Connecting people with progress: securing future economic development
About this publication

Connecting people with progress: securing future economic development – Summary report
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About CEDA

CEDA – the Committee for Economic Development of Australia – is an independent, not-for-profit membership organisation. We identify policy issues that matter for Australia’s future and pursue solutions that deliver better economic, social and environmental outcomes for Australia.

CEDA’s cross-sector membership spans every state and territory and includes more than 780 of Australia’s leading businesses, community organisations, government departments and academic institutions.

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Connecting people with progress: securing future economic development
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time for change
Earlier in 2018 CEDA conducted a nation-wide poll on attitudes to economic growth and development. The results of that survey were stark. The majority of respondents indicated they had not benefitted or did not know whether they had benefitted from 27 years of sustained economic growth. Australia’s enviable and record-breaking run of economic growth seemed to matter little to most Australians.

There was an equally clear message around who respondents thought had benefitted. In the winners camp: large corporations, senior executives and white-collar workers.

CEDA’s Community Pulse survey confirmed a sentiment that has been seen and heard with increasing frequency in Australia and around the world over the past decade. Namely, that a significant group of citizens feel they have been under-rewarded for their economic efforts and contribution. They are disconnected from the progress made possible by growth, while they perceive others as being grossly and unfairly over-rewarded.

These sentiments matter. If people feel they have not benefitted from sustained growth, they will see little reason to support the economic systems and institutions that have delivered it or reforms aimed at delivering more of it. The idea of growth for growth’s sake simply doesn’t cut through.
It seems no coincidence that in Australia, and around the world, the benefits of sustained economic growth, market-based economic systems, and the institutions and policies that underpin them, are being called into question.

CEDA’s United States counterpart, the Committee for Economic Development, recently released a publication, *Sustaining Capitalism: Bipartisan Solutions to Restore Trust & Prosperity*. This is one example of many articles and books that have emerged since the Global Financial Crisis debating the merits of capitalism and whether the right balance has been struck in terms of the role of markets and government in delivering sustained prosperity.

These issues go to the core of CEDA’s purpose of promoting growth and economic development as the foundations for making people’s lives better and improving the environment in which people live and work.

CEDA’s response to these fundamental questions and challenges is simple: Australia needs a rebooted reform agenda if we are to connect people to progress in a meaningful way. People expect better, we can do better, and we should do better.

This paper presents ideas and arguments to spark conversation about how best to reboot reform, not to present a fulsome analysis of competing views or evidence. A more detailed presentation of underlying evidence and analysis is available in the full report, *Connecting people to progress*, available at ceda.com.au. The report is divided into four chapters:

- Chapter 1: How has Australia Progressed?
- Chapter 2: The contributors to Australia’s progress
- Chapter 3: Where is Australia’s progress falling short?
- Chapter 4: Future priorities for Australia’s progress (including 11 perspectives from external contributors.)

To contribute to CEDA’s ideas for the future, contributions on a range of topics were sourced from members and key stakeholders (see Box A). The fact that so many people and organisations were prepared to support CEDA’s efforts to ignite conversations on Australia’s reform agenda is indicative of the appetite for and commitment to positive change.
## Box A

**External contributors**

The following policy perspectives are contained in Chapter 4

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| **PERSPECTIVE 3** |
| *Pathways to the future workforce* |
| Peter Coleman |
| CEO and Managing Director, Woodside Energy |

| **PERSPECTIVE 4** |
| *A new approach to skills and training* |
| Professor Attila Brungs |
| Vice-Chancellor, University of Technology Sydney |

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<td>Dr Liz Allen</td>
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<td>Demographer, Centre for Social Research and Methods, College of Arts and Social Sciences, The Australian National University</td>
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| *Business as usual won’t deliver the goods* |
| Philip Davies |
| Chair, Australian Logistics Council |
Critical services

PERSPECTIVE 7
Closing the social infrastructure gap in health and ageing
James van Smeerdijk
Partner, PricewaterhouseCoopers

PERSPECTIVE 8
Smarter justice
Professor Joe Graffam,
Deputy Vice-Chancellor Research, Deakin University
Jenny Crosbie
Research Fellow, Deakin University

PERSPECTIVE 9
The role of co-operatives and mutuals in human service delivery
Melina Morrison
CEO Business Council of Co-operatives and Mutuals (BCCM)

PERSPECTIVE 10
Healthcare of the future
Evan Rawstron
Partner, Health, Ageing & Human Services, KPMG
Steven Casey
Partner, Policy, Programs & Evaluations, KPMG.

Institutions

PERSPECTIVE 11
Anchor institutions: platforms for inclusive growth
Professor Anne Tiernan
Dean (Engagement), Griffith Business School
Jerath Head
Research Assistant, Policy Innovation Hub

Box A ...cont
External contributors
In the late 1970s and early 1980s, Australia was insular and disconnected from global opportunities. Our economy was highly regulated and characterised by many public-sector monopolies, low productivity, relatively poor economic performance, and a protected and uncompetitive business sector. As other countries benefitted from increased global integration, Australia stagnated.

The difference today could not be more striking. Australia has an open, competitive economy, highly integrated with the rest of the world, strong macroeconomic policy frameworks and robust institutions.

Australia’s economic performance in terms of sustained growth is unprecedented and broadly based. Importantly, not only has the size of our economy increased, growth has delivered far broader benefits, improving peoples’ lives and their ability to connect to the progress brought by growth in important ways.
progress

delivered
Australia's economy is about seven times bigger in real terms than it was in 1960 and has become far more integrated in the world economy. Two-way trade is equivalent to over 40 per cent of GDP and one in five jobs now involve global trade.¹

Foreign investment has supplemented domestic savings to fund significant investment including in agriculture, mining and manufacturing. In mining alone, the level of foreign direct investment is now over $300 billion and has grown nine-fold since 2001.²

Australian firms invested more in information and communication technologies (ICT) relative to their overseas counterparts, as technological advances provided cheaper and readier access to more accurate, timely and useful information. This raised the rates of productivity growth in Australia and these gains were high by international standards.³

Trade (and enhanced domestic competition) has also contributed to significantly improving the choice and affordability of many products. In the last decade, the price of garments fell almost 14 per cent, audio visual and computing equipment by 72 per cent, toys and games by nearly 18 per cent and motor vehicles by 12 per cent.

Australia’s economy has not only grown in absolute terms, it has almost tripled in real per capita terms since 1960, and the annual real disposable income received by each Australian on average has grown more than 2.5 times in that time.

Sustained growth has delivered significant improvements in living standards for the average Australian across all income groups, and each new generation has earned more income than the last at a given age.⁴
Today, Australians live longer, healthier lives and are better educated.

Since 1960, life expectancy has increased by 10 years for women and by 12 years for men.

The proportion of students completing Year 12 has increased from 23 per cent 50 years ago to 85 per cent today. The proportion of people with post-school qualifications has increased from 37 per cent 30 years ago to 60 per cent today.

A greater proportion of Australians are in jobs than previous decades – underpinned by increasing workforce participation of women and older people. This has improved opportunity and financial security for many individuals and households. As the Productivity Commission has noted, “Among the various forces acting on inequality and poverty, the one constant that matters is having a job.”

As employment has grown, the safety and quality of jobs has also improved. The share of higher skilled and higher paid jobs has increased markedly in recent decades, while the rate of fatalities in workplaces has halved since the early 2000s.

This broadly-based progress positions Australia highly on global ranks of economic development. For example, Australia ranks third among 189 countries on the United Nations Human Development Index (HDI).

This is only a snapshot, but it is a fair and compelling one in terms of illustrating how growth has delivered progress for Australians broadly. Further detail is available in Chapter 1 of Connecting people with progress.

RESILIENCE TO MATCH OPPORTUNITY

Perhaps the most important aspect of Australia’s economic performance and progress in recent decades has been its demonstrated resilience. Connecting people to the opportunities of global growth and integration is something Australia has done well, but so too other countries. Protecting and preserving those gains in the face of significant external shocks and volatility is something that Australia has done arguably better than any other nation over the past three decades, and this has been critical to sustaining growth, progress and living standards.
Australia has seen its way through the Asian Financial Crisis, the tech boom-bust of the early 2000s, the Global Financial Crisis (GFC) and collapsing commodity prices. To illustrate just how well Australia has done, economic growth did slow in the immediate aftermath of the GFC, but Australia was one of just three OECD economies that continued to expand in the immediate aftermath of the crisis. In contrast, growth fell by nearly three per cent in the USA in 2009 and by more than four per cent in the UK.

The impacts on employment and unemployment mirrored growth. Between early 2008 and mid-2009, the unemployment rate increased by less than two percentage points to reach a peak of less than six per cent, far less severe than during the previous economic downturn of the early 1990s. The fact that Australia was able to sustain relatively low rates of unemployment through this period meant the livelihoods of hundreds of thousands of people were preserved.

The resources boom contributed to Australia’s economic resilience in the lead up to and through this period. But such booms have in the past busted spectacularly, with corresponding adverse consequences. This time the bust was avoided, no doubt with a bit of luck and the help of a flexible exchange rate, but also as a result of proactive economic management.
Australia’s brand of economic development
The elements and benefits of the reform agendas implemented through the 1980s and 1990s have been well traversed and are the cornerstone of any narrative about Australia’s economic performance and progress.

These reforms (which are detailed in Chapter 2) opened the economy to global markets, floated the exchange rate, freed up our capital and labour markets, privatised government run businesses and deregulated large parts of the economy.

Taken together these reforms created the opportunity for Australian business to successfully participate in a generation of tremendous global expansion, and the evolution of information and communication technologies. These reforms did not occur without difficult adjustments but they connected Australians to opportunities and benefits through jobs and wages growth underpinned by productivity, and cheaper and better-quality products and services.

Other countries around the world have pursued similar suites of policies, but arguably none as successfully as Australia. The reasons for that could rest with the quality and comprehensiveness of the reforms or their implementation. But there are also several characteristics of Australia’s ‘brand’ of economic development that are worth singling out.
Strong immigration has underpinned Australia’s economic and social development. Over the past 70 years, Australia welcomed more than seven million migrants to Australia. The strength of immigration has underpinned Australia’s strong population growth, which in turn has underpinned strong headline economic growth.

Over time, the composition of Australia’s immigration program has evolved to lift its contribution not just to population, but also in terms of increasing Australia’s skills base and human capital. This has been driven by increasing the share of younger and more highly skilled migrants. Australia stands out among developed countries in having sustained such significant immigration and population growth in recent decades.
The impact on the composition of Australia’s population has been profound. Today, 28 per cent of Australians were born overseas, and nearly half of all residents have at least one parent that was born elsewhere. Australia has become, in a relatively short period of time, a diverse and multicultural nation. This has been, and is widely seen to have been, a great success.

The community, on the whole, has not only been accepting of high levels of immigration, but sees Australia’s multiculturalism as a positive. The 2017 Scanlon Foundation Survey *Mapping Social Cohesion* found that 63 per cent of respondents agreed or strongly agreed that accepting immigrants from different countries makes Australia stronger. Over the last five years, well over 80 per cent of people consistently agreed that multiculturalism has been good for Australia.
Sitting beneath a reform agenda that reduced the role of government in many areas of economic activity, has been a strong and sustained social compact. The compact aims to ensure the benefits of our growth dividend have been shared widely and the most vulnerable supported.

This social compact has been delivered through a progressive tax system and highly targeted transfer system delivering income support and universal access to healthcare, education, housing and social infrastructure. This approach is consistent with Australia’s egalitarian culture, has been supported by successive governments and is a key feature of Australia’s brand of economic development. It has no doubt played a role in supporting strong immigration, as another stand out feature of this ‘brand’.

This social compact is important because it has worked.

Australia’s progressive tax-transfer system has reduced income inequality by 30 per cent and boosted the household incomes of those in the lowest income groups.\textsuperscript{12} Between 1988–89 and 2015–16 average incomes grew by at least 1.8 per cent per annum across

![Figure 4: Distribution of Social Spending](image)

all income groups. This was substantially faster than other advanced economies such as the United States and United Kingdom.\textsuperscript{13}

The system of financial support for low-income households and universal access to health, education and other services means that government transfers and spending helps those who need it most (Figure 4).

\textit{UNIQUELY PLACED TO BENEFIT FROM STRONG GROWTH IN ASIA}

As evident in Figure 5, the growing economic prominence of Asia in the world economy has been rapid and is set to continue.

With its abundance of natural resources, Australia has benefitted considerably from the continuing industrialisation of Asia over several decades, including China since the 1980s. Lacking sufficient domestic supplies of natural resources, Asian countries have been reliant on imports as their economies develop to satisfy growing demand for energy, and raw materials for steel to use in the construction of infrastructure.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure5.png}
\caption{ADVANCED ECONOMIES VS EMERGING AND DEVELOPING ASIA}
\end{figure}

Source: IMF DataMapper, World Economic Outlook April 2018

Note: As at December 2016
Australia is well-placed to continue to satisfy the growing Asian demand for mineral resources – both because of its geographic proximity to the region and as a world leader in recoverable reserves of key minerals.

Australia’s resources sector, however, is not the only part of Australia’s economy that has benefited from growing demand from Asia. Much of the recent growth in the Australian economy has been driven by an expansion in service sectors. A key contributor has been the growth in inbound tourism and exports of international education through fee-paying foreign students coming to Australia to study.

Our capacity to take advantage of demand in these sectors has been underpinned by our institutional frameworks being better than many competing countries.

**SCOPE AND PREPAREDNESS TO NAVIGATE ECONOMIC SHOCKS**

Australia’s resilience to significant external shocks, owes a considerable amount to both previous structural reforms and the capacity and preparedness for policy action, through lower interest rates and government spending.

The Reserve Bank of Australia had scope to ease monetary policy significantly in response to the Global Financial Crisis (GFC) having responsibly managed interest rates through periods of stronger growth and activity. The official cash rate fell from 7.25 per cent at the start of September 2008 to three per cent by April 2009. The bulk of the reduction in cash rate flowed through to lending rates. With most households and business loans in Australia being variable, monetary policy was rapidly translated to a change in household disposable income.

In most other advanced economies, interest rates were already low at the start of the downturn, leaving much less scope for conventional monetary policy.
The IMF has noted of Australia that “economic activity was also shielded by the authorities’ timely and significant policy response.”

Australia’s fiscal position was strong leading into the GFC, underpinned by revenue delivered by the mining boom. This provided scope for a significant macroeconomic policy stimulus, and the government used it. The Federal Government’s strong fiscal surplus and low debt position allowed one-off cash payments to be distributed to more than 13 million Australians as part of its $52.4 billion fiscal stimulus package.

Exchange rate flexibility has enhanced Australia’s capacity to adjust to shocks and grow employment and tourism in periods when global growth stalled and demand for commodities fell.

A FUNCTIONING FEDERATION

Australia’s federal system of government is another unique characteristic of our brand of economic development. It has served Australia well. Across a diverse and dispersed Australian population our federal system of government has provided the opportunity of greater choice of ‘voice’. It has promoted competition and innovation across states and allowed for the benefits of customisation and cooperation – with the opportunity for eight governments to consider and influence policy design and reform.

Research studies have quantified the financial benefit per person attributable to Australia’s federation. Perhaps more persuasive is the simple observation by former Victorian Premier, John Brumby, that the growing exodus of people from Victoria spurred a rebirth of policy innovation in that state.
progress
not
delivered
Australia has performed well. Unsurprisingly though there are areas where little progress has been made, where growth has contributed to or exacerbated challenges, and where limits to sustaining progress and prosperity are emerging.

**DISCONNECTED FROM OPPORTUNITY AND PROSPERITY**

A number of studies, including CEDA’s own research indicate that inequality in Australia has not worsened in the last decade. Yet a significant group of people remain stubbornly disconnected from opportunities and prosperity. Worryingly, a range of factors contribute to the likelihood that people in this position will struggle to significantly improve their circumstances.

Around 700,000 people find themselves in persistent and recurrent poverty. Poverty and social exclusion go hand in glove, making it hard for people to improve their circumstances.

The risk of experiencing entrenched disadvantage is consistently higher for some groups including the unemployed, people with a disability, Aboriginal and Torres Strait Islanders, and children living in jobless households. The fact that nearly 585,000 young people aged 15 to 24 are not in school or fully engaged in study or employment is concerning.
CEDA’s research on inequality highlighted other important sources of disadvantage related to the ability to access opportunities in education and employment. In particular:

- significant geographic concentration of disadvantage exists at the postcode level highlighting the locational barriers to opportunity that exist in Australia
- educational outcomes continue to be significantly influenced by the educational levels of a student’s parents
- disadvantaged schools and schools in regional and remote locations struggle to attract resources and to provide the curriculum available in urban schools
- although economic mobility in Australia is around the average for the OECD, it is still the case that if a father’s earnings are below the average for his generation, his son’s earnings will likely also (on average) be below the average for his generation.¹⁷

Too little progress has been made on the disadvantage experienced by Aboriginal and Torres Strait Islanders notwithstanding a sharper focus on this over the past decade. The Prime Minister’s most recent Closing the Gap¹⁸ report showed just three of seven targets on track.
Indigenous Australians continue to trail the rest of the population in terms of health, employment, secondary school completion, income levels, and incarceration rates – all of which make it harder to connect to the benefits of economic growth.

This is an area of persistent policy failure. The inability to make progress notwithstanding significant resources dedicated to programs and policies is deeply disappointing. That it seems so hard to identify policies and programs that work is less surprising in the face of estimates that just 34 of 1000 government programs in this area have been properly evaluated. Even so there are clear lessons that have been learned which are simply not being effectively and consistently applied.

There is also further work to do in connecting women to prosperity. Women are underrepresented in opportunity and organisational leadership roles – almost 83 per cent of CEOs in non-public organisations are men. In addition, the female workforce is heavily concentrated in the clerical and administrative, sales, community and personal services occupations, which generally provide lower pay and more limited pathways to leadership.

It should not be surprising then that the gender pay gap is 14.6 per cent and women have a mean superannuation balance of $68,000 compared to $112,000 for men. While Australians are changing their attitudes to parenting and work, recent HILDA data shows that women still assume a much greater burden of housework than men. In addition, these more traditional attitudes at home are only further entrenched with the birth of children, while women’s workforce participation drops.

GROWING PAINS – CAPITAL CITIES

Most people in Australia live and work in a capital city. Australia’s capital cities account for around two-thirds of total employment and almost 70 per cent of Australia’s total population growth with immigration underpinning the latter in 2016–17. Based on current policy settings these trends will continue. The Economist in 2017 put this growth into context by noting that “to accommodate its intake of foreign migrants Australia must build a city roughly the size of Birmingham every five years.”
In many respects Australian cities are well functioning. Numerous positive liveable city assessments, strong social cohesion, improved air quality, energy and water efficiency, are indicators that support this conclusion.\textsuperscript{22}

The evidence that recent growth is straining our capital cities is, however, becoming sharper. This is evident in congestion, lack of access to public transport, declining affordability of housing, energy and water, and increased homelessness. Avoidable congestion costs in capital cities, are projected to reach $30 billion by 2030, a near doubling from 2015.\textsuperscript{23} Cost of living pressures, including declining housing, energy and water affordability are well reported trends. Perhaps less well known and reported is the rise in homelessness, which has increased by 12 per cent from 2000 to 2017, although anecdotally, this is evident to anyone spending time in the Melbourne and Sydney CBDs.\textsuperscript{24}

\section*{Environmental Stewardship}

Environmental performance has been described as Australia’s Achilles heel – a weakness in spite of strength. On some environmental measures, Australia has achieved good progress over the past 15 years. Notably, Australia recorded the largest improvement in water efficiency in the world, and municipal recycling rates are among the highest in the developed world.\textsuperscript{25}

In critical areas, however, Australia faces considerable environmental challenges and has failed to make progress against them. Greater attention and action on carbon management and reducing emissions is an issue of global significance, underpinned by the Paris Climate Agreement, of which Australia is a participant. Australia, however, remains without a credible, consistent and efficient carbon management policy aimed at reducing emissions. This is where Australia has found itself even though both major political parties went to the 2007 federal election supporting an emissions trading policy.

As CEDA argued in 2014, regardless of disputes about the how and why, if Australia does not respond with a scientific, evidence-based, appropriately funded policy, the economic consequences may be devastating.\textsuperscript{26} This remains the case today.
Australian businesses are facing investor scrutiny of climate and carbon risks, business resilience to them and mitigation strategies. Energy and natural resources will remain important to Australia’s economic and social future. Energy resources are projected to make up around 80 per cent of total mining production in 2040.\textsuperscript{27} This underscores the need for clear and certain policies to support the efficient achievement of improved energy efficiency and emission reductions, and to guide abatement and investment decisions accordingly.

Climate change is also one of the factors placing pressure on Australia’s biodiversity. The \textit{Australia State of the Environment Report 2016} outlines a concerning assessment for biodiversity:

“The outlook for Australian biodiversity is generally poor, given the current overall poor status, deteriorating trends and increasing pressures. Our current investments in biodiversity management are not keeping pace with the scale and magnitude of current pressures. Resources for managing biodiversity and for limiting the impact of key pressures mostly appear inadequate to arrest the declining status of many species. Biodiversity and broader conservation management will require major reinvestments across long timeframes to reverse deteriorating trends.”\textsuperscript{28}
emerging limits to progress
It has become increasingly evident that Australia’s headline GDP performance has masked underlying weakness in the economy. Post mining boom, Australia recorded four consecutive years of declining real per capita disposable income. There have been only two other periods since 1988 over which per capita disposable income fell – in the aftermath of the GFC (2009) and early 1990s recession.

Labour productivity remains low compared with the periods of strong performance in the mid-1990s. Our ability to become more productive as a nation – by making better use of available resources – will determine the extent to which sustained economic growth will support higher incomes, rising wages, and broader progress in terms of quality of life.

Comparisons with US labour productivity provide a sense of how we are tracking against the economy widely acknowledged to be at the international productivity frontier for technology. We can never expect to fully close the gap for several reasons but ideally should strive to maintain or narrow the gap. We have been doing that recently, but from a position of historically poor relative performance.
More businesses will need to innovate to lift Australia’s productivity and competitiveness, but recent data suggests that less than half of all businesses in Australia are doing so.³⁰ Less than one in five Australian businesses introduced a new good or service in 2016–17, with three-quarters of these being innovations that were new to the business only. As a result, there is limited likelihood of driving a
A similar proportion of businesses introduced operational process innovations with nearly 90 per cent new to the business only. A broader lift in innovation or productivity. Australia’s spending on research and development (R&D) has increased, but both it and the proportion of R&D undertaken by higher education and funded in collaboration with industry remain below the OECD average.

Headline labour market indicators also mask underlying weakness. While total employment remains high, underemployment has been elevated since the GFC. Over eight per cent of those currently employed would prefer to work more hours, and this is only slowly reducing. Similarly, although overall unemployment remains low, the proportion of people who are long-term unemployed has been steadily increasing (figure 9). Existing programs for assisting job-seekers are unlikely to be adequate for addressing the personalised circumstances of the long-term unemployed, increasing the risk that this group becomes locked in unemployment.


**Figure 9** Long-term unemployment rate (12 months or greater)
**FIGURE 10**  COMMONWEALTH NET DEBT

Source: Commonwealth of Australia data.

**FIGURE 11**  HOUSEHOLD DEBT AS PERCENTAGE OF NET DISPOSABLE INCOME

Source: OECDStat.
LESS ROOM TO MOVE =
LESS RESILIENCE?

Today, Australia’s capacity to respond to external shocks in the way it did post the GFC is more limited. Interest rates remain low providing less room to move, and the Commonwealth fiscal position has weakened since 2008.

The Commonwealth Government has run 10 consecutive deficits with net debt now reaching over 18 per cent of GDP. While the budget position has recently received a boost from better than expected economic growth, long-term pressures remain regarding the tax base and demands for health, aged care and social services expenditures.

Australian household budgets have also deteriorated and appear more vulnerable to higher interest rates or falls in household income. These issues are assessed in further detail in Chapter 3 in the main report.
5

fixing the future
Against this assessment of where growth has not delivered the progress expected and the emerging limitations to growth and progress, it would be easy to be pessimistic about Australia’s future. CEDA is not, because there are tremendous opportunities available to us as a nation.

Hugh McKay reflects these sentiments in the following:

“It looks as if there has never been a more exciting or challenging time to be alive, yet many of history’s moments have been just as exciting and just as challenging as this one and have carried far more danger and far more prospect of far greater disruption than anything being faced by contemporary Australians.”

Australia is a nation very capable of sustainably improving people’s lives. Our track record is proof of this. But we must take the opportunity now to reboot Australia’s brand of economic development. We must do this to:

• position Australia to make the most of the opportunities presented by the big technology and data shifts going on around the world
• connect people to those opportunities through work and through the goods and services important to their quality of life
• maintain our strong social compact and safety net
• ensure the nation’s resilience.
It is in addressing these priorities that CEDA believes we will ensure that economic growth and development achieve their purpose: making the lives of Australians better and more secure.

Each of these broad priorities for progress requires new approaches reflecting the nature of current challenges and opportunities. But it is in the areas of the social compact and safety net, and resilience that Australia’s ‘brand’ of development requires some recalibration in light of past performance.

Serious attention needs to be directed to the small but significant groups of people who have remained persistently disconnected from opportunity and progress, and to ensuring that more do not find their way into these circumstances. In terms of resilience, while resilience to economic shocks has been proven, there is a growing need to reflect on how Australia might respond to a broader range of shocks or challenges. This includes the potential for a reversion to greater protectionism, and environmental performance, including uncertainties around global approaches to emissions and climate risk.

CEDA’S NEW POLICY ‘STACK’

It is not CEDA’s intention in this paper to interrogate every reform or policy change that might usefully be added to Australia’s policy ‘must do list’. The aim is to identify and focus on those issues and areas in which CEDA believes it can play an important role in advancing reforms that will drive progress and connect people to it. This has been guided by several considerations:

- identifying issues that are fundamentally important to future progress in their own right, but when advanced together will catalyse productivity and living standards
- those issues that would most benefit from bringing together insights and experience from business, government, academia and the not-for-profit sector, that is CEDA’s membership
- issues that were identified through CEDA’s Community Pulse as being of greatest priority to people in their day to day lives.

Based on this, CEDA has identified five issues that will be the focus of its research and advocacy:
For each of these areas, the following sections outline CEDA’s priorities and focus. Work on priorities and focus areas will be pursued in a number of ways including research, convening roundtables and events with decision-makers and supporting policy proposals. CEDA will also continue to use its events to promote the sharing of new ideas and information on other topics important to Australia’s future progress and prosperity.

1. Technology and data:
How do we put people at the centre of policy to harness the full benefits of emerging technologies and data?

2. Workplace, workforce and collaboration:
How do we invest in skills for a lifetime of work, retain a strong safety net and support productivity through engagement and collaboration?

3. Population:
How do we manage immigration, population and settlement strategically across governments?

4. Critical services:
How do we deliver critical services with better outcomes?

5. Institutions:
How do we strengthen institutions and their role in economic development?
Australia’s rapid uptake of information and communications technologies in the 1990s relative to other countries contributed to our strong productivity growth. We need a rerun of that success or better.

The possibilities of technology improving everyday lives and boosting economic progress are significant and include advances like earlier diagnosis and prevention of disease, sensors in cities to manage congestion and commuter safety and vertical farming techniques to reduce resource needs.
As Hugh Bradlow (Perspective 1) suggests:

“If we want world class transport systems, health systems, agricultural systems and financial systems it is essential that our economy aggressively adopts this progression of abundant computing (cloud systems), abundant data (sensors) and smart analytics (machine learning).”

There is debate about the impact of digital technologies on productivity across advanced economies, and whether the advances we experience will be equivalent to past industrial revolutions.

Technology experts and economists like Erik Brynjolfsson, Daniel Rock, and Chad Syverson argue that it will simply take time to see the productivity gains, with a major reconfiguration of society needed to accommodate new technology. Previous research by the OECD has examined the drivers of digital adoption and diffusion for selected technologies across 25 industries in 25 European countries between 2010 and 2016. It found “…strong support for the hypothesis that low managerial quality, lack of ICT skills and poor matching of workers to jobs curb digital technology adoption and hence the rate of diffusion.”

GOVERNMENT STEWARDSHIP TO PUT PEOPLE AT THE CENTRE OF TECHNOLOGY

Government has a key stewardship role to play in support of the adoption and application of new technologies. This role is essential to ensuring that the risks and potential adverse impacts of new technologies and the business models they enable are identified and managed, thereby laying the foundations for technology to deliver net benefits to the community.

The objective of this stewardship role must be to put people at the centre of technology. That is to balance opportunities and risks first and foremost from the perspective of the impact on people and their quality of life.

As Hugh Bradlow notes in Perspective 1, “We have powerful new tools to address poverty, healthcare, climate change, urbanisation but in isolation from a progressive legal, tax and social system, those tools will be our undoing.”
The good news is that Australia is beginning to make this transition. Several recent policy processes and announcements focused on how Australia may need to bolster its policy frameworks. These include:

- the Human Rights Commission examining the impact of new technologies on human rights, including the use of AI-informed decision-making in the targeting of advertisements, criminal sentencing and job screening
- the Chief Scientist proposing a Turing Certificate for companies to identify the trusted and certified use of artificial intelligence that is regularly audited for ethical quality
- a Senate Select Committee has recently considered in detail the impact of emerging technologies on the future of work and workers
- the Australian Competition and Consumer Commission (ACCC) is conducting an inquiry into the impact of digital platforms on media and advertising markets.

Similarly, progress is being made in terms of Australia’s approach to data. As the oil of the 21st century, data is now recognised as a major resource. Better access to and use of data, including the ability to link data sets is an important enabler of better decision making and innovation. Australia has a long way to go in this space and lags other developed nations in terms of making the most of access to and use of public sector data. The federal government’s commitment to investing in and reforming Australia’s data system is an important step forward, but the real test will come in effective and timely implementation of these reforms.

The commitment to legislate a national Consumer Data Right will allow customers open access to their banking, energy, phone and internet transactions. This is a transformational reform because it will enable consumers to guide the use of their data in a way that should promote competition and deliver benefits directly to them. In other words, it is a clear example of putting people at the centre of policy and technology.

While acknowledging these important steps, the task of making the most of technology and opportunities is complex and evolving, and there are risks to realising benefits for Australian consumers and business.
**REGULATING MARKETS IN THE DIGITAL AGE**

Regulation can act as a barrier to new entrants, but equally may hamper the ability of incumbent businesses to compete in the face of emerging business models. Getting the balance right to encourage competition is the goal. Good government stewardship in this regard will involve enabling the regulatory space for new entrants and more regular reviews of regulation to ensure it remains fit for purpose for new entrants and incumbents alike.

The rise of digital technologies and platforms facilitated by data raises fundamental questions about how competition policy should respond. Some companies can exercise significant market power based on their control of multiple platforms and the data that flows through these platforms. European competition authorities have already imposed various fines and penalties on some of these companies in response to evidence of misuse of market power.

The concentration of large amounts of valuable data in the hands of a few creates potential winner takes all scenarios, that can limit competition and create barriers to new entrants and innovation. For example, the use of platforms to divert customers from their competitors’ products and services.

Understanding where market power exists, how it might manifest in anti-competitive behaviour, and how best to curtail that will be fundamental to Australia’s ability to make the most of technology and data.

**THE IMPORTANCE OF TRUST**

An over-zealous regulatory response will chill competition, but the significant counter risk is that consumers lose confidence in how their data is being used and the benefits to them, and will withdraw, eroding the opportunities for innovation and progress.

Trust is critical to empowering consumers in the digital age. *The Financial Times* columnist, Phillip Stephens has drawn parallels to anti-trust action against the industrial age winner-take-all companies like Standard Oil and American Tobacco in the late 19th and early
20th centuries. Stephens has observed that President Roosevelt recognised that “capitalism required legitimacy” and would only thrive if people had faith in a system that was fair to everyone.\(^{42}\)

In the same way that ensuring no one has a monopoly on our data is critical to retaining trust, so too is ensuring transparency around the decisions that are generated through the application of artificial intelligence (AI) and machine learning. Government stewardship in this regard should focus on the promotion and adoption of ethical principles for the use of AI, data mining and autonomous systems. These should align with and build on internationally accepted principles. Governments should also support emerging mechanisms for peer review and independent scrutiny of algorithmic models.

As Ginni Rometty, Chairman, President and CEO of IBM observes:

> “Every organisation that develops or uses AI, or hosts or processes data, must do so responsibly and transparently. Companies are being judged not just by how we use data, but by whether we are trusted stewards of other people’s data. Society will decide which companies it trusts.” \(^{43}\)

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**A NEW OPERATING SYSTEM FOR GOVERNMENTS**

A key consideration is how well-placed governments are to undertake their stewardship role. Given the rapid evolution of new technologies and their application, governments will need to stay as close as possible to these developments. This will inform enabling policy changes or investments that might increase the benefits of new technology to the community.

This goes to the capacity and capabilities of government workforces, but also to the ways in which governments are prepared and able to constructively engage with a diverse group of stakeholders. In an environment of rapid change, getting regulations right will be tricky with the potential for unintended consequences high. This underscores the importance of engaging first and regulating second. In a perfect world, governments might even be able to encourage entrepreneurs and innovators to be proactive in discussing with government appropriate rules and regulations for emerging technologies and business models.
There is of course also tremendous scope for governments to improve their own service delivery and accountability through greater use of technology and data.

At the risk of torturing a metaphor – all of this points to the need for an entirely new operating system for government.

CEDA'S PRIORITIES AND FOCUS

Australia should put people at the centre of policy to harness the full benefits of emerging technologies. CEDA will seek to support this by focusing its analysis and advocacy on:

• best practice regulatory and stewardship approaches to encourage the adoption of new technologies, innovation and new market entrants to benefit consumers

• adoption and promulgation of ethical approaches to the use of AI, machine learning and data use, including peer review and scrutiny of algorithms and their outcomes in practice

• the promotion of data access and use to enhance efficiency in government service delivery and greater accountability for outcomes and performance contributing to and enabling new models of engagement and collaboration across sectors and building knowledge and capabilities to understand the opportunities and challenges presented by emerging technologies.
Technology is creating more opportunities for businesses, requiring them to do things differently and to do different things.

How well Australian business captures these opportunities depends on: its management skills; the skills and capabilities of employees; and the quality of engagement with its employees. Similarly, how well Australian workers can capture the benefits of the adoption of new technologies through sustained employment and higher wages underpinned by higher workplace productivity will depend critically on their skills and ability to engage in and benefit from ongoing education and training.

There has been considerable focus on the risks of job destruction associated with technological advance. But Australia needs far greater focus on ensuring that skills are keeping up with demand, and that our workplaces enable innovation and collaboration.
KEEPING UP WITH EVOLVING SKILL NEEDS

Australia will also need to boost its efforts to bring more under-represented groups into the workforce and to ensure that workers displaced by technology do not fall into long-term unemployment and deep disadvantage. As Professor Attila Brungs notes in Perspective 4 “…due to its ageing workforce demographics, Australia’s economy will need every worker as well as the productivity gains that might be achieved through this automation.” As noted in CEDA’s How Unequal? Insights into inequality, getting the long-term unemployed and people with complex needs back into work will require far more tailored solutions than what is currently available through the Australian Government’s JobActive model. This will also need to be coupled with adequate unemployment benefits.

Businesses in Australia are already reshaping their approach to recruitment, favouring candidates with skills that translate across numerous roles over those with narrow specialisations.

While Australia’s skills and education system has been the backbone of our modern and highly skilled workforce, these systems need to evolve to best equip Australians for the future workplace.

Gaps in our education performance have begun to emerge. For instance, the Graduate Outcomes Survey shows that it has taken university graduates longer to gain a foothold in the labour market in the last decade, and over 40 per cent of those with undergraduate degrees report not fully utilising their skills and education in their job.44

The immediate priority is to ensure that those lacking the necessary skills to gain and retain employment in today’s labour market can access training and education opportunities as quickly as possible. The longer they remain disconnected from employment opportunities, the greater the risk that they will struggle to re-enter the workforce.

LIFELONG LEARNING

The bigger long-term challenge for Australia’s education system is to evolve in a way that enables people to access education in many and varied ways throughout their life time. This includes the provision of “accessible, digestible and modular” learning that can occur alongside on the job training for students to gain early exposure to the rapidly evolving needs of modern workplaces.
As Professor Brungs observes in his contribution to this report (Perspective 4) “…educators will need to develop a new generation of learners, for whom a career of 20-30 jobs is not just normal but welcomed.”

A modular approach to learning will be an important aspect of life-long learning for those already in the workforce. These new, agile partnership models of education must emerge from deliberate and purposeful collaboration across business, education providers and workers. This cannot simply be left to individuals to navigate.

CEDA’s Community Pulse survey suggests, however, that having the right system is only one part of the solution. The fact that those survey results showed that access to new skills and training throughout working life was widely unimportant to people suggests a degree of complacency in maintaining and honing relevant skills. Tracking this complacency and increasing the focus of individuals on their responsibility for ongoing learning and skills development in and out of work, will need to complement system reform.

**WORKPLACE RELATIONS**

Not surprisingly, discussions regarding productivity in the workplace in Australia and the ease with which business can do things differently inevitably touches on the industrial relations legislative framework.

In the face of rapid technological change, issues being raised include: the need to reignite productivity and wages; the implications of increasing part-time and contract work; and the implications for employment and income safety nets of more frequent changes in jobs over a lifetime, and the need to hold numerous jobs at a point in time to make ends meet.

A strong legislative framework and safety net for workers’ rights must remain an important part of Australia’s workplace landscape. But there is a need to focus attention on a much broader set of factors that contribute to productivity and collaboration in the workplaces including the managerial skills and competence, organisational culture, structure and communication.

In the last decade, Australia has struggled to have a joined-up conversation about working smarter, in terms of the stakeholders involved and the scope of the issues covered.
As Andrew Dettmer suggests in Perspective 2, there is a genuine appetite for workers to be part of a discussion about how to build a stronger economy. Equally, it is clear from Peter Coleman in Perspective 3 that many businesses understand the importance of communication, dialogue, and collaboration across their workforce in support of new ways of working.

Despite this, there is very limited dialogue across multiple stakeholders about how workers and business can better collaborate to work smarter. There is little opportunity for a much broader discussion on skills and training, or genuine dialogue about how organisations and their employees can work together to lift workplace productivity.

Achieving such a dialogue across the full range of issues confronting Australia’s workforce and workplaces is critical to lifting productivity and wages, and to ensure that Australians are able to contribute to that through meaningful work and are rewarded for doing so.

CEDA’S PRIORITIES AND FOCUS

We must invest in people as our greatest asset, enabling skills for a lifetime of work, workplace productivity through positive workplace engagement, and a strong and reliable social safety net. CEDA will seek to support this by focusing its analysis and advocacy on:

- the development of a learning system that enables lifelong learning, with clarity around the roles of the individual, employers, government and education providers
- enabling effective employer-employee collaboration in support of the adoption of new technologies, job creation, higher workplace productivity and wages
- examining and addressing issues around organisational management and performance and Australia’s investment in organisational capital and the competence of management
- Australia’s social compact (the tax-transfer system and workplace regulations and protections) to ensure it will continue to deliver effective outcomes considering changing technologies, business models and employment patterns and trends
- programs targeting those persistently unable to gain and retain employment
- new models and approaches for achieving improved educational outcomes for low SES and disadvantaged schools to reduce the prospect of sustained under employment.
The growth, composition, and distribution of population and immigration play a critical role in economic development, impacting:

- economic demand and activity
- the size of our workforce
- the demand for critical services and infrastructure
- the skills profile of the workforce
- cultural and community diversity and strength.
The Australian population continues to grow. Latest official projections from the Australian Government’s 2015 *Intergenerational Report* indicate an annual rise in the number of Australians of 1.3 per cent over the next few decades, with the population reaching close to 40 million by 2054–55.\(^{45}\) Actual population growth has, however, consistently outpaced official projections.

Broad-based political debate about population policy in Australia has tended to be episodic – and we are in one of those episodes now, reflecting:

- Australia reaching a total population of 25 million people, faster than historical projections, including the 2002 *Intergenerational Report*, which projected this to occur in 2032
- strong population growth concentrated in Melbourne, Sydney and Brisbane
- much slower population growth elsewhere (e.g. Adelaide and regional areas)
- concerns about the level of immigration and implications for social cohesion
- concerns about the impacts on amenity and standard of living.

The last time there was this level of discussion and debate was almost 10 years ago when the then Premier Minister declared his support for a big Australia. He was subsequently challenged to spell out how Australia would sustainably accommodate a population of 35 million by 2050.

Despite numerous calls, there is currently no explicit population policy in Australia. The last official policy can be traced back to the end of World War II, when the Australian population was less than 7.5 million. At that time, there was broad consensus that the population needed to increase, and an annual population growth target of two per cent was adopted. The two per cent population growth target was abandoned in the early 1970s.

Much of the debate around the appropriate rate and composition of population and immigration growth has focused on the economic benefits. Proponents for a bigger Australia point to the importance of population growth as one of the three pillars underpinning economic expansion. Indeed, it has been a consistently strong contributor to overall economic growth over the past four decades.
Demographer Dr Liz Allen (Perspective 5) presents a number of indicative estimates to illustrate the important benefits that net overseas migration provides in moderating old-age dependency, and in turn reducing intergenerational inequality. The IMF has estimated that Australia’s migration program will add 0.5 to one percentage points to average annual growth in the economy between 2020 and 2050 by reducing the impact of an ageing population.\(^46\)

However, population growth and the resulting absolute economic growth do not automatically translate into improved living standards (or rising GDP per capita). To maximise the potential benefits of immigration, there has been a focus on increasing the proportion of skilled migrants and this has contributed to lifting the overall skill base in Australia and is a defining characteristic of Australia’s approach to immigration.\(^47\)

Even with this more targeted approach, there appear to be growing community concerns about the adverse impacts of continuing population and immigration growth on living standards because of increasing pressure on housing and services for instance, and in terms of social cohesion.

One issue attracting less attention in these debates is the role and impact of temporary migration. According to the Productivity Commission, there are around 1.5 million temporary residents in Australia and the granting of temporary visas has almost doubled in recent decades. Importantly, temporary visas have become a pathway to permanent residency for an increasing number of migrants.\(^48\) Temporary skilled migration has also been a means for business to address critical shortages in skills and experience, but this remains a contentious issue characterised by numerous reviews and unpredictable policy changes.

Australia is one of the most successful multicultural countries in the world and strong population and immigration growth has been a key feature in our brand of economic development. But immigration policy has become a de facto population policy, and population growth has outpaced projections with resultant growing pains emerging in cities. A more strategic approach to immigration and therefore population growth is required.

For existing residents and citizens, and new migrants the issues that impact quality of life are the same. That is, the ability to find a job, an affordable place to live, get to work easily and affordably, access good schools and affordable health care, and live in a safe and cohesive community and have access to environmental amenity. These issues and the ability to deliver against them should guide a strategic approach to immigration, population and settlement.
CEDA’S PRIORITIES AND FOCUS

Australia should establish a strategic and sustainable framework for managing immigration and population growth and settlement across governments. The components of such a framework must include:

- a statement of policy objectives
- regular, robust and transparent evaluations of recent trends and their impacts on people and the communities and environments in which they live and work
- the capacity to recalibrate targets and policies based on evaluation results and in line with long-term pressures and goals
- critical evaluation of the practicality, impacts, sustainability and effectiveness of regional settlement policies
- a multifaceted approach to planning that incorporates access to employment, housing and essential services
- coordination across governments and jurisdictions
- the role of immigration in meeting short- and long-term skills needs
- the role and impact of temporary immigration.

CEDA’s research and advocacy will focus on how to get the components right and ensure effective coordination and planning across jurisdictions.
Critical services are a fundamental foundation to the quality of life for everyone in our society. These services also make a critical contribution to the economy directly and in supporting and enabling other sectors.

In CEDA’s Community Pulse 2018, survey respondents consistently identified quality, access and affordability of critical services like health care, chronic disease, aged care and essential services (electricity, water, transport) as the most important issues for them personally. These priorities were the same regardless of where people lived, their age or income bracket.
The delivery of critical services in Australia is under growing pressure for a range of reasons, including:

- increased demand driven by population growth and ageing
- the impacts of technology, and changing community expectations
- the need for improved planning, policy and regulatory frameworks and settings.

In health for example, there is a pattern similar around the world, population ageing and emerging health trends – increasing health risk factors, preventable diseases and escalating mental illness – are colliding with expectations of better care and systems already unable to keep up.

In Australia, increasing expectations for better health and aged care come with a further expectation that adds to the challenge. The unwavering message from CEDA’s Community Pulse survey is that access to affordable basic healthcare and chronic disease services are top priorities for the community, and they prioritise the role of government in providing these.

All of this occurs against the backdrop of known system inefficiencies and limitations. These include:

- clinical interventions that are excessive, unnecessary or provide limited benefits
- preventable adverse events in hospitals (which add 6–10 per cent to the costs of the hospital system, according to the Australian Commission on Safety and Quality in Health Care
- a lack of data and transparency on the performance of health providers.

The system also remains skewed to acute care, even though chronic health conditions are the more pressing issue. Australians spend a longer proportion of their lives in ill health and have a higher incidence of multiple chronic illnesses compared with other OECD countries, so how well these issues are addressed will have significant bearing on how we assess whether in years to come we have made progress in improving the lives of Australians.
Australia also spends a relatively small proportion on preventative health measures – just $89 per person compared to total spending of around $7000 per person on health. Prevention and early intervention is likely to need to be an increasing focus in mental health, which is estimated to account for almost eight per cent of overall health expenditure by government.\(^{50}\)

Mental health issues are also of growing significance. In 2016–17, 2.4 million people received Medicare subsidised mental health services and over four million people received mental health related subscriptions.\(^{51}\) While support should be accessible, it is also likely to be more expensive than early intervention, which doesn’t occur due to issues around awareness, stigma and discrimination.

Governments are committing significant expenditure to meet volume demand in health, mental health and justice, but this expenditure is not always delivering the best value or the right outcomes.

James van Smeerdijk captures the current inefficiencies in the $180 billion health system in Perspective 7:

“\text{The system is fragmented and difficult to navigate for people with chronic and complex needs, leading to a frustrating patient experience, variable quality of care and costly inefficiencies. Silos in the system and the lack of shared patient data make it very challenging for service providers to collaborate for their patients. In addition, services don’t necessarily take into consideration what people value for their health, wellbeing and life. Services are funded based on activity (service volumes) and patient outcomes are not tracked or incentivised. This approach leads to inefficiency (avoidable, variable and unnecessary treatments) and lack of clarity on impact and value for money. It does not incentivise collaboration or innovation, both of which will be critical for the future.}”

The human and physical infrastructure needs associated with growing aged and health care demands are also simply staggering. According to James van Smeerdijk, an additional $24 billion in capital costs and $12.8 billion per annum in operating costs would be needed by 2025 to meet the projected gaps in just aged care services and hospital beds. By 2040, this could reach $57.3 billion in additional capital costs and $28.9 billion per annum in operating costs for the same categories. In addition, there will be critical workforce shortages with potential gaps of approximately 85,000 nurses by 2025 and 180,000 aged care workers in 2025, increasing to 400,000 more aged care workers needed by 2040.
The speed and nature of changes being brought about in disability support through the National Disability Insurance Scheme (NDIS) have been described as unprecedented as it aims to rollout a completely new service model to almost 500,000 participants by 2019–20. The experience of the NDIS to date illustrates the tension between meeting demand and getting the service delivery model right. According to the Productivity Commission there has been too much focus on quantity and not enough on quality, supporting infrastructure, market and workforce development.52

Long-term pressures on aged care and disability are significant. Providers will be required to simultaneously meet rapid increases in demand and evolve service delivery models to respond to changing expectations and pressure on available resources.

As Melina Morrison describes in Perspective 9:

“…The growth of the aged and disability care sectors will see 60,000 more full-time disability carers needed by 2019 and an increase from 366,000 aged care workers in 2016 to 980,000 needed by 2050…

…Care is no longer a one-way relationship between the service provider and the service recipient…

…These big social changes demand new solutions, which can adapt to the demand for autonomy and choice…”
The ability of government to meet community expectations against the backdrop of competing demands for government spending and pressures on revenue bases highlights the need for innovation and changes to policy processes and settings to enable this.

We need to heed the lessons from the United States. The United States spends more on healthcare relative to GDP than any other country in the world but 2017 marked the third straight year of decline in US life expectancy.\textsuperscript{53}

In areas of community service, there is scope for significant improvement at a time when incarceration rates are reaching record highs. Early intervention and prevention through “smart justice” is likely to reduce the cost of crime according to Professor Joe Graffam and Jenny Crosbie in Perspective 8. Rates of imprisonment have been on the rise, at an average daily cost per prisoner of around $270 according to some estimates. Despite this, almost half of prisoners are reincarcerated within two years. A large proportion of the criminal population suffer from health and social issues including extreme disadvantage.

In energy, there has been an inability to reach consensus and compromise when seeking to reconcile multiple objectives – that is, balancing the need for affordability and reliability with the need to reduce emissions. As the Productivity Commission notes:

“Lack of clarity on emission reduction policies, increasing reliance on intermittent and variable renewable energy, moratoria on gas exploration and development, and the commencement of gas exports from the east coast, have all contributed to a system under pressure.”\textsuperscript{54}

After a decade of policy discussion, change and uncertainty, Australia’s expectations and ambitions for a workable energy policy framework have arguably reached an all-time low. Some in the sector have expressed the simple hope that the next phase of policy uncertainty is managed at least cost to the community.\textsuperscript{55}

A short-term focus solely on affordability and reliability will lead to continued long-term uncertainty for investors who seek clarity around how emissions are to be managed. This compromises affordability and reliability in the long-term and impedes the efficient development and adoption of innovative approaches to emissions reduction.
In contrast to energy, water is an area that is being relatively well managed under the National Water Initiative established in 2004, but there is still more that can be done to address challenges from population growth and climate change. Meeting the growing needs of cities while maintaining affordability will require long-term planning and investment to avoid poor and rushed decisions in the event of a looming shortage. Rural and regional water infrastructure will also need to be subject to rigorous analysis to avoid the construction of unviable infrastructure.

CEDA’S PRIORITY AND FOCUS

Our priority is to ensure the delivery of affordable and accessible critical services with better outcomes. CEDA will seek to do this by focusing its research and advocacy on:

• driving a greater focus on desired service outcomes and greater transparency in respect of provider performance and outcomes
• the importance of developing stronger signals and incentives to underpin improved decision-making and allocation of resources over the long run, and to enable new supply and innovation
• increasing discipline in ending activities that do not add meaningful value to consumers/clients
• promoting the benefits of better data access, linkage and use in support of better outcomes (noting this is likely to have as much if not more influence than regulation in driving better outcomes)
• fighting for implementation of policy proposals developed through robust and comprehensive policy processes (e.g. the Finkel Review).
Institutions, be they government, business, not-for-profit, are the bedrock of economic development. When they work well, they instil trust in the community, which in turn supports the decisions and innovations that drive progress and ensure that the community benefits from this.

The community expects institutions to be accountable and responsive to change. As Ian McLean points out in describing the role of institutions in Australia’s prosperity: “More than once, as evidence accumulated that an institution was operating in a manner harmful to prosperity, it was either abolished or modified to make it growth promoting.”66
DECLINING TRUST

A lack of trust in institutions is no longer limited to polls or surveys. It is playing out in revelations of institutional failure no more visibly than in the Royal Commission into Misconduct in the Banking, Superannuation, and Financial Services Industry. It is being fuelled by political instability and change at the highest levels. But mistrust is broader and deeper than this – underlying it are widespread concerns about the extent to which key institutions in our society are acting in the best interests of that society.

Of course, not all industries are plagued by issues of misconduct yet community trust in Australian business has eroded across every sector. The 2018 Edelman Trust Barometer finds that just 45 per cent of the general population trust business, down from 48 per cent a year ago.\(^\text{57}\)

As noted in CEDA’s *Community Pulse 2018*, if Australia’s business sector is to be competitive and vibrant, then businesses need to better connect their actions and activities to the aspirations and expectations of the wider community.\(^\text{58}\) Business will need to rebuild trust through multi-stakeholder engagement and far greater transparency about the ways in which it is responding to community and stakeholder expectations. As the CED suggests, adopting a long-term perspective naturally leads to a multi-stakeholder approach since companies cannot prosper over the longer term without taking appropriate care of their customers, employees, suppliers, the environment and the communities in which they do business.\(^\text{59}\)

Trust in government has faced a similar fate and has eroded rapidly. As for business, governments will need to be clear and consistent in communicating the purpose of their actions and outcomes delivered and how these align with community expectations and aspirations. The community in turn should demand more in terms of rigorous program evaluation and greater transparency around the impact and efficacy of taxpayer funded programs.

As noted earlier, Australia’s federal system of government has served us well. Australia’s federation is generally at its best when it chooses the right issues on which to compete (e.g. tax reform) and to collaborate (e.g. regulatory simplification).
In previous reform phases, the Council of Australian Governments (COAG) has played a key role in driving effective implementation. Today, the consensus is that COAG lacks a reform agenda and any momentum. This at a time when the need for a scope for a proactive and important reform agenda couldn’t be clearer. The Productivity Commission’s five-year productivity review Shifting the dial had 28 recommendations – 23 of them involve coordination and cooperation between levels of government – health, education and infrastructure.

There are avenues for assessment and evaluation of service delivery and differing performance across jurisdictions. The data and analysis in the Productivity Commission’s regular Review of Government Services reports is one. While the ‘sunlight’ of this report does appear to have supported better performance, more can and should be done to promote the benefits of federalism in practice.

Understanding performance across jurisdictions is an important contributor to understanding if we can reform and improve effectiveness of our federation in terms of allocation of funding or roles – not for the sake of it, but because it plays a key role in delivering economic reforms. Greater transparency of program objectives and outcomes, accountabilities across jurisdictions, and robust assessments of performance, would assist in restoring trust.

NEW MODELS FOR COLLABORATION AND CO-DESIGN

The big shifts that Australia must now respond to are fast moving, complex and interwoven. Responding well to them will require all our institutions to develop different models of engagement with each other and the community and new models of information sharing, collaboration and cooperation.

At the other end of the spectrum the lack of understanding of economic and social circumstances at a local level in a geographic sense, and of the specific multifaceted circumstances that sit beneath entrenched disadvantage for some groups of people is seen to be an important contributor to policy failures. The proposed response is, co-designed placed-based or hand-made solutions that involve government working with a community and other institutions to design more targeted, relevant and successful approaches.
Professor Anne Tiernan and Jerath Head address these in Perspective 11, noting:

“Beyond the public’s bewilderment at the revolving door of political leaders, three broad themes recur.

– First, that economic insecurity and concerns about fairness – the extent to which the benefits of economic growth have been widely shared – are fuelling discontent.

– Second, that policy-makers need to develop better informed, more nuanced understandings of the communities they are elected to serve.

– And finally, that ‘place’ is assuming greater significance in an increasingly complex, diverse and spatially differentiated governance context.”

Tiernan and Head provide some cause for optimism, highlighting the important role that can and should be played by anchor institutions. These institutions have long standing social connections and capabilities to support local opportunities for economic development and community wellbeing.

Examples of place-based approaches that are delivering better outcomes through community collaboration with government and business are emerging. Some of these were discussed at CEDA’s 2018 State of the Nation conference. A key message from these examples is that to get the best outcomes, community groups must have the same information as government. Sharing information about the number of programs and spending across programs enables communities to understand where and how they can do better, and what the prize is for doing so.

There is growing attention on place-based approaches, but they are not new. There was a COAG trial of such an initiative in respect of Indigenous programs in the early 2000s. The Australian Institute of Family Studies reviewed placed based Commonwealth service delivery programs in 2015.

While these approaches offer significant potential to achieve better outcomes, particularly in respect of complex, multifaceted and entrenched wicked problems, too little is being done to promote their effective adoption, to evaluate their impact and to disseminate key learnings.
Renewing Australia’s institutions can have a catalytic effect on progressing the other priorities outlined here and restoring community trust and confidence in the capacity of Australians to confront and address major challenges to secure ongoing prosperity.

CEDA’S PRIORITIES AND FOCUS

CEDA’s aim is to renew key institutions to rebuild trust through transparency and to enable collaboration and innovation. CEDA will seek to support this by focusing its efforts, research and advocacy on:

- re-establishing a long-term intergovernmental reform agenda
- increased transparency of program evaluation and performance across all levels of government
- prioritising data access and sharing in support of better program design and implementation
- promoting the exchange of information on place-based and hand-made initiatives, facilitate peer reviews, evaluation and mutual learnings as a means of encouraging greater reliance on co-designed, place-based initiatives
- collaborate across sectors to support the development of greater capacity in the public sector to effectively develop, manage and implement co-designed initiatives.
CEDA is realistic about the challenges in rebooting Australia’s reform agenda, not to mention the ongoing political and economic volatility around the world.

But undertaking deliberate and persistent research and advocacy on the priorities outlined here can make a positive contribution to national debate on how to make the lives of Australians better and more secure.

Australia has demonstrated to the world that we are very capable as a nation of making people’s lives better. We need to recapture our past success and optimism to establish new foundations to connect people to progress in a meaningful way. People expect better, we can do better, and we should do better.
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9 Productivity Commission, 2016, Migrant Intake into Australia, Inquiry Report No. 77, Canberra.


14 IMF 2009 Article IV consultation.


18 Commonwealth of Australia, Department of the Prime Minister and Cabinet, 2018, Closing the Gap Prime Minister’s Report 2018.


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35 Mackay, H. 2018, Australia Reimagined, Pan Macmillan.
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