



## PRIME MINISTER

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**SPEECH BY THE PRIME MINISTER, THE HON P.J. KEATING MP,  
TO THE AUSTRALIAN FINANCIAL REVIEW DINNER, SYDNEY,  
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My long experience of this forum is that many of you will have questions to put to me about our economic strategy, and I want to leave as much time as I can to answer them after dinner. But I do want to say something now about the thinking behind the Budget, and what it means for our future.

All Budgets are significant, but this one is uniquely so, because it marks the beginning of a new phase of economic reform in Australia.

Certainly the Budget is our annual financial statement and our annual forecast for the economy. It does the things Budgets always do, and no doubt you will be quizzing me on the forecasts and other numbers later.

But this Budget is also a declaration.

It is a statement of some of our principal policy goals for the nineties and what we will do to attain those goals.

If I can put it in the most general way, I would say that our policy and material resources as a government will be focused on enhancing the value of the work we do in our shops, offices, factories, mines and farms throughout Australia, now and into the future.

We want to improve the quality of our workforce, and the way in which it is used.

In this next stage of reform we have four priorities:

- to create good jobs and get the unemployed back into productive work
- to improve the training opportunities for people new to the workforce, and retraining opportunities for those already in the workforce.
- to encourage a wholesale transition into workplace bargaining between the parties as the principal industrial relationship in this country.
- to continue the redesign of Australian industry so it provides the right jobs for a more highly skilled and productive workforce.

The priority today is unemployment, not only because it is good economics but because it is the right thing to do.

It is the unemployed who are disproportionately bearing the cost of changes like disinflation, productivity improvements and a more diverse industrial composition from which the rest of us benefit.

It is the unemployed who are bearing the consequences of the world wide asset price unwinding of the late eighties.

So we do this because it is our responsibility to the unemployed, because as Australians we want to move forward together.

But as unemployment comes down we will continue to invest in ourselves, because improving the quality of the workforce is the best investment we can make in meeting and beating global competition.

It is at the heart of our economic strategy for the nineties and beyond.

Over the next two years we will give the young a better chance and Australia a brighter future.

We offer every teenager who has not found a job within a year a vocational training course of at least six months, with a job subsidy at the end. By the end of next year we plan to have given learning and job chances to at least 100 000 kids who might otherwise be the long term unemployed adults of tomorrow.

We will enhance the skills of young Australians now, and we are putting in place the programs to continue to enhance them through the decade.

Through the new Australian National Training Authority, through pilot programs to introduce higher quality training in industry, through a higher level of funding we will entrench the commitment by creating a stronger and better vocational training system.

We have already increased the number of young people staying on to the end of secondary school from three in ten when we came to office to seven in ten. The number of Commonwealth-funded university places will have increased by half between 1983 and 1994. Ten years ago 349,000 people were participating in university and college education. Today the number is 559,000.

Now its time for vocational training.

We will give young Australians a better chance, and we will give adult Australians a second chance.

This year we will offer around 200,000 training places unemployed adults, targeted especially at those who have not found a job within a year. We have doubled the number of places under our wage subsidy program to over 100,000 in 1992-93, to help in the transition between retraining and a job.

In regions that have been particularly hard hit by the downturn, we will create jobs as well as offer training programs. We will spend \$345 million with 411 Local Government Councils, funding a refit of regional and community facilities. We will also create jobs in a program which combines training and paid work experience for unemployed adults. Young unemployed people will receive direct job assistance in programs to improve the environment.

We will enhance the skills of adult Australians now, and continue enhancing them over the decade.

As our industry becomes more complex, training and retraining throughout our working lives will become as customary as repainting the house.

What we do in workforce training will be complemented by changes in work practices and job design.

Over the next two years we will encourage the proliferation of workplace bargaining to cover more than half of the workforce, while asking the AIRC, the employers and the ACTU to confine the exercise of the compulsory arbitral powers of the Commission to general adjustments in minimum rates.

Those of you here from industry will know that more changes have taken place in the workplace in the last few years than took place in several decades before, and that there really is a new spirit of cooperation and willingness to change. You may say its not enough. You may say we can do more. And let me tell you right now that I agree with you. We must do more, we can do more, we will do more - and the workplace agreements at GMH, Toyota, ICI, ITT Sheraton, and the oil industry are showing us the way.

Our goal is not merely to improve on what we have done, but to match the international best.

Let me say in passing that I regard our tax rate changes planned for 1994/5 and 1995/6 as quite crucial to our success in transforming the workplace and enhancing the quality of the workplace. The cuts, you might recall, are targeted at bringing the current 38 cent second bracket to 30 cents. It is this rate which most affects work incentives for middle incomes earners, and the rewards from productivity bargains.

Finally, we will continue to encourage the transformation of Australian industry to match the supply of better trained and more productive workers with smarter products for them to make. We are making permanent the 150 per cent tax deduction for research and development and increasing export incentives, all on top of a One Nation program in which we legislated more generous depreciation rates, a development allowance for major projects, tax benefits for private companies in public projects, and pooled development funds for medium sized business.

The government makes the economic policy, but it is the private sector which produces the goods. Of the growth we forecast this year, less than one third will be contributed by government spending – and most of that additional spending is anyway in the private sector. It is the private sector which is now making the concrete sleepers and steel rails for the national rail freight highway, it is the private contractors who are out pouring the concrete and spreading the bitumen for our national highway system, and private businesses which are taking advantage of more generous tax rules to invest in new plant and equipment.

And it is the private sector which realises the gains from our new emphasis on workforce training, and on workplace bargaining.

The shift in priorities in this Budget and in our long term economic strategy will help get unemployment down now, and our workforce quality up over the long term.

After all, there is no greater economic waste in the economy than the waste of unemployment, there is no resource more valuable which is used more unproductively than the unemployed, and no change we can make in the economy which has as much impact on growth, prosperity and living standards as bringing the unemployed back to work.

And for the longer term I wholeheartedly agree with the view of Michael Porter of the Harvard Business School, who writes that "education and training constitute perhaps the single greatest long-term leverage point available to all levels of government in upgrading industry".

Over the last ten years we have deregulated the financial system and floated the dollar, restored the profit share, cut your marginal income tax rates and sliced the share of national income we take as taxes, put in place a program of tariff changes which is

changing us from a frightened inward looking economy into a competitive outward looking economy, and entrenched an Accord with the union movement and created a cooperative industrial relations environment.

It was the decade of reform in which we transformed government authorities into business enterprises, began to reform our wharves and coastal shipping, opened up our aviation and telecommunications industries to competition, and changed our business taxes to give us one of the competitive systems in the OECD.

More recently we have rebalanced the share of investment made by government to improve our airports, roads, railways, ports and electricity distribution, while enacting a superannuation scheme which will increase national savings for investment in the future.

We have begun to see some of the results of that decade of reform.

We now have one of the lowest inflation rates in the OECD. We have tripled both manufacturing exports and services exports, and increasingly we are finding our growth markets in our own region. Commonwealth Government business enterprises are in the black. We have a strong profit share, but also strong productivity growth and rising real wages.

The result is that Australia is emerging from the recession with an economy that is fundamentally stronger than it has been for a generation.

We are directly creating jobs, and we are enhancing the employability of the currently unemployed, but we all know that putting people into good jobs in coming years depends on steady economic expansion.

Certainly our growth forecasts have been clipped back since we last analysed the outlook in our One Nation statement. But I am by no means pessimistic about either the immediate outlook, or the likelihood of reasonable growth through the nineties. The Economist magazine reported recently that Australia is set to have the highest growth and the lowest inflation of any of the 13 largest Western nations, according to a survey of forecasters. We are looking at inflation of 2 per cent this year, about the same as our record low this year. We are looking at 3 per cent year average product growth, which means we will be doing better than most, if not as well as we would wish. We are looking at some acceleration in the years beyond that to give us a good show of creating around 800,000 jobs over four years in an economy in which low inflation is normal, in which we have successfully internationalised, and in which we have strong productivity growth and rising living standards.

We are seeing results, but at the same time we are beginning a new stage of reform.

A stage when the emphasis will be on *people*.

The great and durable gains of the nineties are not going to be made by shuffling around the tax burden.

They are not going to be made by slicing government, when government spending here is already one of the lowest in the OECD.

They are not going to be made by turning our industrial relations into a blood sport, by hurling business against their employees and trade unions, with government as spectator.

They are not going to be made by totally eliminating tariff protection, when our program of reductions is already making us one of the least protected countries in the world, and one in which the discipline of readjustment is already strict.

They are not going to be made by telling the Central Bank to run the place as it sees fit.

They are going to be made by creating a top quality, fully employed and adaptable workforce.

They are going to be made by business people taking decisions in a tight, disciplined, stable framework.

A framework in which government does well the things governments do best – in which it makes sensible rules, funds sensible things like roads and railways, and enhances the quality of the workforce.