

Australia's Economic, Social and Environmental Performance: Stocktake and Outlook

Introduction

A stocktake of Australia's recent performance points to economic progress above the international norm but with serious doubts whether the economic dividends have delivered matching social and environmental results. A summary of eleven papers presented to the Conference¹ invites the conclusion that Australia must strive for a better integration of economic, social and environmental policy.

A central feature of Australia's recent economic performance has been a surge in productivity in the 1990s and a period of very strong economic growth. Two main questions, however, arise. First, can we sustain this strong economic performance? Second, has this strong economic performance delivered good social and environmental outcomes, or are we paying the price of an increasingly unequal society and of environmental degradation?

Australia's Productivity Performance

Australia's growth in average income (or GDP per capita) was below the OECD average for the period 1950 to 1990. Since 1990 it has experienced a productivity surge and, largely as the result of this, has enjoyed above average growth in GDP per capita at 2.5 per cent (Parham 2002).

Parham (2002) pointed out that there was a new set of service industries that contributed strongly to the 1990s productivity surge, with the stand-out performer being Wholesale Trade. Other service

Box 1**ICT and Australia's Productivity Performance***Dean Parham, Productivity Commission*

Part of the success of the new service industry contributors is linked to information and communications technology (ICTs). However the productivity gains are being derived from the smart use of ICTs in Australia and not from the manufacture of ICTs (Parham, Roberts & Sun 2001). (The US productivity acceleration has been attributed to the production and use of ICTs.)

The links between ICT and productivity are complex. ICTs are general-purpose or enabling technologies that provide a platform for other innovations. The big productivity gains do not always come directly from ICT used, but from being combined with process innovation, including restructured work arrangements (Bresnahan, Brynolfssen & Hitt 2001; Parham, Roberts & Sun 2001).

(Parham 2002, pp. 7–8)

industries, for example, Construction, and Finance and Insurance—also increased their rate of productivity growth.

On the underlying causes of the productivity surge in the 1990s, while there are different emphases among the analysts, there is general agreement that microeconomic policy reforms have played a central role (see for example Productivity Commission 1999, Bean 2000, Dowrick 2000, Forsyth 2000 and OECD 2001b).

Microeconomic reforms have had this effect in two main ways: by sharpening incentives to be more productive; and by providing greater flexibility to adapt to change (Parham 2002).

It should be noted that Bob Gregory, who was a discussant at the Conference, expressed some scepticism about the extent to which we can accurately attribute the sources of the improved productivity performance of Australia. In his view there are multiple causes, that might include labour market and product market reforms and technological change, but that it is not possible to say how much each factor has contributed.

Will the Productivity Surge Continue?

There are good reasons to be optimistic about the productivity outlook. Box 2 presents the reasons outlined by Parham (2002).

He noted however, that as Australia completes the catch-up process, 'innovation will be more important in our continuing progress.

Box 2

Reasons for Optimism on the Productivity Outlook

Dean Parham, Productivity Commission

1. Reforms have fostered more dynamism and entrepreneurial vigour that encourage continuous and never-ending searches for further productivity improvements.
2. The earlier experience of other countries suggests that there is further scope for Australia to redress the decades of languishing, even after a very strong improvement in the 1990s.
3. There is scope for further ICT-related (second-wave) productivity gains based on the *use* of ICTs. With relatively high ICT use and a more flexible operating environment, Australia is better placed than many countries to keep pace with the new US productivity acceleration, which has been associated with both the product and process innovations based on the ICT platform. Australia is also well placed to gain from any e-commerce gains that may now start to come on stream (Parham, Roberts & Sun 2001).

(Parham 2002, p. 18)

This will depend on the qualities and attitudes of Australian managers and workforces, which in turn largely depend upon the effectiveness of our education and training systems' (Parham 2002, p. 21).

The importance of education was also emphasised in the contribution by Dowrick (2002a) to this discussion. He noted that 'the average education level of the Australian workforce will continue to increase as recent, highly educated cohorts move into the prime working age work group of 25–55 year olds, replacing cohorts of lower educational attainment'. Thus, he argued, that there are 'good grounds on which to expect the strong economic performance of the 1990s to continue over the next several decades' (Dowrick 2002a, p. 19).

Have We Tamed the Business Cycle?

Since the end of the recession in the early 1990s Australia has enjoyed sustained strong economic growth, with only the last quarter of 2000, for rather special reasons, causing any concern that this was subsiding. This has led some commentators to ask the question, is the business cycle dead?

At the Conference, Don Harding (2002), the Director of the Melbourne Institute's Centre for Business Cycle Analysis, addressed this

issue using data from a long sweep of economic history, back to mid-nineteenth century. He concluded that:

the Australian business cycle in the second half of the twentieth century is similar to that experienced in the second half of the nineteenth century. While annual GDP is somewhat less volatile in the latter period it is not dramatically so. The outlier is the first half of the twentieth century, which exhibited both lower and more volatile growth than the two half centuries by which it is bracketed (Harding 2002, p. 37).

Using quarterly data for the last 40 years, he also found some tentative evidence that the depths of economic downturns had lessened in recent times.

By comparison with the first half of the twentieth century then, the business cycle has been much less volatile in the last 50 years and there may have been some slight dampening in recent times. But we should not assume that the business cycle is dead. The possibility of a recession can be assumed to be present.

Having said that, David Gruen (of the Reserve Bank of Australia), in commenting on Harding's paper, noted that the current business cycle expansion is the longest of the last three and is approaching the length of the 1960s expansion. Neither Harding nor Gruen reached a firm conclusion about the role of monetary policy in this or any other cycle, but Gruen did suggest that one possible explanation of the possible reduction in volatility could be better macroeconomic management of the cycle.

Gruen (2002) argued that it was appropriate for the Reserve Bank to be concerned with output stabilisation as well as inflation and quoted Governor Laurence Meyer of the US Federal Reserve Board who made the following comments about the Australian approach to monetary policy.

'Although Australia is counted among inflation-targeting countries, it has a dual mandate rather than a hierarchical one. Indeed it is a model of the combination that I prefer: an explicit inflation target within a dual mandate' (Governor Laurence Meyer 2001).

Health, Education, Fertility and the Ageing Population

The ABS publication, *Measuring Australia's Progress* (ABS 2002), was launched at the Conference, and an overview presented by the Australian Statistician, Dennis Trewin. It included a range of measures of the health of Australia's population and also of their level of education and training. A summary of their findings based on their chosen

Box 3

Progress in Health and Education

Extract from Measuring Australia's Progress (ABS 2002)

Health

During the past decade, Australian's health improved—children born in 1999 were expected to live three years longer than those born in 1990. Indigenous Australians, however, can still expect to live some twenty years less than other Australians.

Education and Training

During the 1990s the Australian population became more educated—between 1990 and 2000 the proportion of people aged 25–64 years with a vocational or higher education qualification rose from 46 per cent to 50 per cent.

(ABS 2002, p. 2)

headline indicators is reproduced in box 3, indicating that the Australian population is becoming healthier and more educated.

Dowrick (2002a) argued that 'one of the driving forces of Australian prosperity over the last few decades has been the huge improvement in the educational attainment of young Australians, particularly young women' (Dowrick 2002a, p. 17). He went on to point out that this 'massive shift in educational aspirations and achievement has had a profound effect on fertility and population growth' and 'they have chosen to increase their participation in the labour market and have fewer children' (Dowrick 2002a, p. 17).

As Peter McDonald (2002) outlined at the Conference, falling fertility both reduces population growth and increases the average age of the population. A standard demographic projection by McDonald and Kippen (1999) suggests that the proportion of population aged 65 and over will double over the next 40 years, from about 12 to 24 per cent. If the fertility rate declines much more, this proportion could be significantly higher.

The Labour Market

Casualisation, Job Security, Hours of Work and the Distribution of Earnings

One stylised view of the labour market since the 1980s is as follows: because of the inter-related processes of globalisation, technological

change, economic reform and industrial relations reform, there has been an increasing casualisation of the labour force, a growth of bad jobs, shorter job durations, reduced job security, a rising incidence of very long hours of work of many full-time employees and a widening of the distribution of earnings. Does this characterisation ring true?

It is certainly the case that casual employment (and part-time employment—which is mostly casual) has shown a strong upward trend since the 1970s (Dawkins & Norris 1995). Casual employment in Australia, typically refers to hourly paid employees who do not receive annual leave or sick leave, but who receive a casual loading instead.

This growth in casual employment can probably be attributed to a combination of the greater flexibility that casual employment affords to employers especially in the growing service sector (for example in organising the time pattern on work), along with a strong rise in labour supply of part-time workers, particularly married women, but also students (Dawkins & Norris 1995).

Is it also true that there has been a reduction in the average tenure of jobs and an associated reduction in job security? The papers by Borland (2002a) and Wooden (2002a), explored this. The evidence actually suggests very little change in job durations over the last quarter of a century. ABS data shows that about 40 per cent of workers have been found to have been in their current jobs for five or more years, throughout that time, and about 23 per cent to have been in their current job for less than a year (Wooden 1998). Estimates of the average length of job durations also suggest that this has been very stable over time.

What about job security? Do people feel the threat of job loss more now than they used to? The evidence on this, discussed by Mark Wooden in box 4, is that while it varies over the economic cycle, there is scant evidence of a long run decline of job security.

Borland (2002a) essentially concurred with this assessment, but also pointed out that responses to a different survey question about the predictability of working futures indicate a decrease in security over time. Thus while workers may not be feeling any less secure about the prospects of losing their jobs, they may be feeling less secure about the content of their jobs or their work environment.

Turning to long hours of work, evidence presented by Wooden (2002a), showed that between the late 1970s to the early 1990s, the proportion of employed workers who worked in excess of 48 hours a week grew strongly from about 13 per cent to over 20 per cent, with most of the growth concentrated in the period 1983 to 1994. Since 1994 this has stabilised and may even be declining.

What about the distribution of earnings? It is certainly the case that this has widened in last 25 years. For example, for both males and

Box 4**Has Job Security Declined?**

Mark Wooden, Melbourne Institute

Edited Extract from his paper to the Towards Opportunity and Prosperity Conference.

While opinion poll data exist that suggest that the large majority of Australians think job security has worsened over time,² relatively few Australians actually describe their own jobs as at risk. The first wave of the Survey of Household Income and Labour Dynamics in Australia (HILDA) provides some insights into this issue. Only a relatively small proportion of respondents (less than 10 per cent) rated their satisfaction with job security in the bottom-half of this scale. Most respondents score themselves at the other end, with over two-thirds choosing 8 or higher on the 0 to 10 scale. Furthermore, when asked about the likelihood of losing their job during the next year, the majority of employees (56 per cent) indicated that there was zero chance, and less than 8 per cent thought the probability of job loss was worse than a 50 per cent proposition. And it should be noted that the HILDA data were collected during a time—September 2001 to December 2001—when public awareness about job security had been heightened as a result of the collapse of Ansett. The data thus suggest that job insecurity is only a significant problem for a minority of the workforce.

It is, however, possible that the relative size of this group has been growing. To examine this issue we make use of opinion poll data collected on an annual basis by Roy Morgan Research Centre. Since 1975, the Morgan Poll has been regularly (typically once a year) asking a sample of employed respondents whether they think their present job is safe, or whether they think there is a chance they may become unemployed. Data from these opinion polls indicate that the proportion of workers who feel secure in their jobs has been trending downwards slightly. The trend, however, is not statistically different from zero.

To summarise, these attitudinal data suggest that perceived levels of job security have not been changing much, which would appear to be inconsistent with claims that industrial relations reform has necessarily meant a deterioration in job security. On the other hand, it is true that the numbers reporting feeling secure in their jobs has still not recovered to the levels reported in the late 1980s.

(Wooden 2002a, pp. 9–11)

females the earnings of the lowest decile in the distribution has continued to fall relative to the median. Similarly the highest decile has risen relative to the median. A close look at the data reveals that this has been essentially driven by the strong growth in employment in high wage jobs, rather than by a widening of wage differentials, (Norris & Mclean 1999).

Thus it is the growth of 'good' high paid jobs, (albeit in many case with long hours of work), rather than a growth of 'bad', low paid, insecure jobs, that has been prevalent. We will see below that it very much appears that any growth in disadvantage and poverty in society, has been driven mainly by the problem of joblessness rather than by problems encountered by employed people.

Participation, Employment and Unemployment

To quote Mark Wooden, 'despite rates of output growth averaging in excess of 4.5 per cent per annum since emerging from the recession of the early 1990s, the Australian economy has not done so well in generating jobs' (Wooden 2002a, p. 12). He went on to point out that the employment to population ratio in 2000 and 2001 is virtually identical to the levels recorded in the late 1980s.

The other side of the coin is that real wages grew quite strongly at 1.7 per cent per annum along with the strong labour productivity growth, compared with the very low 0.1 per cent annual growth in real wages in the 1980s, associated with the 1980s' weaker productivity performance (Dawkins & Keating 2002, pp. 2–3).

While the unemployment rate came down significantly during the recovery from the early 1990s recession, by 2002 it still remained stubbornly high at around 6.5 per cent. Perhaps more disturbing still is the high rate of jobless households, an issue that we now turn to.

Jobless Households

While employment levels in Australia have improved from the low levels experienced in the early 1980s, joblessness has become increasingly concentrated into households or jobless households, (Dawkins, Gregg & Scutella 2002a, 2002b). By 1997/98, over 16 per cent of working age households had no adult member in paid work. Table 1 shows the growth in the incidence of jobless households over the period 1982 to 1997/98, despite a slight increase in the proportion of working age people (excluding students) who are employed.

Aggregate employment recovered between 1982 and 1990 after the early 1980s' recession and has since been broadly unchanged (column

Table 1: Comparison of Employment Rates and Jobless Household Rates, 1982 to 1997/98

	<i>Employment rate</i> %	<i>Jobless household rate</i> %	<i>Recipient rate of major income support payments</i> %	<i>Working age adults in jobless households</i> %	<i>Dependent children in jobless households</i> %
1982	70.43	12.67	15.40	9.45	10.11
1990	74.22	14.20	15.82	10.49	11.42
1995/96	74.30	15.11	20.91	11.18	12.92
1997/98	73.69	16.28	21.26	12.11	15.00

Source: Data extracted from Dawkins, Gregg and Scutella (2002a, p. 139).

1 of Table 1). By contrast, there has been a near continuous growth in the overall incidence of jobless households, from 12.7 per cent in 1982 to 16.3 per cent by 1997/98 (column 2). This rise in jobless households mirrors the increasing number of households where a member is claiming one of the three major income support payments (unemployment, disability and lone parenthood) (column 3).

Table 1 also shows the proportions of working age adults and the proportion of children in jobless households. Both of these have also risen over the period, with the proportion of dependent children in jobless households rising at a notably faster rate.

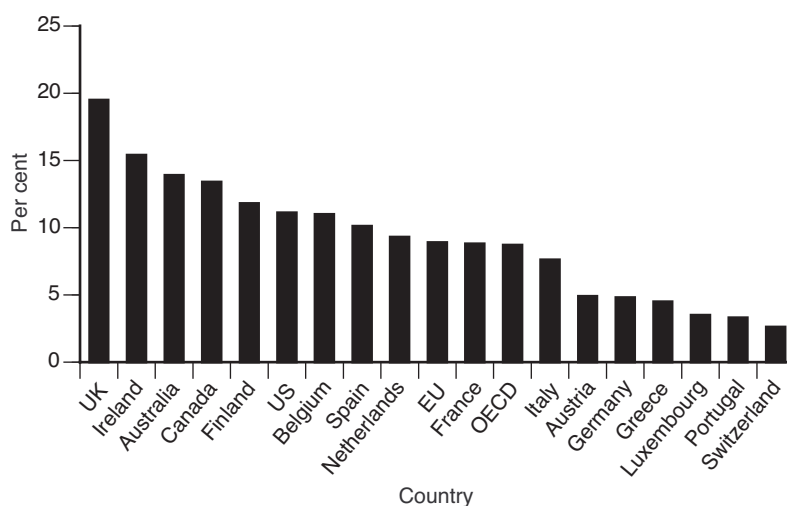
The proportion of children in jobless household having risen by 5 percentage points to 15 per cent. Labour force data published by the Australian Bureau of Statistics (1999) suggests that the upward trend in the number of children living in jobless families has continued over recent years with about 860,000 (17.4 per cent) of dependent children living in jobless households in June 1999.

(Dawkins, Gregg & Scutella 2002a, p. 137)

Thus about 1 in 6 children live in jobless households. Indeed as can be seen from Figure 1, the incidence of jobless households with children is one of the highest in the OECD.

Part of the explanation for the growth in jobless households lies in the changing structure of households. In particular there has been a shift towards single person households. Of at least equal importance, however, has been the polarisation of employment into either multiple job households or jobless households (Dawkins, Gregg & Scutella 2002b).

Figure 1: Jobless Household Rate by Country for Households with Children in 1996



Source: OECD (1998).

Lone parent households represent well over half of all jobless households with children and this has grown significantly since the early 1980s. A major cause, therefore, of the high incidence of jobless households *with children*, by international standards, is probably a high incidence of joblessness in lone parent households.

Nonetheless, almost half of the children who are in jobless households live with both parents and couple households *with children* are the main household type that have experienced the polarisation of employment between 'all work' and 'no work' households (Dawkins, Gregg & Scutella 2002b). Shifts in employment away from less educated men towards prime aged better educated women explain about 40 per cent of the adverse shift against couples with children.

Hence there is a large shift in patterns of employment in households with children, away from a dominant single male earner towards more dual earner and no earner (couple and single) households with children.

The very high incidence of children in jobless households is a matter of great concern not only for the current well-being of the households, but also for the future prospects of the children.

Income and Wealth Distribution

Ann Harding presented an analysis of trends in national income and wealth inequality, to the Conference. The conclusions from that

Box 5**Trends in Income and Wealth Inequality in Australia**

Ann Harding, NATSEM, University of Canberra.

(Edited conclusions to her conference paper, the full version of which is Harding 2002)

Looking first at national income inequality, while the results from the two sets of ABS data examined differ in some respects some clear conclusions still emerge. First, income inequality has increased over the course of the 1990s.

There has been strong growth in incomes at the top end of the income spectrum. Growth in incomes has been slower at the middle and the bottom of the income spectrum. As a result, the gap between the top and the middle, and between the top and the bottom, has increased during the 1990s.

It is not entirely clear how middle Australia has been faring relative to those on the lowest incomes. The Income Surveys suggest that the middle and the bottom have experienced comparable income increases over the course of the 1990s, so that the relative gap between the incomes of the two groups has remained constant. The Expenditure Surveys paint a different picture and suggest that middle incomes have increased more rapidly than the incomes of those at the bottom of the income spectrum.

Moving to wealth, the most recent available estimates indicated that there had been no change in the overall concentration of wealth between 1986 and 1998. However, this relatively optimistic conclusion was entirely due to the rapid spread of superannuation to lower income groups over those years, driven by introduction of the compulsory Superannuation Guarantee levied upon employers on behalf of their employees. Such superannuation will help to improve the living standards of those employees upon their retirement in later decades, but might not have the immediate impact upon living standards of some other forms of wealth holding. If superannuation is excluded from the picture, then the inequality of wealth increased sharply over the years to 1998.

Overall therefore, there appears to be increasing evidence that Australians are growing apart. At the national level, income inequality increased during the 1990s. Spatial income inequality also appears to have increased. The concentration of non-superannuation wealth also increased over the 1986 to 1998 period.

(Harding 2002, pp. 13–14)

analysis are presented in box 5. Her main conclusion was that there has been some widening of the distribution of income in Australia, during the 1990s.

Another paper by David Johnson and Roger Wilkins of the Melbourne Institute, used one of the same data sources as Ann Harding looking back over the last twenty years (Johnson & Wilkins 2002). They found that government taxes and transfers acted to reduce the growth in inequality in disposable incomes over the period, to a significant extent offsetting the substantial growth in private (before taxes and transfers) income inequality. However, similar to Harding they do find some evidence of a modest increase in inequality of disposable incomes over the period up to the mid-1990s, remaining relatively constant thereafter.

Box 6**Trends in Income Distribution and Poverty: A Cautionary Note**

There has been a recent debate about the trends in the incidence of Poverty in Australia between the Centre for Independent Studies and The Smith Family. This was centred on alternative measures of income poverty.

In addition to highlighting that there is nothing approaching a consensus in Australia about how to measure poverty, the discussion about poverty that has taken place has also highlighted some of the problems that the Australian Bureau of Statistics confronts in collecting data about the distribution of income.

In its publication *Measuring Australia's Progress* (ABS 2002), the ABS headline indicator of economic disadvantage focused on the changes in the average disposable income after tax, of the 20 per cent of households in the second and third deciles of the income distribution. Thus they excluded the bottom 10 per cent of the income distribution because of 'concerns with the fact that the extremely low incomes (close to nil and sometime negative) recorded for some households in this group do not accurately reflect their living standards' (ABS 2002, p. 40).

The other studies of inequality reported in this chapter have included the bottom 10 per cent in their analysis, which suggests that some caution needs to be taken in considering their findings. However, it is the strong growth in the incomes of those at the top of the income distribution that has been central to the finding of some increase in inequality since the 1980s. This appears to be a quite robust finding.

Johnson and Wilkins' (2002) conclusion that no rise in inequality can be found so far in the data since the mid-1990s was reinforced by the ABS in their publication *Measuring Australia's Progress* (ABS 2002) which was launched at the *Towards Opportunity and Prosperity Conference*. They published a range of summary indicators of economic disadvantage and inequality for the period 1995–96 to 1997–98, and found in general no statistically significant evidence of increasing economic disadvantage or inequality. Their headline indicator was the trend in equivalised³ mean weekly income for low income groups which grew by approximately the same amount as for middle and high income groups (about 5 per cent). They excluded the bottom 10 per cent in the distribution for reasons explained in box 6.

Johnson and Wilkins (2002) went on to analyse the growth in inequality of private incomes (before taxes and transfers). Their major finding, using a form of 'decomposition analysis', was that about half of the increase in inequality could be attributed to changes in the distribution of employment. We noted above the widening distribution of employment and the growth of jobless households. The analysis by Johnson and Wilkins (2002) appears to confirm that this has been the dominant driver of any widening of the distribution of income.

The Environment

Measuring Australia's Progress (ABS 2002) included a range of measures of Australia's performance with regards to Australia's natural capital. The summary of the findings on these measures is reproduced in box 7, which indicates that on most measures Australia's performance on the environment has gone backwards over the last decade.

Conclusions

Since 1990 Australia has had a productivity surge and has enjoyed growth in GDP per capita above the OECD average. This is a pleasing performance, especially as in the 1980s Australia was very worried about its below average productivity performance. The conventional wisdom, reflected in this chapter, is that this represents the successful outcome of a program of microeconomic reform initiated in the 1980s.

We note Bob Gregory's scepticism about this explanation, or at least about how confident we can be about how much of the productivity improvement has resulted from the various government's microeconomic reforms. But we endorse the view that labour market reform, product market reforms, and what Ross Garnaut called in Chapter 3, the abandonment of regulatory isolationism, represented a necessary

Box 7**Trends in Australia's Natural Capital**

Extract from Measuring Australia's Progress (ABS 2002)

It is difficult to obtain national time series data that encapsulate the changes in Australia's natural capital. Five of the six headline indicators suggest regress during the past decade.

Biodiversity cannot be measured comprehensively, but some experts, such as those on the State of the Environment Committee, believe Australian biodiversity declined during the past decade. This is partly encapsulated in a rise in the number of threatened birds and mammals.

Land Clearance. In 1999, about 470,000 hectares of native vegetation were cleared, an annual rate of 40 per cent higher than in 1991. Land clearance is one influence thought to be reducing biodiversity.

Land Degradation. In 2000, about 5.7 million hectares of land were affected by, or at high risk of developing, dryland salinity, a widespread form of land degradation.

Inland Waters. Detailed national time-series data are not available. But a variety of partial evidence points to a decline in the quality of some of Australia's waterways. In 2000, about a quarter of Australia's surface water management areas were classed as highly used or overused.

Air Quality. Australia's air remains relatively clean by the standards of other developed nations. The available indicators, such as the incidence of fine particle pollution in several cities, suggest that Australian air quality has improved during the past decade, despite increased motor vehicle use.

Greenhouse gas emissions in Australia increased by 17 per cent between 1990 and 1999. Australia has some of the highest per capita emissions in the world, in part because of our heavy reliance on fossil fuel burning and also because of the Australian economy's structure.

(Australian Bureau of Statistics 2002, p. 2)

set of economic reforms, without which it is implausible that we would have enjoyed the kind of productivity growth that we have enjoyed in the 1990s.

In the introduction to this chapter, we raised two important questions. First, can we sustain this strong economic performance? Second, has this strong economic performance delivered good social and environmental outcomes, or are we paying the price of an increasingly

unequal society and of environmental degradation? The answer provided to the first question is an optimistic one. The answer to the second question is less positive, and suggests that major attention needs to be given to social and environmental policy as well as economic policy.

As far as social policy is concerned, it is the widening distribution of jobs and the growth of jobless households, especially households with children, that is the major concern. Policies to address this problem will be the focus of Chapter 5.

While Australia's human capital has in general been progressively enhanced with increased education attainment, education policy will be a major challenge over the next decade and beyond. There is accumulating evidence that education will be central to Australia's growth prospects in the twenty-first century. Equity issues also suggest that education policy will be very important. Even if we can reduce the incidence of jobless households through welfare reform and employment policy, in the long run we should seek to ensure that this will not become a recurring problem through prevention rather than cure, and education policy is a key aspect of that. Improving our educational system is the focus of Chapter 6.

The decline in fertility in Australia has led to a major debate about population policy. Should we try to turn around the decline in fertility? Should we expand our immigration program? These issues are discussed in Chapter 7.

We have seen how the increased education and participation in the labour force of women has been the major driver of the decline in fertility. Is it possible to increase fertility while not placing obstacles in the way of an ongoing advancement of the women in the labour market? This question underpins a major debate about work and family, which is explored in Chapter 8.

Increasing life expectancy is a feature of Australia's progress. Combined with declining fertility, in common with many other countries, this is leading to an ageing of Australia's population. This brings with it a number of policy challenges, including finding the best way to organise our retirement incomes policy. This is the main focus of Chapter 9.

The ageing of the population is one of the factors that is putting some pressure on the health system. Probably of more importance, however, are the technological advances that have occurred in health care. While they are to be welcomed, many of these new methods are very costly. In a country with rising incomes as well as an ageing population, there is a growing demand for these health services, which will impose strains on the health system. This puts a sharp focus on how to

improve the efficiency of the system. The case for more competition in the health system, and the greater use of price signals, arises in this context. How to respond to that while also seeking to achieve equity objectives is the challenge. This is discussed in Chapter 10.

Turning to the environment, while the evidence suggests that Australia's air quality has improved, it seems that greenhouse gas emissions have been increasing significantly, Australia's biodiversity has declined in the last decade and there is substantial on-going land and water degradation. Policies to improve the environment are debated in Chapter 11, focusing primarily on whether the Kyoto Protocol represents the best way forward.

While we argue in this book that the new reform agenda needs a greater focus on social policy and on the human dimension of economic policy, it will still be important to keep the microeconomic reform agenda going. For this reason, areas such as competition policy, tax and industrial relations reform, and the case for the privatisation of Telstra are discussed in Chapters 12 and 13.

First, in Chapter 3 we will put Australia's current economic performance in historical context, with summaries of important papers from the conference on the past, present and future of the Australian economy, by Professor Ross Garnaut and Reserve Bank Governor, Ian Macfarlane. Then in Chapter 4, we explore the economic and social implications of globalisation, another very important contextual issue.

Endnotes

1. Borland (2002a), Dawkins, Gregg and Scutella (2002b), Dawkins and Keating (2002), Dowrick (2002a), Gruen (2002), Harding, A. (2002), Harding, D. (2002), Johnson and Wilkins (2002), Parham (2002), Wooden (2002a), and Trewin (2002) which presents an overview of ABS (2002). Papers were also presented by Peter Summers (2002) (Melbourne Institute) and Chris Richardson (2002) (Access Economics) in an excellent session on the short-term economic outlook.
2. According to a Newspoll survey conducted in January 2000, 70 per cent of Australians believed that jobs were less secure than they were 10 years ago.
3. Equivalised income is the income of households adjusted for the different income needs of households of different size and composition.