



Australian
Chamber of Commerce
and Industry

TRANSCRIPT

Event: Andrew McKellar interview with Jamie Travers, ABC News Radio.

Speakers: Andrew McKellar, chief executive Australian Chamber of Commerce and Industry; Jamie Travers, host ABC News Radio.

Date: 14 April 2022.

Topics: Unemployment figures, worker shortages, wages growth, international border closures, increasing productivity, skills investment, skilled migration.

E&OE

Jamie Travers, host ABC News Radio: Andrew McKellar is the CEO of the Australian Chamber of Commerce and Industry. And he joins me now. Good day, Andrew.

Andrew McKellar, chief executive Australian Chamber of Commerce and Industry: Yes. Good afternoon.

Jamie: What's your reaction to the news today? Steady on four per cent unemployment.

Andrew: I think what those labour force figures show is they confirm that we do have a very strong labour market at the moment. Employment is still growing, unemployment steady at four per cent, but it's very clear that the trend is that it will go below that in the coming months at some point in time. So, we're at the lowest level of unemployment now in nearly 50 years, the equal lowest. I think we will beat that record in the next couple of months. I think the very encouraging sign as well, that we see in there is that in fact, the level of underemployment is also dropping, and the level of youth unemployment, which is a very difficult area to make progress in, that is also showing further signs of improvement. So look, overall, I think it's a very strong labour market from a business point of view. We are facing the most severe shortages of skilled labour in the last 50 years. It's a very tight market at the moment.

Jamie: There's still not a three in front of it, and it was projected that there would be. Why do you think that is?

Andrew: Oh look, that's the trend. I think if things keep going the way they will, that's the way it will break in the next couple of months. It's almost there now.

Jamie: Who deserves credit for this? I mean, it's still the lowest it's been since, I think, the Whitlam government. 50 years. Who gets the cake here, I suppose?

Andrew: I don't think there's any one group that deserves credit. I mean certainly, policy has played a role. There's no doubt about that. The response, when the pandemic struck two years ago, was to provide massive fiscal stimulus over \$300 billion in the end. And that certainly has helped to really underpin demand through a period where it could have been very dicey. So, undoubtedly that's played a role. Equally, business has continued to function through that period, that there is strong demand. There's pent up demand in households. So really, there's a demand side part to this. Business has to take some credit. But equally now, there's a real supply side pressure that we've got to start to address.

Jamie: How much of this comes down to the fact that the international border has been closed and foreign workers haven't been able to come to Australia, so domestic workers have not necessarily had to pick up the slack, but have been doing those jobs?

Andrew: Certainly, that is a factor that has contributed to the shortages that we are facing in some sectors. We haven't had international students coming in. We haven't had working holiday makers. We haven't had temporary skilled migrants coming in. We haven't had permanent skilled migrants coming in. So, those are big numbers that you have to look at in terms of making up a shortfall. We do need to be more ambitious about that as the economy reopens. It's not the whole solution, but it has to be part of the solution. We do have to look at how we can be more ambitious in bringing skilled migration back into the country.

Jamie: Andrew McKellar, with such a tight labour market, with unemployment at four per cent potentially going down into the threes, when can we expect wages to rise?

Andrew: Oh for sure. I mean, supply and demand is a factor, and in a tight labour market it is inevitable that we will see wages pushing up. We'll see them pushing up.

Jamie: Is it inevitable? I mean, I spoke to Michele O'Neil, earlier today, from the ACTU. And she says, "That nexus is broken."

Andrew: No.

Jamie: She says, "A tight labour market no longer means that wages necessarily go up." Is she wrong?

Andrew: I think she is wrong, and I think we are seeing some of that pressure starting to push through. We have had generally a low inflation environment and that's when prices have not been rising. And we've gone through the period of pandemic with a lot of uncertainty, that's been a factor. We are now getting into a recovery phase. We start that recovery phase with a four per cent unemployment rate. It is inevitable that wages will start to push up. We've seen huge mobility in the workforce in the past six months or so, or longer. And inevitably what we're seeing is that people are leaving one job, they're going to another job. That job pays more. That is not picked up in the wage price index. That's not the way that figure is constructed. So, I think those official measures that we are using in some cases understate what's actually occurring in the labour market, but it is inevitable that some of that will be reflected. The real question is, will wages grow faster than inflation? There is a justification for that to occur. But for it to be sustained, it has to be underpinned by real productivity growth and productivity growth has been weak for 10 years. And that's the real factor that's suppressing wages.

Jamie: Andrew McKellar, as always, thanks for your time.

Andrew: Thank you very much.

Jamie: Andrew McKellar. He is the CEO of the Australian Chamber of Commerce and Industry, reacting to that news. The unemployment rate steady at four per cent. But he tips it will go down into the threes and he believes that wages will increase with that tight labour market. I suppose we'll have to wait and see, won't we?

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