



Australian
Chamber of Commerce
and Industry

TRANSCRIPT

Event: Andrew McKellar interview with Karl Stefanovic and Leila McKinnon, The Today Show.

Speakers: Andrew McKellar, chief executive Australian Chamber of Commerce and Industry, Karl Stefanovic and Leila McKinnon, co-hosts The Today Show.

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Topics: Cost of living pressures, wage increases, inflation, labour and material shortages, pressures faced by small business, 2022 Federal Budget, investment in skills and training, business investment, productivity.

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Karl Stefanovic, co-host The Today Show: As the cost of living continues to rise, the treasurer is now forecasting a 3 per cent wage increase in the federal budget.

Leila McKinnon, co-host The Today Show: To discuss we're joined by Andrew McKellar from the Australian Chamber of Commerce in Canberra. Andrew, so many products are getting more expensive at the moment. People are really feeling the pinch. Election on the way, of course. Will a 3 per cent rise in wages be enough to keep up?

Andrew McKellar, chief executive Australian Chamber of Commerce and Industry: Good morning, Leila and good morning, Karl. I think that's a very important question at the moment. We're seeing inevitable pressure coming back onto wages, so we've got a very, very tight labour market. It's very difficult to get labour for business. I think in those circumstances and with the cost of living and the cost of business rising, it's inevitable that we are going to see some sort of upward pressure on wages that have been soft now for a number of years. So if we see average wages increasing to around 3 per cent in the year ahead I don't think that's going to be any great surprise.

Karl: So if you've got a small business, and there are plenty of small businesses Andrew, that are doing pretty tough. The whole idea and the whole notion of paying even more for wages, having more outgoings, is not easy to stomach, right?

Andrew: Absolutely not. I mean, the pressures on business at the moment are really in two main areas. Great difficulty in the supply chain, getting access to materials. And also, getting access to labour. It's very difficult, we've got a very tight labour market. That's putting a lot of pressure on business. So inevitably they're going to be watching costs and that's going to be the real balancing act that I think business will have in the year ahead. And equally for the budget next week for the government to get in place a set of policies which provide greater impetus in the future to take pressure off business and off the cost of living. That's going to be the challenge.

Leila: Is 3 per cent the right amount?

Andrew: Look, at the moment I think 3 per cent is quite realistic. I think the concern that people will have is that if we see inflation at the moment, the headline rate of inflation is 3.5 per cent. We're seeing pressure on things like petrol prices, we've got rising food prices, all of these things are going up. It could get up higher than 5 per cent in the coming months. So in those circumstances wages growth of even 3 per cent isn't going to give people a real boost in living standards at all. And I think that's going to be the real pressure point in the budget next week is how do we balance cost of living and also the cost of doing business.

Karl: I mean, it's a simplistic thing to say we'll just pay people more because then you've got the pressures that multiply. You mentioned before some of the things the government can be doing. I mean, I don't know what happens in the budget but there are some significant issues around, like you say, with supply, like you say, with fuel that are very difficult to control.

Andrew: We would say that the most important things that the government can do in the budget next week are invest in skills. We need to train more Australians, we need to increase that supply of labour, boost our productivity. If we invest in skills and new apprenticeships and all of these things, that's going to be very important. It's part of a longer-term solution. The other thing that we would say that we need to do is of course, encourage business investment, create more capacity. If we can do that, we can take the pressure off inflation. We can boost productivity. We'll get stronger living standards in the coming years. And I think they've got to have that eye for the future and really try and set that long term strategy, address these big challenges for the Australian economy.

Karl: Very good. Well outlined. Let's see how it all unfolds next week, we'll talk to you then.
Thank you so much for your time. Appreciate it.

Leila: Talk to you soon.

Andrew: Thanks.

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