



## *Global Foundation – Australia Unlimited Roundtable*

### Working Session: 'Australia's Knowledge Future'

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"I'd first evoke the words of Einstein when considering the issues we are grappling with, viz. 'The significant problems we face cannot be solved at the same level of thinking we were at when we created them'.<sup>1</sup> We need a paradigm shift which, in the mind of Stephen Covey, refers to the frame of reference or lens through which we view the world."<sup>2</sup>

In 2002, and building on the work of the OECD since 1996 and APEC in 1999, the Australian Bureau of Statistics released a discussion document on a framework for measuring not just a knowledge-based economy but also a knowledge-based society.<sup>3</sup> It was based on a significant amount of work and had three core dimensions of: innovation and entrepreneurship; human capital; and ICT, as you would expect. However, it also had two supporting dimensions to draw attention to the significance of context and to economic and social impacts. The latter includes a wide range of societal characteristics and structures such as social capital, age structure of the population, health status, crime levels and income distribution. It was noted at the time that there was more information on economic than societal indicators and therefore more attention would be paid to the former.

However, in the intervening period it has been more widely recognised that in a knowledge society, you can't have sustainability without paying attention to social, environmental and governance dimensions as well as economic.

Just last week, Robert Shiller [a Professor of Economics at Yale University] was quoted as saying that "leaders around the world [including the Prime Minister of India and the President of Brazil] seem to be convinced that inequality and lack of broad participation in economic growth, if allowed to persist, will lead to social discord and even violence".<sup>4</sup> High inequality countries do tend to have more social instability, particularly when inequality is perceived as the result of a breakdown in trusting relationships, i.e. social capital in a country.

The greater body of research confirms that whenever there is a growing 'gap' between individuals in a society – educationally, economically, or by virtue of health – the outcome worsens not only for those who have fewer resources, but for the whole population. This is known as the *gradient effect*.

The core dimensions of the ABS's framework are broadly all about education, and increasing the skills and competencies of all our people, as well as providing connections or bridging social capital with technology as the enabler.



So you have to ask a number of questions:

Why, after so many years of a burgeoning economy, do we still have one in seven children in Australia living in households where no parent is employed, destined to remain disadvantaged because of their family's circumstances?<sup>5</sup> A report released in December 2005 found that as many as 30% of Australian children are leaving the school system functionally illiterate, having trouble with basic spelling, grammar, punctuation.<sup>6</sup>

Is it such a mystery that parents are voting with their feet as far as education is concerned and abandoning our once great public education system? The figure in the ABS schools report last week showed 40% of Victorian senior secondary schoolchildren are now in private schools.<sup>7</sup>

And what about one of the most significant western social phenomena of our time – the disappearance of the extended family, the reshaping of the nuclear family and the rise of lone parent households (currently about 25% and forecast to rise further in the next decade).<sup>8</sup> Just yesterday, a report released by The Relationships Forum Australia concluded that “the past three decades of prosperity experienced by Australia have come at an unexpected price... especially for families.”<sup>9</sup>

How did we think women were going to juggle their career or work commitment with that of raising children without changes to the workplace and accessibility to quality early childhood education and care? Was it so surprising that the birth rate dropped? In recent times, it has been the lower socioeconomic groups continuing to have children, with first birth often at 16 and women becoming grandmothers at 32 in comparison to the upper income deciles, when, if women are having children, they often are not doing so until their 30s.

A few years ago the Intergenerational Report Mark 1 did much to alert us to the here and now situation, and we are all grappling with the labour market supply issues which have eventuated.<sup>10</sup>

What has now become more evident in the mainstream print media (such as last weekend's newspapers) is the fact that we understand the implications of the PISA<sup>11</sup> or international student assessment results for the future. Overall, Australia is performing among the top countries in the OECD, but Barry McGaw [OECD Director for Education], makes the observation that the gap between the low and high performing students in Australia is among the highest in the OECD and reflects on the students of low socio-economic status. In the tests of literacy, numeracy and problem-solving they lagged well behind the performance of Australian students from a high SES background, and the achievement gap was bigger than in many comparable



countries such as Finland, South Korea, Canada, Ireland, Sweden, Austria and Norway, for example.<sup>12</sup>

If we expand the focus from literacy to broader standards of living using the Human Development Index, a similar gap appears with the total Australian population on the one hand ranking in the top five countries globally for achievement in human development, but our Indigenous population falling well down the list to rank 103<sup>rd</sup> – about the level of China.<sup>13</sup>

This kind of disparity persists in spite of research that has clearly shown the powerful links between investments in literacy and improvements in national productivity and standard of living. Jean-Francois Tremblay and Serge Coulombe from the CD Howe Institute in Canada have shown that a country's literacy scores rising by one percent relative to the international average is associated with an eventual 2.5% rise in labour productivity and a 1.5% rise in GDP per head. These effects are three times as great as for investments in physical capital.<sup>14</sup>

Importantly, the pivotal role played by education in supporting economic prosperity and social cohesion has been recognised as one of the three central streams in the COAG Human Capital Reform Agenda,<sup>15</sup> along with the imperative of providing quality early childhood education and care services, particularly for disadvantaged families. However, Australia has been slow to absorb and act upon this framework, despite considerable evidence from overseas of the social and economic benefits surrounding early intervention.

The risks inherent in failing to address the gaps I have highlighted today have been made clear in the comprehensive cost-benefit analysis of 2000 Nobel Laureate Economist James J. Heckman, who warned "If we don't provide disadvantaged young children with the proper environments to foster cognitive and non-cognitive skills, we'll create a class of young people without such skills, without motivation, without the ability to contribute to the larger society nearly as much as they could if they'd been properly nurtured from an early age."<sup>16</sup>

As a recent study from The Australian Council for Educational Research argued, we have been aware of the importance of early childhood investment since the 1980s, when there were substantial funding shifts in accordance with a vision of providing seamless early childhood education and care for children from birth through to school age.<sup>17</sup> However, for a variety of historical, ideological and financial reasons, these visions have not been realised over the last 30 years and we are now experiencing many of the consequences.

Today, we are able to draw upon a considerable body of research showing that investing in early childhood services, particularly for our most disadvantaged families, is no longer important simply in terms of meeting demands for social justice and an equity agenda – it is, as Heckman's work



makes clear, critical to economic efficiency and Australia's knowledge future. We now know that programs seeking to correct educational / social problems further down the life course are far less cost-effective than those that engage parents in their children's learning from an early age, underscoring the need for the links between education and social disadvantage to take precedence in policy discussion.<sup>18</sup>

Initiatives such as the Prime Minister's Community-Business partnerships,<sup>19</sup> the broader promotion of corporate social responsibility and corporate community investment, and the Commonwealth's Family-School Partnerships<sup>20</sup> have provided some of the models and opportunities through which to further this agenda. NGOs have an important role to play by virtue of their close and trusted links with communities in need of this support, but increasing the engagement of those in the wider Australian community who have the time, talent and dollars to give will be a critical part of ensuring that we successfully translate policy into practice in this way.

Finally, we must remember that any strategy for creating a more prosperous, caring and cohesive society must be premised on the family (however constituted) being the central supporting entity. As Heckman and others have shown, it is families, not schools, that are the major source of inequality in the performance of students, with disparities emerging early and continuing to widen thereafter. Increasing the achievements of children and students within the formal education system is therefore only part of the story – we need at the same time to capitalise on this investment by developing their parents' capacity to provide a supportive home environment, particularly the increasing number of lone parent families I referred to earlier.

A simplified version of the ABS model for measuring a knowledge-based economy and society would look to increase the participation through educational opportunities – including offshore opportunities as provided by The Australia-India Foundation,<sup>21</sup> for example – of those previously marginalised by providing support at key transition points across the life course, while at the same time adopting a *dual-generational approach* that increases families' capacities to provide supportive home environments. In this way, we can achieve sustainable social and economic prosperity for all Australians.

Thank you.”



## References:

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- <sup>6</sup> DEST (2005) *Teaching Reading – Report and Recommendations*. Department of Education, Science and Training, 'National Inquiry into the Teaching of Literacy', December 2005.
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- <sup>10</sup> Commonwealth of Australia (2002) *Intergenerational Report 2002-03*. Budget Paper No.5: Productivity Commission: Canberra.
- <sup>11</sup> Programme for International Student Assessment. For more information, see [www.pisa.oecd.org](http://www.pisa.oecd.org).
- <sup>12</sup> McGaw, B. (2006) 'Achieving Quality and Equity Education', Lecture, The Bob Hawke Prime Ministerial Centre, University of South Australia, viewed 14 March 2007, [http://www.unisa.edu.au/hawkecentre/events/2006events/BarryMcGaw\\_presentation\\_Aug06.pdf](http://www.unisa.edu.au/hawkecentre/events/2006events/BarryMcGaw_presentation_Aug06.pdf).
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- <sup>14</sup> Coulombe, S. & J-F. Tremblay (2005) *Public Investment in Skills: Are Canadian Governments doing enough?* CD Howe Institute Commentary No.217: Ottawa, October 2005.
- <sup>15</sup> COAG (2006) *Human Capital Reform: Report by the COAG National Reform Initiative Working Group*. 10 February 2006.
- <sup>16</sup> Quoted in COAG (2006) *Human Capital Reform: Report by the COAG National Reform Initiative Working Group*. 10 February 2006, p28.
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- <sup>18</sup> Heckman, J. (2006) 'The Economics of Human Skills: Evidence and Policy Implications'. Presentation at Australia National University School of Social Sciences, February 7, 2006.
- <sup>19</sup> See [www.partnerships.gov.au](http://www.partnerships.gov.au).
- <sup>20</sup> In 2004, the Commonwealth Government launched the Family-School Partnerships initiative, in association with the Australian Council of State School Organisations and the Australian Parents Council. For more information, see [http://www.dest.gov.au/sectors/school\\_education/policy\\_initiatives\\_reviews/key\\_issues/info\\_to\\_parents/partnerships\\_project.htm](http://www.dest.gov.au/sectors/school_education/policy_initiatives_reviews/key_issues/info_to_parents/partnerships_project.htm).
- <sup>21</sup> The Australia-India Foundation (AIF) was launched on 2 December 2006 at Telstra Stadium in Sydney. It is the brainchild of Neville J Roach AO, National Chairman Emeritus of the Australia India Business Council. The concept of the Foundation is an equal partnership between Australia and India to support worthwhile causes in both countries through bilateral contributions. Projects supported will have an Australia-India dimension involving the provision of funds, management or other expertise from one or both countries to projects that benefit individuals and communities in the other or both countries. For more information, see [www.aibc.org.au](http://www.aibc.org.au).