



# PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING, MP  
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**Q:** Robert Garran from the Australian, Mr Keating. You seem to be proposing to pay for the White Package through a growth dividend arising from faster economic growth and from asset sales. Some pundits, including Reserve Bank Governor, Mr Fraser and Ross Garnaut, have argued that the growth dividend should be used to wind back the discretionary rise in the Budget deficit of the last three years. The bond market's response to the White Paper suggests that many investors agree with them. Are they wrong?

**PM:** Yes. In short, yes. The notion is that there is a discretionary thing here. That this is a matter of luxury. That the discretion actually extends to some sort of measure of luxury. You know, this is a gold plated thing the Government might not do. Well the critics of the policy number among those who say, "let's leave them. Let's forget them, let's side line them". Because they know anyone who has any economic credentials knows that looking at the 80s experience, or any other, economic growth will pick up the new entrants to the labour market, but it won't pick up the long term unemployed. And the Green Paper estimated that even with economic growth of the magnitude in question, by the end of the century we would still have 300,000 people long term unemployed. Now one of the points I made yesterday, I will make it again today, compliments to skill formation in this recovery will not come from migration. They will come only from our own workforce, and people joining our own workforce as new entrants, or re-training and replacing those who are long term unemployed. So, therefore, if we want to keep a high rate of growth and keep away from skills bottle necks, and sustain that rate of growth and get down the natural rate of unemployment with a sustenance of stable rates of inflation, the only way is to reform the labour market. Therefore, I reject the notion that it

is luxurious or that it is discretionary. If you then accept that it isn't discretionary, that it is a thing that any civilised country with sensible and sane values should do, it is something that a Government does. The main thing is that the things are workable, that they are efficient, that they are well targeted, that there is a very large bang for every dollar - bang for the buck here - in the program design and delivery. And if you accept those things then the deficit which falls from the budget numbers, in whatever equation of growth and diminished outlays, or pick up in receipts, is the one that is appropriate for the country. But the one that we will have with this program, inclusive of this program, will be one within the previously determined target by the Government of a Budget deficit around 1 per cent of GDP by 1995-96. Now people are arguing that the marginally diminished financing effects of the \$1.7 billion diminished deficit will outstrip the macro-economic efficiency effects of case managing half a million people back into the labour market. That is absolute bunkum, absolute nonsense. And are we to say to a financial market, which lemming like has sold down long bonds because of a change in monetary policy of point 75 of a per cent in the United States, and driven up yields in their fright that in the hands of these great thinkers that we will have an appropriate dividend for a lower budget deficit at the expense of half a million Australians and their livelihood, then we won't be making that calculation. And that's why I answered yes.

Q: Ross Peake from the Canberra Times, Prime Minister. I was speaking to a manager of a CES Branch this morning, who incidentally really likes the White Package, but the discussion raised two questions. How will you deliver on your guarantee of a job for the long term unemployed in a small town where unemployment is already high? And secondly, how confident are you that you can change the mindset that employers seem to have against hiring the long term unemployed?

PM: Well, that is part of the challenge, I think, that faces the whole country, that the Government can't do this alone, we have made this very clear in the Paper. That is, that this has to be done by everybody, there has to be a premium by all of us on the notion that we are better and stronger if all of us have opportunities of work and enjoying Australian prosperity. Now, you can take the other view. You can take the view that the British manager took: "we won't give them an hourly rate, because we won't get the productivity". You can drive the wage race down so you have got essentially a heap of working poor people. I mean, one of the things that President Clinton said to me in Blake Island going out, on the back of a vessel, I remember well he said, "one of the things I want to remedy in this country is the fact that the American working poor haven't had a real wage increase in 15 years." Now, that's what has happened in America. You have got a huge body of poor people. And I don't believe that we can make that decision. Therefore, it means that we all have to regard full employment, that much of it as we can garner from these changes, from economic

growth, as an objective for us all. And it means if the Government sets up programs that actually provide case management and training where necessary, or a job subsidy, employers should at least take the opportunity of taking people up and giving them a go. And they will find, I think, that with the retention rates we have been able to secure with many labour market programs has a high success rate. And given the fact that a lot of labour market programs now are actually managed through a fairly rigid system, a fairly rigid system, a much more closely arranged and targeted system, a person-to-person case manage system should mean that the matching between the person and the employer, and the attitude of the person should be better. So, therefore the retention rates and success rates in jobs of long term unemployed people should be higher. If that happens employers may change their mind about the value of taking unemployed people. As well as that the subsidies are quite high, for someone unemployed three years it is \$260.00 for the first 13 weeks, it drops down substantially after that. But it is still a substantial benefit. And for \$230.00 for people unemployed 12 months or more. So, there is, I think, a value in that, and of course with a training wage we have got the prospect of employers taking on young people for training at below award rates because there is some structured on-the-job training. All this, I think, leads to good employer and employee relations that generally lead to on-going employment. So, that's where I think the relationship will be. In country towns there will always be a problem where there is a dearth of jobs, but one of the things we have in the White Paper is a new opportunities program where we might be able to fund some of these payments to community organisations who engage young people and unemployed people in community work. Now, there is a bit of additionality in jobs in the paper, essentially, it is not about additionality, it is about streaming the long term unemployed back into the mainstream labour market.

Q: Laura Tingle, from the Australian, Prime Minister. You said in your speech yesterday, and also today in your comments, that in this recovery the compliment to skill formation in the labour market is not going to come from migration but it is coming from training our own people. I was wondering given the unemployment crisis, and the fact that it is going to take a long time to resolve, what the Governments parameters are on establishing a migration program in the medium term?

PM: Well, we will be, as you may know, Laura, this time each year we announce a migration target for the year. That follows a process of extensive consultations which we have with the States, with employer organisations, with community groups and this process has been undertaken by my colleague, Nick Bolkus, and he will be reporting to Cabinet shortly with his recommendation for this year's intake. But it needs to be juxtaposed against the view that the migration program was cut from, I think, a high of about 147 thousand to just over 80

thousand a couple of years ago. And the emphasis there, a greater emphasis on family reunion, and therefore, the notion that people will have come here and set themselves up here, and being housed here ready to participate in the recovery and meet skills shortages at various points in the economy, is one that I don't think that we ought to substantially rely upon. That is not to say there isn't some additional skills and some complimentary skills coming through, there is. But principally we are going to have to rely upon the natural growth of the workforce and how could you do that and at the same time ignore 360 thousand people who have been unemployed for 12 months or more. Let alone those who have been unemployed for less than 12 months. So, this is why we believe that this is an economically efficient thing to do. This is a micro-economic reform of great substance. That's the point, this is a micro-economic reform of great substance, and if we want to see the natural rate of unemployment, the NAIRU, the natural rate of unemployment, with a sustainable low rate of inflation at the lowest level possible, then we need to engage these people back into the workforce.

Q: Fran Kelly, ABC Radio, Prime Minister. One of the big promises, and one you have mentioned here again today is the one to one case management of half a million people as part of this White Paper. That has got to mean at least 2000 people involved in administering and giving out the case management, those people currently aren't there. Where are you going to find them? And is this going to turn out to be an overly ambitious promise that can't be fulfilled?

PM: I don't think so. I think, though, it has a lot of ambition, that I would never deny. But the question is, is it appropriately ambitious and I think it is. The challenge will be for us to get the systems in place to make the policy work and work well. And that's why I think it is an important feature of the paper that the Government has said, that notwithstanding a substantial addition of resources to the CES and a compliment to its capacities and training, that it will seek to develop, and put incentives to develop, a private market for case management. And we will see a whole series of companies and institutions set up. It is very possible for instance, take the Metal Trades Industry Association which yesterday issued a very complimentary press statement about the White Paper. It is conceivable in capital and provincial cities, that an organisation like the MTIA could be a case manager, particularly for people in its industry, or other industries, the hotels and tourism industry, for instance, could be another. I mean, I think, one of the things we might be able to get from this is not simply devices and organisations to case manage those who are at risk of being long term unemployed or unemployed, but we'll actually develop a better labour market where employers know how to responsively, in a way where there is a quick and accurate response, go to a case management body, be it the CES or a private one, and go there with confidence for their future labour market needs, the future needs of the

business. I would hope a better matching of these things should be possible, and this is particularly so with computerisation, ADP equipment more generally available in the economy than say in ten or twenty years ago. And bearing in mind, I think, the CES places only about 18 per cent of people in employment, most people find their own job through newspaper or their own individual efforts, or networking. And if we can improve that networking and get better matching we can end up with a really important change from this.

Q: Nikki Savva, from the Herald Sun, Mr Keating. Can you give an assurance now that the extra spending in the White Paper will not be funded by increases in spending on new taxes or by increasing existing taxes?

PM: That's the sort of question that disc jockeys normally ask me, or reformed disc jockey's, out of print journo's I expect more sophisticated questions. And the answer is no. I am not in the business of giving guarantees on those sorts of things. I mean it is a week to the Budget and that's when, I think, all will be revealed.

Q: Kim Sweetman, from the Courier Mail, Prime Minister. The regional development plan virtually leaves provincial areas to drag themselves up by their bootstraps. While areas like Cairns, which was cited as an example, have managed to develop themselves due to long term planning, what real hope can you give to the 12 per cent of Australians which are living in areas which are already in decline?

PM: Well there seems to be a very clear contradiction in your question. You are saying the people of Cairns under their own leadership have made it, but you are not going to let other groups under their own leadership make it, that's the very essence. I mean the message of the Kelty Report, and the McKinsey Report that after a vast survey, and in the case of the Kelty task force, a most comprehensive visit to the regions of this country and discussions of quality, and also the Industry Commission report the one key finding was given that regions with leadership cohesion, a sense of unity of purpose between local government, municipal bodies, shire organisations, business organisations, trade unions and other community organisations, that regions which have a clear ambition for themselves and work cooperatively invariably do better than those who don't. And so what they found was a lot of the investment in these regions didn't come from outside, it wasn't floating investment, it was investment generated from within the region. And this I think is quite a revelation. Because the notion is you have got to have someone jump in from outside and do something they weren't formerly doing, but most of the investment actually came from the region itself. So, what we have done in the White Paper in response to the recommendations of Bill Kelty's taskforce and the various other reports was to say, well look, where there is the establishment of regional economic development

organisations as he recommended, READOs, we will fund those and we will let people get into a position where they can actually put together some cogent plans for their region. As well as that we will do some other things for them. We will actually help them with some financial devices to fund capital formation and infrastructure that may be necessary in particular locations. And we had a very substantial change to the tax treatment of infrastructure bonds. We are now giving a 33 per cent tax rebate on infrastructure bonds, where formally these might not have been attractive to low taxed tax payers, such as super funds which are taxed at a rate of 15 per cent or less. And the same with pool development funds, we have changed the tax treatment of those from 25 per cent to 15 per cent in the hope that high marginal rate tax payers can through the mechanism of the PDF fund some equity and capital into some of these regions. Now, I think what you will see in regions is increasingly people will pool their own savings in regions and they will invest them in regions because funds management is sophisticating all the time across the economy. You have got in some regions of Australia very large collections of retired aged people who have got lump sums to invest and what have you. Many of them are investing in capital city organisations. They could have invested in regional organisations, and, I think, as a consequence of that we can see regions starting to get their act together, know what they should do and be helped. We have also got there a capital fund, not a large one, but one that can, I think, make clear that for really good capital works that will provide a big regional dividend, that is important in a regional sense, the Commonwealth can play a role there with either seed funds or a more substantial role. I think that is the answer, so when we look at Cairns we have got to say, why is the region of Cairns successful? By and large because it has got a community committed to a common set of objectives, and I think getting those objectives together is the way to do it. But the notion of pulling them up by their bootstraps, left to their own devices, the flipside of that remark means the Commonwealth should be simply going along with a very large cheque trying to rebuild these regions and that is not possible if the regions themselves don't understand what they can do best, how they can do it together. And where we can play a role is helping them do that. Helping them conceive their plans and execute them sensibly.

Q: Malcolm Farr from the Telegraph Mirror, Prime Minister. What will be the major occupational groupings of the one million jobs the White Paper says will be created between now and the end of the century? And what will be the growth areas in vocational training to accompany that?

PM: Well, I think that the general answer to that, Malcolm, would be that 80 per cent of our product comes from the service side of the economy. While we have doubled manufacturing production in the last ten years, and tripled manufacturing exports, productivity in manufacturing has

probably demonstrated that those involved, the number of people involved in manufacturing has, if not grown, fallen. But our output is greater and our product innovation is better. Now there is a potential, I think, with small and medium-sized enterprises to employ more people in manufacturing, and that is one of the hopes I have and why I think vocational education is going to be a very important complement to tertiary skills formation. But again, if you look at the service sector of Australia, it's changing all the time, it's far more sophisticated than it was five years ago. And we have got services which are now internationally traded like tourism. We are now earning \$9 billion a year from tourism, we were earning virtually nothing, there was a tourism deficit in the early 1980s, and we have been closing that at great speed. So I think that you are going to see it across the economy. But remember this, that we had enormous job growth in the 1980s, between 1983 and 1989-90 the economy grew on average at 4.5 per cent or around that. What we're saying is that at that speed or even slightly more around 5 per cent, ought to be a possibility in a much freer economy than the one that we inherited over a decade ago, where now a lot of micro-economic and structural reform has made it far more flexible. In that context therefore, the growth in employment which we saw in those years - two million jobs, should be capable of being replicated at that kind of rate through the balance of this century.

Therefore, I don't have a problem with the notion that in aggregate this can be done. What we need to do, I think, is to make sure that we accept the notion that there are not very many unskilled jobs for young people, that 15 to 19 should be a period of vocational preparation. In this White Paper we are actually reaching into Years 11 and 12 to give kids work experience and to set them up vocationally while at school as well as expanding mightily by 700 million over four years TAFE and seeing the provision of a private training market in vocational education beyond TAFE where we have a much closer fix by business and industry on the training needs of the particular institutions and where business and industry take a very close and high interest in training themselves.

This is going to mean, I think, that vocational preparation and education is going to rise phoenix like I believe and hope, from what was basically a section of Australian education largely forgotten and sit beside the universities as a real complement to Australian education and skills.

Q: Michael Millet, Sydney Morning Herald. Prime Minister, how important is the training wage and ACTU acceptance of it in the overall success of the White Paper agenda and a somewhat different question - are there any circumstances in which the Government would be prepared to revise its deficit reduction program?

PM: Let me go to the second one first. People are saying to us you need a lower Budget deficit, there is always someone out there bidding the numbers down and at the same time they'll tell you investment is not quite as strong as it ought to be. Well, if investment is not quite as strong as it ought to be, we don't need the savings complement from an earlier reduction in the deficit. The rate of withdrawal of the stimulus and the cushioning which the natural stabilisers had in the turn around of the Budget deficit from a surplus of \$8 billion to a deficit of \$14 - a \$22 or \$23 billion turn around meant the Australian economy was saved a lot of pain and grief even beyond that which it experienced in the course of the recession.

What we found about the recession was, it was long rather than deep in terms of the loss to GDP, but it had very large effects in employment. Whether that was through labour hoarding in the 1980s I don't know. So, therefore, the notion that we should be just ... the lowest deficit is the best deficit belongs simply to the mind of those who have been preaching this stuff for years. You know, putting a monkey on the Governments back for no particular virtue than simply the supposed economic virtue of the lowest possible number. Therefore, if the economy performs more strongly the revenue yield will be greater, the natural shift in the Budget balance will become apparent. The key point is that the cyclical changes the Government introduced in 'One Nation' and I notice some person on television last night talking about how the general policy had failed, yet the economy is growing at 4 per cent and maybe even faster. You have got to say, what do you mean it failed? It succeeded, absolutely and yet the stimulus of 'One Nation' has been withdrawn, it was a temporary stimulus.

So, if you look at the underlying level of the outlays and the receipts, have they been in some way changed on a discretionary basis by the Government in some massive way which affects the budget balance? - they haven't. If anyone says 'what about the tax cuts?' My reply would be without those the real incidence of tax would have risen. Therefore, the budget balance as you see it and its return to surplus which is now going to be accomplished in this period is something which we've been able to do because of the great fiscal consolidation of the 1980s. Because Australia had a surplus it was able to open up the deficit and cushion the effect of the recession upon the economy. Similarly, now the economy is growing it will come back and it will come back sensibly. But everyone who says that in an economy of \$400 billion odd of GDP and a budget of \$110 billion or thereabouts, look, \$1 million is going to make or break the whole show, we say what kind of vernier dial to you have? What kind of enhanced calibrations to you possess because there is no doubt that the Wallahs of the financial markets have no such vernier dials and no such calibrations.

That is why I believe that the Government in these things is correct.



The training wage is important because, for a start, we are trying to get up the concept of a national training award or a national training decision with one rate. So instead of having a multiplicity of rates across various industries that we've had we end up with one rate which has a discount on the award rate for on-the-job training, not simply a low rate. I notice the Liberals the other day out talking about this thing of theirs called Jobtrain. They were talking about massive discounts on award wages without any need for training. Theirs was simply the word they used for pushing wages down. But there they were at the front door the other day saying, "we thought of this first" - imagine them thinking of anything novel first. Novel let alone first. I suppose there is a tautology there, if its novel it must be first. Anyway, there it is.

Therefore, it can be an important thing for young people and for unemployed people for an employer to say look, we won't be giving the award wage, but the discount will be a sensible one and we'll make that up by on-the-job training. Because for many employers the on-the-job training is the kind they really want. They get somebody that comes to their place or factory, they teach them something and they become a real value to them. They build a real relationship. That, I think, is the value of the training wage.

Q: Mark Riley, Sydney Morning Herald. If our focus is going to be on full employment, could you share with us your definition of full employment in per centage terms and secondly, the best case scenarios seem to be that we are going to be stuck with unemployment of 500,000 at the turn of the century. To what extent would you and your party accept responsibility for that figure?

PM: We'll accept responsibility for the number, but if we were the Government and I think we will be, that is, if we were able to get unemployment down to around 5 per cent which roughly equates to half a million people where now we have got a million people out of work, the way I see things half a million out of work is much better than a million out of work. But understand this point, to get to that one would have to create well over a million jobs because you are not just talking about half a million off the current one million, you've got to take all the new entrants to the labour force up between now and then. I don't know whether you understand this point. If you think about it you know you are not dealing with just a million. You've got roughly a million people there and then you've got the addition to the work force in the period. So, if you're getting to half a million, you've got to have well over a million.

You are saying, would we take responsibility for that? Absolutely.

Q: ... (inaudible)

PM: Well, that is difficult. What is structural full employment these days in an economy in a massive transition? In the United States they think it's around 6 per cent. The aim of this White Paper though is to get down what's called NAIRU- the natural unemployment rate - consistent with stable low inflation. That is, if we have labour market programs this sophisticated, if we have flexibility in the labour market coming from changes in the industrial relations laws, if we have enterprise flexibility in enterprise bargaining, if we have productivity diminishing costs therefore, with a combination of these things and low inflation generally sensible outcomes on wages productivity, profits et cetera, it should be possible to lower whatever otherwise one would believe would be the unemployment rate with stable rates of inflation. Now, I don't know what that is. When I say that let me complete the sentence; I don't know what it is other than to say it is certainly not zero, but we would certainly be within close proximity of making a fine judgement about it were we to have unemployment at 5 per cent by the end of the century. I think that is the important point.

Q: Tony Vermeer, AAP. Prime Minister, the relative air of peace between the Right and the Left seems to have ended in a big way in NSW and Victoria recently. You plan to privatise airports, that appears to be grist for the mill for more destabilisation between the factions. Are you headed for a big stoush at the ALP national conference?

PM: I don't think so. The thing is, one of the great structural changes for Australia in the last eleven years was that the major party capable of forming a government in its own right has reformed its views, changed the way it has operated, become a party of government and led a process of major, massive national reform. For any nation this is a major advance. When you see major parties going to seed in Western Europe and the United States and other places like North America, this is a major change. The Labor party has proven it is the vehicle of social and economic change in Australia and it has proven it changes itself on the way through it. Now, at every point along the way, whether it was foreign bank entry or whether it was the sale of Qantas, you'll always have these debates. I regard those as fairly healthy and we've always worked our way through them. The thing is the Labor party can change and adapt. What the Coalition has shown is they can't. Every reference of their ... they talk about rebuilding by going back to Menzies. They talk about the future by going back to Menzies and we are told reliably Menzies didn't vote for them in the last two elections of his life. I don't think he voted for us either, but we wouldn't want his vote.

Therefore, I think, that the public being quite wise about all of this, looking past the static of the daily media reporting to the points of value, say this is good, there's the Labor party taking on another thing and they listen for what the debate is about and if they form a judgement that say an airport can be run efficiently as a private sector

organisation, perhaps even more efficiently, they say a good thing has been done here. And if it requires a debate so be it.

Q: Randal Markey, The West Australia. Prime Minister, earlier this week you told Caucus when the time comes for the next election you will "punch out the Coalition's lights". Given that the two WA Green Senators said last night that they will have problems voting for the legislative based parts of your White Paper and the Opposition is toying with the idea of voting against parts of it, although it hasn't specified what it will do, could rejection of any part of the White Paper provide you with the double dissolution trigger to 'punch to Coalition's lights out'?

PM: One of the things that would restrain me and that is, if I punch their lights out, I'd break your heart anyway and that would displease me no end. The fact is that, let's see what the Senate does. It is always talking about these days, it is always getting minor officials to defend it and telling us how representative it is, this is something for which the Government went to an election, it is something I made clear in the course of the campaign - we wouldn't leave the unemployed behind. John Hewson said if you reached back to pick them up they'll pull the rest of us down. I believe that faced with the structure, order, sense and decency of this policy, the Senate will have no recourse but to pass it.

Q: Geoff Barker, The Melbourne Age. Prime Minister, you said yesterday that the decade of Labor Government made Australia one of the most sophisticated social democracies in the world and I note that Professor John Neville of the University of New South Wales has published research showing that the number of Australians living below the Henderson poverty line over the 1980s has increased from 9 to 13 per cent and that general income distribution has become distinctly more unequal with the rich doing much the best. How does that research square with your view that Australia has become one of the most sophisticated social democracies in the world?

PM: I think Ross Gittins answered this quite well in an article the other day saying that the poor have become much less poorer even if some of the wealthy have become wealthier. As a consequence, if one looks at the transfer payments which we now have - well, a number of things, the support for low paid people in the wage system, the direction of the tax cuts for nearly ten years to their benefit, the reduction in the bottom rates of tax and the lift in the tax free threshold, the Family Allowance and the additional family payment - formerly the Family Allowance Supplement - all of these things and support for, I'm just trying to remember the expression, but in the late 1980s to the early 1990s we had a complement to the wages of unskilled low paid people, mainly women in the retail and clothing industry, and these things, I think, have changes as with the advent of Medicare and the social wage in

general, changed the treatment of the poor in this country. You'll always have critics from the Left and from the Right, but I don't think any serious person believes with the targeted safety net we have in place today and there is more of it in this White Paper. Here we are in a very marked reform again taking the joint income testing of an unemployed couple and separating it down the middle and paying half the married rate to one partner and half to the other and then income testing one and where the others income is not affected, as it was under the joint income tests, not affected until that unemployed person has substantially more income. In fact \$230 of more income before \$1 is lost under the new taper of the spouses unemployment benefit or parenting allowance - another milestone, major change.

Let me say Geoffrey, I was very disappointed with The Age this morning. Because, frankly the Sydney Morning Herald's coverage and the Australian coverage beat The Age into the ground. The Age is always going around saying it is part of the Melbourne social laboratory it is interested in social and economic issues; your lead story was reporting financial market whinges. Mark Baker had one which was peripheral and not to the point and you really had to get back into the body of the paper to find out what the Government was actually doing. There was a little box on the front page which was indecipherable. Now, where is The Age when we need it? Where is The Age when great social reforms are about and where its former championing of these things doesn't seem to matter that much these days. At least Geoffrey your carrying on the fight and good on you.

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