



8

PRIME MINISTER

ADDRESS BY THE PRIME MINISTER, THE HON P.J. KEATING, MP

**BEST PRACTICE AND WORKPLACE BARGAINING, INTERNATIONAL
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There are people who say this country is not performing, that we are not making progress, that if we keep going the way we're going we haven't a future.

Those people are not here today.

There are people who think that the way through the difficulties we still face lie in radically regressive labour market policies.

There are people who think that the way to get the best out of your business is to knock the stuffing out of your workers.

Those people are not here today.

There are people who think that Australian companies can never compete with the best in the world.

Those people are not here today. And, today, if they were, they would not take up much room.

The people who are here today have proved that Australian companies can be as good as any in the world; that our business leaders and managers have the will and the wherewithal to compete with the best, that our workforce has the skills and the spirit to do it, and that our industrial relations culture has the capacity to encourage and support change while protecting everybody's interests.

This is the heart of the argument about Australia. This is where we succeed or fail in the effort to be a great trading nation, a nation which can make and sell abroad the products

of our labour, our skills, and our imagination. This is where our ability to secure our future will be determined.

Don't let anyone talk this country down. Australia is succeeding, and succeeding more rapidly than any of us ever imagined was possible.

Let me start with a few numbers – quite startling numbers. There are now more than 700 enterprise agreements registered with the Industrial Relations Commission.

These agreements now cover thirty per cent of all Australian employees under federal awards.

That's in just 7 months since the Parliament passed the new legislation which encourages the making of these single enterprise agreements which improve flexibility and productivity.

We have agreements in the construction industry, in banking, tourism, manufacturing and the public sector.

Our industrial structure is rapidly changing, too. Australian manufacturing industry is coming alive.

Manufacturing output is up by 25 per cent over the last decade.

Manufacturing productivity has increased at twice the rate for the economy as a whole.

In recent years our international competitiveness in manufacturing has increased more rapidly than all but two of twenty three countries surveyed by the OECD.

We can see the results in the dramatic increase in manufacturing exports. They have tripled over the decade, and manufacturing exports now match rural exports.

Over the last two or three years high technology manufacturing exports have been growing faster than any other – an average increase of 20 per cent a year.

For me, as no doubt for a lot of you, this is all tantalisingly suggestive of a dream come true.

In the 1970s I remember only too clearly being told that Australia could not be both a successful exporter of raw materials and farm products, *and* a successful exporter of manufactures.

It was the prevailing wisdom of the ruling Coalition parties. It had long been an Australian mind set.

I remember thinking, as I'm sure some of you did: if this is true, how do we account for the greatest manufacturing country on earth? How do we account for the United States?

In fact, it soon became clear, to me, not only that we *could* become a modern manufacturing nation, and an exporting nation, but that we *had* to. To preserve our way of life, to seize our chances in the world, we had to.

More than anything else, that is what the last decade has been about. Changing the prevailing wisdom. Changing our goals and the way we do things. Changing the stature and identity of Australia in the world.

We have proved we can be both. In fact, we've proved we can do even better – that we can be a successful exporter of commodities *and* high tech manufactures *and* a successful exporter of services.

Some of the numbers are so startling we've doubted they could be true – but they are:

- exports of office machinery and data processing have increased forty fold over the last decade.
- exports of metal working machinery have increased 135 per cent over the last three years.
- electrical machinery exports by 100 per cent.
- motor vehicle exports by 73 per cent.

We have the enterprise agreements, we have the birth of successful export manufacturing, and we have them both in an environment which allows us to get on with the job.

- We have the lowest levels of industrial disputes for thirty years.
- We have the lowest inflation we've seen for thirty years.

Two of the biggest problems we have had over the last 30 years have been beaten.

And both have gone because of the Accord.

Professor Bluestone remarks in his book – *Negotiating the Future* – that "teamwork, co-operation and mutual trust are in; adversarialism is out".

Professor, you're right: and in this neck of the woods it's been on its way out for some time. I mean in both the wide industrial relations system and in the workplace.

We came out of the early 1980s recession with inflation running at 11.5 per cent. We are coming out this time with inflation under 2 per cent. Industrial disputes today are running at less than half the level of the early eighties.

We've emerged from the recession, with advantages we've never had before. But we've also emerged with unemployment which is far too high.

All our efforts in the past year have been directed at curtailing unemployment. In the *One Nation* Statement just on a year ago, in the Youth Employment Statement, the Budget, and in the Statement last week, we introduced programs to assist the unemployed, and to get a level of growth in the economy which alone will substantially reduce the number of those out of work.

We got growth last year. Not enough, but more than virtually any other OECD country, and the consensus of international forecasters in the Economist last week was that we would grow faster than virtually any other in the next year.

That is cause for hope. We're going to put all our efforts in the next three years to getting that number down: to creating employment, and training people for jobs.

Unemployment is a matter of immense regret. But it won't be solved by mere incantations of sentiment, or by the recital of hollow promises and so called "plans".

What the exports numbers, and the manufacturing output numbers, and the workplace reform numbers, and the disputes and inflation numbers are telling us is that we are heading the right way.

If we can accelerate the growth we will beat unemployment. This is the *only* way we will do it: This, and by continuing attention to education and training to labour market programs – *and by a sure knowledge understanding of where we are going, and faith in our ability to get there.*

The last thing we need, and the last thing that is justified, is a counsel of despair.

We are heading the right way, and if we keep going we can finish up with a country that is not only a wonderful place to live, not only a good place to bring up kids, not only a fair and decent and democratic society, but also one of the most dynamic and successful economies in the world.

The Best Practice program run by Peter Cook and his Department provides outstanding examples of the progress we are making and the reason why Australians should believe in their capacity to succeed.

The Best Practice program is a way of giving recognition to companies that are doing good things, so that other companies can learn by their example.

The program selects the best in management, industrial relations, and performance.

There are some outstanding examples. In 1985, the Australian Newsprint Mills plant at Boyer was about to close. But management and the employees worked together on a plan to turn the mill around.

Today productivity has improved by around 25 per cent and the mill is fast becoming internationally competitive.

Then there is the paint maker, Dulux, at its Clayton in Victoria. Its reform program has included installing leading edge technology, a Total Quality Management program, self-managed work teams, extensive training and development programs and workplace agreements which also guarantee employee participation in raising productivity.

As a result the proportion of orders delivered in full and on time has more than doubled from 43 per cent to 95 per cent over the last three years, process time per batch of paint has been cut by more than one third, and productivity is up by one quarter.

Other companies have chosen international benchmarking – comparing their plant's performance against the best plants in the world.

Australia's largest manufacturer of prefabricated timber wall frames and roof trusses, Sterlands Pty Ltd, benchmarked against Japanese standards.

It has cut its re-work costs by one third at its Gosford plant, and improved productivity by 15 per cent. A few months ago they recorded their highest single months sales figure in the 74 year history of the company.

Mobil's petroleum refinery in Adelaide was so successful in benchmarking it has now become a benchmark itself for plants in the US and France.

There are countless examples throughout Australia of the quiet revolution that is transforming our workplaces, our industrial structure and our exports.

A recent report of McKinsey and Company paints an extraordinary picture of 700 brilliantly successful small to medium sized Australian businesses. 700 companies exporting to the tune of \$8.6 billion per annum, and growing at a rate which will double that figure in five years.

Of course there is always a close link between improving the industrial processes and improving industrial relations. In the end the employees have to be willing participants in reform or it just won't work.

An example is Sheraton Pacific Hotels which reached a workplace agreement for its Sheraton Towers Southgate Hotel in Melbourne which is a model for the entire tourist

industry. It showed you could have a flexibility and productivity improvements by employees and management working together to rearrange the award conditions.

These companies are showing the way: employees and employers jointly seeking productivity improvements and sharing their value.

It is no accident that the question of industrial relations will be crucial in the forthcoming election.

It will be crucial in determining our future success and prosperity; because the quality of industrial relations is becoming much more important as the whole world shifts to new patterns of production and trade.

Today competitiveness and the wealth of nations is not determined so much by the amount of capital or technology a country possesses, since they are both very easily transferred.

It is not determined so much by the amount of raw resources a country possesses, since these are widely available and relatively cheap.

It is determined more and more by the quality of the workforce – by the basic education, the training, the skills, the flexibility and adaptability of employees, and the quality of the relationships between employers and employees.

These are things we can't borrow, can't buy, can't import, can't dig up.

We have to create wealth together, Government and the people.

And this is an area in which we are becoming stronger.

For a decade we have run an Accord with the ACTU which now has as its fundamental basis the idea that wages increases will be consistent with staying competitive against our trade partners.

In the Accord we talk the issues through, so that we know the problems employees face, and union representatives know the problems of governments.

There is now less *reason* for industrial disputes.

There is more understanding that we are all better off as inflation comes down.

There is more confidence that all Australians can benefit from change, and that one group won't be able to rip off the benefit for itself.

Under the Accord enterprise bargaining is becoming the centrepiece of industrial relations.

Over 700 agreements is a good start, but it's only a start. In coming years we want all but a small fraction of the workforce covered by enterprise-related agreements.

We want to see the agreements becoming more and more comprehensive.

We want to see most decisions about wages and work arrangements made at the workplace level between employers, and employees and their representatives.

We want to see a situation in which the Industrial Relations Commission continues with a valuable role in settling disputes, in conciliating, in deciding housekeeping issues like union coverage, and in keeping in good repair the safety net of award minimums over which bargaining will take place - but making few and fewer decisions about actual wages for most people.

You notice that I mention a safety net of awards and a role for the Industrial Relations commission and a role for employees representatives - unions.

These make a very important distinction between the track we are on, and the track the Opposition wants to take.

Their commitment is to the complete abolition of awards.

But these awards are the safety net which assure employees that bargains can be made in good faith, and in the knowledge that they can't be ripped off.

The Opposition not only wants to cancel awards.

When the award is abolished they will declare that each and every employee formerly covered by an award is now covered by an individual contract.

The employees won't have any say in that.

They will wake up one morning, and they will no longer be on an award.

Each individual will be on an individual contract with the boss. If they don't like the contract, or don't like any changes the boss wants to make in it, they can take the sack.

Under these common law contracts there is no such thing as unjust dismissal.

If you got a day's pay or a week's pay with your dismissal notice, that's it - that's the beginning and end of an employer's obligation.

I see today Dr Hewson saying that the system he proposes "provides workers with the opportunity to get higher wages, more job security and more flexibility. It replaces the 'them' and 'us' features of the present system with a togetherness approach", he says.

Well, one could take pleasure in this, I suppose: to have one's opponents at last see the light one has been shining for a decade.

If only there was reason to think that they believe it.

But, in fact, this willingness on the part of the Opposition to use language which completely contradicts the substance of their ideology and their policies really should be exposed for the shallow deceit that it is.

As far as industrial relations is concerned, there is perhaps no more effective antidote than the simple memory of Jeff Kennett's pre-election cant in Victoria.

The Opposition system is not set up to reach collective agreements between the employer and all the employees at a workplace, but to switch instead to individual contracts.

It is *not* work place *bargaining*. It's all one way. And if it's all one way, we lose the participation – the incentives to work together collectively – which alone can transform the work place.

I think that is the wrong track – the low wage track, the track which belittles Australians in their working lives.

But the best industrial relations in the world is not enough to guarantee our competitiveness and our success in coming decades.

If we are to have the best trained and most competitive workforce in the most competitive region in the world we need to do a lot more.

We also need strong, active and determined Government.

We need to keep up the effort on education, training and retraining – and that's what we are doing.

We need assured and affordable child care so that we can fully use the accumulated skills and experience of women in the workforce – and that's what we are providing.

That's why we will introduce a 30 per cent rebate of child care fees for working parents, in addition to the fees we already pay for working parents on low incomes.

We need strong basic science and research and development to continue enhancing our productivity and facilitating the change in our industrial structure.

We are doing that too, and given that last year Australia recorded the highest growth rate in business research and development spending in the OECD over the last decade, so is Australian business.

We need to give companies the financial incentives to save, invest and innovate and we are doing that with our investment tax credits and the big cut in company tax we announced last week.

This is the track which will strengthen our future as a high skill-high wage country.

This is the track we want to be on over the next three years and the rest of the decade.

There is no future in knocking down wages and conditions, or forcing employees to take the contract or take the sack; any more than there is a future in going into the drudge industries the rest of the world is leaving behind.

And it doesn't make these policies any more desirable to couch them in the language of "togetherness".

I do not believe that a fifteen per cent tax on water, gas, electricity and phone bills, a fifteen per cent tax on rail fares and bus fares and taxi fares, a fifteen per cent tax on motels and hotels and meals out, a fifteen per cent tax on swimming lessons for our children and on meals from their tuckshop, a fifteen per cent tax on shoes and clothes and haircuts, on books, pens and pencils, a fifteen per cent tax on paint and wallpaper and timber and building materials, a fifteen per cent tax on hamburgers and pizzas and milkshakes, a fifteen per cent tax on everything in the shops except food - on toothbrushes, tissues, tampons, talcum powder, nappies - I fail to see how this will bring us together at all.

Dr Hewson's GST threatens our inflation performance. It is unfair. It won't help create jobs. The accounting nightmare it involves won't help small business either.

Nor do I think wrecking Medicare will help bring us together.

The Coalition Health Policy has been written by the doctors, for the doctors.

If Dr Hewson were to be elected he would put us on the road to a US-style health system.

We have a system where everyone is assured of high quality health care on the basis of medical need and where 70 per cent of visits to the doctor are free to the patient. The entire system costs 8 per cent of GDP.

The US system has none of the universal benefits and costs 15 per cent of GDP.

There was a New York Times story the other day which described how a man went to jail for seven months in Louisiana because his friend falsely claimed he had private medical insurance to get him into casualty in hospital. His friend had a crushed vertebrae. He got a bill for \$41,000 which the insurer wouldn't pay. His friend went to jail too, because he gave the injured man his insurance card.

I don't think anyone wants to see a health system of this kind in Australia, and I think it is a very good thing that President Clinton is determined to adopt a different system – one more like our own.

I do not believe a US style health system will help togetherness one bit. I don't believe it will make us stronger or give us a greater sense of common purpose.

I don't believe scrapping our award system and putting every employee in this country on an individual contract will serve this purpose either.

We are showing now with enterprise bargains that we can make the system extremely flexible; it can give us productivity gains, and give them – along with most wages increases – through negotiations workplace by workplace.

Not only is there no economic gain in the Opposition alternative – there is a great social loss.

There is a price which one day must be paid. When employees know that they either take the contract or take the sack, their dignity as well as their livelihood is threatened. They are belittled.

Far from the spirit of togetherness which Dr Hewson has recently begun to extol, we will have the rancour and conflict of a decade ago.

Far from speeding the transformation of our workplaces, the process will be derailed.

Far from advancing the cause of Australia, these policies will stall it. We will go backwards.

These policies were tried in other countries in the eighties and from that experience there can be no mistake: they will change the character of Australia in ways which are hostile to human dignity and entirely alien to our traditions of fairness and equity.

These three things, these three promises of the Opposition – a 15 per cent tax on goods and services, scrapping Medicare, and scrapping awards to put everyone on individual contracts, are their *key policies*.

They are the solutions they offer to our problems.

The Opposition is saying: we don't have any brilliant ideas on how to help our trade performance or reduce unemployment and foreign debt, but, I'll tell you what, we'll give you a 15 per cent tax on goods and services, we'll scrap your awards, and we'll scrap your universal health system.

These are their *brilliant* ideas – to impose a GST, scrap awards and scrap Medicare.

Then, they say, everything will be fine. These policies are not peripheral or additional to their so-called "plan". They *are* the "plan".

If employees resist the impact of the 15 per cent goods and services tax on their wages, we stand to lose over the next decade all the increased competitiveness we have acquired over the last few years.

If we eliminate Medicare and the award system and impose a 15 per cent tax on goods and services, what do we expect will happen to wages and inflation?

Certainly, some wages and benefits will be cut. Many women will be worse off. Service workers will be worse off. Young people will be worse off.

But in the factories and mines and construction projects of this country you will see industrial war.

I can't think of a worse mix, a more lethal combination for this economy and for our success in trade than to whack on a 15 per cent goods and services tax, cancel awards and scrap Medicare, and at the same time cut the Reserve Bank loose and tell it to forget everything else except keeping inflation under 2 per cent.

But even more fundamentally, policies of this kind put at risk the whole basis of consensus and cooperation which has allowed us to successfully and radically restructure ourselves.

It remains to say the most important thing of all: and that is congratulations – congratulations to all of you who have been involved in the development of Best Practice in Australia, and particularly to those *companies* who have committed themselves to Best Practice.

You are the pioneers of the new Australia. What you do is both the wellspring and the measure of our achievement and our hope.

So I congratulate you all . I know you will keep up the good work and – please – let no one halt our progress.

Thank you.