

St George 'Trends' Luncheon Address

'The ACT Education Industry — Investing in People'

by

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I want to leave you with four thoughts on what is a huge topic: the great and increasing importance of education in our own lives and the collective life of our society. We all take it for granted. I want you to think about it afresh. If I manage to leave you with more than four thoughts, you can put it down to my eloquence; if you go away with fewer, I will put it down to excessive eating and drinking on your part!

1. Education is an industry.

Those who are about my age grew up with a distinction in their minds between 'industry' and 'public services'. By and large, industry and industries were in the private sector, created wealth, made money, and provided jobs. Public services were a kind of cost: we needed them, but their cost came out of the wealth which industry created. Fortunately, their cost was not excessive. Even better, the people who worked in the public sector didn't mind being relatively badly paid. Public servants, teachers and nurses, to take those examples, loved their work, and in some public-spirited fashion which was rarely to be found in the private sector, soldiered on at all hours for little pay. Their work was said to be a 'vocation' — literally, you were called to it, as a new bishop is called to his diocese.

Things have changed, in a number of ways. First, while there aren't as many public servants as there were ten years ago, there still are scores of thousands of them, and scores of thousands of teachers and nurses, as well. They do cost a lot. They don't like being badly paid. They are mostly university graduates, with skills which are prized and negotiable in the market-place. A lot of them have left what they do for better-paid jobs; a lot more will leave, for much the same reason. I want to concentrate on education, but much of what I say in this context applies to health and government service as well.

The Australian Industrial Relations Commission has defined higher education as an 'industry', and the same classification logically applies to secondary and primary education. Higher education has employer associations and unions. They fight out issues in the Commission, and they negotiate 'enterprise

bargains', which are rarely bargains and never confined solely to one enterprise. That does not make higher education unusual in Australian industrial relations.

What is more, the Commonwealth has pulled out some of its money — actually, your money — from higher education, and seems to want universities to be largely self-financing. If they were, then Australians would have a huge family investment to make in the higher education of their children. It would be as though all Australian families sent their children to very expensive private schools. A 'user-pays' philosophy runs through all this, and with some of it I have a little sympathy.

But those of you who see universities as useful public utilities need to see them from a new perspective. They are industries, or firms, or corporations, with the same need as BHP to guard the bottom line, with the added complication that we have several bottom lines, no shareholders, but several powerful stakeholders. I describe the University of Canberra as a private organisation that performs some public functions. Do not think of us as available to do things cheaply for you because, after all, you have already paid your taxes. Your taxes, and everybody's, pay for less than half of the expenditure of my University; the rest we have to earn, and we do earn it. Like you, we expect to be paid properly for what we do. If you think that what we do is too expensive, you could always try to do it yourself. All universities have to cope with a market for skills which is mostly adverse to us. You are having problems finding properly qualified IT people? Think of us: we prepare them for you, and our best graduates go out on starting salaries twice to three times what their teachers are paid. We can't even attract honours graduates who might go on to become academics: why would they bother? There is no real money in academic salaries, and most young people are hungry to get into well-paid jobs.

These general conditions apply also to schools and TAFE colleges. They are all subject to 'bottom line' imperatives, market forces and consumer pressures. If you don't think so, join a school board. It won't take you long to find out. But this is not a moan or a whinge. All of us, universities, schools and TAFE, are parts of one of Australia's most important industries. Last year, we earned more export income for Australia than wool and wheat combined, and we provide vastly more jobs. We are simply indispensable to contemporary Australia and to contemporary Canberra, and we will be even more so in the coming century, which (as those of you who can count already know) has still thirteen months and a few days to arrive. But we are expensive, and properly so. As with all good things, if you want quality you must be prepared to pay for it. As citizens we want to have good schools and good universities and good hospitals and good government organisations, but the willingness to pay is not always there — because we like to think that those who work in these areas should naturally want to earn less than ourselves. But remember: education, like health, is best seen as an industry.

2. Education is the foundation of our future.

Some forty years ago there emerged in economics the theory of human capital investment, whose essence was that it was sensible for people to invest in their own education, because the returns from that investment were very great. The more education you had, all things considered, the greater your income: you were investing in yourself. By extension, what was good for individuals must be good for societies, which were simply collections of individuals. The more education a society had, the wealthier it was likely to be. Yes, yes, you might want to say, but if everyone is going on to university, then surely the returns must even out.

Maybe so, but not yet. What has happened is that the floor has been raised. Even in the USA, which has much the same participation rates in education as Australia, but started its expansion a generation earlier, there are still marked advantages in life earnings for those who undertake more formal education. And the same is true here. What is more, there are few jobs left now — very few which have any long-term futures to them — that do not require at least 12 years of formal education. What is still more, the shelf-life of what we acquire as knowledge is declining. When I was an undergraduate, it was not expected that university graduates would need to go on to further higher education. The only people who did that were academics and scientists. Today it is widely accepted that a university graduate will return to formal education several times, not necessarily (though very often) to acquire more degrees, but at least to keep up to date in the knowledge base on which she or he depends for income as a professional. In many professions it is a requirement to do so, if you want to maintain the official registration on which your income depends. Those who shift from one professional field to another, and that is now increasingly common, mostly do so by attaining a new professional qualification at university, building on their earlier studies.

The world of postgraduate education for the professions is incredibly flexible, both in what you can do and how you can do it. And it is a new big business for us, with its own demands, pressures and bottom lines. A year or so ago there were 1500 Canberra people involved in undertaking Masters degrees, the classic postgraduate qualification. Those degrees covered every field of human endeavour for which there are professions. The largest group of these students, I am happy to say, were studying at the University of Canberra. But the group as a whole was enrolled all over Australia, in fact in all but one of the Australian universities, 38 of them. How could they do that? Many universities now teach at a distance — we do that ourselves — and the pressures of modern life favour the delivery of university courses that can be undertaken to suit the time and circumstances of the student. I do not think that undergraduates will prefer such flexibility — most young people want to study together, for social as well as intellectual reasons. But ‘flexible delivery’ will be the key aspect of postgraduate professional education, both because good technology is available and because that is the preference of most postgraduate students. They are users, and they are paying, and they want that flexibility.

I finish this section with a comment about the new century again. The world is becoming global, and it is likely that we will see the emergence of three groups

of people: *global* people, who move around the world, following their careers and the opportunities provided by them, *local* people, the great majority, who stay in the one place for most of their lives, and enjoy whatever level of prosperity is characteristic of that locality, and *regional* people, who move around a region rather than the world, because it is the region that gives their lives and careers their context. You can think of the South Coast of New South Wales as a locality, and the Australian Capital Region as a region; bigger examples of the region are the one involving the cities of Jakarta, Singapore, Darwin, Brunei and Cebu, and the slice of Europe that extends from Milan to Brussels. Global and regional people will have skills that are negotiable and prized outside their locality; the great majority of those skills will have been acquired through formal education. Our students know this very well, and they all want to be global people, because they see the new century as the first global century, and they want to be a part of the action, not onlookers.

3. We all need a well-educated society.

Human capital theory has now shifted its perspective from the individual to the society. Both Prime Minister Blair and President Clinton are pursuing policies based on the assumption that the creation of knowledge will be, for the UK and the USA, the foundation of the economic prosperity of the new century. For them, education is an investment in the future. Our own federal government says much the same things, although in Australia's case it is harder to see the policies that are intended to produce good outcomes. Economic analyses seem to suggest that the greater part of the economic growth of the past ten to twenty years has been produced by new knowledge rather than by efficiencies or greater productivity produced by traditional means. Such new knowledge is the outcome, for the greatest part, of research activity conducted in universities, industries and laboratories of all kinds. The economic growth is also connected to the fact that we have an increasingly well-educated population and an increasingly well-educated workforce. It is worth noting that two American expatriates who made a name for themselves in Australia, Frank Blount and Bob Joss, have written jointly that Australia has a better-educated workforce than America, and that its productivity and capacity to change have been greater for just that reason.

Although it is common to concentrate only on the workforce we should not neglect the population. Australia has made an astonishing shift in its attitude to work and wealth in the last twenty years. Many people have played a role in that change, though I would give the guernsey to John Button and more generally to Bob Hawke, both of whom told Australians, fairly bluntly, that the days of wine and roses were over, and that we needed to do things very differently if we were to retain a high standard of living. We now do them differently, and we have retained a high standard of living. In my judgment the single most important reason why a Labor Government in the mid 1980s could talk like that (especially to its union base, but to all of us) and survive electorally is that by then we were a well educated community and could cope with the knowledge, discuss it and work out what to do — without shooting the messenger.

The 21st century will give us many more such challenges before it is over, and we will need that well-educated capacity to come to terms with unpleasant truths many times. Fortunately, we possess it, and do not seem likely to lose it. But we will if we take that education for granted. What is more, educating the whole community is a recipe for social harmony. The greatest danger which faces us as a society — and we are one of the most successful societies in the world — is the creation of an under-class or sub-class which is deprived of the means to an interesting life, feels that it has no stake in the future of our society, and acts in destructive ways. You can see evidence of such a trend everywhere. Since education is the key to the good life, it is important, for our sake as a society, that people are not excluded from education, and that is why I am a supporter of as much education as possible for as many people as possible. Yes, it is expensive, but the alternatives are not cheap. California now spends more on prisons than it does on higher education. Every time I see protected middle-class enclaves like Sanctuary Cove on the Gold Coast (and there are hundreds like it in the USA) I shake my head in wonderment at people thinking that they can put a wall between themselves and their society. Eventually, you have to leave the sanctuary, and cope with the consequences of inequity.

To repeat: we all benefit from being part of a well-educated society. The alternatives are not cheaper, and they are nastier.

4. Canberra is a model of the 21st century city.

Finally, I offer a plug for my city. By 2020 two-thirds of all human beings will live in cities. What will they be like? The successful ones will be built on knowledge, not on manufactures. They will provide services rather than things, and the services will be based on knowledge. It is not hard to categorise them.

The St George Trends paper tells you that Canberra is already a city of the future. Its economy is based on education and what flows from that endeavour. Education's product is worth \$800 million a year. We do not have to throw off the 18th and 19th century industries which so many European and American cities wear like a heavy and unattractive necklace. We have well planned infrastructure, an environmentally friendly setting, a fine integration of the built and natural environments, and a community which doesn't take all this for granted. What is that we are good at? We have more than a thousand IT firms; we are strong in environmental matters of all kinds; we are strong in biotechnology; we are strong in what you might call applied social science and humanities (tourism, public administration, public relations, advertising, media and multi-media, legal services, accountancy and its allies), and so on. Above all, with several universities, the CSIRO and the Canberra Institute of Technology, we are strong in a combination of research and training. My University is building a \$30million facility intended to bring together on our campus companies that are strong in the kinds of research and training that we do, to our mutual benefit.

The strengths of Canberra are based on knowledge, and ultimately on a good schools, TAFE colleges and universities. Our impact on our own environment is minimal, and that too is the result of knowledge: we know how to ensure that Canberra, for example, does not exert too much pressure on the Murrumbidgee River. Overseas visitors are simply amazed at our city, its beauty, its clean air, its good water, its harmony. Many overseas new cities, especially in our part of the world, are based in part on what urban planners from other countries have seen in Canberra.

We have a good future, and I am proud that that is so, as I am sure you all are. But do not overlook the fact that in 1911 all this was part of a large sheep property, and that what we have built has ultimately flowed from growing human knowledge, and the confidence of educated people that they could build something very good. Canberra is full of monument and nationally important structures. But the next time you pass a small primary school, give it a special wave: it is all a part of that extraordinary human process we call education. It is the foundation of our current prosperity and the basis of our future. It is, for all of us, where it all began. It is the beginning of our investment in people.