



AUSTRALIAN CHAMBER OF  
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# Shorten should zero in on cutting jobless rate

Lower unemployment should be a top-tier priority for a Labor government, writes **Peter Anderson**.

Like many of us, I spent the holidays relaxing with family, and tut-tutting about weak European economies and the risks they present. We are right to be worried about a likely European recession in 2012.

But we have no grounds to be holier than thou. It's more good fortune than good policy that we are part of the growing Asian region and are blessed with raw materials that industrialising nations such as China and India want to buy.

Snapping us from complacency this holiday season, however, should be news this week that Australia's unemployment rate is inching upward at the same time that Germany's is inching downward. Germany, in the heart of troubled Europe, reduced its unemployment rate to 6.8 per cent in December.

Yet in five of the past seven months and in the midst of resources boom Mark 2, Australia's jobless rate has risen and is now at 5.3 per cent. Including those who have work but

want more, our "underutilisation" rate now stands at 12.6 per cent, or 1.5 million.

The Gillard government should not be surprised. The fine print of Treasurer Wayne Swan's mid-year economic statement last month revised growth rates down and revised unemployment forecasts up.

In May 2011, Treasury forecast an unemployment rate of 4.75 per cent by the middle of 2012. Last month, it revised that to 5.5 per cent. That's the government itself expecting 86,500 more unemployed people by mid-year than it did six months earlier.

This is sobering news, but also an opportunity for new Workplace Relations Minister Bill Shorten.

Reducing unemployment carries great social and economic dividends, and political reward for a minister who achieves it.

Lower unemployment brings with it less pressure on welfare payments, less need to import labour to fill shortages, more social cohesion, less poverty, more human dignity and higher family incomes.

A Labor government that prides itself on combining economic and social reform should see this as hallowed ground. The fact that Kevin Rudd inherited a low unemployment rate from John Howard then kept it

low during the global financial crisis of 2008 was the X-factor that saw us through that very sticky period.

Famously, the Treasury secretary to the Keating and Howard governments, Ted Evans, said in October 1993 that the level of unemployment was a product of the choices we made.

Unemployment had averaged a mere 1.7 per cent during the 1960s, but rose to 3.7 per cent in the 1970s, 7.6 per cent in the 1980s, and a depressing 9.2 per cent in the early 1990s. Howard achieved the

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unthinkable to a person of my generation, whose whole working life had been spent in the 1980s and '90s.

It fell to 4.2 per cent during the last months of his final term, and to 4 per cent in February 2008, just after Howard left office, a level economists said was beyond "full employment".

Howard did not reduce unemployment by accident. It was a product of economic growth and of

policy choices his government made, and of earlier reforms by Bob Hawke and Paul Keating.

As a nation, we again need to make hard choices.

This time, we don't have the luxury of entering another round of stormy global waters with full employment and a budget surplus. We slipped up in 2011. A carbon tax that business in other countries does not bear and a new 3 per cent levy on payroll to fund superannuation — whatever the arguments — will cost, not create jobs. I also spent holiday time clearing papers.

I came across a letter written in December 1998 by former employment minister Peter Reith to then prime minister Howard, and Howard's reply of February 1999. They were marked Cabinet-in-Confidence and Highly Protected, but were released by the then

government in 1999 after the press got hold of them. Reith's 21-page letter to Howard canvassed a vast array of ideas for a "whole of government employment strategy" that would be a

"formidable way to cut unemployment" from its level then of 7.7 per cent. Reith said at the time that these were "101 good ideas" floated as options for debate and

policy development even if many were not government policy. Howard's reply gave the green light for some to be developed.

Reith's options included but were not just about industrial relations and workplace deregulation, important as that was. They also addressed the tax and welfare system, long-term and disadvantaged job seekers, active labour market intervention, tax and wage trade-offs, work for the dole and regional and small business initiatives.

This sort of creativity and energy, adapted to current conditions, is opportunity for new Employment Minister Bill Shorten and the Gillard government's reshuffled ministry. Howard achieved the goal of full employment, in part because

ministers like Reith injected ideas and political will into politics at the highest level.

Conditions have changed since 2005 but the maxim that the level of unemployment is a product of the choices we make has not. Let's hope Shorten is crafting a similar manifesto of his ideas for full employment for his Prime Minister.

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