

**ACTU CONGRESS - SEPTEMBER, 1993
EMPLOYMENT AND JOBS GROWTH STRATEGY**

1 INTRODUCTION

1.1 Accord Mark VII - 'Putting Jobs First'

In February 1993 the Accord partners stated that,

"The central objective of the parties is to promote sustainable employment growth and substantially reduce unemployment.

Above all else the parties believe that there is a need to put employment growth first.

For its part the Government is committed to gearing the policy instruments at its disposal towards achieving a minimum of 500,000 net additional jobs over the next three years. The Government will use fiscal, monetary, wages, labour market and industry policy to achieve this objective."

ACTU/ALP (1993), "Putting Jobs First",
Accord Agreement 1993 - 1996, p.2

Unemployment represents a waste of both human and economic resources. Furthermore, it has a disturbing moral impact on society. Unemployment leads to poverty and social polarisation, and the potential development of an underclass with increasing violence and crime. Unemployed people have higher rates of homelessness, family breakup, physical and mental illness and suicide. All of these effects undermine the fairness and social cohesion which have characterised Australian society.

1.2 Over the next three years the Accord threshold of 500,000 additional jobs will be quite achievable and, provided recovery proceeds in the rest of the industrialised world, is likely to be exceeded.

1.3 Nevertheless, as Table 1 shows, a net addition of 700,000 jobs over the next three years will only begin to reduce the unemployment rate given a range of plausibilities as to labour force participation.

1.4 Table 2 extends the outlook to 1999 and reinforces the magnitude of the task in the long-term, even in the event of 1.2 million jobs being generated over the next six years.

TABLE 1: EMPLOYMENT GROWTH SCENARIOS 1993-96

	Employment	Unemployment	Labour Force	Participation	Unemployment
	('000)	('000)	('000)	Rate	Rate
				(%)	(%)
Feb 93	7659.2	956.3	8615.5	62.4	11.1
Feb 96					
A	8159.2	849.8	9009.0	62.4	9.4
B	8359.2	649.8	9009.0	62.4	7.2
C	8159.2	1008.7	9167.9	63.5	11.0
D	8359.2	808.7	9167.9	63.5	8.8

- A Working age population up 1.5% per year; participation rate unchanged; 500,000 additional jobs created
- B As for A, but 700,000 additional jobs created
- C As for A, but participation rate rises to 63.5%
- D As for C, but 700,000 additional jobs created.

TABLE 2: EMPLOYMENT GROWTH SCENARIOS 1993-99

	Employment	Unemployment	Labour Force	Participation Rate	Unemployment Rate
	('000)	('000)	('000)	(%)	(%)
Feb 93	7659.2	956.3	8615.5	62.4	11.1
Feb 99					
A	8659.2	761.4	9420.6	62.4	8.1
B	8859.2	561.4	9420.6	62.4	6.0
C	8659.2	927.5	9586.7	63.5	9.7
D	8859.2	727.5	9586.7	63.5	7.6

- A Working age population up 1.5% per year; participation rate unchanged; 1 million additional jobs created
- B As for A, but 1.2 million additional jobs created
- C As for A, but participation rate rises to 63.5%
- D As for C, but 1.2 million additional jobs created.

1.5 Hence, the real challenge is threefold:

- (i) to maintain high employment growth over the entire decade, not just the short-term;
- (ii) to ensure that a higher proportion of jobs created result in fewer unemployed, not just new labour market participants; and
- (iii) to ensure a sustainable high rate of employment growth such that current account deficit and inflation blow-outs are avoided.

2 THE EMPLOYMENT STRATEGY FOR THE 1990s

2.1 Overview of Employment Strategy for the 1990s



2.2 The ACTU Strategy for jobs and employment growth has four essential building blocks which are shown in this chart above and outlined in this strategy paper. Each of these building blocks has a key role to play in shifting the economy on to a high growth path.

2.3 This high growth path must be sustainable and avoid the boom-bust cycles of the past.

2.4 The strategy also generally depends upon two factors not explicitly dealt with in this report:

- (i) An industrial relations system and other mechanisms that can provide a fair resolution of competing income claims; and
- (ii) a national social safety net that progressively raises the minimum standard and is built on the principles of collective responsibility for social justice.

2.5 The ACTU recognises the need to distinguish between the policy strategy for the next twelve months, ie. the short-term, and those elements of the strategy to be achieved over a longer time horizon.

2.6 The short-term strategy encompasses the following elements with respect to fiscal policy:

- (i) The ACTU has made its submissions with respect to the 1993-94 Budget, and has clearly stated that further stimulatory measures are required to ensure that the initial economic recovery is boosted;
- (ii) In particular the ACTU supports the bringing forward of personal income tax cuts for the relatively lower income groups as a stimulus to private consumption, whilst deferring cuts for higher income earners with lower marginal propensities to spend; and
- (iii) The ACTU supports greater spending to be focussed on infrastructure projects and development.

2.7 In addition, the ACTU intends to position itself to contribute to a sustainable high growth full employment strategy in early 1994 in the context of the following government and other

initiatives:

- (i) The Fitzgerald Report on a National Saving Strategy for Australia;
- (ii) The Regional Development Taskforce Report;
- (iii) The McKinsey Report on the emergence of a small and medium sized export oriented enterprise sector;
- (iv) The Chapman Study into labour market programs; and
- (v) The Expert Committee's (Professors Carter, Hughes and Gregory) Discussion Paper on the Labour Market due out in December 1993, which will precede the government's White Paper in mid 1994.

2.8 Two key issues which cover both short-term but generally longer-term time lines include:

- (i) Continued reform of the education and training systems consistent with the Australian Vocational Certified Training System, in order to raise the skill base of the young to a year 12 equivalent standard through a combination of work plus on and off the job training; and
- (ii) The issue of policy initiatives to actively assist the pool of long-term unemployed.

3 **FISCAL POLICY**

3.1 Fiscal policy has failed to adequately acknowledge the need for stimulus over the last three years.

3.2 In 1990 and 1991 policy makers were planning for a short sharp slowdown in economic growth. However just as interest rates were increased too late in the 1980s, they were kept too high for too long in the early 1990s.

3.3 By 1992 the Keating Government firmly accepted that the depth of the recession required a strong fiscal response. The One Nation initiatives sought to re-activate economic growth through a combination of infrastructure spending and generous tax incentives for the private sector.

3.4 The July National Youth Employment Meeting and the 1992-93 Budget reinforced this policy direction.

- 3.5 However, it is clear that an effective fiscal boost was really needed in 1991. Furthermore the One Nation spending programs, which were substantial, have proven to be far too slow in their implementation. In retrospect more fiscal stimulus was also required, hence the muted impact on the pace of recovery.
- 3.6 It is clear that without the public sector's contribution to domestic demand, the rate of economic growth and the recovery would be even more restrained.

3.7 Hence, the ACTU calls for further stimulatory measures to be incorporated into the 1993-94 budget as a priority.

3.8 Whilst much debate has focussed on the size of the budget deficit, Australia's public sector should be considered in an international context. Australia's levels of public sector spending and revenue are all low by OECD standards.

3.9 The point is that there is still considerable scope for the federal government to use the 1993-94 budget in a responsible way to alleviate the level of unemployment.

3.10 The objective of a Federal budget deficit of 1% of GDP will have to be reviewed in the context of employment and growth targets being achieved.

- 3.11 Given the extensive and sustained expenditure review process of the past decade however, there is no prospect of making further substantial savings from cutting spending without reducing services. Yet cutting services would necessarily entail cutting employment, and given that the ultimate objective is to increase jobs, such a strategy would be an exercise in delusion.
- 3.12 This leaves the raising of additional recurrent revenues as the means by which initiatives to sustain job growth might 'responsibly' be funded in the 1990s.
- 3.13 The ACTU supports the government's decision to bring forward the first instalment of the tax cuts to November 1993, and the deferring of further tax cuts for higher income groups till 1998.
- 3.14 The ACTU supports the skewing of tax cuts to the lower and middle end of the income range.
- 3.15 The ACTU furthermore believes that there is a need for greater funding on infrastructure projects over the next two years to assist job generation, but more importantly to renew the nation's capital stock and sustain higher levels of economic growth.
- 3.16 The main priority of the ACTU is creating jobs and reducing unemployment. The ACTU supports the introduction of a progressive national jobs levy. The original ACTU proposal of a 2% income tax surcharge on high income earners (those on \$50,000 and more) would have generated \$450 million. It is recognised that such a level of funding is inadequate for dealing with the enormous task of creating jobs particularly for the long term unemployed. The ACTU will develop a jobs levy proposal with a more adequate level of funding to meet its Accord commitment of putting jobs first. In doing so the ACTU will ensure that the levy is structured on the basis of the capacity of income earners to contribute.
- 3.17 Australia currently has the lowest tax share to GDP of any OECD country. The ACTU believes that the level of taxation and public expenditure should be determined by the community's needs for services, not by arbitrary targets including the budget deficit. The tax system must be adequate to fund the essential infrastructure and services required by the community, and to address the issue of unemployment.
- 3.18 The union movement believes that these objectives require an expanded and more progressive taxation system. The ACTU will examine the most effective and equitable means of achieving this including an inheritance tax, and more effective application of FBT on high income earners, an additional threshold on the income tax schedule for PAYE incomes over \$75,000, and the reduction or abolition of negative gearing.
- 3.19 The ACTU will commission a comprehensive study on these issues for consideration at its December 1993 Executive meeting.

- 3.20 Other measures that may warrant further consideration by the community (depending on the overall package developed for employment) include:
- (i) rationalisation of the wholesale tax system
 - (ii) the introduction of carbon or energy tax measures
 - (iii) increased excises on alcohol and tobacco products
 - (iv) a levy to discourage firms from using tax incentives to boost post-tax earnings without raising investment spending where the opportunities exist.
- 3.21 The introduction of some of these measures may require appropriate compensation.

4 **MONETARY**

- 4.1 The ACTU affirms the need for monetary policy settings to remain flexible with respect to trends in the level of employment and the current account deficit.
- 4.2 Nominal interest rates have fallen considerably and continuously since their peak at the end of 1989. However, it should be noted that real interest rates have not declined to the same extent.
- 4.3 Real interest rates are derived from nominal rates and adjusting for the expected rate of inflation. Given that inflation is expected to remain at lower levels over the next three years at least, it is clear that real interest rates are at more restrictive levels than current nominal interest rates would suggest.
- 4.4 Over much of 1992 monetary policy was affected by disparate trends in overseas interest rates. In particular the EC was experiencing difficulties over its exchange rate alignments, but more fundamentally the German Bundesbank was very reluctant to ease monetary policy.
- 4.5 However, since late last year German interest rates have been gradually reduced, with the focus of monetary policy shifting to the recession.
- 4.6 German interest rates rose from 1991 to mid 1992, to control the inflationary consequences of reunification. With the recession striking late, interest rates have been gradually easing since September 1992.
- 4.7 This change in policy has been an impetus to lower world interest rates.
- 4.8 The continued trend decline in world interest rates, especially in Europe, affords Australia further scope to lower interest rates. Furthermore, the risk of continued exchange rate weakness and associated inflationary effects are mitigated by more supportive monetary policy settings amongst the major industrialised nations.

5 **WAGES POLICY**

- 5.1 In terms of their crucial linkage, wages policy and industrial relations reform under the Accord are now focussed on workplace bargaining that increasingly links wage increases to productivity

and efficiency improvements.

- 5.2 The ACTU has committed itself to maintaining Australia's inflation rate comparable to that of our major trading partners.
- 5.3 These elements will continue to underpin prospects for high employment growth, improve competitiveness and increase productive capacity.
- 5.4 The issue of wages policy is the subject of another ACTU Congress report and strategy.

6 TRADE AND INDUSTRY DEVELOPMENT

- 6.1 The ACTU recognises the significant role that trade and industry development plays in supporting a sustainable high growth strategy.
- 6.2 In macroeconomic terms policies for trade and industry development are particularly important in strengthening the tradeable goods and service industries thus helping to lift the balance of payments constraint to growth.
- 6.3 In microeconomic terms such policies are strategically significant in facilitating improvements in the performance of businesses and their capacity to realise international business opportunities.
- 6.4 In promoting trade and industry development the ACTU strategy is built around 3 key objectives.
- (i) Modernising the nations capital stock and accelerating the trend growth rate of investment in the tradeable goods and service industries. This is the **investment objective**.
 - (ii) Improving the performance of individual and groups of enterprises and their capacity to realise international business opportunities through "improvements in technology and better ways of doing things". This is the **innovation objective**.
 - (iii) Enhancing the capacity of trade unions and their members to promote initiatives that encourage investment and innovation. This is the **involvement objective**.

- 6.5 To pursue these stated objectives the ACTU is pursuing a four part strategy:
- (i) Provide submissions to the 1993-94 budget on implementation of the Australian Manufacturing Council/McKinsey Report on Australia's emerging high value added exporters. This step has been completed and the submission lodged.
 - (ii) Have ACTU Congress establish priorities and broad strategic directions for pursuing the investment, innovation and involvement objectives over the next 2 years.
 - (iii) Move from Congress to establish a working party and develop a major trade and industry development package, similar to that endorsed by the ACTU Executive in August 1990.
 - (iv) Finalise the ACTU trade and industry development package no later than February 1994 and have it considered by the Government in the context of the 1994-95 Budget or any major economic statement that may precede this Budget.

- 6.6 The priorities and strategic directions for pursuing the investment, innovation and involvement objectives are as follows:

Investment

- 6.7 The ACTU Strategy for trade and industry development recognises the substantial investment incentives provided by Government in the One Nation and Investing in the Nation Statements. This included:
- (i) New depreciation schedules that are particularly favourable to mining, manufacturing and down stream processing investment in plant and equipment with a long life.
 - (ii) A 10% development allowance and a 10% general investment allowance.
 - (iii) A reduction in the corporate tax rate from 39% to 33%.
- 6.8 The ACTU and its affiliates will seek to ensure:
- (i) That the investment incentives are successful in encouraging additional productive investment and innovation as well as 'pulling forward' investment projects already in the pipeline. However, if incentives such as the corporate tax reduction are being utilised simply to increase managerial salaries and dividends then the ACTU, through the Accord process, will seek appropriate changes to the incentives.
 - (ii) Any future investment incentives should be selective, more focussed and directed at such issues as:
 - (a) attracting regional headquarters of overseas firms to locate in Australia
 - (b) encouraging improvements in process technology and new product and service development
 - (c) forming part of a sectoral development strategy.
 - (iii) To ensure a favourable environment for productive investment the Government must continue to adopt measures which will eliminate harmful speculation in finance and property markets. In addition the Government should take the lead in ensuring its current investment incentives encourage growth in priority industry sectors and

encourage regional development and other social and economic objectives.

- 6.9 Where practical, the ACTU will assist in removing impediments and help accelerate the effective planning, implementation and through life support of investment projects. The union movement will also develop a pro-active approach to encourage higher levels of Australian industry participation in both domestic and overseas project work.
- 6.10 The issues and linkages between investment in infrastructure and regional development are dealt with in another section of this report.

Innovation

- 6.11 The ACTU strategy for trade and industry development recognises that to sustain a high growth strategy in the 1990's Australia will, amongst other things, need to become a more innovation driven economy. It is also the case that Australia's trade and industry development policy during the past decade has provided the nation with a greater capacity to encourage and facilitate innovation through such initiatives as:
- (i) the 150% tax concession for research and development
 - (ii) sectoral initiatives which foster Research and Development and encourage additional exports (such as the Factor F scheme in the pharmaceutical industry). Criteria need to be developed to ensure that companies who are recipients of Government support are conducting their businesses in a socially responsible manner.
 - (iii) a more client oriented CSIRO
 - (iv) a range of grant schemes (such as GIRD) to enhance innovation
 - (v) other policies at both Federal and State level including NIES sponsored consultancies and best practice demonstration programs.
- 6.12 To build on these initiatives over the next 2 years the ACTU will:
- (i) Facilitate the union movements input on policies and strategies to encourage technology development. This will include substantial involvement in the Industry Commission inquiry into Australia's Research and Development programs and supporting infrastructure.
 - (ii) Continue to pursue the agenda set out in the ACTU submission to Government on implementing the Australian Manufacturing Council/McKinsey Report including:
 - (a) improvements in export assistance arrangements
 - (b) more focused programs and advisory services that improve managerial performance.
 - (iii) Support expansion of national innovation effort and the underlying Research and Development to reach in the next 10 years international best practice in standards of performance and achievement.
 - (iv) Improve links between Research and Development providers and their clients based on co-operation rather than short term funding based relationships.

- (v) Raise the public significance of innovation in order to attract students to science, engineering and technology pursuits and careers.

6.13 The thrust of the ACTU approach is to encourage a greater focus by Government on the small and medium size business sector where future employment growth will be concentrated and where innovation is a critical success factor.

- (i) Identify and participate in the formulation and implementation of sectoral development strategies. During 1993-94 this will include involvement in a sectoral development strategy for the Environment Waste Management Equipment, Systems and Services industry. The ACTU recognises that this industry is likely to have strong employment growth during the 1990's.

Involvement

6.14 A central objective of the ACTU trade and industry development strategy is to enhance the capacity of unions and their members to influence such development at both the macro and micro level. This will include:

- (i) A substantial union contribution to the work program and activities of the Australian Manufacturing Council (AMC).
- (ii) Encourage the establishment of an Australian Services Industry Council, with a similar brief and role to the AMC.
- (iii) Providing union inputs to the development and implementation of the National Trade Strategy.
- (iv) Assisting in promotion of new investment in greenfield sites.
- (v) Encouraging greater membership involvement in sectoral development strategies. The vehicle industry and rail unions have both had experiences during the 1990's of involving delegates directly in group initiatives to promote plant level and industry wide improvements. The ACTU and its affiliates will identify other areas where this approach could be successfully established.
- (vi) Targeting a small group of companies to implement a more comprehensive enterprise bargaining agenda where investment and innovation are major issues.
- (vii) Facilitating the involvement of shop stewards in enterprise environment auditing to reduce energy and waste management costs and improve occupational health and safety practices.
- (viii) Utilising industrial supply offices and project development agreements to increase Australian industry participation in the provision of goods and services. In order to achieve this the union movement will lobby Federal, State and Territory Ministers through their Council to review how effective their agreed guidelines are in increasing Australian industry involvement in major projects. The relevant unions will campaign to achieve 85% local content in all projects of national significance. This campaign will involve the union movement targeting five major projects in 1993-94.

6.15 The ACTU has established priorities and strategic directions for pursuing its trade and industry development strategy over the next 2 years. In developing a package of measures for negotiation with Government in 1994 the ACTU will also:

- (i) Reaffirm the union movements support for a refined tariff implementation schedule that links further tariff reductions to reductions in the unemployment rate as set out in the ACTU National Employment Strategy 15 July 1992.
- (ii) Develop a more effective approach to utilising public sector purchasing to support industry development objectives.
- (iii) Continue to monitor the effectiveness of Australia's anti-dumping arrangements.
- (iv) Seek to establish a practical agenda for encouraging import replacement. This should include:
 - (a) expansion of the industrial supply office network
 - (b) enhancement of the Federal Government's successful national procurement Development Program
 - (c) examining a new program to encourage import replacement in key industry sectors which target key products and opportunities.

6.16 In addition unions must make greater use of the consultative provision of awards, certified agreements and supporting legislation to ensure project developers maximise Australian industry participation.

6.17 The overall approach to Trade and Industry Development and the pursuit of our investment, innovation and involvement objectives will be targeted at achieving a sustainable high growth strategy which is essential in achieving strong employment growth.

7 THE CONTRIBUTION OF ENVIRONMENT INDUSTRIES, INFRASTRUCTURE SPENDING AND REGIONAL DEVELOPMENT TO THE JOB GENERATION PROCESS

7.1 The ACTU strategy for jobs and employment growth recognises that:

- (i) Environment industries such as waste management equipment, systems, and services (including recycling and cleaner production), alternative energy and ecotourism are likely to experience above average rates of employment growth during the 1990s.
- (ii) Recession and structural change have contributed to large disparities in rates of unemployment within and between different regions of Australia.
- (iii) Public and private investment in infrastructure development has a critical role to play in the job generation process in terms of both counter cyclical demand management and sustaining a long term high growth strategy.

7.2 To accelerate employment growth in the short term and sustain such growth at higher levels over the longer term the following priorities and strategic directions have been established for dealing with these issues.

Infrastructure Investment and Regional Development

7.3 ACTU submissions to Government since the 1991 Congress have consistently argued the case for bringing forward public and private investment in infrastructure. Such investment includes social infrastructure (schools, hospitals) transport and communication infrastructure (road, rail,

ports, telecommunications) environment infrastructure (sewerage, waste water treatment) as well as other forms of infrastructure such as for research and development (eg. CSIRO, Multi Function Polis, establishment of co-operative Research Centres).

7.4 The One Nation Statement sought to give a kick start to economic recovery by providing investment incentives and more than \$1 billion in additional infrastructure projects such as road, rail and port development. The Commonwealth also introduced (for a narrow group of projects such as electricity) infrastructure bonds to help facilitate private sector investment in public infrastructure.

7.5 In the short term our priorities for infrastructure development will continue to be:

- (i) the identification of public and private sector investment in infrastructure which could be pulled forward to generate employment and take advantage of the current favourable environment for such work to proceed.
- (ii) In identifying opportunities for pulling such infrastructure spending forward particular attention will be given to regional development opportunities. As work undertaken by DEET, the Office for Regional Development and others suggest
 - (a) These are considerable disparities in rates of unemployment in different regions of Australia. For example, in June Quarter of 1992 in South Australia 44% of the unemployed were concentrated in statistical local areas (SLAs) with unemployment rates between 14% and 30%, another 52% of the unemployed were in SLA's where the unemployment rate was 7-14%; and 4% of the unemployed were located in SLA's with less than 7% unemployment.
 - (b) For many high unemployment regions even a strong economic recovery is unlikely to have a significant impact on local employment opportunities relative to more prosperous regions. The task of generating high levels of net employment growth in these hard hit regions is often compounded by the structural effects of tariff reductions and micro economic reform.
 - (c) In the fastest growing regions of Australia, during the 1990's, there are likely to be very different problems than those facing the high unemployment regions. These potential constraints, including infrastructure bottlenecks, scarce resources and the environment implications of rapid growth will also need to be addressed.
- (iii) In focusing on the short term priorities for infrastructure development consideration will also need to be given to whether and how major nation building infrastructure development projects (For example, Very Fast Train, Darwin-Alice Springs Railway, extension of the fibre optic cable network to the household sector) could be brought forward. The merits of such projects will need to be considered on a case by case basis with particular regard to innovative funding arrangements and an appropriate projects approval process.

7.6 To progress these short term priorities for infrastructure development the ACTU and its affiliates will:

- (i) Continue to argue for initiatives in the 1993-94 budget to pull infrastructure funding forward.
- (ii) Participate in providing input to the recently established Regional Taskforce, particularly in terms of identifying the opportunities for pulling forward infrastructure investment.

- (iii) Ensure through the Accord process that the Government response to the Full Employment White Paper and the Regional Taskforce in the first half of 1994 includes a comprehensive approach to identifying and prioritising initiatives for accelerating infrastructure development and hence the rate of employment growth.
 - (iv) The National Planning Transport Taskforce should provide for union representation and examine the urban transport system as part of its terms of reference.
- 7.7 The ACTU strategy for jobs and employment growth recognises that there are a number of other short and long term priorities for infrastructure investment and regional development which need to be addressed including:
- (i) For a country like Australia which has experienced 3 boom-bust cycles in the past 2 decades, priority needs to be accorded to developing a more flexible system for rescheduling infrastructure spending on a counter cyclical basis. There are a number of co-ordination issues and improvements needed in information and planning systems. This will require considerable co-operation between all levels of Government.
 - (ii) Considerable scope exists to assist local enterprise initiatives, promote networking amongst groups of firms and package labour market programs around regional and community development objectives. Unlocking the potential that exists to facilitate such initiatives and encourage employment growth should involve.
 - (a) Direct representation of unions on regional development boards and greater involvement of unions with the local community in developing regional employment strategies.
 - (b) Direct union involvement with local communities, assisting in the development of labour market programs and their delivery, particularly for the long term unemployed
 - (c) Unions considering new initiatives to support their own unemployed members.
 - (iii) Appropriate government initiatives need to be developed to ensure that major regional employers contribute positively to the development of industry in the region. The Government should investigate the feasibility of tax incentives that will encourage large regional employers to assist the development of industry in regional Australia.
- 7.8 The ACTU can and will build these short and long term priorities into its strategy for jobs and employment growth. For example they can be taken into account in Accord negotiations; they can be progressed through the ACTU Industry Committee and the Social Justice Committee; they can be given prominence in ACTU inputs to the forthcoming White Paper on Full Employment or the Chapman Report on the long term unemployed.
- 7.9 However, at the end of the day the sheer magnitude of the task and the great potential of opportunities that exist for generating additional jobs suggests the trade union movements input needs to be very broadly based.
- 7.10 In this respect the trade union movements priority for 1993-94 will be to assist and facilitate networking of unions, labour members of Parliament and community groups on a state and regional basis to provide input to the Regional Task Force on opportunities for reigniting the job generation process.

Environment Industries

- 7.11 The ACTU Strategy for jobs and employment growth recognises that in certain industries such as community services the high employment growth achieved in the 1980s can again be achieved in the 1990s. It is also recognised that several "new" industries may also have good employment growth prospects.
- 7.12 The 1991 ACTU Congress Report on the Environment and subsequent participation of unions in the ESD working parties has established the environment as a key issue for the trade union movement. However, the ACTU strategy for jobs and employment growth must now accord greater priority to realising the full potential of job generation from expenditure on goods and services from Australia's environment industries. As the Prime Minister has pointed out:

"This environment strategy is also an industrial strategy and a social strategy ... A commitment to waste minimisation and recycling commits government and industry to technology in ways we have not been committed before. Imagination in the area of waste minimisation and recycling can mean new industries, new export markets and new jobs."
(Prime Minister Press Release 22 June 1992)

"Adopting clean production methods which minimise waste and pollution and maximise efficient use and recycling of resources is essential to the success of our manufacturing industry. The market is there for cleaner industries and cleaner products. It is also there for environmental management systems and technologies. Australians are developing those things. The drive for environmentally friendly industries and the protection of our natural environment is, in short, part of the economic drive, part of the international competitive drive in which Australia is engaged." (Paul Keating: Statement on the Environment 21 December 1992)

- 7.13 The International Labour Organisation in a recent study has highlighted the growth prospects for employment in environmental protective activities in areas such as:
- (i) Pollution abatement in respect to air, water and soils
 - (ii) Agricultural land rehabilitation
 - (iii) Soft energies/energy conservation (bio-gas, bio-fuels, solar energy, wind technologies)
 - (iv) Transport and communication
 - (v) Water and sewerage works
 - (vi) Recycling, waste management and cleaner production
 - (vii) Conservation and forestry including eco-tourism
 - (viii) Environmental R&D/training (the technology and skill development infrastructure)
 - (ix) Environment administration and public works.
- 7.14 Congress supports the general outcome of the Round Table Conference on Lead held in July 1993. In particular, any strategy on the reduction of use of lead in petrol should ensure that workers and the unemployed should not be disadvantaged in any way.
- 7.15 The ACTU's priorities for encouraging jobs and employment growth in Australia's environment industries include:
- (i) Participation in the formulation and implementation of a sectoral development strategy for the Environment Waste Management Equipment, Systems and Services Industry.
 - (ii) Practical support for the work of the ACF-ACTU Green Jobs Unit.
 - (iii) Identification of public and private sector environment infrastructure projects which could be brought forward.
 - (iv) Progressing some of the industry development opportunities in Australia's environment industries identified in the ACTU Report "The Green House Effect: Employment and Development Issues for Australians".
 - (v) Assisting in the promotion of industries that have a competitive advantage for export markets based on their Australian location, such as "clean, green products".
 - (vi) Assisting in the development and promotion of policy which encourages multiple use of resources in regional areas which will foster employment, such as agri-forestry and tourism.

- 7.16 These and other priorities will be actioned by the on-going work program of the ACTU Environment and Industry Committee.

8 LABOUR MARKET POLICY INSTRUMENTS

- 8.1 The ACTU recognises that a sustainable high growth strategy in the 1990s will require rethinking and refocussing the way in which labour market programs and related policy instruments are utilised. In developing a strategic approach it is necessary to identify and debate the key issues and canvass the relevant policy options.

Labour Market Programs

- 8.2 Since the mid 1980s the range of labour market programs developed by the federal government has expanded considerably.

- 8.3 A broad classification scheme can be devised as follows:

- (i) Accessing Work: eg. job searching assistance, assistance with travel, breaking down barriers such as language, learning new work skills.
- (ii) Developing the Workforce: eg. support for apprenticeships, traineeships, trade training and improving worker literacy.
- (iii) Assisting Industry: eg. assisting industry through change based on industries, regions or enterprises.
- (iv) Income Support: eg. general support, assistance with training and assistance with study.
- (v) Supported Disadvantaged Groups: eg. programs targeted towards Torres Strait Islanders, people with disabilities, sole parents and the long-term unemployed.

- 8.4 The major programs at present include:

- (i) JOBTRAIN

This program improves the employment prospects of long-term unemployed and especially disadvantaged job seekers by providing formal training opportunities for them in accredited courses across TAFE, community-based organisations, the private sector and industry.

- (ii) LANDCARE AND ENVIRONMENT ACTION PROGRAM (LEAP)

LEAP is a federal government initiative to assist young Australians to acquire new skills. It provides young unemployed people aged 15 to 20 years with training and practical experience in landcare, environment, cultural, heritage and conservation activities.

- (iii) JOBSTART

Jobstart is a wage subsidy program that provides access to employment for job seekers

who have experienced long periods of unemployment or face other disadvantages in obtaining work.

(iv) NEWSTART

(a) Was introduced in July 1991, as an overall strategy "to ensure that assistance is directed to those unemployed most in need of help to acquire skills, confidence, motivation and presentation to be competitive in the labour market".

(b) It "established a reciprocal obligation between the CES and the job seeker". In return for income support, job seekers "are expected to take up any reasonable offer of assistance and do whatever they can to improve their employment prospects".

8.5 Total labour market programs required approximately \$1.7b for the financial year 1992-93. One component of these expenditures is designated as 'active measures', ie. those aimed at improving access to the labour market and jobs, job-related skills and labour market functioning.

8.6 The origins of active labour market programs are to be found in the 1980s in OECD Europe in particular. Despite the economic expansion of that decade, most OECD countries continued to face labour market difficulties.

8.7 Policies shifted from a short-term emphasis such as job creation and early retirement to a medium to long-term strategy.

8.8 The argument is that since structural difficulties are primarily on the supply-side of the labour market, they should be directed in a longer-term sense at facilitating labour market adjustment.

8.9 Policy makers began to shift labour market expenditures to active measures which mobilise labour supply, improve the quality of the labour force and strengthen the search process in the labour market.

- 8.10 The OECD recently examined active labour market policies in the June 1993 Employment Outlook. Part of their methodology involved comparing patterns in 1985 with those in 1990. The problem in this approach is the missing data in the intervening years, and the fact that the recession really had its greatest impact on the Australian labour market in 1991.
- 8.11 Nonetheless, the study reveals the increased use of the active policy approach in OECD Europe in particular over the five year period. There is a wealth of experience from which Australia must quickly learn if it is to successfully reduce structural unemployment.
- 8.12 To this end the government has committed itself to:
- (i) A review of labour market programs under Dr Bruce Chapman, and
 - (ii) A discussion paper to be prepared by a committee of experts and Dr Michael Keating by December 1993 on the labour market, to form the basis for a government white paper by mid 1994.
- 8.13 Clearly both these review processes will need to closely examine the experiences of those nations who have earlier accepted the need to shift to longer-term active labour market policies.

The Australian Vocational Certified Training System (AVCTS)

- 8.14 In addition to labour market programs, the ACTU supports the continued development and implementation of the AVCTS to improve the skills, knowledge and employment prospects of the community making the transition from school to work.
- 8.15 The AVCTS is the subject of another Congress report, however, its importance lies in the opportunity it offers to young people who have not achieved a year 12 standard of education. This group is at great risk of being both out of work and denied access to further education. It is this hard core of young unemployed, for whom the ACTU needs to develop strategies as a priority, consistent with the AVCTS reform.

9 LONGER TERM STRATEGIES FOR EMPLOYMENT AND JOBS GROWTH

Introduction: Identifying Key Issues

- 9.1 In making the shift to longer-term active labour market policies we need to take a number of factors into account including:
- (i) Unemployment is now 11%, and although the full-time employment trend has been positive for some time, in aggregate the trend growth rate is flat.
 - (ii) The economic recovery will not by itself remove the level of structural unemployment.
 - (iii) The size of employment growth needed to substantially reduce unemployment will be very difficult to achieve. Even if we achieve 3% job growth p.a. for the next 6 years (1.6 million new jobs) this may still not mean 6% unemployment by the end of the decade (ie. the level at the time of the 1989 ACTU Congress).
 - (iv) In the "boom" years of the 1980's Australia created 1.6 million new jobs but

unemployment only fell by 227,300, ie. it took seven new jobs to get one person off the dole. So in planning active long term labour market programs we need to recognise that even gradual reductions in the unemployment rate will still leave a very large pool of unemployed people.

- (v) There has been growth in the numbers of long term unemployed ['LTU'] and very long term unemployed ['VLTU'] (LTU = more than one year unemployed; VLTU = more than two years). They are harder to move off the dole line than shorter term unemployed. It has been suggested that the LTU will reach 500,000 over the next several years. However, more effective targeting of the LTU by the CES is occurring. The per cent of CES job placements going to the long term unemployed increased from 4% (March Quarter 1991) to 28% (March Quarter 1993).
- (vi) As suggested above, achieving a 6% unemployment rate by 1999 will be difficult. We only achieved that level in the Accord era after six years of strong employment growth following Fraser's recession. The strength of this recovery has been rather muted because of the structural changes occurring within the economy on top of the normal downswing due to the recession. Hence, achieving strong employment growth over the next decade also raises issues about the costs and benefits of structural adjustment and whether this short term downward pressure on employment growth will give rise to stronger trend growth in the longer term.

9.2 Technological change, cost cutting (including that which may occur through privatisation and corporatisation) and higher productivity and efficiency, has meant that in many situations the same work is being done by less people.

- (i) There have been more entrants into the labour market, ie. many new jobs have gone to "new" entrants rather than the unemployed.
- (ii) The job growth may not be in the areas where the unemployed have access to relevant experience.
- (iii) The decline in jobs has been generally in areas such as:
 - (a) manufacturing;
 - (b) "male" jobs;
 - (c) full-time jobs;
 - (d) blue collar and unskilled jobs;
 - (e) public sector;
 - (f) large companies.
- (iv) Job growth has been generally in areas such as:
 - (a) service sector;
 - (b) "female" jobs;
 - (c) part-time jobs;
 - (d) white collar and semi-skilled or skilled jobs;
 - (e) private sector;
 - (f) small business.
- (v) This mismatch between the skills and experience of those seeking work and the jobs available is a key issue for active labour market policies.
- (vi) Technological change, higher productivity and efficiency (including that which may occur through privatisation and corporatisation) has meant that in many situations the same work is being done by less people. This shedding of labour is expected to continue in parts of the economy, including the larger business sector.
- (vii) The increased participation rate of women is likely to continue for a number of reasons.

The major debate is really about whether or not demographic social and other factors will slow, sustain or accelerate the trend growth rate of the past several decades. Factors relevant to this debate include:

- (a) the female participation rate has been increasing steadily for the past 20 years, despite fluctuations in unemployment or other factors;
 - (b) employment growth has been strongest in areas of "female" employment, and DEET projections of future employment growth suggests this will continue in the 1990's;
 - (c) there has been strong growth in part-time employment - women have been more likely than men to apply for such jobs. The availability of such jobs has enabled many women to work who would not do so if only full-time jobs were available;
 - (d) several studies have suggested that many women with young children want to combine work and family responsibilities by working part-time (ie. not full-time in employment and not full-time at home); Greater flexibility in working hours is likely to help more women realise this option in the 1990's;
 - (e) many families now rely on a second income to supplement the household's income;
 - (f) the structural change in jobs has meant that some families have shifted their roles, ie. the woman works full-time and the male is not working or both are working part-time;
 - (g) the increase in divorce and separation means many females are sole breadwinners;
 - (h) there has been a big shift in the changing roles and aspirations of women (driven by the lower birth rate, divorce, the women's movement, higher education for women, and so forth). The majority of women with dependent children no longer want to be out of the workforce for long periods of time. Women work for a number of reasons, just as men do. Amongst the reasons include the money, contact and interaction with other people using their skills;
- (viii) Employers' preference is for hiring new entrants, newly unemployed or poaching employees from other employers, rather than hiring from the unemployment pool, especially the long-term unemployed.

- (xi) The long-term unemployed are generally not in the category employers are seeking. The long-term unemployed are mostly aged 21-40, male, without post-school education. The longer they are unemployed the less able they are to get employment due to loss of confidence, skills, lack of recent work experience and other factors.

9.3 The prospect of continuing high unemployment has serious consequences for Australia, eg:

- (i) The social cost - suffering of those involved, family stress or break up, poverty of families involved, social division between those who have jobs and those who have not and the potential for violence. The cost is both to individuals, families and society as a whole.
- (ii) The cost to tax payers and Government. The burden of paying for unemployment benefits, labour market programs and welfare assistance, is a huge burden on taxpayers and the budget in addition to tax revenue foregone. Just the cost of programs including income support was approximately \$9 billion in 1992-93.
- (iii) The cost to the economy when output is less than its capacity.

9.4 Some of the other factors that need to be taken into account include:

- (i) There appears to have been growth in casual jobs, including casual part-time jobs rather than permanent part-time jobs.
- (ii) The unemployment rate could be interpreted as being higher than even 11% if one allows for underemployment (those who wish to work longer) and hidden unemployment (those discouraged from looking for a job).
- (iii) Although some part-time workers want to work more hours, the majority of part-time workers want to work part-time. 32% of part-time workers preferred longer hours as at December 1992, compared with the 68% who were satisfied.
- (iv) There is a big imbalance between the number of people working more than 38 hours per week, and those who are working too few hours or not at all. In May 1992 male full-time adult non-managerial workers averaged 40.2 total hours per week whilst full-time females worked 38 hours per week on average. Managerial employees predominantly work more than 49 hours per week. Most of these people do not want to work such long hours, but are doing so either to earn overtime (to maintain family income) or are in jobs which require long hours, even though no overtime is paid. Some people in this group may be prepared to work less hours for less pay.
- (v) There is a group of people in the workforce who would like to be working less hours, or not in the paid workforce at all, but could only do so if their family income was supplemented in some other way.
- (vi) There is a group of people in the workforce who would like to work less hours for less pay, or take unpaid leave (either short-term, eg. school holidays or long-term (eg. a career break). Such people are sometimes prevented from doing so by award structures, management practices, or the attitudes of management or co-workers.

10 LONGER-TERM STRATEGIES FOR CONSIDERATION

10.1 The Government's current strategy regarding the longer-term can be summarised as follows:

- (i) Aim for employment growth of around 3% per annum and an unemployment rate of 6% by the end of the decade.
- (ii) Treat unemployment not as a welfare issue or marginal issue but as a central issue for the whole community.
- (iii) Examine how to aim for growth and what to do with the pool of unemployed, especially the long-term unemployed, namely:
 - (a) The report on Labour market programs headed by Professor Bruce Chapman;
 - (b) The Committee of Experts' Discussion Paper on the Labour Market due in December 1993; and
 - (c) The Government's White Paper on the Labour Market due in mid 1994.

10.2 In looking at future strategies for employment, the ACTU notes that the broad community is debating a range of labour market related issues. In considering our position on a strategy to achieve sustained full employment growth, the union movement needs to consider what range of views are prevalent in the community.

- (i) **Job Growth**
 - (a) The objective of our strategy should be to achieve 6% unemployment by 1999 through a combination of industry and trade initiatives, regional development, infrastructure and environmental projects, and labour market policies. These complement the traditional macroeconomic policies, ie. fiscal, monetary and wages policy.
 - (b) The Office of Labour Market Adjustment (OLMA) examined employment forecasts by industry undertaken separately by DEET and Syntec. Bearing in mind that caution is required with (long-term) forecasts, they were useful findings.
 - (c) DEET made forecast from 1991 to 2001 by industry. They found that strongest annual jobs growth was expected in recreation (4.0%), construction (3.8%), wholesale and retail trade (2.6%), public administration and community services (both 2.1%) and finance 1.8%. Although clearly the continued weakness in non-residential construction means the actual growth will be less than projected. The Syntec analysis over 1992-93 to 1996-97 expected agriculture and manufacturing to provide jobs in addition to those listed above.
 - (d) It is important for the ACTU to consider these trends when devising longer term strategies aimed at resuming high employment growth.

(ii) **Type of Jobs**

Unions should confront strategies aimed at workforce casualisation in line with our policy on limiting casual jobs and shifting such jobs to permanent full-time or permanent part-time jobs. This has been done in some industries by changing awards but needs to be developed. ACTU booklet D90/90 sets out our policy and guidelines on part-time work, jobs sharing and casual work. The real issue now is to translate our policies into practice.

(iii) **Labour Market Programs**

- (a) We currently spend around \$7.3 billion in unemployment benefits and \$1.7 billion in labour market programs. It is therefore relevant to consider how effectively programs are meeting their objectives, whether these objectives are appropriate to the challenge of the 1990's, whether delivery mechanisms can be made more effective and whether administration costs as a proportion of program outlays are appropriate.
- (b) While it is essential that the Federal government provide adequate funding for Labour Market Programs, more attention also needs to be paid to qualitative issues. For example programs for people who have been or are at risk of retrenchment may require:
- (i) A greater attention to ESL and literacy assessments and vocational counselling to ensure that people undertake courses which are appropriate to their potential and that they are channelled into appropriate preparatory or bridging courses where necessary.
 - (ii) Provision of counselling to assist retrenched workers to negotiate with CES (If the Victorian Skill-Link Program is abolished, the Federal Government might consider picking up that program).
 - (iii) More follow through of retrenched workers who complete retraining programs in order to ascertain the effectiveness of the programs in improving both re-employment opportunities and quality of life.
 - (iv) Longitudinal studies over 2 to 3 year period to track retrenched workers who undertake labour market programs to enable programs and program delivery to be refined if necessary.
 - (v) Longer periods for English language training.
 - (vi) More comprehensive training for CES officers.
 - (vii) Greater choice in courses.
 - (viii) Guidance and counselling on labour market opportunities rather than rigid guidelines which prescribe courses.
 - (ix) More trade union liaison officers.
 - (x) Employers to be forced to provide adequate notification of retrenchments.
- (c) Assistance to employers through programs such as wage subsidies or flat rate payments should not be capable of undermining award wages or conditions or replacing existing workers. These programs must be properly monitored to maximise the quality of jobs, training provided and prospects for longer term

employment.

- (d) With respect to labour market programs that involve training, we do not accept arbitrary reductions in wages for workers undergoing training (eg. TASK). These matters should be negotiated in consultation with the appropriate union.

(vi) **Immigration**

- (a) In periods of high unemployment the level of immigration is often closely re-examined.
- (b) The government has been reducing the annual intake of migrants to Australia since 1990, and there has been a trend towards increased numbers of migrants based on skill and levels of capital. However, many migrants qualify under the family and humanitarian categories, which is supported by the ACTU.
- (c) The ACTU acknowledges that a high growth strategy will lead to future growth in immigration, however, this should not be at the expense of training the Australian workforce.
- (d) Research by the Bureau of Immigration Research has shown that immigrants, and particularly those from NESBs appear to suffer most in the labour market during recessionary times, but that there is no relationship between the immigration rate and the aggregate unemployment rate. That is, rises or falls in the immigration rate are not associated with changes in the aggregate unemployment rate. Putting to one side the desirability or otherwise of such outcomes for immigrants themselves, the research suggests that immigrants create at least as many jobs as they take, and that it is the Australian-born who benefit more from the jobs that are created. That is, the demand effects of immigrants on employment creation through their needs for goods and services at least offset the addition to the labour market as a result of immigration (supply-side effects). This study shows that these results held during the last three major recessions in Australia.

(v) **Workforce Participation**

Options which have been canvassed include:

- (a) Leave policies. Some of those parents with children could take a period out of the workforce to care for children, or move from full-time to part-time work, with the types of policies outlined in the ACTU's guidelines on work and family issues (D78/92), eg:
 - (i) greater introduction of parental leave for either parent, greater knowledge of such leave, greater acceptance by employers and management of the taking of such leave, especially by fathers;
 - (ii) greater availability of (voluntary) part-time work (permanent not casual) and job sharing, for males as well as females, greater use of the part-time provision in the parental leave provision ie. for two years after the birth;
 - (iii) greater availability of paid leave for family emergencies, such as sick children;
 - (iv) greater availability of career breaks for child rearing, (eg. Victorian Government gives up to seven years), study or travel;

- (v) greater availability of unpaid leave for school holidays;
 - (vi) innovative leave policies such as the Victorian government's 48/52 scheme;
 - (vii) the possibility of government campaign to spread work around, eg. allowing full-time employees to opt to shorten their working week. As part of this, affiliates should investigate the value of including shorter hours in enterprise bargaining negotiations so that unionists may choose to take some of their share of the fruits of increased productivity coming from technological or organisational change or improved work practices in the form of increased leisure.
- (b) Similar policies for (unpaid) leave could enable some other employees to leave the workforce for a period of time or reduce their hours in order to spend time on other activities, eg. leisure, travel, study, self employment.
 - (c) Reduce amount of overtime worked. Some companies are using large amounts of overtime instead of employing new people. However, many employees are working increased overtime to maintain family incomes.
 - (d) Early retirement. In Accord Mark VII, the government agreed that those unemployed aged 60 and over who had been out of work 12 months or more, would no longer have to face a work test and would have the option of a provisional age pension. By choosing to retire with dignity on a pension they would enjoy the other benefits of being an age pensioner. This option is not open to the greater numbers of unemployed aged 45 to 60 years, and the union movement needs to develop strategies to assist this group in particular.

10.3 The first step in the ACTU Strategy for refocussing labour market policy instruments to support a sustainable high growth strategy is to debate the issues canvassed above and position ourselves for a relevant input to the inquiries on this, matters over the next 6-12 months.