

## Social welfare

Cost-effective social welfare ensures that Australia's prosperity is shared broadly through society and helps to protect our nation's high quality of life



Australia has huge natural wealth



This has underpinned long-term growth



Social welfare shares our natural prosperity



It also protects our economic growth

Australia's national prosperity derives to a significant degree from its extraordinary wealth of natural resources. These made Australia one of the world's leading agricultural producers, and in recent decades has allowed development of some of the largest resources projects globally.

In part due to this inherited natural wealth, Australia has benefited from nearly 30 years of uninterrupted economic growth, a record for any major economy in the post war period, and Australia has amongst the highest GDP per head of any major economy. Given the historic drivers of Australia's economic performance, it seems only appropriate that the country should have a strong social welfare system.

Australia regularly features in the top ten countries globally for overall quality of life, and its major cities are regarded as some of the most liveable globally. An effective welfare system – including healthcare, education, aged care, and unemployment and disability benefits – has been an essential part of Australia's social contract for generations.

No matter what the short term pressures to balance budgets and tackle other policy priorities, maintaining Australia's overall living standards will help to define our success in the 21<sup>st</sup> century. There are also many

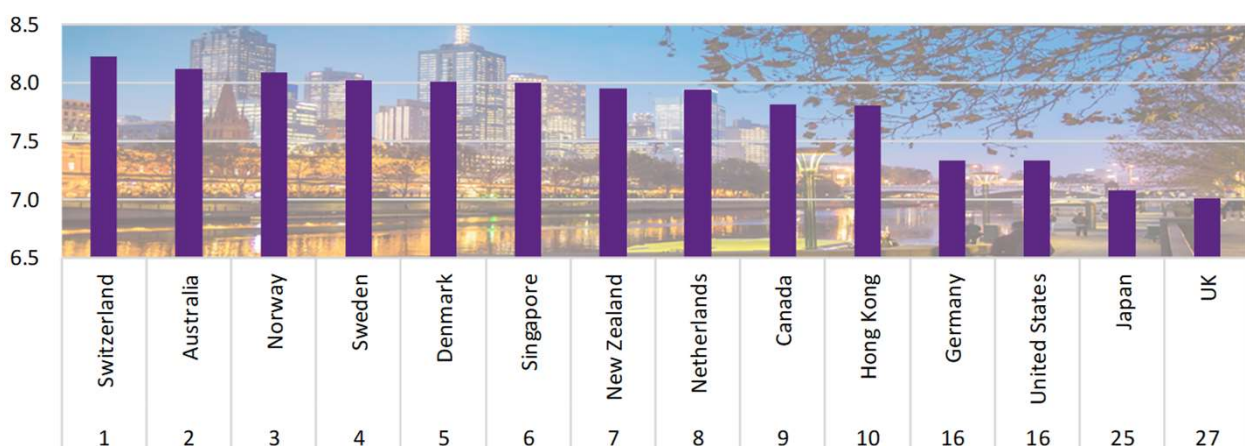
wider benefits for the economy.

Everyone benefits from the country's excellent and highly cost-effective healthcare system, and related medical science and technology research activities have created several highly valuable companies. The education system provides a sound start for most in society and is also an important source of export earnings. Meanwhile, unemployment benefits and the National Disability Insurance Scheme provide an important safety net. Importantly, taken together, effective welfare also helps to mitigate the negative effects of wealth polarisation on our society.

Standards are, however, slipping in some areas, and too many people still fall through the cracks in the system. The cost of university education has increased significantly, and vocational training opportunities provided through the TAFE system have been cut back. The roll-out of the NDIS has been patchy, and aged care services remain patchy and expensive.

As the next technological revolution will increase productivity but also undermine real wages, it is essential to remember the critical role that social welfare can play in stabilising the economy during periods of disruption.

The Economist Intelligence Unit "Where to be born" index and ranking





Improve the affordability of further education



Update our social welfare system to better address inequality



Increase access to vocational training and retraining initiatives



Preserve the accessibility and cost-efficiency of our healthcare system



Evolve school education to prepare for extensive robotisation



Adapt retirement and aged care to reflect increasing life-expectancy

Huge changes are approaching, driven by the likely automation of many jobs over the next decade. Whilst this will lead to productivity gains, it will also increase downward pressure on real wages substantially. For more context on these issues, please read my paper [The Future of Society](#) (with Prof Jorgen Randers, 2018).

As a result, it is more important than ever that we have a cost-effective, resilient and generous social welfare system covering the entire lifetime of every Australian.

**Make further education more affordable.** Australian university fees have escalated significantly. Although the HEX system provides some protection for students, government funding cuts means that there is a real risk that education costs escalate further, creating a massive burden on younger members of society (remembering that many older people benefited from free university tuition).

**Increase funding for vocational training.** Courses delivered through the TAFE system provide a cost-effective way for workers to build skills, either at the start of their careers or mid-career. There should be near-term economic benefits in increasing funding, and continuing to adapt the nature of courses to suit evolving needs of the workplace.

**Prepare the curriculum for robotisation.** Dramatic changes are approaching, which will significantly increase the importance of caring, cultural, communication and creative skills. The education system will need to adapt to address these developments, and the current emphasis on STEM subjects must evolve to reflect changes in the way these types of skill will be relevant to the workplace.

**Update our social welfare system to better address inequality.** Advances in AI and other technologies will eliminate many jobs, including numerous relatively sophisticated and highly-paid middle and senior management roles. The evidence of history is that employment will be preserved, but that there will be significant downward pressure on real wages. Put another way, more and more of the value created in

the economy will accrue to the richest members of society, leading to increased polarisation of wealth. As these people tend to spend a much smaller proportion of their income, this will very likely result in reduced economic growth. To address this challenge, new mechanisms will be needed to distribute some of the benefits of productivity more broadly through society. One example would be a some form of living wage, potentially funded via a 'robot-value-added' tax that was set at higher levels on companies that created disproportionately few jobs.

**Preserve the accessibility and cost-efficiency of our healthcare system.** Every effort must be made to maintain Australia's excellent healthcare system, including universal access to comprehensive, high-quality healthcare for every member of society, as well as the overall cost-efficiency of service provision.

**Adapt retirement and aged care to reflect increasing life-expectancy.** Australian life expectancy increases by around six weeks every year. Retirement funding and aged care systems need to evolve to ensure that the cost of this element of social welfare is fairly spread across society. One logical measure would be to index the retirement age in line with changes in life expectancy, thus providing an impartial mechanism for increasing the official retirement age slowly over time. In addition, increased recognition should be given to the benefits of partial retirement, perhaps by offering reduced rates of tax on earned income for people over the retirement age.

In addition to these initiatives, further consideration must be given to how we assess the economic and social contribution made to society by activities such as caring for elderly or sick relatives that is not captured by conventional economic metrics. Moreover, employment helps to ensure day to day engagement with society, and thus gives people's lives greater meaning, with significant benefits for mental health. Our society needs to explore how to create greater connection within local communities, and how to stimulate a more caring and nurturing culture.

