

**SUBMISSION BY THE  
NSW COMMISSION FOR CHILDREN AND  
YOUNG PEOPLE**

**TO THE PRODUCTIVITY COMMISSION STUDY  
ECONOMIC IMPLICATIONS OF AN AGEING  
AUSTRALIA**

**FEBRUARY 2005**

**Contact: David Evanian-Thomas, Manager, Policy**  
**Phone: (02) 9286 7276**  
**Fax: (02) 9286 7267**  
**Email: [kids@kids.nsw.gov.au](mailto:kids@kids.nsw.gov.au)**

**SUBMISSION BY THE  
NSW COMMISSION FOR CHILDREN AND YOUNG PEOPLE  
TO THE PRODUCTIVITY COMMISSION STUDY ECONOMIC  
IMPLICATIONS OF AN AGEING AUSTRALIA**

**FEBRUARY 2005**

**1. THE COMMISSION FOR CHILDREN AND YOUNG PEOPLE**

- 1.1 The NSW Commission for Children and Young People ('the Commission') promotes the safety, welfare and well-being of children and young people in NSW.
- 1.2 The Commission was established by the *Commission for Children and Young People Act 1998* (NSW) ('the Act'). Section 10 of the Commission's Act lays down three statutory principles which govern the work of the Commission:
- a) the safety, welfare and well-being of children are the paramount considerations;
  - b) the views of children are to be given serious consideration and taken into account; and
  - c) a co-operative relationship between children and their families and community is important to the safety, welfare and well-being of children.
- 1.3 Section 12 of the Commission's Act requires the Commission to give priority to the interests and needs of vulnerable children. Children are defined in the Act as all people under the age of 18 years.
- 1.4 Section 11(d) of the Act provides that one of the principal functions of the Commission is to make recommendations to government and non-government agencies on legislation, policies, practices and services affecting children.

**2. GENERAL COMMENTS**

- 2.1 The Commission is pleased to provide a submission to the Productivity Commission Study of Economic implications of Ageing.
- 2.2 The impacts of the ageing population on Australia's growth and productivity, together with issues relating to labour supply and unpaid work, is closely linked to and impacts on the well being of children and young people.

- 2.3 All economic and social policies impact on children and young people, both directly and indirectly yet it is common for debates about the implications of ageing to ignore the roles and interests of children and young people. In particular, the positive outcomes for future generations, which may arise from social and economic investment in children and young people, are routinely overlooked.
- 2.4 To achieve successful ageing for Australia the first step is to prepare all levels of society for the challenges and opportunities of an ageing Australia, starting with children and young people. Such initiative would require a policy emphasis on employment, human capital and infrastructure investment. There are obvious economic benefits at both macro and micro levels of the cycle of investment in the health, safety and wellbeing, education and employment for the overall productivity and growth which will benefit the ageing population.
- 2.5 Economic analysis is helpful in illustrating how some policies may affect circumstances of children and young people. However, caution must be exercised against viewing children and young people purely as investment goods and tools for future economic growth. As Amartya Sen, Nobel prize winning economist notes, the key objective of social and economic policy should be to 'enhance human capabilities'.<sup>i</sup> Policies, which limit such capabilities, result in high social costs and therefore negatively influence economic development and future productivity gains.
- 2.6 As part of its charter, the Commission works to include children and young people as key stakeholders in the design and implementation of policies which are relevant to their wellbeing.

### **3. OVERVIEW**

- 3.1 Debates about ageing, in the context of the labour market and welfare state transitions, are silent about what it means for the well-being and opportunities for children and young people. The ageing Australia will need to focus on investment in children and young people if we are to address issues of economic productivity. The current relative prosperity ought to be a driver for additional investments in the well-being of children and young people so they can function optimally now and in the future.
- 3.2 Much of the discussion around population ageing focuses on issues associated with an increasing proportion of older people and the type of services and financial supports they will require such as health and disability services, income support and aged care.

- 3.3 However, there is a parallel question about what the ageing Australia means for the children and young people. It is they who will be relied upon to work more productively to compensate for the large cohort of the aged, whose participation in the labour market will diminish.
- 3.4 All economic and social policies affect children and young people in some way. Public policies often assist children directly through funded programs provided to education, nutrition, and physical and mental health care. Many of these programs are appropriately regarded as productive investments in the future of the country and there is growing evidence which shows that the expenditures required to undertake the programs can generate substantial rates of return in terms of lower government costs and higher revenues in the future.
- 3.5 Perhaps less obviously, policies that do not focus explicitly on children nevertheless can significantly affect youth and future generations. For example, programs that raise productivity and economic growth, preserve the environment, improve the nation's infrastructure, or invest in research and innovation can improve lifetime prospects for today's children and future generations. This is the case with the current debate.
- 3.6 It is anticipated that by 2051, in New South Wales, the proportion of children aged 0 to 14 will drop from 20.2 per cent in 2002 to 14.2 per cent while, for the same period, the population aged 65 and over will increase from 13.2 per cent to 26 per cent.<sup>ii</sup> Based on these projections, in fifty years time, one quarter of the population (or 6.6 million people) could be aged 65 years and over. There will also be a much larger number and proportion of people aged 80 years and over. This group is projected to almost double in size over the next twenty years and to triple in size over the next fifty years to comprise over 9 per cent of the population or 2.3 million people.<sup>iii</sup>
- 3.7 While the proportion of the population who are of working age (15-64 years) is currently growing (61 per cent in 1901, 64 per cent in 1976 and 67 per cent in 2000), it is projected to begin shrinking between 2011 and 2011 and return to around 60 per cent by 2050.<sup>iv</sup>
- 3.8 The majority of older Australians enjoy healthy and independent lives, with 93 per cent living in private homes and only 7 per cent in residential care. Also, according to the Productivity Commission, the much feared blow out in health spending amounts to only 36 percent directly linked to ageing, as most costs increases are to do with medical technology.

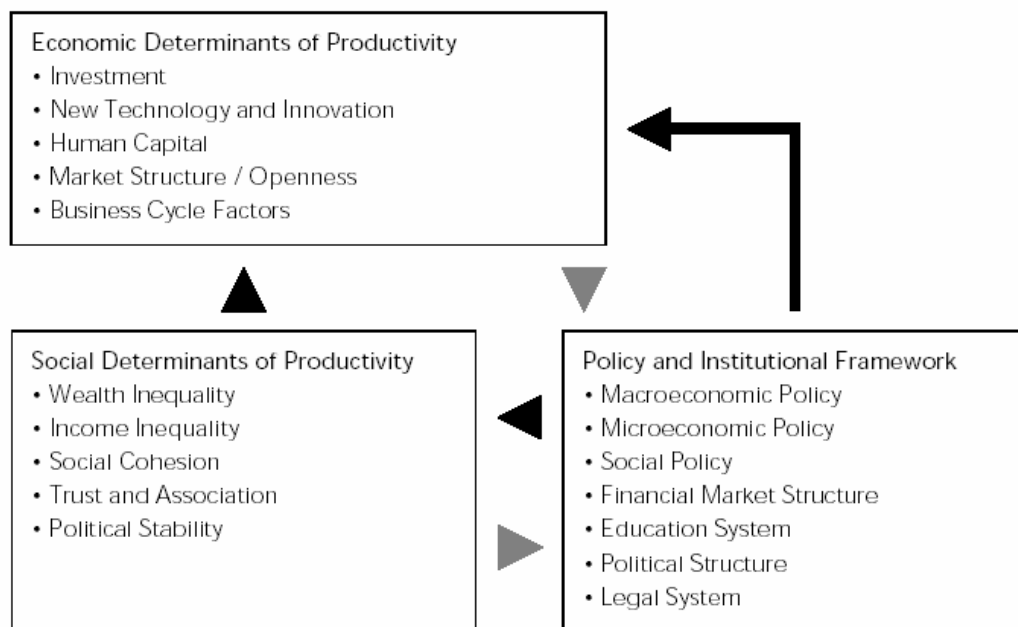
- 3.9 Nevertheless the larger proportion of age-related costs fall on the public sector, compared to youth-related costs which are generally met by private means. There may need to be a shift to enhance public investment in the young cohort to equip them with skills to contribute well in the aged Australia.
- 3.10 The size of the shift may be mitigated by the amount of intergenerational help which occurs. The Institute of Family Studies has found 'vast quantities of intergenerational help – 76 per cent of older people mind their grandchildren, 76 per cent offered emotional support in times of crisis, 61 per cent care for others when sick. Older people contribute financially as well – 38 per cent contribute to renovating, 37 per cent for major purchases, 37 per cent for tertiary education, 33 per cent for the deposit on house or flat, 14 per cent for travel, 12 per cent for bond money<sup>v</sup>.
- 3.11 Even if the intergenerational issues are dealt with positively the fact remains that the dependency rate today is five working people per person over 65 years. By 2041, it is projected to shrink to 2.5 working people per person over 65 years.<sup>vi</sup>
- 3.12 The larger the drop in labour supply, the faster productivity must rise if the real economic growth rate is to be maintained. If we are to assume that a shrinking number of young people are going to support the increased numbers of the aged, then it would logically follow that that smaller group be able to function at an optimal level.<sup>vii</sup>
- 3.13 Conceptually, the approach would fit within the lifespan view, a relatively new way of thinking about ageing. This view, with its emphasis on the whole of life functions has implications for ways of thinking about the needs of children and young people along the continuum.
- 3.14 If the life course view is conceptualised as a dimension along which causal factors operate, the emphasis is on 'trajectories'<sup>viii</sup> and the factors, which determine pathways through life to good and poor outcomes. Thus supporting optimal ageing (through physical and mental health and sustained engagement in social interactions and productive activities) means investing in the optimal functioning and maximising life chances at the earlier stages of life. This conceptualisation promotes a view of people being in interdependent relationships, both needing support and also contributing to society.<sup>ix</sup>

#### 4. POLICY IMPLICATIONS: EMPLOYMENT, LABOUR SUPPLY AND PRODUCTIVITY

- 4.1 The policy implications are clear; children and young people are directly affected by market forces and economic policies, which affect access to employment and particularly full time employment.
- 4.2 If full employment, and hence potential deficit, is the goal, then the current emphasis on budget surpluses acts against such a goal. In the final analysis, this will be a political decision, as each generation makes a decision about how best to distribute its resources. There has been a strong call for increased saving by the population. The only way to increase saving is through employment and it is in this area that children and people are particularly vulnerable.
- 4.3 Whatever the arguments about intergenerational transfers and standard of living, the really critical impact from ageing is the smaller numbers of young people entering the labour market coupled with diminished participation by older people as they retire.
- 4.4 The current argument centres on the fact that the ageing of the population will exert downward pressure on the employment-to-population ratio over the coming decades. Improvements in standard of living come from either productivity growth or employment growth and therefore it is the productivity which will drive continued improvement in our standard of living.

x

A Conceptual Framework for the Analysis of Productivity



- 4.5 There are several issues of relevance here which impact on young Australians, their standing in the ageing Australia and the impact on productivity.

- 4.6 It is now well accepted that income inequality and other inequalities arising from the operation of an unfettered free market conspire to reduce productivity. While education is identified as important to productivity it is the income inequality (and resultant social tensions) that correlates negatively with economic development.<sup>xi</sup> The employment status of their parents had the greatest negative effect on children's life chances and therefore diminished their potential economic contribution.<sup>xii</sup>
- 4.7 The gravity of the problems posed by parental unemployment and unemployment among 15 to 19 year olds and its consequences in terms of social exclusion, poverty and a sense of self on individuals, families and communities is well documented. 72 per cent of the 424,000 families in the bottom 20 per cent are jobless, 48 per cent are sole parent families, and families with older children are also over represented (27 per cent of the bottom 20 percent). Average disposable income of the bottom 20 per cent of families is \$554 pw or 57 per cent of that of the median (middle income) family.<sup>xiii</sup>
- 4.8 "The trends are clear: the capacity of parents to create optimal socio-economic environment for their children depends upon their access to employment, and in particular to full time employment, and on the provision of adequate family payments, including maternity and parental leave, which augment or replace workforce incomes, especially when children are young."<sup>xiv</sup>
- 4.9 While the tax/benefit system is important, it is the employment policies and the policies which support parental participation in employment that are critical for productivity gains. Investment in employment and education and training as well as programmes such as child care and maternity leave provisions combined can result in a productive Australia in the future.
- 4.10 Currently the unemployment rate stands at 5.6 per cent. If broader measures of labour underutilisation are taken account of, then unemployment has been estimated at 11.2 per cent.<sup>xv</sup> This estimate takes account of hours desired by over 1.2 million Australians who are unemployed, underemployed and hidden unemployed. "The cost to the Australian economy of tolerating this level of labour wastage was estimated at \$39 billion in 2002, in lost potential output. This is around 6 per cent of current GDP or \$143 per week per Australian family".<sup>xvi</sup>
- 4.11 The fragmented nature of employment, increasingly part time and insecure, is particularly detrimental to young people who are prevented from properly engaging in the labour market. Young people are now

more likely to be in part-time work than ever before. Since 1995 full-time jobs for teenagers have declined by 5,000, and fallen for young adults by 110,000 but grown for people over 25 years by more than 780,000. <sup>xvii</sup> The reasons for reduced availability of full time jobs for young people include new working patterns, less commitment to longer term apprenticeships and changing skill demands. Those who lack experience, qualifications and skills are penalised. So, paradoxically, the increasing demand for skills and qualifications has been a key reason for young people losing out in the competition for full time work.

- 4.12 Family or direct youth poverty resulting from unemployment has a wide-ranging impact on the children and young people. It erodes the social capital necessary for the future. Poverty is more than material deprivation; it is “a human condition, characterized by the sustained or chronic deprivation of the resources, capabilities, choices, security and power necessary for the enjoyment of an adequate standard of living and other civil, cultural, economic, political and social rights.” <sup>xviii</sup>
- 4.13 It represents a sad loss of potential productivity, both in the economic sphere and in democratic citizenship.
- 4.14 Creating a path to full employment as a macroeconomic strategy would go a long way towards reducing the factors of poverty and its consequences and therefore enhance productivity by engaging the young population.
- 4.15 It appears that the current debate about economic implications of ageing has been largely framed in terms of the desirability of budget surpluses. These are presented as a means of providing for future spending capacity to provide for an ageing population.
- 4.16 There is a body of evidence refuting these claims as invalid and as *likely to in fact undermine the capacity of the economy to provide resources that may be necessary in the future to provide real goods and services of a particular composition desirable in an ageing population.... It is by achieving and maintaining full employment via appropriate levels of net spending (budget deficits) that the Government would be providing the best basis for growth in real goods and services in the future... The intergenerational spending decisions come down to political choices.... but are in no case constrained by monetary issues, either now or in the future.* <sup>xix</sup>
- 4.17 The pursuit of budget surpluses has, it is argued, a negative impact on employment and on investments in infrastructure and service provision which are the very factors impacting on the wellbeing of children and



young people.<sup>xx</sup> The Commission cautions against the approach where it is the health, education and welfare expenditures that are cut when the economy slows, because such an approach is short sighted and will end up costing more in the future.

- 4.18 The Australia Day address by Richard Pratt, Chairman of Visy Industries, is instructive in this context.

*The financial markets, treasury officials and economists are all very capable of distinguishing between unproductive debt and wealth generating debt that builds national infrastructure and pays for itself through job creation and economic stimulation. ...But what about the infrastructure that corresponds to what will be needed in 2050? On almost any comparison, Australia is lagging way behind on infrastructure spending... There is another kind of infrastructure which is just as important and that is our spending in education, research and development – in other words, our knowledge infrastructure<sup>xxi</sup>*

- 4.19 The policy implication is clear, a human development and social capital perspective must be allowed to influence the design of economic policies as early and as comprehensively as possible in order to build resources for the future.

- 4.20 There are various approaches. One approach that has been proposed by the Centre for Full Employment and Equity to develop a Community Development Job Guarantee (CD-JG) targeted at young people and at the long term unemployed as an initiative to augment the current labour market policies of the Federal Government. This concept calls for the government to maintain a 'buffer stock' of jobs which would be 'real jobs' funded by the Commonwealth and organised locally in community partnerships. The initiative, through which all unemployed 15-19 year olds would be employed, was costed at \$1.96 billion. The estimate of national output rising as a result was \$7.71 billion, private sector consumption rising by \$2.38 billion and an additional 68,900 jobs would be created.<sup>xxii</sup>

## **5. HUMAN CAPITAL – EDUCATION LABOUR FORCE SUPPLY AND PRODUCTIVITY**

- 5.1 The interdependence of employment, education and training and parental support policies is critical and includes the distribution of wealth and income in the economy, the range of social policy interventions including health, education, labour market regulation and a variety of income support programs.<sup>xxiii</sup>

- 5.2 The social and economic benefits associated with investment in education are widely recognised as a critical productivity driver that generate new opportunities through learning and skills formation and through funding in research and development.

- 5.3 In addition, the human capital created through education is not only a productive input which directly raises productivity, it also plays a crucial role in the development and adoption of new technologies that drive

sustainable growth. The continuum of educational pathways is very much part of the knowledge economy.

- 5.4 Early school leaving entails costs not only for the individual but also for society generally. A number of studies indicate that the number of completed years of formal schooling is a more important predictor of health than occupation or income. Education develops habits, skills, resources and abilities that enable people to work productively.

- 5.5 For Australia as a whole, one year's early school leavers are estimated to cost \$2.6 billion, leading to the conclusion that:

*reducing the number of early school leavers would be a very sound investment for government, for the individuals concerned, and for the country as a whole.*<sup>xxiv</sup>

- 5.6 In New South Wales, the Department of Corrective Services states a similar conclusion: "60 per cent of inmates are not functionally literate or numerate," and "60 per cent of inmates did not complete year 10." <sup>xxv</sup> A disproportionate number of these inmates are Aboriginal. However, when the rates of imprisonment of Indigenous and non-Indigenous people are analysed in terms of employment and education status, the two last mentioned factors exert a major influence on the likelihood of imprisonment. For example, the Indigenous person who has not completed secondary school has over thirteen times greater chance of imprisonment than has her or his better educated Indigenous counterpart.

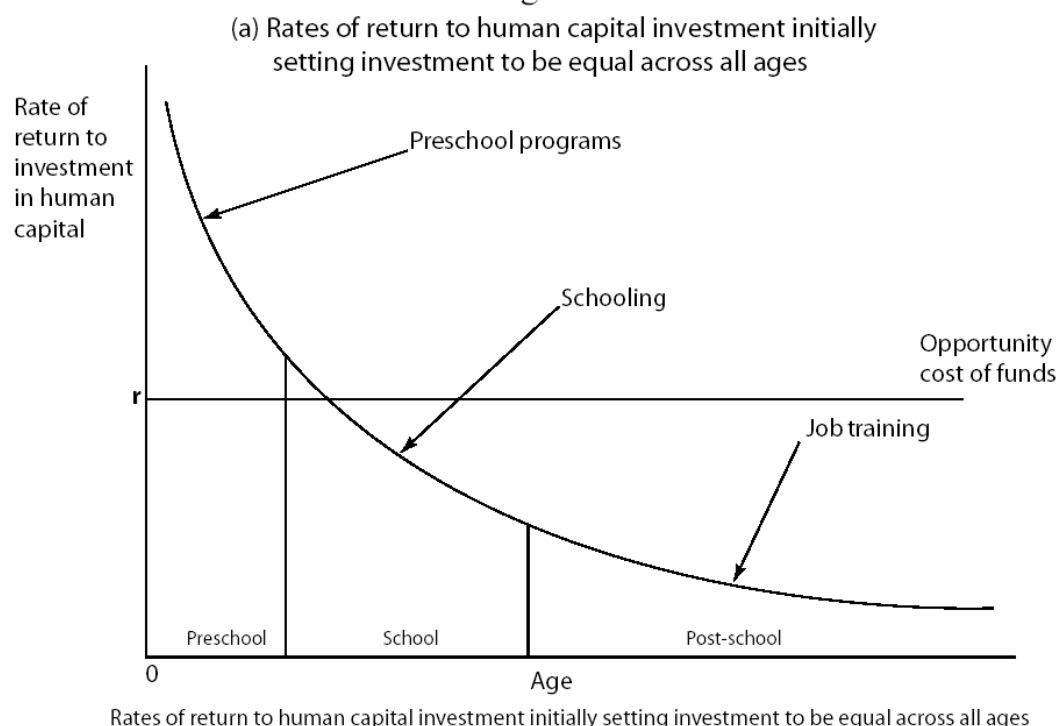
- 5.7 It bears consideration that when the projected state prison population of 10,000 is realised within the next three years, for approximately every six students completing the HSC in New South Wales, there will be one person in gaol. The cost of imprisoning that single individual (around \$60,000 per annum) would cover the cost of educating seven to eight senior high school students each year. It would also cover the cost of hiring an additional teacher.<sup>xxvi</sup>

- 5.8 The connection between early child development and national development needs to be clearly understood and given greater priority on the national economic agenda. This logically follows if one views early education as a strong economic development tool which supports the development of productive citizens in a workplace that is innovative and globally competitive and therefore able to support the growing ageing population.

- 5.9 Education also has measurable returns to productivity and the highest returns to a dollar of investment are to the young.

*Early skills breed later skills because learning begets learning. Both on theoretical and empirical grounds, at current levels of funding, investment in the young is warranted. Returns are highest for investments made at younger ages and remedial investments are often prohibitively costly.<sup>xxvii</sup>*

Figure 12



- 5.10 The logic of investing in early childhood education is compelling. There is a causal relationship between early childhood education and productive participation in the labour force, which in turn generates greater productivity. If the investment in early education is not made, the later life contribution to growth and productivity will be diminished. Such causality and interdependence is not explicitly taken into account in designing policy interventions.

- 5.11 There is a raft of evidence showing that education and relationship skills are major factors, which determine productivity in the labour market and in society at large. Parental investment at the beginning of a child's life is critical to fostering emotional and cognitive development. If interrupted by poverty, violence or other social disadvantage, this development slows and results in severe curtailment of life chances and therefore productive participation in society. It certainly reduces the level of optimal ageing.

- 5.12 Smart investments in comprehensive high quality early childhood development (ECD) programs would more than pay for themselves, generating more than \$2 in returns to taxpayers for every \$1 invested. Investment in the health and education of children in their early years (3 and 4 years old) will eventually produce significant increases in economic productivity and growth, while reducing both the public costs and personal burdens of remedial education, welfare, crime, and poverty.<sup>xxviii</sup>
- 5.13 Child care, as another plank of early childhood development, is central to the economic well-being of children, families, businesses, and communities. There are immediate benefits such as that by providing child care services, employee recruitment was improved, absenteeism lowered by 30 per cent (child care breakdowns leading to employee absences cost businesses \$3 billion annually in the United States), reducing turnover by 37 per cent to 60 per cent and boosting productivity and more positive public relations were reported.<sup>xxix</sup>
- 5.14 An investment in quality child care does not just benefit the workforce of today, it is an investment in the work force of the future. Research indicates that high quality care for young children that is provided by well-trained staff and includes age-appropriate educational programs, directly affects the productivity of both the current and future workforce.
- 5.15 While there is a dearth of economic analysis in Australia, an attempt to quantify the contribution of child care to Australia shows that every dollar spent on child care generates \$12.28 in total economic benefits consisting of \$5.63 in earnings and \$1.86 in government revenue. This assessment is comparable with data obtained in the United States.<sup>xxx</sup>
- 5.16 Recent data gathered in Vermont points out that child care makes significant contribution to its economy and among other indicators child care enabled 37,000 parents to work earning a total of \$1 billion.<sup>xxxi</sup> A study conducted by University of Toronto economists found that for every \$1 dollar government invested in quality child care services (children aged 2-5 years), there is a \$2 return in increased labour productivity and decreased social costs.<sup>xxxii</sup>
- 5.17 The benchmark longitudinal study of adults who received high quality early childhood education and care program is the High /Scope Perry Preschool Study Through Age 40 which documented a return to society of more than \$17 for every tax dollar invested in the program. This is a significant return on investment. The group who received the program compared to the non-program group showed higher rates of employment, home ownership, saving accounts as well as having fewer arrests. The preschool program's long-term effect was due to shorter-term effects on children's educational commitment and success.<sup>xxxiii</sup>

- 5.18 Currently, Australia does not have a good record on investment in the first five years of child's life in comparison to other OECD countries.

*We spend just 0.1% of GDP on pre-school funding, compared to 0.4% as an OECD average, much higher in those countries leading the way. As a percentage of GDP, New Zealand and Canada more than double our expenditure, in the UK it is four times greater, France six times, and Denmark nearly nine times. Australia faces a threat to future economic productivity due to our lagging efforts to create and improve preschool programs for all children.*<sup>xxxiv</sup>

- 5.19 The creation of a highly skilled workforce is one of the key avenues to improving productivity and international competitiveness and this is important for future economic growth and development.
- 5.20 Education and employment are critically linked. The transitions between the two and how well they are supported and managed has far reaching consequences for future productivity and as such has critical implications for the ageing Australia.
- 5.21 There are numerous examples of good educational practice, yet on closer examination they in fact show up a systemic failure to invest in education and to provide a coherent national policy on educational choices and transitions relevant to the globalised economy.
- 5.22 There is clear evidence that education combined with full employment, becomes an enduring investment and creates growth and supports increased productivity. The examination of current policy and program provisions demonstrates that we seriously under invest in those areas and thus may perpetuate cohorts of people who are excluded from participating in the social and economic development of Australia. Not only will they not participate fully in the economy but they may become an additional drain on social resources at the time of predicted contraction of these resources.

- 5.23 Some estimates, averaged, suggest a boost to annual economic growth of one half of a percentage point for every additional year of schooling in the adult population.<sup>xxxv</sup>

- 5.24 The effects of investment in human capital are increasingly the subject of research and have implications for policy decisions. Microeconomic studies in several countries have found that each extra year of schooling raises an individual's earnings by an amount in the range of five to twelve per cent. These findings are confirmed by Australian

studies which report that the return to a year of education lies between 4.5 per cent and 8.3 per cent.<sup>xxxvi</sup>

- 5.25 Unfortunately, the transition from school to other education and employment is disturbingly deficient, showing a large number of young people alienated from educational institutions and the labour market. This is counter to productivity gains usually garnered through education.
- 5.26 Australia ranked in the bottom half of OECD countries with respect to school retention, ranked 17 out of 28 countries with completion rate of 69 per cent. This compares with a completion rate of 84 per cent in France, 88 per cent in Canada and the USA, 91 per cent in Germany, and 94 per cent in Japan.<sup>xxxvii</sup> Therefore Australia lags behind other countries at the time when there are emerging skills shortages, ageing population and increased global competitiveness.
- 5.27 The proposal to increase year 12 completion envisaged at the cost of \$2.3 billion, split between the Commonwealth and the states would result in involving 135 000 students over 5 years and increase the completion rate to 90 per cent.<sup>xxxviii</sup> The benefits of such an investment are clear and are estimated to range from \$8.2 billion to \$4.6 billion or for every dollar invested at least two and a half dollars are returned in higher wages, profits and social benefits. These social gains include improved health, less resort to crime, better decision-making about work and consumer choices, and a stronger capacity for active citizenship.<sup>xxxix</sup>
- 5.28 An update about the learning and work situation of young Australians reveals:

*disturbing numbers of young people are being left behind, facing insecure employment, and reduced earnings over the long-term, as well as an increased likelihood of poorer health and social disadvantage. The number of teenagers not in full-time study or full-time work is the highest than at any time in the last six years:*

- 15.5 per cent (or 214,800) teenagers and a further 309,000 young adults (22 per cent) were without full-time work or full-time education in May this year.
- more than a quarter of all young people experienced a troubled transition after leaving school. In May 78,500 school leavers were not studying and were either unemployed, working part-time or not in the labour force.
- female school leavers not going onto further study are more likely to have a troubled transition than boys.<sup>xl</sup>

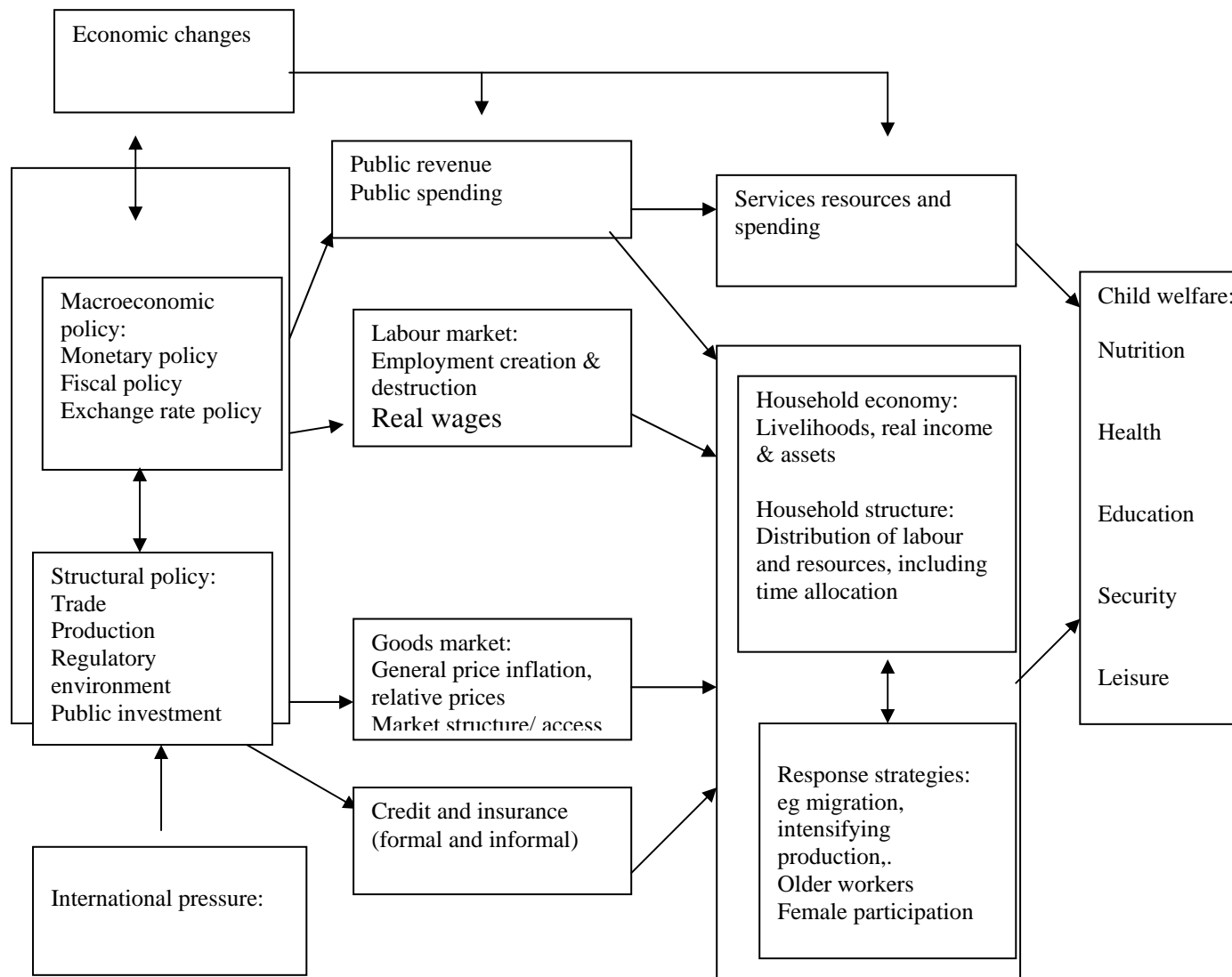
- 5.29 These findings are corroborated by other studies such as longitudinal youth survey by ACER, which has found that those who on leaving school were either in part time work, unemployed or outside the labour force were less likely over their first seven years post school to make a successful transition to full time employment.<sup>xlii</sup>
- 5.30 OECD data shows that considered in this broad way, Australia is falling behind most of the major developed nations in investing in knowledge. According to the Monash report,  
*education policy has in recent times been dominated by the drive to reduce fiscal costs at the expense of national capacity: Once an above-average investor in education, Australia is now well below the OECD average. Private investment has increased sharply, but largely in the form of student fees rather than industry funding. Public funding has been depressed so effectively that total (private and public) funding has continued to fall as a proportion of GDP.*
- 5.31 An OECD tabulation of public expenditure on educational institutions as a percentage of GDP reveals that Australia occupies a very modest 22nd rank position among the 29 countries.<sup>xliii</sup>
- 5.32 Clearly, increased levels of investment in education are needed to encourage participation with an emphasis on equitably designed educational development pathways. The cost involved must not be seen as a depletion of national resources but rather an enduring investment, which will pay off across generations. This will better support the needs of the ageing population than driving for budget surpluses. Much work is required to integrate academic and vocational streams as well as teaching across the curriculum in a multidisciplinary way.
- 5.33 If New South Wales were to invest in the education of primary and secondary school students at the level of the national average, the state's school education budget would need to be increased by the following amounts:  
*Primary.....\$478.70 x 455,914 students = \$218 million*  
*Secondary.....\$331.10 x 303,709 students = \$100 million*  
*Total \$318 million<sup>xliii</sup>*

## 6. SUMMARY

- 6.1 The twin pillars of education and employment are particularly relevant to children and young people in Australia, where the population is ageing.
- 6.2 To grow productivity it is imperative that Australia moves away from an exclusive concentration on self-reliance and considers the public investment and policies which will shape the labour market, enabling the development of human capital through education and productive employment.
- 6.3 The 'private sphere' of the family and the 'public sphere' of State involvement need to interact so that expenditure is not seen as 'cost and welfare outlay' but a contributor to the economy.
- 6.4 There are questions we must ask at various levels:
- 6.4 (i) At the macroeconomic level of workforce quality and productivity, we need to ask firstly what is the economic value of a child and young person's development in terms of economic growth, job creation and revenue generation and secondly whether there are any aspects of current state and federal budget plans and policies that diminish future workforce quality and therefore productivity?
- 6.4 (ii) At a microeconomic level we need to enquire as to what are the economic returns on specific investments in children and young people and can they be generalised to the general population? How effective are current policies and what are contributions of youth human capital investment?
- 6.4 (iii) At the program level questions needs to revolve around what is the best mix of public and private services to assure the best delivery of childhood and youth investment. Are current arrangements for delivery of those services effective and efficient?
- 6.4(iv) At the finance level issues, need to be resolved about how much of the financing should be done by state and federal government or private families or business? Should the financing be done by children or their families? <sup>xliv</sup>



**Diagram 1: Linking economic policy to children <sup>xlv</sup>**





## **7. CONCLUDING COMMENTS**

- 7.1 Although economic policy impacts on children and young people and is of paramount importance for their well being and therefore for the well being of the generations preceding and following, children and young people are not visible in the arena of economic policy making. This submission seeks to:
- alert the government and the policy makers to the positive outcomes for future generations of social and economic investment in children and young people;
  - examine the opportunities for productivity gains, which would flow from redressing current shortfalls of the main policy areas, which affect children;
  - highlight the consequences for Australia's future of continuing to under invest in children and young people;
  - recognize children and young people as key players who have the right to participate in decision making processes and influence solutions;
  - put children and young people on the economic and social agenda and enhance the real participation of children and young people in governance.
- 7.2 While in the future the Australian population will age more rapidly, currently the pool of working people is larger than more dependent people (children and the aged). This provides a short window of demographic opportunity to invest in children and young people for the public benefit in the future.
- 7.3 At present economic analysis does not separate out children and young people as an independent category. It therefore does not allow us to assess what share of any benefits from different policy responses is actually received by them. There are some notable exceptions such as a study in Germany, the Netherlands and USA, which uses as one of its indicators the extent to which the incidence of child poverty is reduced by government policies put in place to in order to respond to market induced inequalities.<sup>xlvi</sup> We understand that the Australian Bureau of Statistics is developing alternative measures of performance, encompassing economic, social and environmental dimensions, to create an indicator it calls Measuring Australia's Progress. We are yet to see how children and young people are included in this indicator.
- 7.4 The business, political and policy decision makers need to be better informed about the links between early investment in early education and subsequent success which goes directly to the bottom line of productivity.

## NOTES

- <sup>i</sup> Kesting S, How to Invest in Children, received by email from the author
- <sup>ii</sup> AusStats: Scenarios for Australia's Ageing Population, ABS at [www.abs.gov.au](http://www.abs.gov.au)
- <sup>iii</sup> Australian Bureau of Statistics (2001) *Australian Social Trends 2001* Catalogue No. 4102, p2 (projection series II)
- <sup>iv</sup> ABS 2000a, Access Economics, 2001
- <sup>v</sup> Edgar, D. *Ageing: Everybody's Future*, Institute of Family Studies, Family Matters, No.30 Dec.1991, 4
- <sup>v</sup> *ibid*,
- <sup>vi</sup> *ibid*
- <sup>vii</sup> Healy, J. The Benefits of an Ageing Population Discussion paper no 63, The Australia Institute, ANU, March 2004,7
- <sup>viii</sup> Halfon N. and Hockstein M. Lifecourse Health Development The Millbank Quarterly 2000,80, 433-479
- <sup>ix</sup> Victor W. Marshall and Margaret M. Mueller, *Rethinking Social Policy for an Aging Workforce and Society: Insights from the Life Course Perspective* (Ottawa: Canadian Policy Research Networks, May 2000

### *Six Principles of the Life Course Perspective*

1. Aging consists of three sets of processes – biological, psychological and social.2. Human development and aging are life-long processes. 3. Historical time and place: The life course of individuals and cohorts is embedded in and shaped by the historical times and places they experience over their lifetime. 4. Timing: The antecedents and consequences of life transitions and events vary according to their timing in a person's life.5. Linked lives: Lives are lived interdependently and social-historical influences are expressed through this network of relationships. 6. Human agency: Individuals construct their own life course through the choices and actions they take within the opportunities and constraints of history and social circumstances. When many persons in the same cohort behave in concert, they can produce social change.

- <sup>x</sup> source unknown, search engine result
- <sup>xi</sup> World Bank, 1991, 1998a
- <sup>xii</sup> Travers, P. 2000 Inequality and the Futures of Our children' cited in Cass B The Intersection of Public and Private Worlds in the Distribution of Well Being of Australian Children: Research and Social Policy Implication
- <sup>xiii</sup> McNamara J. Prosperity for All? How low income families have fared in the boom times, National Centre for Social and Economic Modelling, 2004
- <sup>xiv</sup> Cass B, 2002, The Intersection of public and private Worlds in the Distribution of Well-Being of Australian Children Research and Social Policy Implications in Prior, M (ed) Investing in Our Children: developing a Research Agendas, 2002, p 7
- <sup>xv</sup> Mitchell W and Mossler W Public Debt Management and Australia's macroeconomic priorities, Submission to the Review of the Commonwealth Securities Market, Coffee Newcastle
- <sup>xvi</sup> Community Development Job Guarantee Centre of Full Employment and Equity *ibid* p 9 citing ABS 5206.0 and 4102.0
- <sup>xvii</sup> Long, M How Young People are Faring 2004 KEY INDICATORS Dusseldorp Skills Forum [dsf.org.au](http://dsf.org.au)
- <sup>xviii</sup> UNICEF

<sup>xix</sup> Mitchell, W and Mosler, W The Intergenerational Report-myths and solutions, Working Paper No 03-10, Centre for Full Employment and Equity, November 2003

<sup>xx</sup> Kesting S , received by email as per note 1

<sup>xxi</sup> Pratt, R edited extract from the Australia Day address the Sydney Morning Herald 20 January 2005

<sup>xxii</sup>

**Table 2: Predicted Growth Effects from an additional year of schooling**

	Increase in the long-run rate of growth of productivity
Benhabib and Spiegel (1994)	0.3 percentage points
Frantzen (2000)	0.8 percentage points
Dowrick & Rogers (2002) <sup>*</sup>	0.3 percentage points

<sup>xxiii</sup> Harris R, Social Policy Inequality and Productivity accesses February 2004  
www.csls.ca

<sup>xxiv</sup> Professor Vinson, The Inquiry into the Provision of Public Education in New South Wales 2001

<sup>xxv</sup> ibid

<sup>xxvi</sup> Lewis, A. C., (1996) "Breaking the cycle of poverty," *Phi Delta Kappan*, November, V78, No. 3, p.8

<sup>xxvii</sup> Carneiro, P. and J. Heckman (2003). Human Capital Policy, in J. Heckman and A. Krueger, eds., *Inequality in America: What Role for Human Capital Policy?* Cambridge, MA: MIT Press

<sup>xxviii</sup> Lynch R , 2003 ,Exceptional Returns: Economic, Fiscal, and Social Benefits of Investment in Early Childhood, the Economic Policy Institute

<sup>xxix</sup> Johnson, G.W. *Sick Child Care: An Idea Whose Time Has Come*, Presentation at the Emergency Child Care Conference, Indianapolis, 1997

<sup>xxx</sup> Martin J, Child Care In Australia, Presentation to the Economic Forum workshop at the Department of Community Services, Bidura 2004. The US data cites was as follows \$1.50-\$3.00 (Cornell 2002), San Antonio Texas \$1.56 (Smart Start 1999), North Carolina \$1.54 (Rohacek and Russell 1996)

<sup>xxxi</sup> Volk, T. Child Care is Good Investment, The Rutland Herald, February 11, 2003 ,editorial

<sup>xxxii</sup> Cleveland and Krashinsky, The benefits and Costs of Good Child Care: A Policy Study, Toronto ,1998. (Note this cost benefit only exists when the child care is simultaneously delivered with an early childhood development program)

<sup>xxxiii</sup> High/Scope Educational Research Foundation [www.highscope.org](http://www.highscope.org)

<sup>xxxiv</sup> (Considine, M., Marginson, S., Sheehan, P., Kumnick, M., (2001) *The Comparative Performance of Australia as a Knowledge Nation*, Melbourne, Monash Centre for Research in International Education

<sup>xxxv</sup> Day C and Dowrick S 'Ageing Economics :Human Capital, Productivity and Wages , Agenda 2004, vol 11, issue 1, pp1-20

- 
- <sup>xxxvi</sup> Miller, Mulvey and Martin (1995) cited in Day C and Dowrick S 'Ageing Economics: Human Capital, Productivity and Wages', Agenda 2004, vol 11, issue 1, pp1-20
- <sup>xxxvii</sup> Dusseldorp Skills Forum Commitment to Young Australians [www.dsf.org](http://www.dsf.org)
- <sup>xxxviii</sup> Applied Economics in *ibid* p9
- <sup>xxxix</sup> *ibid* p 8
- <sup>xl</sup> Long, Mike How Young People are Faring 2004 KEY INDICATORS **2004** Dusseldorp Skills Forum. *How Young People are Faring. Key Indicators* <http://www.info@dsf.org.au/papers/o1/hypaf01/hypaf2001.htm>
- <sup>xli</sup> McKenzie, P, 2000 'Pathways for Youth in Australia', Conference on Vocational Training and Lifelong Learning in Australia and Germany, Australia Centre, University of Potsdam, Germany, 29-31 May, p7
- <sup>xlii</sup> *ibid*
- <sup>xliii</sup> Professor Vinson The Inquiry into the Provision of Public Education in New South Wales 2001
- <sup>xliv</sup>
- <sup>xliv</sup> Adapted from Winters, L.A., (2000), 'Trade Liberalisation and Poverty', Poverty Research Unit *Working Paper* No. 7, Brighton: Poverty Research Unit, University of Sussex; and UNICEF (1990) *Strategy for improved nutrition of children and women in developing countries. A UNICEF policy review*, New York: UNICEF
- <sup>xlvi</sup> Goodin, R. Heady B, Muffels, R. Dirven, H (1999) *The Real Worlds Of Welfare Capitalism*