

## THE COMPASSIONATE AGENDA

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**Paul Keating was asked by Jesuit Social Services to tell them how he saw the imperatives of economic change in Australia and how this related to the social wage as remodelled by Labor. He used the opportunity to explain how the closed Australian Defence Model had broken down and had to be replaced with an open competitive one built around productivity. Paul Keating used the address to tell the story of Labor's graft of an efficient and open economy to an inclusive social wage. He went on to say the Labor policy tradition was built fundamentally around employment but that he recognised other demands associated with those 'unconnected' with this agenda. He is especially sympathetic to the young who he says cheerfully manage their own careers, moving from job to job, in a world of uncertainty.**

The work of welfare agencies has changed, as the economy and society have changed.

The certainties of the old or pre-1980s and 1990s structure have gone; the binding bits of the old order have either gone or have changed.

The former 'Australian Defence Model' or, as it is sometimes called, the 'Australian Settlement', was all about appropriating bits of prosperity to particular groups. And at the heart of the 'settlement' was the issue of employment; or if we extrapolate that, income adequacy. The model of its essence was industrial, or more particularly, the agenda was industrial. The old Defence Model was built on three legs: high terms of trade coming from gold, wool, wheat and minerals; paying for a very high tariff, which protected employment, remunerated at equitable levels by government-appointed arbitrary tribunals. The model ran, more or less, from 1900 to 1985.

But as the secular decline in Australia's terms of trade accelerated from about 1965, in the end we had an industrial structure which was not only archaic but unaffordable. The terms of trade could not pay for the weight of the tariff or the real price of labour. Our national income had been permanently cut but we were still seeking the employment and income guarantees which had obtained earlier.

The whole structure was collapsing and it had embedded within it an industrial culture in business which lacked innovation or quality or price competitiveness. Finally, it could not produce the investment or the employment required to sustain itself.

My job as Treasurer, and later as Prime Minister, was to dismantle it and put in its place a sustainable structure. In effect, I blew the whistle on it with my 'banana republic' remark of 1986.

The economic changes from 1983 onwards peeled back the layers of regulation and protection. The financial markets were opened up, turning banks from rationers of credit to creators of credit. The product markets were opened by the progressive dismantling of tariffs while the labour market was invested with flexibility by the dismantlement of the centralised wage-fixing system. While this was being accomplished, there was a dramatic improvement in levels of education. When I became Treasurer, three children in ten completed Year 12; when I finished as Prime Minister, nine children in ten completed Year 12 and with that trebling of high-school retention rates came a trebling of university places.

These changes made the country more porous, let competitive breezes through, allowing latent cleverness and innovation to find a place for itself. Regulation was a yoke on the clever and the innovative, and was, in effect, a levy for and by the wealthy.

But the changes did end the old certainties and verities. People were no longer 'tucked in'. A transition had been made from the age of certainty to the age of relative uncertainty.

However, in macro or broad terms, the construction of the new open economic model has been a resounding success. Between 1992 and 2002 real wages, as distinct from nominal wages, grew by over 20 per cent, the highest rate of growth of any decade of the twentieth century. And with the enhanced economic growth, cyclical unemployment is at a new low. In twenty years, nominal GDP has doubled and as a consequence, the wealth of the country has been massively improved. But more than that, these changes included a profound and historic development: the breaking of the back of inflation—the influence which cut people's saving to pieces and put massive mortgages on their backs.

But importantly, with this policy of fundamental economic adjustment came a concomitant commitment to a kindly and universal social wage. It had these important elements: access and equity in health through Medicare; access and equity in education; the establishment of a safety net for the low paid to sit beneath enterprise bargaining; a safety net with a comprehensive system of minimum award rates.

On top of this, first through a system of award-based superannuation and then through the universal system of the Superannuation Guaranteed Charge, 9 per cent of all wages and salaries were diverted to savings and vested in every working Australian's individual account. As a result, great sectors of Australian society are much better off—better than they have been at any time in the past.

Most people's real incomes have grown—but for some off a low base, who rely on the social safety nets of Medicare, family payments and education to sustain them.

But that said, the new economic structure is characterised by impermanence and uncertainty, especially for those who are not in a position to secure a larger piece of the economic pie. For instance, those whose life is characterised by casual employment, relying on the social struts to get them by, those who have been locked out of shelter—or property owning at least, by the large increments to property values. And those who feel that they are not part of society or who have been, to some real extent, alienated from it.

This is especially true of the young. A group I often describe these days as being the new poor. At least two million of them between eighteen years of age and their early thirties. A group who, more cheerfully than I could have imagined, get along in a world without institutional loyalties, without lifelong employment, whose lives are led in the uncertainty of temporary employment and who pay for their own education.

These young people are more often than not locked out of the property market and are slated to rent, often in substandard accommodation, or rely on the camaraderie of mutual friends in similar circumstances. Indeed, unless they can prevail upon the goodwill of their parents for sustenance and support, many look forward to being nothing more than renters for all their lives. No wonder they are wary of marriage and financial obligations.

And given how the labour market is disproportionately rewarding some, these people have to watch the already well-off become wealthier. In the new divisions of labour, even young people with university degrees find it difficult to get permanent, well-paid jobs. Many join the army of casuals who do a number of jobs in a week.

There is no effective advocacy group for young people. As a group, they are on their own.

Without institutional bonding, they are left to manage their own careers, working out how to retrain and re-equip themselves. Most begin their working lives with a substantial debt to the state for their education—or they pay for it out of earnings in TAFE fees and to other non-tertiary institutions.

And as their work and their labour productivity has risen, a large part of the productivity dividend has been appropriated to the old—to their parents' generation. The productivity dividend has been capitalised into the housing assets of the middle-aged who later in life will rely upon their children for income support and geriatric care.

The fact is, the young are up against it. The break for them may come with Australia's deteriorating demographics. As workforce requirements put pressure on labour supply, in time, the real price of labour is likely to rise. As demand for labour puts pressure on the labour market, wages growth may carve out some wealth for them. Some effective progression in the tax system may be needed to help those in the lower income deciles. Further provisioning of employer-funded productivity-based superannuation to at least 12 per cent of wages and salaries could also make arrangements more equitable for them.

But this agenda, the agenda of the young, is fundamentally an employment agenda. An agenda of the connected, if not well provided for.

There is another agenda, the agenda of which people here are familiar—the agenda of the unconnected. Those who, for one reason or another, are not part of the labour force, not part of the mainstream. Who, for reasons of family or circumstances or geography, simply miss out.

The traditional Labor Party agenda has, more or less, been about employment and equal opportunity. Of its essence, it has been industrial—its objectives have been those of its industrial constituency, the trade unions and the workforce at large. It has very much been about putting into place the macro building blocks of opportunity. As I mentioned earlier, income adequacy and income supplementation, like minimum rates and supplementary payments connected to the care and maintenance of children. Access to education, enhanced secondary retentions and tertiary places, health protection, trade training, income support for disabilities, and support for women with children at home.

Labor has always been about workers: wage adequacy, bargaining, income support, labour-market programs. One way or another, it has been connected to employment.

The new agenda must include these things but should extend itself to those not employed or conventionally unemployed. People who do not care about employment—in short, those who are disconnected.

What to do about alcohol abuse or substance abuse or violence in the home is much more challenging than building a universal health system or even universal education—no matter how necessary these are.

These are issues I know Jesuit Social Services are interested in.

But, in national terms, where do we start with these problems?

I think it must be with children: dealing with child neglect and connecting them to education and to a job. The fabric, I think, very much depends on whether we look after kids or whether we allow them to drop through. That question and how we approach it is a measure of us and of the kind of society we are. There are those who believe we should deal with the ‘problems at source’—the alcoholism, the drug dependency, the psychiatric illnesses, the disabilities.

Some organisations and individuals are set up to tackle these issues.

From a Commonwealth perspective, I should prefer to go after the kids, make a beeline for them and try to lift them out of it; to move them into the main game.

Whatever the views about it, it is an agenda which is central to the quality of the nation’s fabric—to our sense of inclusion, indeed, to our charity. But to take these issues on, and be effective with them, does not require a denunciation of the economic reformist agenda as the misplaced zeal of misdirected economic rationalists. So many people in the welfare community have this view.

The Australian Defence Model had to go. It had outlived its usefulness; it was making us the poorer while robbing us of hope. Now, in a wealthier country, we have the resources to do better. What is required are acts of recognition and of indignation at social plight. We have the wherewithal and the instruments, but we must have the leadership and the will to use them.