



## PRIME MINISTER

FOR MEDIA

20 AUGUST 1991

In the context of the Budget, it is appropriate that the Government announce the agreements reached with the ACTU at our meeting last Thursday.

I, together with the Treasurer, the Minister for Finance and the Minister for Industrial Relations, met the leadership of the ACTU to discuss a range of issues related to economic policy and the future of the wages system.

We reached specific understandings on superannuation and wages outcomes. These are recorded in the Attachment to this release. Further consultations are taking place between us on the future of the wages system as part of our preparation of submissions for the forthcoming review of the National Wage Case principles.

The Government and the trade union movement are committed to achieving greater flexibility and decentralisation in the wages system through the introduction of productivity-based, enterprise bargaining. This is an essential element in our strategy to make the Australian economy internationally competitive.

As we move in this direction, aggregate wage outcomes will necessarily become less certain, depending on the extent of workplace bargaining based on achieved productivity. In this difficult transition, the close relationship this Government enjoys with the trade union movement will be vital in containing inflationary pressures and ensuring that real productivity gains are secured.

Our joint commitment to work towards an aggregate wage outcome in the order of 5 per cent for 1991-92 recognises the uncertainties but maintains the parties' commitment to the orderly evolution of the wages system.

To finalise the Budget estimates, we have had to settle on a particular figure for National Accounts based average weekly earnings for 1991-92. The Government has adopted the figure of 4 1/2 per cent as the most appropriate for these purposes.

The trade union movement has confirmed its commitment to join the Government in working to make low inflation a permanent feature of the Australian economy, recognising that its members have nothing to gain from a return to higher rates of inflation.

These agreements deliver the major outstanding element of Accord VI, while affirming our commitment to continue to work together to improve the performance of the economy and ensure it delivers benefits to all Australians.

**Agreement Between The Government And The ACTU**

**Wages Outcomes**

The more devolved wages system must necessarily involve a degree of uncertainty in assessing the aggregate wage outcome depending as it does on the extent of workplace bargaining based on achieved productivity.

The parties agree to work towards an aggregate wage outcome in the order of 5 per cent for 1991-92. The Government for its part believes there is the prospect of the aggregate outcome coming in somewhat below this figure.

In respect of 1992-93 and future years, the parties agree to work towards wage outcomes consistent with keeping Australia's inflation at levels comparable with those of our major trading partners.

**Superannuation**

As part of its retirement incomes policy, the Government will legislate for the phased implementation of a minimum level of employer superannuation support of 9 per cent by the year 2000.

From 1 July 1992, subject to a threshold that omits small payments and very short-term employment, the minimum level will be:

- 5 per cent of ordinary time earnings for employees of employers who have annual payrolls larger than \$500,000; and
- 3 per cent of ordinary time earnings for other employees.

The Government will provide for the gradual increase in the prescribed level of superannuation support having regard to the schedule published in the 1991-92 Budget Statements. This will form the basis for the broader community discussion on the implementation of these measures.

Improvements in superannuation will be taken into account in future Accord negotiations.

Consideration will later be given to ways, using employee contributions and tax cuts, of increasing the minimum level of superannuation support to 12 per cent by the year 2000.