



## PRIME MINISTER

### TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING, MP 7.30 REPORT, 14 JULY 1992

PL: You've said you're not going to panic about unemployment, but many Australian families of course now are panicking, especially when they ...

PM: No, I said the Government's not going to panic about remedies, that is, being panicked into remedies which don't help that unemployment. That's what I said. Not that the Government isn't entirely and utterly concerned about employment and unemployment, but it's not going to be panicked as to remedies.

PL: All right but when you're in the dark, when you're in that tunnel and say Dad's lost the job, or Mum's lost the job, or they've both lost the job, surely if the Prime Minister's even unable to say that we're passed the worst of it, surely that just makes panic more likely doesn't it?

PM: Well we did see in last week's figures, notwithstanding the higher number of people looking for work which threw the rate up. In terms of unemployment, in terms of employment there was 28,000 jobs there for the month. That's the first very, reasonably strong sign we've seen that employment is starting to come through.

PL: A lot more people came into the job market, didn't they?

PM: A lot more people came back looking for work.

PL: And ended up with 11.1.

PM: That's what threw the rate up. That's right. If we'd had the same number of people looking for work as the previous month, the unemployment rate would have gone down.

PL: Yeah, but ...

PM: Yeah but so what.

- PL: There's still an enormous under-employment throughout the whole community.
- PM: Absolutely. The truth is, I think Paul, the economy is recovering. It's recovering but not as quickly as we believe, but still it's going to recover solidly. The problem for the unemployed ...
- PL: When?
- PM: Well over the course of the next 12 months. We saw some quite strong retail figures this week, private consumption is picking up, we've seen housing starting to improve
- PL: But you've been saying this for the past 6 months haven't you, at the very least?
- PM: But the growth to date for three-quarters is 1.6 per cent. When we get the June quarter in, there's a reasonable prospect it'll be around 2 per cent for the year. So that's not a claim, that'll be a fact. Let me just say, and in the following year, that's from July 1, in the financial year we're in now, we expect it to be around the 4 per cent area, in other words twice as fast again.
- PL: As distinct from the  $4\frac{3}{4}$  in One Nation.
- PM: That's right. A bit slower than then, but still reasonably strong. The problem with it is it's productivity laden. Or put another way, we're getting more output for fewer people employed. In the first instance there's more output for fewer people in employment. And it will take some time for those people in employment and the output to grow so that employers start to put on extra people.
- PL: Well that raises the question surely of what percentage of those jobs lost in recent years are now gone for good? And what percentage will be there in the future when the economy picks up?
- PM: Well I think it's largely a cyclical employment effect.
- PL: That's because of the recession?
- PM: I think so.
- PL: Not structural?
- PM: There's obviously some structural qualities to it. But again what you lose in one sense you pick up in another by the fact that the economy in the course of restructuring is now doing things it wasn't doing 7 or 8 years ago.

PL Such as?

PM: For instance, manufactured exports, have gone up 300 per cent since 1983.

PL: What of the argument, though, that to keep on cutting tariffs at a time of such high unemployment is really putting political ideology ahead of common sense?

PM: It's a very phased and gradual reduction. It started in 1988 and it will end in 1997. And I think it would be to dupe people to give them to believe that any pause in the tariff changes would protect their job. It won't change the way in which investors or business look at the Australian economy, it won't change their long term plans for the economy. All I think it will do will be basically to kid people along in their jobs.

PL: It wouldn't save some jobs in the next few years?

PM: I don't think so no. Because I think if anyone thinks that the tariff levels of a particular commodity are coming down - they're coming down notwithstanding a pause, a phasing or what have you. I think that's there. The economies in a state of change, and it's a change which will produce stronger rates of employment in the '90s, but in a part of the world market where we can survive. You see, if we want to change Australia, that is recede into the old economy, to compete with the economies around us, you've got to take your wage rates back to the wage rates of Indonesia and Malaysia and these countries. That's \$8 a week, A\$1.30 a day.

PL: Or we've got to get smarter?

PM: We've got to move up the international division of labour. And you can only move up basically by new products, new processes and new skills.

PL: There's also the idea around there, isn't there, of increasing the top marginal tax rate by a couple of cents to provide some money for job creation schemes. What do you think of that idea?

PM: Well it's promoted by people who understand the Government's natural concern about the deficit, and they're saying to us - look for years you have been competent fiscal managers, you are worried about the deficit, we'd like you to spend more money on labour market programs, would it help you if we said you should collect this on the receipt side and then spend it on the outlay side?

PL: And what's the answer?

PM: Well the answer is if you want to give the economy a net stimulus, taking on the one hand and giving on the other, basically doesn't do that.

- PL: But it might take from some of the so-called 'fatcats' and give to some of the kids. There's a certain sort of Robin Hood fairness about it?
- PM: But then as you call them, the 'fatcats', won't spend.
- PL: A couple of hundred bucks a year isn't much, is it?
- PM: No, but in terms of the net change of the economy from the budget. At any rate, a couple of percentage points onto the personal tax rate will only raise I think of the order of \$3 - 350 million.
- PL: It would help.
- PM: It would help but it's not going to dramatically change the order of things. The Government can worry about fiscal policy, we have over the '80s, we're the only Government to ever produce strong surpluses. Those strong surpluses in the late '80s are now, we're now enjoying at least the fact that we reduced commonwealth Government debt in the '80s so that now that the natural swing in the budget is into deficit, we can accommodate it more easily.
- PL: But you look like starting off in this budget with a deficit of \$13.5 billion. That doesn't give you a lot of room to move, does it?
- PM: Well the starting point is not settled. Low inflation is a good thing, but the first impact of low inflation on the budget is to increase the deficit because if all payments to the Commonwealth are growing more slowly as inflation is growing more slowly, the receipts collapse
- PL: Your tax takes over.
- PM: That's right, therefore the deficit widens. So it's widening but in some cases wholly for good reasons.
- PL: Yes, but it does give you less room to move does it not?
- PM: Well I don't think it's going to seriously constrain the Government in focussing on the things I think it will need now to focus on in terms of directly supporting and helping those who are actually unemployed.
- PL: There's talk tonight of this billion dollar job creation scheme, presumably in the budget.
- PM: Yes well that's got no basis to it, that story. I saw that on the news, that's a total furphy.

- PL: Well it is being put to you, isn't it, that you should run the deficit up to as high as \$16 billion. Would that be imprudent?
- PM: Well I don't know who's putting that to you.
- PL: Well John Langmore says it.
- PM: Well there are always big budget deficit bangers all round the place here. I mean they were arguing that back in the early '80s, they're still arguing it. I mean there will always be some people ...
- PL: You dismiss this?
- PM: Well I'm not picking numbers on the program this distance from the budget. I mean this Government will focus its effort on those people who deserve support and where we can materially help.
- PL: But will you be spending more to help them Mr Keating?
- PM: Yes, we will be spending more to focus assistance by way of direct assistance on labour market programs, as well as doing the things as we've been doing: lowering interest rates, again, watching the natural recovery come through, and with it hopefully some employment.
- PL: There's also talk around at the moment of sort of work for the dole youth corps schemes - Landcare, working with local councils, that sort of stuff. What do you think of those ideas?
- PM: We're working through those. Some of those things have got something going for them. But we're looking at a menu of things in the labour market area. But the one thing we won't be trying to do, we won't be employing the policies of the Opposition who's got a two pronged policy approach, and that is making prices dearer and wages lower. Prices dearer with the consumption tax, and wages lower by cutting youth and adult wages. We won't be having a bar of those sorts of things.
- PL: Do you think these sort of youth corps schemes are worth trying if only to give kids a sense of purpose?
- PM: Oh I think so, I think it's very important particularly that young people have the opportunity of work experience, and where possible, training. And these will obviously be the issues we'll be focussing on it at the meeting next week on youth training, youth wages etc.

PL: How much do you worry about the personal damage this is doing to a generation of young Australians because we've got thousands of kids out there who don't believe this country gives a damn about them, haven't we?

PM: Well I mean of course it worries me, it worries the Government, it always has. I mean, in the 1980s, we committed ourselves absolutely to employment, that's why the Australian labour market is 25 per cent larger in size than it was in 1983. There's 7.6 million people in work today, there were 6 million in 1983. We've always as a Government tried to focus that effort onto employment. But the economy is growing slowly. I mean, just in the Financial Review a day or two ago which I have here with me, it says European Community faces worsening slump in confidence. And they've got 1991 growth at 1.1 per cent, 1992 for Europe as a whole at 1.7, 1993 at 2.5. Now most of the developed world is growing very slowly. We're trying to beat the rap. We're trying to make the Australian economy grow at least at a pace which will pull employment up. So this problem is common to Western Europe, North America, Britain, and most economies like ours.

PL: Meanwhile you're running out of political time and you face the prospect of going to the polls with unemployment at 10 per cent plus. How can you hope to win with that around your neck?

PM: Well I think the issue has to be, people have got to say to themselves - if the Australian economy has slowed in growth and is now starting to accelerate, but we have not yet got the employment effects, and we have a human problem of unemployment, who best to deal with those problems? Is it the Labor Party, which believes in picking people up, training them, giving them job opportunities, or supporting them, giving them at least the benefit of unemployment benefits, the benefit of Medicare, the benefit of these sorts of protections, or a Liberal Party which says we'll throw them out after 9 months, if you're sick you can insure yourself like the United States, if you don't carry your blue cross card in your pocket you don't get admitted to a hospital.

PL: So you reckon you're still in with a chance do you?

PM: Well the economy's got problems particularly in the labour market and the Labor Party, the Labor Government is best suited to deal with it and its problems.

PL: Prime Minister, we'll have to leave it there. Thanks for your time.

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