

# Australia's Life Long Learning Imperative

Speech to CEDA, 14 June 2005

John McFarlane

Chief Executive Officer, ANZ

---

## 1. Sustainable Growth and Life Long Learning

- Let me start with a surprising fact – of the top 20 companies in Australia in 1980, only 5 are still in the top 20.
- This points to the fact that corporations are not sustainable. (ANZ is one of those 5.)
- Partly this reflects the short termism of equity markets, which are too focussed on the need for companies to produce short-term results, often at the expense of the need to invest for growth in the longer term.
- While accepting there is a need to produce short-term results, the prime role of a CEO is to produce long-term value for shareholders, while producing acceptable short-term results.
- The value of the firm – return, growth, risk, fade.

- In order to serve shareholders long-term, CEOs need to serve all other stakeholders in the business:
  - **Customers**
  - **Government**
  - **Community**
  - **Staff**
  
- This stakeholder model stands at the heart of long-term sustainability.
  
- It includes a duty to foster and protect the "spiritual" health of corporations, and to develop its culture and people as an investment in our ability to produce long-term.
  
- Political leaders have similar issues with balancing short-term popularity and a long-term focus on the sustainable development and economic success.
  
- Increasing workforce participation is key to Australia's future growth – for the past 10 years:
  - GDP growth                      3.7%
  - Productivity                      2.1%
  - Population                      1.1%
  - Change in employment        0.9%
  - Hours worked                    (0.3%)

- Productivity is projected to be 2% and population growth under 1% - accept 2%+ growth or improve employment and participation rates.

For the 60-64s, workforce participation is 43%, compared with 65% for the workforce as a whole.

## 2. Australia's Demographic Challenge

- This sets out the case for a greater emphasis on education and talent retention but Australia also faces the challenge of continuing to improve standards of living as its population ages.
  - In the late 1980's, people under 45 accounted for 76% of the labour force.
  - By 2016, people under 45 will account for just 58%.
- It means changes will be required that:
  - Increase labour force participation.
  - Continue improving productivity.
  - Prepare the ageing population for greater self-reliance (as government budgets face pressure).
- Implication for corporations is that we can no longer rely on young people to replenish the skills and knowledge of the workforce.
- The new reality is the days when a person's 'learning' stage of life was the years spent at school are over.
- And as the pace of change increases and business becomes more complex - 'soft' skills such as the ability to communicate, to work in teams, to solve problems and to adapt to change are becoming more important.

- One aspect of achieving that balance for individuals, for corporations and for government is providing an environment for ongoing personal development or “Life Long Learning”.

### 3. The International Context – who has the problem?

- We can't just look at Australia in isolation. Our competitive advantage is also being challenged by others raising the bar.
- I was reflecting on this on recent visit to Beijing in relation to China's economic success.
- China's nature is to think long-term and the country is investing heavily to create a new generation of talent.
- In Australia, almost 25% of the 220,000 foreign students are Chinese.
- China's sense of its national identity developed over centuries, and its ability to embrace a challenging long-term vision, offers a competitive advantage that those of us in the West will find difficult to replicate.
- India has also drawn on the quality of its post-colonial education system to create a massive pool of talent.
- Almost 10% of foreign students in Australian are from India (which bears out ANZ's experience - 100% of employees in our IT business in Bangalore are graduates compares to 23% in our IT operations in Australia.
- Anecdote – business schools in the US can fill 100% of places with Indian applicants with perfect GMAT scores.

#### **4. Models for Success**

- This is not to say Australia will be swamped by the emerging economic super powers in China and India. There are models for success.

#### **Emphasising Education**

- Have you wondered why so many Scots lead the way in finance, accounting, engineering and medicine?
- Investing in education is considered fundamental in a system that values academic success and where there is a long-term commitment to meritocracy.

#### **National Champions**

- Countries which create leading national corporations which are of global scale can also act as a centre of gravity for developing and retaining talent
- In The Netherlands, for example, the Dutch accepted the need for global leaders in banking and now has two of the world's leading financial services companies – ABN AMRO and ING.
- Without this as a policy objective, Australia has lost some of our largest corporations - News Limited most recently and with them many of their most talented people.

## 5. Link between Australia's Economic needs and Education

- Long term sustainability, global competition and changing demographics mean that education - and particularly lifelong learning - will play an important role in Australia's future economic success.

Why?

- People with higher levels of education are more likely to participate in the workforce and to work for longer.
- Better educated and trained workforce is more productive and is better able to handle the changes that will become a more common feature of work in an increasingly flexible economy.
- Those with more education and better developed skills of many types are better able to handle the increased responsibility that individuals are likely to have in coming years.
  - Searching actively for work if unemployed.
  - Preparing for retirement.
  - Meeting part of the cost of some services that governments currently pay for.



## 6. ANZ's Response

ANZ has developed responses to the need for lifelong learning imperative in two key areas:

- To retain and develop talented people as part of ANZ's future success; these include:
  - Career extensions and flexible leave options to facilitate further study, re-skilling or pursuing work-life balance needs
  - Over 55s have the right to work part-time thus creating opportunities for older employees which emphasise knowledge and experience sharing
  - Opportunities for job sharing, telecommuting or other flexible work arrangements.
- Also building community capability for self reliance through economic and financial literacy - reflects the broader financial issues that individuals are facing including increasing personal responsibility for education and training, healthcare, income when between jobs and in retirement. Initiatives include:
  - Funding to deliver the MoneyMinded financial literacy education program to 100,000 'at risk' Australians
  - Matched savings and financial literacy programs for those facing disadvantage
  - A new loans program tailored for people on low incomes currently using 'payday lenders'
  - Microfinance programs including funding, financial literacy education, mentoring and support to facilitate the development of Indigenous businesses
  - Financial Fitness training for ANZ staff.

## 7. Importance of collaborative action/response

Commend this report and its call to action that lifelong learning is however an issue for everyone.

- **Academia** – it is not only young people that need academic skills
- **Employers** - who have a clear interest in the work-related skills of their employees but also in their ability to handle the other various aspects of life
- **Government** – which needs to lead the nation's response to the long-term challenges ahead, especially the ageing of the population:
  - This includes the policy framework for the education and training systems, and delivering many of the education and training services
- **Individuals** - who, in a rapidly changing world, must take responsibility for their own level of education and skills, and actively pursue learning and skill development opportunities.
- The issues are very broad and very complex, but progress can be made, with a plan and some concerted effort. Collaboration is essential if the substantial challenges ahead are to be met.

- In closing, can I acknowledge the work of CEDA in preparing today's comprehensive report on Life Long Learning.
- It raises the debate on the issues Australia faces in the years and decades ahead. It's not just an issue of education, but an economic imperative if Australia wishes to retain its economic track record in the decades ahead.