



PRIME MINISTER

TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING, MP INTERVIEW WITH JULIE FLYNN, RADIO 2UE, 5 MAY 1994

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JF: Prime Minister, there has been a mixed reaction to yesterday's Statement. Can you understand why some people are sceptical that this will solve the unemployment problem?

PM: Well, people are entitled to be sceptical, but I don't think they are entitled to be negative about it. This is a very large program. No Government in Australia has ever entertained this. But we know that unless we intensively case manage the long term unemployed, by the end of the century there will still be, even with a lot of economic growth and a lot of employment, about 300,000 people still long term unemployed. Now, what this program will mean is that every individual will be personally case managed. That means that their personality, their work experience, their education, their educational standards, their aptitude, their prospects for training, and their prospects for a job placement will be managed by one person, which gives them a real chance to break the cycle and get back into the labour market and enjoy the country as the rest of us has.

JF: But you are going to need business to be part of this compact, aren't you? If they remain sceptical, how can you ensure that they will participate?

PM: Well, I think we are setting up, in a very novel change here, a competitive case management and job placement market. That is, we are not simply leaving this to the CES, there will be the development of private case managers, and we will see a much greater effectiveness in job placement. Therefore, I think, a better relationship with employers, and a willingness on the part of employers, therefore, to build a relationship with a case manager, or a case management firm, or the CES, and to take people up. As well as that, there are very strong job subsidy payments here. If employers take people up they're

will be \$230.00 to \$260.00 for the first 13 weeks, and it drops back after that, and if they keep them on we give them a bonus too. So, as well as that the Government will be introducing the feature of a training wage. So, for trainees, particularly young people and unemployed people, those people will take a discount on award wages for on-the-job training. So, I think the other thing that needs to be remembered here, from this recession to this recovery, in this recovery, there won't be resort to migration for a compliment to skills formation in the economy. This has got to be internally generated from the new entrants of the labour market and from the long term unemployed.

JF: And if we don't train those people ourselves we end up with a problem at the other end of higher demands on wages because of skill shortages.

PM: We end up with that, and you end up with this terrible problem of alienation. Where 300,000 to 400,000 people think that society doesn't care about them, that they are cast offs, that there is no role for them. And that leads, I think, in the end to social division and social decay. If you look at countries like the United States where you see it in a lot of the capital cities, it is because no Government at the time ever took this kind of interest.

JF: But, if you are going to say that you want to include employers, employers are saying that the new industrial relations Act, which makes it harder for them to sack people, is actually a disincentive to employ people.

PM: Well, employers were quite bullish, I thought, yesterday in their reaction to the Statement. The Chamber of Manufactures of NSW said, the White Paper is a helping hand, the White Paper is a helping hand, it is also in the best interests of industry. It said the job compact will ensure that a person who needs to find a job will merge sweetly, sweetly, whether employers need to fill one. Now, those organisations represent the many smaller businesses, and medium sized businesses, and I think that was a very encouraging sign.

JF: Do you think, perhaps, there should have been more incentive for business to invest, because isn't that in the end where the new jobs are going to come from?

PM: Well, there can't be a greater incentive then the highest profit share in the countries history. Which is currently what business has: a 33 per cent corporate tax rate, massive acceleration depreciation, if that is not going to work, nothing is going to work.

JF: Now, you have introduced a parenting allowance, and a partner allowance, and a youth training allowance, why isn't it fair to say that these are simply devices to get those people off the unemployment lists?

- PM: Because what we have been doing in the past is jointly income testing couples where the bread winner has been unemployed. So, if then, let's say the husband, gets some extra income with a very savage taper on the pension, that is, for every dollar of income they earn they lose a dollar of unemployment benefits. That income to the family is also lost from the spouse caring for the children. So, in a very major reform in this White Paper, what the Government decided is to separately, rather than jointly, income test. And to separately pay to the couple, the individuals, half the married rate of unemployment benefit. So, you will find that a spouse would be paid \$132.00 per week, let's say for a mother, into her bank account. And that is there, either, while she is being work tested for unemployment benefits, or she has children at home so accepts it as a parenting allowance. Now, she won't lose any of that money until the husband, if you like, until his income rises to about \$380.00, \$378.00 a week. So, in other words, as a result that couple now on unemployment benefits, or even where one is in full time low paid work, will be advantaged quite substantially. Probably, I think, about 120,000 low income families will find themselves about \$60 a week better off. So, in other words - let me try and put it simply again - instead of jointly income testing a couple on unemployment benefits we pay the benefit separately to the husband and wife, or partner as the case may be, and we income test them both separately. But because the income test is more generous with a 70 per cent, what is called taper rate, rather than 100, that means that the husband can earn more and the wife still keeps the full amount, either as unemployment benefit or as a parenting allowance.
- JF: But it does mean that a lot of those people will disappear won't they, and the young people from the unemployment list as we see them now, because they won't be regarded as part of the labour force?
- PM: Well it is a matter of whether a woman 32 years of age with a couple of kids, 2 or 3 children, who can't really be work-tested should ever have been regarded as being in the labour force. I mean is that person really in the labour force? The answer is they are not.
- JF: Prime Minister, when you look at the package you say the underlying philosophy is employment and growth. But in fact the other argument is that you have got to get the growth first and the employment will come. Why not reduce the budget deficit further than was expected under the previous budget deficit reduction program?
- PM: Because I think we answered this in the White Paper. We say the judgement to be made is the marginally lower budget deficit and marginally lower financing effects. Vis a vis picking up the better part of half a million people and managing them back into work. The macro-economic effect of that is far greater than it is the marginally lower interest rate effect on financing a lower budget deficit. At any rate, the financial markets have gone crackers lately anyway. I mean,

here they are with long bonds up 2 per cent, on the short end up point 7 for no good reason. So, they are saying to the Government; "you should produce a lower budget deficit", which they want. So, we leave the long term unemployed, half a million people in a hole, and we then say to you, well, in that case you will give us a lower interest rate when you have just demonstrated that you are going to give us a higher one for no good reason, even when you look at the low inflation numbers coming up.

JF: Are you concerned that the current account deficit yesterday showed that there was a 2 per cent increase in the trend figure, suggesting that perhaps we are seeing a blow out in the current account again?

PM: I don't think so. We have had such a great export performance over the last few years. The shift to export, the cultural change is just so strong now. I mean, there are business people all over South East Asia and North Asia. We are massively competitive on the exchange rate, inflation and wages, and that is why in the White Paper on industry policy we have got those changes running through again on export market development grants. We have said we will leave the scheme there for another five years, and we have improved it. On the ITES (International trade enhancement scheme) another four years. All of these out-reach programs help business break into export markets. So, the whole Statement is one about national efficiency, as well as equity. We are saying it is not simply a matter of fairness, but it is a matter of efficiency; that you don't have a pool of half a million people long term unemployed. That skills formation in the recovery is not going to come from migration, even with the migration level, intake levels we have now. It is going to come from new entrants to the work force and retraining a large body of people who shouldn't be bearing the brunt of the recession by themselves.

JF: Your White Paper was fairly comprehensively leaked, and Bronwyn Bishop appears to have got a leak of the outline of the Budget speech for next week. Are you concerned?

PM: No, it is not a leak. It is a Paper asking a set of questions about things that might be considerations in the Budget. I mean, it must have been very early in the process, the Government has moved way beyond that now, and the Paper bears no resemblance to what the Budget will be in a week.

JF: Are you aware of the allegations that were made in the Parliament today ..

PM: I wasn't in Parliament today, other than to present the Paper.

JF: Are you aware of an investigation by the CJC in Queensland, and are you aware if it involves any Labor Party figures?

PM: I have got no idea. I have been told about the claims made. I can only comment on the cowardice of this person, in the House of Representatives, abusing the privilege of the Parliament to make these sort of allegations. I mean, this is these days the stock in trade of the Coalition. I mean, they don't have any policies, they are devoid of policies, they must look at this Paper and just wonder. The Liberal Party and National Parties couldn't have conceived of this White Paper, let alone implement it. And if that is their form, if this is their parliamentary form for this session, in the face of this sort of quality, then the Australian people again, will, I think, judge them harshly.

JF: Thank you Prime Minister.

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