



PRIME MINISTER

TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING, MP
ADDRESS TO THE 'NEW INDUSTRIAL REVOLUTION - YOUR BUSINESS IN
THE '90S SEMINAR', BANKSTOWN, 17 JUNE 1992

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Can I say I am very pleased to be invited to speak to you about the subjects which DEET specialises in. And can I again firstly congratulate DEET on holding this discussion meeting and I'm particularly pleased to be talking to you in Bankstown. It's always good to come back to the old town and to be talking about issues which are relevant to people and the way they live and how they'll work and what they'll do in the future.

We are going through a very large industrial transition and the fact that a meeting like this is taking place is itself a revelation because many years ago the whole notion of training was simply trade training, apprentices, apprenticeships and what have you and the comprehension of many areas of business, the importance of education and training was, not so many years ago, comparatively low.

In the early 1980s we had three children in ten completing secondary school and one of the things that the government wanted to do and has done over the period is to increase the participation rate of kids in school.

That is now nearly eight in ten, three in ten in the early 1980s to nearly eight in ten now, is one of the basic things one had to do to improve the skills base of Australia. And if we are to be indeed a clever country or a capable country, a clever and capable country, then education and training are of course, the keystones of such capability.

All this comes from the great roll back of protection under which Australia existed in most of the postwar years, and began with the removal of exchange controls in 1983, with the float of the Australian dollar and then more latterly general changes to the external orientation of Australia - reductions in border protections, reduction in tariffs, opening Australia up to competition and getting the focus onto productivity, lower costs, lower inflation, import competition, exports and a better current account performance and with it more jobs, more interesting jobs and better paid jobs.

We came through the 1980s with a growth strategy built around those particular ideals. And we had a lot of success. We had a lot of growth in the 1980s and we had a lot of employment growth. We started off with a work force of six million and we ended up with a work force of 7.8 million which is nearly 30 per cent larger. We've lost now in the recession unfortunately, 300,000 of those jobs but we still held 1.5 million which means the workforce today is about 25 per cent larger than it was in 1983, built around the objectives of growth and lower costs and growth efficiencies.

Now we have come a long way, and I think Australia has crossed the rubicon where now the country does look to be competitive. The whole notion of competitiveness is not something which is just a lip service thing but something people mean. As well as that we've crossed a rubicon where we are now interested in exports and imports competition in a way we were never interested before. One can see in this period of recession we're emerging from now that the growth which does obtain in the economy, a large part of it is coming from the export markets or net exports, import competition and exports. So it's holding up production and employment. Whereas if we had a focus simply upon domestic demand that wouldn't be the case.

I think now a lot of industrial companies who are now exporting will continue to export when domestic demand picks up. That is they won't say well look, the export market was handy when were in a bit of a squeeze and we've got an exportable surplus and is there someone to take it - yes there is, good, we'll let them have it, but now that domestic demand is up we won't bother any more.

I think many companies are now finding a great success with exports, they're finding markets and they're finding them in the Asia-Pacific, they're finding them close to Australia, they're finding them in the area of the world economy which is growing the fastest and the strongest which is the Asia-Pacific. This discovery if you like, by Australian companies of these markets to our north and north Asia as well, has I think, produced a cultural change which is going to stand us in good stead.

The other great cultural change is the purging of inflationary sentiment from the Australian economy. This was the thing, of course, we could never seem to be able to do. For nearly twenty years we had high inflation and despite persistent attempts by all sorts of governments it could never be conquered. It has been conquered now by commitment on the part of organised labour and the government and more latterly the deflationary influence of the recession which has pulled inflation down, but the important thing is it's stripping the culture, it's purging the culture of Australia that people could do unproductive

things, do speculative things and try to seek from those speculative things real increments to wealth and employment.

I think we have crossed a very important rubicon. And I don't know whether some of you might have noticed Westpac taking a \$2.6 billion hit on its accounts a couple of weeks ago. In doing so it was basically saying, I think in a very mature decision, look we won't moon around waiting for inflation to pick property prices up, we won't do as we've normally done, sat back and waited for a bit of inflation to correct yesterday's decisions, we're now in a low inflationary environment, let's basically recognise it, let's cut the '80s adrift and let's take our medicine on the chin and go on and build our business. That was a pretty hard thing for them to do, they've got to approach the market again, they've got to get stock which dilutes the rest of the stock in the business, to make the key decision that they were not going to mess around with inflation any longer.

That means that that institution and many others are now going to look at productive investment. And the culture of Australia is shifting away from speculation and passive investment, mooning around waiting for inflation to reappear so that those with assets can end up being more wealthy than those without them and to transfer from the poor to the wealthy by way of inflation. That culture is dying and the culture that has come in its place is one of productivity, of production where our focus is on adding value, employing people and looking at businesses which produce goods and services.

Now that's a mighty change for a country which was taught to believe that it was a lucky country, that it could do unsmart things, that it could lock itself up behind a tariff wall, that it could only educate three children in ten beyond secondary school, that it could speculate its head off with double digit inflation rates, that the wealthy could grow wealthier and the poor could go poorer, so that young people would start with very big mortgages around their necks paying for inflated values in property and that the elderly would have their savings ripped to bits by inflation. This was the sort of culture that this government inherited in 1983. As you know by then, the current account deficit in 1980 was already 6 per cent of GDP. Already twelve years ago we could not pay for our imports to the tune of 6 per cent of GDP a year. Now GDP this year is \$400 billion, 6 per cent is about \$24 billion, so we were \$24 billion shy of balancing our trade accounts twelve years ago.

Those who look for the resources boom twelve years ago, the so called '80s resources boom, it was not a boom in reality, it didn't answer the questions, and the real resources we should have had burning were the intellectual abilities of

our people and of our children. They were the resources we didn't worry about while we believed digging up another mound of rocks and growing another paddock full of wheat was all that was needed to be done so that the people in the lucky country could go on in their torpor, in their mental fog, not facing the real world outside and understanding the simple fact that the post-war trade in goods and services had passed Australia by. That the policies of the Country Party and Coalition governments preaching free enterprise on the one hand and dolloping out dollops of tariff protection and bounties and subsidies on the other, while seeking to have an efficient primary export sector, was just a dichotomy of policy that was bound to fail.

So in the change we've gone through, these important psychological shifts, and as we had to move down aggregate wages and rechange the level, that is restore the levels of national income going to wages and profits and the '80s as a result of the mad-wage mayhem of 1979 and 1980, the wage share in GDP was too high and the profit share in GDP was too low and therefore profits fell and investment fell with it, and when investment fell employment fell.

In the first seven years between 1983 and 1990 we had five times as much employment growth as the last seven years of the Fraser government - five fold, because we got back to rates of economic growth which could take people up out of the workforce. That change of focus, to going back to fundamentals and being competitive, to letting the exchange rate find its right level, living with the inflationary consequences coming from it, then buying down wages so that that inflationary surge was taken out of wages and then through five Accords with the ACTU, build ourselves an inflation rate down to two or three per cent, is a great national achievement. It means that after the great shift in aggregate wages we had to get around the wage flexibility. Because between 1983 and about 1988-89 we did succeed in getting aggregate wage flexibility, we did succeed in lifting the profit share and we lifted investment with it.

The problem about aggregate wage flexibility is that one builds pressures within groupings of employees for what they think is salary justice which can't be provided by a system of rigid aggregate adjustment. So we then started looking in Accords Marks V and VI for flexibility, productivity based flexibility which started with a 4 per cent case under Accord Mark V where 4 per cent was paid on productivity adjustments, not that everybody took the productivity adjustment opportunity up, and then in Accord Mark VI which the ACTU concluded with the government just at the beginning of the 1990 election, we moved then to the first time into enterprise bargaining. And while we were doing that, moved into a system of fewer unions, larger unions and more of an

industry union structure which could more accommodate the shifts in fortunes of particular industry.

Now many of you know that enterprise bargaining has had a pretty hard road to hoe, the Arbitration Commission told us in the first instance we were not mature enough to handle it, that if they weren't checking everybody's industrial agreement then it wasn't worth having, and as everyone of you running a business knows, if you're going to increase the productivity of your business by changing the way in which you operate it and the way in which your employees operate within it, that can't be done through a central bench in Melbourne, it can only be done at the enterprise level. That's why it was incompatible to have the Industrial Relations Commission vetting enterprise agreements and because the government and the ACTU took the view they shouldn't be vetting them, they thought we were perhaps not mature enough to have them.

As it is, the ACTU stood the Commission up and the result was that in the reconsidering of these things, enterprise bargaining is now a possibility and the great productivity opportunities are there. I've never known a time when unions have been more prepared to find wage increases from genuine improvements in productivity as in these last few years and particularly now.

But what went hand in hand with enterprise bargaining was award restructuring. The problem we have with the award system, the whole problem that we've had with the labour market in Australia generally was that we inherited the British craft union structure of industrial organisation. There was no General Macarthur here, sweeping the system out and building a new system and there was no General George Marshall. So after the war we were left with what we began with - a system built on the craft structure and within the craft structure we had this very rigid awards system. So if you got yourself to a place as a tradesman or a particular worker and you secured a spot in that particular scale of classification that was your spot for life. The only negotiations that ever matter to you were whether you got a national wage adjustment and if you worked a bit of overtime. The notion of moving out of that rigid system and retraining themselves into a multi-skilled position was something which of course, was alien to the craft based system.

So to create a better market for labour, what the government has sought to do is to move away from the rigidities of that craft union structure to one where we're looking at. We're looking at either enterprise agreements between employees, unions and employers or we're looking at much more of an industry based model. And in an industry based model one can take account of different levels of prosperity and different requirements

and imperatives for change. The employees of an industry can respond accordingly.

So award restructuring is producing fewer but larger categories of multi-skilled persons and the opportunity of training and moving through those categories is now an opportunity available to people where they can, if they wish, do more things and do them productively, more efficiently, earn more money and actually produce lower costs for business.

So there has been a great change from a multiplicity of unions down to a smaller number of larger unions, much more industry based, and an enterprise arrangement between unions and companies for enterprise agreements about the way in which they function and beyond that award restructuring to a system which takes much more account of productivity in the business and of course, in the economy in general.

This has always been the argument we've had with the Coalition. What John Howard tried to do in 1980 was pretend there was no craft structure so if you turned your back on it you deregulated it. Well of course, he turned his back on it and wages went to 16 per cent that year and the inflation rate went to 12. You can't deregulate, you could never turn your back on that system, you had to change it and that's what we've sought to do. Change the way in which it works and get down to a much more flexible labour market. So that national wage cases will now look after basically the low paid who are not in positions where obvious improvements in productivity are available, where their bargaining power is weak, but most other people will secure wage increases through enterprise bargaining and lifting their skills and improving the opportunities within businesses.

So much of that opportunity resides with managers. Whenever you see a well managed business you'll see generally a cost conscious, competitive business. Whenever you see good management you'll mostly see good labour relations. I've never known an opportunity as now for the manager with a sharp eye and a keen sense of relations with employees to produce lower costs and make a business run more productively and more efficiently. So enterprise bargaining creates opportunities but it also creates greater challenges because it will sort the wheat from the chaff as far as managers are concerned and it will also do the same in terms of employees and their willingness to make a business tick. In the end it focuses on the ability of the business to prosper and that focus is what's important in getting those productivity agreements and improvements.

The training which is part and parcel of award restructuring is taking place in the economy now, there is a much greater emphasis on training and the government is now seeking to

improve that emphasis further.

Again, and let me just say a few words about in the first instance, about tertiary levels. We've added since the middle 1980s 120,000 places for universities. That is the equivalent of twelve universities of an average campus size of 10,000. That means that about 40 per cent of school leavers, 35-40 per cent find places in universities. That's very high up the OECD average scale. We're just behind the United States and the United States are miles ahead of anybody else. So the growth path now, the trajectory for university places will naturally find its own level now that we've lifted the level so dramatically in the 1980s. We've got that retention rate from three kids in ten to nearly eight in ten and about 35-40 per cent of them finding places in university.

The next challenge is to improve vocational education and it's more the pity that we've never had really a national system of vocational education. Some of the TAFE systems around the Commonwealth are more efficient than others, some better reflect the requirements of the labour market, some understand better award restructuring and what all that means and making the country more clever and capable, some are more client driven than provider driven. But one thing we do know is as a system they are not fulfilling adequately their national charter.

So at the Premiers Conference last week I sought again, to try to bring together prospects of the development of a national system of TAFE, a national vocational and educational system. I think with a bit of good will and a bit of elbow grease in the right places we can do that, we can build a national vocational educational system.

Not only is that important for education, cleverness, being capable and all the other things that I've talked about the country today, but it will be important to get that system working and to provide people that come through it with diplomas which have status in the community, which the TAFE system to this point has not ever really enjoyed and we can get to a system which is much more similar to the European vocational education systems, where a status of a diploma coming out of one of these institutions means more to employers. If you look at countries like Germany and companies like Mercedes Benz, Semans or BMW, the people who run those companies are basically people with diplomas from their TAFE system and not from their universities.

That's the sort of TAFE system I think Australia should have. That will mean that 60 per cent of kids cascading out of secondary school are cascading into some form of training and it will mean that the sort of unskilled or low skilled jobs that most of us grew up with as kids are disappearing

these people will be taken up into more trained, more highly paid more interesting jobs. We did a lot of that in the 1980s, it's stopped for the moment with the recession and with unemployment but as it resumes what we'll find is that job opportunities will not be dead-end jobs but they'll be live-end jobs. Jobs which have training and skills about them and which will provide more interesting jobs and better pay and conditions. So it is important therefore that the TAFE system fulfils its role and plays its role in getting that focus back on education.

Australia has about it many comparative advantages, but the more I go through Asia and other parts of the world the more I'm convinced that one of those is education and that you can't build a clever country or a capable country without it, you certainly couldn't do it with three kids in ten completing secondary school, you can't do it with a TAFE system that isn't working properly, you can't do it without that kind of national focus that I'm talking about.

I think we do have a great chance not only to do it for ourselves but also to provide a service. That is, sell education services to the rest of the world and particularly to our near North, but more particularly to build our industrial base upon that sort of a skills base - a truly clever and competent country. That means of course, a focus on research and development as well which must go hand in hand with training. And that's why the Commonwealth's contribution to research and development in this country is important so that we start to make up for the fact the private sector of Australia isn't spending a lot on research and development and hasn't traditionally. The Commonwealth in a number of ways will be doing that.

Can I also say in TAFE one of the things we want to do is build specialist training institutes and we want to do more things with business. One of the great hang-ups in Australian education is that everybody interested in it wants to have a new building. The first thing they want is a big mausoleum to make themselves feel important with, where in fact the place is strewn with schools, some of which are unoccupied as the demography changes and where we ought to be focussing on people rather than bricks and building institutions.

One of the things I think we should do is in certain sectors of industry, where industry can play a much bigger role in training, the government and national TAFE training institutions get together and develop courses which are designed on a client-driven basis, in particular sectors of industry. And where industries predominate in certain suburbs of Sydney and Melbourne, in those places one could see a specialised thing. Up at Bankstown TAFE for instance there's an arrangement with Kambrook, the appliance manufacturer, and the Bankstown TAFE to do special things

there. In the northern suburbs of Melbourne, recently I visited an automotive TAFE college which specialises in automotives. I visited, in the course of the same period, two tyre factories in Melbourne which are now doing very competent things in technology but can't find enough trained people. There is no reason why a TAFE institute and the companies concerned couldn't put together a training regiment, courses for that industry and in areas of advanced manufacturing technology which are not being catered for often in technical and further education. I think there is also a case for specialist institutes that focus on those advanced manufacturing techniques.

So I'd like to think that we're not just building a national institute of TAFE which has common denominator features about it, but we're also reserving the right to clever things but not necessarily in the building of business as so much focus as often been in the past. So TAFE is important.

The other thing which I think is important also and we are talking about two things here, we're talking about the training of young people and we're talking about the retraining of older people, but youth unemployment is a problem and it's got to be dealt with. It's a problem that needs to be kept in perspective nevertheless. I notice some headlines the other day saying that 46 per cent of young people are unemployed. That's a distortion of, in fact, the position. Seven or eight out of ten young people are in education or in training. Two or three out of ten young people in the 15-19 year age group are actually in the workforce looking for work and about a third of those people are actually out of work, that's one in ten. So seven to eight in ten 15-19 year olds are in education and training, two to three in ten are actually in the workforce and one in ten is actually unemployed, that's 10 per cent of the age cohort 15-19 not 46 per cent. In fact there are 40,000 fewer young people 15-19 unemployed today than there was in the 1982-83 recession.

With that said it is still a problem and we have to deal with it and we're going to try and deal with it by looking at the whole question of entry level training wages which was addressed by the Carmichael Report, Laurie Carmichael who you've known and read about in the Australian Vocational Certificate Training system. We're looking at a new vocational certificate training system with work-based training places in industry, where we've got the opportunity of taking many more young people up and at the same time giving them training opportunities.

So I think it is a very exciting prospect and one I'm focussing on now. And we're hoping to have a meeting with national employers and other people from various institutions in the next little while to see if we can focus on some of those problems and to see if we can do something

about streaming kids into work and training opportunities under that Australian Vocational Certificate Training system.

That will help deal with that one in ten young person who doesn't have a job and to give them work experience and to give them training. So I think it is of course, obviously terribly important to us.

Like many things you can't change everything over night. We started on higher participation rates back in the 1980s, we started lifting the places in tertiary institutions, we changed the way in which the tertiary system functions, we're now focussing on TAFE and while all that's been on we've gone off aggregate wage movements to a more flexible labour market, to award restructuring to change the basis of the craft system to enterprise bargaining to lift efficiencies out of companies and give managers a chance of managing instead of being caught in simply a wage structure which drops out of an Arbitration Commission decision which takes no account of the capacity of business to produce, to make profits or to run. So the opportunity there for improvements in efficiency is quite profound.

Now, let me just say a couple of things about our opponents while I'm at it. They have got two policies, one is to put a 15 per cent goods and services tax on everything. This will put 6 to 7 percentage points into inflation and take the inflation rate from 1.7 per cent, where it now is, to around about 7 or 8 per cent. And with it the bill rates, now at 6.5 per cent, will have the same 5 to 7 percentage points added to them and they will be going back to 13 or 14 and then you will have all the add ons after that.

They have no policy of wage discounts. They don't want to talk to the unions. They have no mechanism whatsoever of securing a wage discount for a consumption tax. A consumption tax is simply a device which will explode the national inflation rate and put us back where we were two decades ago with high levels of inflation.

And the reason I dropped the proposal in the middle 1980s is that I couldn't guarantee the wage discounts then, I didn't have the right to blow the national inflation rate to pieces anymore than John Hewson has that right today. It won't re-make Australia, it is just another tax. And another tax which will very heavily impede business, and I don't know whether many of you have read experiences from Britain or New Zealand, or any other countries with a goods and services tax, but the great burden of the goods and services tax in terms of compliance cost falls on small business. And it is the small business sector which will carry the great burden of this and the result is that most people will spend the better part of one day per week accounting for the system and seeing that there is a responsibility beyond them

to account it and to remit to the tax office the proceeds all in the name of the ideological shift of taxing expenditure instead of income.

Secondly, the other policy is the policy we saw at APPM, but two weeks ago. That is, that employees should not have a right to group together and be represented by a union in dealing with their company, or employee, that they should only have a right to deal with them individually. And of course once that happens and you have common law contracts, all the things which Australian workers have built up for themselves over the period, their annual leave, sick leave and other rates of pay and terms of conditions of employment will be swept away as each individual person will deal with their employer.

Well of course organised labour in Australia would fight that one to the bitter end. And as the fight went on, the national inflation rate would go up beyond that of a goods and services tax, and the sort of mayhem and picket lines and police pushing and shoving that we saw down in Tasmania two weeks ago would be the order of the day. We are now in a period of industrial peace which has been unprecedented. We have now got average weekly earnings for the year to March at 3.1 per cent, the inflation rate is at 1.7 per cent and industrial disputation is, I think, is probably at an all time low.

To jeopardise that system and go back to the sort of industrial confrontation chaos is about the last thing Australia needs, but that is all, I'm afraid, Dr Hewson has to offer. Two very sterile ideas. Belt everything with a 15 per cent consumption tax and try and to push people off federal awards or state awards and let them into commonwealth contracts where they can only do it individually with their employer.

It is not much of a solution, it is not going to do anything about training. In fact they will add \$50 million onto the Fightback proposals for TAFE. Well big deal, big deal. The kind of responsibility that TAFE is going to have in the system and the labour market programs like Jobskill and Jobstart, will all be chopped to pieces as Dr Hewson tries to cut \$10 billion out of outlays to pay his tax cuts.

With us, there will be focus there on training and re-training, on labour market programs, upon award restructuring, upon productivity based enterprise bargaining by agreement, about working to a national consensus with the Government, the employers and employees working together for a low cost, low inflation, high productivity country. That is where we are going now.

Now we have paid a price for some of that in the recession, but the benefits are going to be quite profound as we go

into the '90s with a low inflation culture and with a high productivity culture and being truly competitive for the first time in probably, on a long term basis, in the postwar years. That is the importance of having a consensus basis to national policy and that is the importance of having a focus on educational training so that when we start selling those products we are not at the bottom of the international division of labour, doing dead-end jobs at dead-end prices, but further up the international division of labour doing clever things, clever prices, with clever people.

Thank you very much.