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5**PRIME MINISTER**FOR MEDIASUNDAY AUGUST 9 1981ELECTORATE TALK

Discussions which the Government is to hold this week with representatives of employer groups and the ACTU on Wednesday, followed by a special Premiers' Conference and Loan Council meeting on Thursday, will help to decide the direction of the Australian economy. For we stand at a critical point: In one direction there is a path to sustained prosperity, continued growth in employment opportunities and rising real living standards. In the other direction is a path back to the economic conditions we faced five or six years ago, with rapidly growing prices, rising unemployment and economic stagnation.

As a result of the Government's policies, pursued steadfastly for nearly six years, the Australian economy now has an underlying strength which is the envy of other major industrial nations. In the year to March, excluding the drought affected farm sector, the economy grew at a real rate of 5.6 per cent, a rate considerably higher than any of our major trading partners were able to achieve, and a rate which the OECD has predicted we can sustain or improve if our policies are maintained.

Employment has also been growing rapidly, particularly in the last two years during which over 300,000 new jobs have been created, and the unemployment rate on a month by month basis has been lower throughout 1981 than in any of the previous four years.

Our success in restoring the health of the economy has derived primarily from the pursuit of policies which have restored business confidence and our international competitiveness by reducing the rate of inflation. Our inflation rate of 8.8% in the year to June remains significantly below that of our major trading partners, but it will have to be lowered still further to keep us ahead, and the Government remains determined that reducing inflation should have the highest priority.

One of the many signs of the faith that now exists world-wide in Australia's economic strength and prospects is the increasing strength of the Australian dollar relative to the currencies of the countries with which we trade. It is particularly interesting to observe, for example, that the Canadian dollar is now worth only 72 Australian cents. But the confidence that the world has expressed in Australia's prospects, the real gains that we have made in recent years, can so easily be frittered away. It is the danger of that happening, particularly through a renewed burst of inflation caused by a wages explosion, that has led me to call for the top-level meetings during the coming week.

To some extent, the very success of our economic policies have contributed to the wage pressures that exist, and the Government has acknowledged the need for flexibility in the wage determination system. The Government is not against wage increases as such, but in the interests of all Australians they have to be wage increases that industry can afford to pay without reducing employment. In all of this, we have to think of those without jobs as well as those with them. What we are concerned about is excessive wage increases that can only harm other people. The growth we now have in the economy has established the circumstances in which some employers feel they can give in to wage increases when otherwise they would not and when some unions feel in a strong position to bargain and demand more. But these pressures should be resisted.

At the talks this week, the Government will be discussing the options that are open to us to resist those pressures, options which ultimately have to be argued out before the Arbitration Commission. I have noted that the ACTU President, Mr Dolan, has said he does not want wage earners to bear the full brunt of economic stability. I agree with him on that, but there are people at present without jobs who want to be wage earners, and I am sure he would want more people to be employed, as we would.

I also want to make the point that throughout last year, wages increased by 13% to 14% while inflation was 8.8%, so quite plainly there was a very real increase in wages and living standards over the past 12 months. There are questions as to whether that was fairly shared amongst the community, or whether an undue proportion of it went to strong unions and their members. What about the unions that have not been able to argue their case so well because their bargaining power or 'clout' has not been great? It is not a question of wanting Australian working men and women to bear the brunt or pay the cost of economic stability, it is a question of establishing circumstances which are fair and reasonable, that will enable this country to capitalise on the enormous advantages that Australia has, and on the great gains that have been made since 1975. That is why an orderly system of wage determination and less industrial disputation is essential.

Too much should not be expected of the discussions this week, for the history of industrial relations is a continuing history of human relations, and dramatic answers are unlikely to be found. What we can achieve is a clearer understanding of the options facing the country, the mutual responsibilities on all governments, on the ACTU, and on employers to make sure that we all put Australia first, to make sure that we all act as people belonging to one country which we are determined to build and make a better place for our children.

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