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## PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P.J. KEATING MP  
AND THE PRESIDENT OF THE ACTU, MR MARTIN FERGUSON, PRESS  
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**PM:** Well, here it is, here's another one. Number eight, four years of low inflation, four years of continuing low inflation with a two to three per cent inflation commitment in there by the ACTU and the Government. That means another four years of economic growth. It means another four years of decent rates of employment. It is the difference between us and the Coalition about how we run Australia and how they would run Australia. The difference between Australia and most other OECD countries because what you have seen from the Government and the ACTU now in the last month or so, certainly in the last six months, is appropriate weight on monetary policy, appropriate weight on fiscal policy and appropriate weight on wages policy. A bit on monetary, a bit on wages, a bit on fiscal. If this didn't exist, it would be all on fiscal and all on monetary and as a consequence we would be like a lot of other OECD countries, we would be sitting there as Robert Reich, the American Labour Secretary, said, with that rotten choice between high employment growth and lousy wages or high wages and lousy employment. We have come right up the middle and the Accord has taken us there on every occasion.

This Accord, and it is I think, worth recording just over the years what we have done with this instrument, this point of agreement with the work force: the stabilisation of the economy in the early 1980s, the Medicare adjustment, the productivity and skills formation Accord of the middle to late 1980s, the enhancement of the change to award restructuring and the enhancement there of skills, the devolution of the wages system to an enterprise bargaining system, Accord Mark VII which had the focus on jobs and employment and now this one Accord Mark VIII which is, as we say, sustaining growth, low inflation and fairness.

And, isn't it a maturity of Australia or of the great trade union movement of this country, that it leads the anti-inflation constituency. It is the key player in the anti-inflation constituency. Not business, but the Australian Council of Trade Unions and the trade unions themselves - they with the Government in this Accord.

So, what we will see out of this is what, can I say, the Liberal Party could never deliver because they never want to. They never want to talk to the workforce and they never want to talk to trade unions. What they can never deliver is low inflation. Howard could never deliver it as Treasurer, would never deliver it as Prime Minister - low inflation, sustainable rates of economic growth and good rates of employment growth. We have got another target in here of 600,000 jobs over the life of this document after having reached the other target of half a million jobs in two thirds of the time in Accord Mark VII.

So, I would like to, again, just say how pleased I am to be able to be doing this with Martin Ferguson. How delighted I have been with the spirit of co-operation and the democratic participation of members of the work force and trade unions in this process and to think that we could come up with, again, something of this weight and quality when we see last week how the Coalition were treating us with their document about regional development. Announcing things that they have no intention of ever implementing. Compare the immorality of that with the high principal and morality of this and that is all the world of difference between this Government and our arrangements with ACTU and the Coalition.

I'll invite Martin to add to my remarks.

MF: Thank you very much Paul. As Paul has said, it is 12 years and our engines are still running. I must say, what more does the Australian community want? Sustaining growth which is about a better Australia, low inflation and fairness. We are pretty proud of this agreement because it effectively means that Paul Keating and the Government in association with the union movement is about leadership, but more importantly, responsible leadership.

What are the key cornerstones of the agreement? A decent wages system. We're going to deliver a competitive Australia, enterprise bargaining going forward, more and more enterprise agreements. We also understand and, I suppose, it is the Labor way, it is about a sense of fairness at work and in the community and at home. So, we have locked that up once again.

In essence, Australia knows that through almost to the turn of the century, what the wages system is. It knows that enterprise bargaining is going to go forward, but it is going to go forward in the context of delivering to the lowest paid, and that is about fairness. But also

delivering on the jobs front - 600,000 additional jobs - and, I think, that is pretty important because that is about economic prosperity for Australia and also fairness. There is nothing better for an Australian working person than a job.

But, I also say, it is about social justice. I go through the agreement, I have a look at maternity payments, think about the needs of families. I think Accord Mark VIII is family friendly because what do families want? They want a decent social safety net and they want jobs and they want safety net wage increases. So, to my way of thinking, we hold our head proud today as a union movement. It is 12 years on. It is a better union movement today because of the Accord process. It is a better Australia today because of the Accord process. Because without the Accord process, you know, John Howard couldn't deliver this. We offered it to him once or twice and he ran away from it. He was afraid of making the hard decisions and working through the tough issues with the union movement and with the Australian community.

So, it is on the table. It is out there for people to debate. The same way in which since, you know, February 1983, we have been prepared to sit down and work out a decent structure and put it to the Australian community for consideration. That is about democracy. That is about an independent Australia.

Again, on behalf of the Australian trade union movement, thanks for the opportunity to sit down in a responsible way, make the hard decisions again, because I think that is what Australia wants - people who are prepared to lead in a responsible way. Create jobs, lock in low inflation and create a better work place, not just a competitive work place, but a family friendly work place. Thanks very much.

**PM:** We are happy to take questions.

**J:** Mr Ferguson, the Accord has been negotiated without the direct involvement of the transport sector which is industrially and economically one of the largest in Australia. How does that effect its validity and viability?

**MF:** I tell you what, there is one peak council in Australia - the Australian Council of Trade Unions - and I think, there are a few differences with the Transport Workers Union at the moment, but they will be resolved. This agreement is not just about unions, this is about the future of Australia. I think, working men and women and their families will welcome this agreement. Because what do they want? They want jobs, they want low inflation, they want decent wage agreements, enterprise bargaining and safety net improvements, the social justice structure. So, we are offering something of substance. I believe that this agreement, not only will be endorsed by all Australian unions, but

more importantly it will be welcomed by the Australian community at large.

J: Martin, given that we saw an 11 per cent wage rise in the vehicle industry recently, how can you ensure a cap on wages growth?

MF: I'll tell you why, because since 1983 we have delivered on every undertaking to the Australian Labor Government. We have locked ourselves in, yet again, to an underlying rate of inflation of two to three per cent. Don't worry about the outcomes. Have a look at the productivity improvements. Have a look at the work place change. Have a look at the reduction in industrial disputation of 65 per cent since 1983. Have a look at in excess of 500,000 jobs in the last two and half years. So, in essence, I say, we have shaken hands, we have got an agreement and we will deliver. The vehicle industry workers are entitled to nine, ten, eleven per cent, whatever they negotiate with their employer provided they also continue to deliver as they have on productivity.

J: Prime Minister, how do you believe the business community will respond to this initiative?

PM: Getting the trade unions and the Government to commit themselves to two to three per cent inflation over the period, I mean, what more could they ask for, with all the other commitments to economic growth? And, as you know, I met with the Metal Trades Industry Association as an example of one group earlier this week on Monday who wanted to be part of this process, who wanted to talk about it and, I think, you will find that that body, a lot of the issues that they propose are actually incorporated here. So, I think, business is going to treat this tremendously well.

Frankly, what other, I mean, there would be no other government/union workforce relationship anywhere in the 27 member states of the OECD where a thing of this comprehension and detail and strength commitment would be available. The whole movement towards a flexible enterprise based bargaining system, which is allowing the productivity increases Martin speaks of, which is protecting them now at the low inflation rate - that is, the contestability of the Australian market - the fact that it is now a contestable market with low tariffs and competition policy and where we are seeing shifts in productivity after having got the aggregate wage movements in the 1980s, to getting within sector wage movements now flexibly, but with the safety net. It is a model where virtually, because the Accord and wages are holding such a strong part of the whole economic adjustment, this burden has lifted from businesses back. Otherwise they would be doing it at the company level and that is why, by and large, I think they will support it. I mean they know one thing for sure. They know the Coalition would never have proposed this. Do you remember this? Let me remind you

of John Howard's Industrial Relations Bill. We were going to see it before the last election. Do you remember that? Then we were going to see it two days before the last election. Do you remember all that? We never ever saw it. It never, ever appeared and they know that only Labor and the unions can basically give Australia a low inflation rate, without a draconian monetary policy that crushes the life out of the economy. And, while some people in business may skip down to the local polling booth to vote Liberal, they always hope that the Liberals don't make it and that this sort of sense prevails. And I think they will keep on hoping.

J: Prime Minister are you promising that when nearly 600,000 new jobs are delivered, there still won't be upwards of 800,000 people out of work?

PM: We are seeking to get to 5 per cent unemployment by the end of the decade. And, as you know, the success we had with Accord Mark VII, we had a 500,000 target in there. We have now had 630,000 jobs since the election - 630,000. We reached the 500,000 target in two years and we have had the largest fall in unemployment, since we have been keeping the records, in the last twelve months. One of the things that made it difficult to get to 5 per cent in the 80s, despite the very high rates of employment growth, was that we couldn't get into the long term unemployed. But Working Nation actually lets us through the case management and the job compact, actually get the long term unemployed back into the mainstream of the workforce. And that is why, I think, we have been so delighted to have a quarter of this year's jobs go to long term unemployed people. So it means as we come down that we won't reach that sort of, if you like, floor at around 6 per cent, or 6 1/2 per cent, we will be able to break through the floor this time with the Working Nation type initiatives to get within reach of that 5 per cent unemployment rate.

J: How can you do that with the levels of growth that are forecast in the Budget?

PM: Well we made it clear in the Budget Papers that these are over the cycle consistent with getting there. I mean we are still talking about 3 3/4, 3 1/2, 4 per cent GDP growth.

J: You have got two levels of safety net rises here and they are timed with the superannuation levy. What is the reason for the two levels and how does that gel with the super payments.

MF: I'll tell you what the Accord is about, it's about fairness. In an enterprise bargaining situation a lot of workers can do better than the safety net because they can deliver on productivity. So what we have effectively said in this Accord agreement is that we really want to share the benefits of growth across the whole Australian community. So we

have created an opportunity ... now have a look at the different figures but also the issues that go to the determination of these matters. We are committed to trying to deliver a bit more to the lowest paid in the community. John Howard is not interested in that. Go and have a look at what he suggested, as you know, in Victoria. He is suggesting an all-up hourly rate of about \$9 per hour for an unskilled worker. No overtime or shift penalties. So we are not just committed to maintaining the safety net and a decent award structure. When the opportunities permit, we are going to share the benefit of growth to the lowest paid in the community.

**PM:** Yes, let me just add to that. That we have seen a level of profitability almost now at unprecedented levels in the economy. We have seen economic growth of the order of 4 to 5 per cent for the last few years. In such an economy, it is right that we support the people who are living on award minimums, or award rates who are not picking up any additional over-award payments. And not only is that there, but you see on page 6 of the document that we, again, are opposed to any actions to undermine the efficiency of the arrangements and the no-disadvantage test. See, you understand what the Coalition are about, they are saying people can have a choice of staying in the award system. But if they get out of it, they lose all the award protections. 1.6 million Australians change jobs a year. So in three years, basically you have got the largest part of the workforce, over half the workforce, will have already lost the award protections. So, as Martin just said, whether it is overtime or shift penalties, or meal allowances, they go by the board and you get back to base rates. So what we are saying here is because the economy can afford it, let's put more in there for people just on minimum rates, award rates, and at the same time let's make clear the importance of the no-disadvantage test.

**J:** Mr Ferguson do you believe industrial relations will be as big an issue at the forthcoming election as it dominated the last one to some extent?

**MF:** Yes, I think it will be because I think Australian people acknowledge that we have come a long way in the 12 years. But, you know what, we have held Australia together and we have delivered economically. It is a better Australia. They also want a sense of security as we go forward. They know what the industrial relations system is doing in Australia at the moment, it is delivering where it counts at an enterprise bargaining level. They also want a decent social safety net in the form of the award structure and safety net increases. So I think it will be an important issue because it is about Australia going forward in a sensible and fair way. We don't want division and a lack of a sense of cohesion and commitment to where we want Australia by the turn of the century.

**J:** Prime Minister I have heard it said that you weren't initially a very enthusiastic supporter of the Accord back in the early 80s. What is it that has sort of swung you around to it and how important do you think the Accord has been to you in all the elections that Labor's won?

**PM:** Well I think we started with what was going to be a one-off adjustment to wages through the Medicare adjustment and that was, in essence, about the totality of it. Where I think what has happened is we have realised that people did know that the 1970s and the early 1980s were a disaster for Australia. John Howard had 18 per cent wages growth in 1980-81 - 18 per cent. We had a recession in 1982-83 and we came out of it with 11 per cent inflation - out of the recession with 11 per cent inflation. Investment was smashed, employment had been dashed, unemployment was in double digits and growing. So there had to be a better way. And I think what has happened is with a lot of goodwill, on all our parts, we have realised we actually had an instrument we could do a lot with. I mean I think one of the things that matters in this is trust. There has to be a bit of trust between people. I mean the Accord has always delivered. The ACTU has always delivered on wages, always. We delivered on inflation. The Government has always delivered for them. So when I say something to Martin Ferguson, as Leader of the Government, or to Bill Kelty and they say something to me, that's it. I mean we believe them and they believe us. And, therefore, with that lubrication you can then go down ... look at the paths we have been down. I mean the Accord is now doing things we could never have envisaged. You know, the change to the award system, the movement to an enterprise bargaining system, the development of occupational superannuation for the whole workforce, meeting the terms of trade adjustment of the middle 1980s, the massive employment imperatives of three years ago. And, now, we are talking about, you know, low inflation. I mean what commitments do you get from the Business Council about low inflation? Any restraint on executive salaries? Any restraints on profits? I mean have they got a document that is headed "Sustaining Growth and Low Inflation"? I mean when they are giving something away, or they are making a commitment? Well, of course, they haven't. I mean this Accord has been such a flexible and good thing and it has been made to work by imagination and by trust and by consultation and by a sense of democracy in the negotiations with the workforce and I think this is the point. I mean the Coalition, they regard this as poison because we have won, frankly, the industrial debate in every election since 1983. And we will win it again. And they know that. They know that and they regard it as poison because in the end all they want to do is hop into working people. They want to hop into working people, they want to take away the no-disadvantage test, they want to push people out of the award protections and they want to cut their wages. That is what John Howard has always been about. He has opposed every wage increase since 1981, bar the last

two safety nets of ours. He has supported, weakly on the side, the payment of \$16 since 1981.

J: Mr Ferguson how do you explain the decline in union membership over the last 12 years?

MF: We, as a union movement, have failed to put our own house in order. In the growth areas of Australian employment, there is no running away from it, in the service sector, there was room for improvement and that is what we are about now. We have put in place a recruitment strategy and we have committed resources. So I am not running away from that particular issue. But, I'll tell you what, we also understand what working people want and working people in those growth sectors want jobs, a low rate of inflation, the protection of the award safety net system, in association with a decent social safety net. So, yes, union membership is down. But I'll tell you what, we have delivered on every other front, we have met every undertaking to the Commonwealth Government.

J: Could employers be included formally in Accord Mark IX?

PM: They didn't want to be included. The MTIA said we want to be part of the process and we said "fine, come and see us, have a talk". They did. They brought a document to us. We had a long discussion, but they made the point they don't want to be a formal part. They want to put a view. Because they know that, in the end, the burden of responsibility that falls on the peak body of the workforce, the ACTU, is not their responsibility. You know, so they can be part of the process, but, in a sense, they are not the ones who decide the issue about wage outcomes. But being part of the process isn't, in a sense, being in the process and that is what they want to be. In it, but not essentially a formal part of the documentation.

J: Mr Ferguson, it's been suggested that some of the...for most...for many low-paid workers, the subsequent pay increases that you're announcing today will actually be eaten up by the superannuation. If that's right, don't you expect them to be rather angry about that?

MF: No. Because I think you don't understand the support out there in the community for the development of a decent long-term retirement incomes policy. Working people want access to superannuation - it was the Accord in the 80s that gave them access to superannuation. I tell you what - John Howard went missing when we wanted to discuss these issues. They have suddenly discovered that this is an important election issue - this is the polling again. So I believe there is an overwhelming move by the community to embrace the Government's announcements on the superannuation front. I would also say that's why we have got two potential ranges of increases. It is about insuring that working people - especially the lowest paid - as we move forward,



have access to the benefits of economic growths. So we will deliver on superannuation, and we will also deliver to the lowest paid through the award safety net, and decent safety net increases.

J: Can it be summed up that 19% of their income, for very low income earners, could go on superannuation - isn't that a very large whack?

MF: Well, 19% of their income - a fair slice of it comes from employer contributions, backed up by 3% worker contributions - a pretty decent offering from the Commonwealth Government. And that's what the Accord is about - it's about bundling up 15 - 19% superannuation, a terrific savings pool for the purpose of investment in Australia, and ensuring that we as a community go forward on the basis that when you get to retirement, you can retire to some dignity, and I think that's pretty important. That's about fairness in Australia.

J: How did...(inaudible)...in relation to interim wages to the employment goal work, Mr Ferguson? Could it mean, for example, that if the economy slows more than expected, through the next year, that those safety net pay increases would not go ahead?

MF: What it effectively means is that we have committed ourselves - not just to delivering on the jobs front - but also locking in a low rate of inflation of 2-3%, an underlying rate of inflation over the cycle. And they are indicators that we are going to take into consideration when we talk to the Commonwealth Government about the potential implementation of the safety net increases. And I am pretty confident that we will deliver - we delivered on jobs in the last 2 1/2 years, and we delivered on the inflation front. So you know, you take us at our word, you tell me in the last 12 years when we haven't delivered - with respect to our undertakings to this Government, with respect to the implementation of the Accord?

J: So you wouldn't go ahead with the safety net claims if employment growth is slow?

MF: That's not what I said. I said that we will sit down and we will talk to the Government, in the same way which we talk in regular basis about how we go about implementing the Accord undertakings. And we will have regard to our achievements on the inflation and the employment front. But you and I both know that the Union movement can influence those outcomes, so can a lot of other groups and individuals in the community. So, I think the message today is also "look, we are prepared to pull our weight, but other people in the community have got to commence to face up to their responsibilities on the executive salary front, and associated activities". So, there it is - full box and dice on the table for consideration and debate. We are committed - we are prepared to lead and make the hard decisions. Where are the employers and some of the corporate representatives?

J: The document here says that the 600,000 jobs, Prime Minister, is an achievable minimum - are you suggesting that you might actually overshoot the 600,000 target? And is 5%...is it possible to better the 5% target by 2000/2001?

PM: We have set the 5% target - let's try and do our best with that. But we did exceed - dramatically - the last target of half a million. Remember that it was only 3 years ago - in fact less, just before the last election - when Accord Mark VII was entered into. And when I came out about negotiations, and talked about half a million jobs, we had all the cynics saying "ha ha - tell us another one". Well, we have got 630,000 jobs. We got the half a million in 22 months. So this target here is one which I think - given the way the economy is performing - a high profit share, good levels of investment - there's no reason to believe that we can't keep on doing it. But just have a look - it's been a little over a month or so that we brought a surplus Budget in - a surplus Budget. A \$15 billion reduction in the Bond Selling program - from \$21 billion last year to \$6 billion this year - with a long-term savings plan for the country, which will put about a trillion dollars into the savings bank of the country by the turn of the century - by the end of this decade - and about \$2 trillion by 2020. Fifteen percent from every person - minimum going in - for every person in the workforce for their retirement. People on average weekly earnings coming out in retirement with about roughly a similar income in retirement. Within that short space of time, we have now introduced this - which has a commitment to a wages system based on 2-3% inflation, the Award safety net protection's and all the other advances in the industrial relations system, and in enhancement of the enterprise bargaining flexibility stream. And also, the improvements in the social wage.

I mean, I have been here for 25 years - there's nothing like this under the Coalition. What have they got? The pathetic Headland speech which looked like it was written by a 1st year backbencher - you know, a pathetic document. And this stuff the other day which was published - you know, from the Coalition talking about their policies - "this gives us the flexibility of announcing a lot of major a long-term visionary matters, but without committing ourselves to actually proceeding with them". I mean, you know, it has become a joke, hasn't it? I mean, there shouldn't even be a debate with the Coalition. The Government's processes are so superior - and particularly under the Accord, with the whole workforce - there is no discussion. If you jokers didn't want a contest, there wouldn't be one whatsoever. There is just policy mulch on the Coalition side, and rampant dishonesty. Imagine sitting in a meeting where you could see a sleazy document like the one like they produced lay on the table - imagine that in a Labor Cabinet, compared to the quality and morality and commonsense of this stuff (Accord Mark VIII).

- J: Prime Minister, does this document mean that you are going to an election campaign promising to double the maternity allowance in the next term?
- PM: No. We have set an objective there. Again, if you look at what we did superannuation - we have said that, with super in 80s, we want to move towards a much better provision of income and retirement for working people. And we started off with 3%, then we got it to 5%, and then we started moving towards 6%, and we got the SGC in, and we gradually rattled our way with economic growth and with economic capacity, up towards 9%, and now to 15%. We do things like this - you have seen the advances with the Family Allowance Supplement: we started at a certain level, we improve the coverage, we lifted it to other levels. That's what we are going to do here with the Maternity Allowance - we have started with 6 weeks, and we say on the document that we will be reviewing the allowance during the life of the Accord with the aim of improving it as economy and budgetary circumstances permit.
- J: Could you be announcing the first adjustment of that in an election context?
- PM: Well, as economic and budgetary circumstances permit.
- J: Mr Keating...(inaudible)...what do you see as the major constraint on achieving this jobs growth...(inaudible)...?
- PM: What really you are seeing today is you are seeing is the whole labour equation in the economy committing itself to - that is, the l-a-b-o-u-r side of the equation - committing itself to a system based on inflation of the order of 2-3%. That really means that our core competitiveness is going to be maintained. That means we are going to have good productivity growth in the economy, and hopefully, decent profits. And hopefully from that, good levels of investment - we are certainly seeing it now. So, I don't think there is any problem in us believing that we will see that reflect itself well, well and truly in jobs. Now, we are back to, you know, a sustainable rate of economic growth - 3.7% in the last year in the National Accounts. You saw the Budget forecasts for the next couple of years, and the constraint we have had with the Current Account Deficit you can see going into place there a 4 percentage point of GDP change on fiscal policy and a 2 percentage point of GDP change on superannuation between now and the end of the decade, and a 4 percentage point change on superannuation between now and the year 2020. The Current Account problem is 2 1/2 percentage points - roughly - of GDP, so in terms of that savings equation, I mean, long-term savings fell during that period of high inflation in the 1970s. And Australians were burnt once - it will take them a while to come back to it, so therefore the public sector has to save, and we have to

go through vehicles like superannuation. But they are there. That's the point - it's all there. The structure is all there.

J: ...(inaudible)...given the OECD survey yesterday - given what some commentators [like] the esteemed Maximillian Walsh, for example?

PM: I'm not talking about...I think we better leave individuals out of this, thank you. Don't provoke me. Okay - thank you very much.

MF: Thank you.

ends.