government to do something about the flatlining of this most stubborn economic indicator, but deep down they understand that the solution to the productivity problem is far from simple.

Productivity is the total value of goods and services produced (commonly called the gross domestic product) divided by the inputs (labour and capital) required to create that value.

It is used as a measure of the overall efficiency of the economy. Increasing working hours or making additional capital investments may increase production but it won't improve productivity unless the value of the outputs increases more than a simple linear relationship would predict.

The economists tell us that working harder is not enough. We have to work smarter, improving the efficiency of our processes and/or increasing the value of the product, to have an effect on productivity.

Two decades ago, Australia was doing very well on the productivity front. Businesses invested in new technologies, the workforce skilled up and management focused on improving quality and increasing the value of their goods or services.

But it seems that the easy gains are over. Investment in new technology, improved skills and better management are now

required just to stay in business, with the return on investment more likely to benefit the consumer who wants a lower price despite improvements to the product.

What can rescue us from the clutches of this relentless law of diminishing returns? The most popular answer is “innovation”.

But, as someone who claims to work in innovation, I wonder about the productivity of Australia’s innovation system. Is the value of the output of our innovation pipeline increasing and, if so, is it at a faster rate than the effort and money we invest in it?

### **Placing a value on research**

The research sector is renowned for complaining that there is not enough funding for our research, whether it be from government, the community or business.

But we are less convincing in demonstrating that the increase in research effort from an increase in research funding will lead to more than a commensurate increase in the value of the outputs of that research.

It is difficult, if not impossible, to measure the value of research in purely economic terms. Even the Productivity Commission, not usually daunted by an impossible task, found that it was not possible to provide anything other than broad estimates of the overall return generated by Australia’s investment in science and innovation.

But what about the innovation system itself? How effectively and efficiently are we converting the countless hours spent on research into something of value?

This is the question that drives the discussion around research impact and innovation.

The distance between research in a university, government agency or even in industry and the realisation of the value of that research in an improved product or service, is far greater than the distance between any cup and lip. Indeed, there is no guarantee that the cup will ever come close to the lip for which it was intended.

But that should not stop us considering how we can do better in turning the relentless increase in research outputs into outcomes that make a difference to the world in which we live.

Over the years that I have been involved in research and development, I have witnessed an increasing frustration at the resistance of innovation productivity to improve, despite all the effort and well-intended initiatives to make it change.

Some people advocate that we should look to cases where research has led to significant economic value. But does the tortuous path that human papillomavirus vaccine Gardasil took to get to market, or the lengthy legal battles that CSIRO fought to get a financial return on its WiFi research, provide a reproducible or scalable model for the rest of us to follow?

### **So what can we do?**

It is true that there are lots of things we can do to increase the chances that the output of research will produce an economic, social or environmental benefit.

Senator Kim Carr, back at the helm of Australia's innovation sector, would argue that ensuring good quality research is the first of them.

Close engagement with the potential end-users of the research, and with people who can convert the research output into something that those end-users can use, is a close second.

There are also things which can decrease the chances. The top three on the list of things we definitely should not do are:

- overestimating the potential value of the outputs of a particular research project
- underestimating the difficulty in turning those outputs into products, processes or policies that can be implemented or adopted
- placing restrictive arrangements around intellectual property that prevent development and deployment ever taking place.

As with the overall productivity of the economy, I don't believe that there is a quick fix to improving the productivity of the innovation pipeline.

We have to create the garden so the plants can grow. But if — or when — the rain of research funding does fall, we have to accept that there are factors influencing the harvest which are beyond our control.

## The Australia we're building

Vivek Chaudhri

*Monash University*

29 August 2013

*Today, we examine the issue of infrastructure.*

Infrastructure lays the foundation not just for economic growth, but equally, the types of infrastructure investments that are supported — and the means by which they are funded — shape the social fabric of the nation.

Election campaigns ought to be an opportunity for the voting public to engage with the big-picture visions of our political leaders and the different trajectories they would take to get us there.

But so far, there has been a dearth of analysis, debate and commentary on what the key infrastructure projects ought to look like. The soaring rhetoric that comes with terms such as “nation building” or “building the education revolution” seems to be at odds with the willingness and capacity of both sides of politics to seriously detail where we are heading — and why — and how we will get there.

We have some very big picture options available for the future that impact the very nation we wish to be:

- How do we rank order the priorities in competing spaces such as transport, education, health and information networks (such as the National Broadband Network)?
- Does nation-building mean that relative priority should be placed on ensuring that our public schools or hospitals are adequately resourced and the “infrastructure” future ready?
- Or do we need to invest in the physical transportation network or information networks of the 21st century that will enable much more efficient movement of goods and services?
- What are the trade-offs we are willing to make between economic growth and social equity?

But there has been virtually no debate or discussion at this level of analysis among our political parties. Instead, infrastructure is thought of — to the extent that it is at all — from the very narrow perspective of short-term electoral gain (supporting rail links or freeway projects that may impact marginal seats).

### **The myth of economic conservatism**

How are we to fund the key infrastructure projects that are critical to the nation’s wellbeing? Given our unparalleled prosperity over the past couple of decades, our collective governmental failure to invest in the future by refurbishing our depleted infrastructure, education and health systems is likely to be condemned by those who follow.

Few businesses would survive if they were to adopt the economic conservatism of governments of all persuasions in this country. A failure to invest in the business landscape of the future is immediately punished by capital markets today because investors’ expectations of the growth prospects of the company are (mostly) revealed in today’s stock prices.

Sadly, there are no such market signals at government levels. Instead, politicians tend to make decisions that coincide with the



electoral cycle and do not necessarily have the long-term health of the economy (and society more generally) in mind.

We need more from our political masters. Any incoming government, far from sticking to the title of “economic conservatism”, ought to be thinking very carefully about large investments in much of our depleted sectors, with appropriate metrics for investment appraisal that consider long-term returns beyond standard finance discounting models.

A willingness to spend, and indeed to incur debt in order to spend, ought not be seen as a sign of reckless economic management, but the exact opposite.

For too long, the conservatives in politics have duped the masses into believing that being prudent with economic and financial matters at an economy level entails little public expenditure (balanced budgets), amassing of national wealth, and periods of political pork-barrelling in the form of tax cuts to ease the burden of rising interest rates or petrol prices.

The short-term nature of such “vision” would be hounded out of not just big business but the local school tuckshop. Imagine a claim of economic conservatism that amounted to large sums of cash in the till, but broken windows, dilapidated buildings and old fridges in the tuckshop, and no attempt to invest in updating those facilities. I doubt many would consider that good economic management.

That Labor governments at state and federal levels have sought to align themselves with comparable aspirations in terms of economic conservatism is something to be lamented, not applauded. Of course, there is a difference between well-considered investment appraisal and judicious spending versus some of the waste associated with governments of the past, but let’s not confuse incompetence in appropriate financial management with the goal of limiting expenditure.

Economic conservatism ought not be synonymous with good financial management of the economy. We live in a time of

turbulence in world markets, globalisation, terrorism, climate change, the advent of the knowledge economy and so on, which necessitates an appropriate commitment from our government to configure Australia for the future.

It is well understood that risk and reward go hand in hand; clinging to economic conservatism as a mantra is merely saying we are not willing to take (appropriately vetted) big risks — and by implication, reap the big rewards in the future.

### **Investing in the future**

Both sides of politics have talked of change and revolution in all these realms — this is to be commended. However, to actually achieve that revolution will require much more than rhetoric. It will require a mindset shift from current leaders to accept that investment in the future, even through debt and taxes, may well entail a longer time horizon than the electoral cycle typically allows.

Vision needs to extend beyond the convenience of the current term in parliament, and entails making decisions in the long-term interest of the nation, no matter how unpalatable it may be perceived. Vision requires this new government to go where no recent government has been willing to go: to spend big so as to position future generations of Australians to enjoy the prosperity we currently enjoy.

Computers in classrooms sounded great, but that was not an education revolution. Not even a minor scuffle. If we want a revolution we have to be willing to make some big bets.

State and federal governments of all political persuasions seem to find it difficult to come to terms with the ever-increasing burden of large infrastructure projects on the public purse. The burgeoning of PPPs (public private partnerships) as a mode of delivery of infrastructure projects to limit the call on public funds has been fuelled, in part, by the reluctance to incur debt.

But the actual delivery mode of such projects should be a second-order question. First and foremost is establishing the

value in undertaking public infrastructure projects: in water, transport, electricity, health and education, to name a few.

### **Assessing returns**

So what is the underlying value question? How do we evaluate the returns from infrastructure investments?

Well, increasingly, large corporations are starting to embrace “real options” methodology in evaluating investment projects. Thus, standard net present value calculations are being augmented to incorporate the value of managerial flexibility, or the real option that an initial investment affords the corporation.

So, in undertaking any large project, current best practice in the private sector entails considering not just the net present value of that investment, but also the option value of future projects that are contingent on the first project being undertaken.

Thus, a project that may be only mildly net present value-positive (or indeed, even mildly net present value-negative) is still potentially a very worthwhile project because of the future projects that subsequently exist as options because of the funding of that first investment. And we can value these using options pricing methodologies from finance.

What then of public infrastructure? Well, using the same basic construct of real options, the stated under-investment in infrastructure by the government is of an even greater magnitude than most commentators lament, if we start to incorporate such valuation methodologies for these projects. The value question resoundingly calls for more investment in public infrastructure.

With an election just around the corner, it is truly astounding that neither party has been willing or able to articulate their vision for Australia’s future, and a considered infrastructure policy that will get us there.

# How we make our money

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*Today, we examine the economy — from the drop-off in mining revenue to the future challenges of supporting baby boomers into old age.*

In the well-known biblical story, Joseph correctly interprets Pharaoh's dreams, foreseeing that seven years of abundance will be followed by seven years of dearth, and plans accordingly. While the people of the ancient world had the wisdom to understand that good times do not last forever, modern democratic politicians do not. Herein lies the paradox of the current election.

The mining boom was never going to last forever. There was a clear need to use some of the abundance to guard against the lean years that would inevitably follow. Peter Costello, who knows his Bible very well, seems to have been the only politician in Australia to have understood this need with the establishment of the Future Fund.

The fundamental principle of politics, as of economics, is scarcity. It is all about the allocation of scarce resources. As the amount of money available to a government to spend increases, so does the size of the appetites of those desiring that it be spent on them.

When there is a lot of money, there is a tendency to be generous; in fact, too generous. Over the past few years there have been considerable increases in the salaries of both politicians and the higher levels of the public service. Moreover, there has been a substantial increase in what is known as “classification creep” in the public sector.

Classification creep is the process whereby the level of position required for the work being performed moves upwards

such that people are paid more for doing the same work. It is not a new problem.

I can remember it being a problem when I was an administrative trainee in the late 1970s. But it appears to have become an even bigger problem in recent times.

Australians and their politicians have become conditioned by years of having the funds flow in from the mining boom. They have become used to having the purse strings loosened and find it difficult to adapt to more difficult times.

The real problem is that our political leaders have refused to acknowledge that there may very well be bad times coming. The public has not been prepared for a discussion that focuses on the need for possible economies in the years to come. The discourse of the election still assumes that a Commonwealth government would continue to spread its largesse around the country.

### **Future challenges**

The real problem is that both parties are still looking backward rather than forward and have under-estimated the challenges ahead, especially as the Australian population ages. There are very real issues regarding the continuing growth of health and welfare costs, for instance.

As baby boomers retire, superannuation becomes a more pressing issue. But by and large it has been relegated to the background in this election, with Labor declaring no changes for the next five years and the Liberals pledging to delay the superannuation guarantee increase for two years. Both parties, however, remain committed to continuing a system of compulsory superannuation.

Those over 65 are growing as a proportion of the population; generally they are quite affluent, and they tend to be concentrated in those regional seats that both parties need to win if they are to form government. They are a force with which any future government will have to reckon.

Despite these challenges, the current mentality of the political class in Australia is such that it largely refuses to face up to the future.

Hence the Labor Party regales us with the comforting knowledge that Australia is doing better than most other comparable countries. They seem to believe that cutting any number of jobs in the public sector is about the worst thing a government can do.

The opposition talks about “growing the economy”, but without any clear thinking about how this will be done.

The economy may be one of the major issues in this election but there is little discussion which touches base with the reality facing Australia. Instead, we have ideas pulled out of hats, such as Kevin Rudd’s idea for a special economic zone in the Northern Territory.

Rudd has admitted the mining boom is at an end but has not specified what will replace it. Abbott has been similarly vague about how the various sectors of the economy will become dynamic and productive. He seems to assume that what is needed to stimulate business is a reduction of regulation and red tape. Neither side of politics seems to be able to explain how the manufacturing industry will once again grow.

Sure, Labor wants to continue subsidising the car industry, but such a move looks backward rather than forward. It only delays the day when Australia once again becomes a place where cars are not made. It is about saving jobs in the short term, not creating new long-term positions.

If a government wishes to stimulate industry growth, it needs to do two things. The first is to create an environment in which business is able to flourish and take risks in the development of new products. In this regard, Abbott is right: excessive government interference prevents business from reaching its full potential, both in terms of innovation and productivity.

The second is to ensure the education system produces young people who have the capacity and attitude required in a competitive world. The response by both sides of politics to the failings of Australian education has simply been to spend more money rather than being concerned with its quality.

A productive economy requires a workforce that possesses skills in technology; one wonders if our two political leaders, with their degrees in languages, law and economics, have a proper appreciation of the importance of technical education.

But governments cannot create a prosperous economy. They can only help to provide the environment within which individuals can flourish and create new products, thereby building new industries. Both sides of politics appear to accept that such industries are needed, but their vision of just how this will occur remains vague and fuzzy — it's based more on rhetoric than a vision of the future grounded in reality.

## **Conclusion**

Serious discussion about the economy, the financial circumstances of the government, and what can seriously be done will only commence after September 7, and Mr Punch is put back in his box.

If scarcity is the fundamental condition for any government, then its leader must develop priorities about how it will use its scarce resources. This is not an ideological issue but a pragmatic one. There will be increasing demands on governments as the population ages, especially in such areas as health, for sufficient funds to meet those demands.

In short, future governments will be asked to do more and more. And they won't be able to rely on a surge of incoming revenue such as characterised the first part of the 21st century. They will have to make hard choices.