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PRIME MINISTER

EMBARGOED UNTIL DELIVERY

REMARKS BY THE PRIME MINISTER AT THE OPENING OF
MEETING BETWEEN REPRESENTATIVES OF THE ACTU, BCA AND CAI
ON WORK AND MANAGEMENT PRACTICES
MELBOURNE 7 24 SEPTEMBER 1986

As you know I have been drawing attention for some time now to the need for management and labour to work together more effectively and more efficiently.

This is because Australia's international competitiveness - and thus our ability to create wealth and jobs - ultimately depends on how productively we use our natural resources and capital equipment.

This has always been the case. But pursuit of greater productivity has become even more urgent over the past year or two.

The 15 per cent decline in our terms of trade since the end of 1984 is now costing Australia about \$6 billion a year in lost income.

It has also highlighted, once again, the vulnerability of Australia's living standards to fluctuations in commodity prices and the importance of seeking to reduce this vulnerability by expanding efficient export-oriented enterprises in the manufacturing and services sectors.

The substantial real depreciation of the \$A has given Australian industry a massive competitive advantage and, of itself, has provided a new impetus to necessary structural reform within the Australian economy.

But it will take sustained restraint in nominal wages growth and significant improvements in the productivity of our trade-exposed industries if that enhanced competitiveness is to be preserved : clearly the higher we can lift our productiveness in the years ahead compared with our competitors the less of a burden has to be borne by adjustments to wages growth and living standards over the intervening period.

A large number of factors impinge upon our productiveness. These include, as you know, levels of capital investment and skills formation and the efficiency with which we use our existing capital stock. Each of these has been the focus of Government policy development.

It is widely recognised that the thrust of general economic policy is to support longer term adjustment in the balance of payments, including by creating the conditions which will permit, in time, a lessening of the role now required of monetary policy.

Less well recognised is the major steps which have been taken:

- . To encourage innovation and industrial research and development;
- . To reform our education and training systems;
- . To restructure certain key industries, including by way of sector-specific plans;
- . To reform the tax system;
- . To facilitate increased exports; and
- . To develop a more outward-oriented economic structure.

We will continue, in the months and years ahead, to put the necessary policies in place on a broad front : general policies in respect of the Budget, interest rates, ongoing restraint in incomes claims etc and more specific policies addressing more directly the efficiency of industry.

These policy initiatives, combined with modest wage outcomes, are in themselves crucial. But they are all the more potent in the context of the substantial real depreciation of our currency which has occurred since the end of 1984.

No single element of this mosaic would have been sufficient on its own. The effects on our trading performance build cumulatively and reinforce each other. They take time to have their full impact.

The purpose of this meeting today is to address yet another element of the mosaic which will determine our living standards and job prospects in the longer term.

To preserve for the future the beneficial effects of the depreciation we, as a community, need to look carefully now at the way in which work is organised and managed so as to remove barriers to making the best use of our resources.

And it is possible to do that today in the knowledge that the community as a whole - and the workforce in particular - is ready to contemplate and participate in the necessary processes of change.

From my private discussions with representatives of each of the groups here today I know it is common ground that a wide range of work and management practices have developed in less demanding times which are no longer affordable and which cannot be justified on grounds of efficiency or safety.

Many of these practices are industry or plant specific. They can involve, for example, artificial restrictions on the use of skills and training, artificial restrictions on the use of productive time, excessively bureaucratised management structures, insensitive personnel practices or manning levels inappropriate to modern conditions and technology.

Their range and diversity suggest that it would not be a constructive use of time, on an occasion such as this, to seek to codify or catalogue all of the possibilities. Moreover the significance of any given arrangements will vary as between plants.

And on that aspect it also seems common ground that this meeting, being a meeting of peak councils, cannot resolve issues which in their nature require detailed knowledge of particular industries, enterprises or plants.

Rather the objective today is to discuss how best to encourage in practice the most productive dialogue between those able to effect change - in ways, moreover, which can maintain the momentum for change and reform even as productive technologies and trading conditions continue to evolve over the years ahead.

The community is looking for leadership from this group and firm evidence of commitment on both sides to the reforms which are widely recognised to be necessary.

It needs to be recognised that all aspects need to be on the table for discussion between the relevant parties - as I said last week when announcing this meeting, that means "all aspects of work and management practices within the overall context of seeking to achieve the optimum investment and productive strategy calculated to meet the economic challenge facing this country."

I acknowledge that there are many examples of unions and management which have worked quickly and co-operatively over recent years to reform the way work is organised.

Five car companies, for example, are now using Just In Time methods of inventory control. This innovation has required significant flexibility from and the support of workers on the shop floor. And workers in the industry have also co-operated in a new approach to quality control which has required upgraded skills, greater responsibility and revised work procedures on the shop floor. Workplace reform is also a major element of the Steel Plan and of the recently announced Heavy Engineering package.

These are examples in which Government initiatives at industry level have provided an important catalyst for change. There may be other cases in which established consultative forums at industry level could provide a further focus for worker and management initiated reviews.

However significant improvements in procedures have also been initiated in the recent past at plant level. To quote but three examples:

- . Larger companies in particular are increasingly implementing flatter management structures and the like;
- . In the aluminium industry, which operates in an intensely competitive world market, some companies have achieved significant cost efficiencies by designing, in conjunction with workers, broader job structures, including through the introduction of so-called semi-autonomous work groups (in some cases with improvements in pay under the C & A Commission's work value principles); and
- . In sugar refining there has been progress towards multi-skilling in some plants which has led to significant reductions in overall costs, more satisfying job profiles for workers and greater job security for the remaining workforce.

In each case these developments have required a major change in attitudes, a new way of looking at what we do and the way we do it, and a willingness to consult and to adapt.

Frequently, agreement to proceed to new arrangements was forced by a market crisis - in other words the stark reality of the choice to become more productive or to become passe. But not all segments of Australian industry have been as keenly exposed to harsh world conditions. And, too often, progress has been slow.

In our new straitened national economic circumstances the need now is for all industries - especially but not exclusively those exposed to world trade - to begin seriously to review workplace procedures and most importantly, to do so in a timely fashion.

It will be too late to act if we wait until an industry is in deep crisis. The time to improve our performance overall and to claim increased market share is now. As I have said on other occasions, our competitors every day produce quality products, on time and to budget - and so must we.

Indeed many of our foreign competitors have been improving their trade performance by improving their work performance for years - and in many areas we have some catching up to do.

In calling this meeting it has not been my intention to imply that work and management practices are the only or indeed the only remaining area of our economic performance in need of reform. That clearly is not the case.

But while not the only step, reform in workplace procedures is undoubtedly the major next step in the broad agenda for revitalising Australian industry which we initiated three years ago. And it is for this reason that I have suggested that most attention be directed to this aspect today.

Having convened this meeting the proper further role of Government in securing generalised workplace reform is of necessity limited. However the Government is ready to provide whatever useful assistance the meeting may later consider necessary.

And, of course, the Commonwealth is prepared to address these matters, constructively, within the public sector. For example some progress has already been achieved in respect of the Australian National Line. I will be announcing significant reform of the Australian Public Service tomorrow, which will contribute to greater efficiency in the public sector. I have also asked responsible Ministers to take up these general matters with public enterprises within their portfolio.

History has shown us clearly that change is most readily effected when those who will be affected by it have a clear appreciation of the necessity for reform, the steps to be taken and the longer term benefits to be achieved.

I applaud the constructive and co-operative spirit in which the representatives of business and unions have approached this meeting today. Obviously we cannot hope to make long-lasting progress in this area except by processes based on goodwill, co-operation and consultation.

This meeting today is a necessary first step in giving greater impetus and focus to such processes. Your example here today and the degree of your commitment to facilitate co-operative change will provide an important signal to the many others who have to come after you. Because, as I said last week, to succeed there must be others - in unions, in firms, in industries - prepared to take up the challenge and carry those processes forward.

I have no doubt that some energy, foresight and co-operative leadership today will greatly assist Australia onto the course of the highest possible rates of sustained growth.

You all, of course, have a commitment and obligation to your immediate constituencies. Let us all remember that we all have an enduring obligation to future generations of Australians - the obligation to pass on a country best equipped to meet the remorseless challenges of an increasingly competitive international environment.
