



PRIME MINISTER

CHECK AGAINST DELIVERY

SPEECH BY THE PRIME MINISTER, THE HON P.J. KEATING MP,
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Ladies and Gentlemen

The change in our circumstances over the last decade, even over the last three years, has been profound - so profound it is likely that we have yet to completely absorb its meaning.

We remain beset by all sorts of problems yet the promise is undeniable. We have never had such opportunities - and in the last decade we have put ourselves in a position where we have every reason to believe that we can grasp them.

For all the failures of the last decade we were bold enough and conscientious enough to do those things which have given ourselves a chance in the world.

For all that remains to be done the vision of Australia as a successful trading nation integrated with the world and the region is now taking shape.

For all the obstacles we still have to overcome, it is possible that we are now within reach of a new era of Australian prosperity - of self-sustaining growth, of saving, investment, rising productivity, rising incomes, rising saving, and more growth.

We have eliminated inflation as a problem in the Australian economy - and we have a government, a trade union movement, a community - committed to preventing it ever coming back.

We have upgraded the skills of the workforce, and we have put into place plans to continue upgrading it.

We have a much more competitive regulatory environment - and we will do more.

We have cut industrial disputes to less than half their level ten years ago, and workplace bargains now cover one third of employees under federal awards.

Above all, we have begun to internationalise the economy and change the pattern of production.

We have set ourselves on an irreversible path of winding down the tariff protection which for so long fettered the Australian economy. A practical, sensible and measured program.

We have shifted the trade deficit from over 3 per cent of GDP 10 years ago, to a small surplus in the last financial year.

We have increased exports as a share of GDP from 13 per cent to over 20 per cent.

The significance of the structural change is underlined by the fact that manufacturing exports are today consistently equal to or greater than rural exports. Service exports are now one fifth of our total exports.

We are exporting a higher and higher proportion of product to the booming markets of East Asia. A higher and higher proportion of it consists of manufactures. And that exported product is more and more coming from relatively small, highly adaptable firms which depend upon exports for their survival and growth.

These are big changes - substantial, real, and irreversible changes.

There were also shortcomings in the eighties: they left us with a million people unemployed.

In the course of the election campaign and on the night that the votes were counted, I said that reducing unemployment would be the first priority of a second Keating government.

It will be.

Unemployment is principally a result of the recession.

It is an undeniable fact that unemployment is not going to fall dramatically in the next few years, and equally

undeniable is the fact that long term unemployment will increase.

There are now more than 300,000 people who have been unemployed for 12 months or more. As unemployment falls over the next few years the number of long-term unemployed will increase as employers often prefer to take up new entrants to the labour market or those with only short periods of unemployment.

But I can tell you now we will not be accepting long-term unemployment as an insoluble problem, or as an inevitable fact of life in the new economic order.

Over the past two years, we have greatly increased assistance for the long-term unemployed and improved the effectiveness of our labour market programs.

In my speech on election night, I renewed the Government's commitment to helping those who are unemployed. In particular, we are determined to reduce long-term unemployment and assist people who are in this position. If new policies and practices have to be developed we will develop them.

The Employment, Education and Training Minister, Kim Beazley is now examining the full range of programs for the long-term unemployed to see where improvements can be made.

One thing I think we should now be asking ourselves if the practice of wholesale retrenchment is really a synonym for efficiency.

We should ask if the human consequences and the social consequences are not too great. If the economic burden on the nation does not outweigh the benefits to productivity. If the uncertainty and resentment retrenchments create does not in fact reduce efficiency. And if the initial improvement to the bottom line of balance sheets is not in many cases more than offset by the resulting inability of firms to gear up to meet opportunities as demand expands.

I think governments and business alike should be asking these questions.

As I said during the election campaign: we got a lot right in the eighties, but we also got a few things wrong.

It is not right that the unemployed should alone pay for these mistakes; any more than it is right that governments should withdraw from the consequences of their actions.

The fact is we cannot separate economic ends from social ones. It is expected of governments that they should seize national opportunities, such as those which now present themselves. They should seize them because the national interest is at stake, the well being of the nation and the people.

The same is true of our social responsibilities, especially our responsibilities to the unemployed.

I take the March 13 result as a mandate for an Australian social democratic agenda - for strong economic policy married to programs which produce not just social justice but social cohesion and strength.

In no way should that put the Government and business at odds. The success of economic policy depends on the success of business. The opportunities will have to be seized by business. The national interest depends on business - and to a very considerable extent I mean small and medium sized business.

I am saying that we have mutual interests and mutual responsibilities - in the economy and society. I am saying that we should work together for economic and social ends. I am saying that our vision should be broad, inclusive, national. We should share it.

The prospect of a new era of Australian prosperity derives from our having the preconditions of low inflation and a restructured economy: yet we feel it is also within reach because there is a new sense of national energy and national purpose.

Business leaders should not be surprised that tangible benefits spring from such intangible things as shared goals, energy and purpose - they have their parallels in every decent management text book.

Ladies and gentlemen, the eighties were a time of real achievement, but they were also a time of slow productivity growth, slow income growth, and of national saving inadequate to the investment task we faced.

The trick in the coming decade will be to keep all our gains on inflation, on competitiveness, and on exports.

To keep all these, and at the same time to increase our investment so that productivity rises faster, and incomes rise faster, and generate the savings out of which further investment and further growth is sustained.

It can be done.

There is a new confidence abroad.

Already we can see that the expansion currently underway is quality expansion.

Growth has now been posted for five consecutive quarters.

The current growth rate of 2.5 per cent is slower than we need to make real inroads into the numbers of unemployed, but we need to bear in mind the context of a slow world economy, where two of the three major world economies are still in recession.

More importantly the recovery that we have seen over the past five quarters displays precisely those characteristics that are required if Australia is to achieve higher and sustainable growth throughout the 1990s.

Our current inflation rate of 0.3 per cent is the lowest in the industrialised world.

Net profits in the December quarter 1992 were 75 per cent above the levels of a year ago.

Productivity in the market sector has grown by 2½ per cent over each of the past two years.

And by tying wages growth increasingly to productivity, unit labour costs will remain competitive. We have already seen real unit labour costs fall 0.5 per cent over the last year.

In the last three years only one country out of 23 surveyed by the OECD saw its trade competitiveness improve more than Australia's.

The performance of our manufactured exports provides an idea of how effective these trends can be. While world economic growth has been slowing, Australia's manufactured exports have continued to grow. In the current financial year, they are nearly 20 per cent higher than in the corresponding period for the previous financial year.

The characteristics of our growth provide encouraging signs for the future. When the world recovery begins in earnest,

Australian firms, operating in a low-inflationary, high-productivity, competitive environment, will be well placed to reap the benefits and create in Australia growth of a kind which will mean long-term employment opportunities.

Success in the coming decade certainly depends on things we must do in Canberra.

It depends crucially on Australian workers, who must continue to adapt and change and win for themselves the increasing incomes that are within their grasp. Under the workplace bargaining system we have adopted and which we will entrench this year, employees themselves are for the first time in our history able to create the circumstances of their own prosperity.

But its up to business leaders to now seize the opportunities - to take advantage of the new structure for business which is now being laid down.

Ladies and Gentlemen,

Investment is the key to economic growth.

The continuing opening of Australian industry to international competition ensures that firms can no longer afford to ignore advances in technical capabilities and the competitive advantages associated with them.

We need to invest not just for replacement purposes, but also for strategic purposes.

This requires our investing in our people, in ideas and in physical capital.

It starts with a highly skilled and responsive workforce.

This has been the foundation for our successes in developing new export markets, and it will continue to be.

The demand for a highly skilled workforce provides enormous challenges for our entire education system, challenges that are being met: first through our reforms to secondary and university education, now through a major transformation in vocational training.

Australia's record of investment in ideas has been mediocre, but we have begun to develop an increasingly innovative culture.

The Government has provided direct grants and assistance through the taxation system, especially the 150 per cent tax concession, to encourage greater business contribution to research and development. Direct assistance is also provided to fund cooperative research centres to facilitate greater collaboration between universities, research institutions and industry.

The most pressing need today is to lift investment in physical capital.

Many businesses and banks scaled back their operations as they sought to strengthen balance sheets after the excesses of the late 1980s. While addressing severe debt problems was often necessary, the resultant fall in investment spending cannot continue.

Business fixed investment increased solidly in the December quarter, and I hope this is the start of a strong recovery on investment.

The conditions are there for this to materialise - low inflation, good profits, industrial peace.

Moreover, we now have an extremely competitive tax regime with the corporate tax rate at 33 per cent, accelerated depreciation and incentives to invest through the development allowance and the additional investment allowance announced in "Investing in the Nation".

In addition, we are encouraging banks to get out there and lend for worthwhile projects based on a close knowledge of the firm's operations. The banks assure us they starting to respond.

As the recovery strengthens, we need as a nation to finance expanding investment through domestic saving.

Saving is not a constraint on our economic recovery over the next year or so.

And, indeed the recovery itself will lift national saving.

But increased national saving is a central goal for policy in the 1990s.

That is why we introduced the superannuation guarantee charge, and why we will increase its rate over the decade.

It is also why we are committed to bringing the deficit down to 1 per cent of GDP by 1996-97.

You can be assured we will do it - but you can also be assured that we will not ignore other priorities as we do so.

We will also continue our program of micro economic reform.

We will build more competitive industries by strengthening competition.

The National Competition Policy Inquiry led by Professor Hilmer will report shortly.

An immediate priority will be to improve the performance of our trading enterprises. The reform of management structures, pricing regimes and opening up these markets to competition can achieve important gains for competitiveness.

The cooperation of the States is vital and we have established processes through the Council of Australian Governments to develop national approaches to reform. The States have a lot at stake - not only are they accountable for the performance of their GBEs there is also scope for reform to contribute towards the repair of their budgets.

One feature of the recession that has been of considerable concern has been its impact on different regions. It is inevitable that differences between regions will develop from time to time, but the severity of this downturn in parts of the country demands specific action by Government.

In Alan Griffiths, we now have a senior Minister in Cabinet charged with regional development. As a result, the regional dimension of all Government policies will come under constant focus.

Existing programs will be reviewed, including to ensure harmonisation with State programs.

More generally, any constraints on development in the regions will be assessed with an aim of facilitating new investment.

There has been some speculation that this Government may adopt a more interventionist approach to industry.

Let me say this.

Labor has always believed that Government has a pivotal part to play in developing Australian industry, one where sensible intervention is called for.

Hiding behind the tariff wall was not sensible.

Handouts to favoured industries with little future in a competitive world economy were not sensible.

Rather, we will continue to encourage our industries to respond to competitive forces.

We will continue to foster responsive workplaces.

We will continue to provide support where the market alone does not perform adequately, in areas such as research and development, in export finance, in services to small business.

We will continue to encourage investment through the tax system, and to foster closer relations between banks and business.

We will continue to improve the nation's infrastructure and to press for the efficient provision of services like transport and power.

All this is the basis for Labor's industry policy.

Where fundamental change is needed, we will provide adjustment assistance so that our industries and businesses can adapt to new challenges, just as we have in the rural sector and TCF industries.

Where bringing major players together helps industries at large to seize opportunities we will do so, just as we have in telecommunications and processed food.

Of course we do not face a level playing field in the world economy.

But the answer is not to prop up industries that can only survive in a protected domestic market.

Rather, the answer is to use dexterity and awareness to ensure that Australian industry can compete effectively in the world.

And, as our export performance demonstrates, this strategy works.

Ladies and Gentlemen,

All these are important issues for the government, but there is no economic reform more central than to complete the construction of a system of industrial relations which will enhance productivity, protect the weak, and distribute fairly the rewards of cooperation in the workplace.

We have come a long way in a short time with industrial relations.

Since 1983 we have more than halved the days lost through strike action.

We have dramatically cut real unit labour costs while restoring the profit share.

Australia's union movement is committed to wage increases consistent with maintaining our international competitiveness.

And we now have workplace or enterprise bargains proliferating rapidly.

There has been substantial progress, but I think we need to do a lot more.

Let me describe the model of industrial relations we are working towards.

It is a model which places primary emphasis on bargaining at the workplace level within a framework of minimum standards provided by arbitral tribunals.

It is a model under which compulsorily arbitrated awards and arbitrated wage increases would be there only as a safety net.

This safety net would not be intended to prescribe the actual conditions of work of most employees, but only to catch those unable to make workplace agreements with employers.

Over time the safety net would inevitably become simpler. We would have fewer awards, with fewer clauses.

For most employees and most businesses, wages and conditions of work would be determined by agreements worked out by the employer, the employees and their union.

These agreements would predominantly be based on improving the productive performance of enterprises, because both employers and employees are coming to understand that only

productivity improvements can guarantee sustainable real wage increases.

We would continue to have an Accord with the trade union movement, guaranteeing the safety net of the award system and the steady accumulation of occupational superannuation, with improvements to both the safety net and occupational superannuation governed by a commitment to international competitiveness.

We would have an Industrial Relations Commission which helped employers and employees reach enterprise bargains, which kept the safety net in good repair, which advised the Government and the parties of emerging difficulties and possible improvements, but which would rarely have to use its compulsory arbitral powers. Instead, parties would be expected to bargain in good faith.

We would have sufficient harmony between State and Federal industrial relations systems to ensure that they all head in the same direction and used the same general rules.

That is the goal we are working towards. So how far are we from reaching it?

We now have enterprise bargains which cover one third of the workforce under federal awards. Over eight hundred agreements covering nearly three quarters of a million employees.

That is extremely encouraging, but its not enough - not nearly enough.

We want it to be close to one hundred per cent of employees under federal awards.

And federal awards, of course, cover less than one third of all employees.

In all of the six state systems only a small number of employees are covered by enterprise agreements.

NSW, the biggest state, has only about 7,000.

Victoria has only about 80 agreements in total.

And of course there are lots of employees who for one reason or another don't have a union to represent them.

We need to make the system more flexible and relevant to our present and future needs.

We need to accelerate workplace or enterprise bargaining and this is as much a responsibility of employers as it is of unions and governments.

There are not enough enterprise bargains - and the bargains we do have are sometimes not sufficiently comprehensive.

We need to find a way of extending the coverage of agreements from being add-ons to awards, as they sometimes are today, to being full substitutes for awards.

As we change to a national system of workplace bargaining our laws and institutions will need to be modified to fit the system we are creating.

For example we have laws which give the AIRC a role and powers that are not well suited to the system we are trying to create.

My own view is that the government should provide the direction and leadership necessary to ensure that Australian industrial relations operate to advance our national interest.

The Government should do this - and we will.

It is our responsibility to work out a way in which the IRC has suitable powers to run the kind of system we need - not the kind of adversarial system we have had.

The shortcomings in our legal structure go well beyond the role of the AIRC.

They are also quite plain in the lack of credible means of enforcing agreements.

Where agreements or other awards apply there should be clear, substantial and easily enforceable penalties for breaches.

An integrated, comprehensive and simple framework for making and enforcing agreements.

These are shortcomings which I have asked the industrial relations minister Laurie Brereton to look into and remedy.

Over the next three or four months he will be consulting as extensively as he can - with employers and employees and their unions, with the states, with the AIRC, with academics and experts - to come up with the best solutions.

The solution will certainly include legislation implementing our commitment to ILO conventions on minimum pay equal pay and on redundancy.

I know Laurie Brereton will invite the liveliest debate and I hope all interested parties will join it.

I expect that by the time we get to the Budget sitting of Parliament he will have put together a package to renovate the legal and institutional structure of Australia's industrial relations - and one that fits with the national system of workplace bargaining we are already creating.

Ladies and gentlemen

Completing industrial relations reform is another link in the chain of reform which began a decade ago. It is important now that we accelerate the reform so that all the other elements of flexibility in the economy can work in greater harmony.

I am confident about success. As I said in the campaign, I now dare to believe that the dream of decade or more ago is about to be realised. That Australia will become a creative, innovative, manufacturing nation in the front rank of trading nations and the front rank of social democracies.

I now believe it will happen because there so many signs to tell us what we have done is succeeding - and that is the best assurance that we will succeed in doing all that remains to be done.