



TRANSCRIPT

TRANSCRIPT OF ACCI ECONOMICS AND INDUSTRY POLICY DIRECTOR GREG EVANS ON ABC RADIO'S 'PM" PROGRAM - 17 SEPTEMBER 2009 - ECONOMIC STIMULUS Govt stimulus kept unemployment down: OECD

MARK COLVIN: The Federal Government is talking up a report by the Organisation for Economic Co-operation and Development as an endorsement of its multi-billion dollar stimulus spending.

The report says fiscal stimulus measures stopped unemployment from going higher. But it does warn that discontent is rising in Australia because employers are cutting hours.

And it predicts that nearly 60 million people will be out of work across the advanced economies next year.

Finance Reporter, Sue Lannin.

SUE LANNIN: The Organisation for Economic Co-operation and Development says the trillions and trillions of dollars in stimulus spending by the world's governments has helped avert a major catastrophe.

But it says governments have to do more to prevent a lost generation of young people becoming the long-term unemployment.

Secretary General Angel Gurría says nearly 60 million could be out of work across OECD economies next year.

ANGEL GURRIA: You really want to show signs of recovery in your own shop... in your own company. Your order book has to be pretty fat and thick and heavy and in good shape for you to start hiring again.

So, even though there is growth you will still see bad unemployment numbers. That means in 2010 you will still get maybe to 10 per cent on average unemployment in the OECD.

SUE LANNIN: Professor of economics at the University of Newcastle, Bill Mitchell, says the outlook for advanced nations is not good.

BILL MITCHELL: This has been a very major downturn and it's impacted in most countries very severely on labour markets. And the thing about recessions is that once output growth starts returning, and there's signs that that's now occurring, the labour market continues to deteriorate for many months and quarters after that.

SUE LANNIN: The chief economist at AMP Capital Investors, Shane Oliver, takes a more upbeat approach, he thinks the OECD is too pessimistic.

SHANE OLIVER: My feeling is that a 10 per cent rate of unemployment in the OECD countries at the end of next year will probably be a bit too pessimistic and if anything they'll be surprised on the downside, probably around nine per cent or so.

I think what's happening globally is the economic recovery is coming through faster and perhaps a bit earlier than generally expected.

SUE LANNIN: The OECD says the Rudd Government's stimulus spending stopped unemployment climbing higher in Australia. The Opposition calls the stimulus a sugar hit.

Opposition leader Malcolm Turnbull says there are other reasons why Australia's economy has remained afloat.

MALCOLM TURNBULL: The OECD's employment report does not mention the high Asian demand for our exports, well regulated banks and a consequent absence of any banking crisis, large reductions in interest rates, let alone the starting points of zero public debt and the lowest unemployment in three decades.

SUE LANNIN: Others say more sugar is needed. The Australian Chamber of Commerce and Industry wants to see the stimulus maintained even though business confidence is rising.

It wants more labour market programs including employer subsidies to help the young and disabled.

Director of Economics and Industry Policy, Greg Evans says the economy is still weak.

GREG EVANS: We don't think it's an environment where there should be any winding back of the stimulus measures given the general fragility of the economy.

And also we don't believe that there should be any pre-emptive move by the Reserve Bank. We don't think we'll be able to actually determine how the economy is tracking without these stimulus measures until early in 2010.

SUE LANNIN: The OECD says there is a risk of discontent among job seekers because employers are cutting hours. It also says unemployment among 15 to 19-year-olds is almost three times the adult rate.

Wayne Swan says the Government has helped job seekers.

WAYNE SWAN: Jobs have been our number one priority from day one. And in the middle of that we encountered a global recession and we responded in a timely and powerful way with our economic stimulus.

SUE LANNIN: But Bill Mitchell wants to see more including a third stimulus package with job programs for high risk groups like young people and the long-term unemployed.

BILL MITCHELL: There's a dramatic need for direct job creation in the public sector to ensure that those workers have a chance.

SUE LANNIN: Shane Oliver thinks there is enough job creation.

SHANE OLIVER: I think that we've already seen a lot of effort on the part of the Australian Government to create jobs along with doing other things, such as protect the economy and build up our infrastructure.

And I really think at this stage there's probably no need to do anymore than what they've already done, particularly with the unemployment rate looking like it's showing signs of topping out at around 6.3 per cent.

MARK COLVIN: AMP Capital Investors chief economist Shane Oliver with Sue Lannin.