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PRIME MINISTER

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CHECK AGAINST DELIVERY

**SPEECH BY THE PRIME MINISTER, THE HON P J KEATING MP
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It's good to be at a policy conference.

Policy is the stuff of government. It's why we are here. It's why we came to government in the first place, it's why we are still here, it's why we will be here a year from now.

We are still governing because, from the beginning, we have led a decade of profound social, economic and cultural change.

And our first policy principle in guiding this reform is inclusion. As Samuel Johnson said, "In a civilised society, we all depend on each other".

Strange as it may seem for Sam Johnson to be writing Labor's slogans, I have not found a better broad definition of what this Government is about.

We take social policy seriously. We put social into the democratic equation. We also put it into the economic equation at a time when other governments were leaving it out.

Over the last 12 years, we have transformed the economic structure of Australia. We are well known for this. It has been well advertised. What is sometimes forgotten is that at the same time we transformed the social infrastructure of the nation. Let me run through just some of our achievements:

- the introduction of Medicare;
- payments for low income families increased by at least 80 per cent in real terms;
- an age pension set at the benchmark of at least 25 per cent of average weekly earnings;
- reforms to superannuation so that close to 90 per cent of the workforce receive superannuation compared with less than 40 per cent in 1983;

- the introduction of the Job Compact which means that everyone unemployed for 18 months or more will be offered a job;
- the establishment of the Child Support Scheme;
- a more than five-fold increase in child care places, with a commitment to meet demand for work-related child care by 2001;
- the extension of Child Care Assistance and the introduction of the Child Care Cash Rebate;
- the recognition and protection of native title;
- more than 7 in 10 young people completing high school compared with only 3 in 10 in 1983;
- more than 50 per cent increase in enrolments in tertiary education;
- the establishment of a national vocational education system under ANTA;
- a comprehensive network of community care services for older people and people with disabilities through the Home and Community Care Program;
- the enactment of the Disability Discrimination Act making discrimination on the grounds of disability unlawful; and
- the Government's landmark Sex Discrimination Act outlawing discrimination on the basis of sex, marital status or pregnancy.

And in the last three months, the Government has brought the Budget back into surplus; introduced a Maternity Allowance; reached agreement with the ACTU on Accord VIII; significantly improved national savings and retirement incomes through increased superannuation contributions; and delivered the Justice Statement.

I was interested to read in Stuart Macintyre's paper to this conference his comparison between the reaction of the Scullin Government to the Great Depression, and this Government's response to the recession of the early nineties.

It is something some of us have long been aware of - that, despite much popular opinion to the contrary, this Government is more "Labor" in most of its essential responses and initiatives than its fabled Labor predecessors.

To Professor Macintyre's comparison I might add another one - the famous post-war White Paper and the White Paper of last year we called *Working Nation*. It is enough to say here that *Working Nation* was a document of at least comparable breadth and imagination. That is not to belittle the achievements of Chifley and Curtin, or underestimate the forces at work on Scullin. But it is to correct a common fallacy about modern Labor's commitment to social policy and social improvement.

It is a measure of our success, and a genuine reward, to think that in today's Australia no one under the age of thirty has spent a year of adult life without universal health insurance. It is part of the culture of this place. It is a tangible expression of our traditional social values. Can you imagine Australia without the new social infrastructure of the past decade - without Medicare; without the Child Support Agency; without Home and Community Care; without a national vocational education scheme; without protection for women against discrimination.

The work we have done over the past 12 years establishes our good faith with the Australian community. We don't think there should be an argument about that, but it's not the same thing as saying that there are not real problems still to solve.

The policy process is a fascinating and challenging animal.

We often talk about policy-making as being like painting on a broad canvas. We begin with a vision of what the picture will be: that is the first essential - no imagination, no picture. No faith in your ability to realise it, no picture. And, like a painter with a vision and faith, you begin to fill the canvas in, step by step, layer by layer.

And there the analogy ends - because policy-making, unlike picture painting, is never complete.

We can never finish the job of reform. We know that, with good policy, other problems will come along, often uncovered by the good policy itself. And we know that, with even the best policy, we won't solve all the problems.

But we also know that we will get better answers if we pay attention to the views of people in the field.

All of you here today, from your varying perspectives of community workers, lobbyists, public servants and academics, know this. You know your advice or action or arguments will be better if they are road tested, as it were.

Forgive me for the political intrusion, but that is one reason why there should be a very strong objection to political leaders who say they will announce their policies only in an election campaign. That means the only consultation will be consultation with the Coalition's research groups. The only listening will be to the polls.

Mr Howard has already said he will not be taking any notice of special interest groups.

He has dismissed the role of consultation between governments and representatives of ordinary Australians as a legitimate part of the policy process.

Included in his coverage of special interest groups is the ACTU, which represents over two and a half million workers. If he dismisses consultation with the organised labour movement, what about with organised business such as the BCA; or groups such as ACOSS, the Australian Conservation Foundation, the Aboriginal Land Councils, the Australian Consumers' Association, Women's Electoral Lobby, the Farmers' Federation, the National Catholic Education Commission, or the AMA?

The Labor Government deals with interest groups, accords them status, learns from them, and acts in partnership with them. We know that in combination they represent almost every sector of the community.

Research and consultation have been the basis of our major social reforms, such as Working Nation, the Social Security Review, the Child Support Scheme; the National Housing Strategy; and the National Health Strategy.

Just now, in the research community - and in the general community - there is a lot of interest in income distribution issues. A look at the program for this conference confirms that.

Let me start by saying that a reduction in poverty and inequality is one of the benchmarks against which the Government judges itself and will be judged.

And the fact is that under Labor, real wages and household incomes have increased substantially and living standards have improved as a result. And Australia continues to have one of the fairest wage distributions in the developed world.

We all know that unemployment is one of the greatest causes of inequality. An even more certain and profound truth is that nothing a government can do in the way of social services, or social policies of any kind, will so effectively distribute wealth and opportunity as employment. Nothing comes close. Nothing is as good as a job.

And nothing increases the number of jobs like high, sustainable economic growth. Since April 1993, over 600,000 jobs have been created. Over the year to May 1995, the number of people out of work for more than a year dropped by 26 per cent. The ABS has recently published figures showing that in 1994 Australia out-performed all the world's major economies in reducing unemployment. That is a major contribution to equality, a major contribution to social justice.

The most common measure of poverty in Australia is the Henderson Poverty Line, which is now more than twenty years old and generally accepted to have some misleading features. The Henderson Poverty Line is updated according to changes in household disposable income rather than the CPI or average weekly earnings. Since household disposable income per person has risen by nearly 20 per cent in real terms since 1983, in real terms the poverty line has been rising.

Yet under Labor most social security recipients have moved from below to above the poverty line.

For example, since 1983, the income of an unemployed couple with one child renting privately has increased from 11 per cent below to 1 per cent above the poverty line. The income of a sole parent with two children renting privately has increased from 9 per cent below to 2 per cent above the poverty line. The Social Policy Research Centre has estimated that, if the poverty line had been adjusted in line with prices, poverty would have fallen by nearly 20 per cent between 1983 and 1990. And this does not take into account the benefits of the social wage.

The National Centre for Social and Economic Modelling estimates that social wage benefits from health, housing, child care and education are worth an average of \$195 a week for a family with two children. The research also shows that these benefits are worth far more for the lowest income families than they are for the highest income families - and thus substantially reduce inequality.

This is a very different picture from the one presented by the Opposition of the poor getting poorer. I'm sure that the social policy ministers would like to know that their hard fights within Cabinet have been worthwhile, but setting the record straight is not the main point of my discussion.

It is important for all of us interested in income inequality to get a clearer understanding of what has happened and how the Government can help to reduce inequality. To better understand the issues and to tease out the implications for policy, the Government has commissioned research from the University of Melbourne on trends in income distribution. The research presented at this Conference will also add to our picture.

These days, I am constantly getting into trouble for having the temerity to talk about John Howard's past. It is not something I want to do. There are much richer and more diverting historical excursions to take. But with Howard, we talk about the past because that's all there is to talk about. It's all we know about him.

We know this present Opposition only by what they did when they were last in government and what they said they would do if they regained government at the last election. We know them only by their record and what we can infer from it - and the record is, by any local or international measure, abysmal.

The record shows that when they were last in government, with John Howard as Treasurer, the Coalition:

- . abolished Medibank, after having promised to retain it, and left 2 million people with no health insurance;
- . reduced the value of social security payments in real terms, so, for example, a single unemployed person renting privately lost \$15 a week, an age pensioner lost \$3 a week, and the most needy families lost \$4 a week;
- . slashed spending on health, housing and child care in real terms, reducing expenditure on the social wage by more than \$5 billion - or nearly \$500 per person per year.

And remember if the Coalition had won at the last election, they were committed to:

- . cutting a total of \$10 billion from public expenditure, including \$1 billion from social security, \$400 million from public housing and \$1.3 billion from public hospitals;
- . introducing youth wages of \$3 an hour;
- . establishing a training system under which unemployed people could have been paid 70 per cent of the award wage with no requirement that their employer train them;
- . full fees for university;
- . the abolition of bulk-billing under Medicare for most people;
- . a three week waiting period for unemployment benefits; and
- . removing the sole parent pension when the youngest child turned 12.

We don't know much of what the Coalition plans to do if they get elected next time. But type generally wins out. And John Howard is a Type A Tory. A Type A conservative of the eighties. He made friends with the New Right and that weird specimen of extremism - the H R Nichols Society. He has opposed all but two of the wage rises since 1975.

Over and over again he says he is pro family - and over and over again he is anti wage-earners - over and over again anti family support.

We must remember that 16 out of the 19 members of the current Coalition Shadow Cabinet were members of John Hewson's Ministry.

So nearly 85 per cent of the current Shadow Cabinet put their hands up for slashing spending on the social wage; for dropping unemployed people off unemployment benefits after 9 months; for abolishing bulk-billing; for cutting the award wages of low income workers. They put their hands up for policies which are Thatcherite in principle and substance - and which were most memorably expressed by John Hewson when he said if we reach back for the weak they will drag us down.

And now we are meant to believe that they care about the "battlers" - that group of Australians they only discovered when their pollsters identified them.

We can see the true colours of the Coalition have not changed when we examine the social policy areas where they have revealed their basic direction - health policy, family policy and industrial relations. We see the same old signs of regression. And the policies fly in the face of the best research.

The Coalition's health policy is to provide tax subsidies for private health insurance. You would expect a Labor Government to be critical of this, but you don't have to take our word for it. It flies in the face of the research of health economists and analysts such as Jeff Richardson, Richard Scotton, Stephen Leeder, and most recently, Kevin Forde, a health economist at this university, who has published an analysis of the impact of subsidising private health insurance.

In his Headland speech, Mr Howard says that private health insurance deserves subsidies because private hospitals are under-utilised and there are waiting lists in public hospitals.

It is untrue that waiting lists are attributable to a contraction in the private hospital sector. In fact, over the past five years, there has been an increase in both privately insured hospital days in private hospitals and admissions to private hospitals as a total of all admissions.

It is also wrong to suggest that people who take out private health insurance will only seek treatment in private hospitals, and thus free up public hospitals. In fact, many sophisticated procedures are only carried out in public hospitals. And most people, including Kerry Packer, when involved in an accident or an emergency, are treated in public hospitals.

As the researchers point out, there is ample evidence to suggest that the policy of subsidising private health insurance to move patients from the public to the private sector does not reduce health care costs, but merely shifts them from the government to the patients.

Overall health costs are also likely to increase with higher levels of private health insurance because of higher administrative costs, fewer controls on over-servicing, and the reluctance of the private health funds to encourage cost-containment in private hospitals. We would end up with more, not fewer, resources being spent on health care.

And who would get the extra money? Private hospitals, specialists working in private hospitals and the health insurance funds.

What people gain in tax deductions they lose in health insurance premiums and out-of-pocket expenses. The simple fact is that the Coalition's policy would mean that patients would pay more for health care.

In short, what the Opposition proposes would be neither an efficient nor an equitable means of solving health care problems. The major beneficiaries of the subsidies would be tax-payers who already have private health insurance - people we know are more likely to be higher income earners.

The underlying danger of the Coalition's support for subsidies for private health insurance is that it is aimed at developing a two-tier health system: a rich, privately funded health system alongside a poor, publicly funded system.

We take the view that the solutions in health lie in improving the public health system. It is also where our responsibility lies. It is not our responsibility to spend over \$1 billion subsidising the private health system and specialists at the expense of Medicare.

It is a question of weight and priority. Put the weight in the wrong place and the whole social balance is upset. And that is precisely what the political equation is about. Family policy is another case in point.

When it comes to family policy we give priority to low income families. Furthermore, we make sure the assistance is paid directly to the parent with the most daily responsibility for caring for the children, usually the mother.

John Howard believes in income-splitting. He has believed in it since 1979. You have to admire his tenacity, but not his judgement or priorities - even his own party won't take it on, and the tax and social policy experts reject it entirely.

Most recently, we have heard from Professor Patricia Apps from the University of Sydney, who found income-splitting to be inefficient, regressive, anti-saving and sexist. Her work clearly shows that tax would increase on the second income earners in families, who are usually women. Conversely, the tax on the male partners would decrease.

Dr Peter McDonald from the Australian Institute of Family Studies summed it up well: "If the aim is to provide very large benefits to wealthy families and to make it very difficult for women to work part-time then income-splitting is the right option."

The evidence against income-splitting is overwhelming - and has been for years.

We know that it is regressive. The more you earn the more you benefit from income-splitting. A family on \$100,000 would have their tax reduced by about \$7,000 a year while a family on \$20,000 would actually pay about \$200 more in tax under income-splitting.

And the policy would not come cheap - income-splitting would cost about \$3 billion. Or alternatively, as Professor Apps points out, if you wanted to introduce income-splitting without any loss of revenue, you would have to increase all marginal tax rates by 3 percentage points.

The Leader of the Opposition who uses the "family" as his own personal mantra; who says he is "pro-family", as if the rest of us were anti; and who now talks sanctimoniously about "battlers", in fact advocates a \$3 billion policy which is regressive, which gives the greatest benefit to high income families, and under which many low income families would actually be worse off.

When you look at John Howard's policy beliefs over the years it is a story all fractured and disjointed. And yet there are these unrelated and almost arcane elements consistently floating through it - like odd socks. They are income-splitting, employment contracts, pulling Medicare apart and the monarchy.

This is John Howard's policy odd sock bag - the ones he keeps in the hope that one day a matching one will turn up in someone else's drawer and make sense of it all and renew its purpose in life and, with it, the purpose in life of J.W. Howard.

But as we all know, you only wait a certain time with your odd socks and then you hang them up at Christmas, or use them as dusters for your shoes, or stuff them with other odd socks and kick them round the lounge room.

And to think that someone once said that politics is a contest of ideas - a contest for ideas and values. John Howard has been hanging on to these ideas for the course of his political life, and, try as he might, he can't add to them - unless it's to go back to tariffs, or to resist according the Aboriginal flag the same status as that of Norfolk Island. I am not opposed to all forms of conservatism. I like tradition - Labor thrives on it - but I hate regression. In the 1990s we simply can't afford it.

The Labor Government's guiding philosophy is social democratic, by which I mean a democracy in which the concept of rights and liberties is extended to encompass both individual opportunity and social justice.

There is no question that successful economies have been free market economies: it is scarcely less debatable that the most successful societies have been those which have combined this with democratic freedoms and sophisticated - and integrated - social programs.

In saying this I do not mean that we follow any model - European or American. We've developed our own. We do things a little differently, and I think a little better.

It is a model that balances the need for economic efficiency and innovation, with the imperative of protecting and enhancing the material and social circumstances of the disadvantaged. It is a model that is seen most clearly in the unique Australian partnership with the union movement, the Prices and Incomes Accord, which recently evolved to its eighth stage.

It is a model, incidentally, that shows some influence of academic research, and indeed, the Accord itself has become a major subject of social science investigation.

It is now well understood by social scientists that countries face clear choices in industrial relations, and that the choice made has fundamental implications for macro-economic outcomes and income distribution.

On the one hand, unions can be left to pursue their agendas and will naturally do so by bidding up the wages of their members, giving relatively little weight to the broader economic and social consequences of these actions. Research in this area has shown with great clarity that the results are high wage inflation and high unemployment.

On the other hand, countries without strong union movements typically deliver relatively high employment growth with low inflation, but such countries are more likely to offer less protection to the socially disadvantaged; this tends to be manifested in growing income inequality. The United States is undoubtedly the best example of such an arrangement.

The US Secretary of Labor, Robert Reich, recently lamented the strong tendency to earnings inequality in that country and contrasted it with the social protection offered in many of the countries of Western Europe. Yet in these countries, critics typically point to poor employment performance and highlight the US as a superior model.

The Accord represents a middle ground. Under the Accord the ACTU has delivered restraint in labour costs in order to ensure healthy - US style - employment growth. And since 1983 the Government has been able to deliver a real and improved social wage - Western European style - reflected in part in many of the policy achievements I have mentioned today.

That term - "social wage" - is an instructive one. It makes the point that to go on talking about the "economic" and the "social" as if they were separate and distinct defies the reality. The social wage is both a social policy and an economic one. It serves both social and economic ends. It is an expression of the fact - admittedly not recognised in some quarters - that good economic policy has a good social purpose, that social justice and economic efficiency are not only generally compatible but generally complementary. This is why, I suppose, some of us grow a little short-tempered with those who tell us that we are concentrating too much on social matters, or cultural matters as opposed to economic ones - or economic matters as opposed to these others.

The fact is they are inseparable and properly so. In fact I sometimes think it is the essence of good policy to find the points at which they fuse - that the convergence is very often disguised from us, and good policy means discovering where and how to make them meet. Consider how long it took us to recognise that inflation not only damaged our economic competitiveness but corroded social justice? And then consider that, perhaps alone among countries today, we have a trade union movement and the central bank working as one to the same low inflation ends.

And I might say this: I think among our social policy people and our economic people it has generally been on the social policy side that the leap has been taken. Our social thinkers became economists far more often than the economists became social thinkers. That, it seems to me, puts a lot of our academic economists, market analysts and economic commentators, a little way behind the contemporary reality, a little way off the direction Australia is going.

I think we can look back on the past decade or more and see a whole new story told in a whole new way. I think we can see the development here of a much more sophisticated national equation. We have fashioned a modern Australian social democracy: incomplete and imperfect, but a very good place to live and work, with traditions, a spirit and a future that will not be denied.