

EMBARGOED

AGAINST DELIVERY

SPEECH BY THE PRIME MINISTER
AUSTRALIAN COUNCIL OF SOCIAL SERVICE CONGRESS
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This Congress could hardly be more timely or more opportune, coming as it does so soon after the presentation of a Labor Government's first national Budget for eight years.

The timeliness springs not only from the opportunity the Congress provides for all of us concerned with advancing the cause of social security and community welfare in this nation to review the work of the Government in this vital field during its first six months - and it may seem longer to many, but it is only six months on Saturday, since we were sworn in.

But, the added timeliness of this Congress comes from the fact that, because of the work of the past six months, and not least the new directions foreshadowed in the Budget, the social welfare debate in this nation has taken on a relevance, a topicality and I hope, a maturity, that it has not had for at least seven years.

The whole philosophy of the Australian Labor Party, and certainly the aim of this Labor Government, require that the approach to social welfare questions should be absolutely central to the entire debate about the course and shape of the future of this nation.

For these issues go to the very heart of this nation's vision of itself and go to the very heart of our aspirations for a more just, a more equal and a more humane society.

For if Australia is to have something special to say to the world - if we are to stand among the nations of the world as having something relevant and identifiably Australian to say - and if we are to give worthwhile meaning to the Australian experiment and the Australian experience, then that special Australian contribution must turn on this central question of whether or not we have succeeded in securing, for all our people, fairer shares of the nation's wealth and a larger measure of genuine equality.

At this stage it has to be acknowledged that no nation as basically rich as ours, which nonetheless has to confess the existence of at least one and a half million of its fellow citizens living in actual poverty, can claim success in achieving its great goals of a more equal and humane society. It is to these goals that the Government has tried in its first six months to address itself, even in the midst of economic difficulties and complexities not experienced in this country for more than 50 years.

We have not taken the view that reform of the social security system is something that must await national economic recovery. We have not tried to put these questions on the backburner.

Indeed, at a time of deep economic difficulties such as we inherited, the pursuit of greater equality takes on added dimensions. The whole task of economic recovery from the circumstances which we inherited cannot be achieved unless there is sharing of restraints and a sharing of inevitable burdens by those comparatively better able to bear them.

And that is the approach we have asked the community to accept.

It was the approach behind the National Economic Summit Conference. It was the approach of the nineteenth of May Statement. It was the approach of the Budget itself.

We have not sought to use the economic crisis as an alibi against reform.

On the contrary, we believe that the very seriousness of the general economic problems lends an added urgency to the need to tackle the reform of the social welfare system.

Indeed, the inadequacies of the system are themselves part and parcel of the wider economic problem.

The clearest specific example of this is of course the question of unemployment itself - the most notorious cause of the new poverty in our midst. But even if one could ignore the human tragedy involved - and no-one in this room ignores it - the sheer economic cost of unemployment, and specifically the tremendous fiscal burden the provision of unemployment benefits places on the Budget - is something which cannot be overlooked.

So beyond our deep philosophical commitment there are pressing and profound reasons why reform of the social welfare system occupies a central position in our total approach to government and such a high priority in the application of that approach.

I should take this opportunity to thank the Council for its participation and contribution to the work of the National Economic Summit in April.

The views put by the President, Mr Bruce McKenzie, were significantly reflected in key sections of the Summit Communique.

In calling for all-round restraint, the Communique specifically stated:

"(33) While the Summit recognises the difficulties for Australian society in meeting the increasing costs of social security, deprived groups must not be subject to the restraints mentioned above. It remains the overwhelming desire of the nation to ensure that those in genuine need are adequately supported, whether they be the sick, the aged, the disabled, the unemployed or the impoverished. To this end, the Summit believes that a real improvement of their entitlements should be a major priority."

I believe that my Government has honoured both the spirit and the letter of this important section of the Communique, as well as of the Communique as a whole.

The Summit recognised that the reduction of unemployment remained the over-riding problem we face.

When we took office there were more than 700,000 people looking for work. That figure is more than double the number of people looking for work when the Fraser Government took office. An increase of 400,000 unemployed people was the legacy of seven years of fighting inflation first.

It is only through a return to steady economic growth that long term jobs can be created, and that the living standards of all Australians can be raised. Our Budget has provided the framework for this economic growth. It has provided an adequate, but not excessive stimulus to economic activity.

We have established policies designed to achieve growth, while reducing inflation. As the private sector recovers we are determined to ensure that the public sector does not contribute to excessive pressure on interest rates. Higher inflation or interest rates would threaten the sustained economic recovery that is necessary if unemployment is to be reduced.

In May we announced the introduction of the Community Employment Program, which will be used to create jobs that will benefit the community. This program will give priority to those CES registrants who have been unemployed for at least nine months, those who have never worked, and those most grossly disadvantaged in the labour market, such as Aborigines. Furthermore we will guarantee that women will be given equal access to jobs created under the program. The Government has initially allocated \$300 million, which will be used to create 40,000 new jobs in 1983/84. In a full year the program will create 70,000

jobs. This is in addition to the \$100 million allocated under the Wage Pause Program, which is expected to create 10,000 jobs.

Altogether we will be spending \$958 million on employment and training programs in 1983/84 - an increase of 80 per cent on 1982/83 expenditure. In total we expect employment to grow by about 90,000 over the course of 1983/84.

But as well as improving job prospects for the unemployed we have also taken the first steps towards significantly increasing the assistance available while people are unemployed. In particular:

- We have taken a major step towards fulfilling our election commitment of bringing the single adult benefit rate into line with the pension. By May 1984 the benefit rate will have increased by some 22% in a little over a year. From now on it will be indexed. This is in stark contrast to the action of the previous Government, which removed indexation for this benefit, and reduced its real value.
- In addition we have doubled the amount of income the unemployed may receive without any loss of benefit.
- We will significantly assist those beneficiaries who have children, by our decision to increase additional benefits for children by 20%, and we shall extend Mothers/Guardians Allowances to single unemployment beneficiaries with children.
- Young unemployed people will get an additional \$5.00 per week from November. Apart from the \$4.00 which the Fraser Government managed to find in its 1982 pre-election budget, this is the only increase that has occurred since 1975.
- Finally, in recognition of the difficulties facing those people living in remote areas, we will introduce a remote area allowance from May 1984 which will benefit all pensioners and beneficiaries in those areas whose incomes are too low to benefit from similar assistance provided through the tax system.

This package of job creation and income security initiatives reflects the very high priority the Government has assigned to assisting the unemployed, despite the difficult budgetary circumstances we faced on coming to office.

The second major priority in framing the welfare budget has been assistance for children of low income families. Because additional pension for children is not indexed, and was not regularly adjusted by the previous Government, it had fallen by some 35 per cent in real terms since 1975.

Assistance for the children of pensioners will be increased by 20% from November, which will go part of the way to meeting this shortfall.

Assistance is also being increased for children of non-pensioners, by increasing the level of Family Income Supplement and relaxing its income test. This means, for example, that from March next year a family with 2 children on \$11,000 per year will receive a supplement of almost \$23 per week, which is more than double the current rate.

Thus our main priorities in the welfare area have been the unemployed and low income families with children, who have not benefited from indexed payments. Both these groups suffered in recent years through very significant decreases in the real level of assistance.

The general pension rate, by contrast, is indexed in line with the CPI, which has meant that over the last 6 months pensioners have received an income increase of nearly 7%, while average weekly earnings have increased by only 2%.

But the inequities and inadequacies of the system will not be removed simply by increases in the general pension rate. If no account is to be taken of need, then the inherent inequities will become entrenched and it will be impossible to increase the rate for those most in need - that is, for the vast majority of pensioners. In this regard it is important that the pensioners themselves understand the arithmetic of changes to retirement allowances that have been initiated by the Government.

Priorities demand that we begin our income security reforms by focussing on increased expenditure for the neediest.

And that is what we have done.

In the May Economic Statement we began to tackle inequities in the pension system with the revised income test arrangements for pensioners over 70. This was explicitly done to enable welfare expenditure to be directed to those individuals most in need. Its introduction only affects those with substantial private income - married pensioners with private incomes below \$500 per week are still eligible for a part pension.

In the Budget we have followed up this first initiative with a further reform to the pension system. I am talking about the introduction of the Assets Test. It is simply unfair that people with substantial assets are able to receive a full pension, while others miss out because they have a small income, even if they have no assets to fall back on. Clearly this situation is completely out of line with the Government's objective of a just distribution of social welfare payments. It has allowed an increasing number of people to circumvent the income test through artificial avoidance schemes.

The details of the assets test on pensions are being worked out, and we are consulting with ACOSS and other interested groups before taking final decisions on this matter. Nonetheless I should remove any misunderstanding about the impact of the new arrangements on pensioners with little means. The great majority of pensioners will not be disadvantaged by the assets test. After taking account of the "free-area" for the pension, a single pensioner will be able to own non-exempt assets valued at up to \$17,000 and still be entitled to a full pension, while a married pensioner couple will be able to receive the full pension with non-exempt assets up to \$28,500. It should be emphasised that these figures do not include a pensioners home, car or personal effects.

The Government has also acted to rectify the inequitable tax treatment of superannuation lump sums. Less than half the workforce is covered by superannuation schemes, and the considerable tax advantages enjoyed under the previous arrangements meant that burden of revenue collection was not being shared fairly. Recipients of lump sums have also been advantaged vis-a-vis people who receive their superannuation in the form of a pension.

Together with the assets test, this will substantially reduce the double-dipping that has been occurring, whereby people largely escape tax on their lump sums and then qualify for Social Security pensions.

Having said this, I would add that double-dipping is not the only reason for the assets test and the new tax arrangements for lump sums. These measures are designed to remove fundamental inequities in both the tax and pension systems.

And, of course, each of these specific decisions must be placed in their wider context of a complete and continuing program for reform.

Removing the inequities of the social welfare system and removing the inequities in the tax system go hand in hand. They are both part of our total approach to making Australia a more just society.

And all Australians have to realise that unless our taxation reforms succeed, our efforts to reform the social welfare system and to enhance the benefits available to those most in need could eventually fail.

If those whose need is least, if those already in a highly privileged position, refuse to forego even the most marginal part of their privileges, then there can be no relief, no real improvement, for the overwhelming majority of those whose sole or main source of income is their social security entitlement.

If we are to raise significantly the general level of benefits to all who need them, then we have to reduce the special and unnecessary privileges of some.

That is a fact of life in these times of great economic difficulty. But it will remain a fact - indeed, its force will increase - as the number of Australians dependent on the pension grows as a proportion of those in the work-force.

Let me be more specific about the demographic facts. Over the next ten years the number of working age Australians for each person over 65 will drop to about 5. Looking further into the future, fifty years from now this number is expected to drop to about 3.

So in the nineteenth May Statement and in the Budget itself we have set in train decisions whose real results will come not this financial year or even next, but will begin to bear fruit in the years ahead.

It would be tragic if short-sighted consideration of short-term political or personal advantage were allowed to retard the reform of the social welfare and taxation systems upon which we have embarked.

This Government stands ready to consult with the community and representative groups to improve measures upon which a decision in principle has been taken, or to remove unforeseen anomalies that may be involved in those decisions. We have given abundant proof of that.

But I make it quite clear that we cannot, as a responsible Government, submit to the piece-meal demolition of fundamental Budget proposals or to threats such as have been made by the Opposition in the Senate. If these threats are carried out, the whole strategy of the Budget would be undermined and the principles of justice and equity for which we stand would be negated.

We have taken difficult decisions, to re-order priorities and redistribute resources towards the disadvantaged.

Some of the things we wanted to do and to which we have a continuing commitment, have had to be delayed. There are real constraints on the pace of change. Deficits, for example, have to be limited. But we shall continue the process of re-ordering priorities and improving equity, and in the future there will be further opportunities to redistribute more in favour of the disadvantaged.

But that can happen only if the reform measures we have undertaken already are accepted, most immediately by the Senate, but ultimately by the people of Australia themselves as being necessary for the creation of a more just, more equal, more humane society.

The current Labor Government believes that only a more just Australia, an Australia that is seen by most of its citizens as a fair society, will be able to sustain the changes that are necessary for a return to sustained growth and high levels of employment.

I trust you can see that the Government has achieved a great deal in only six months in office. We are committed to further increases in assistance to the needy members of the community, and further reforms of the taxation system. Your theme for this conference - justice and equity - well express the goals for a revitalised and renewed Australia which my Government has set for itself.



PRIME MINISTER

THE FOLLOWING ARE CHANGES MADE TO THE PRIME MINISTER'S
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paragraph -

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