

***"If we want first-class Government services, we need a  
system that will deliver them"***

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Chairman

South Australia Productivity Commission

Keynote Speech at the

Committee for Adelaide

**Education to Employment Event**

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## **SAPC**

For those not familiar with us, the Commission's central purpose is to provide the Premier with independent evidence based economic advice on how to improve our State's economic growth and in turn, South Australian household incomes.

And as you would expect, we don't seek to duplicate voices debating "productivity" issues at the Federal level but rather we specialise on those subnational policy areas where our State Government has the unique power to make a material difference to South Australian families.

## **Inquiry**

I want to report to you this evening on the progress of our most recent inquiry titled,

"Positioning all South Australians to share in the benefits of economic growth."

## **Inquiry Rationale**

Skills shortages have been at the forefront of people's minds for a few years now.

Much of this discussion, largely because of the urgency of the problem, has been focused on using migrants to address shortages.

However, we thought that there was likely to be more that could be done to unlock the potential of South Australians to participate in our state's emerging economic opportunities.

We also thought that there was an opportunity to improve equity and social justice outcomes in our state if we could get this right.

Meanwhile, the Premier was pleased that unemployment in our state was at record lows but was concerned about our stubbornly high long term unemployment levels.

So the genesis of our inquiry was simple. Given the Premier's thinking and with our full support, he initiated the inquiry so we could look more closely at this long term unemployed group, and see if the State Government could turn things around for the benefit of all.

## **Inquiry Process**

So from February last year:

- we undertook an extensive consultation process including a call for submissions;
- assessed the data on joblessness and on outcomes from education and transitions into work in South Australia;
- reviewed available data on the performance of the public school system; and
- undertook a deep dive into the national and international evidence on transitions from school into work and on good practice in improving the performance of education systems.

This work was drawn together into a draft report setting out our initial diagnosis of the problem. The report also canvassed a range of potential interventions that the

available evidence suggested may be both effective and implementable in South Australia.

The Minister and senior staff in the Department for Education were supportive, and helped us work through the practicality of potential recommendations.

Following further consultations, and further analysis of available evidence, a final report was submitted to the Premier on 20 December last year, and publicly released on 20 March.

The final report identified problems and made 20 carefully considered recommendations, each tested to make sure they could be implemented, and that were directly targeted to address those problems.

## **Key Findings**

We identified significant issues with the way in which our young people are supported in their transitions within school and out of school.

Our inquiry found that South Australia does a much worse job than the national average at giving our young people the skills and support they need to successfully transition out of school into work or education that is meaningful to them.

For example, we estimate that, only 63 per cent of our public school students completed year 12 in 2023.

So of the bright eyed reception kids who started out in public schools in 2011, one in three didn't complete their schooling.

These weaknesses of the school system are having very real impacts on the life chances of young South Australians.

Despite a strong labour market and widespread skills shortages, 40 per cent of South Australian 24-year-olds – 9,100 young people – are not fully engaged in education, employment or training.

This is well above the national average of 26 per cent.

If we could get South Australia just to that national average there would be 3,100 fewer disengaged 24-year-olds each year.

And this would produce very tangible benefits, each disengaged 24 year old costs society \$64,000 in the first year alone.

This early disengagement has significant and persistent effects, causing unemployment and underemployment,

significantly lower incomes and contributing to ill-health, crime, and child maltreatment and neglect.

We also found that young South Australians' chances of success also depends to a shockingly large extent on how educated their parents are and on where they live.

Over 80 per cent of 14-year-olds living in Walkerville, Norwood and Burnside in 2016 were attending university at age 19.

But only 11 per cent of 14-year-olds living in Berri, and only 12 per cent living in Morphett Vale West, joined them.

A young person who grew up in Elizabeth is almost nine times as likely to not be engaged in study or work aged 21 to 24 as someone who grew up in Burnside.

## **Recommendations**

This all suggests that the outcomes from our public schools needs to fundamentally change if we want to truly be the egalitarian society we claim to be.

And this unfulfilled potential is likely to be a significant barrier to the ability of South Australians to fully capture the opportunities emerging for our state such as the AUKUS submarine build.

Let me stress that this is not an exercise in teacher bashing.

Overwhelmingly the issues identified weren't about how good our public school teachers were, but about the systems in which they work and the resources available for non-teaching support.

## **Targets**

In particular, our research highlighted how difficult it is to build a high performing system if you are not setting clear goals or targets, particularly for students from the most disadvantaged backgrounds, while transparently monitoring your progress towards achieving those goals.

We were also clear that we didn't have, and could never have, all of the answers.

So, with that in mind, and following international best practice, the core of our recommendations was to set up a robust and transparent system to measure the performance of public schools, by setting achievable but challenging goals, independently monitoring progress toward achieving those goals, and using that performance data to shape discussions on how to adjust policy and practice where necessary.

And importantly, doing all of this in the open, to deliver accountability, whilst ensuring that there were appropriate controls to ensure that individual privacy was always protected.

We made a number of other recommendations but in the time I have this evening I want to focus on our core "targets" recommendations.

## **Government Response**

The official South Australian Government response to our report was released last month.

Let me say at the outset that we acknowledge the Government's bold education policy reforms including, for example, Universal 3 year pre-school, the establishment of 5 technical colleges and social media usage control. We endorse the Government's focus on, and commitment to, education reform.

It was in that context that we hoped that the scale of the problems we identified, and our recommendations, would be met with the same level of reform enthusiasm.

The response was professional and courteous.

For context, our core idea was a bold reform. It wasn't just setting out ambitious targets, we recommended they be

independently measured and then reported on annually to Parliament.

This mechanism would be enshrined in legislation to ensure longevity and independence.

Meanwhile, a platform would be created for sophisticated Parliamentary policy debates on educational outcomes and the best policy reforms necessary to achieve the targets.

We had a vision not just of education policy reform but of Parliamentary reform and the use of our Parliamentary system for sophisticated and focussed policy analysis and debate.

The Government responded by referring to existing data and reporting arrangements and that any additional reporting would occur via the existing Departmental annual

report to Parliament. The Government went on to say this would,

"support robust and independent examination and discussion of the education system and intent of the SAPC's recommendations".

The response went on to reject our recommendation for:

"independent management and reporting of public education data."

Clearly, we failed in either conveying the scale and urgency of the situation, or in convincing the Government that our proposed solutions could significantly ease the problem and should therefore be prioritised.

Yes, the Government respected our intent but was not prepared, yet, to engage to the full extent of our bold reforms.

## **Targets**

The reality of the Government response is that the Department's annual report is read by very few, and does not have legislative content requirements around targets.

The existing

"measures and other education data already publicly available",

come nowhere near to what we are advocating.

The response doesn't seem to embrace the notion that the Department should publicly and confidently define what public school success looks like.

Part of the rationale given for this in the response seems to be a purported concern to protect the privacy of students.

We never called for individual student data to be released, and indeed recommended that in the design of the

outcome measurement, and I quote from our recommendation 5,

“... the level of aggregation should be managed to ensure that student privacy is never compromised.”

We are confident the Department is able to develop a robust and transparent indicator framework while maintaining student privacy.

Another rationale in the response was that:

"targets can result in perverse outcomes if not done appropriately."

We agree and advocate for our recommended targets to be "appropriate".

This standard can be achieved.

## **Reflection**

So have we made progress?

The Department for Education has undertaken to consider our thinking further and has committed to,

"Publish a series of system level measures that will articulate the growth it aims to achieve under "Our Strategy for Public Education" and attach public reporting on those measures to its annual report. It will also consider performance targets and public reporting at regional and local levels."

The Department commits to do this by later this year.

We are going to remain optimistic and take this as a constructive start to the achievement of the bold reforms we advocate.

We believe the ambition, scrutiny and accountability that only bold independently measured targets can bring to our Education system performance is the best way forward.

Lifting our public school performance is critical to our states future.

And so rest assured we're not giving up on being ambitious for South Australia's kids no matter where they live. And we're not giving up on advocating for a system that gives all young South Australians an equal chance to share in the benefits of economic growth.

This is why this event is so important.

We hope it raises awareness of this reform opportunity and drives momentum, because further momentum is still required.

## **Common Ground**

In Sam's introduction, he mentioned the title of this speech,

"If we want first class Government services, we need a system that will deliver them."

You will assume that I crafted the title to suit our inquiry recommendations. But here's the irony. That title is lifted from an "Australia Institute" Op-ed from last week advocating for increased taxes to enable State Governments to do a better job.

I am prepared to make a bet at favourable odds that the "Australia Institute" would not support our "independent targets" recommendations. But clearly, they share our view that State Governments should be ambitious and seek to lift their performance.

Equally, last week the secretary of NSW Health Susan Pearce advocated the establishment of,

"targets on health systems to improve performance in achieving net zero."

Finally, most of you would have read last week about our country's progress in "closing the gap" between indigenous Australian's and the rest of our country. While the results were generally poor, the plight of indigenous Australian's continues to be better understood. As a minimum, we have less marketing of how much money we are allocating to indigenous progress or how well we are doing and more discussion about the facts. All as a result of the targets and their independent measurement and annual reporting.

This can only be a good thing.

I mention these three views and initiatives as a diverse source of recent momentum for our targets recommendations.

We need to harness this diverse common ground around the principles of our recommendations for the good of regular South Australian families.

## **General Productivity Policy Debate**

With the few minutes I have left I just want to take the opportunity to speak generally on productivity policy.

As well as giving us much to think about in terms of how we frame and communicate our work, I think the Government response to our inquiry report, together with our broader experience over the last seven years, provides some useful lessons for the forthcoming Economic Reform Roundtable.

Productivity is once again at the forefront of public policy discussions.

And as the Chairman of the South Australian Productivity Commission, it is gratifying to have so much focus on this area of policy that is the only way to sustainably lift our collective living standards.

Since Australian productivity growth started to fall back in the early 2000s there have been repeated periods where the need for reform to deliver a new wave of productivity growth has dominated public policy discussions.

This isn't really surprising. As the Clinton campaign famously put it,

“It's the economy stupid”.

No Government can maintain electoral support in Australia if it can't improve our living standards. And while stimulus can bring short-term relief it often has very limited long-term benefit but brings with it serious long term fiscal damage.

## **But recent pushes have produced minimal results**

However, as a member of the public you would be justified in asking why all this talk has produced so few results.

In the last five years alone, our colleagues at the Federal Productivity Commission have completed 22 substantive inquiries, made almost 500 recommendations and produced 10,000 pages of well-reasoned analysis. These numbers are multiplied many times over if we go back say 20 years.

But little has changed over the past 2 decades, except that regulations have become more pervasive, the economy has become less dynamic, and productivity growth has become even weaker.

## **Who is to blame?**

In my view responsibility for this failure, at least partly, sits with the advocates for change.

Those of us pushing for reform talk a lot about working smarter, not harder. Or in the recent words of Danielle Woods, Chair of our federal counterpart,

“Who doesn’t want to be richer, healthier, smarter and have more fun?”

But I think that collectively we are failing as advocates by only taking this easy and non controversial line.

Yes, we are right to say work smarter not harder, as that is in part the essence of productivity growth.

But we must be honest, and must not mislead. There is no easy way to higher productivity, or as I prefer to say it, higher value.

Improvement almost always requires hard work.

Full of stress, sacrifice and additional effort.

How can it be otherwise?

Does it sit well with the instincts and experiences of anyone in this room that we can all achieve higher real incomes by simply making some policy tweaks that are painless and that cause minimal inconvenience?

## **Failure of leadership is broad based**

Fundamentally we think the position we find ourselves in is a failure of leadership.

Because reforms substantive enough to re-start productivity growth are going to create losers.

But we need to pursue them anyway, just as the previous generation of leaders persisted with the much-needed work of opening the Australian economy to the world, even though it had substantial costs for example, for those working in our automotive, whitegoods and clothing sectors.

And while we talk about leadership, we are not just talking about our politicians. We are talking about all decision makers and influencers. Public sector, private sector, academic, media, unions.

For example, we often see business organisations and executives from our largest firms extolling the benefits of Government implementing productivity enhancing reforms.

But how often do we see Australian businesses take the lead in taking unpopular positions with their own stakeholders which they expect politicians to take with theirs?

We all need to step outside our comfort zones and be more competitive.

To learn new things and new skills, to work better, to lead and manage our firms or agencies better and to improve the way we deliver goods and services.

And to accept, that change often means giving something up.

Some CEOs and Company Directors will have to lift their eyes to the horizon and spend more time putting in the

hard work across the region and the globe to build new markets and new products for their firms, rather than sitting back in our small home markets.

Shareholders will need to accept that investments in innovation, people and new equipment needed to deliver quality growth over the long term will mean lower dividends, at least in the short to medium term.

Employees will have to build their skills, probably at least partly in their own time, and successfully navigate the personal pressure of working differently.

Heads of Government Departments will need to challenge their organisations to consistently do better, even if it means exposing themselves to ambitious targets and associated accountability, and admitting at times that current programs aren't working.

This is of course relevant to our Education Department in the context of our recommendations.

And our friends in the media will have to resist the temptation to generate quick clicks by highlighting every actual or potential loss from change as a crisis, while not giving equal voice to the long term national and community benefits.

Rather than feed people endless platitudes and avoid confronting reality, we need to foster mature discussions about the sacrifices that will need to be traded off for higher living standards.

## **Conclusion**

So, to successfully deliver lasting reform we need a change in approach.

I think the key messages for the Economic Reform Roundtable based on the first seven years of the SAPC's existence are that the failure to re-start productivity growth in Australia has been a failure of leadership, across most parts of our economy and society.

Part of addressing this failure of leadership is to be honest with the public about the need for improvement, and that improvement is hard.

Our standard of living isn't something that can be lifted just by Government, for example, making some revenue neutral adjustments to our tax rates or in the case of our education system, taking a safe, non-controversial approach.

Instead, it requires leaders across politics, business, the public sector, unions and community organisations, to accept they all need to do their fair share of the hard work of driving change.

And that, will require all of us, and I mean all of us, to cease the quest for perpetual short term popularity and trade that off for the noble and courageous quest for long term respect.