

SPEECH

Growing Social Prosperity in a Growth Economy

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Overview

It's almost inevitable today to begin any speech to the business community by saying Australia has never had it this good. The horizon of prosperity seems to stretch indefinitely into the distance. We've experienced some jolts and bumps along the way; but the economic shocks and deep uncertainties we were all accustomed to in the 1980s and 90s seem to have departed our shores – at least for the foreseeable future.

A couple of decades ago the language of prosperity was almost like a foreign language – hard to understand, let alone discuss with any fluency. Now, phrases like full employment, stock market highs and the commodities boom roll off the tongue. The language of prosperity is now the second language of many Australians.

And it's a comfortable conversation to have – particularly at events such as this. Our companies and our employees represent a very fortunate part of the community. Across the board, jobs are plentiful, wages are high and individual wealth continues to rise.

And through higher business taxes, governments fund new and expanded programs of social support. There's no doubt this is a golden age of prosperity – possibly the best of economic times Australia has experienced.

The Other Australia

But in the midst of so much prosperity, it is easy to overlook the many Australians who continue to confront a vastly different reality. This is a world where economic opportunity is limited or non-existent, and social isolation a fact of daily life. For all the talk and mutual congratulations over economic prosperity, we need to remind ourselves of the other Australia.

This other Australia includes the three million people who remain outside the workforce, many of whom want to work. It includes the one in seven Australian children who live in households where there's no wage earner. It includes the

unacceptably large numbers of Australia's Indigenous population for whom very low rates of workforce participation, poor health and low life expectancy remain endemic. For a nation which prides itself on equality and a fair go, these figures are clearly out of synch with its core values.

The Baseline of Economic Reform

For the BCA and other like organisations, the main focus in recent years has been on economic reform and the need to sustain economic growth; and with good cause: economic growth creates a larger pie for us all to share.

And so we've maintained a strong focus on issues like infrastructure renewal, modernising federal-state relations and updating Australia's tax, red tape and workplace systems. They remain critical issues for business and the Australian community. In a highly competitive world, economic growth will slow and prosperity will stall without ongoing reform.

BCA Achievements 2007

In the last 12 months, our efforts have, I believe, started to bear some fruit. For example, states and the Commonwealth are now pushing ahead with deep reforms to regulation-making.

We're now starting to see better planning and policies on infrastructure reform.

One of the most glaring problems facing Australia, which has been highlighted through our research on tax, infrastructure and red tape reform, is the quite dysfunctional state of our federation. Only through reform of our federal and state arrangements will we achieve a truly productive economy; and we are starting to see the issue picked up by political leaders.

During the year the BCA has continued to argue strongly against any reversal of the workplace reforms which have delivered strong economic growth, higher real wages and record jobs growth over the last decade. We have taken every opportunity to point out that reversing these reforms, for example by abolishing individual workplace agreements, will result in a fall in productivity and increased unemployment.

Another area in which we have been active has been in the climate change debate. The policy framework agreed to by BCA Members this time last year is now embedded in responses to climate change by both the major parties. We've been at the forefront in developing processes that have resulted in plans for a national carbon trading scheme, which will allow Australia to set realistic, long-term emission targets, hopefully while containing too many adverse impacts on our economy.

These areas remain the building blocks of reform and further progress on them will establish the foundation for continued economic prosperity.

For its part, the BCA will continue to monitor the actions of all governments in these critical areas areas, and comment on the pace and direction of reform accordingly.

New Directions for Reform

But now the prosperity debate needs to take a different turn. It needs to better serve the many Australians who remain isolated from, or on the periphery of opportunity.

As business leaders, we need to do much more to incorporate objectives for social prosperity into the reform debate. We need to be equally proficient in the language of social prosperity as we are in economic reform.

The BCA's vision is to make Australia the best place to live, learn, work and do business. Tonight, I particularly want to emphasise those 'live' and 'learn' aspects. These are the issues the BCA is increasingly turning to in its reform thinking.

In particular, we're starting to focus on whether existing policy pathways are enough to maximise participation in prosperity. We're asking what new policy approaches are needed to better align economic reform with social outcomes.

The case for action is compelling if for no other reason than this – will there ever be a better time for our nation to tackle entrenched disadvantage and welfare dependency?

Business Case for Social Prosperity

I am sure that as business leaders you appreciate that this is not driven by pure altruism. There are significant costs to our businesses if we fail to address these issues. Costs resulting from:

- long-term unemployment and entrenched disadvantage;
- an ageing population that will open up huge and costly gaps in the labour force; and
- lack of education and job skills among many young Australians.

These problems constitute an unacceptable waste of individual talent. With such a strong economy, we talk a lot about Australia realising its full potential. But we can't realise our collective potential unless each and every individual Australian has the opportunity to realise theirs.

The BCA starts from the premise that life-long learning and ongoing employment are the best ways of realising this potential. Education and workforce participation are what will drive economic and social prosperity.

Restoring Our Edge in Education

In August, the BCA released an important research paper *Restoring our Edge in Education*. In the paper, we highlighted how our education management and policy structures have more in common with the 1960s than the needs of the 21st century. As a result, significant areas of excellence and achievement in Australia's school education system co-exist with many areas that perpetuate disadvantage.

Despite the very best efforts and high levels of professionalism within the nation's teaching profession, the system is still failing more than 300,000 young Australians. This is the number of young people who are either unemployed or working part-time, or have not gone onto further education.

There are two significant problems with our school system: Firstly there is a significant proportion of young people who become disengaged during their school years, achieve only minimal educational outcomes and have limited subsequent engagement in work or further learning. Second, there is a shortage of young people with the knowledge and skills required for effective participation in the Australian workforce.

There's now a real need for new approaches and policies.

We need a greater emphasis on national approaches to school curriculum and teaching training. We also need a renewed focus on teaching and learning foundation skills such as literacy, numeracy, and computing, as well as focusing on the importance of independent, lifelong learning.

I believe that one of our greatest concerns today should be that our best and brightest young people are not entering the teaching profession; and it's not surprising: teaching is not held in the high esteem by our society that it once was; the classroom job carries a lot more stress today than in the past because of the need for teachers to provide pastoral care that was formerly provided at home; and teachers' remuneration structure provides no incentives for excellent performance.

Today we are fortunate still to have very many teachers who are highly competent, professional and dedicated to their task; but it is inevitable that unless we do something about the unattractiveness of teaching as a career, we'll see a steady decline in teaching standards over time. It isn't necessary to spell out what a detrimental effect this would have on our society and our economic prospects.

Imagine, on the other hand, a society where teachers are revered as the fundamental source of our ultimate prosperity; where parents encourage the brightest children to enter this noble profession and where our education system is recognised as the best in the world.

The achievement of this vision will require a changed approach to education by governments at all levels. Changes will include better resourcing of the physical infrastructure of our schools, better coordination across the country of curriculum and outcomes measurement and, most importantly in my view, better remuneration arrangements.

Why should we tolerate a system where after a few years in the profession the best teachers are paid much the same as the mediocre?

Most teachers can reach the maximum salary level after, on average, only 10 or 12 years in the profession. As a result many very good, ambitious teachers move into administration positions and become principals, or they leave the profession.

This is not in the best interest of students, schools or the community.

How much better would it be if people entering the profession knew that if they performed at the highest level they would be rewarded accordingly? By performance, I mean how teachers would rank against national standards of accreditation focused on teaching skills and achieving improved learning outcomes for students. For example, I could imagine a system where 50 per cent of teachers are remunerated at current levels, with 5 per cent paid a premium of 10 per cent, another 5 per cent a premium of 10 per cent above that, and so on; with the top 5 per cent paid double the current remuneration. This would potentially see our top teachers paid up to \$130,000 a year.

The cost of doing that for all Australian teachers, public and private, would be around \$4 billion. That, to me, seems like a manageable amount, given the potential savings that might be made from rationalising education bureaucracies across Australia and the projected surplus of the Commonwealth Government. We should consider such expenditure an investment rather than a cost.

Implementing it would, of course, require coordination between the Commonwealth and the states, given the current funding arrangements for public and private schools; and that is just another illustration of why our federal system needs to work well.

A common criticism of such a suggestion is that it's too hard to determine who the good teachers are. To me that is just not credible, when I know that if you go into any school, everyone knows who the best teachers are; and therein lies the answer: accreditation to the various levels of excellence must contain a large element of local input, for example by giving principals greater autonomy.

Engaging our Potential

A world-class education system for everyone regardless of their social and geographical location is paramount. But to translate potential into workforce participation – in other words, translating the 'learning' to the 'living' - we also need to recast our current employment policy efforts. To do this, we need to shift our thinking from an employment economy to a participation economy. In today's world of capacity constraints, policy action needs to change focus from labour demand to labour supply.

In May, I convened a BCA roundtable on ways we might increase workforce participation rates, particularly among those disadvantaged members of the community.

The roundtable included business leaders, welfare and workforce experts and representatives from government and the public policy community. At the meeting, I was struck by two observations.

The first was the eagerness for work among the many that the labour market consigned to the margins. The second was that solutions to breaking down these barriers are relatively straightforward, provided the solutions are tailored to particular needs of individuals.

Much of the focus of these current frameworks is on achieving aggregate outcomes like employment rates. But they lack the precision and tailoring often needed to address what are often complex barriers to participation faced by individuals.

Our initial conclusions are found in our latest report *Engaging Our Potential*. It is part of the BCA's Annual Review that is on your tables – I urge you all to read it.

The Role of Business

But this isn't simply about business calling on governments to act in isolation.

So much of Australia's prosperity and opportunity – at an individual level and for society – is now tied to business.

Business has a major role in demonstrating policy leadership, formulating practical solutions and implementing best-practice in this area. As I said, there's a very strong business case for action. But as a nation, we need to establish realistic targets that commit to making real inroads on reducing the large numbers outside prosperity.

As an example of how business might be involved, this year I wrote, along with the Prime Minister, to BCA members encouraging them to develop Reconciliation Action Plans which detailed how they were going to engage with the Indigenous population. Many have taken up this challenge.

But to achieve the widest impact, we need an integrated response from business, government and community. Initiatives and programs to maximise participation need to be better supported by government policy. Responses at the coal-face by welfare and community groups need to be shared and embedded in the wider business and government response. Government itself needs to reform its structures to address the big challenges that face the country.

The Role of Government

The reform of our federation is a critical issue. So many of the barriers to sustained prosperity come back to federal–state relations. We can't make lasting headway on many important issues if governments can't work together to better organise the benefits of our current prosperity in ways that achieve lasting outcomes. Workforce participation and education are two important areas needing serious and seamless co-operation and co-ordination at all levels of government.

As I outlined in a speech to the National Press Club last year, unprecedented prosperity has given many Australians a more aspirational view of our ability to tackle tough problems. The Australian community now expects more for all of us. It's time for Australia's leaders at all levels to deliver.

Conclusion

The federal election is a good starting point. As we outlined in April when I announced the BCA's Reform Standards for the election, the federal poll has the potential to set out new pathways for prosperity. But many of the commitments and promises in this election are likely to benefit those who are already part of the mainstream economy.

Economic prosperity should be the catalyst to unwind disadvantage – not perpetuate it. We need to aim for broader social prosperity linked directly to policies that support economic growth. This should be a priority for all parties in the election.

In conclusion, I would like to thank BCA Members for their support and strong commitment to the BCA and its agenda during the two years I have been President. I believe the BCA continues to lead the way in developing ideas to secure Australia's future and I'm certain that under my successor, Greig Gailey, it will continue that work.

Greig brings to the role a number of important credentials. He is best known for turning around and transforming Zinifex into one of Australia's most successful resources companies. As a BCA Board member and a member of the Council's Sustainable Growth Taskforce, I know Greig has a deep interest and knowledge of what makes good public policy and I wish him all the very best.

Finally, I want to thank Katie Lahey and her Secretariat for their unstinting commitment to helping develop and promote the BCA's agenda on behalf of business. The high degree of competence, professionalism and drive of the people in the Secretariat have made the last two years very satisfying ones for me.

Thank you all again for being here tonight.