

Australia and the OECD: A fruitful 50-year partnership

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1 Australia's membership of the OECD: a driving force for securing our nation's economic strength and prosperity

Australia's membership of the OECD has become a fundamental pillar of domestic policy-making and has flourished into a fruitful partnership where the benefits are shared by both the OECD in its mission and Australia through the quality of its domestic policy. Namely, the OECD's combination evidence-based, rigorous academic literature with practical policy solutions has had a three-fold impact on our economic strength and prosperity, which is defined in this essay to be policies that address market failures or legislative gaps to improve Australian welfare and foster mutually beneficial transnational coordination. Firstly, the OECD's primary mission of *policy learnings* has greatly assisted Australia's policy making, both by exposure to international best practice but also through targeted recommendations provided by the OECD. Secondly, the *expansive data collection* and comparisons undertaken by the OECD provide unparalleled abilities for policymakers to assess Australia's performance and gaps in policy. Finally, *the considered application of policy to suit the Australian context* ensures that policy recommendations reflect the uniqueness of our local socio-political landscape.

1.1 Policy learnings and knowledge sharing

The crown jewel of the OECD is its ability to provide novel, innovative policy solutions to member nations. Indeed, [Carroll & Kellow \(2012\)](#) found amongst their interviewees, without exception, that the major reason for their participation in OECD committees and working groups was policy learning in one form or another. A recent example of the magnitude of these policy learnings can be seen in the Productivity Commission's latest review of our progress towards the reforms outlined in the National Water Initiative in their '[National Water Reform 2020](#)' report, which explicitly draws on the OECD's *Principles on Water Governance* to guide its recommendations to government.

Additionally, policy recommendations that form part of the National Disability Insurance Scheme (NDIS), which provides demand-driven, person-centred disability services to minimise market failures that arise due to information asymmetry and thin markets, are also attributed to work conducted by the OECD (see [Parliament of Australia \(2014\)](#), [Grattan Institute \(2020b\)](#), [OECD \(2010\)](#)).

Despite its challenges and ongoing improvements, the NDIS is [the first of its kind in the world](#) and has delivered tangible benefits to people with disabilities, including increasing the number of eligible people who now access the services they require and improving the capacity for carers to support those for whom they provide care ([Mavromaras et al. 2018](#)). It thus serves as a hallmark of the OECD's influence and ability to transform Australian policy to transform Australians' welfare.

1.2 Data for evidence-based policy

While the OECD provides direct policy recommendations for its member nations, its ancillary and publicly available datasets are a major contributor to Australian research and policy reform undertaken by government organisations on key policy areas. Panel data research for example (where there are cross-section and time components), can be incredibly powerful for cross-country comparisons and policy evaluations. However, fragmented data sources or inconsistent data collection methods can challenge the quality of statistical inference and policy application. Moreover, individual research attempting to gather similar data can be encumbered by financial and compliance constraints, and as such may obtain samples with insufficient statistical power to conduct inference. Thus, the OECD's vast collection of transnational data that are gathered and aggregated on important macroeconomic variables, from education attainment to foreign direct investment, has provided policy institutes with new ways to assess Australian policy performance and areas for reform that due to data constraints would otherwise have been too challenging to achieve.

For example, [Productivity Commission's report](#) into the demand-driven university-system in Australia uses the OECD's Programme for International Student Assessment (PISA)

education results as the basis for its analysis for government. Additionally, the OECD's cross-country comparisons on mental health prevalence and its effects on social outcomes like a sense of identity and fulfilment and key economic indicators including labour market outcomes informed the Productivity Commission's [Mental Health Inquiry](#), and has recently been adopted by the Australian Government in [the largest mental health investment in Australia's history](#).

Policy think-tanks including the Grattan Institute also heavily rely on data and findings from the OECD in their policy recommendations to government and developing a case for change (see [Grattan Institute \(2020a\)](#), [Grattan Institute \(2021\)](#)). Thus, while indirect, Australia's membership of the OECD generates a wealth of information and data collection that is explicitly used both within the OECD and other prominent organisations to develop meaningful policy that translates into tangible benefits for the community.

1.3 Accounting for the nuances of policy implementation

The framework that governs the OECD's policy review and report process, in particular its peer-review approach, is critical for policy recommendations as it reflects findings in the literature that the effectiveness of policy implementation hinges on the socio-cultural norms that govern a given country ([Jackson et al. 2020](#)), and therefore cherry-picking overseas policies to replicate domestically can be unsuccessful and damaging to a nation's prosperity ([Henrich 2020](#)).

A notable example of this (albeit outside of an Australian context) lies in the implementation of Washington Consensus policies in Latin American and African countries, without considering how a country's trust in its institutions and beliefs on the permanence of free-trade can affect their export-import decisions and thus whether terms of trade balances are sustainable. This oversight ultimately set Latin America and Africa back many years in their economic development ([Rodrik 1992](#)).

The OECD thus serves as the body that balances innovative policies trialled overseas and

policies they recommend, with consideration of the country-specific heterogeneity that affects how policy transitions from conception to implementation. The OECD achieves this balance within Australia, for example, by tailoring policy recommendations to reflect political realities and appetite for change within Australian government bodies ([Grattan Institute 2020b](#)).

Moreover, their Economic Surveys carefully choose comparable countries by socio-political leanings (such as New Zealand and the United Kingdom) to guide policy recommendations in specific areas of improvement. One such example includes leveraging the learnings from the UK’s Work Programme, that prolonged support and incentives for the long-term unemployed, to address labour market scarring and promote longevity in the transition from unemployed to employed ([OECD 2018](#)). The OECD’s past recommendations, such as mutual obligations for unemployment ([Kinneer 2000](#)) which also used considered transnational comparisons, was considered a successful method to address the incentive compatibility constraint of transfer payment systems ¹ when it was implemented in Australia around the late 1990s ([Fay 1996](#)).

2 What lessons are there for Australia’s ongoing engagement with the OECD?

2.1 Policy is not created in a vacuum

Over the years, there has been a downward trend in the conversion rates of policy recommendations from the OECD into action by the Australian government ([Grattan Institute 2020b](#)). However, some of Australia’s most influential policies, from the NDIS to better integration of VET into the secondary education system, can be traced back to OECD recommendations ([Grattan Institute 2020b](#)). The impact of the OECD also spans outside of formal OECD committee meetings and into informal partnerships and networks forged through partici-

¹Specifically, mutual obligations are *incentive compatible* because the payoff to individuals from ‘active’ job searching while on unemployment benefits is higher than their payoff should they remain unemployed but ‘passively’ search for employment opportunities (as they would lose access to welfare payments).

pation in this forum ([Carroll & Kellow 2012](#)). This, combined with learning how to apply different policy mechanisms for Australia can lead to broader benefits outside of the OECD's direct channel - such an example is seen through [the restaurant voucher scheme](#) introduced by states like New South Wales and South Australia to boost the hospitality sector following the effects of Covid-19, being modelled off a similar scheme introduced in the UK. This demonstrates the benefits of policymakers leveraging knowledge and learnings outside of domestic organisations and acknowledging that good policy is a function of collaboration, global learning and partnerships with organisations with a passion for positive change.

Therefore, Australia's ongoing relationship with the OECD should continue to embed OECD's policies into policy-making processes to imbue greater rigour to policies such that they meet the desired outcomes and enhance Australian communities.

2.2 Australia's role in global policy-making is non-trivial

A challenge posed by the bureaucratic structure of the OECD is that change implementation can be slow; this obscures the ability to directly measure Australia's contribution and influence on policy ([Carroll & Kellow 2012](#)). However, as alluded to in the introduction, Australia plays a meaningful role in guiding the direction of the OECD, as domestic policy ideologies can metamorphose into large-scale change in part through our partnerships and alliances within the OECD; indeed, members such as the US and Canada provide a natural set of allies in support of Australian positions ([Carroll & Kellow 2012](#)). Therefore, Australia's membership of the OECD can generate bi-directional benefits, where its not just the OECD that influences domestic policy, but Australia's policy visions that also serve as a catalyst for OECD-wide reform.

For example, Australia has long been a proponent of international tax coordination to mitigate tax evasion ([Carroll & Kellow 2012](#)), an issue that coincides with domestic policy interests and has currently [re-emerged for discussion amongst key policymakers](#). Australia's involvement in the OECD and ability to drive areas of policy consideration has thus culminated in the OECD's recent report, '[Addressing the tax challenges arising from the digital-](#)

isation of the economy' which contains an array of international policy reforms for taxing rights and mutual agreements on corporate taxation.

Therefore, the future of Australia's relationship with the OECD should be characterised by increased involvement and using the OECD's committees and platforms more deeply, given the capacity to generate global economic reform that aligns with domestic interests.

Conclusion

Australia's membership of the OECD has yielded a myriad of benefits: from extracting key policy learnings, using OECD data sharing and cross-country comparisons to validate areas of domestic policy reform, to achieving a greater understanding of the intricacies of converting policy development into effective legislation. The future of Australia's relationship with the OECD should thus continue to utilise the OECD's policy channels, both formal and informal, to guide future policy-making and to bolster Australia's positioning and contribution to guiding the direction of OECD policy-making to preserve Australian interests and stimulate international policy reforms.

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