



Brotherhood
of St Laurence

Working for an Australia free of poverty

*Human capital and
social inclusion: We are all
human capital now!*

Professor Stephen Sedgwick
Director, Melbourne Institute of Applied
Economic and Social Research

26 June 2008

The Brotherhood of St Laurence's Social Inclusion Down Under Symposium was held on the 26th of June 2008 at the University of Melbourne, Parkville, Victoria. It was hosted by Paul Smyth and coordinated by Kristine Philipp. These proceedings are aimed at fostering, informing and stimulating public reflection, discussion, debate, research, and policy initiatives to address one of the central challenges facing contemporary Australian governments, industries and communities.

The following addresses were made to the symposium:

- The Hon Peter Batchelor MP, Minister for Energy and Resources and minister for
Community Development
– Opening remarks
- Dr Tony Fitzpatrick, Reader, School of Sociology & Social Policy, Faculty of Social
Sciences, Law and Education, The University of Nottingham, UK
– Social inclusion: policy lessons from the UK
- Professor Paul Smyth, General Manager, Research and Policy Centre, Brotherhood of
St Laurence
– An Australian response to social inclusion
- Ms Fiona Smith, Chairperson, Victorian Equal Opportunity and Human Rights
Commission
– Australians with disabilities and social inclusion: getting on the agenda
- Associate Professor Gerry Naughtin, Senior Manager Ageing Policy, Brotherhood of
St Laurence and Faculty of Health sciences, La Trobe University
– Social inclusion and older people
- Dr Zoë Morrison, Coordinator, Australian Centre for the Study of Sexual Assault,
Australian Institute of Family Studies
– Social exclusion and gender
- Professor Stephen Sedgwick, Director, Melbourne Institute of Applied Economic and
Social Research
– Human capital and asocial inclusion: we are all human capital now!
- Dr Boyd Hunter, Senior Fellow, Centre for Aboriginal Economic Policy, ANU
- Indigenous Social Exclusion: Insights and Challenges for the Concept of
Social Inclusion
- Professor Frank Castles, Emeritus Professor of Social and Public Policy at the
University of Edinburgh and Adjunct Professor in the Political Science
Program, Research School of Social Sciences, Australian National University,
ACT
– Who's excluded in Australia? Origins and expenditure patterns
- Mr Tony Nicholson, Executive Director, Brotherhood of St Laurence
- The way ahead to an authentically Australian approach to social inclusion

These proceedings were edited by Paul Smyth with assistance from Arnaud Gallois. Support and assistance with online publication by Kristine Philipp.

The views expressed in the proceedings, including this paper, do not necessarily reflect any official position of the publishers. We expect and support the further development of these ideas and their subsequent publication in journal or book form.

About the Author

Professor Stephen Sedgwick was appointed Director of the Melbourne Institute of Applied Economic and Social Research in 2007 after an extensive career in the Australian Public Service. His public service career spanned over 30 years and included periods in the economic and social policy advising areas of the Treasury, the Prime Minister's Department and the Commonwealth Department of Finance. Immediately before joining the Institute, Professor Sedgwick was Director of the Asian Development Bank in Manila.

Email: s.sedgwick@unimelb.edu.au

Published by:

The Brotherhood of St Laurence
Research & Policy Centre
67 Brunswick Street
Fitzroy VIC 3065
ABN 24 603 467 024
Phone: (03) 9483 1364
www.bsl.org.au/

Copyright rests with Stephen Sedgwick, 2008. This publication may be downloaded for use in private study, research, criticism and review. Permission is granted for librarians to download a single copy to be made available to library users. The publication may not be reproduced in any other form without the permission of the author – see institutional and contact details above.

Brotherhood of St Laurence
Social Inclusion Down Under Symposium Proceedings
26 June 2008

Stephen Sedgwick, Human capital and social inclusion: We are all human capital now!

Introduction

In February 2006 the Council of Australian Governments proclaimed a new wave of collaborative reform (COAG, 2006: 1) ⁱ. The centerpiece was a number of proposals to enhance the nation's "human capital"ⁱⁱ. The agenda is broad, ranging from early childhood education to the health needs of the more mature.

This presentation will bring together recent empirical work and discuss the potential implications for social inclusion of potential reforms affecting young people from early in life until they make their first transition into the labour market. The focus is on the long term. We draw a number of tentative conclusions about areas for future policy development. We begin however by examining the context for the COAG focus on human capital formation.

COAG's Human Capital Agenda

COAG's human capital agenda covers three areas: health, education and training, and work incentives. COAG's list, while comprehensive, is hardly new. The issues have been of interest to researchers and policy makers for a long time. So, why is there apparently newfound interest and urgency from COAG?

It is not that everything else has been reformed and it is time for humans to get a going over. Nor is it necessarily a Paulian conversion to addressing the needs of the disadvantaged. Rather the urgency at least partly reflects the realization that as our population ages the growth of our future living standards will slow unless we can increase the rate of economic participation amongst those of working age and quicken the rate at which their productivity rises.

Treasury's latest projections, presented in the Intergenerational Report of 2007 (Treasury, 2007) (Chart 5), show that even if productivity growth is sustained at the average rate of the last 40 years, demographics will ensure that the growth of real GDP per head over the next 40 years is likely to be lower than the average of the last 40 years by 0.5 percent per annum (which means a lot fewer dollars over 40 years to sustain the living standards of the growing population of retirees, frail and elderly!). This occurs because, on current projections, there are expected to be relatively fewer of those of traditional working age amongst the total population and relatively fewer of them actually joining or re-entering the workforce. As a consequence participation in the workforce is projected to fall significantly.

Overall, Australia's participation rate compares reasonably well with most countries with which we compare ourselves. But some countries like ours secure higher rates of participation for key groups. After adjustments to improve data comparability, Abhayaratna and Lattimore (2006: xi-xii) recently estimated that Australia's overall workforce participation rate in 2005 was 65.5 percent, which ranks Australia 5th amongst OECD countries. However some groups were comparatively less engaged: prime aged males (where participation rates in New Zealand and Canada exceeded ours, for example), child bearing aged females (participation was higher in Canada, the US and the UK, amongst others) and people nearing retirement (where we lagged

behind NZ, the US, the UK and Canada, amongst others). Although the comparison is a little forced, these authors estimate that Australia's workforce would have been almost 600,000 larger in 2005 if participation amongst those groups had reached the rates of New Zealand (for prime aged males and those nearing retirement) and Canada (for child bearing females).

In its December 2006 report to COAG *Potential Benefits of the National Reform Agenda*, the Productivity Commission has estimated that reforms to education and training, health and work incentives could potentially offset over the next 25 years the lower participation in the IGR due to ageing and help to raise worker productivity. While necessarily dependent on the realism of the assumptions made, the Commission's estimates imply an increase in effective labour supply of 8 per cent by 2030 compared to the baseline, mainly due to incentives effects (Productivity Commission, 2006: 44).

It is not possible to establish the net benefit to the economy of such changes since the costs of achieving them are not quantified. However there is at least potential for significant gains in real consumption and income per head by 2030 if these improvements are realized cost effectively (Productivity Commission, 2006: 49).ⁱⁱⁱ Taking a somewhat different approach Access Economics estimated in May 2005 that better outcomes in education and training could lift productivity and participation sufficiently to add over 1 percent to GDP in 2040, or close to \$500 per head per year in 2005 prices (Access Economics, 2005: iv). The potential for benefits of that scale help to explain the renewed interest in human capital reform.

The Returns to Education

Identifying the specific effects of educational attainment on lifetime earnings and similar variables, however, is fraught with technical difficulty since unobserved factors like attitudes, motivation or natural ability may be correlated with the education that individuals choose to undertake. That said, the evidence to date is clear: education generally pays off.

The international literature puts the return to an extra year's schooling for the average student in the order of 10 per cent, though estimates vary (see Lattimore, 2007, Dockery, 2005: 40ff)^{iv}. The better educated tend to make a smoother transition from school into the workforce, get better paying jobs, are more likely to remain in the work force after completing education^v, have access to more training while in the workforce, and suffer less unemployment throughout their working life. Better educated workers are more likely to adopt health promoting behaviours and avoid some risky behaviour like smoking or not wearing seat belts. Better educated older workers tend to stay in the workforce longer. However just mandating extra years of schooling, especially for students who don't want to be in school in the first place, is not necessarily the solution. The issues are more subtle than that.

Life cycle development of skills: the long view

Advances in scientific understanding of the neurological development of children together with the growing availability of quality longitudinal data that allows researchers to track individuals over long periods of time have improved our understanding of how skills are formed over a life cycle. For example, Cunha, Heckman et al (2005: 84) argue that “skill begets skill, learning begets learning” through a multiplier process. Children who start their education poorly are likely to remain disadvantaged throughout their education and through life. Importantly, both cognitive and non cognitive skills matter. Indeed Heckman et al (2006: 28) argue that non cognitive skills are about equally as important as cognitive skills in achieving many labour market and other outcomes, and are stronger for some outcomes. Non cognitive skills relate to attributes like motivation, perseverance, self esteem and self control.

These authors argue that both cognitive and non-cognitive skills reflect a wide range of influences on the child as it develops, spanning a range of parental and environmental factors, including *in utero* experiences. There is evidence, for example, that low birth weight has adverse effects that persist throughout the individual’s life and may pass through to the next generation (see, for example, Johnson and Schoeni, 2007). Reflecting the gathering evidence that skills acquisition can be affected by a child’s early environment there has been growing interest in intervening early on to redress disadvantage and ameliorate skills development deficiencies. Cunha, Heckman et al (2005: 6) define the market failure in this case as the inability of children to buy skilled parents or the lifetime resources that parents provide and not access to financial resources per se^{vi}.

Early Childhood Education

It has to be said, however, that the evidence about the cost effectiveness of generalized early childhood education is mixed. This is partly because few programs have well resourced long term evaluation strategies that follow children for the many years necessary to assess both short and long term effects. However, some overseas studies suggest that most children will derive some benefit from “quality” early childhood education, but there can be significant payoffs from interventions that are targeted on remedying deficiencies in the learning environments of disadvantaged young children^{vii} (see Cunha et al., 2005: 86).

It is interesting to note how disadvantage is defined in these cases. Disadvantage here relates to the quality of the home learning environment and the quality of the relationship between children and their adult carers. This “environment is more important for intellectual and social development than parental occupation, education or income. What parents do is more important than who parents are” (Sylva et al., 2004: ii)^{viii}. The study also finds that there is only a moderate correlation ($r=0.3$) between family socio economic status or mother’s education and an index that measures the extent of parental involvement with activities that benefit a child’s cognitive development at home (eg reading to their child, teaching songs and nursery rhymes etc [see Sylva et al., 2004: 25]). Poor parenting skills can be found across the

socio economic groups and can become a source of social exclusion of children, which effective interventions in early childhood years may be designed to address.

There have been relatively few studies that track children over a long period of time. Interestingly, the evidence from the limited trials conducted to date (all overseas) is that while attendees at quality preschools will generally perform better than others in cognitive tests at age 7, the relative improvement in children's cognitive development may have begun to dissipate by age 7 (Sylva et al., 2004: 43-45, Wise et al., 2005: 49). "This suggests that the impact of pre-school operates through a stronger start to school and NOT through increased capacity to learn in subsequent years" (Sylva et al., 2004: 57 their emphasis). However some researchers suggest that the largest benefits may not necessarily relate to improved cognitive skills, but in other areas: improved motivation, persistence and self esteem, less anti social behaviour, reduced crime, delinquency etc in later life (Wise et al., 2005: 49). Heckman et al (2006: 28) argue that such effects persist. If so they may lead to greater educational attainment while at school, a higher likelihood of completing school before joining the full time workforce, an easier transition into the first full time job, and therefore less unemployment subsequently.

The demand for low skilled jobs is changing. In today's more service oriented economy literacy levels, communication skills and a range of noncognitive factors have increasingly come to matter in determining an individual's employability. Indeed, some argue that the absence of well developed skills in these areas is part of the explanation for the relatively low rate of workforce participation amongst older, less skilled males and the relatively rapid rise of participation by lower skilled females as the Australian economy has been transformed since the early eighties (Lattimore, 2007: 195) ^{ix}. In earlier generations physical strength and endurance meant low skilled males had compensating skills that were valued in the workforce. Such qualities are less valued today and it is argued that individuals who do not develop broader skills, including non cognitive skills, are likely to be at increasing disadvantage as the economy continues to evolve.

Although not formal proof, all this suggests that well constructed early childhood interventions can assist children to overcome some of the disadvantage that may stem from their home circumstances^x. This could underpin a very long term approach to human capital development. Corak (2006) takes this thought further. He undertook a cross country comparison of generational earnings mobility. He argues from an examination of PISA data that "cognitive performance is more closely related to the 'cultural capital' or more broadly put the parenting style of the family, than it is to material wealth. The inheritance of education, occupation, and income is influenced in the first instance by the impact parents have on a child's cognitive performance, and ... societies levelling the playing field with respect to these circumstances have had the most success in promoting generational mobility" (2006: 167-168). As well as supporting further research to establish the cost effectiveness of early childhood interventions, this suggests that there is a case to develop child centred measures of

social exclusion based on the capacity of societies to remedy parenting skill deficiencies.^{xi}

Literacy and numeracy matter

Indeed the growing significance of literacy and numeracy for life choices is remarkable and, in Sen's terms, this remains a key capability for economic, social and community participation. McMillan and Marks (2003: 15) show that the lowest achievers in literacy and numeracy tests at age 14 are almost five times more likely to leave before completing year 12 than the highest achievers (see Table 3)^{xii} and that low literacy / numeracy at year 9 is the single most influential factor shaping post school unemployment risk for both early school leavers and those who complete (2003: 63). However a range of available data suggests that literacy standards amongst school students are not improving. This argues strongly for policy action to improve literacy and numeracy achievement of all students.

As we have seen early action to remedy deficiencies in the literacy environment of pre school or beginning students is likely to be important, certainly for some. So, too, are improvements in the quality of schools and teaching to ensure that the needs of every student are addressed. Professor Geoff Masters' analysis of PISA data^{xiii} is that there is a high but imperfect correlation between socio economic status and reading outcomes. It is therefore important that policy focus on the source of disadvantage ie literacy and numeracy achievement and not simply socio economic status per se. And it is important that the reporting arrangements in respect of test results and school management deliver genuine accountability. Indeed there is arguably a case for tracking progress in raising literacy and numeracy standards as measures of social exclusion because test scores, which are collected from relatively early primary school years, can provide information about potential social exclusion earlier in the life cycle than formal qualifications.

The transition to work and qualifications also matter

The data shows that post school unemployment history has a bearing on the long term labour market experience of individuals, especially males. School leavers need to minimise the number of significant bouts of unemployment after leaving school. Hillman (2005) notes that close to two thirds of young people who participated in the LSAY interview in 1997 spent some time out of the workforce or education up to the end of 2003 (the last date they were interviewed). But for most the periods were quite short, around a month. "Young people who had not achieved highly at school, did not have a year 12 certificate, were female or had a health problem or disability were more likely to have reported extended periods of time outside the labour force and full time education (longer than 12 months)" (Hillman, 2005: v). Those in the lowest achievement quartile or without a year 12 certificate were also more likely to experience multiple periods outside the labour force and full time education.

Even so, while it is clear that completion of year 12 is beneficial, on average, McMillan and Marks (2003) question the labour market benefits of keeping students at school to complete year 12 if their abilities and other characteristics do not

otherwise justify it. In their study, amongst those who did not progress to university, students with poor literacy/numeracy skills and other socio demographic disadvantages actually achieved equivalent unemployment trajectories post school whether they stayed on to complete year 12 or left and joined the labour market at year 10 (McMillian and Marks, 2003: 74). Dockery (2005: 40ff) reaches similar conclusions in respect of earnings for a group he defines as the “less academically inclined”. This again highlights the priority that should be attached to ensuring that years spent at school are effective in securing basic literacy, numeracy and work readiness skills. These skills give a student their best chance of breaking free of any cycle of disadvantage stemming from their genetics or upbringing, especially in the context of the growing skills intensity of technological change. As Lamb et al noted in their report *Staying on at School: Improving Student Retention in Australia* successful learning encourages retention, both directly through affecting the plans made by individuals and indirectly through the expectations of peers and family aspirations (2004: ix).

Even so, credentials matter. Those who stayed on after year 10 but did not succeed in getting a recognized year 12 qualification actually fared worse than comparators who left after year 10 despite their extra years at school (see Dockery, 2005: 15). Employers seem to value the credential obtained at the end of year 12 (or a genuine vocational equivalent) more than additional years of schooling per se. Presumably completion of the qualification is taken to signal that the young person has relatively better non cognitive abilities like motivation or persistence. In policy terms this reinforces the point often made that upper secondary learning environments need to cater for a range of learning styles^{xiv}. There are potentially long lived benefits available for interventions that maintain high non cognitive skills of older students such as motivation and self esteem – benefits both in terms of immediate learning outcomes (such as successful year 12 completion) and labour market experience post school.

Labour Force Participation Rises with Education

Moreover labour force participation rises with education. Laplagne et al, the authors of the May 2007 Productivity Commission staff working paper *Effects of Health and Education on Labour force Participation* found that compared to leaving school in year 11 or lower^{xv}, completion to year 12 would significantly increase the probability of labour force participation, by about 5 percentage points for males and somewhat higher for females. The largest increases in participation, however, occurred when a student successfully completes a degree or higher.

Females of child bearing age

Turning specifically to female participation in the labour market, female participation follows a U shape, with lower participation in the child bearing years and higher rates at the beginning and end of working life. Female participation is higher at every age for those with higher education qualifications. Even so, as has been noted previously, female participation in Australia during child bearing years, although it has risen in recent decades, is below that observed in a number of comparable countries.

Australia also has a relatively high rate of part time working. Such differences no doubt reflect a range of factors, including differences in social norms and expectations as well, potentially, as differences in the economic incentives women face.

There is a small but growing literature in Australia that analyses the incentives for women to work stemming from the availability of publicly funded child related payments, including for single parents, and the implications of the associated effective marginal tax rates since payments are withdrawn as income from work rises. Kalb and Lee (2007), for example, use the Melbourne Institute Tax and Transfer Simulator (MITTS) to show that alternative subsidy arrangements for child care costs can have quite significant impacts on female labour supply. For this purpose the details of the approach simulated are unimportant. The important point is that incentives matter for women in making this choice. This is one of the reasons why an examination of incentives is an important component of the human capital reform story. Skills atrophy when not used. Prolonged absences from the labour force may reduce the effective human capital of the economy.

However, as Kalb and others have noted, the amount of time that parents spend with their child after birth matters also. The evidence is that children progress better in their development if they can sustain a close and supportive relationship with an effective caring adult for the first year or so of their life. This is especially the case for the social development of the child. The paradox, therefore, is that a short term withdrawal from the labour market by a parent, typically but not always the mother, can pay dividends later^{xvi} in the life of the child in better work-relevant skills (cognitive and, importantly, non cognitive) and possibly higher workforce attachment of the child.

Access to parental leave on reasonable terms, and the quality of support for parents, including single parents or those with low parenting skills, can thus be seen as a very long term investment in human capital formation, and should be considered alongside the quality and accessibility of education itself. There are some caveats however. This approach presupposes that the relevant adult(s) have effective parenting skills. For some this is clearly not the case; indeed for some their own capacity to care for children may have been damaged by their own experiences as children – setting up a painful intergenerational cycle of disadvantage. This approach also assumes that the carer, usually though increasingly not always the mother, is capable of exercising those skills. The latter may not be the case if the parent is suffering from depression, which is becoming a growing problem.

Conclusion

This paper has looked at some very long term issues associated with some aspects of the development of human capital in Australia, with a focus on the young. The looming slowdown in our feasible long term growth path as the population ages and workforce participation declines has given added point to this discussion (and has provided a frame of reference that has enabled a longer term perspective to be taken in the analysis).

At this stage we reach only tentative conclusions since there is much analytical work still to be done to establish the evidence base for some interventions and to establish the relationship between potential benefits and likely costs. My bottom line is as follows:

- 1 There are strong imperatives in Australia to improve the quality of early childhood education and access to it by disadvantaged families, where disadvantage is defined more with regard to parenting skill and the quality of the at-home learning environment than income per se. These programs will need good evaluation strategies so that informed judgements can be made over time about comparative costs and benefits. If these programs are effective in redressing deficiencies in the child's background and raise cognitive and/or non cognitive skills of otherwise disadvantaged children they can help to reduce barriers to achieving higher levels of educational achievement, improved health outcomes and better economic opportunities in the labour force. Although not easy to construct meaningfully, consideration might be given to developing measures of social exclusion that track progress in redressing such disadvantage in early childhood.
- 2 Because of the developmental benefits for children, there is at least a tentative case to look more constructively at publicly subsidised parental leave for up to a year as a component of long term human capital development. However the costs and benefits of this require careful analysis.
- 3 Literacy and numeracy matter. They are fundamental to participation in our society and economy. Governments have agreed to test student performance against national benchmarks (now using national tests) and publish the results. The results bear watching as another timely indicator of trends in long term social exclusion.
- 4 Provided students acquire the requisite literacy and numeracy skills, completion of at least year 12 also matters. Governments need to ensure that schools work effectively to raise standards and there are options available that provide welcoming and effective learning environments for older students at risk of leaving school prematurely. However a range of non cognitive skills matter also for effective participation in upper secondary education and the workforce.

REFERENCES:

- Abhayaratna, J. & Lattimore, R. (2006) Workforce Participation Rates - How does Australia Compare? *Staff Working Paper*. Melbourne, Productivity Commission.
- Access Economics (2005) The Economic Benefit of Increased Participation in Education and Training. Dussledorp Skills Forum.
- COAG (2006) COAG Communiqué: 10 February 2006. In Department Of Premier and Cabinet & Department Of Treasury And Finance (Ed.) *A Third Wave of National Reform*. Melbourne, Department of Premier & Cabinet.
- Corak, M. (2006) Do poor children become poor adults? Lessons from a cross-country comparison of generational earnings mobility. *Dynamics of Inequality and Poverty: Research on Economic Inequality*, 13, 143-188.
- Cunha, F., Heckman, J., Lochner, L. & Masterov, D. (2005) Interpreting the evidence on life cycle skill formation. *NBER Working Paper Series*. Cambridge, National Bureau of Economic Research.
- Department of Premier and Cabinet & Department of Treasury and Finance (2005) A third wave of National Reform: A new national reform initiative for COAG. Melbourne, Department of Premier and Cabinet.
- Dockery, A. M. (2005) Assessing the Value of Additional Years of Schooling for the Non-academically Inclined. *Longitudinal Surveys of Australian Youth*. Camberwell, Australian Council for Educational Research.
- Headey, B. (2006) A Framework for Assessing Poverty, Disadvantage and Low Capabilities in Australia. *Melbourne Institute Report*. Melbourne Institute of Applied Economic and Social Research.
- Heckman, J., Stixrud, J. & Urzua, S. (2006) The effects of cognitive and noncognitive abilities on labour market outcomes and social behaviour. *NBER Working Paper Series*. Cambridge, National Bureau of Economic Research.
- Hillman, K. (2005) Young People outside the Labour Force and Full-time Education: Activities and Profiles. *Longitudinal Surveys of Australian Youth*. Camberwell, Australian Council for Educational Research.
- Johnson, R. & Schoeni, R. (2007) The Influence of Early-Life Events on Human Capital, Health Status, and Labour Market Outcomes Over the Life Course. *Institute for Research on Labour and Employment Working Paper Series*. Institute for Research on Labour and Employment.
- Kalb, G. & Lee, W. S. (2007) The effect of an alternative childcare subsidy on Labour Supply: A policy simulation. *Melbourne Institute Working Paper Series*. Melbourne, Melbourne Institute of Applied Economic and Social Research.

-
- Lamb, S., Walstab, A., Teese, R., Vickers, M. & Rumberger, R. (2004) *Staying on at school: Improving student retention in Australia*. Melbourne, Centre for Post-compulsory Education and Lifelong Learning, The University of Melbourne.
- Laplagne et al (2007) *Effects of Health and Education on Labour Force Participation*. Productivity Commission staff working paper, May.
- Lattimore, R. (2007) *Men Not at Work: An Analysis of Men outside the Labour Force*, Canberra, January.
- Mcmillian, J. & Marks, G. N. (2003) *School leavers in Australia: Profiles and pathways. Longitudinal Surveys of Australian Youth*. Camberwell, Australian Council for Educational Research.
- Productivity Commission (2006) *Potential benefits of the National Reform Agenda. Productivity Commission Research Paper*. Melbourne, Productivity Commission.
- Sylva, K., Melhuish, E., Sammons, P., Siraj-Blatchford, I. & Taggart, B. (2004) *The Effective Provision of Pre-School Education (EPPE) Project: Final Report*. London, The Institute of Education.
- Treasury, T. (2007) *Intergenerational Report 2007*. IN TREASURY, C. (Ed.).
- Wise, S., De Silva, L., Webster, E. & Sanson, A. (2005) *The Efficacy of Early Childhood Interventions*. Australian Institute of Family Studies.

NOTES:

ⁱ Some of the antecedents of this approach are to be found in a document released by the premier of Victoria (DEPARTMENT OF PREMIER AND CABINET & DEPARTMENT OF TREASURY AND FINANCE (2005) *A third wave of National Reform: A new national reform initiative for COAG*. Melbourne, Department of Premier and Cabinet.)

ⁱⁱ A number of indicative outcomes were identified (COAG Communiqué 2006: 3), including:

- A reduction in the proportion of the working age population not participating in the workforce due to illness, injury or disability;
- A reduction in the prevalence of key risk factors that contribute to chronic disease;
- Increased effectiveness of the health system in achieving health outcomes;
- An increase in the proportion of children entering school with basic skills for life and learning;
- An increase in the proportion of young people making a smooth transition from school to work or further study;
- An increase in the proportion of adult workers who have the skills and qualifications needed to enjoy active and productive working lives; and
- Encourage and support increased workforce participation among key groups.

ⁱⁱⁱ These estimates were updated but the broad picture not substantially amended in a Productivity Commission Staff Working Paper (Laplagne et al 2007: 51).

^{iv} Dockery (2005: 40ff) uses Australian data. His estimates of the returns to students with relatively low levels of ability are consistently lower, however.

-
- ^v For example, males with tertiary training have one quarter of the risk that they will not be in the labour force when aged 25 to 64 than those who left school at the end of year 9 or sooner (Lattimore 2007: 187). However he cautions that the stability and causality “of the link between further educational attainment and labour force involvement” is open to question (Lattimore 2007: 188). Access Economics (2005) summarises some of the links between education and work in chapter 6.
- ^{vi} Cunha et al (2005) argue that gaps in both cognitive and non cognitive skills between individuals and across socio-economic groups appear at early ages. “They are strongly correlated with family background factors, like parental education and maternal ability, which, when controlled for in a statistical sense, largely eliminate these gaps” (Cunha et al 2005: 86).
- ^{vii} Cunha et al (2005: 87) also argue that interventions in the adolescent years can positively affect non cognitive skills and therefore achievement levels. There is considerable debate about what constitute “quality” interventions in early childhood years. The UK EPPE study (Sylva et al 2004) and Wise et al (2005) address this issue. Amongst other things the EPPE study finds that the availability of sufficient qualified staff is important, particularly in positions concerned with curriculum and leadership (Sylva et al 2004: 28 & section 7).
- ^{viii} The quotation is drawn from material relating to pre school experience. However, the study concludes also that the effect of the home environment “continues to be evident in children’s developmental profiles at the end of key Stage 1” (Sylva et al 2004: iii), which was the end of the period within the scope of the study (see Wise et al 2005: 1).
- ^{ix} Dockery (2005: 4) notes that some attribute higher unemployment rates amongst unskilled youths for much of the period since the mid 1970s to relatively recently to similar forces.
- ^x While acknowledging that it is difficult to generalise easily because of the paucity of well constructed evaluations, Wise et al (2005: 50) suggest that most early childhood programs that “involved children as the program participants or focused on improving parenting skills or levels of parenting support, produced a greater return on investment than interventions that focused on family economic circumstances”.
- ^{xi} Headey (2006) develops a range of indicators that relate to human capital capabilities. However they are concentrated on the later stages of a child’s development and do not directly address early childhood experience or (the very difficult to capture) parenting skills.
- ^{xii} 38 per cent of students with the lowest scores fail to complete while only 8 per cent of high achievers were non completers, with the effect slightly stronger for males than females. McMillan and Marks also conclude that the influence of socioeconomic background on early school leaving declined over the 20 years to the late 1990s but still exerted an independent influence, as did gender (males are less likely to complete), language background, region and school sector. “Indigenous Australians remained the most disadvantaged group, and this disadvantage was only partially explained by the socio economic and academic characteristics of the group” (McMillan & Marks 2003: 32).
- ^{xiii} This data is taken from a presentation *Four Imperatives for a Revolution in School Education* presented on March 27, 2008, at the Economic and Social Outlook Conference, University of Melbourne. See <http://www.melbourneinstitute.com/conf2008/Presentations/Session%204C/Masters,%20Geoff.pdf>
- ^{xiv} For example, Lamb et al argue that “(t)he focus of policy should be on creating the conditions for effective learning and personal growth” (2004: 152).
- ^{xv} Note, however, that this study adopts the international qualifications classification structure. Thus Certificate I or II qualifications are considered to be equivalent to Year 11 or lower (not Year 12, as many Australian jurisdictions would have it). Certificates III and IV are called “diploma or certificate” in this study and are equated with above Year 12 achievement.
- ^{xvi} Kalb makes a range of similar points regarding this paradox and, more generally, early childhood development to those covered in this presentation at a recent Melbourne Institute public policy forum. See, for example, www.melbourneinstitute.com/forums/pub_eco/Kalb,%20Guyonne_42%20July.pdf