

State of the Nation

Joe Hockey, Minister for Employment and Workplace Relations

Address to CEDA, Canberra, 14/06/07

Well thank you very much Eleanor, to you Julia Gillard, Parliamentary colleagues, Greg Pearce I see there, Ladies and Gentlemen thank you for the opportunity to address CEDA just a few months out from the next federal election.

Whilst the Labor Party focuses on the politics of industrial relations we remain focused on the economy. The economy is finally balanced. We have strong growth, we have significant investment, we have an unemployment rate of 4.2% that is the lowest unemployment rate since November of 1974 but significantly we have the highest participation rate on record of 65%.

When you travel around Australia and as you would know from your businesses there is enormous demand for labour. Not just skilled labour but labour more generally. I'm the Minister for Employment and Workplace Relations as my shadow is the Shadow Minister for Employment and Workplace Relations as well. You cannot have a look at workplace relations without considering the need to increase the size of the workforce as Australia continues to grow.

On the 1st of July this year we will have the single largest injection of labour into the workforce since the demobilisation of the military after World War II. On the 1st of July this year the main component of the \$3.7 billion Welfare to Work Program is going to create a work obligation for the first time for 233,000 people who are in receipt of a pension and are of working age. The critical and fundamental economic issue that needs to be addressed at the moment is where is Australia with a changing demographic going to get its workers for the future and there's two options, three options in fact.

One is you are going to have more babies and the baby bonus has done a little bit to help in that regard. Secondly but obviously we're not replacing ourselves and even though we are one of the few western nations to increase our birth rate we are still not replacing ourselves. So secondly you turn to immigration and we are at near record levels of immigration. Australia for a host of reasons is not prepared to massively expand its immigration program even though there has been a fundamental shift from family reunion to skills based immigration. So that's still not going to address it but the third sector is that we have more than two million Australians of working age on welfare and those two million Australians of working age on welfare do not have work obligations and at the same time as we're introducing our WorkChoices reforms we also introduced a Welfare to Work reform. The \$3.7 billion program that was creating an obligation for people to get off welfare and to undertake work and the

Labor Party opposed us all the way on our Welfare to Work initiative and this is fundamental, fundamental to the future economic growth of Australia. If you do not have the workers it directly affects, directly affects your economic growth. Now the workers who are coming into the workforce at

the moment and on the 1st July are people who are looking for flexibility and that flexibility must be responded to by business. The most significant cohort in Australia, ten years ago was a single income family followed by a family with one and a half incomes followed by a two income household. That has changed dramatically. So that today the single biggest cohort in the community is one and a half times incomes followed by a single income household followed by a two income household. So we have seen a shift in the demand for part-time work and those part-time workers, those people seeking flexibility never could get the flexibility in the mainstream industrial relations system and that's why you as employers who are in many cases employing people as casuals because the mainstream award system never was flexible enough nor the enterprise bargaining system was never flexible enough to accommodate the demands of those individuals and to accommodate your needs for flexibility as employers. So we changed the mainstream system and as of 11.30am today when the ABS just released its long-term and very long-term unemployment numbers. The proof of the pudding is in the eating and it came out today when the very long-term numbers indicated that since we introduced our WorkChoices reforms we have now dropped the number of people on long-term and very long-term unemployed by between 25% and 35%. The most compassionate thing you can do as a government is to give a household that relies entirely on welfare an opportunity to work and workplace relations changes are fundamental to that. Job sharing, shift sharing, flexible arrangements for people working from home, flexible hours, taking remuneration in different forms. It cannot be dealt with as history has shown it cannot be dealt with by lawyers arguing before the Industrial Relations Commission in Melbourne for national awards. Nor can it be necessarily negotiated appropriately for individuals when you have enterprise based awards. Ultimately flexibility is most arrived from a relationship between an employer and an employee that is based on the demands of each party. We find that when we negotiate to buy cars, to buy houses, when we negotiate anything in our lives. Ultimately the greatest flexibility comes with one-on-one negotiations.

Of course you have got a choice. You can always have a representative. In fact since WorkChoices came into operation, you know there has been a larger number of people employed under union and non union collective agreements than they have under AWA's. So it doesn't stop the unions from negotiating more flexible arrangements nor from employer representatives, employee representatives negotiating non union collective agreements.

Out of this we grow the workforce. 4.2% unemployment is not an accident of history. This is real. The largest participation rate ever and over the next few months we are going to hit new records. We expect the participation rate to go to 67%. It might create a minor spike in unemployment. It may also have an impact on productivity. Of course when you are bringing hoards of workers into the workforce that have been unskilled or unemployed for a long period of time. Of course it's going to dampen productivity in the short-term but as business invest in skills development the productivity and benefit to the nation is significant over the longer-term and that's what we are focussed on. We are focussed on the longer-term and one of reasons why we have always been able to focus on the longer-term is because the benefits flow through in the broader economy. It inoculates the Australian economy and if you are thinking of inoculation think of the fact that in 2000 when seven out of our top ten trading partners were in recession or depression Australia had one of the fastest growing economies in the world and it wasn't an accident, it wasn't a moment of history, it was built upon hard work, reform. The reform that the Labor Party I'm sorry to say voted against but the reform that we got through the parliament and were able to deliver to help to build a stronger and more diverse Australian economy. That's how you keep the economy strong.

I don't mind businesses being profitable, I like business being profitable because profitable businesses pay taxes, profitable businesses employ people, profitable businesses reinvest. We are seeing a massive reinvestment at the moment in the mining industry, in construction but across the board massive job growth in retail and hospitality. That's the investment we want.

So I just say to you that workplace relations is part of the infrastructure we need to build a strong economy, to inoculate the economy from future shocks. I'm sure in questions and answers will come into the debates about AWA's versus individual contracts and pattern bargaining and all the rest of the things but its no use arguing those things if you are not focussed on the bigger picture and the bigger picture is the supply of labour, the engagement of labour, the skilling of labour and the continued growth of the Australian economy.

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