

**OPINION – GUEST COLUMNISTS ADDRESS VALUES DRIVEN ISSUES IN  
EDUCATION**

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**AN EDUCATION REVOLUTION FOR AUSTRALIA'S ECONOMIC FUTURE**

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Labor is a party of reform. Labor is a party of economic reform. Labor is a party of social reform. Labor is also a party that has reformed Australia's view of our place in the international order.

Part of being a party of reform is looking to the future to understand the new forces that are shaping our world. At our best, we have been the navigators of the nation's future – both understanding the future and preparing the nation for that future.

During the past two hundred years, the course of human history was dramatically changed by the industrial revolution and the technological revolution. They were the defining events of our economic age.

These revolutions took place because the times demanded them. Reform, progress and modernity were needed. They were needed to enable the economies of the world to grow and prosper.

Once again, we find ourselves on the cusp of such a time.

If the 19<sup>th</sup> century was driven by an industrial revolution, and the 20<sup>th</sup> century by a technological revolution, what is needed for the 21<sup>st</sup> century is an education revolution.

For Australia, it is needed because our long-term prosperity is at risk. Already the warning signs are here.

The strong productivity growth of the 1990s has slowed dramatically. This slow down has been masked by one of the biggest resource booms our country has seen. A resources boom that won't last forever. A resources boom that has also revealed a dramatic skills shortage which, together with infrastructure bottlenecks, has created inflationary pressures for the economy overall.

Furthermore, with the growing globalisation of production, how are we to prepare to compete with China and India who are producing millions of university graduates each year and who simultaneously are producing both technology-intensive and labour-intensive industries that are conquering the world?

These countries between them are on track to transform the global strategic, economic and environmental order by the middle of the new century. The global centre of gravity is moving to the Asia Pacific – creating new opportunities and new challenges for Australia.

For the first time in the settled history of this country, our international and regional order will not be dominated by Anglo-Saxon powers with whom we have traditionally experienced a deep natural affinity of interests and identity.

We are entering uncharted waters. But preparations for the great challenges of those uncharted waters of the new century are lacking.

Education must lie at the core of our long-term strategy for our national security, our national prosperity – even our national survival.

Australia has no option but to prepare for the emerging challenges of the new century.

Education is the engine room of the economy. Education is about fairness. Education is the pathway to prosperity. But for too long we have failed to see education as a core challenge for the economy.

Australia now needs an education revolution: a revolution in the quantum of our investment and a revolution in the quality of our education outcomes. Today I am launching a New Directions Paper about the central role of education in our country's long-term economic future. It is about preparing Australia for the economic challenges of the future through greater investment in our most important resource, human capital. It draws upon the best Australian and international research and examines learning and education at all levels: early childhood, school, vocational, universities and research.

I am here today because we've listened to the ideas of those who know something about education. We have listened and we have acted. And I want to win the next election so that these ideas can form the basis of Labor's platform for government.

I am also here today to state a clear-cut vision for Australia for the new century - to become the best educated country, the most skilled economy and the best trained workforce in the world.

It's time to raise the standard.

## Labor's reform credentials

Throughout Australia's history, Labor has been a party of reform.

Labor believes in the market. Labor believes in a strong market economy.

But Labor also enshrines fairness, equity and a role for government in taming the market.

During the 1980s and the 1990s, Labor pursued wide-ranging reforms which embedded into the Australian economy the capacity to withstand domestic and international shocks and provided the basis for the current long period of economic expansion.

In the 1980s and early 1990s Labor Governments:

- floated the Australian dollar, lifted exchange controls and introduced foreign banking competition;
- cut tariffs to ensure that Australia's companies remained internationally competitive;
- slashed the high personal income and company tax rates inherited from the Fraser-Howard Government;
- deregulated the financial services sector, the airlines sector and the communications industry;
- created a national superannuation scheme; and
- reformed workplace laws to allow enterprise bargaining.

These were difficult and tough decisions, but they were necessary for Australia's long-term prosperity.

This opening up of the Australian economy represented the first great wave of reform.

We followed this with a second wave of reform in the mid-1990s to boost national competition policies.

It is now time for a third wave of economic reform – a human capital revolution, an education revolution, a skills revolution.

The Howard Government is showing deep signs of reform fatigue. Their answer to the productivity problem is to slash working conditions reduce the amount of time with the family. We believe in helping Australians foster and create new skills. This is policy laziness of the highest order.

## Labor's education credentials

Labor sees education as being about the economy and about opportunity. We see education as being about both the individual and about the country. We see education as a means to not only learn and earn, but also to inspire creativity and innovation. Education is the pathway out of poverty. It is the pathway to a career, security and a decent standard of living.

We want education to be about lifelong learning. From the cradle to the classroom, from the living room to the workplace, we need to keep investing in ourselves, in our skills and therefore in our future.

No matter where you are from, or how much money you have, you should still get a great education. That's our goal. We want education to be for the many and not the few.

Labor has been championing education since the party was formed in the 1890s. It is a timeless Labor commitment.

Indeed, our first platform of 1891 committed a Labor government to investing in school, university and technical education and to make it available to all. It is a commitment taken seriously by my predecessors. It is a commitment I take seriously. It is a commitment the Labor movement takes seriously.

The Chifley Government re-organised the nation's premier science body into the CSIRO and focused it on research, science and innovation - all in the public good. That government introduced university scholarships - again in the public good. It also established my alma mater, the Australian National University - and, dare I say it at the University of Melbourne, again in the public good.

The Whitlam Government expanded education funding, abolished university fees, established a Schools Commission to oversee funding and elevated vocational and early childhood education.

The Hawke and Keating governments boosted capital and recurrent funding for schools, universities and colleges, expanded university places by introducing what was then a modest Higher Education Contribution Scheme, upgraded the national traineeship and apprenticeship scheme, and saw school retention rates climb to their highest level, when almost eight in 10 students were staying on.

Labor's tradition in education policy champions opportunity, prizes equity, and strives for individual achievement and aspiration.

I stand before you today as the son of a Queensland share farmer and now as the alternative Prime Minister of Australia as the proud beneficiary of Labor government education reforms of the past. I propose to propagate great Labor government education reforms in the future.

I do not intend to stand idly by if the next generation of Australians has lesser educational opportunities than my generation a quarter of a century ago. Our job is to provide greater, not worse, opportunities for those who come after us. That's the Labor way – we believe in going forwards, not backwards. And I have no intention of departing from that tradition.

### The link between prosperity, productivity and human capital investment

Labor's tradition in education policy is also about nation building. The research and evidence shows that the best way to boost productivity is to invest in human capital. This is why education is the pathway to prosperity.

The link between long term prosperity, productivity growth and human capital investment couldn't be clearer from the extensive research that economists have been undertaking around the world in recent decades. The research demonstrates strong links between levels of education, levels of earnings and levels of productivity.

OECD research shows that if the average education level of the working-age population was increased by one year, the growth rate of the economy would be up to 1 per cent higher.

Another recent study found that countries able to achieve literacy scores 1 per cent higher than the international average will increase their living standards by a factor of 1.5 per cent of GDP per capita.

So whether it is through focusing on literacy levels, or increasing the average number of years spent in education, the evidence invariably shows that more educated economies are wealthier economies.

And it is true for social outcomes as well. Evidence shows that investing in education builds higher levels of civic engagement (or social capital), lower levels of crime and less social disadvantage.

Former US Federal Reserve Chairman, Alan Greenspan, has stated the case:

'Over the past half-century, the increase in the value of raw materials has accounted for only a fraction of the overall growth of US gross domestic product. The rest of that growth reflects the embodiment of ideas in products and services that consumers value.'

He concludes, 'Ideas are at the centre of productivity growth.'

Boosting productivity through an education revolution is the best way to deal with the economic challenges of the future. Otherwise, we may simply end up being China's quarry and Japan's beach.

## The productivity gap

But in recent years while our investment in education has fallen, so too has our productivity growth. Productivity is where an economy produces more outputs with relatively fewer inputs. Productivity growth is a key driver of long-term economic growth.

When Labor left office, our productivity was growing at an annual rate of 3.2 per cent. It has now fallen to 2.2 per cent. The productivity gains of the reforms of the 1980s and 1990s have eroded.

When we compare Australian productivity growth with that of the United States, the picture is equally stark – falling from 85 per cent of US levels in 1998 to 79 per cent by 2005.

Australian productivity performance now ranks only 16<sup>th</sup> in the OECD. We must do better.

We know that sound macroeconomic management is a prerequisite for stable economic growth. We also know open markets and efficient regulatory frameworks promote economic activity.

But in the long run, an economy can't reach its full potential unless it continually strives for consistent improvements to productivity and workforce participation. This is particularly true for Australia, given our long-term demographic challenges.

## A decade of underinvestment

Over the past decade, Australia has suffered from a chronic underinvestment in education from our national government.

As educators at the coalface, many of you know this story already. And this story is told with alarming insight in the New Directions Paper I launch today. In the past decade, Australia's overall investment in education has been lacklustre. While other nations have substantially increased their investment in human capital in recent years, Australia has followed a different path. Australia's overall investment in education is 5.8 per cent of GDP – behind 17 other leading economies, including the United States, Poland, Hungary, the United Kingdom and New Zealand.

We now rely more on private financing for tertiary education than all but three other OECD countries. Australia can do better.

## Early childhood

In early childhood education, our three and four year olds are not getting the level of education they need at a particularly crucial time of neurological development and early learning.

According to OECD calculations, Australia spends just 0.1 per cent of GDP on pre-school education, compared to an average of 0.5 per cent for other OECD countries. While there are difficulties in making cross-country comparisons because of differences in the services provided for young children, it is clear that Australia is well behind in its investment in early childhood learning. Australia can do better.

### Schools

We can also do better in schools. Despite doubling school retention rates in the 1980s and early 1990s, those staying on at school have fallen in recent years.

The rates of Australian kids completing high school remain low by OECD standards and this has resulted in limited further educational opportunities, reduced workforce participation rates and higher youth unemployment.

The Dusseldorp Skills Forum say that nearly 30 per cent of school leavers are neither fully engaged in learning or work. Australia can do better.

### Skills and vocational education

We are all aware of the crippling skills shortages in vital trades. The Reserve Bank's warnings about skills shortages have fallen on deaf ears. They know that the long term under-investment in vocational education and training needs to be turned around or the economy will continue to bump up against supply side constraints.

Already we have seen the impact of this through major infrastructure project delays, increased costs, rising inflation and interest rates.

It is beyond belief that funding for post-secondary education is lower in real terms than it was in Labor's last year in office in 1996. Australia can do better.

### Universities

But arguably the greatest neglect during the Howard years has been in the universities sector. No doubt you here have all felt it for real. And it was real from almost day one, when the Howard Government slashed university funding by \$1.8 billion in 1996.

OECD figures show that since 1995, our public investment in tertiary education has gone backwards by 7 per cent while other OECD countries have, on average, increased their funding by 48 per cent.

This is a national disgrace. More importantly, it is a national tragedy.

The impact of being the only developed country to reduce its investment in university education over much of the last decade from 1995 to 2003 has been felt in the quality of teaching and in the quality of education outcomes for students.

Universities are now more reliant on full up front fees, international income and student fees and charges. These actions have burdened students with higher fees, whilst at the same time universities have turned away over 100,000 eligible applicants since 2003.

Since 1996, the debt burden for university students has increased from \$4.5 billion to nearly \$13 billion. How can a young person build a deposit for a home if they are carrying a massive education debt? Australia can do better.

### Research

In research and innovation we're also falling behind.

Despite numerous warning bells rung from the Australian Vice-Chancellors' Committee and others, few of our universities rank high on international comparative scales and our research and development investment ranks around 25 per cent below the OECD average. Once again, Australia can do better. And Australia must do better

### Conclusion: Realising our Potential

At our best, the Labor Party are the navigators of the future. We've done it before – for the nation. And we'll do it again – for the nation. We've done it in education. And we have done it in other areas of nation-building as well.

As the inheritor of this nation-building tradition, I know that planning, reforming and building are central to Labor's progressive approach. And central to our approach to education.

The government I lead will be one firmly in the reformist tradition. The reformist tradition that we bring to bear on education is the same that we will bring to bear on climate change and water, on the infrastructure challenges of our major cities, and on the reform of the Federation itself in critical areas such as health.

The agenda is large. And time is short.

If I am elected to lead the next government of Australia, it will not be a government of incumbency for incumbency's sake. There's no time for that.

There's no time left for short-term political fixes.

The long-term challenges we face – on the economy, on education, on climate change, on ending the blame game - are far too great for that.

It is time we started raising the bar. It is time we started raising the standard.

It is time we started thinking in terms of how much better we as a nation could become.

It is time to invest in our future – and there is no better place to start than by investing in the education of our children.

The time has come for this nation to bring about an education revolution.