

# SGI Sustainable Governance Indicators 2011

## Australia report

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Prof. Ian McAllister, Australian National University, Canberra

Dr. Roger Wilkins, University of Melbourne

Prof. Aurel Croissant, University of Heidelberg

## Executive Summary

Australia's political system is, broadly speaking, a well-functioning democracy that delivers a decent standard of living to most members of the community. Despite one of the largest immigration programs in the world, society has generally exhibited a high level of social cohesion and inclusion, with reasonable levels of equality of opportunity and an open labor market. In consequence, successive opinion polls have shown the Australian public to have some of the highest levels of democratic satisfaction and national pride among the established democracies.

The strong performance of the economy has helped to underpin the resilience of the political system. While the global financial crisis brought about an economic downturn during 2008 and 2009, as of the end of the review period, it had not resulted in a recession, and unemployment has remained below 6% of the workforce. Several factors have contributed to this relatively benign outcome in the wake of the global downturn, including a strong initial fiscal position that enabled a large fiscal stimulus response, a highly stimulatory monetary policy response to the downturn, and a robust banking regulatory regime. The rebound of the resources sector in 2009, which was based on rapid recovery of demand from China and India, has also made the global financial crisis much less of a problem in Australia than in other OECD countries.

While economic, social and other outcomes continue to be relatively good, there is nonetheless considerable scope for improvement in governance. Persistent problems remain, such as those deriving from the vertical fiscal imbalance between the federal, state and territory governments, the absence of constitutional protection of human rights, politicization of the public service and concentration of media ownership. However, the Labor government elected in 2007 has made some progress in improving governance and governance sustainability during the review period, attempting to strengthen cooperation between all levels of government. The government has also instituted improved access to government information under the Freedom of Information Act, reduced the numbers of ministerial staffers, and it has established a social inclusion agenda. The government largely reversed the industrial relations legislation passed by the previous Liberal government and has initiated a large number of reviews, including a major review of the tax system. With respect to the Indigenous population, the government made a public apology,

supported by the opposition, to the “stolen generation,” although that has not so far heralded a new era of cooperation in the contentious and complex area of Indigenous affairs. An election commitment to introduce a carbon emissions trading scheme has been deferred until at least 2012.

## Strategic Outlook

Australia faces a number of major strategic challenges in future years. The creation of a flexible labor market has been problematic. The Liberal government sought to address this problem by abolishing the highly regulated system of industrial relations, replacing it with a system that permitted greater latitude for employers and workers to negotiate pay and conditions. This proved highly unpopular among voters, and was a major reason for the Liberal defeat in the 2007 election. While the new Labor government dismantled the more contentious aspects of the legislation, a number of important aspects have been retained, including a unified national industrial relations system, the national minimum wage, and a process of award rationalization and simplification.

Projections about the age composition of the population have given rise to a series of policies designed to mitigate the looming fiscal implications of the trend. Policies have been put in place to attract more women into the labor market, to progressively increase the retirement age, and to reduce reliance on the public pension among retired persons. The additional costs of the aging population with respect to health and aged care are more difficult to address, partly because of the scale of the additional expenditure needed, and partly because these functions are to a significant extent administered by the states and territories, but paid for by the federal government.

While the economy has performed well, and good fortune plus effective governance have dampened the effects of the global financial crisis on the domestic economy, challenges remain. The substantial deficit will require fiscal restraint in the coming years. The tax system remains complex and loaded with inefficiencies. Getting retirement income policy right is also a challenge, balancing equity and fiscal sustainability concerns while at the same time improving public confidence in the private pension system, which has to some extent been eroded in recent years by numerous superannuation policy changes.

The Labor government's legislation to introduce a carbon emissions trading scheme failed to pass the Senate and its reintroduction has been ruled out until at least 2012. At the same time, policies designed to achieve more efficient use of water and also ensure a fairer allocation of water rights have so far eluded successive governments, and the issue of water security remains a prominent and immediate issue.

A number of other perennial issues remain to be addressed. These include diversification of media ownership, expanding the scope and application of regulatory impact assessments and introducing a bill of human rights.

Perhaps the biggest challenge for reformers is to tackle the inefficiencies inherent in the federal system of government, which permeate and complicate policy development in a multitude of areas. The need to secure agreement with the states on most major issues of shared concern – notably, water, health and education – has proved difficult for governments of all complexions. So-called co-operative federalism was supposed to overcome entrenched, parochial interests, but it has proved to be inadequate to gain reform on some of the most contentious issues.

## Status Index

### I. Status of democracy

#### Electoral process

Candidacy  
procedures  
Score: 10

In terms of the laws relating to candidacy procedures, there have been no changes to the law during the period under review, and the process remains open, transparent and in line with international best practice. Indeed, the Australian Electoral Commission is prominent in advising a wide range of newly emerging democracies about international best practice procedures in terms of all aspects of election management.

Citation:

Joint Standing Committee on Electoral Matters, Report on the Conduct of the 2007 Federal Election and Matters Related Thereto. Parliamentary paper: PP130/09; Tabled 22 June 2009. Available at <http://www.aph.gov.au/house/committee/em/elect07/report2.htm>. Accessed 17 April 2010.

Media access  
Score: 9

Legal frameworks exist to ensure that candidates have equal access to the mass media, and the media organizations themselves try to ensure that approximate equal coverage is accorded to candidates by basing this coverage on the party vote at the previous election.

An ongoing subject of debate is the ability of parties in government to engage in de facto election campaigns throughout their tenure in government by means of government-funded advertising under the guise of information provision. There have been some moves made recently at both the federal and state levels to legislatively or otherwise curtail such advertising, but concerns over inappropriate government advertising persist.

One (relatively small) specific matter in relation to the issue of government advertising emerged during the period of the evaluation. Federal government signage installed outside of schools in 2009 to advertise government funding of school building projects were found by the AEC to be in breach of the Commonwealth Electoral Act 1918. They were deemed to constitute election advertising, since they appeared outside schools which also act as polling stations during state and federal elections. However, the federal government has since taken steps to comply with the Act.

Citation:

<http://democraticaudit.org.au/?p=332>. Accessed 18 April 2010.

Voting and  
registrations rights  
Score: 10

Voting and registration rights for citizens are legally protected and these rights are consistently enforced by the courts, at the highest levels. One exception is the right to vote for prisoners. Since 2006 there has been a ban on any prisoner voting who is under a full-time sentence for an Australian offense. In 2007 the legislation banning prisoners with any full-time prison sentence from voting was struck down by a majority in the High Court, in a test case. The High Court opted instead to re-impose a previous law which banned any prisoner with a sentence of three or more years from voting.

This decision by the High Court has prompted further debate about changing the law on the enfranchisement of prisoners, but to date the ban on any prisoner with a sentence of three years or more remains in force.

A second issue to do with voting and registration concerns the close of rolls. In 2004 legislation was introduced which closed the rolls the day the election was announced. It was argued that this measure disenfranchised many eligible voters who would otherwise have used the seven day period of grace after the announcement of the election to enroll. In 2010, the Electoral and Referendum Amendment (Close of Rolls and Other Measures) Bill 2010 was passed, which re-introduced a seven day period after the issue of the election writs during which voters can update their enrollment.

Citation:

Graeme Orr, Constitutionalising the franchise and the status quo: The High Court on prisoner voting rights. Brisbane: Law School, University of Queensland Discussion Paper 19/07 (October 2007).

Peter Brent, Time to introduce automatic enrolment in Australia. Canberra: Australian National University Democratic Audit Discussion Paper 3/08 (February 2008).

Party financing  
Score: 9

The funding of political parties in Australia is an area of considerable complexity and conflict, as it is in many other countries. The position is further complicated in Australia by the existence of different laws at the federal level, and within each of the six states and two territories. Nonetheless, there are important common features of the jurisdictions. Public funding for state and federal election campaigns is provided to every candidate securing at least 4% of the first preference vote, and by its nature this is a transparent source of funding. For private funding, there are no limits on the value of donations, but candidates and parties must adhere to reasonably stringent disclosure rules. The AEC rigorously monitors and enforces disclosure requirements and there may be substantial penalties

(including imprisonment) for failing to comply with the requirements. While there are no limits on donations, the federal government passed legislation in February 2010, the Tax Laws Amendment (Political Contributions and Gifts) Act 2008, which abolished tax deductions for donations to political parties and independent candidates and members. The new law also limits existing provisions that allow tax deductions for gifts and contributions by businesses to political parties and independent candidates and members. This was an election commitment by the Labor Party in the 2007 federal election.

At the state and territory level, two major reviews were established in the Australian Capital Territory (ACT) and in New South Wales in 2009. In the ACT the Standing Committee on Justice and Community Safety began an inquiry into campaign finance reform and will report in mid-2010. In New South Wales, debates on reform of the funding system have included a more robust and transparent disclosure scheme; limits on election spending by political parties; contribution limits by individuals (with an exemption for membership fees); the stricter regulation of fund-raisers; and enhanced accountability of government advertising. So far, these discussions are ongoing.

Citation:

<http://ministers.treasury.gov.au/DisplayDocs.aspx?doc=pressreleases/2010/030.htm&pageID=003&min=njsa&Year=&DocType=>

<http://www.finance.gov.au/publications/gov20taskforcereport/index.html>

Marian Sawer and Norm Kelly, Democratic Audit of Australia. Submission to the Inquiry into Campaign Finance Reform. Available at Democratic Audit.pdf. Accessed 16 April 2010.

Joo-Cheong Tham. Towards a More Democratic Funding Regime for New South Wales. Sydney: New South Wales Electoral Commission, 2010.

'Financial Disclosure Overview', Australian Electoral Commission web site: accessed 25 May 2010.

### **Access to information**

The mass media in Australia enjoys a high level of freedom, and a series of High Court cases in the 1990s further entrenched media freedom within the legal framework. One included a case in 1991 when the High Court struck down an attempt by the then Labor government to restrict political advertising on television. The political culture is also conducive to a high level of media freedom and the media itself is strongly independent of political influence.

The publicly owned broadcaster is also independent, although it is accountable to a board of directors appointed by the government.

One threat to media freedom comes from anti-terrorism laws, and in

Media freedom  
Score: 8



particular the Anti-Terrorism Act 2005, which was introduced after the 7/7 bombings in London. The government concluded that existing legislation would not have been able to protect the Australian public from a similar terrorist event. The legislation allowed for, among other things, control orders to restrict freedom of speech by individuals and the freedom of the media to publish their views. Despite several attempts, the implications of the legislation for media freedom have not yet been tested in court.

A further potential threat concerns the government's proposal to introduce an internet filter. While ostensibly intended to simply block material that is already unlawful in Australia when transmitted in other (electronic and non-electronic) forms, concerns have been raised that it will stifle legitimate public and political debate, for example about euthanasia and abortion. Moreover, the identities of blocked web sites will not be disclosed under the proposed legislation, creating the potential for illegitimate political interference with decisions over blocked content.

Citation:

Andrew Byrnes, Hilary Charlesworth and Gabrielle McKinnon. Human Rights Implications of the Anti-Terrorism Bill, 2005. Available at [www.law.unsw.edu.au/News\\_and.../Doc/S\\_tanhope\\_advice\\_20051018.pdf](http://www.law.unsw.edu.au/News_and.../Doc/S_tanhope_advice_20051018.pdf). Accessed 16 April 2010.

Media pluralism  
Score: 7

Australia has a high degree of concentration of media ownership, with the ownership of national and state newspapers being divided mainly between two companies, Rupert Murdoch's News Corporation, and the John Fairfax Group. There is slightly more diversity in the electronic media, with the government funding two bodies, the Australian Broadcasting Corporation and the Special Broadcasting Service, to provide a balance to the main commercial outlets. There are also three main commercial companies.

Government oversight of the ownership of broadcasting on television and radio is enshrined in the Broadcasting Services Act 1992. There has been no significant change in this legislation, despite discussion of possible changes by both the 1996-2007 Liberal-National government and the 2007 Labor government.

Citation:

Paul Jones and Michael Pusey. 2008. 'Mediated Political Communication in Australia: leading issues, new evidence.' *Australian Journal of Social Issues* 43 (4): 583–599.

John Gardiner-Garden and Jonathan Chowns, Media Ownership Regulation in Australia. Canberra: Parliamentary Library E-Brief, 2006. Available at [www.aph.gov.au/library/intguide/sp/media\\_regulations.htm](http://www.aph.gov.au/library/intguide/sp/media_regulations.htm). Accessed 17 April 2010

Access to gvmt.  
information  
Score: 8

Access to government information is largely regulated by freedom of information (FOI) legislation. The first legislation was passed in the federal Freedom of Information Act 1982, with all states and territories passing similar legislation shortly thereafter. FOI legislation contains a considerable number of exemptions. The Labor government elected in 2007 campaigned on a platform to update the legislation and to increase the amount of government information available to the public. The first stage of the reform agenda was the Freedom of Information (Removal of Conclusive Certificates and Other Measures) Act 2009 and the Freedom of Information (Fees and Charges) Amendment Regulation 2009, which reduced or made free of charges applications for some government information.

The second stage of the reform of FOI was the creation of the Australian Government Office of the Information Commissioner; in 2010 the former Commonwealth ombudsman John McMillan was appointed to the position. He was charged with overseeing the federal government's new FOI laws.

The enactment of new FOI laws has been seen as an important precursor to the development of a comprehensive "government 2.0" agenda, which aims to develop more open access to government, stronger public participation and scrutiny of government decisions, as well as to provide more information and thereby improve legitimacy for government decision-making.

Citation:

Freedom of Information Reform. Available at [http://www.dpmmc.gov.au/consultation/foi\\_reform/index.cfm](http://www.dpmmc.gov.au/consultation/foi_reform/index.cfm). Accessed 15 April 2010.

Engage: Getting on with Government 2.0. Available at Accessed 15 April 2010.

New information commissioner. <http://democraticaudit.org.au/> Accessed 15 April 2010.

## Civil rights

Civil rights  
Score: 8

Although Australia is the only major established democracy which does not have a bill of rights, civil rights are protected through a significant body of legislation, and by the Constitution which contains certain implied rights which are subject to interpretation by the High Court. The Labor government elected in 2007 initiated a National Human Rights Consultation to canvass views about the protection of human rights in Australia. The preliminary report was presented to the government in September 2009; the government has not yet formally responded.

While Australia's record of protecting human rights is internationally

regarded as strong, criticisms have been voiced about the treatment of the Indigenous population and about the civil rights of asylum seekers.

Although the government and opposition both apologized to the “stolen generation” – Indigenous children who were taken from their parents in the 1950s and 1960s and fostered by white families – in February 2008, many Indigenous leaders regarded this as an insufficient acknowledgement of responsibility and demanded financial compensation. Further controversy followed the government’s decision in 2007 to intervene in many Northern Territory aboriginal townships, following allegations of the abuse of children, and the widespread use of alcohol and pornography in the townships. The Northern Territory National Emergency Response Act was passed in 2007, which allowed for direct intervention and classified the measures in the Act as exempt from the Racial Discrimination Act 1975. The Northern Territory National Emergency Response Act and five other associated acts restricted the availability of alcohol and pornography in the affected communities, acquired the land by the Commonwealth and suspended the Native Title Act 1993. The legislation also quarantined welfare benefits from recipients believed to have abused, or to be at risk of abusing, their children.

Many Indigenous leaders regarded these measures as an infringement of civil rights, and disproportionate to the problem they were designed to address.

Since 1992, Australia has operated a system of mandatory detection for asylum seekers while their cases are processed offshore. This policy was withdrawn in July 2008, and mandatory detention now applies only to those considered a security or health threat, and excludes children. In April 2010, the government suspended the processing of all new asylum claims for people from Sri Lanka and Afghanistan, following information that a large number of people from those countries were in transit to Australia and would claim asylum.

Citation:

Peter Read. 1981. *The Stolen Generations: the Removal of Aboriginal Children in New South Wales 1883-1969*. Sydney: NSW Department of Aboriginal Affairs.

Human Rights and Equal Opportunity Commission. Submission of the Human Rights and Equal Opportunity Commission to the Senate Legal and Constitutional Committee on the Northern Territory National Emergency Response Legislation, 10 August 2007

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Political liberty is strongly protected by the courts. As in most other Western countries, the main challenge to political liberty has come from anti-terrorist legislation. The Anti-Terrorism Act 2005 allows for a variety of measures, including detention for up to 14 days, and

restrictions on the movement, activities and contact of persons subject to “control orders,” whether or not those persons had been accused or convicted of any offense. In addition, the legislation makes illegal any act of sedition, such as urging the overthrow of the government by violence or force, and outlaws any organization that advocates the use of violence or force for to that end. One of the main criticisms of the legislation is that it lacks sufficient judicial oversight. Freedom of political expression is generally respected, but is not unrestricted. The design and administration of defamation laws in particular are regarded by some to hamper political liberties, because they in practice act to protect governments, companies and powerful people from scrutiny.

Citation:

Bronwen Jagers. Anti-terrorism control orders in Australia and the United Kingdom: a comparison. Canberra: Parliamentary Library Research Paper, 2008. Available from <http://www.aph.gov.au/library/pubs/SearchResults.asp>. Accessed 14 April 2010.

Non-discrimination  
Score: 8

Australia has developed a substantial body of anti-discrimination legislation, covering sex, race, ethnicity, marital status, pregnancy and disability. The body charged with overseeing this legislation, the Australian Human Rights Commission (previously the Human Rights and Equal Opportunity Commission) is a statutory body. With the exception of the Disability Discrimination and Other Human Rights Legislation Amendment Act 2009, there have been no significant changes in the legislation overseen by the Commission, or in the functions or operation of the Commission, during the period under review.

The Discrimination and Other Human Rights Legislation Amendment Act 2009 amended earlier anti-disability discrimination legislation passed on 1992, to ensure that someone accompanied by a caregiver, assistant or aid, is not discriminated against.

Citation:

Juli Tomaras and Paula Pybur. Disability Discrimination and Other Human Rights Legislation Amendment Bill 2008. Canberra: Parliamentary Library Bills Digest No 87 2009.

Juli Tomaras and Paula Pybur. Disability Discrimination and Other Human Rights Legislation Amendment Bill 2008. Canberra: Parliamentary Library Bills Digest No 87 2009.

## Rule of law

Legal certainty  
Score: 9

During the review period, there has been no change in the strong judicial oversight of executive decisions at the Commonwealth level and at the level of the six states and two territories.

Jurisdictional uncertainty between the federal and state governments continues to be an issue. The most recent example of this uncertainty concerns a new resource tax on mining proposed by the federal government in 2010, which some legal experts believe may be unconstitutional because mineral resources are owned by the states.

Judicial review  
Score: 10

There is a strong tradition of independent judicial review of executive decisions. This has stemmed from the evolution of the administrative law which has spawned an administrative courts process, by which complainants may seek a review of executive action.

Appointment of justices  
Score: 6

The High Court is the final court of appeal for all federal and state courts. While the Constitution lays out various rules for the positions of High Court judges, such as tenure and retirement, there are no guidelines for their appointment, other than they will be appointed by the head of state, the Governor General. Prior to 1979, the appointment of High Court justices was largely a matter for the federal government, with little or no consultation with the states and territories. The High Court Act 1979 introduced the requirement for consultation between the chief law officers in the states, the attorneys general, and the federal Attorney General. While the system is still intransparent, it does appear that there are opportunities for the states to nominate candidates for a vacant position. From the perspective of the public, the appointment process is secret and names are rarely canvassed publicly when a vacancy occurs.

Citation:

Simon Evans. 'The Appointment of Justices.' In Tony Blackshield, Michael Coper and George Williams, *The Oxford Companion to the High Court of Australia*. Melbourne: Oxford University Press, 2001.

Corruption prevention  
Score: 8

A variety of bodies have been established by the federal and state governments to investigate corruption by politicians and public officials. Many of these bodies have the powers of royal commissions, which means they can compel witnesses to appear and to answer questions.

Public procurement systems are not always transparent, especially at the state government level, and "commercial-in-confidence" is often cited as the reason for non-disclosure of details of contracts with

private sector firms. Audit process are, however, quite rigorous, so that concerns about propriety in public procurement tend to focus on issues of wastefulness and on furthering political party interests ahead of the broader community's interests, rather than on personal gain.

## II. Policy-specific performance

### A Economy

#### Economy

Economic policy  
Score: 8

The economic policies that successive governments have followed, both Liberal and Labor, have involved extensive microeconomic reform and have provided a strong base for economic growth during the past 15 years. While growth was adversely impacted by the global economic downturn in late 2008, the economy still grew by 1.2% during the 2008 – 2009 financial year, the highest growth rate of any OECD country. The January 2010 unemployment rate of 5.3% was lower than that of any major advanced economy, with the exception of Japan, and remained below 6% throughout the global financial crisis. High commodity prices have been an important contributor to this economic performance, not least because they helped place the Australian government in a strong fiscal position at the onset of the economic downturn, allowing a sizeable fiscal expansion without creating excessive government debt. Nonetheless, policy settings have clearly contributed to Australia's economic performance, which includes not squandering the opportunities created by the resources boom.

The review period spans much of the new Labor government's first term in office after 11 years of Liberal-National government. However, notwithstanding considerable rhetoric to the contrary, economic policy changes other than the large fiscal stimulus in 2008 and 2009 have been far from drastic. The policy "architecture" has remained essentially unchanged, as have the core principles and practices of tax, welfare, enterprise and competition policy. The notable exception is labor market policy, where the most significant area of policy reform has been in industrial relations. Indeed, the election commitment of the Labor Party to abolish the unpopular "Work Choices" system introduced by the Howard government in 2006 was instrumental in

bringing about the change of government in 2007.

Recent policy concerned with improving economic outcomes has also focused on improving the education system, addressing the challenge of an aging population, tackling environmental issues and increasing the supply of skilled labor. Education policy has been a specific focus of successive governments, and the Labor government elected in 2007 has been no exception. Since 2008 the government has increased funding for preschool education, introduced measures to ensure more transparency in the reporting of results and greater accountability of schools to parents, encouraged higher participation rates in higher education and increased funding for Indigenous education and special needs groups. The major problem with all of these measures has been the availability of funding, and a related problem has been entrenched opposition to many of the measures from teachers' unions.

A significant barrier to an integrated economic policy is the federal structure of government, and the duplication of many services and regulatory functions between the federal government and the governments of the six states and territories. The federal system of government has proved a particular barrier in achieving effective management of water resources, and federalism has also proved a barrier in achieving cooperation across the jurisdictions in order to achieve reform of many of the social services, most notably health. The roots of the problem lie in the lack of any revenue-raising powers among the states, who are dependent on the goods and services tax revenue, which was introduced by the Liberal government in 2000.

Citation:

Australia to 2050: future challenges. Canberra: Commonwealth Government, January 2010. Available at [www.treasury.gov.au/igr/igr2010/report/pdf/IGR\\_2010.pdf](http://www.treasury.gov.au/igr/igr2010/report/pdf/IGR_2010.pdf). Accessed 17 April 2010.

Lin Crase, ed. Water policy in Australia: the impact of change and Washington, D.C. : Resources for the Future, 2008.

David Gruen . The economic outlook and challenges for the Australian economy. Available at [http://www.treasury.gov.au/documents/1783/RTF/02\\_Gruen\\_Speech.rtf](http://www.treasury.gov.au/documents/1783/RTF/02_Gruen_Speech.rtf)

Commonwealth Environmental Water, 2008-09 Outcome Report. Canberra: Department of the Environment, Water, Heritage and the Arts. 2009. Available at <http://www.apo.org.au/node/20936>. Accessed 16 April 2010

## Labor market

Labor market policy  
Score: 8

In the period up until late 2008, Australia experienced strong employment growth and declining unemployment, to a significant extent attributable to the boom in the resources sector. The period of rapid growth faltered in late 2008 and early 2009. Following substantial monetary and fiscal stimuli, and as demand for resources picked up from the emerging economies, employment growth returned in mid-2009. Unlike many other OECD countries, the downturn had a relatively modest impact on unemployment, causing it to rise by less than two percentage points.

Macroeconomic factors have been the primary drivers of Australia's performance in keeping unemployment rates from growing, but labor market policies have also played roles, both positive and negative, in affecting unemployment and employment. A long-standing concern of many analysts has been constraints on employment growth due to inflexibility and high minimum wages in the labor market, deriving from the industrial relations system. Such a concern has seen a series of reforms over the last two decades attempting to improve flexibility and in general remove encumbrances to employment. However, the "Work Choices" reforms implemented in 2006 were regarded by many in the community as undermining employment conditions and wages to an intolerable extent. The incoming Labor government had promised to unwind the Work Choices reforms, and by January 2010 had largely completed implementation of its industrial relations policy. The measures taken by the Labor government retain many of the features of the Work Choices system, including the unified national system, the minimum wage setting function of an independent agency, and the commitment to simplifying the multitude of industrial and occupational "awards." Major changes from the Work Choices system include the partial restoration of trade union powers, increased restraints on "unfair dismissal," greater rights of employees to collective bargaining (as opposed to individual agreements), the elimination of "Australian Workplace Agreements" (a specific form of individual agreements that allowed wages to be set below the minimum specified in an award), and provisions for regular (4-yearly) review (including the updating of award pay and conditions). A set of 10 "national employment standards" has also been established. These apply to all employees and cover key conditions such as maximum weekly hours of work, sick and vacation leave entitlements and rights to redundancy pay. The changes in the review period have marginally reduced labor market flexibility and



may have mild negative effects on the level of employment, but broadly speaking the industrial relations system remains conducive to employment growth.

Recent changes to labor market policies focused on the supply side of the market have included reforming the decentralized system of job search assistance, a step which has incorporated additional resources for disadvantaged job seekers; the introduction of a “Compact with Youth,” whereby young people are guaranteed a place in an education course; the introduction of employment incentives for persons on the Age Pension; and an increase in the child care subsidy from 30% to 50%. Tight welfare eligibility criteria and mandatory participation in active labor market programs by unemployment benefit recipients have also been preserved. However, high effective marginal tax rates for second earners in households and for many welfare recipients remain negative factors in increasing employment.

A recurring theme of commentary of the Australian labor market in recent years has been so-called skills shortages. One response to the perceived shortages in skilled labor has been to provide more employment incentives for groups of workers, such as is created for women with young children by the increase in the child care subsidy. In practice, however, immigration has remained the primary source of additional skilled labor.

Citation:

Steve O’Neill. Chronology of Fair Work: Background, Events and Related Legislation. Canberra: Parliamentary Library Background Note. Available from [http://www.aph.gov.au/library/pubs/BN/eco/Chron\\_FWAct.htm](http://www.aph.gov.au/library/pubs/BN/eco/Chron_FWAct.htm). Accessed 18 April 2010.

Economic Survey of Australia, 2008. Organisation for Economic Cooperation and Development. Available at [http://www.oecd.org/document/35/0,3343,en\\_2649\\_33733\\_41441891\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/35/0,3343,en_2649_33733_41441891_1_1_1_1,00.html). Accessed 18 April 2010.

Department of Immigration and Citizenship, Report on Migration Program 2008–09. Canberra: Department of Immigration and Citizenship. Available from <http://www.immi.gov.au/media/statistics/>

Temporary (Long Stay) Business Visas: Subclass 457. Canberra: Parliamentary Library Research Note no 15, 2007

## Enterprises

Enterprise policy  
Score: 7

Economic policy and regulatory settings are, broadly speaking, conducive to investment and innovation. However, claims of skill shortages, particularly in traditional trades, persist despite the economic downturn. Private sector research and development expenditures also remain low by developed country standards.

As part of steps taken to address skills shortages, the government established in 2008 Skills Australia, an independent statutory body providing advice to the government on Australia's current, emerging and future workforce skills needs and workforce development needs. In order to improve the supply of workers with skills in demand, the federal government has reviewed and modified skilled immigration policy several times during the period under review. Most recently, in February 2010, the government revoked the wide-ranging list of 106 occupations given priority under the skilled migration program and announced a list focusing on high-value professions and trades, to be developed and reviewed annually by Skills Australia. Other changes made to skilled immigration policy, not involving Skills Australia, have included giving greater priority to employer-sponsored applicants and tightening visa requirements for temporary skilled workers, such as increasing the minimum rate of pay.

Successive governments have sought to introduce policies at various times to encourage innovation and to increase investment in business and industry. The most comprehensive plan of recent years was Backing Australia's Ability, a five-year program introduced by the Liberal government in 2001. The program established a cabinet subcommittee, chaired by the prime minister, to oversee the allocation of a five-year budget of AUD 2.9 billion. Most of the funds were allocated to infrastructure (particularly in the IT area), competitive research grants (primarily in the universities), and to a program supporting investment in research and development. A range of tax changes were also introduced in order to increase incentives for individuals and small businesses to increase their investment in research and development. The Labor government elected in 2007 has maintained the policy emphasis on innovation. The new government hosted the Australia 2020 Summit in February 2008, which brought together 1,000 prominent Australians to discuss ten major areas of policy innovation. Much of the subsequent report, "Responding to the Australia 2020 Summit," dealt with the importance of innovation in increasing productivity and economic growth.

The Labor government also established a Review of the National Innovation System in January 2008 in order to prepare a green paper to canvass possible policy options. The subsequent report, “Venturous Australia - Building Strength in Innovation,” was published in 2009. To date, the government has not formally responded to the report.

Citation:

Keith Smith, *Innovation and the Knowledge Economy in Australia*. Sydney: Australian Business Foundation 2006.

Australian Government. *Responding to the Australia 2020 Summit*. Canberra: Commonwealth Government, 2009.

Venturous Australia - Building Strength in Innovation. Canberra: Department of Innovation, Industry, Science and Research, 2009. Available at <http://www.innovation.gov.au/innovationreview/Pages/home.aspx>. Accessed 19 April 2010.

Australian Government. *Responding to the Australia 2020 Summit*. Canberra: Commonwealth Government, 2009.

Venturous Australia - Building Strength in Innovation. Canberra: Department of Innovation, Industry, Science and Research, 2009. Available from <http://www.innovation.gov.au/innovationreview/Pages/home.aspx>. Accessed 19 April 2010.

## Taxes

Tax policy  
Score: 7

If we consider the changes made to the tax system during the review period alone, then the operation of the system has in fact changed very little. The tax system is broadly successful in achieving goals of competitiveness and sufficient public revenues, but is less successful in achieving equity goals. In recent years, the income tax system has become slightly progressive, and other taxes, such as the GST, are mostly regressive. Tax concessions, such as those granted for capital gains, also tend to favor wealthier persons.

In 2008, the newly elected Labor government established a committee, chaired by Secretary to the Treasury Ken Henry, “to examine Australia’s tax and transfer system, including state taxes, and make recommendations to position Australia to deal with the demographic, social, economic and environmental challenges of the 21st century.” Described as the most fundamental review of the tax system to be undertaken in Australia in half a century, the final report was delivered to the government in December 2009 and made public, along with the government’s response, on May 2, 2010. The

committee made 138 recommendations, many of them involving substantial changes to the tax and transfer system. At the time of this writing, the government has committed to adopting only a small number of these recommendations, but it has not ruled out adopting more in future. Recommendations adopted include the replacement of mining royalties (levied at a fixed rate per unit of product extracted) with an additional 40% tax on profits in excess of the long-term government bond rate; lowering the company tax rate from 30% to 28%; more generous depreciation allowances for small businesses; and simplifying income tax reporting requirements for individual taxpayers.

The government has indicated that further reforms to the tax and transfer system are planned for its second term, should it be re-elected, describing the reforms already adopted as the first steps in a 10-year agenda. The full agenda has not been articulated, but the stated guiding principles are promoting economic prosperity and ensuring this prosperity is fairly distributed.

Citation:

Australia's Future Tax System: Consultation Paper Summary. Canberra: Commonwealth Government, 2008. Available from [http://taxreview.treasury.gov.au/content/Content.aspx?doc=html/pubs\\_reports.htm](http://taxreview.treasury.gov.au/content/Content.aspx?doc=html/pubs_reports.htm). Accessed 18 April 2010.

Australia's Future Tax System: The Retirement Income System. Report on Strategic Issues. Canberra: Commonwealth Government, 2009. Available from [http://taxreview.treasury.gov.au/content/Content.aspx?doc=html/pubs\\_reports.htm](http://taxreview.treasury.gov.au/content/Content.aspx?doc=html/pubs_reports.htm). Accessed 18 April 2010.

Australia 2010: Towards a Seamless National Economy. OECD Reviews of Regulatory Reform. Paris: OECD, 2010. Available from [www.oecd.org/.../0,3343,en\\_2649\\_34141\\_44529023\\_1\\_1\\_1\\_37421,00.html](http://www.oecd.org/.../0,3343,en_2649_34141_44529023_1_1_1_37421,00.html). Accessed 19 April 2010.

Australia's Future Tax System, Report to the Treasurer. Canberra: Commonwealth Government, 2009. Available from <http://taxreview.treasury.gov.au/content/Content.aspx?doc=html/home.htm>. Accessed 31 May 2010.

## Budgets

Despite the periodic high budget deficits observed for federal and state governments, fiscal policies in Australia are sustainable. Australia was not immune to the recent global economic downturn, with the federal government budget balance moving from a surplus of \$21 billion in 2007 – 2008 to a \$30 billion deficit in 2008 – 2009 and a \$54 billion deficit (4.5% of GDP) in 2009 – 2010. The budget turn-

Budget policy  
Score: 8

around can be attributed in part to fiscal stimulus measures taken in 2008 and 2009, but mostly to a large fall in tax receipts, particularly from company taxes. The budget is forecast to return to surplus in 2012 – 2013, and net federal government debt is projected to peak at 6% of GDP in 2011 – 2012.

Fiscal sustainability has also been enhanced by the establishment of a scheme to fund future public sector employee superannuation (pension) liabilities. Established under the Future Fund Act 2006, the fund is independently managed and aims to have AUD 140 billion of funds under management by 2020.

An ongoing issue for fiscal sustainability at the state level is the vertical fiscal imbalance that exists between the federal and state governments. The inability of state governments to raise sufficient revenue to meet expenditure requirements and their consequent reliance on block grants from the federal government creates acrimony and instability, and arguably sub-optimal public provision of goods and services in areas such as health, education and transport.

Citation:

Intergenerational Report 2007 <http://www.treasury.gov.au/contentitem.asp?NavId=&ContentID=1239>

Intergenerational Report 2010. [www.treasury.gov.au/igr/igr2010](http://www.treasury.gov.au/igr/igr2010)

Intergenerational Report 2010. [www.treasury.gov.au/igr/igr2010](http://www.treasury.gov.au/igr/igr2010)

## **B Social affairs**

### **Health care**

Australia's health care system, compared to other OECD countries, has a respectable record of providing high-quality health care to much of the population at a relatively low cost. However, the system comprises a complex mixture of public and private funding and provision that is rife with inefficiency, perverse incentives and significant inequality in access to some medical services, such as non-emergency surgery and dental care. Indigenous health outcomes are particularly poor. The most recent attempt by policymakers to address this issue was the establishment, following a summit between the federal and state governments in March 2008, of the National Indigenous Health Equality Council, which is tasked with

Health policy  
Score: 8

overseeing the operation of various initiatives.

Total health care expenditure is relatively low, but as is the case in most developed countries, rising costs to government resulting from an aging population and the development of new diagnostic tools and treatments pose significant challenges. The government has sought to anticipate these additional costs in several ways. First, in the 2008 – 2009 budget, the federal government established the Health and Hospital Fund to fund capital investment in infrastructure. Second, the federal government's 2007 election commitment was to provide more funding to the public hospital system, which is currently administered by the states and territories. There have been extensive negotiations concerning the control of hospitals, which in April 2010 resulted in a tentative agreement that the states would transfer control of public hospitals to the Commonwealth, in return for a higher level of funding.

A further initiative in health policy in the review period was an agreement reached by the Council of Australian Governments (COAG, the forum for cooperative action by the Commonwealth, state and territory governments) for a Preventative Health National Partnership to support a range of nutrition, physical activity, obesity and smoking initiatives. The federal government has agreed to contribute funding of AUD 872 million to the initiative over six years.

Citation:

Australia 2010: Towards a Seamless National Economy. OECD Reviews of Regulatory Reform. Paris: OECD, 2010.

Available from [www.oecd.org/.../0,3343,en\\_2649\\_34141\\_44529023\\_1\\_1\\_1\\_37421,00.html](http://www.oecd.org/.../0,3343,en_2649_34141_44529023_1_1_1_37421,00.html). Accessed 19 April 2010.

Overcoming Indigenous Disadvantage Key Indicators 2009. Canberra: Commonwealth Government, 2009. Available from <http://www.healthinfonet.ecu.edu.au/health-facts/health-faqs/what-are-the-main-references-about-indigenous-health/health-policy>. Accessed 20 April 2010

## Social inclusion

During the review period, a renewed and heightened focus on poverty and social exclusion has accompanied the election in November 2007 of the Labor government. The government created a Social Inclusion Unit (SIU) within the Department of Prime Minister and Cabinet that is to report to the Deputy Prime Minister. The government has correspondingly developed a social inclusion agenda and implemented various policies and programs targeting disadvantaged children, people living in socioeconomically disadvantaged areas,

Social inclusion  
policy  
Score: 7

people with disability, the homeless and Indigenous people. However, there has been little new policy action of substance. In the specific area of homelessness, the government released a white paper, *The Road Home*, in December 2008 which outlined a plan for reducing homelessness in Australia by 2020, with specific goals to halve overall homelessness, and provide accommodation to all rough sleepers who seek it. The program provides an additional AUD 1.2 billion in funding over four years to address homelessness. In September 2008, the government established the Office for Youth, within the Department of Education, Employment and Workplace Relations, to ensure better coordination of youth policy across government.

Citation:

Rosanna Scutella, Roger Wilkins and Weiping Kostenko. *Estimates of Poverty and Social Exclusion in Australia*. Melbourne Institute Working Paper Series Working Paper No. 26/09.

Australian Government. *Responding to the Australia 2020 Summit*. Canberra: Commonwealth Government, 2009.

Australian Government's Social Inclusion Unit web site: <http://www.socialinclusion.gov.au/AusGov/Pages/unit.aspx>

## Families

Family policy  
Score: 7

Government family policy in recent years has tended towards a part-time employment ideal for women with dependent children. Since the Labor government was elected in November 2007, somewhat greater emphasis has been placed on promoting the employment of mothers, mainly via an increase in child care subsidies. Part-time employment nonetheless remains the dominant form of employment for women with dependent children, whether partnered or single.

A constant theme in public discussion is that the quantity of available child care facilities is not adequate, at least in some regions. Research shows the total stock of facilities is sufficient, but it also shows that availability and cost of child care are key factors influencing mothers' – in particular single mothers' – labor market participation decisions, and that many women do not believe they have access to satisfactory care at a reasonable price. The private sector provides slightly more than half of the available facilities, although many of the private sector providers are small businesses operating in a manner similar to community-sector and local government centers.

In 2009, a Senate Committee recommended a fundamental review of child care provision, including the establishment of a statutory body, to provide advice on child care policy. The government has not yet responded to this recommendation.

In May 2009, the federal government announced the introduction of a government-funded paid parental leave (PPL) scheme to commence on January 1, 2011, which is to promote mothers' employment participation and improve care of young children. A government inquiry in 2007 found that around 54% of female employees and 50% of male employees had access to some form of PPL. The government scheme will therefore considerably expand access to PPL in the community. The legislation to enact the scheme passed the House of Representatives on June 1, 2010, and is expected to be passed by the Senate.

Citation:

The Senate Education, Employment and Workplace Relations References Committee. Provision of Childcare. Canberra: Commonwealth of Australia. 2009. Available from [http://www.aph.gov.au/senate/committee/eet\\_ctte/index.htm](http://www.aph.gov.au/senate/committee/eet_ctte/index.htm). Accessed 21 April 2010.

Productivity Commission Draft Report, Annual Review of Regulatory Burdens on Business: Social and Economic Infrastructure Services. Canberra: Productivity Commission, 2009.

Gabrielle Meagher and Debra King, eds, Paid Care in Australia – Politics, Profits and Practices in Child and Aged Care. Sydney: University of Sydney Press, 2009.

## Pensions

Pension policy  
Score: 9

Australia has two explicit pension pillars, the public age pension system and private employment-related pensions. Funded through general taxation revenue, the age pension is means-tested and is therefore effective as a social safety net designed to reduce poverty. Currently, the age pension is still the dominant source of income for retirees, but over time the balance will shift to the private pension system, which was only introduced on a wide scale in 1992, and has only had the current minimum 9% contribution rate since 2002. As a result, most retirees in the medium term future will only have been making significant contributions to their personal retirement accounts for part of their working lives.

The aging population has increased the anticipated pressures on the public age pension system. Responding to these pressures, the government indicated in its 2009 – 2010 budget that it would progressively increase the age of eligibility for the pension from 65 to



67 years by July 2023. The means-tested element of the age pension was also tightened for unearned income, but for employment earnings, this was relaxed to encourage employment participation of retirees. In order to address concerns regarding overall pension adequacy, the government increased the pension rate. The rate for single pensioners was increased even more, from 25% to 27.7% of average male earnings. A new pensioner cost of living index was also announced to preserve the real value of the age pension. In effect, these changes gave more money to fewer people, thus simultaneously enhancing the financial sustainability of the age pension while simultaneously improving its ability to prevent poverty. A further measure, announced in May 2010 as part of the government's response to the Henry Tax Review, was the gradual increase in the minimum rate of pension contribution to 12% of gross earnings, scheduled to begin in 2012. This will likewise help improve future retirees' incomes in retirement and the fiscal sustainability of the public pension. However, there is still some uncertainty about whether the proposed change will come into effect, and concerns have also been raised about potential adverse effects on low-wage employment.

Citation:

Australia 2010: Towards a Seamless National Economy. OECD Reviews of Regulatory Reform. Paris: OECD, 2010.

Available from [www.oecd.org/.../0,3343,en\\_2649\\_34141\\_44529023\\_1\\_1\\_1\\_37421,00.html](http://www.oecd.org/.../0,3343,en_2649_34141_44529023_1_1_1_37421,00.html). Accessed 19 April 2010.

Australia's Future Tax System: The Retirement Income System. Report on Strategic Issues. Canberra: Commonwealth Government, 2009. Available from [http://taxreview.treasury.gov.au/content/Content.aspx?doc=html/pubs\\_reports.htm](http://taxreview.treasury.gov.au/content/Content.aspx?doc=html/pubs_reports.htm). Accessed 18 April 2010.

Jeff Harmer. Pension Review Report. Canberra: Commonwealth Government, 2009. Available from [http://www.fahcsia.gov.au/about/publicationsarticles/corp/BudgetPAES/budget09\\_10/pension/Pages/PensionReviewReport.aspx](http://www.fahcsia.gov.au/about/publicationsarticles/corp/BudgetPAES/budget09_10/pension/Pages/PensionReviewReport.aspx). Accessed 20 April 2010.

## Integration

Australia has maintained one of the largest postwar immigration programs of any established democracy, in proportion to its population size. Over one-fifth of the population is foreign-born. Successful integration of immigrants has been critical to the very functioning of Australian society and economy and has therefore been a policy priority for much of Australia's history. In general, Australia continues to be highly successful in integrating immigrants.

Integration policy  
Score: 9

Increasingly, the most important contributor to this success has been a highly selective immigration policy, with migrants selected on the basis of their skills and English language ability representing a growing share of all immigrants.

Explicit integration efforts for immigrants primarily consist of encouraging them to take out citizenship, although in 2007 Australian residency requirements increased from two to four years before immigrants are eligible to take out citizenship. A citizenship test was also introduced in 2007 by which potential citizens have to demonstrate a basic understanding of Australian society, politics and culture, as well as basic English language skills. Immigrants are also encouraged to integrate into Australian society, but within the context of a policy of multiculturalism, first adopted in 1972, whereby immigrants retain their own language, culture and traditions.

A particular concern in recent years has been the large number of asylum seekers who have arrived, usually on boats from Southeast Asia. Mandatory detention was introduced for asylum seekers in the 1990s, and extended in 2001, so that detainees were excluded from the mainland, where they had certain legal rights of appeal. The incoming Labor government in 2007 abolished this so-called “Pacific Solution,” but retained mandatory detention, except for children and certain other groups deemed not to represent a security threat.

Citation:

Australia’s Migration Program. Canberra: Parliamentary Library Research Note no. 48, 2005.

Immigration Detention and Offshore Processing on Christmas Island. Canberra: Australian Human Rights Commission, 2009. Available at [http://www.hreoc.gov.au/human\\_rights/immigration/idc2009\\_xmas\\_island.html](http://www.hreoc.gov.au/human_rights/immigration/idc2009_xmas_island.html). Accessed 21 April 2010.

## C Security

### External security

Direct responsibility for external security rests with the Australian Defence Force, which is numerically small in comparison with other Asian countries but technologically more sophisticated. External security policy is also contingent on cooperation principally with the

External security  
policy  
Score: 9

United States, as well as with other countries in the region, most notably New Zealand, Singapore and Malaysia. There is a formal military agreement with the United States and New Zealand in the ANZUS Alliance, and with New Zealand in the Closer Defence Program.

One plank in the maintenance of external security is the forward deployment of personnel, in support of UN and other operations around the world, and in support of alliance partners. A significant proportion of the ADF have served in Afghanistan and before the withdrawal of defense personnel in 2009, in Iraq. There are also detachments in the Middle East, East Timor and the Solomon Islands.

While there are currently no credible external threats to Australian security, future planning for external security is encountering several challenges. One challenge is the decline in the availability of skilled personnel, partly because of the aging of the population, and partly because of competition for skills with the resources industry. A second challenge is funding for new equipment in order to maintain the technological advantage over potential adversaries. A related concern is the ongoing cost of overseas deployments, which erodes the funding available for new equipment.

Citation:

Australian Department of Defence. Australia's National Security. A Defence Update 2007. Canberra: Department of Defence, 2007

### **Internal security**

Australia has not experienced a significant act of terrorism on its territory, although the 2002 Bali bombings in neighboring Indonesia killed more Australian citizens than any other nationality. There have been several failed plots involving Islamic extremists, most notably an attempt to bomb a major sporting event, and an attempt to storm a military base with automatic weapons. All resulted in long-term sentences for the defendants. Responsibility for internal security rests with the Australian Federal Police and the Australian Security Intelligence Organisation; the latter has no powers of arrest and relies on the police for support. Both rely on the criminal law for prosecutions, as well as on the Anti-Terrorism Act 2005, the last piece of legislation to be passed to combat terrorism. International organized crime that is not terrorism-related is investigated by the Australian Crime Commission, which was established by the Australian Crime Commission Act 2003, which amalgamated several bodies with similar remits.

Internal security  
policy  
Score: 9

## D Resources

### Environment

Environmental  
policy  
Score: 5

Environmental policy in Australia has focused very much in recent years on climate change. Climate change has had particular consequences for Australia, producing longer, dryer summers, with associated droughts and bushfires. During the prolonged drought that affected most of eastern Australia between 2003 and 2009, much attention was directed towards water security. In order to preserve water in urban areas, legislation has been passed to mandate gray water recycling in new homes, impose restrictions on the use of water for washing cars and watering gardens, and several states have invested in desalination plants. The use of water for agriculture has been severely restricted, particularly for water-intensive industries such as cotton, rice, fruit and vegetables. An attempt to establish an authority to oversee water use on the Murray-Darling Basin was only partially successful, due to opposition from several of the states who feared reduced water licenses would impact on their water-dependent industries.

A federal Department of Climate Change was established in 2007, and charged with mitigating the effects of climate change. A report was commissioned from an economist, Ross Garnaut, and its 2008 report, *The Garnaut Climate Change Review*, recommended the introduction of an emissions-trading scheme that included transportation but not agriculture, and recommended that emissions permits should be sold competitively and not allocated free to carbon polluters. Following the release of a white paper in December 2008, the government proposed legislation to introduce a Carbon Pollution Reduction Scheme, a cap and trade system. The bill was defeated in the upper house, the Senate, in December 2009 and has not been reintroduced.

Citation:

The Garnaut Climate Change Review: Final Report. Cambridge University Press, 2008. [http://www.garnautreview.org.au/domino/Web\\_Notes/Garnaut/garnautweb.html](http://www.garnautreview.org.au/domino/Web_Notes/Garnaut/garnautweb.html)

## Research and innovation

Research and  
innovation policy  
Score: 5

There has been mixed success in encouraging innovation in Australia. This is, in part, the consequence of a strong primary sector based on resources and agriculture; the industries most associated with innovation, such as pharmaceuticals and information technology, comprise a relatively small part of the economy. The mixed record of success in encouraging innovation is also a function of the fact that the responsibilities for innovation are divided between the federal government and the states, and the absence of any strong policy of coordination on innovation policy.

The Labor government elected in 2007 included in its policy platform a strong commitment to encouraging innovation. It established a Review of the National Innovation System in January 2008 and the committee's report, *Venturous Australia - Building Strength in Innovation*, was published in 2009. The report recommended measures to increase human capital, enhance intellectual property rights, increase innovation in government, and it advocated the introduction of more comprehensive tax incentives to encourage greater investment in innovation. To date, the government has not formally responded to the report.

Citation:

Keith Smith, *Innovation and the Knowledge Economy in Australia*. Sydney: Australian Business Foundation 2006.

*Venturous Australia - Building Strength in Innovation*. Canberra: Department of Innovation, Industry, Science and Research, 2009. Available from <http://www.innovation.gov.au/innovationreview/Pages/home.aspx>. Accessed 19 April 2010.

## Education

Education policy  
Score: 8

Australia's education system is complex, with shared responsibilities between the states and the Commonwealth, and with funding coming mainly from the Commonwealth. During the period of the Liberal government between 1996 and 2007, there were substantial cuts to education funding, particularly in the universities, with some associated adverse effects on quality. While equity of access to high-quality education remained good at all education levels under the Liberal government, there was nonetheless some deterioration in this regard, in particular due to increased funding of private schools and

growth in full (upfront) fee higher education courses.

The Labor government elected in 2007 has sought to reverse these trends. Emphasis was placed on: improving learning outcomes; implementing a national school curriculum; increasing school retention rates; and providing more funding for schools, vocational education and training, higher education and research.

In order to achieve these goals, the government has announced a number of funding initiatives in the review period, including increased resources to schools in socioeconomically disadvantaged areas, increased funding for vocational training in schools, funding for 711,000 training places targeting low-skilled jobseekers, AUD 2 billion for computers in schools, and a AUD14.7 billion program to construct new buildings in 9,500 schools across Australia (as part of the 2009 fiscal stimulus). In addition, an agreement reached with the States and Territories in October 2008, backed by AUD 970 million in additional funding over five years, to achieve universal access to a quality early childhood education program for all children in the year before school. These initiatives have not been without controversy, with claims of wastefulness in the school building program and failure to meet the election commitment of providing computers to every second school student in a timely manner.

To implement the national schools curriculum, the Australian Curriculum, Assessment and Reporting Authority (ACARA) was established. To date, discussions about the curriculum with stakeholders are ongoing. However, one important – and somewhat controversial – development on this front has been the introduction of the National Assessment Program – Literacy and Numeracy (NAPLAN), which commenced in Australian schools in 2008. Administered by ACARA, under the program, all students in Years 3, 5, 7 and 9 are assessed annually on the same days using national tests in Reading, Writing, Language Conventions (Spelling, Grammar and Punctuation) and Numeracy. ACARA is also responsible for a controversial website, [myschool.edu.au](http://myschool.edu.au), which provides NAPLAN test and other information about schools so as to allow parents to evaluate the performance of schools.

In the higher education sector, the federal government has abolished all full fee undergraduate courses at public universities for Australian students. It has also established two systems for assessing university performance, the Australian Universities Quality Agency and the Research Quality Framework, the later being abolished by the

incoming Labor government in 2007 and replaced by the Excellence in Research for Australia program administered by the Australian Research Council, the first round of which will be completed in late 2010.

Citation:

Australia 2008. Australian Education International. Canberra: Commonwealth of Australia 2008. Available at <http://www.aph.gov.au/library/intguide/sp/speducation.htm#34> Accessed 22 April 2010.

Australian Labor Party. The Australian economy needs an education revolution. Available at [www.wa.alp.org.au/download/now/education\\_revolution.pdf](http://www.wa.alp.org.au/download/now/education_revolution.pdf). Accessed 22 April 2010.

# Management Index

## I. Executive Capacity

### A Steering capability

#### Strategic capacity

Strategic planning  
Score: 8

The Commonwealth public service makes extensive use of committees to undertake strategic planning, and these committees are generally geared towards their peak of activity immediately before and after the transition to a new government, and in the pre-budget period. The public service also maintains a single department, the Department of Prime Minister and Cabinet, with the aim of coordinating and directing strategic planning across the government as a whole.

The Labor government elected in 2007 appears to have increased emphasis on strategic planning, thus commissioning numerous reviews, inquiries and committees in 2008 on a range of policy domains, including pensions, taxes and climate change. The Labor government has also emphasized a “whole of government” approach to policy-making and service delivery. In response, the Department of Prime Minister and Cabinet prepared a detailed set of recommendations in a discussion paper “Ahead of the Game: Blueprint for the Reform of Australian Government Administration,” which is currently under consideration. The paper has 28 recommendations focused mainly around the provision of effective service delivery, strategic planning, and creating a skilled and responsive public service.

Citation:

Ahead of the Game: Blueprint for the Reform of Australian Government Administration. Available at [http://www.dpmc.gov.au/publications/aga\\_reform/aga\\_reform\\_blueprint/index.cfm#blueprint](http://www.dpmc.gov.au/publications/aga_reform/aga_reform_blueprint/index.cfm#blueprint). Accessed 21 April 2010.



Scholarly advice  
Score: 7

Since the late 1990s, and particularly since 2007, the federal government has funded a range of specialist centers and institutes aimed at undertaking fundamental research and planning, the findings from which feed into government policy. Examples include government support for regulation and compliance centers at the Australian National University, with the Regulatory Institutions Network (RegNet), and the establishment of the Australia and New Zealand School of Government, which is a postgraduate faculty set up by the Australia and New Zealand governments, and by the state governments in New South Wales, Queensland and Victoria.

Despite these formal mechanisms, academic influence on government decision-making is relatively limited, although there have been some indications of greater receptiveness to “evidence-based” policy formulation under the Labor government, with the Prime Minister having called it a key element of the government’s agenda for the public service.

Citation:

Regulatory Institutions Network (RegNet). <http://regnet.anu.edu.au/>

Australia and New Zealand School of Government. <http://www.anzsog.edu.au/>

### **Inter-ministerial coordination**

GO expertise  
Score: 9

The Department of Prime Minister and Cabinet has considerable expertise to evaluate the policy content of ministerial proposals, and indeed that is one of its main functions.

GO gatekeeping  
Score: 10

The Department of Prime Minister and Cabinet is the most powerful Commonwealth public service department. The secretary of the Department of Prime Minister and Cabinet is also the head of the federal public service. In its role of co-ordinating government policy and ensuring a consistent and coherent legislative program, the Department has the capacity to return any item it considers conflicts with the government’s overall policy agenda. However, it is unlikely that occasion would arise, since the Department would be involved at an early stage in assisting with the drafting of any significant policy initiatives, so it would not reach an advanced stage without Department approval.

Line ministries  
Score: 9

The Department of Prime Minister and Cabinet is always involved at an early stage in assisting with the development and drafting of any significant government policy and the resulting legislation. The Department of Prime Minister and Cabinet and the relevant department would have to both agree on a policy before it could be

tabled in cabinet or considered by the relevant minister or ministers.

Non-major policy initiatives do not need to be presented to the cabinet if all relevant ministers agree to its implementation.

Cabinet committees  
Score: 9

In line with the other established democracies, the scope and complexity of government policy has increased dramatically in recent years, making the use of cabinet committees crucial to effectively manage government business. Most items are considered by subcommittees of cabinet prior to full cabinet discussion, some of which are ad hoc (such as a committee charged with handling a national disaster, for example) others (such as the Security Committee or the Expenditure Review Committee) being semi-permanent standing committees.

Senior ministry  
officials  
Score: 8

Much of the more minor government business (such as statutory appointments and routine decision-making) is dealt with outside cabinet by the relevant public servants and junior ministers, and the decisions tabled as an addendum to cabinet papers. They are rarely, if ever, raised for discussion, though the opportunity exists for cabinet members to do so. Public servants, led by the Secretary of the Department of Prime Minister and Cabinet, are responsible, in consultation with the prime minister, for drawing up cabinet agendas. Confidentiality of cabinet meetings and their preparation means it is not possible to determine the precise proportion of agenda items that are prepared by senior public servants. However, public servants clearly play an important role in the development of many policy proposals and also filter out or settle many issues.

Line ministry civil  
servants  
Score: 8

There is generally a high level of coordination between line ministry public servants. In most cases this must involve, at a minimum, the Department of Finance and the Treasury, since they are responsible for resourcing any new policy developments, and these must feed into the government's spending and budget cycle. Where there are legal implications, there must be coordination with the Attorney-General's Department. Departments least likely to coordinate their activities across the government portfolio are Defence and Foreign Affairs and Trade, since their activities have least implications across the other portfolios.

Coordination is especially effective when proposals are driven by the political leadership, but is less effective on policy matters initiated at the level of the minister or department, in part reflecting greater uncertainty among civil servants as to the support for the proposal from the political leadership.

Informal  
coordination  
procedures

Information coordination procedures exist at the level of the party, where informal soundings on policies take place on a regular basis to

Score: 8

sure that the party leadership supports the government's direction; this occurs regardless of which party is in office. The federal system, and the division of responsibilities between the federal government and the state and territory governments, means that informal coordination is always an important component of any policy that may involve the states. These procedures are ad hoc, and take place at two levels, among ministers from different jurisdictions, and at the level of senior public servants.

## RIA

RIA application  
Score: 8

The federal government and the state and territory governments require the preparation of Regulation Impact Statements (RIS) for significant regulatory proposals. An RIS provides a formal assessment of the costs and benefits of a regulatory proposal and alternative options for that proposal, followed by a recommendation supporting the most effective and efficient option. Regulation Impact Statements are thus not assessments of socioeconomic impacts of regulatory proposals, although implicitly such impacts are taken into account as part of the process. Moreover, RIS do not apply to draft laws that are not of a regulatory nature - for example, changes to tax and transfer policies. Indeed, they are generally only applicable to proposed regulations affecting businesses.

Since many government functions and responsibilities are shared between the federal government and the states, these shared activities are coordinated through the Council of Australian Governments, which is the body that brings the federal and state governments together to decide policy. The procedures for the preparation of RIS proposals differ between the federal government and the Council of Australian Governments. Most states and territories have their own requirements for RISs that apply where a regulation will have effect in only a single state or territory. At the federal level, RISs are managed by the Office of Best Practice Regulation, which is part of the Department of Finance and Deregulation.

Citation:

<http://www.finance.gov.au/obpr/ris/index.html>Needs analysis  
Score: 9

For regulations affecting businesses, Australia was one of the first countries to pioneer Regulation Impact Statements in the 1980s, and since then the procedures have become very formalized. The preparation of a RIS follows a standard procedure which gathers the

information that will enable the policymakers to evaluate the extent to which the proposed regulatory changes will result in a net benefit to the community.

Citation:

Improving Regulatory Impact Analysis. Canberra: Productivity Commission, 2008.  
[www.pc.gov.au/\\_\\_data/assets/pdf\\_file/0019/91360/12-chapter9.pdf](http://www.pc.gov.au/__data/assets/pdf_file/0019/91360/12-chapter9.pdf)

Alternative options  
 Score: 9

RIAs are now a well-established procedure in the state and federal public services, and recent changes have strengthened the depth involved in the process. The Commonwealth government – and most of the state and territory governments– require RIAs to be robust and transparent. The RIAs do evaluate on an evidence basis the cost and benefits of alternative options, as well as the feasibility of non-legislative options so as to reduce the compliance costs.

### **Societal consultation**

Negotiating public  
 support  
 Score: 8

Traditionally, Labor governments have been more amenable to consultation with trade unions and Liberal governments have been more amenable to consultation with business groups, but governments of both persuasions are capable of engaging in extensive consultation on one policy, and no consultation on other policy. For example, recently, the Labor government has been heavily criticized for not consulting with mining companies prior to proposing a new profits-based mining royalties regime. At the same time, the government has engaged in a vigorous effort to engage local communities on various policy issues by hosting the Australia 2020 Summit, holding numerous Community Cabinet Meetings and hosting jobs and training summits.

### **Policy communication**

Coherent  
 communication  
 Score: 9

Australian governments have made considerable efforts to align their policy priorities with the messages that they communicate to the public. This has been aided by very strong discipline across all the major political parties (perhaps the strongest among the Westminster democracies) and a tradition of suppressing dissent within the parties (often by the threat of de-selection at the next election); strong adherence to the Westminster doctrine of collective cabinet responsibility; and an activist mass media and political opposition which will seek to exploit any apparent policy divisions within government.

## B Policy implementation

### Effective implementation

Government  
efficiency  
Score: 7

Focusing on the Labor government elected in 2007, the government has a majority in the lower house of Representatives, but not in the upper house, the Senate. This has posed a problem for the government in passing major pieces of legislation. For example, the Carbon Pollution Reduction Scheme was passed by the lower house but was defeated in the Senate in December 2009; the measure was designed to combat climate change and was a major plank in the government's 2007 election platform.

One further complicating factor in some aspects of the government's legislative program is the relationship with the states and territories under the federal system. While the Commonwealth has the power to override the states and territories in many areas, it endeavors to implement legislation that affects the states through agreement. In some areas, such as Indigenous affairs, water resources, a national school curriculum, and the funding of health, this has proved to be problematic.

Ministerial  
compliance  
Score: 10

Strong party discipline and adherence to the Westminster doctrine of cabinet collective responsibility ensure that ministers have strong incentives to implement the government's program, rather than follow their own self-interest. In addition, the increasingly predominant role of the prime minister in all parliamentary systems, and not least Australia's, has increased this tendency.

Monitoring line  
ministries  
Score: 10

There is strong central oversight of the line ministries by the Department of Prime Minister and Cabinet, which reports directly to the prime minister. The Commonwealth public service, while independent of the government, is strongly motivated to support the government's program and that level of compliance has arguably increased over the past 10 years.

Monitoring agencies  
Score: 9

There are a large number of government Commonwealth agencies which have some degree of autonomy from government; in 2004 there were 160 such agencies. Since 1996, the government has sought to ensure that these agencies act more directly to support government policy and remain accountable to ministers. A major report, the "Review of the Corporate Governance of Statutory Authorities and Office Holders," also called the "Uhrig Review," recommended in 2004 measures designed to strengthen the link

between such agencies and the relevant minister. Recommendations made in the Uhrig Review are currently in the process of being implemented, and a range of agencies have been either abolished or amalgamated, or their functions absorbed by the relevant department.

Citation:

<http://www.finance.gov.au/financial-framework/governance/governance-arrangements-for-australian-government-t-bodies.html>

Task funding  
Score: 7

In part designed to mitigate the continuous conflict between the Commonwealth and the states and territories over funding, the Commonwealth government introduced in 2001 the consumption tax (the Goods and Services Tax, or GST), with all of the funds collected by the GST being passed to the states to fund their responsibilities. In return, the states agreed to abolish their small, inefficient taxes. The states and territories have a mixed record in abolishing these taxes and the disputes between the Commonwealth and the states and territories over the funding of their local services have remained. In 2010 there was a major dispute over the funding of health and hospitals. Ultimately, all but one of the states agreed to transfer responsibility for public hospitals to the federal government in return for an increased level of funding.

Constitutional  
discretion  
Score: 4

The responsibilities of the Commonwealth and of the states and territories are clearly laid out in the Australian constitution. However, they have been subject to judicial review over the course of the century, and this has resulted in the increasing centralization of executive power. In turn, the policies of the major political parties have been to increase this centralization in the interests of fiscal and administrative efficiency. The states and territories have sought legal redress through the courts on the occasions when they have felt that their authority has been diminished by the Commonwealth government.

The federal government has also on a number of occasions used its superior financial position to coerce state governments to relinquish powers or adopt favored policies of the federal government, which has had the effect of subverting their constitutional scope of discretion. Most recently, in April 2010 the federal government took control of the public hospitals in all but one state in return for increased funding.

National standards  
Score: 8

The Commonwealth has a strong commitment to providing uniform national services and considerable efforts are committed to ensuring that program delivery, particularly in health and education, are as uniform as possible across the country. This is necessarily

complicated by distance, and the larger states (Queensland and Western Australia) are given additional funding to deliver their services, simply because of their huge geographic size. Recommendations on funding across the states, and the allocation of goods and services tax revenue, is the responsibility of an independent statutory authority, the Commonwealth Grants Commission.

A particular problem with relation to national standards, which has defeated all governments whatever their political complexion, has been the special problem of providing national standards of service to Indigenous communities.

## C Institutional learning

### Adaptability

Domestic  
adaptability  
Score: 8

Successive governments have had a strong commitment to adapting domestic political institutions so that they conform to accepted international standards, and to the treaties and conventions to which Australia is a signatory. Perhaps the only major treaty in recent years to which Australia has not been an initial signatory, and which has therefore not affected domestic political institutions, is the Kyoto Agreement on climate change. The Labor government elected in 2007 ratified the Kyoto Agreement, just hours after being sworn into office by the Governor-General.

Reforms to government structures themselves are, however, generally driven by domestic considerations, since there have been few international developments in recent times perceived as requiring modifications to the organization or cooperation among ministries or between national and state and territory governments.

International  
coordination  
Score: 9

Australia has been an active participant and instigator of various international conventions, forums and activities. Areas of particular interest for the Commonwealth have been security, defense, crime, the environment, human rights and economic development. In all these areas Australia has been a leader in furthering international cooperation to deal with the problems that arise. Australia has been particularly active in the World Trade Organization in seeking an end of tariff protection among the affluent countries and to liberalize international trade.

During the review period, the government's predisposition towards participation in international cooperative efforts has heightened, following the election of the Labor government in 2007 under the leadership of Kevin Rudd, a Mandarin-speaking former diplomat with a strong interest in international affairs. The Labor government has actively promoted Australia as a regional leader. In March 2008 the government announced that it would seek a non-permanent seat in the United Nations in 2013-2014, and the government has also promoted the idea of a regional economic forum, in order to coordinate economic cooperation in the Asia-Pacific.

### **Organizational reform capacity**

Self-monitoring  
Score: 6

There are few formal mechanisms for regular ongoing monitoring of institutional arrangements of governing, but the Commonwealth has had periodic investigations into the appropriateness of various institutional arrangements. These have involved the operation of the public service, as well as reviews of the legal arrangements governing statutory authorities (the Uhrig Review, see Monitoring Agencies), reviews of defense procurement and capability, and more specialized reviews of particular aspects of departments or events. A major review of the taxation system began in March 2008 and will report in May 2010 (the Henry Review, see Budgetary Policy). On climate change, a major review was set up in 2008, and reported in 2009.

Institutional reform  
Score: 7

For the most part, recommendations made by reviews of government have been accepted and implemented. These investigations have covered all aspects of government responsibility including, finance, taxation, social welfare, defense, security and the environment. There have been frequent structural changes made to the main Commonwealth government departments, sometimes to respond to changing demands and responsibilities, but sometimes these changes are made simply for political purposes that serve no strategic purpose, and may indeed be strategically detrimental. For example, the main department that is responsible for health has changed its name at least five times in the past two decades in response to changes made in its responsibilities.



## II. Executive accountability

### D Citizens

#### Knowledge of government policy

Policy knowledge  
Score: 7

The Australian Election Study (AES) surveys, which have been conducted since 1987, show a high level of policy knowledge on socioeconomic issues, which forms the main area of conflict between the main parties. Voters are also relatively well informed about environmental issues, which have been widely canvassed in recent elections. This is especially true of the 2007 federal election in which climate change and the policy response to it were major issues. Issues that are not regularly debated by political elites, such as immigration, defense or foreign affairs, are less well understood by the public.

### E Legislature

#### Legislative accountability

Obtaining  
documents  
Score: 9

Parliamentary committees have the power to require people to attend, including ministers; the power to require that evidence be given; and the power to require that documents be provided. These powers derive from the Constitution. Since 1987, certain powers, privileges and immunities of parliament have been codified in the Parliamentary Privileges Act 1987. In practice, committees can obtain what government documents they require, except in instances where documents contain matters that are commercial-in-confidence, and certain aspects of national security.

Summoning  
ministers  
Score: 10

Ministers must attend if summoned and are required to answer questions from committee members. By convention, ministers are never summoned, but it is rare for a minister to decline an invitation or request to appear before a committee.

Summoning experts  
Score: 10

Experts regularly attend committee meetings and provide evidence and advice to members. Public servants regularly attend meetings to provide evidence.

Task area  
coincidence  
Score: 9

There is a close congruence between the areas of responsibility of government departments and the standing committees of parliament. The pattern is slightly complicated by the fact that each house has its own set of committees, as well as a third set of committees which are “joint” standing committees composed of members of both houses, although these also cohere with department areas (for example, defense, foreign affairs, health and so on). If standing committees of the lower House of Representatives are considered, the congruence is very close.

Audit office  
Score: 10

The Australian National Audit Office (ANAO) is an independent statutory authority responsible to parliament. The Auditor-General is responsible, under the Auditor-General Act 1997, for providing auditing services to the parliament and public sector entities. The ANAO supports the Auditor-General, who is an independent officer of the parliament. The ANAO’s primary client is the parliament. The ANAO provides parliament with an independent assessment of selected areas of public administration, and assurances about public sector financial reporting, administration, and accountability. This is done primarily by conducting performance and financial statement audits.

Ombuds office  
Score: 10

The position of Commonwealth Ombudsman’s office was established in 1977, with the ombudsman being appointed by parliament and charged with representing the interests of the public by investigating and addressing complaints reported by individual citizens. Its services are free of charge.

## F Intermediary organizations

### Media

Media reporting  
Score: 7

Reporting and discussion within the mass media concerning government decisions and policy varies between the various types of media. In the commercial electronic media, reporting tends to be superficial, although the government does go to considerable lengths to try and improve the quality of information by having ministers and the prime minister regularly appear on talkback radio shows, for example. The Liberal government from 1996 - 2007 was particularly effective at this type of media use, and the Labor government elected in 2007 has also emphasized the use of talkback radio to disseminate its policies to the electorate.

In the publicly funded electronic media, there is considerably more

discussion and debate about political issues, which is generally of a high quality. The situation in the newspapers is similar to the electronic media, with the popular newspapers providing superficial coverage and the quality broadsheets providing balanced, in-depth coverage and discussion.

### **Parties and interest associations**

Party competence  
Score: 9

The electoral platforms of the two major parties, Labor and Liberal-National (treating the Liberal and National parties as a single entity since they have been in almost permanent coalition) are coherent and plausible. The platforms focus almost exclusively on socioeconomic outcomes (though more recently security issues have also emerged) and as a result are focused towards practical policies designed to achieve the desired outcomes.

Association competence  
(business)  
Score: 9

The major interest associations run by the employers and business groups and the trade unions all propose practical, plausible policies. The main explanation for this is that there is a long history of involvement and policy consultation with most of the groups (business groups are closely allied with the Liberal Party, for example, farmers' and rural groups with the National Party, and trade unions with the Labor Party).

Many elected representatives have, at some point in their career, been a member of one of these groups, further cementing relations with the interest groups. There are also considerable formal and informal networks linking the various groups to the major political parties, further consolidating the development of practical and coherent policies.

Association competence  
(others)  
Score: 8

A number of social interest groups, environmental groups and religious groups take responsible and well-considered positions and are therefore taken very seriously by government, although there are also groups that take extreme positions. The extent to which the proposals are well thought-out and feasible correspondingly varies considerably. In general, the proposals from mainstream interest groups are of high quality in part because of the reasons given under Association Competence, but in part also because many elected representatives are drawn from these groups, or have had considerable contact with them prior to their election. The proposals also tend to be high quality because of the expertise of the groups themselves, and their narrow (often single-issue) interest which means the groups can focus exclusively on a single problem and the ways in which it can be resolved.

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Contact:

Bertelsmann Stiftung  
Carl-Bertelsmann-Straße 256  
33311 Gütersloh

Dr. Daniel Schraad-Tischler  
[daniel.schraad-tischler@bertelsmann-stiftung.de](mailto:daniel.schraad-tischler@bertelsmann-stiftung.de)

Najim Azahaf  
[najim.azahaf@bertelsmann-stiftung.de](mailto:najim.azahaf@bertelsmann-stiftung.de)