



PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING, MP
AND THE MINISTER FOR EMPLOYMENT, EDUCATION AND TRAINING,
THE HON KIM BEAZLEY, MP, JOINT PRESS CONFERENCE
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PM: Well, today I have received the report of the Committee on Employment Opportunities. This is the first such report of its kind which any Government has commissioned since the Second World War. And the Government established a committee this year requiring it to look at the causes of Australia's unemployment and the policy options for the future.

I think the first thing to understand is that this is not a Government report. It is a report to the Government and to the Australian community. And on a matter such as this, a matter which has had such public discussion in the last couple of years, last year in particular, there needs to be further public discussion on how best to remedy the problem as a basis for such a discussion. And that must occur between now and the delivery of a white paper on the subject early next year.

During this process of discussion I think it would help us all to reflect on the fact that the pros and cons most of us, business people, lobby groups, those who understand the issue, politicians, will all do that from the comfort station of having a job. In other words to be effective the process will require all Australians to imagine what it is like to be out of work. Now, this was a major issue in 1992, it was a major issue in the election campaign, and there seems to me to have been a fairly strong consensus in Australia that high levels of unemployment and particularly long term unemployment are unacceptable to us.

Unemployment is a problem because it makes the economy inefficient, but principally of course, it is against our ideals, egalitarian ideals, of an opportunity of work for people, it has a devastating effect on individuals and their families, it debilitates social cohesion, it increases the cost of welfare, and hence the burden of taxation, it limits the scope of public expenditure on other things, including reducing our public debt. And it is our greatest contemporary problem.

Now, the report makes these issues fundamentally clear. It says there's no single simple solution to unemployment, no single solution, but without question an essential condition of success in the fight is a high unsustainable rate of economic growth. Now, we have got substantial reason for confidence, that we can grow the economy at some speed. At the moment we are growing at around 3.5 per cent, which compares favourably with our OECD counterparts, and as you know we have got interest rates low, we have got inflation low, we have got a high profit share in the economy, and we are more competitive than we have been in our living memory. So, there is every reason that we can see investment pick up and growth continue. The report makes clear that more change is needed, that we will need to keep up all the issues of our competitiveness to keep that growth going.

Now, the Government is of the view that we can restore full employment and that we should be bearing down on unemployment. But the report says we can only do this provided the Government and all sections of the community are prepared to develop a new and stronger sense of national purpose and a consensus that the goal is worth pursuing.

Now, the report details what we are spending now on labour market programs. It talks about the long term unemployed, it makes clear that at the end of the employment boom there was still 100,000 people unemployed for 12 months or more, and that that equivalent group is now 340,000 people, the number of long term unemployed has risen. And that the report makes clear that this has a severe social implications and is a severe impediment to labour market efficiency, and I think this should be underlined and understood. It is a severe impediment to labour market efficiency.

So, it is a most important report, not just for the Government, and not just for the unemployed, but for the community as a whole. We have not had a thing like this produced in the past. It raises questions which are fundamental to the kind of society we have and have had. And I think reminds us of the issues which need to be addressed in keeping a cohesive society together of the kind we have had.

So, I do urge all Australians to recognise unemployment is their concern, and to make full employment their goal, and with that kind of national consensus a discussion around this paper and the white paper which will follow, I think, can take us materially down the path of bearing down on unemployment and attaining that goal of full employment.

Now, before I invite questions I will invite my colleague, Kim Beazley, to address you with any remarks on the topic from the report that he thinks are appropriate.

KB: If I could just add to underline one of the things that you said, Prime Minister, and that is this, this is not a work creation scheme that has been handed to the Government. It is not about a number of full time jobs being

created. What it is about is putting the unemployed in a position where they can be job ready and employable.

It is about ensuring a situation does not develop, which unattended will, and that is by the end of this decade we have still got, no matter what levels of growth we achieve, around about 7 or 8 per cent unemployed, half of whom are long term unemployed. Well, the committee points out that if this is implemented or something like it those numbers will be trending down to about 5 per cent, with only about 1 per cent of them long term unemployed. Long term unemployed left to themselves will stay at about 300,00, picked up here will go down to 90. So, it is also about growth, efficient labour market is critical to growth, if we are experiencing bottle necks as we are starting to, I must say, in Western Australia at 9 per cent levels of unemployment, if we are starting to experience bottle necks at 7 or 8 per cent unemployment we will then get inflationary pressures which will damage growth and we are going to find in subsequent recessions a plateauing of unemployment at higher and higher levels.

It is not an acceptable outcome to the Government, it is obviously not acceptable to the taskforce, and that is the very heart of their recommendations.

J: Prime Minister, the report says that funding the jobs compact will require either a reordering of current priorities in the budget or the raising of revenue. Which is your preferred option?

PM: Well, I don't have preferred options at this stage, it is a matter of considering what we think we may do from the report and then seeing where that fits within our priorities, and making judgements about them. The Commonwealth budget is now over \$100 billion in size, there is always a degree of discretion on the part of the Government about how that \$100 odd billion ought to be spent, and indeed about how it is raised. And I think the core matters here are, do we believe that unemployment should be addressed, and particularly long term unemployment? If we believe that, how do we most efficiently address that problem? And with what programs, and at what cost, and then when we get the answers to those questions, we then decide how we fund it, and not the reverse.

J: Do you think the challenge is sufficient though, or great enough to warrant thinking about the bottom line, to think about whether or not you should increase the deficit?

PM: Well, I think the press have got a fascination this week for how this thing is funded rather than what it is. I mean, this is a very novel report, and it is one, as Kim has said, which focuses on this question of the efficiency of the labour market and the long term unemployed. Now, what the '80s showed was despite the fact that we had strong aggregate employment growth, and we got unemployment down, or be

it in the face of a very high participation rate and a very big lift in participation, we did not succeed in changing by a large measure that character of the long term unemployed. It took us a long time to get it down. Now, that group has now trebled, and that poses problems of efficiency in the labour market, which the economy shouldn't need to bear, as Kim said, I mean it is just unacceptable to be thinking about bottle necks with unemployment of 9 per cent in Western Australia as an example he gave. So, therefore it is a matter of looking at the programs and thinking about the problems and how the social security system should be set up and us making, as we have in the '80s on many issues, another quantum leap in the way the Australian society functions. And we have done it in health, we have done it in education, and we have done so much of it in social security with income support, and we are prone to be doing it again here. I think that is the story, the story is not how it is to be funded.

J: Prime Minister does the Government's four year deficit reduction strategy remain intact?

PM: Well you are asking me just another way of putting the same question.

J: Before this report was released you said that you were hoping for some radical and innovative ideas to combat unemployment. Has it matched your expectations or are there things that you think haven't been touched on in this report?

PM: I think it is a comprehensive examination of the problem. The problem is that a category of people, a large block of Australians, group of Australians, the long term unemployed would be otherwise marginalised or sidelined other than in the event that we get them back into the main stream labour market or to use Kim's expression "job ready".

What has happened in countries like Britain for instance, is that despite the fact of quite a large pool of unemployment, wages growth continued to move along quite strongly and you would say - well, how does this happen when there is quite a pool of unemployment? It has happened because they were marginalised. These people were no longer part of the employment equation and what happened is the new entrants to the British labour market were people who came from school or from universities et cetera or from migration. They did not come from the pool of long-term unemployed. That is a terrible efficiency drain on the country, it is a story of multiple personal tragedies and the despair which comes from the long-term unemployed and we can, I think, take the opportunity to address that problem. So, that is what the report is looking at - that is, how do we move towards ... I mean do we mean it when we say we believe in the goal of full employment, or do we take the view which says if you were part of the adjustment process and you got adjusted out, you are unemployed,

bad luck for you, the rest of us are now back on the gravy train and we are moving on. And now it has pulled out of the station, it has got a head of steam up again, we are just seeing you disappear into the landscape, forgetting about you.

The report goes to address those issues.

J: Prime Minister, the employers argue that a more flexible labour market would create 200,000 new jobs without the necessity of having to look so closely at the bottom line, you know offer jobs levy or increased deficit or whatever.

PM: Yes, that on the balance of assessments of whether one looks at the long-term unemployed or has a reduction in nominal wages it is the former rather than the latter which is the preferable choice. Because why should the whole community have a reduction in purchasing power and earnings to try and induce some more employment, but even if it does it will not go to these people. That is the key point - even if it did, it doesn't go to these people. It will reduce the aggregate pool of unemployment, but it will not pick these people up and why would we do it when the profit share is already at the late '80s levels beyond any historical experience we have had at that point. What are we saying - are employer groups saying to us: we want a profit share not only above the late '80s experience, but that is way beyond any historical experience. The whole point of economic policy and economic growth is economic growth and economic wealth and that means over time, higher real incomes not lower real incomes. Our objectives should be higher real incomes not lower real incomes.

J: ... see your responses to this report it seems to set out some fairly clear goals for policy, that is faster economic growth and a target of at least 5 per cent unemployment, that is drop to 5 per cent unemployment by the Year 2000. Would you embrace those goals or would you actually be aiming for a better unemployment outcome by the turn of the century?

PM: There is a set of charts in here I think, a couple of bar charts, and what one shows is that in the '82-3 to '89-90 period, we experienced GDP growth on average of 4.3 per cent. What the report argues is that to reduce unemployment down to around 5 per cent by the Year 2000 instead of 7 per cent we would need to be running at about 4.8 instead of 4.3. This doesn't seem to be outside the realms of possibility, but it is something which the report is proposing. It is not something which it is urging the Government to make as a target which is the word you used. Rather it is, has the changes of the '80s, the new business culture, the more competitive culture, the enterprise flexibility, after we move through the aggregate reduction in wages versus profits and now the leavening and flexibility which enterprise bargaining is giving and which the new federal award variations provisions of legislation carried

last night gives as these things come through, as businesses are now more productivity conscious and they are running companies more flexibly, as the labour market is now far more flexible, in the running of rates of growth in the 4.5 - 5 per cent area would we be able to restrain prices and imports.

In other words, is there enough productivity growth and enough investment to keep it there? I should hope there is because if there isn't it just means we are going to end up with a pool of unemployment higher for longer and it will mean the gap between the wealth of this country and the wealth of the countries in our region will get greater as their growth rates easily exceed ours.

J: The Hawke Government in 1983 set a goal for how many jobs it would like to see created over its first term. I suppose I'm wondering whether you would like to once you have considered this report, and ... the appropriate responses to it also set a similar jobs target?

PM: We put half a million up in the 'One Nation' package.

J: It hasn't moved on since then as this report shows ...

PM: That and we have also in terms of the discussions we had with the ACTU we talked about reaching the target of 500,000 jobs I think from memory, over three years beyond which, that is, we had to reach there before we had a chance in the wages policy in that document. Now at the time there was some misgivings on the part of some commentators about the prospects of getting there. I think the Treasury is now talking about 180,000 jobs for this year which means that 500,000 does look attainable as indeed it was in the '83-4 rebound where we had 500,000 in the first Parliament. In the first Parliament, three years, we got the 720,000 from memory or 740,000 it might have been.

J: What about the long-term unemployed though?

PM: What about them though?

J: Giving that you are identifying them as a particular group that needs to be targeted. These figures in the report talk about trying to get the number down from 290,000 to 90,000. Would you be prepared to embrace that sort of goal policy?

PM: If we embrace the thrust of the report, if in the analysis, discussion, public discussion, white paper discussion the Government picks up the central thrust of this report, hopefully the central thrust of the conclusions will also be available to us, but there is never a great profit in Governments setting targets for themselves because people like you never stop reminding us when we don't meet them.

J: Prime Minister, on that score what do you make of the Committee's observation that after four years and the expenditure of something like \$1.4-1.5 billion a year, the best you could do in terms of permanent, ongoing jobs for the long-term unemployed is about 50,000. Isn't that a bit disappointing?

PM: No, not at all. I think there Jim (Middleton) you have missed the point of the plot. This is not a job creation thing. It is a labour market efficiency flexibility thing, it is principally a social thing. It is a social thing and it is a labour market flexibility thing, it is a jobs ready thing. Now, if in the payment of subsidies like Jobstart and the rest you end up with some additionality in the labour market, in other words jobs that might not have otherwise been there, which is where your 50,000 is, good. But they are a by-product. They are not the central proposal. The central proposal is not job creation, it is about being job ready and to get the efficiencies of the labour market up.

J: But job ready with no jobs.

PM: No, but the aggregate jobs will be there, it is a matter of getting the long-term unemployed people to take some of them.

KB: I think the point that has to be made here is - if you are not job ready, in other words, if the labour market is effectively churning and it is only growth in the end which brings down those total numbers, if the labour market is not churning you are getting enormous health problems coming on stream, enormous social problems coming on stream, enormous additional expenditures that you might not necessarily have needed to make otherwise for people on unemployment benefits because the level is too high and terrible social dislocation. It is a hell of a lot better to be out of work for six months than forever and in terms of all the social impacts on you and that is essentially what the committee here is arguing.

J: Are you as agnostic and open minded about a jobs levy as the Prime Minister?

KB: I'm always agnostic about things that I'm going to discuss with my Cabinet colleagues as far as public presentation is concerned. There are a lot of propositions presented here by the Committee. I think the surprised tone I get from some of the people I've had a chance to talk to is that the jobs levy is not such a huge focus of this report when it is actually taken on balance, it simply happens to be one funding mechanism which we will bat about and some of us are more or less agnostic on this, but there are at this stage no atheists or Christians.

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