

FPL Analysis



January – June 2018

Analysis



Cancer of Uncertainty



Stop fighting fires



Why we should all care more about local government.



Resetting the recycling conversation



Artificial Intelligence should be disrupting our education sector



Standing Start



Surgery with a sledgehammer



Cancer of Uncertainty

Insecure work as manifested through infrequent and inconsistent hours of an insufficient amount to what an individual employee would prefer creates broader challenges for workers in addition to income constraints.

Insecurity of hours or employment status prevents forward planning – either through direct barriers such as an inability to secure finance for assets such as a home or indirect barriers such as a ‘paralysis’ of decision making where individuals cannot invest in themselves or their families because they simply don’t know when or where the next dollar will come from. I call this (deliberately evocatively) the ‘Cancer of Uncertainty’ as the pernicious impact of this dynamic on

every aspect of one’s life cannot be underestimated.

This is not new, nor is it terribly insightful, and anyone who has been caught in a period of their life not knowing what is next for them during a period of turmoil would empathise with the debilitating effect of uncertainty of income. When the deafening drumbeat of bills and expenses makes managing today difficult enough, future planning is left by the wayside.

However, observing the debate over recent years with respect to the commentary on a casualised workforce and the associated positions taken (either there is no problem with such insecurity and it reflects a fully

flexible labour market or it is a deliberate approach from employers to gain at the expense of employees), my thoughts have turned as to what is the actual state of play here as it impacts people on the ground.

Beyond the problem, we are exploring what practical, tangible solutions can be brought to bear to address these issues and at least explore some alternative models aligned with the labour market as it currently stands that can offer a real difference to an employee looking for greater certainty of employment status and income that allows them to plan their life.

However, we have struggled to see through the claims and counter claims to create a more complete picture of the current environment with respect to the insecure workforce and whom exactly is most impacted by such issues and how. There is also the dynamic of those who embrace the flexibility and freedom of their own work hours (those who embrace the ‘gig economy’) and if they feel empowered to proactively pursue such opportunities through their value in the market based on professional skills or experience, it is reasonable to assume they are not concerned the same way others in the labour market may experience such uncertainty. Many (if not most) working people do not have that luxury.

In 2017, FPL Advisory commenced a project to better understand this dynamic with a view to developing an innovative yet practical solution to addressing this insecure and uncertain future. We will have more to say on this project shortly

after further research but one thing is clear – insecure work adds fuel to the fire for broader problems for society beyond investment, consumer confidence and retail spending. Just ask a blue-collar Trump supporter.

Steve Cusworth

Why we should all care more about local government.

Local government is like clean water – the better it is, the less you notice.

As the closest level of government to the community, local government is tasked with a wide range of services that generally support resident's wellbeing, quality of life and liveability. This direct approach, in contrast to state and federal levels, maximises the recognised benefits of bottom up systems in empowering communities to determine their own course and take responsibility for their future.

While hot topics such as climate change get caught up in national or State politics, local governments are getting on with the job of addressing the problem by altering planning permissions, installing mitigation measures, increasing urban canopy, and educating their residents about energy usage and urban design. However, as local governments take on more responsibility they place more pressure on their resources

and become victims of their own success being consistently relied on to ensure outcomes without always receiving the financial support or recognition to do so. Local governments responsibility for urban areas through planning measures, provision of transport and community facilities means they are a significant player in determining the future sustainability of Australian communities, but we often don't give them the recognition they deserve. Many of the services they provide and the funding they seek, falls outside of the various local government acts across the country, meaning local governments operate under several different ministers and departments including planning, health, transport and environment. This diffusion of responsibility waters down clear vertical funding streams to direct community outcomes and provides a challenge in the sheer scale of potential stakeholders and shareholders with whom local governments need to communicate.

This problem is exacerbated by the freeze of financial assistance grants and a funding transfer to competitive state and federal

grant programs. These programs rely on local governments to deliver on behalf of state and federal governments and restricts the ability for local councils to take a long-term approach to new initiatives and to adequately plan for maintenance of existing assets. Not only does this create inequities where the biggest councils are better equipped to demonstrate a project's benefits and therefore attract more funding, but also establishes an expectation for ongoing service delivery at a local level which does not disappear when the funding streams dry up. This cost-shifting means local governments are required to deliver more with less which may result in lower quality services and could impede their ability to deliver core functions into the future.

One solution to this dilemma often put forward is to increase the capacity of local governments through amalgamations. Economies of scale and the benefits of reducing the overall number of administration staff and executives provides a seemingly rational solution to getting

more bang for each ratepayer's buck. However, as demonstrated through the collapse of the local government amalgamation process in Western Australia, this is not what rate payers want because it acts against the very core of why we have local government at all: to know at a microlevel how best to increase the quality of life of their residents, to truly service local needs and to advocate to other levels of government on behalf of their communities.

A successful process for service delivery requires a whole of government approach ensuring that those projects with the most need or highest potential benefit, not those with the most resources, receive funding. To achieve this, we need a shared vision for the expected functions of local government, a sustainable system of funding, trust in the professionalism of the sector and a belief in the proven ability for local governments to deliver to their communities.

We need to step back and carefully consider what it is about local government that we value, to reset our expectations and recognise their quiet and consistent contribution to ensuring our quality of life and wellbeing, and to support them to continue to respond to the needs of each one of their communities in their own unique and diverse ways.

Catriona McNaughton



Artificial Intelligence should be disrupting our education sector

Artificial intelligence (AI) is disrupting virtually every market sector, and yet applications in the classroom lag in comparison to the transformation we are already starting to see in the broader economy.

Many functions that teachers carry out cannot be automated; machines cannot replace the empathy and self-awareness vital to a student's educational development. Recent [cases](#) show that people prefer human experts and are hesitant to trust artificial systems even in cases where these experts are wrong. But AI is rapidly becoming a potential facilitator in creating a new personalised learning platform that could provide both a higher quality education for students and help shoulder the more transactional burdens teachers face day-to-day, such as grading papers or routine record-keeping tasks. This means that teachers can spend more time on what Professor Rose Luckin, a leading expert that informed the [United Kingdom's AI education strategy](#), refers to as "meta-level skills" in which students develop deeper levels of knowledge of their own skills and abilities, which is a quality difficult for computers to mimic.

AI is beginning to impact the sector by accumulating and analyzing interactions in the classroom. Algorithms, which identify patterns and correlate expansive sets of data arm teachers with information not readily available in expanding class sizes and

can provide a solution to the "one size fits all" approach. Instead of being viewed as a barrier to the irreplaceable human aspects of a teacher-student relationship, AI should be an opportunity to enhance it. Course lectures at university for example, are designed to educate a large group of students with different educational backgrounds, abilities and experiences. It would be unreasonable to expect teaching staff to address each student individually throughout the lecture to ensure everyone is on the same page. This gap between teacher and individual student can be bridged by implementing AI in education settings. Some companies, such as Third Pace and Zoomi in the US are starting to do this by capturing and analyzing behavioural data in the classroom. This data can provide a rich insight into a student's engagement and understanding of specific topics. By creating digital profiles of students, AI can identify and direct teachers to the areas that individuals need extra help, which could boost student achievement and provide teaching support.

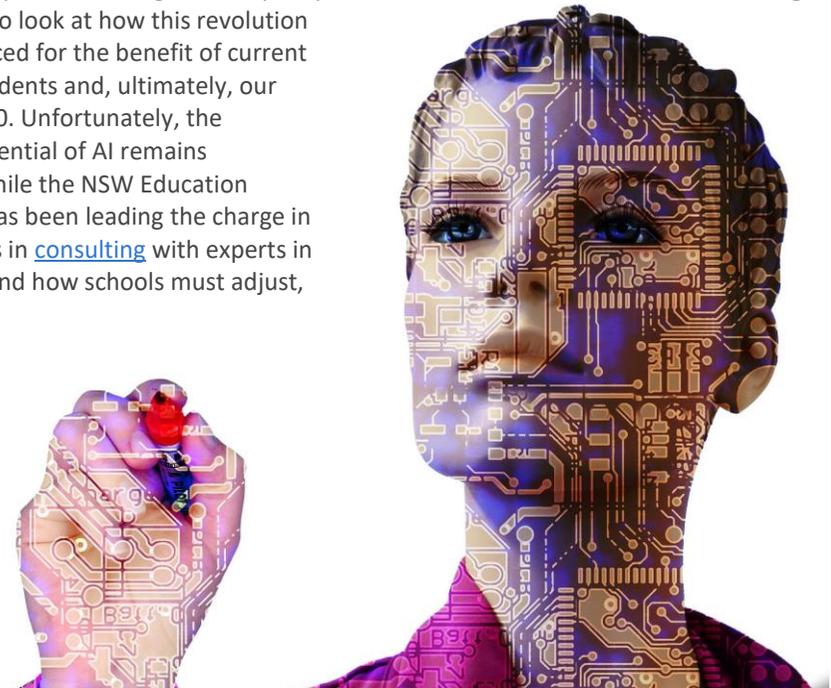
By more actively adopting such resources, AI can support teachers to become more efficient and effective in the classroom, and therefore allow them to spend more time on the most important elements of education: creating high quality content, delivering engaging lectures and lessons, and addressing areas that their students find more difficult. This provides teachers

with an opportunity to help students develop other essential skills such as creativity, confidence, teamwork and resilience, which cannot be taught by AI. This creates a learning environment that is more flexible, inclusive, engaging and personalized. The challenge with AI in the classroom, much like any reform or technological revolution, is to have the policy, curriculum or even cultural changes keeping pace with what can be delivered via technology. As part of a broader [debate](#) about whether our education system is preparing the next generation with the right tools and problem-solving abilities for a transforming workforce that will steadily see many jobs and occupations replaced with algorithms, policy makers need to look at how this revolution can be embraced for the benefit of current and future students and, ultimately, our society of 2050. Unfortunately, the enormous potential of AI remains unrealized. While the NSW Education Department has been leading the charge in recent months in [consulting](#) with experts in AI to understand how schools must adjust,

AI in the education sector does not often progress past the lab or lecture hall. While the Government's National Innovation and Science Agenda can be commended for its focus on improving students' digital literacy, Australia is yet to adopt a national strategy to fast-track the implementation of AI in the classroom to improve teaching itself.

Crucially, the future is not a case of AI usurping teachers. Rather, the sector must shape a future in which the role of teachers ultimately transforms, where their time can be used more efficiently and effectively, and their expertise is better leveraged and deployed.

Allana Ferguson



Surgery with a sledgehammer

Why we need a different approach to non-standard work

Competing narratives about the nature of insecure work in Australia fail to appreciate the level of diversity in non-standard work. Current popular solutions often rely on incorrect or incomplete assumptions about the characteristics of the labour market at the macroeconomic level. Such an approach creates risk for addressing the very real issues facing workers in the new economy and may ultimately leave workers worse off.

While there is no doubt there are negative dynamics facing a cohort of the workforce that is seeking more hours, permanency or other indicators of certainty around employment and income, the challenge has been to sort the reality from the rhetoric.

In the opening months of 2018, an increasing amount of media and political attention has been directed at so called “insecure” employment, or work which is characterised by poor wages and hours, uncertainty regarding shift schedules, and a

lack of employment rights or ongoing opportunities. This is otherwise called “flexible work” by proponents, many of whom claim that the concept of “insecure work” is indistinguishable from a campaign slogan and shouldn’t be a driving concern in industrial relations policy. This presents policymakers with a false dichotomy. Advocacy groups of all kinds paint a picture where we either have a two-track economy with happy secure workers and unhappy insecure workers, or we live in a paradise of flexible arrangements where anyone can get the kind of work that they want and need.

The true picture of employment has been explored a number of times over the past two decades through a number of rigorous statistical studies. The Household Income and Labour Dynamics in Australia (HILDA) survey in particular gives us long-running, multidimensional data that we can use to track the progress of different cohorts over the course of their careers (or at least since the start of the millennium). Combined with other kinds of statistics from the ABS, these studies shine a light on many of the more obscure elements of non-standard work. The academic literature consistently highlights the negative effects that long

term insecure work can have on workers, but likewise, it highlights the huge number of workers on short term and irregular work who derive a significant net benefit from it. The data tells us that a third of casual workers are studying full time, dismissal rates are about half what they were in the 1970s and there has been no recent increase in the number of Australians working second jobs or as “self-employed” workers. This is in a time when workforce participation has changed profoundly, with huge numbers of women entering the workforce and older Australians moving in and out of the workforce as suits their needs. Unemployment remains relatively low, although more recently there has been a higher than historical level of underemployment; this is a related problem in terms of impact on workers but it is qualitatively different set of issues and the two should not be conflated.

While there are slices of data that various partisan claims are true for, political commentary remains riddled with false attributions, inappropriately aggregated data and unintentionally misleading indicators where complex and diverse datasets are massaged without due caution. The existing

political stances that some commentators bring to the issue can explain some of this. However, the fact that so many commentators can use technically correct data while painting a fundamentally contradictory image of the workforce shows the dangers of selection bias. The result is wasted effort fighting unwinnable battles; a partisan trench warfare in which neither side can conclusively win any ground.

Ultimately, we at FPL are seeking to understand which cohort of the workforce is most at risk (in their terms) of insecure work, is seeking change and would likely benefit most from a practical solution to their employment dynamic. FPL explores these issues and more in an upcoming Occasional Paper on casualisation and non-standard work, seeking to bring political and academic understanding of the new workforce into closer alignment. We work across partisan and sectoral lines in pursuit of pragmatic outcomes, and in producing this Paper we aim to contribute to policymaking that is practical, fair and satisfactory to all stakeholders.

Sam Perkins



Resetting the recycling conversation

Why we need to focus on demand not supply

In mid-2017 China announced a range of waste import restrictions under the National Sword program, and further strengthened these through the Blue Sky program which runs from March to December this year. The restrictions largely focus on the level of contamination in plastics and other solid waste recyclables imported from various countries including Australia. It is not surprising that China, given the choice, would implement such policies. What is surprising is how these restrictions caught Australia asleep at the wheel and how quickly market forces have required government action. The crisis highlights several interesting policy dimensions across a range of topics from offshoring environment externalities to manufacturing, developing a circular economy and government leadership in consumer behaviour. First though, we need to consider whether the government response thus far is fit for purpose.

Commonwealth, State and Territory Environment Ministers met in April to outline their response to the recycled waste crisis. Publicity of the resulting [ministerial](#) agreement focuses on the target of 100 percent of Australian packaging being recyclable, compostable or reusable by 2025 or earlier. Of all the agreed actions, this is the one least likely to solve the current recycling crisis. Collecting

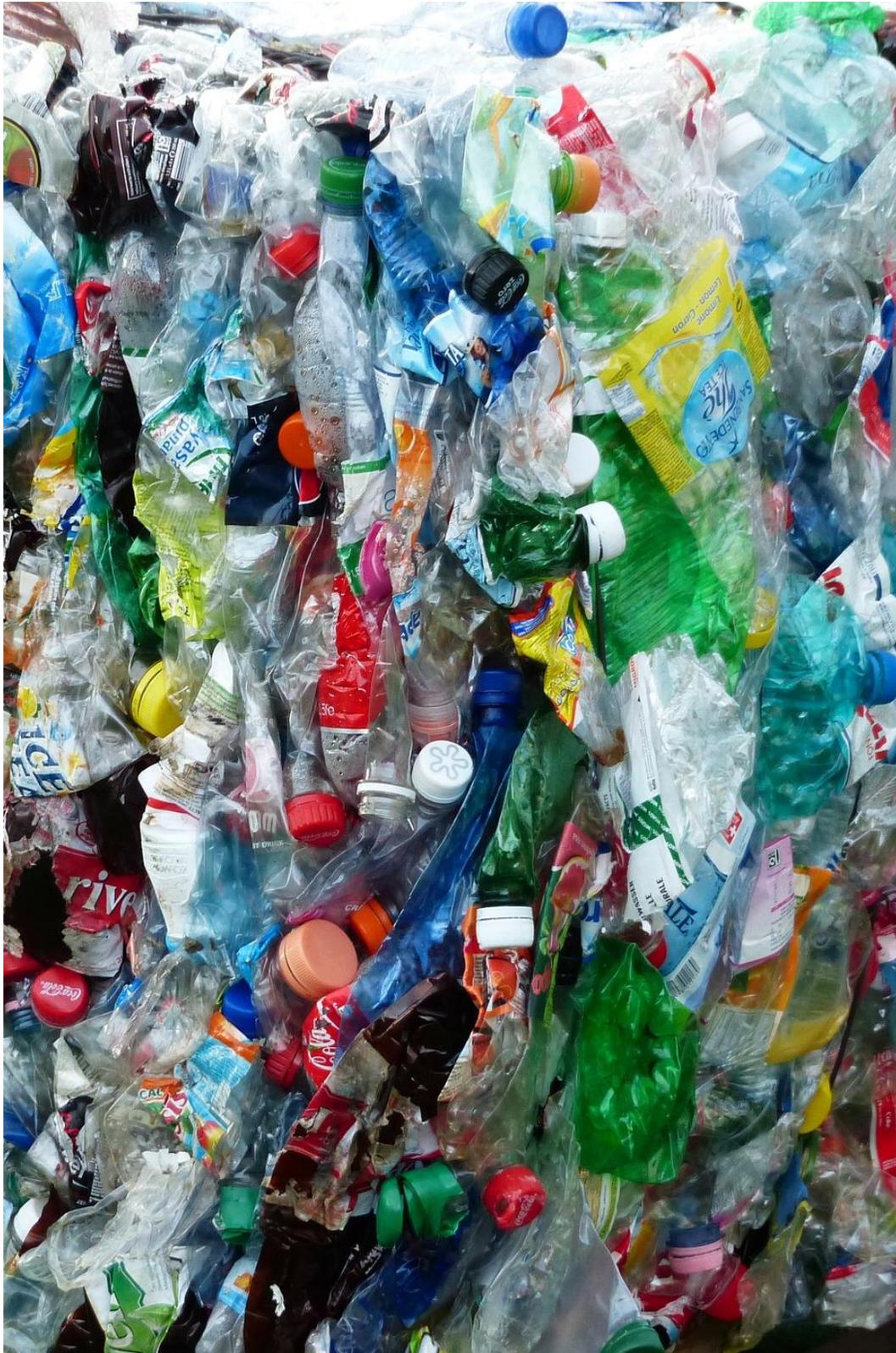
products for recycling is relatively well engrained in Australian culture. In 2014-15 around [54% of waste generated in Australia](#) was sent for recycling and [more than 90% of Australians](#) use municipal kerbside recycling. The cost of collecting and sorting this material (as well as of disposing of contaminants) is funded through various measures with around [26% of income](#) across public and private waste management service organisations being from sales of recyclable or recoverable materials. As education and community awareness of recycling efforts grows globally, and countries impose levies and regulation to reduce waste streams to landfill, we are seeing a corresponding growth in supply of recyclable material which has been putting downward pressure [on price](#).

The announcement of the new Chinese 'National Sword' policy destroyed an already weak market. These restrictions are estimated to directly affect [99% of recyclables Australia sends to China](#) or around 30% of our total recyclable exports. The existing oversupply and the impact of the restrictions on other markets has seen the price of recyclables plunge and waste management organisations are no longer able to cover the cost of collection. Cleanaway, Australia's largest waste collector, is [reportedly](#) considering both stopping collection of bins and sending some existing stocks of collected material to landfill because it can no longer move stock.

The 2025 plan will, if anything, exacerbate this oversupply problem. Instead, increasing demand for recycled products, as outlined in the agreement, particularly through government leadership and leverage of large business holds far more promise. New community education campaigns, such as recent focus on [single-use plastics](#) and [plastic shopping bags](#), have initiated momentum towards consumer demand not only for 'green' products but for responsible corporate decision making. However, uptake of products with a large recycled component, has been slow. The complexity of messaging around the value of recycling (including whether some recycled products have a higher environmental cost than their virgin counterparts) makes consumer choice in this area complicated. There is also a perception that products made with from recycled materials are of poor quality (to the point that many companies with products made recycled components avoid promoting this).

In key high value markets, such as aluminium and steel, manufacturers have invested in processes to recycle material for [over 100 years](#), largely due to strong demand for end use products in construction and beverage packaging and the relatively high virgin cost. This provides the example of how to achieve a closed loop market – by encouraging demand rather than overwhelming supply manufacturers can be confident enough to invest in green





R&D. The Ministers agreements further support this goal by actively encouraging growth in our recycling capacity. The clearest ways to do this are to support investment in new onshore recycling processes and to use government procurement policy to encourage well-research recycled products, as well as to establish long term contracts with companies willing to invest in the appropriate R&D. This would build upon the growing community momentum and provide the demand stability necessary to encourage investment in products made with a significant recycled component. It also increases consumer exposure to high quality recycled products via two million public sector employees.

Encouraging waste reduction in the first place is the most important aspect of the agreement. It is by far the most efficient way to ensure resources are not entering the waste stream (no packaging is better than recyclable, compostable or reusable packaging). In the same way as community awareness, procurement policy and investment in new manufacturing process can drive demand for products with a significant component of recycled material, they can also drive [demand for products and suppliers](#) with significantly reduced waste components. However, for a range of reasons including hygiene and convenience, we will not reduce packaging completely, which makes recycling an important partner in waste management systems.

While publicity of the recycling crisis could have focused on some of the more influential aspects of the potential solution, it will hopefully have provided a significant wake up call to the broader community that will ensure a better understanding of their role in the recycling process and, at a pinch, begin to influence their behaviour. We know Australians are committed to recycling which is a fantastic outcome of previous education campaigns. The next key task is maintaining this commitment while expanding knowledge of the finer details (such as rinsing, and not putting items inside plastic bags) while also growing commitment to purchasing products with minimal packaging and high percentages of recycled material.

What is encouraging is that through the pains of the current export crisis, this agreement takes a broad focus that if implemented fully, will encourage investment in onshore R&D and new processing facilities, move Australia towards a closed loop recycling economy and potentially develop a new manufacturing industry supporting new jobs in the sector.

Catriona McNaughton



Standing Start

Why organisational leadership needs to find the real debate behind the façade

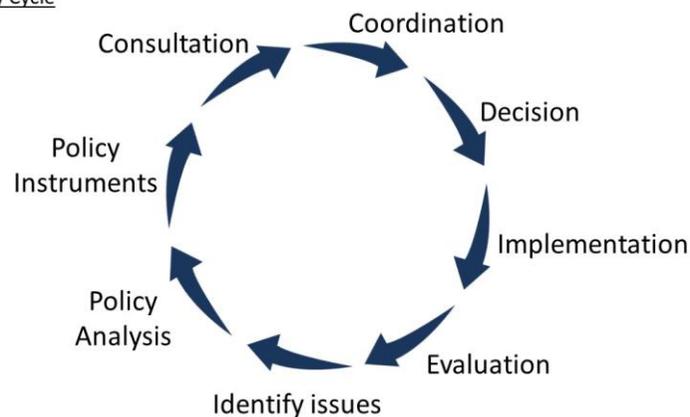
For organisations keeping an eye out for policy change, watching for signs in the media means you're already too late. It's crucial to be ready to respond to emerging policy issues. However, policy debates that roll on in media outlets are often months behind the debate that counts; among decision makers and their advisors (political and departmental). It's only by maintaining meaningful contact with insiders that you can see what's coming from further down the road.

This is not to say it's all about who you know; 'handshake politics' will get you as far as the meeting table but if you get there without a genuine understanding about the risks and opportunities you face, you will do little but burn credibility. A helpful

framework is the "policy cycle", a standard version of the process by which problem solving works in the public sector.

While a useful start, this model is flawed for a number of reasons, not least of which is that government is made up of people just as prone to irrationality as in every other organisation. To explore where media attention fits, let's focus on the "issues identified" stage. If all relevant political actors notice an issue simultaneously and a

The Policy Cycle



Adapted from Bridgman and Davis, The Australian Policy Handbook, p. 26

debate kicks off, that's well and good. However, the typical way this plays out in practice is that this stage occurs at different times for the media and for political insiders (whoever happens to be first for a particular issue). For corporates and non-government organisations outside of the circle, this poses significant risks when the difference isn't recognised.

Organisations that are exposed to regulation (read; everyone) rightly take interest when changes are being made, but need to make two further assumptions;

1. For issues sparked by the media, such as various kinds of scandals, the political side must be seen to act quickly so there is a narrow window
2. For issues the media picks up, such as long-running weakness in provision of a public service, the political side has already been paying attention

Businesses and organisations are at risk of only paying attention to political issues once they're in the media; this either means they have an extremely tight window or it's already too late to contribute sector-specific knowledge or

expertise. The downside risk is that new regulation or lack thereof doesn't take into account realities on the ground or the particular circumstances of your operation. Formal consultation often brings up these kinds of issues later in the piece but by then, the momentum of an issue has been directed in a particular way and you're at risk of being left on the riverbank, rushing to catch up. The upside risk (or missed opportunity) is that since your expertise was too late to make a real difference, you're less likely to be seen as a leader and will have a harder time positioning as such into the future.

In either case, it's hard to tell the status of a policy response from the outside; this is why long-lasting relationships are needed not just with politicians, but also departmental stakeholders. The public service fulfils an evolving role but it is still a deep source of knowledge and expertise. Knowing when and how your practical expertise is relevant for them helps to achieve an outcome that satisfies the practical considerations in developing effective policy, and thereby supports the public good.

Failing to engage with policy advisors and departmental stakeholders in a consistent way leaves your operation at a standing start when something that impacts your sector changes. This is often an ill-understood risk to a business' or organisation's need for a rational and dependable regulatory environment, and therefore a risk that boards must directly address as part of their risk management and governance role.

Sam Perkins

About Us

FPL Advisory is a team of specialists resolving risks and creating opportunities with respect to government. We work with public sector and corporate clients to execute strategies for owning and managing change.

We help organisations in uncertain or changing environments identify strategic goals and potential risks, and undertake analysis to develop robust policy positions. We also assist in engaging with key stakeholders including government decision makers, communicating policy positions and securing project and policy outcomes.

As trusted advisors, we work closely with the senior level of organisations to deeply understand the issues, provide subject matter expertise and advice and to both lead and support reform programs.

Our expert team has an intuitive understanding of both private and public sector processes and priorities, and a reputation for working with the right people to get things done on time, within budget and with integrity.

Our experience includes project managing complex policy initiatives, delivering and leading long term stakeholder engagement programs, providing advice on emerging issues and preparing detailed policy submissions. Importantly, we invest in

building deep corporate knowledge about client dynamics and issues which ensures we provide proactive and value-added advice and client support and develop long term client relationships.

Our case studies demonstrate what we do and how we go about our business.

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The Team

Steve Cusworth leads the range of activities and advisory services undertaken by FPL Advisory for clients in the private, government and not-for-profit sectors. Steve has a comprehensive understanding of the tensions and demands across the government, business and not-for-profit divide. With deep knowledge and experience across a range of public policy goals and commercial drivers, Steve provides strategic leadership, advice, risk management and execution support for government and non-government clients.



Sam Perkins is a public policy specialist with experience across political risk, research and policy change management. His strong policy research and political, legislative and regulatory analysis skills provide foundational support for clients working in local, state and federal government jurisdictions.



Catriona McNaughton is a communications professional, supporting the broad range of stakeholder engagement activity at FPL Advisory. Building on her interests in economics, environmental management, tourism and urban planning, Catriona understands the need for communications to support policy outcomes.



Allana Ferguson is a specialist in the processes and practices of contemporary public policy in Australia. Allana has experience in research and analysis in the design, delivery and evaluation of effective public policy to enhance the capability of each clients' network so that it is agile, modern and sustainable. She utilises a strategic methodology to identify emerging problems and recommend options for practical solutions.



