

# Sometimes the solutions are closer than we think

Presentation by

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### About the presentation

If you take a look around the globe, you will find some remarkable success stories. Denmark will reach 100 per cent renewable electricity by 2030. Iceland has topped gender equality rankings for a

decade and counting. Singaporean students beat almost all others in maths and reading. South Koreans will soon live longer than anyone else on Earth. What can we learn from these successes? And how can we apply these lessons at home to help shape a better future in our communities?





#### **Andrew Wear**

Thanks, Kathy, and how fantastic is it to see everyone here face-to-face, meeting together again after the pandemic. It's magnificent. Before we get started, I'd like to acknowledge the traditional owners of the land on who we meet, the Wurundjeri Warrung, people of the Kulin nation, and pay my respects to their elders, past, present and emerging. Reconciliation is such an important part of the Australian story, the Australian journey, and it's something that is really important because it is, at its heart, fundamentally about improving relationships between Indigenous and non-Indigenous Australians, so it's really critical.

There is clearly no shortage of problems to solve. The non-fiction sections of our bookshops are full of them. Turn on the television, documentaries conjure up images of a bleak and desperate future. And we really need people to tell those stories. The world really has some really challenging issues that it's grappling with.

A year or two ago, I was feeling a bit wrung-out. I was sick of problems, I needed some solutions and I thought maybe if I could investigate policy solutions from around the world - find out who's doing what well - then perhaps that could provide some insights that might provide governments and communities with some directions about the sorts of things we can do to make the world a little bit better. So, I wrote a book! I interviewed people from all around the world, experts, community leaders, policy makers and found out and investigated countries who were doing some incredible things and those countries around the world are doing some amazing things. They're tackling social and environmental problems such as inequality, climate change, crime, gender inequality, healthcare, education, you name it. There are countries out there doing amazing, amazing stuff and we should really take some heart from that.

What was really interesting was those countries that were doing an incredible job tackling social and environmental challenges also

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seemed to have booming economies. Sure, having a booming economy helps when it comes to tackling some of those problems but digging deeper, what became clear was that it was actually the mere fact of solving those environmental problems, those social problems, that it actually contributed to the strength of their economy. Solving problems contributed to economic prosperity which in turn enabled them to solve more problems contributing to more economic prosperity. This massive, positive reinforcing feedback loop.

So, it's possible, there are countries out there doing this. There's practical, real-life examples of countries solving all the real big problems and clearly while there are a whole bunch of problems to solve, no shortage of problems to solve. What I discovered was that was a few key superstar interventions that can actually - you tackle these ones and it actually leads to a whole host of benefits that flow right throughout society. I want to talk you through a couple of those now.

I'll just move you into the next slide. So, education firstly. No surprises there. There are really no downsides of tackling education. Education reduces poverty, it increases productivity, leads to improved health outcomes and it is absolutely key to economic development and the evidence just mounts up, it mounts up and up and up. Globally, girls who have a school education are more likely to have smaller families, they provide better care for their children and send them to school. A one-year increase, just a one-year increase in a mother's education leads to a seven to nine percent decrease in child mortality. Better educated people are healthier, regardless of their income level. They have better health literacy, they tend to smoke less, exercise more, and do all the things that lead to healthy outcomes. Education contributes to stronger democracies too, particularly in the least developed countries, you know countries such as Afghanistan or Haiti or sub-Saharan Africa, because education typically emphasises civic participation and the value of it. And education too contributes to stronger economies.





Higher education and skill levels are fundamentally what enables an economy to move up the value chains, to do more productive stuff, to move from farming to manufacturing to knowledge-intensive activities. And education, interestingly, is most effective when it's tackled at the most disadvantaged people in society, and the reason is because it unlocks their potential. People who would not otherwise have been able to participate in society or contribute productively to the economy, when you educate them, it actually unleashes their potential, we discover what they are capable of and what they can contribute. So, education is clearly one of the best strategies to grow the economy over the long run. I'll just move to the next one.

Fifty years ago, Singapore was a poor tropical island, had hardly any water, had a massive growing population. It had been occupied during World War II by the Japanese, it had spent some time as part of Malaysia, that didn't work out particularly well, it had no compulsory education, hardly anyone had finished secondary school. Australia's GDP was roughly five times the size of Singapore. Singapore's GDP per capita was roughly the same as many South American countries like Chile and Ecuador. They had a big unemployment problem, housing shortages. Singapore was struggling.

But then in the mid-1960's Singapore made a strategic choice. It said it wanted to move its economic development strategy to one focused on export-oriented manufacturing. It was going to make stuff at relatively cheap cost and was going to export it to the world. Only problem was to do that, that strategy needs skilled workers. You need people with knowledge and so, creating an environment where every Singaporean student had a chance to go to school was absolutely fundamental. I spoke to the former Dean of Education in Singapore and he said that unless Singapore created the conditions that enabled every child to have a school education, the country had nothing. It had no earth resources, it had no money, it had no other

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resources, it only had its people and people were the only asset it had, and it needed to invest in them.

Singapore today clearly is booming. It is wealthy, it is a businessfriendly state. It has a high degree of urbanisation and it is rich. It is as I said now it is while it was much poorer than Australia back in the 1960's, today Singapore is richer than Australia. The average Singaporean has more money than all of us and education has been at the heart of driving that success for Singapore. So how has it done it? Singapore firstly now is achieving the best educational outcomes in the world in education, it's achieving regardless of the measure whether it be science, maths, reading, collaborative problem solving, Singaporean students are right up the top of the list. Singapore is probably just a little bit below average when it comes to equity. A student's socio-economic status does actually determine its outcome to some extent more so than in some other countries but still education is an enormous success story. Even the most disadvantaged students in Singapore are doing really well. 40% of them - of the most disadvantaged students - go on to be in amongst the top quarter of students globally. The most disadvantaged students in Singapore do achieve educational outcomes roughly about the same of the average Australian student. How have they done that?

Clearly, there is something about the Singaporean culture that has contributed to that Confucian culture that values education amongst everything else. Parents highly involved in the education of their children. And that puts a whole bunch of pressure on students and creates stress - and it's certainly not always positive, but I think there are some other things that we can point to when it comes to Singapore's educational success. Singapore's success is fundamentally a story of its government school system. 98.5% of Singaporean students go to a government school. There's a handful of expats who go to expat schools. And Singapore is absolutely perfect proof that government school systems can be absolutely world class. They are the embodiment of what the OECD concluded

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when it said that there is absolutely no evidence that private schools in a school mix leads to improved educational outcomes.

Government school systems can be world class, and Singapore proves it.

The other thing that's really behind Singapore's success – and I think this is the absolute key one for us to drill down onto - is Singapore's investment in teachers. Teachers and teaching. Singapore has raised the status and prestige of teaching right up there. Singaporean teachers are now recruited from the top one-third of high school graduates. Students achieve an educational baseline, they're then selected for aptitude for teaching and love of teaching so it's not just academic selection. Once a student is accepted into a teaching course, they are then employed as public servant from day one of their teacher training with a salary and paid leave. Once they become teachers, they receive a salary that is above the Singaporean median, they're paid really well, and every Singaporean teacher receives 100 hours of paid professional development a year. They do things such as courses, research projects, they travel around the world to learn from best practice in other countries. It's not uncommon for Singaporean teachers to be jetting off to Finland to learn about Finnish education systems or Australia to learn about early childhood education or whatever, it's very, very common and Singaporean teachers have all sorts of career opportunities. Including to stay in the classroom, they can become a master teacher to mentor and coach other teachers, a curriculum specialist. They can become a school leader and they get paid more for each one of those career choices and fundamental to the Singaporean education system is a commitment to evidence-based policy development. They're constantly doing research projects, learning around the world, jetting off around the world whether they're in public service, whether they're in the teacher training system or whether they're teachers themselves, they're learning from the best in the world.





So, what does this tell us? It tells us really that there are enormous benefits from investing in education, from economic development to reduced poverty, improved health, investing in improved education is clearly, clearly, clearly a no-brainer. If were to learn from Singapore, there's some things that we should take away. Clearly, investing in government school system, fundamental government school systems can be great. Secondly, we need to value teachers and the work they do, investing in teachers and thirdly, parental involvement in education is probably something for us to learn there. I know some of you are actually working on projects in some communities that are helping with that. So, the take-home message really there is if we want to fix everything, education is absolutely key.

Next one is de-carbonisation. So many good reasons to take climate action, clearly. Obviously, it reduces the risk of catastrophic climate change, good reason number one but de-carbonisation also leads to better cities, greater efficiency and a lower cost of energy and for a long, long time all of our public policy debates were all about asking us to choose between ergonomic development and carbon abatement. We had to choose one or the other but now the evidence increasingly is steering us in the direction of actually the insight that de-carbonisation is actually going to lead to a whole host of new economic opportunities. It actually points to a new economic future. Renewable energy is now the cheapest form of energy generation capacity even without government subsidies. It beats even the cheapest coal competitors. Around the world in 2019, 72% of all new generation energy came from renewables. 72%! We are on the cusp of a massive de-carbonisation revolution.

In 1973, for those of you who can remember that far – I can't – but the world experienced its first oil crisis. Oil-producing Arab nations basically put an embargo on oil exports and they refused to export oil to countries that were seen to be supporting Israel during the Yom Kippur War. It caused a massive shock. Oil prices increased from three US dollars a barrel to US\$12 a barrel, quadrupling. It

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caused a huge amount of huge impacts. This is Denmark in the 1970s, and Denmark was massively impacted - it only had one source of energy supply. 90% of its energy came from oil, most of it imported from Saudi Arabia. It was extraordinarily vulnerable, and many countries were vulnerable to this. And countries took all sorts of efforts to diversify their energy supply. Countries such as US decided to diversify away from oil, and you know how it did it? It said, "We'll diversify into coal," and so it commenced the process of constructing hundreds of coal-fired power stations throughout the country. Denmark took a different approach, it said "We're going to reduce our reliance on oil by reducing our energy consumption." So, it put a tax on energy consumption and then it kept energy consumption there even after the oil crisis was over. And it used that tax revenue to then re-invest back into renewable energy and energy efficiency.

The policy settings that Denmark took led to a whole host of positive outcomes. New companies formed. You might have heard of a company called Vestas for example, the worlds leading supplier of wind turbines, for example. You see them all over the place. Denmark has subsidised the wind sector since the 1970's and it has now got more than 6,000 wind turbines throughout the country. There are many days when almost all of Denmark's energy is produced by wind. Community engagement has been right at the heart of Denmark's approach to wind. In 2009 the government introduced new legislation that required for every installer of a wind farm was required by law to offer at least 20% ownership of those wind turbines to the local community through structures such as wind cooperatives. The communities literally invested in wind in Denmark

Energy efficiency has been another big focus. The Danish Energy Efficiency Obligation Scheme obliges every sector of the economy to achieve energy efficiency targets and they are then projected onto companies within that sector who then have to go and find ways of finding energy efficiency and they can trade those permits and it

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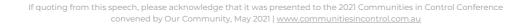




created a market in energy efficiency. It's been a huge success; they've hit their targets every year. Energy consumption just keeps diminishing every year.

One of the things that blew me away was the bipartisan approach to energy and carbon in Denmark. Since the 1980's a series of longterm energy agreements have been in place that sort of shape, effectively, how energy is going to be generated and distributed and what sort of investments need to happen. But the government every single time has involved the opposition in the development of those energy agreements and so what that does is provides great certainty because investors know that even if there is a change of government, the energy agreements will stand. They can invest with confidence. Recently - in the last couple of years anyway - both the government and opposition have agreed that by 2030, Denmark will generate 100% of its electricity from renewables – 100%. They are on the cusp of shutting down their last coal-fired power station. Denmark has really, truly demonstrated that you can abandon the concept of baseload power generation once and for all. It has a really sophisticated network of transmission and distribution powerlines going into adjacent countries such as Norway and Germany. They're even building one to the UK. When the wind doesn't blow, they'll get hydroelectric power from Norway, when it blows too much and they've got more than they know what to do with, they'll send it to Germany. It actually works and it works brilliantly.

Denmark also leads the world in building sustainable cities. Two out of every five trips in Copenhagen are made by bicycle. Of all the trips made in Copenhagen every day only 34% are made by cars. It's quite incredible when you think about that, just 34%. I'm not sure what the figure would be in Melbourne, much higher. Heating is piped through a network of pipes throughout the city, and it is generated through an energy-efficient system that is generated by municipal waste. They're basically using municipal waste to generate heating







and piping it through the city, and just recently Copenhagen opened a new electricity generator that uses biomass to generate electricity.

So, Copenhagen is going to be carbon-neutral by 2025. And all of this has been led by communities. Through communities working at the grassroots village level, whether they're on a sort of small farming community or on an island or at the municipal level, leading through city governments creating a vision for the sort of city they want to live in or at the national level. That community leadership has been really, really essential. And since 1990, Denmark's economy has actually grown really, really strongly.

## [refers to slides]

We use 1990 as the benchmark up here, 1990 equals 100 on this benchmark. So, we see the blue line there is GDP per capita, you'll see that it's roughly about 150, which means that Denmark's economy has grown by 50% since 1990. At the same time the orange line is carbon emissions per capita. Denmark's carbon emissions have come down by 50% during the same period. GDP per capita up by 50%, carbon emissions down by 50 percent at the same time. Denmark has well and truly demonstrated that you can decouple economic growth from carbon emissions. You can grow the economy at the same time as reducing carbon. You can reduce carbon at the same time as growing the economy. It is possible.

So, what does this mean? There is clearly no escaping decarbonisation. It's happening whether we choose it or not - it is happening. Other countries around the world are doing it. They're going to impose carbon tariffs on us. Our major investors are investing it, it's going to happen. The only question is how fast is it going to happen and will we be at the forefront or will we be a laggard. That's the key question and I think there are going to be all sorts of decarbonised industries that are spurring growth and what's clear is that we do not have to choose between decarbonisation and economic growth. We can have both. There are huge amounts of investor capital waiting to invest in this stuff, there's billions and

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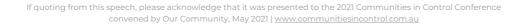


billions of dollars queued up waiting to invest in low-carbon technologies, low-carbon companies. Think ethical investment funds - your superannuation's probably some of them that are invested in ethical and sustainable ways, they want to invest in this sort of stuff. The question is do we have the policy certainty that enables those investments to be worthwhile?

Better cities too, clearly have a role to play. We need sustainable transport systems, building regulations and urban planning. We need and crucially, crucially, crucially, we need leadership at the local level, at the city level, at the national level but don't underestimate leadership at the local level. A lot of what made Denmark a success was that local level community leadership. It was people coming together in their village, their small town and actually determining their own futures. But the point here, the takeaway message, is that if we want to fix everything decarbonisation is going to absolutely be key.

The next topic I want to talk to is reducing inequality. Probably no surprises with this one either and some of you might remember the debates we used to have back in the 90's or earlier - it was about pies. I don't know if you remember that. We had to choose between growing the pie, making a bigger pie or chopping the pie up equally into equal slices and we could only choose one or the other. What is increasingly clear now is actually, that was really a dumb debate. All of the evidence now suggests that if you want a bigger pie the solution is actually chopping it up into equal pieces. It's actually reducing inequality so that everyone is able to contribute to that pie. Big pies require reduced inequality. The evidence is pointing us there, absolutely.

There is actually a solid consensus now amongst all of the global economic bodies- the World Bank, the International Monetary Foundation, the OECD that too much inequality has actually reduced our economic growth and that if we want to grow faster economically, we need to reduce inequality. And one of the main







reasons for this is back to that education point, is that when you've got inequality, people from disadvantaged backgrounds are not being educated enough. They are not realising all of their potential. They are not able to contribute, which means society and the economy misses out on everything that they could have contributed. People from more disadvantaged families don't send their children to kindergarten as much. Their kids start school behind. They have fewer resources at home. So, in Australia the gap between advantaged and disadvantaged students ends up being about three years by the time they finish school. That's three years of difference in schooling.

Imagine if we could lift up those students so that they actually had the same amount of educational - were achieving a similar amount of educational outcomes as the most advantaged students, how much more could they contribute? How much more would we be able to realise in our society? Inequality also hurts social and economic mobility. That's this notion that you can start out poor and actually rise up the income ladder and end up in a higher status sort of position in society. What the evidence now is really, really clear is that the more inequality there is in society, the less likely that is to happen. This notion of the American dream of starting out living in the gutter and ending up being a billionaire, that's far more likely to happen in the Nordic countries than it is in the US. The more inequality there is, the more it is likely that people will be born poor and die poor. If we want mobility to happen, we need to reduce inequality. Reducing inequality leads to a whole host of other benefits too, just like all of the other interventions I've talked about, but it leads to better health outcome, it leads to less crime, leads to stronger democracies. The evidence in the academic literature from all of the global bodies is clear and becoming clearer that reducing inequality has enormous benefits.

Let me give you give you an example of a country that's doing this well and no surprises here. This is Norway. Norway is a country that has the second lowest income inequality behind only Iceland. It also

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has hardly any poverty. Norway manages to combine this low-income inequality with the highest living standards in the world. Its GDP per capita is pretty much the highest in the world - it's higher than the United States. It ranks number one on a whole host of lists, almost every list - every ranking list that you can think of. It's number one on the World Economic Forum's Inclusive Development Index, the Social Progress Index, the United Nations Human Development Index. It's ranked third on the Global Gender Gap Report. Tops the Economics Development Unit's Democracy Index. It gets a perfect score on the Freedom Index and it ranks third in the world in terms of happiness in the World Happiness Report. It's one of those nerdy countries that sort of seems to do good on just about everything.

How has Norway managed to do this? Clearly, Norway has benefited, a bit like Australia has, from having some natural resources. In the case of Norway, it has benefited from oil and gas but there are some other secrets. There are some other things going on here that are worth exploring. So, in Norway even relatively lowend jobs pay remarkably well. The minimum wage for a hospitality worker is \$25 an hour. Minimum wage for cleaning staff is about \$28 an hour and in Norway the notion is that if you pay people a decent wage it enables everyone to participate in society and not have to worry about things too much. They are able to take good care of their health. People don't have to worry about making their ends meet. The emphasis in Norway is on permanent contracts. People have permanent work. Employers are actually only allowed to use fixed-term or casual employment if they've got a need for employment. There is a maximum of 12 months that you can use a fixed-term person and fixed-term or casual staff can't exceed more than 15% of total employees in a company. So, as a result, almost everyone in Norway is employed on a permanent contract. Norwegians also enjoy shorter working hours than almost any country in the world. The average Norwegian works, over the course of the year, about eight weeks less than the average Australian. Eight weeks in total. Finishing at 4:30pm every day. No Norwegians







do overtime. And what that means is that men and women can both work full-time, they can share the parenting load. Lower working hours contributes to greater gender equality, for example, in Norway. It leads to the ability to look after your health to a far greater extent. And what's interesting too is that Norwegians are actually more productive – for every hour that they do work, they are generating more output than almost any country in the world. And that's probably partly because of those reduced working hours. The evidence is in that there is a direct relationship between number of hours worked and productivity. The fewer hours someone works, the more output they generate for every hour that they work. They're less tired, they're less stressed, they're more focused, they are actually far more productive when they work less.

So, I think there are some interesting insights there, but Norwegians are also obviously helped by an enormous universal welfare system. If someone finds themselves unemployed, they are entitled to 60% of their previous wage for up to two years. They are supported with a massive amount of support in terms of getting a new job. They will get employment subsidies for their new employer, they'll have training, all sorts of things. Norway as a result has got the lowest long-term unemployment rate in the world, huge range of universal services and almost no means-testing to access those universal services, everyone can access it. From family allowance to free education and training, support for the elderly including lots of home support, free healthcare, heavily subsidised kindergarten and 49 weeks of paid parental leave and there is a massive, long list.

I could go on forever about Norway and I won't, it makes me jealous. I want to move to Oslo. But amidst all of this I think the point is - this is where it gets interesting - amidst all of this you have to remind yourself that this is no socialist nirvana, this is actually the country with the strongest economy in the world. Where living standards are higher than anywhere else in the world, that Norway has a booming economy, and that lower inequality is actually a key part of actually contributing to that strong economy. So, there's clearly no







doubt that providing more services costs more. It needs higher taxes, it does and that the best way of reducing inequality is through a progressive taxation system. You tax people more as they earn more and you redistribute that tax income through the welfare system clearly. There is nothing wrong with taxes and in fact the evidence again is clear even the IMF and the World Bank are now saying that taxing a little bit more will not hurt the economy. In fact, when you look across the OECD of the 15 countries that have the highest median incomes, 11 of them tax at a rate higher than the average. Let's just think about that. Most of the world's richest countries have a higher tax rate than the average. So, countries like Australia and the US are the exception, not the norm.

Anyway, the point here is that if we want to fix everything, we clearly need to think about creating the conditions that get the best out of each and every one of us in society. That is how you fix everything. It's how you generate a strong economy - you've got to get the best out of every person. Create the conditions that enable people to flourish because when everyone is at their best and able to make a contribution. That's when we as a nation are at our best. So, clearly improving education - and I've missed some slides but that's okay but improving education, decarbonising, reducing inequality are clearly not the only things we need to do to fix everything. There's a long list but if we were to do those three things, it would be a very, very excellent start. And we used to think that we should do those things, because it was a good thing to do, it was a just thing to do, it was a moral thing to do. We'd make arguments along those lines, and then in some quarters people thought we were a bit soft. But now the evidence is clear – if you want a stronger economy, forget about lower taxes. If you want a stronger economy in the long run, the best thing we can do is actually improve educational outcomes, decarbonise and reduce inequality. That's the best thing we can do to strengthen the economy in the long run. And we don't have to fanaticize about a world where this is being done. Countries such as Singapore, Denmark, Norway are real-life examples of where this is being done. Real-life success stories, real-life examples of what







works. And clearly, none of these countries are prefect. Of all the countries I looked at, none of them were perfect. But they are leading the world and not only are they tackling the big problems, but they are contributing to achieving better outcomes for their citizens in almost every way. And if they can do it, we should be able to do it too. I'll leave it there. Thank you.

#### **ENDS**

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