



PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING, MP
PRESS CONFERENCE, CANBERRA
20 OCTOBER 1992**

E&OE PROOF COPY

PM: Well I thought I would give you some comments about the Liberals industrial relations policy. Well this policy completes the Liberal double. Firstly, they want to tax everything you consume with a 15 per cent goods and services tax and now they want to cut your pay. So, it is prices up and wages down, as though already wages in Australia are too high when our labour costs are 10 per cent what they were a decade ago. It is essentially a return to the dark ages of the common law of master and servant, the Liberals have now retreated to the past to dig up the common law of master and servant last used in the 19th century to apply to Australians. They are going to force nearly 8 million people, 8 million working Australians on to individual contracts which each person has to sign with their employer, where they have no bargaining rights, and in many cases no bargaining power, and no protection against dismissal. The policy reduces minimum standards, it freezes pay and conditions by abolishing awards, but even when the award is abolished it doesn't prevent an employer from sacking someone on a supposedly frozen award. It basically has an over-riding aim and that is basically about cancelling Federal and State awards and replacing them with individual contracts, enforceable only at the common law.

It is the most crude industrial policy ever proposed by a major Australian political party. It is not about flexibility, because everything we need now in flexibility is available under enterprise agreements. It is not about productivity, productivity in this workforce of ours increased by a huge 2.6 per cent in the year to June, and we see evidence of even stronger rises coming through with all the innovative industrial agreements, enterprise agreements being signed. It is not about wages verses competitiveness, because Australia is more than 10 per cent more competitive than when Labor came to office nearly a decade ago and we have one of the lowest inflation rates in the world. This is all about forcing Australian employees off awards and registered agreements, cancelling their existing entitlements and telling them they can either take the bosses contract or take the sack. And for every infringement of the contract each employee will be fined up to \$5000. This is an unbelievable document and it could only be produced by a party which under Dr Hewson's leadership has become an extremist organisation. So, first it was the Reserve Bank and the Treasury that annoyed the Opposition, then it was the car companies, then it was the churches, then the tourist industry, the construction industry, people who rent, and now it is the 7.6 million Australian employees they want to put the boot in to. I mean, you really wonder where it will end, where this craven push from the right will ever end. I think it is about the worst policy I have seen in my public life. Questions if you have them.

- J: Well the policy, Prime Minister, does have safe guards for workers, doesn't that make it a little harder to attack?
- PM: What safe guards? It has minimum rates, it doesn't have safe guards at all, it has minimum rates, some would lose their current pay rate. If you take, for instance let me give you an example of a nurse, nearly half of his or her pay is in shift and penalty rates and that all goes to the minimum rate in the award, and if they don't take it they can take the sack.
- J: What advice have you received, Prime Minister, about the legality of the proposal to close down State awards, for instance, and push them into federal awards?
- PM: The document is only an hour or two old so I haven't taken any advice, but the Liberals are saying they will use the full constitutional power of the Commonwealth, I assume the ... power, the corporations power, in the first instance, and other powers to cancel, so that the legislation is valid, to cancel awards and certified agreements.

- J:** ... workers and employers can't agree on whether to work in or outside the system, the existing award conditions will remain, ... that makes no one worse off.
- PM:** Yes, but for how long? What is an award worth after three years? I mean once you disturb it it is not an award, you understand, what remains is not an award, they made that very clear, they've made that quite clear, what remains is the rate of pay and the conditions, but no award status, and you can be sacked while you are in that position. Do you understand? Let me find the reference, I mean, this is really crude stuff. It says: "Although the award pay and conditions, page 13, will continue that relationship between the employer and employee will not be legally governed by an award". "Will not be legally governed by an award". Therefore any future variation of that relationship will need to be negotiated between the employer and the employee.
- J:** How much impact will it have on ALP party funds, PM, with the obvious attempts to shut off unions?
- PM:** I should say substantial because every employee in this country; only a third of employees are covered by unions, the rest are not. But they'll all be forced to sign up to common law contracts and will drag out the master and servant law from the 19th century. That's John Hewson's new Australia.
- J:** The United States have survived quite well without an award sector Mr Keating - a bit of an hyperbole there, this cleaning up structure that is 19th century.
- PM:** Do you think so Tom (Burton)? You are such a radical you are, I know and I realise that, I know you are a social scientist and the rest. The fact of the matter is that in this country we now have all the flexibility in the world under enterprise agreements, all the flexibility in the world; flexibility as to hours, as to penalty rates, as to the nature of working weeks, flexibility in relation to women and their requirements. The only flexibility there isn't available now is flexibility down, which is what the Liberal Party wants. So those rights which are protected now under the basis of a certified agreement which becomes an award give people a guarantee that they won't be pushed on the minimum rates and lose rates of pay and conditions that they formerly had. What is the problem? Is Australian pay too high? Is the wage share in GDP too high? Does anyone argue that? We've got a wage share in GDP at 1960s levels.
- J:** Do you think this debate is about minimum award rates?
- PM:** This is about taking away the bargaining power of Australians in their work relationship with their employee. So an individual person signs up with say BHP, or an individual person signs up with ICI or Coles or whoever it might be or a

smaller business or a smaller individual employer. There is no group basis because they make clear that unions will not be able to sign, they make that abundantly clear.

J: You've already said that only 1/3 of Australians are now covered by unions. Two thirds of Australians are coping quite well without union backing.

PM: It is not the union backing, it is the process within which the whole industrial framework, rates of pay and conditions, and conditions of work have been set. Most Australians have enjoyed the benefits of a hundred years of industrial negotiation, industrial and wage practice, whether they belong to a union or not. They make it clear here

"Workplace agreements (pg 10) can be concluded only between individual employers and one, some or all of their employees, unions or employer organisations - or any other agent of the signatories - cannot be parties to a workplace agreement".

So this can only be signed by the individual. You've got the negotiating power of one person against the company, this will all happen to you, you'll have to sign under them, under the Liberals an individual contract with News Limited or John Fairfax.

J: Everyone has got an individual employment contract, except the union negotiates on your behalf.

PM: That's right.

J: That won't change, the union will still be there to negotiate.

PM: Journalists are not quite in the same position as the rest of the work force because of the fact you can demand executive salaries and be treated accordingly in your negotiation.

J: On the subject of flexibility, surely the Gazal case has just showed there's not that much flexibility when it comes down to it and if Gazal closes down and those people don't have jobs what's the satisfaction of having flexibility to them?

PM: I don't know the details of the case, I don't know the issues involved in the case, but there are apparently a lot of issues involved there about what is owed to employees, about where the assets of the companies are.

J: Are you saying that the existing system has basically reached maximum flexibility apart from downward flexibility?

- PM: I'm saying we've moved off a craft structure which the Liberals never had the wit to change. Where we had a craft basis, so if you're a metal worker and a rate was struck with you, that rate went right across the whole of Australian industry for anyone dealing with metals. We've moved off the craft structure to a much more enterprise and industry structure, and within those structures we're now getting all the flexibility on a company or enterprise basis, and nobody is objecting to that, they are all supporting that. But there are protections in there and if those protections go, your only recourse is at the common law.
- J: ... (inaudible)
- PM: It's got unlimited flexibility, it's really up to the imagination of the managers and employees.
- J: The structure doesn't need to change any more to encourage or promote forward flexibility?
- PM: The proliferation of these agreements and more productivity based arrangements to the workplace are going to be important for the whole economy because that is the way of getting productivity – you're not going to get it out of central bench decisions. But having in the 1980s got aggregate wage flexibility, that is getting the profit share up and the wage share down as we did, now to get within sector flexibility and intra-sector flexibility is now happening right across the country. I published in the House the other day one hundred agreements, the nature of those agreements, and this has all been done with total harmony.
- J: Prime Minister, if everything is fine and we have all the flexibility we need then why are there a million people out of work and why are we going into the red at the rate of a billion dollars a month on the current account?
- PM: Because demand is down and because our economy has not been able to produce enough goods and services. The answer to the first question is because demand is down, and two, because the economy has not been able to produce enough goods and services. It's not because the rates of pay are too high.
- J: Mr Keating, you have got 11 per cent unemployment under your industrial relations policy, don't you think voters are going to find a change and this change palatable?
- PM: There's also 7.6 million people employed under our industrial relations policy, with 6 million in 1982. In New Zealand there are fewer people employed today than there was in 1982. In Australia there are 26 per cent more people employed than in 1982. So wages are not the problem. The

wage share in the economy – I produced a US Labour and Commerce Department survey last week where Australia is way down the bottom in terms of wage levels amongst OECD countries. I mean, what do they want to do, these people – push us into coolie rates? Is that what you're advocating?

J: But in the US, Mr Keating, there's about 12 per cent more jobs than there are in Australia with the sort of IR system the Opposition is talking about.

PM: Where do you ...?

J: They have participation rates in the order of 72 per cent, the US.

PM: They have much lower participation rates than Australia, much lower.

J: According to research by Professor Gregory they have participation rates of more than 7 per cent.

PM: They've got a participation rate, as I understand it, of about 55 and we've got, I think, 62. So if we had their participation rate, we'd have unemployment down to around 6 or 7 per cent. That's the US position. There's no way US participation is as high as this country.

J: According to Professor Gregory's paper, which was published 2 months ago, they had rates of participation of something like 72 per cent and it would mean another million jobs in Australia under an IR policy like theirs.

PM: Yes, but even if its true, so what? The thing is, it's not true. Anyone, I think, who has been through the US economy and particularly with the huge participation in this economy by women in the '80s, these very high participation rates ... Look at our participation rates, just look at us compared to what we were a decade ago. If we had the same participation rates today that John Howard had we'd have unemployment, I think, with a 6 or 7 in front of it.

J: But doesn't the US experience suggest that with a more flexible labour market you'd get more jobs?

PM: I don't necessarily think that's right. If you're saying, is flexibility desirable, yes. But this is not about flexibility, all the flexibility in the world is there now, that's the point. All the flexibility in the world is there now. This is about pushing people into weak bargaining positions, pushing nearly 8

million Australians into a weak bargaining position so that they either get the sack or take the boss' contract, and if they want to argue about it they go and hire a barrister and go to the court, and take it a couple of years to have it heard.

J: They have got the Office of Employees Advocate, though.

PM: Oh yes, I know.

J: Doesn't that give them an avenue for some recourse?

PM: That is a Liberal Government appointed trade union. A Liberal Government appointed trade union.

J: So you don't think that it would be very effective for the employee?

PM: Well hear what they had to say about it. This is them at their best. They said:

"The Coalition will create the Office of the Employee Advocate. The Employee's Advocate will protect the rights of employees".

I thought that was a job unions did

"who have legitimate grievances."

Again I thought it was the things unions did. So are we going to have, are we, a Liberal Party appointed trade union? That is, our democracy has got to such a point that people will not be choosing to have themselves organisationally represented, their representation will be decided for them. The Liberal Party used to attack countries which had those structures.

J: The ACTU yesterday released some research which appeared to show that people were largely in favour of these workplace agreements as long as they had a safety net, and that looks very much like what Mr Howard has put out today.

PM: No, it's not like what Mr Howard put out today. It's not, it's not about existing rates of pay, it's about minimums. It's not the rate of pay you would actually receive. I'll give you the example of the nurse who works all sorts of rates, or the shop assistant who works all sorts of hours and gets a higher rate. So your rate of pay and the minimum are two different things. And

anyway, the minimum that obtains only obtains without the force of an award, which I've just read to you, and you can be sacked anyway.

J: What about those workers who reach agreements that they are satisfied with?

PM: You mean the current ones?

J: Under this proposal.

PM: Just say it again.

J: What about the workers who do reach agreements, enterprise agreements, that they are satisfied with, that they're quite happy with?

PM: Well some people may be. But this is about each individual signing up, and you don't have to be a political scientist or an industrial scientist to know that the individual's negotiating power against a company of any size is greatly diminished from the position of group organisation. Is that a fact or not?

J: Prime Minister, just on another matter, what did you say yesterday to Mr Mulholland on the issue of the Fairfax bureaux?

PM: I'm not into boutique news.

J: Is it accurate?

PM: I know jourmos are very interested in yourselves, I know that. I said things supportive of all of you, I can assure you, but I don't want to go into them now.

J: Prime Minister, the basis of the Opposition's document seems to be an end to what Mr Howard calls the 'outmoded notion of class envy and jealousy'. Would you agree with that as a philosophical point?

PM: No, this is about going back to the power that employers had in the last century against employees. This is about stripping Australians down of their rates of pay and their conditions. It's the Liberal Party doing what it has always wanted to do, but now having the gall to actually propose it baldly in a document. No other conservative government has ever taken these sorts of policies on.

- J:** Does it make it easier for you now in the run up to the next election to differentiate the Labor Party from the Liberals on the basis of this policy?
- PM:** Their policy is a pretty novel policy to get elected on. They said, we'll lift the price of everything you buy with a 15 per cent tax on everything you spend, and we'll cut your pay. Now finding a distinction with that, I don't find difficult to do because I don't want to put a 15 per cent tax on everything, and will not put a 15 per cent tax on everything everyone buys, and I won't be around cutting people's pay.
- J:** If this policy were to produce lower wages, do you think there would be any increase in employment as a result?
- PM:** I don't think wages are a problem and the cost of labour is a problem today. The problem is basically demand.
- J:** If wages were to fall, do you think employment might increase as a result?
- PM:** In the case of young people where they are talking about \$3 - \$3.50 an hour, God help you, you couldn't get a baby sitter for \$3 an hour. At \$3.50 an hour, is that going to expand the number of jobs? I don't think so.
- J:** What about unskilled labour?
- PM:** I think by and large the problem is not the price of labour, it is demand. What are you going to do with the labour, how are you going to employ it?
- J:** That's a good question. What exactly are you going to do to get a million people back to work if none of these Opposition proposals are going to work?
- PM:** Expand the economy, let it grow. We can let it grow, we don't need to keep it comatose as the Liberal Party would need to keep it to keep inflation down because they have no incomes policy. They have no agreement about national income. So if the place is more productive, and we're getting more output from fewer people, how do you deal with the implied redundancy? More growth. And how do you have more growth without high inflation, without needing to use monetary policy permanently to comatose the economy? Answer - an incomes policy. We're the only party that has it. We're the only party that can let the economy grow rapidly, grow quite fast and still contain inflation.

J: When will we see that growth?

PM: You saw the Governor of the central bank this morning making his points clear, his belief about the rates of growth coming through the economy.

J: Prime Minister ...

PM: I've got a Cabinet meeting on 10 minutes ago.

J: With the Victorian election just over, already the Kennett Government is looking at getting rid of 15-20,000 public sector jobs. Would you say that was a possibility if this policy was Hewson's policy after the next election?

PM: That Government is going to have to live by its actions and if it wants to decimate the public sector of Victoria it will have to run the gauntlet of public opinion. But the problem in Australia is not that wage rates are uncompetitive. That is a key point. It is not that wage rates or that the economy is uncompetitive. The problem is that demand is too low.

J: Has there been any recent pressure on you to halt tariff reductions?

PM: I don't want to get into that debate. Go and talk to Laura (Tingle) about that one. OK.

J: Can you say that that story in The Australian this morning was true?

PM: I'm not into discussing the Government's discussions. I'm already 10 minutes past my Cabinet appointment. Thanks.

ends