

CHALLENGES TO POLICY MAKERS

**Launch 'Engaging the New World'
Victoria University, Wednesday 12th July 2006**

**Hon S Crean MP
Member for Hotham
Shadow Regional Development Minister**

When I was asked to launch the next publication by Melbourne University Press I was worried, very worried. I was mightily relieved to hear it was not Mark Latham's next book, which might go under the title 'More discouragement to the world' but to a title called 'Encouraging the New World'. A book which turns out to be a festschrift to Peter Sheehan. It is a remarkable publication not only for its content, but also the respect in which Peter is held by his colleagues.

Whilst not as hard as my pre-selection or Kokoda, it was a hard read. But it's a worthwhile one in many aspects. (I'll come to those in a minute.)

What I first want to reflect on is not just what Peter has inspired in academic contributions to public policy. But his approach to getting that policy implemented.

Peter has never been content just to develop the theory. He engaged the practical policy makers. The politicians. He injected his enormous range of ideas into practice through his drive and his great capacity. He more than an economist was a pre eminent economic strategist.

Rob Jolly picked him up when he was preparing National Wage cases for the ACTU. It came from Peter's writings on the economic impact of indexation.

Peter got involved in the development of the Accord. Whilst Labor policy was committed to full quarterly cost of living adjustment, we found the way, through a CPI Medicare adjustment and deferring wages 'catch up' indefinitely to moderate wage demands and lock in low inflation. That's the fundamental reason why we now enjoy lower interest rates.

Ironically, the very mechanisms John Howard now criticises in comparing his record on real wages growth in defence of his new wave of industrial relations reform.

Peter also served as Adviser to Bob Hawke in the preparation for and success of the Economic Summit in 1983.

In Victorian State politics in 1979-82 he worked with a cross Party Parliamentary Committee called the Public Bodies Review Committee which involved Kevin Foley and Bruce Chamberlain (Liberal) but significantly also included Rob Jolly, Steve Crabb and David White who together with John Cain were the mainstay of the Victorian Government for a decade.

His work on that Committee was critical in identifying lazy cash assets. Hollow logs in the State Authorities. Demonstrating how those could be invested, not just held. That work evolved as a key plank underpinning Labor's economic credibility and winning the 1982 election.

He then headed up a new Office of Management and Budget Taskforce.

This was later incorporated into the Department of Management and Budget which he headed. In that position, with Rob Jolly they became the key drivers of economic strategy for Victoria. There were many testaments to the success of that strategy. But there is one enduring statistic. Victoria, under the Cain Government, held and still holds the record for the lowest unemployment rate in the Nation, for 84 consecutive months (7 years).

Peter returned to academia – some more time with the Melbourne Tigers and playing tennis. He still turns up late for things though.

The reason for recognising Peter's wider role is to challenge other academics to actively involve themselves in the political process. That's where the action occurs – it's where real and lasting change can be made. There may be a price to be paid for it. You can get labelled. Unfortunate, yes but that's politics.

Peter Dawkins also comes to mind. We worked with him before the last election to develop tax policy for a bigger workforce participation effect and to produce a fiscal dividend. I'm told the Liberals were furious. Nevertheless, his work will endure, his preparedness to engage is another role model. I'm delighted to see him heading the Education Department in Victoria.

Then there was Access Economics who costed our policies in 2001. That partnership stood up to scrutiny. The Liberals ridiculed Access as our preferred modellers. Access declined to repeat the role in 2004.

When PriceWaterhouseCoopers were invited to cost our 2004 policies they were heaved out.

It is in the national interest for good public policy to surface as a change agent of differentiation and of choice and not be covered by the political elite of the day.

So stand up to them – show belief in your policy conviction – engage the political cycle just as your mentor did.

The relationship that puts the theory into a workable deliverable framework changes society forever.

Look at the legacies of the reform programs of the 1980s that set up the prosperity we experience today.

For example, the introduction of compulsory superannuation, the most significant intergenerational policy of our time.

That's the tribute and a challenge. Now to the book and some more challenges.

The contributors to this book pose important challenges to policy making. Areas that I think important include:

- The importance of multilateral not just national frameworks for governance development and equity in a global economy.
- The private vs. public good argument particularly in health and education and its impact on access and opportunity.
- The ageing of the population and retirement incomes.

- Locational disparity.
- Governance and Access in IT and telecommunications.
- The decline in full time male workforce participation.
- Fiscal transparency.

Whilst I am here to launch the book and its challenges, I also want to further challenge its contributors.

To challenge them from someone still passionately interested in policy development and from a Party that has shown its commitment to reform.

Some food for further thought.

On wages and productivity

Labor is not just the better Party to handle industrial relations from a fairness perspective but from an economic one as well. The biggest step up in productivity ever in this country was under the enterprise bargaining models introduced through the Accords in the late 1980's and early 1990's.

We must make the economic case again for our approach to industrial relations.

To those that helped develop the approach that served the nation then and others, get onboard now. It will do much in the current environment to restore our economic credentials.

On tax reform

Continue to develop the work on the interaction of the policy areas of tax, welfare and wages.

We need to promote the economic gain for the nation, not just its impact on the individual. If participation and productivity are key intergenerational objectives, this interaction can produce better workforce participation, better productivity, greater fairness, and an identifiable fiscal dividend to boot.

On retirement incomes

The analysis by Kelly and Harding highlights the problems for an ageing population and sustainability of retirement incomes particularly women.

Labor created compulsory superannuation in the 1980's and 1990's. 10 years on, we finally have something on retirement incomes from the current Government.

But:

- Is it the best reform?
- Is it sustainable?
- Has it been run through the Government's intergenerational model for impact?
- Has it been compared to other models?
- Is it the right tax to adjust given most don't and won't pay it?
- Will it create incentive to cash out lump sums, blow them and revert to the aged pension?

- How could we better spend the \$6.2 billion to improve adequacy for all? For example by cutting the contributions tax.

There is therefore a new climate for superannuation policy, a combination of retirement income, savings and tax policy.

So my challenge to the academics with interests in this area - work with those who created the system, who believe in it, to improve it.

On health and education

On the debate concerning private and public expenditure on health and education, why not think laterally in terms of creating education and health savings accounts for individuals collected in the same way as superannuation?

These accounts can't be accessed other than for the private education and health based needs of the individual.

If you don't use them, you don't lose them. (Something of a no-claims bonus.) The unused portion reverts to their superannuation accumulation account for retirement income.

The accounts can't be accessed for consumption only investment. Investment in a person's skill or their health and wellbeing.

On skills and life long learning

Bob Gregory points to the problem of the decline of full time male participation in the workforce.

Why is this surprising when the current policy is a one size fits all called 'work for the dole'. Without retraining and targeted assistance for differently disadvantaged cohorts of unemployed, it is very difficult for them to re-enter the workforce.

The "Green Paper" to which Bob was a significant contributor in the 1990s led to 'Working Nation'. A response that did target different groups not just with training but with personalised case managed assistance. It was scrapped with the change of Government in 1996.

How can we better ensure today's resources which sustain people out of the workforce be redirected to get them actively re-engaged in a changed but stronger jobs market? Again, work with the original architects.

On affordable, accessible telecommunications

I accept Bill Melody's argument that we must develop a multilateral framework for global governance and access.

Why not lay the basis for it by helping develop a model that will work best for Australia?

There is a golden opportunity given the uncertainty around Telstra and the emergence of a competing model put out recently by a group called G9.

Labor sees access to broadband as the great enabler in this country. It is a key area for policy development. Let's get the model right here, and take it to the world.

On location and regional disparities

How do we develop a model for genuine empowerment and devolution to the regions? A mechanism by which mainstream portfolios are required to respond to innovative creative solutions for better service delivery.

On fiscal transparency

Why not require the national budget and the portfolios that comprise it, to be broken down by how much is spent in regions on particular areas. Thus, producing greater accountability in the budget papers, but also creating an environment for greater regional specific contestability for funds.

Conclusion

I'm delighted to be here today. Not only to launch a new set of ideas and as a tribute to Peter Sheehan, but to throw out some challenges and hopefully take good public policy further still. It gives me great pleasure to formally launch 'Engaging the New World'.

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