Rebekha Sharkie Speech

Revenue Summit 2018

Thank you for this opportunity to speak at this valuable summit.

Wearing a non-economist's hat, it appears to me that there are broadly two categories of revenue reform –

Firstly, the rearrangement of taxes in such a way that it creates better incentives for investment and growth but does not undermine the tax base we are trying to preserve. These are the ideas like meaningfully addressing multi-national tax avoidance, or replacing stamp duties with land taxes, and in essence is the broad microeconomic reform agenda that was abandoned in the late 1990s.

And the one I wish to focus on today- thinking creatively about investing ***now*** for greater future return, in particular, how to unlock the aspirations and revenue-generating capabilities of our most valuable asset, the Australian people.

You have to spend money to make money, and this is nowhere more true than investment in people.

When we think about unlocking Australian aspirations, in its simplest form it is about reform to education.

Only by directing public investment to where it is needed the most will we enable students to reach their full potential, reduce their reliance on welfare services, and unlock the revenue-generation capacity of every Australian as they move into adulthood.

However, education does not end at school. Higher education reform is equally important and I have long championed a full Gonski-style review of the funding of universities and vocational education. We are yet to get it right and reform the sector as a whole as is desperately needed.

However, unlocking individual potential is not just about education reform. I believe that the greatest untapped areas of public policy in terms of revenue generation are social services reform – especially preventative social services – and mental health services reform.

Firstly, mental health services. In May this year, KPMG released its report, *The economic cost of serious mental illness and comorbidities in Australia and New Zealand*.

This report that estimates that ill mental health is reducing Australia's economy almost $60B a year.

Social services have long been considered only as a debit in the Government's books, but the indirect benefit, not only to the broader economy, but also to the Government's finances, should be given more prominence in their decision-making process.

Perhaps it is the short lifecycle of Federal Governments that prevents longer term thinking on the revenue return on investment, or perhaps it is ideological, but investment and sustained investment in Australian social services and at a necessary scale remains elusive.

I know that time is limited, but I want to give you one more detailed example of the sort of reform I am talking about.

The HomeStretch Initiative calls for the voluntary continuation of out-of-home care for 18 to 21 year olds, and is championed by Anglicare Victoria and a wide range of social services organisations.

Support for young people in out-of-home care ends at 18 years of age in most State and Territory jurisdictions with transition plans starting when young people are just 15 years old. They are incredibly vulnerable. So much so that in the 12 months after leaving the system:

- 35% of young people had resided in five or more locations;
- 29% were unemployed;
- 28% were already parents;
- 68% were involved in the justice system; and
- As many as 40% experience homelessness.

However, programs that have extended out-of-home care in comparable jurisdictions to Australia achieved significant success.

For example, the UK's 'Staying Put' program allows a young person to volunteer into an agreement with their foster carer to remain living with them until they are 21 years old. An evaluation pilot found:

- 55% of those who had 'stayed put' were enrolled in full-time education, compared to 22% for those who had exited care;
- 67% of those who had moved into stable independent living had originally 'stayed put.'

The HomeStretch Initiative engaged Deloitte Access Economics to conduct a cost-benefit analysis of its proposal which concluded that the program's national average benefit to cost ratio was 2.13; namely, for every single dollar invested a return of $2.13 in either savings or increased income would be made.

Modelling shows that implementing HomeStretch would halve homelessness of this cohort; it would reduce interaction with criminal justice system, reduce hospitalisation rates and reduce alcohol and drug dependence from 15.8% to 2.5%.

The HomeStretch example is but one of many.

It is not just about spending money to save more money in social services in the future, but also about – and I underline my central thesis again – it is about investing to unlock the potential of our greatest asset, **<u>the Australian people</u>**.