



10

PRIME MINISTER

*****PLEASE CHECK AGAINST DELIVERY*****

**SPEECH BY THE PRIME MINISTER, THE HON P J KEATING MP
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I am pleased to be back at an ACOSS Conference. So regular are my appearances here I imagine you could be persuaded that we share your concerns and respect the good you do.

I was, of course, interested by the theme this year - "Fact, Fiction and the Future".

- It is not easy to sort out fact from the fiction at the best of times; when it comes to social policy, or the shape our society is taking, it is very difficult indeed.

But it is also essential. We can't formulate policy on the basis of phantoms, we cannot improve the kind of sophisticated social security services we now have unless we have an accurate understanding of realities.

It is not easy but I thought today I would try.

And while I'm at it, I also thought I would talk to you a little about the future - about how we can continue to shape up Australian society, make it more equitable, more prosperous and richer in opportunity.

The future, of course, is a word laden with meaning. It bears some relationship to what has become known as "the vision thing".

I happen to prefer the "future thing", if only because it is generally the people who wax most lyrical about their visions who wane most visibly when it comes to doing something about it.

The future has more reality.

The great purpose of governments is not so much to have a vision as to create a future. We need to anticipate it, plan for it and, above all, carve it out - shape it the way we want it shaped.

We always know this much about the future - it is where our efforts will be judged. It is where it will be decided whether or not we failed or provided for our country and our children.

And so long as Labor is in office, we know this as well - we will keep moving towards an Australian social democracy in which fairness and equity are the guiding principles, in which the effort is constantly to share the wealth as well as to create it, in which opportunities are open to all and the safety net is wide enough and strong enough to catch those who fall.

My measure of the past is how much progress we have made towards this goal. My measure of the future is how much more progress we can make.

As you know, our ambition over the past 12 years has been to make the fastest possible progress down two parallel paths.

Down the economic path, we sought to secure Australia's prosperity by improving our competitiveness, increasing our exports and the range of them, increasing productivity, and restructuring our economy in ways which would deliver us a place in the markets of the world, set us up in the region and deliver long term low inflation growth.

We did these things and we are still doing them. And for one reason - to create and distribute wealth and opportunity for Australians now and in the future.

And because nothing creates and distributes wealth like jobs, and nothing creates opportunity like jobs - and nothing denies it like the lack of them - above all, we have been determined to create jobs.

We created 1.6 million of them in the 1980s. We have created 670,000 of them since March 1993.

Down the social path, we pursued that model I have described; we expanded education, health care, child care, social security. We developed a social wage and a social security system with few equals in the world.

And in the last 18 months, we have taken it further with, among other things, Working Nation and its extensive programs for young Australians and the long term unemployed.

I would like to pause for a moment on this subject.

Last night your National President took issue with remarks I made yesterday about youth unemployment.

Let me repeat those remarks which, you may recall, were made in reply to Rupert Murdoch who had said the day before that 34 per cent of young people in Adelaide were unemployed.

The issue is an interesting example of your "fact and fiction" theme.

This is what I said yesterday in reply to a question from a journalist:

Well someone has told him that, and told him wrongly, because youth unemployment in Australia is 9 per cent and it is nine per cent because this Government has lifted the completion rate in secondary schools to just about 8 in 10 young people.

Now, it can be said that the rate of youth unemployment in Australia is 27 per cent because 27 per cent of the 30 per cent of 15-19 year olds who are actually not in education are also not in work. That is what I said yesterday "The 27 per cent is for those who are out there in the labour market". That is a fact.

It is true that measured as a percentage of those in the labour market, 27 per cent of Australia's youth is unemployed - and that is the way the ABS measures them.

But it is not true - as many people believe because they are led to believe it - that 27 per cent of all our young people are unemployed. 70 per cent of them are in the best possible place they could be - in education and training. 18 per cent of them are in jobs. And 9 per cent of them are unemployed. That is a fact. They are all facts.

And it is also a fact that 70 per cent of young Australians are in education because it is deliberate government policy; that every government with a care about its future is doing its utmost to keep young people in education and training; that to let them drift into the labour market without education and training will greatly inhibit their opportunities and greatly increase the risk of their falling into long term unemployment.

These are facts. Just as much as the 9 per cent I quoted is a fact. Just as much as the 27 per cent of 30 per cent is a fact.

And what matters as much as these facts is what we do about them. As I said yesterday, 9 per cent of 100 per cent is too high. 27 per cent of 30 per cent is too high. The exceptional rates in some suburbs and regions around Australia is too high.

Just as the rate of 8.2 per cent unemployment overall is too high.

But the whole thrust of government policy since the election of 1993 has been to get these numbers down, to get young Australians educated and trained and thus largely insulated against long term unemployment.

That is what the Youth Training Initiative is about. It is what the Job Compact is about. It is what the expansion of the TAFE system is about.

And it is why we have had in the past couple of years the largest fall in unemployment in our history, and why youth unemployment now stands at 91,000 and not a figure in the region of 158,000 which is what it was in 1983.

It is why long term unemployment has fallen by more than 30 per cent in the last two and a half years.

We don't think the job is done. We don't think it will be a simple thing to consistently maintain the momentum towards the 5 per cent target we have set ourselves.

But no one should ignore the progress that we are making, or put about the story that progress is not being made - or pretend that 670,000 jobs mean nothing, that a 31 per cent fall in long term unemployment means nothing.

No one should pretend that. And no one should pretend that more cannot be done.

The Government will do more. It will do more through Working Nation and through regional development and other programs. In the policy announcements we will make over the next few months you will see the emphasis on jobs and training maintained.

No doubt your own organisations will also do more. We have always said that while government has the principal responsibility, getting the unemployment numbers down is a task for the whole country. It is everyone's responsibility.

I am sure the private sector will do more - and who knows, with yesterday's free advertisement for traineeships, new companies will join the national effort.

If Rupert Murdoch has given our progress an inadvertent fillip, I will be delighted. But I do not believe that emphasising only the negative, or choosing only those figures which paint the gloomiest picture, will help us at all.

Deliberately misleading people will certainly not help.

My political opponents say that real wages have fallen in the past decade, when in fact they have risen by 7.2%. They say that household incomes have fallen when in fact they have risen by more than 20 per cent. They say, as Peter Reith has often said, that a two parent, two child family on average earnings of about \$38,000 is \$26 a week worse off in real terms than they were in 1983. That is a fiction. The fact is such families are better off in real terms than they were in 1983.

They say, as Peter Reith has also said, that low income families are worse off. In fact a two parent, two child family on two thirds of male average earnings is \$71 a week better off than they were in 1983.

They say that the economy is in awful shape and the sky is about to fall in, until the statistics prove the opposite and the sky stays where it has always been and the sun stays out - and then they say, as Mr Howard said yesterday, "but that is not how it feels to people".

In other words when you're caught out telling fibs which have been designed to distort people's perspective, quote the perspective.

I don't think painting the gloomy picture necessarily helps us help those who genuinely have reason for gloom. The Chicken Little routine engaged in by our opponents for most of this year, certainly didn't help the economy and it certainly didn't help the unemployed. Nor did it do a single thing for the Australians they suddenly discovered and with them a new word in their lexicon - the battlers.

Nothing they have said this year has helped the battlers. Nothing they are ever likely to do will help them - but that's another story. What has helped these Australians is the 78 per cent increase in family payments for low income families. The social wage whose average value to a family with two children is \$195 a week has helped them. The 70 per cent increase in the real value of the social wage has helped them. They fared rather worse under Mr Fraser and Mr Howard of course - the social wage fell by 17 per cent and the value of payments for the most needy families fell by 4 per cent. That did not help them.

The Opposition fictions are really just try-ons - thrown there in the hope that some of the lie would stick.

Of a more substantial nature was the appearance of claims that income inequality has greatly widened since the early eighties. This has come not merely from the Opposition, but from respectable commentators.

It is a matter of great concern to the Government. And I must say a matter of surprise, because we have been conscientious in our efforts to avoid the same social traps which other reforming economies created for their people.

To find out what has happened to income distribution over the eighties and nineties the Government commissioned research from the University of Melbourne.

The study, called *Trends in the Distribution of cash income and non cash benefits*, covers the period between 1981-82 and 1993-94, and examines the effect of wages and salaries, the tax system, the social wage and cash transfers on income distribution.

It will provide the most up-to-date and comprehensive analysis of trends in income distribution in Australia yet undertaken. That's important, because most of the stories around at the moment are only about bits of the picture.

They might tell us about what has happened in parts of our cities, or about the overall shape of things in a particular year, or the distribution of earned income alone. But you need a comprehensive map of what's happened over time if you genuinely want to evaluate the effectiveness of policy and effectively shape the agenda for the future.

Today I'd just like to tell you about a few of the key findings of the Melbourne study. They are preliminary results at this stage, but they are consistent with the pieces of the puzzle that you can find in other studies.

And when you put together the picture, the authors find that the distribution of disposable income - that is, private income plus government cash transfers less income tax - became more equal over the period of the Labor Government. Moreover, the share of disposable income received by the bottom 40 per cent of income units increased - that is, the poor became better off.

The study did find that, in common with other countries, there appears to be a widening of wages dispersion.

In Australia, though, this trend has impacted much less on those at the bottom than in many other countries. For example, the increase in earnings inequality in Australia during the 1980s was less than a quarter of that of the US and less than a third of the UK.

In this country we have chosen to protect the wages and conditions of workers through the industrial relations system.

The question of income distribution cannot be seen in isolation from the current industrial relations debate. After all, the largest component of income for the majority of adult Australians comes from wages and salaries - from a job.

Thus the quickest and most effective way to widen income distribution would be to initiate labour market reforms that led to lower pay for those in the weakest bargaining positions, and higher pay for those in the most powerful.

This is precisely what the reforms envisaged by the Coalition would achieve.

How can this be? Isn't the Coalition's industrial relations reform agenda designed only for flexibility? Won't it lead to higher wages through higher productivity? Won't there just be more choice?

As is usual in the area of industrial relations, the real information lies in the detail. It is here that the facts are hidden, and the fiction becomes plain.

The Coalition will introduce industrial relations reforms that allow agreements between firms and workers with only a few minimum entitlements written down. We don't know what they will be, but from other lists they have produced - for example, in Jobsback!, or from some of Peter Reith's speeches - we certainly know what will not be in them.

What will not be in them will be overtime and penalty pay rates, tool and other allowances, and holiday leave loadings. Because with these there wouldn't be enough flexibility.

It's important to understand how their approach differs from current policy, because differ it does and the chasm is broad and deep.

Current workplace arrangements allow agreements without overtime and penalty rates, tool allowances, and holiday leave loadings. But only if base pay is increased so that workers are not made worse off. Let me repeat this fact - agreements are only now possible if workers current overall pay is protected.

And here is the essential difference between the Government and the Coalition in industrial relations: the Government guarantees that workers are not made worse off through signing an agreement, the Coalition does not.

Under the Coalition, workers in poor bargaining positions will have their pay cut - they will lose overtime and penalty rates, and holiday leave loadings, and they won't be compensated for this.

How much can workers lose from this? The answer is, a lot. Some examples might be useful.

How about a typical 'Leading Hand Linesman', who earns about \$30,700 a year?

Today they receive industry, tool, leading hand and special allowances worth \$55.60 per week. If they work 8 hours of overtime a week - which is fairly typical - they stand to lose just from this being paid at the normal rate a total of \$65.70 a week.

Taking away the holiday leave loading which is worth \$317.50, the total loss for the year for the linesman would be \$6139.90, a 20 per cent cut.

Or take a labourer in the building industry, with an annual income today of \$32,900.

Say 10 hours of overtime are worked - 1 hour each day and 5 hours on Saturdays. The additional income from the overtime rate is \$84 a week.

Without this overtime rate the worker would lose \$4,032 each year, and still be working the extra 10 hours. If the industry, special, tool, and transport allowances and holiday leave loadings are also lost, a further \$2,788 goes.

In total, then, the pay reduction would be \$6820, or about 21 per cent. There are over 1 million labourers in situations just like this.

Consider full-time nurses who work the typical amount of night shifts and weekends each year, and currently earn \$24,600.

If penalty and overtime rates were reduced to the normal day rate, and they still worked the same hours, their income would be reduced by \$5,412 - 22 per cent - to \$19,188. There are over 150,000 registered nurses in Australia.

But, what does the Coalition say about the examples I have given?

- It can't happen, they say, because no one will be forced off an award if they don't want to be. That is, if you like your current arrangements that's fine, you can have them. There will just be a lot more choice.

This is fiction.

Mr Howard and Mr Reith are either very ignorant about how labour markets work, or they are trying to fool people.

What sort of choice is there for workers asked to sign an agreement or risk losing their jobs?

How can those applying for a job hope to get the award conditions if they want the position? How does "choice" work here?

Here is a fact for the debate: in 1994 1,731,500 people took a new wage and salary position. That's about 20 per cent of the paid workforce.

Over 1.1 million of these came from outside the paid labour force - from school, from tertiary education, from being at home looking after children, as new immigrants.

Let's put it differently with the addition of another fact: the fact that 42 per cent of workers have been in their jobs for less than three years. Thus under a Coalition's first term, at least 3.6 million workers will be facing a new employer and will not have the choice of staying on the award.

So considerable change is not just inevitable, but it could also be very quick. And with dramatic consequences for the workers and families affected. With dramatic consequences for our social fabric.

It also will have two clear economic outcomes. The obvious one, and the one that groups such as ACOSS will care about profoundly, is that the Coalition's industrial relations policy must widen the distribution of income.

No academic labour economist would doubt this.

No community worker will be surprised to see large increases in the numbers of poorer workers seeking assistance.

There is a very different group who will find themselves worried about this possibility. It is the Liberal Party's natural constituency, who will hope and trust that a Coalition government will be reducing outlays.

But how can social security payments not increase automatically if the incomes of the poorest workers are being cut?

- For example, take the case of the labourer in the building industry outlined above, and let's assume he has three children.

If the labourer's pay is reduced from \$32,900 to \$26,080, the family will receive an increase of \$3,675 a year in family payments from the Department of Social Security.

Here then is the issue for the Coalition. The Coalition will need to find many millions of dollars to support the new wage system

This is a predictable result of moving some aspects of income distribution away from the wage system and into the social security system: not only will income distribution become less equal, but government spending has to go up.

If government spending is not to go up, the current social security rules will have to be made less generous. That is, rates of payment will fall, or the taper will be increased, or indexation will be discontinued.

Either way, two quite different groups must view these possibilities with great concern as must every Australian who values our best traditions and our way of life.

You really have to ask why?

And you really have to conclude that governments make a difference. Ideology makes a difference. Policy makes a difference. And if parties don't reveal their policies, you have to ask why.

Government policies really do matter. And they have certainly mattered over the past dozen years - not least in the realm of income distribution.

Although the University of Melbourne study found that private or market income has become more unequal between 1981-82 and 1993-94, the Government's policies have more than offset this trend.

Ann Harding's work shows that the gap between the top 20% of incomes and the bottom, based on private income alone, is around 13 to 1. But when you add in the effect of cash transfers, the gap between the rich and poor is reduced to 5 to 1. The effect of Australia's progressive income tax system further reduces the gap to 4 to 1, and when expenditure on social wage is taken into account the gap between rich and poor falls to 3 in 1.

Furthermore, the University of Melbourne research found that both the cash transfer system and social wage expenditures had a greater equalising effect in 1993-94 than in 1981-82. That is, the Government's significant increase in spending on social security and the social wage has reduced inequality more strongly in the 1990s than comparable expenditure did in the early 1980s.

- Wages do not and cannot take into account the costs associated with family responsibilities. This is where there is a legitimate role for Government policy. Over the period of the Labor Government, our priority has been to support low income families. To take just one example, a single income family with two children on two-thirds of average weekly earnings receives about \$120 a week in cash transfers.

We have also dramatically increased the value of payments to people who don't get any wages or salary.

During Labor's period in office the real value of unemployment benefits has increased for single adults by 25 percent, or nearly \$30 a week. Sole parent families with two children are around \$62 dollars a week better off in real terms now than they were in 1983 and those renting in the private market are more than \$80 a week better off. You might find it illuminating to compare this with real income loss of nearly \$15 a week borne by the unemployed when John Howard was Treasurer, or the \$5 a week cut borne by sole parents during the same period.

We also need to take into account the impact of the tax system on income distribution. Another of the current fictions is that our tax system doesn't help.

The facts are different.

Under Labor, the tax base has been broadened to include capital gains and fringe benefits. We do have a progressive income tax system. A tax system that contributes to reducing the spread of incomes in our society. Income tax reduces the gap between the rich and the poor.

Although it is often overlooked in an examination of income distribution, the social wage - which includes spending on health, education, child care and housing - is one of the key features of the Australian social landscape.

Government spending on services such as Medicare and pharmaceuticals means that families can spend their hard earned cash on other things. And it's not a small amount of money. NATSEM have estimated that health benefits alone are worth \$70 a week for a couple with children.

When you add in education and housing it goes up to about \$200 a week for a family. And that's before you think about some of the other direct assistance government provides like child care.

Take away the expenditure by Government, and we would all be worse off.

Under Labor, the value of the social wage per person has increased in real terms by 73 per cent.

And the social wage is about more than just paying for services you would otherwise have to pay for yourself. It's also about providing a quality service.

Our health system is the best example of this. All Australians are entitled to a high quality health system that enables everyone to get the medical attention they need.

We will not have a society where the poor can't have the operation they need because they can't afford medical insurance.

Just as importantly, we will not have a society where the poor get a second best health service.

The social wage expands people's opportunities, it changes people's lives.

Government spending on education is an investment in the future for our children. We all know that the more education you have, the less likely you are to be unemployed. We all know that a better education is the key to a better job. The fact is that educational attainment is one of the most accurate predictors of socio-economic status.

And we know that early school leavers have significant labour market disadvantages, and that those disadvantages stem almost entirely from the group's lack of qualifications rather than from the economic status of their families, disabilities or other external factors.

That is why the Government is committed to ensuring that by the year 2001, 95% of 19 year olds will have completed Year 12 or an initial post-school qualification or are participating in formal education and training.

That is why the Commonwealth has committed \$1.5 billion in growth funding to the vocational education and training system from 1993 to 1997, and contributed to the creation of about 35,000 extra places each year.

That is why Commonwealth funding available to higher education has risen from \$3 billion in 1983 to \$4.8 billion in 1995 - an increase of almost 61%. Why we have massively expanded the Australian higher education system so that it now enrolls more than 30% of all 17 to 22 year olds.

Education is one of the key factors behind Australia's high degree of social mobility. A recent study of second generation non English speaking migrants, for example, shows extraordinary upward mobility in one generation. For example, 4% of Greek male migrants were professionally employed in 1991, but 19% of their sons were.

These kinds of effects of the social wage cannot easily be captured by simple measures of income distribution. But they are important to our sense of a fair society as well as to the reality of it.

A story about an increase in income equality is not a story the media often tell. Sometimes you would think Australia was one of the most unequal countries in the world.

I am not sure whether we are the richest, as the World Bank says, but I don't think it matters as much as being the **best** country - the best place for ordinary people to live and work and raise families and lead tolerably happy, fulfilling and secure lives.

Wherever we may rank on the scale of riches, I think there is no question that no more than half a dozen countries can compete with us on that score.

And therein lies our ambition for the future. Richer certainly, bigger and stronger for sure - but as a means to an end, which is to be a better country, no better in the world.

We should have no doubt about our capacity to do this. Look back for a moment and you can see how far we've come.

As a nation, it is true, we have been blessed with a great many natural advantages; but the basis of this good society has been constructed by an act of will, by a conscious effort.

Understandably given that they are such a part of the national psyche, we tend to number the natural elements among the greatest of the blessings of being Australian. And no one would dispute that they constitute a marvellous inheritance.

But surely we should count Australian democracy even more highly.

And we might easily add the legacy of social idealism and reform which goes back at least a century. I include in that the traditions of egalitarianism which the last twelve years have shown to be as strong as ever.

Some people here will dispute this, I'm sure. But, whatever the imperfections of our society and our social services, I think the last 12 years have shown that in Australia the "fair go" lives - and they have shown that the Australian people will not vote for anyone who strays from the principle.

We have not yet created the perfect Australian social democracy. I am not sure that social democracy admits of perfection. But it is without doubt the philosophy which has worked best in the world and it sits easily with that blend of egalitarianism and pragmatism which has for so long been characteristic of Australia and Australians.

In the last decade we have rejected the regressive "primitive capitalism" of the New Right, the anti-social onslaughts of Thatcherism and Reaganism and all the reactionary variants in between.

Sometimes we only just managed to do it.

Had we failed in 1993, or 1987, or at any of the other elections, we would now be living in a very different country. I think everyone here knows how different. Remember if you put your arm out for the unemployed they would drag you down. Remember Gordon Gecko.

If anyone has forgotten, I can only suggest they read Fightback or refer to John Howard's election platform in 1987.

And then, I suggest, you remind yourself that this is the same John Howard. And this is pretty much the same shadow cabinet as John Hewson's - 16 out of 19 remain.

These are the same people who put their hands up for knocking unemployment benefits off the unemployed after 9 months, for abolishing Medicare and for slashing the social wage.

We have had a lot of trouble extracting policies from Mr Howard, but every skerrick we have got suggests the same old story. Particularly the industrial relations policy - look at this policy and you will see the image of the same old ideology. Industrial relations is the wash in which their true colours run.

And that policy alone would profoundly change the structure and fabric of Australian society.

When John Hewson addressed ACOSS three years ago at least he said what he would do - where he would go.

When John Howard addresses you tomorrow, you will get platitudes at best, or untruths at worst. What you won't get are the details of his \$10 billion of cuts to government spending.

You won't hear his rancour for the low paid or the disadvantaged whom he holds in complete contempt.

But there is something else the last 12 years have demonstrated; and that is the need for people of good will who know what the realities are, who can distinguish between fact and fiction, who know that our success depends on our social cohesion and our social cohesion depends on fair and equitable social policies - we need all these people on the one side.

If I may be forgiven another brief foray into the future, I like to think that when the next generation counts their blessings as Australians they'll count these first. I like to think that when they are asked what is so good about being an Australian in 2010, they'll say - well you get a fair go here. It's a birthright like the beaches and the bush and the wide open spaces.