



PRIME MINISTER

**STATEMENT BY THE PRIME MINISTER, THE HON P.J. KEATING, MP
HOUSE OF REPRESENTATIVES, 4 MAY 1994**

WORKING NATION - The White Paper On Employment And Growth

This White Paper reflects the collective concern of Australians and their collective ambition. Their concern for their fellow Australians, their ambition to make this a good society and a great and successful country.

It is a statement about the two imperatives of a decent society - compassion and strength.

About the bonds which exist between all Australians - and the premium this country places on the talent and energy of every individual.

It is about the desire to extend the safety net and basic services which expand equality of opportunity and go to make a truly civilised society - and the ability to pay for them.

This is a White Paper for the times we live in: an era of unprecedented change and equally unprecedented national opportunity.

It is also an era in which hundreds of thousands of Australians, through no fault of their own, are bearing the burden of that change and are denied their share of opportunity.

Unemployment is without question the greatest problem we face. Unemployment saps the confidence and self-esteem of our fellow Australians - which in turn saps the nation's. It damages the social fabric.

It has profound consequences for our social cohesion.

As we have seen in other countries, ignored and neglected as a social problem, left to a fate to be decided solely by "market forces", unemployment threatens to create a permanent underclass.

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It threatens to create the conditions for social decay.

We are not alone among nations in this - it is endemic to the western developed countries. This government for one is determined to deal with the problem.

I said on election night last year that we will not leave the unemployed behind. And I said on Australia Day this year that this recovery must be shared by us all. The White Paper I present to the House today delivers on those two commitments.

But success won't come easily: with this White Paper we cannot say that the battle has been won, but we can say that it has been joined. And we sincerely hope not just by the Commonwealth Government. It has to be understood that success here depends upon all Australians joining the effort.

That means business and trade unions and communities. It means all tiers of Government. If we do want to reach the point where we can say that every Australian who wants a job can have one, it will require a conscious and concerted national effort.

So we don't say that this White Paper will wipe away the problem at a stroke, but we do say that Australia will not leave people neglected and forgotten.

Through this document, Australia says to those who are out of work: we believe you are entitled to the benefits of recovery and a chance to contribute to it.

If you don't have the appropriate skills, we'll help you get them.

If you are young, we will see that you are trained.

If you have been a long time out of work, we will offer you employment and training, if that is what you need.

It says we will do all we can to help make you ready for a job.

The means of giving concrete expression to our intentions constitute the most profound reform of Australia's labour market and social security provisions since World War II.

The new provisions are tailored to meet the needs of the unemployed in the modern Australian economy. They will serve Australia for many years.

The White Paper is a statement of policy on employment and growth. It takes the view - the incontestable view - that economic growth is the key to employment growth.

The evidence is very plainly there in this recovery - we have already seen 230,000 new jobs created in the past twelve months.

That is why a substantial part of the White Paper addresses itself to the means by which Australia can achieve higher levels of competitiveness.

One of our great goals in these last years of the century must be economic efficiency, and the microeconomic reform and other measures described in this Paper are no less important than the training, labour market and social security reforms.

The Government believes that Australia can sustain or improve upon the present rate of low inflation growth through to the end of the decade.

The period will be characterised by a continuation of the trend towards successful small and medium size enterprises producing sophisticated manufactures for export.

It will also see continued growth in sophisticated services.

Australian business and industry will need to be increasingly flexible, innovative and responsive to customer needs.

It will need these qualities to succeed in the increasingly competitive markets of the world.

As these companies grow, jobs will grow with them. But we know from the experience of the eighties that very largely these new jobs will go to new entrants to the labour market and not to the long-term unemployed.

As the Green Paper indicated, even with strong economic growth, without intervention of the kind we have decided to undertake in this White Paper, by mid-1998 there would still be some 290,000 people in the pool of long-term unemployed.

This is not only profoundly unfair, it is profoundly inefficient. It is a waste of our greatest resource - the talent and energy of our people.

Returning the long-term unemployed to the productive process of the nation not only returns them to the income, social interaction and creativity which work provides, it taps their potential for the good of Australia.

As the White Paper says, when we employ these otherwise wasted human resources we are made stronger.

Large numbers of long-term unemployed people demand large outlays on social security and other assistance.

Furthermore, having so many people effectively disqualified from the workforce reduces the efficiency of the labour market.

In this recovery the complement to skill formation in the labour market is not going to come from migration. This time it has to come from training our own people, including those who are presently unemployed.

The details of the Government's policy reforms are spelt out in the second volume of the White Paper.

The measures I am announcing today will cost \$1.7 billion in their first full year. Those who may question the cost of these measures should ask themselves what are the costs of doing nothing. The cost of failing to introduce the major efficiency and equity benefits to the labour market, industry and the regions that this package describes.

It is important to note that we have been able to accomplish these fundamental reforms consistent with our target of a deficit of around 1 per cent of GDP by 1996-97.

For the information of Honourable Members, I will concentrate on only the most substantial of the new measures.

Central to the Government's strategy for getting the long-term unemployed back into work is the Job Compact.

The Job Compact puts new obligations on both the Government and those receiving unemployment benefits. The Government will provide to those who have been on unemployment benefits for eighteen months or more individual case management, training and support and the offer of a job for six to twelve months.

Individuals will be expected to take the job or lose their benefits.

We will also introduce measures to identify people at risk of becoming long-term unemployed.

Together with those who have been continuously unemployed for twelve months, these people will be given individual case management including remedial action in such areas as literacy, numeracy, language and vocational training and access to relevant labour market programs.

It is expected that over half a million people will receive individual case management each year.

This is a radical program, a qualitative change in the way we approach labour market problems.

The objective is to make long-term unemployed people ready for a job, and break forever the pattern in which the long-term unemployed become steadily more dispirited and unqualified for employment, while employers become steadily less inclined to consider them employable.

In other words, the purpose of the Job Compact is principally to see that a substantial proportion of the new jobs in the recovery go to long-term unemployed Australians.

A new Training Wage will be introduced to provide employers with extra incentives to hire long-term unemployed workers and invest in their training.

The training wage encourages employers to provide training places in two ways. The award wage will be discounted for accredited training and the employer will receive a wage subsidy from the Government at a level above what it would be if no training were involved. This represents a substantial incentive for employers to play their part in the national effort.

An in-principle agreement on the Training Wage has been reached with a high-level ACTU committee which will be recommending its adoption to the ACTU Executive. The Government will also be consulting with employers on the details of the training wage.

To deliver case management and job placement services, the Government will radically change the labour market by engaging community and private sector agencies.

Job seekers will have a choice between these and the CES, with the competition between them regulated and encouraged by a new authority - the Employment Service Regulatory Agency (ESRA).

The CES will be revitalised to meet the greater responsibilities placed upon it by the Job Compact and other initiatives.

Additional resources, extra training of staff, external recruitment and improved information technology will be brought to the operations of the Service.

The emphasis will be on closer relations with employers, greater skills and efficient delivery through more sophisticated technology and coordination.

For instance, job boards and job cards in CES offices will be replaced with computerised vacancy systems featuring user-friendly technology to encourage self-help job searches.

As the White Paper says, we are never going to return to a world where large numbers of full-time jobs are available for unskilled young workers. As the keys to a successful modern economy are skills, ideas and innovation, the keys to employment are education and training.

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It cannot be stressed too much - in the modern economy skills are our greatest competitive advantage. Whether it is in global enterprises or local small businesses, it is on the ability of our people to add value that our standard of living depends.

It is on skills that every individual's standard of living increasingly depends.

In the past decade, the number of young people completing Year 12 or an initial post-school qualification has dramatically increased. However we are still below the average for the OECD and well short of the goal that all Australian Governments have set - namely 95 per cent of 19 year olds by 2001.

The White Paper describes the Government's program for building the skills of young Australians.

The three principal elements of new Government policy are: first, the Government aims to encourage young people to stay in education and training by giving them appropriate financial support and more relevant courses run jointly by schools and industry.

Second, we will be increasing the number and range of entry level training places for young people - by an estimated 50,000 by 1995-96.

And thirdly, we will be introducing as a major policy change a Youth Training Initiative for unemployed young people. The key to success is to provide help at an early stage in the unemployment cycle, which means with the least possible delay after leaving school. The principal features of the Youth Training Initiative are:

- intensive case management, with an initial assessment of skills and knowledge, for all unemployed people under the age of eighteen
- a doubling of the number of labour market and vocational training places for young people
- assistance in finding a job, and
- reformed income support arrangements to help keep young people in education or training.

Under the Youth Training Initiative - in the clearest possible signal that every young Australian should be in education, training or employment - unemployment benefits - or the Job Search Allowance will be replaced by a Youth Training Allowance.

Investing in skills of Australians, particularly young Australians, is the best investment we can make. This is recognised well beyond the realms of Government.

Industry is increasingly recognising it and increasingly indicating its desire to play a part. We are very well aware of industry's concerns about the relevance of current training and for this reason we are anxious to engage industry in both the design and delivery of courses.

In future, Australian vocational training will be available through traineeships based in schools, TAFE, industry and labour market programs and will be available to adults as well.

A Training Wage which offers a much simpler alternative to the multiple industry-specific rates currently applying will be available to employers who provide entry-level training.

The social safety net was a term first used in the 1940s by Ben Chifley. He thought of it as the net under a trapeze artist, "to break the fall towards destitution and sustain a man and his family while they help him climb the ladder of opportunity again".

The basic principle of the safety net remains the same - and so does the basic necessity in a decent society to maintain it. But circumstances have changed and so must the way we design the net. The most fundamental difference is that no longer do families depend on the man alone to bring in the income.

In general, the present social security system continues to assume that only one member of a couple, in most cases the husband, will be actively looking for work while the other will be a dependant.

This ignores the increase in employment for women. It means that unemployed couples have not been encouraged to take advantage of the opportunities in the labour market.

Over the last ten years, the gap between income support for a married couple and income from lower paid jobs has also narrowed and the incentive to find work has been greatly diminished.

In another basic structural reform of our income support system, young unemployed couples without children will need to qualify for unemployment payments in their own right and the joint income test for unemployed couples will be abolished. The effect of this will be to encourage both partners to seek work. It also means that many low income working families will gain extra income support.

Under the current social security income test, after a modest level of income, for every dollar of income earned, a dollar of income support is lost. From July next year the dollar-for-dollar taper will be replaced with a 70 cents in the dollar taper which will mean that people will always be better off from working because work will always increase their total income.

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In another radical initiative, a Parenting Allowance will be introduced to provide an independent source of income for parents in low income families who care for dependant children under 16 years of age.

The Parenting Allowance will effectively provide a payment for one parent free of any obligation to seek work.

There will also be a more generous income test for those who wish to combine parenting with paid work. By any measure, this is a major reform. The simplest measure is this - it will mean an extra \$59 per week on average for nearly 120,000 low income families.

The Parenting Allowance signals a new approach to income support based on the right of people to be paid as individuals, rather than as dependent partners.

In this, and in the fact that it constitutes greater recognition of women's role in the workforce and the growth in part-time and casual employment, the Parenting Allowance is consistent with the changes to income testing.

If we do not take remedial action, the long-term unemployed and many young Australians at risk of joining their ranks will be relegated to the margins of our national life and miss out on the opportunities offered by the present recovery.

The same can be said of many of the regions of Australia. The White Paper presents a new Commonwealth approach to regional development.

If we are to make the most of all our national resources, including the skills and energy of our people, we need to ensure that the regions of Australia are given the opportunity to flourish - that they become partners in Australia's growth.

As the White Paper says, to neglect the regions is to neglect not only a great many Australians and all that they have to give this country, but to pass up the opportunity to build a stronger and more diverse economy.

Three reports on regional development have been received by the Government in recent times - the Kelty Taskforce Report, the McKinsey Report and the Report of the Industry Commission.

The principal lessons to be learned are that the regions, though presently enjoying very different degrees of success, have in common an abundance of energy and commitment.

The Government takes the view, with Kelty and McKinsey, that the most effective approach for the Commonwealth is to provide strategic assistance of a kind that will help the regions to make the most of their human and physical resources.

More often than not, this will require them to integrate their local economies with the national and international economy.

The White Paper instances some remarkable achievements and some other places where major obstacles have yet to be overcome. The uneven performance of our regions in large part flows from an uneven quality of organisation and leadership.

The White Paper details the way in which the Commonwealth Government will support the formation and functioning of regional groupings and provide assistance to regions so that they can develop and implement effective strategic plans, with an emphasis on international best practice.

We will also be significantly modifying the tax treatment of infrastructure bonds and taking other steps to encourage private sector investment in regional Australia.

We will also provide funds for capital works where it can be demonstrated that their completion is vital to local economic performance.

The White Paper nominates two regional development projects the Government will support which may be taken as models for other regions in Australia.

The Goulburn Valley and the Sunraysia have developed plans for ecologically sustainable, highly productive, self-funding, irrigated agriculture which will repair the environment and greatly increase the contribution to GDP - the Sunraysia is expected to double output in the next two decades.

The Government will provide funding for essential capital works projects and support for re-structuring through the Rural Adjustment Scheme.

I will be going to the Sunraysia on Friday to see first hand the proposed projects and meet with some of the region's leaders.

It should be noted also that reforms to the labour market, education and training and social security contain provisions for programs which will be specifically tailored to regional needs.

In addition, some sixty DEET Area Consultative Committees will be created and they will seek to establish direct links with successful regional development organisations. The Consultative Committees will include employers, local and state government representatives and education and training providers.

Just as it is essential that we do not allow the long-term unemployed to become cut off from the mainstream of society, it is equally important that we take steps to see that regions of Australia are not left to drift out of the nation's economic and social life.

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These reforms and initiatives necessarily depend on continuing economic growth. They depend on the ability of Australian enterprise to flourish and carve out a future in the world economy and especially the Asia-Pacific.

For that reason the White Paper contains a statement of the Government's industry policy.

In summary, the thrust of Government policy is towards globalisation, competitiveness and productivity.

We are seeing major success from measures already taken: a dramatic increase in exports, the rise of dynamic small and medium-sized businesses which have been born of the export culture developed in the last decade - "born global" in other words - the growth of manufactured exports to rank now with agriculture and mining as a proportion of GDP and the rapid growth in exports of sophisticated manufactures.

There is no question that our policies, including our tariff policy, are enabling Australia to be a competitive player in the regional and world economy.

There is equally no question that we have no choice but to continue the process of reform which alone will keep us in the race.

The White Paper contains a broad statement of the principles governing our industry policy and a number of specific measures consistent with those principles.

The process of microeconomic reform will continue. A consistent goal of the next few years must be economic efficiency. The principles of "best practice" which many Australian companies have adopted, must be adopted by the nation itself. In this, as in all the measures described in this White Paper, much depends on other tiers of government, on trade unions, business, communities, the people of Australia themselves.

It demands a continuation of the great cultural shift which has occurred in the past decade.

The Government sees its proper role as creating a competitive environment for industry and by strategic intervention, helping to create competitive companies. As the Paper says, our policy must be to harness the power of markets, while recognising that, left to themselves, markets will not always give us the best possible results.

There are measures described in this White Paper to remove impediments to business efficiency, to facilitate exports, to encourage research and development, to make access to finance for small and medium-sized business easier, to remove regulation and lower business costs - and among the latter, the White Paper announces the suspension of the Training Guarantee.

One significant initiative will be the establishment of a body to improve coordination and delivery of government programs for business. The body, to be called AusIndustry, will be within the portfolio of the Minister for Industry, Science and Technology and will be guided by a board comprising people with experience in all aspects of business, from research and development to international trade.

The establishment of AusIndustry is a direct response to two recent studies by McKinsey which found that business was often confused about the range of services available under government programs.

Our success will also depend on the capacity and willingness of Australians to strike productivity bargains in the nation's workplaces.

The Industrial Relations Reform Act introduced last year provides the framework for this process to rapidly proceed. Much now depends on the willingness of employers and employees to strike the kinds of bargains which will be mutually rewarding to them, and rewarding also to Australia's economic future.

We have seen in a very short time a sea-change not just in the shape of the Australian economy, not just in its orientation and in the way we do business, but in the way we think about our business practice. We understand both the need for, and the principles of, competitiveness. We understand the need for cooperation in the workplace. We understand the need for skills and creativity. We know that we must be a nation which makes things and sells things in the international markets of the world.

We know these things principally because we know that not to do them will mean to fail as a nation. It will mean a lower standard of living for this and future generations.

The major reforms announced in this White Paper should be seen in this context.

We do not accept that we can raise the standard of living of Australians by allowing a large number of people to drift permanently out of the system. We do not accept that we can afford to waste their potential. Nor do we accept that the only way to maintain our standard of living is to lower the wages of Australian workers.

The White Paper is underpinned by the belief that Australia must and can be a high wage and a high productivity country.

A hundred years ago, the Australian colonies federated into a nation which numbered among its watchwords "the social laboratory of the world". The Australia of a hundred years ago prided itself on advanced social policy.

Just fifty years ago, with the White Paper on full employment, another Australian Labor government codified and consolidated social policies which together formed the basis of the Australian social welfare system. That was a document of its times - in some essential ways, a much more modest document than this one.

This White Paper is a document for these times.

These social programs, together with those introduced in recent years, mean that in this decade we should take pride in the fact that, faithful to previous generations of Australians, we have made this one of the most sophisticated social democracies in the world.

It would be no bad thing if, in this decade, we also developed pride in the great changes we have made to our economy. We should be proud that we now compete in areas we once thought beyond our capacity.

It would be a very good thing if, at the end of the century, we defined ourselves as one of the very fair societies in the world and one of the most creative.

That is the philosophy which underlies this White Paper.

It is a program for employment and growth. It underlies all the policies of this Government.