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Event: Andrew McKellar panel interview with Patricia Karvelas, ABC RN Breakfast.

Speakers: Andrew McKellar, chief executive Australian Chamber of Commerce and Industry; Sally McManus, secretary Australian Council of Trade Unions; Patricia Karvelas, host ABC RN Breakfast.

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Patricia Karvelas, host ABC RN Breakfast: The Morrison government is upping its attacks on Anthony Albanese after the Labor leader backed the pay increase for Australia's lowest paid workers in line with the inflation. Business and unions are at loggerheads over how much extra pay workers should take home if they're on the minimum wage. I'm joined now by leaders from both sides of that debate. Sally McManus is the secretary of The Australian Council of Trade Unions, and Andrew McKellar is the CEO of the Australian Chamber of Commerce and Industry. Welcome to both of you.

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

Sally McManus, secretary Australian Council of Trade Unions: Good morning, Andrew. Good morning, PK.

Patricia: I'm going to start with you Sally. You've both made submissions to the Fair Work Commission's minimum wage review. Unions are calling for a 5.5 per cent boost. How confident are you that that won't send businesses that have struggled through COVID over the edge?

Sally: First of all, we say that because business are open, right? So new businesses numbers starting up is the highest it's been in 10 years. Business survival rates is the highest it's been in 10 years, and bankruptcy rates the lowest it's been in 10 years. Actually, profits are up 13 per cent. Businesses are not

just recovering, they're recovering very well. And the bigger risk is that a whole heap of people, i.e. the one in poor workers that are on the minimum wage, they're real wages go backwards because that means they'll have less to spend in businesses because they depend on consumer spending.

Patricia: Andrew, you are asking for just a 3 per cent increase. Inflation is already over 5 per cent and the Reserve Bank says it will go even higher before it comes down. After nine years of low wage growth, how can households afford to fall even further behind the cost of living?

Andrew: I think one of the things that we've got to bear in mind in this discussion is that it's not just the cost of living that's going up, the cost of doing business is also going up. We've seen in the last three months from ABS data that three out of five businesses have been facing a surge in costs over that period. So business is facing a very tough time at the moment. They've had two years of pandemic where they've struggled to keep people in their jobs. So they've wanted to do that. They wanted to do the right thing. So we're not saying that wages shouldn't go up, of course they should. People do deserve and need a pay rise. It's just got to be one that doesn't feed back into inflation, because if we are just fuelling inflation in this process, the Reserve Bank has already said, if it can't be justified, it's going to feed back into that and it's going to lead to higher interest rates. And that's not something we want.

Patricia: Sally, let's talk about inflation that's just been raised there by Andrew. How can you be confident that a pay rise above inflation won't lead to a spiral that keeps prices going up and ultimately then hurts the very workers obviously you are advocating for through higher interest rates for longer?

Sally: Yeah, I'll come to that really quickly. But just to address something that Andrew has said is that there's a lot of evidence to say business is also passing on those increasing prices to the consumer. So another reason why people need a pay rise. But to go to your question, the Reserve Bank governor, as well as the head of Treasury and most economists say that so long as wages don't grow more than one, inflation and two, productivity, it isn't an inflationary increase. And so in the case of this, obviously you've got inflation at 5.5, and you've got an average for productivity to be 1 per cent over the last 10 years. So given all of that and given actually the Reserve Bank says that they think that inflation will actually reach nearly 6 per cent right in the middle of the minimum wage cycle, but that's at the end of the year, I think our cry of a 5.5 per cent is very responsible in those circumstances.

Patricia: Andrew, inflation is one of the reasons you're asking for a more modest increase, and also conceding that workers do need actually a pay rise. Labor has backed a smaller increase than what the ACTU is arguing for. Had Anthony Albanese on this show and he wouldn't back the ACTU's claim. They want to boost to match inflation, that's what they're saying. What's wrong with that? They're arguing that won't add to inflation.

Andrew: I think that's quite an arbitrary outcome. And look, I think that the situation here is the Reserve Bank have an inflation target of between 2 and 3 per cent at the moment. Yes, we have seen inflation pushing up above that, that we don't want that to be sustained if-

Patricia: The predictions are it's going to get up to 6 per cent though.

Andrew: Yeah, and we've got to turn that around. We've got to get on top of this inflation issue. We can't get on top of that if we're adding fuel to the fire. We've got to see a situation where interest rates don't go up by more than another 1 or 2 per cent in the next 12 months. If inflation remains at those levels, interest rates will be going higher and that's not something that's going to be good for the economy. We don't want an outcome where we have low growth and high inflation.

Patricia: We've had low inflation with no serious pay rises for staff. Now we're seeing high pay rises and again staff are being told not now. When will they actually get a pay increase that improves their standard of living, Andrew?

Andrew: I think it's got to come back to the only increases in wages that can be sustained, real wages that can be sustained, are those that are tied back to productivity. Now productivity, as Sally said a moment ago, has been chronically low for a number of years now. We've got to undertake the tough decisions to boost productivity growth again.

Patricia: It's interesting you raised that point about productivity, because it was actually central in Anthony Albanese's pitch last night, saying that productivity needs to be the sort of key component. Do you think the government has addressed this issue enough?

Andrew: Oh look, I don't think anyone's addressed it enough, to be honest. I think that there are critical reforms out there which we need to undertake in terms of stronger investment in skills and training, promoting innovation, driving up business investments, setting the climate for that to occur. Those things will help boost productivity. Now that can sustain stronger wages growth into the future.

Patricia: If you're just tuning in, you're listening to Radio National Breakfast, I'm Patricia Karvelas and you can hear the voices of Andrew McKellar, who's the CEO of the Australian Chamber of Commerce and Industry and Sally McManus who's the secretary of the Australian Council of Trade Unions. We've brought them together to talk about this big conversation we're having about what wages should look like in this country. It's become very much an election issue. Sally McManus Labor says it backs a 5.1 per cent boost, but hasn't said whether they put an exact figure on the submission to the Fair Work Commission. It's been a confusing message. Should they put a specific figure in that submission?

Sally: Well, I mean the submissions that matter and are expected by the Fair Work Commission is the government of the day. And the submission they put in goes to well over 100 pages, uses the whole resources of government. It goes through what they believe the economic situation is and argues what they think should happen. In the case of the current government, they've got a whole section dedicated to the value of low paid work while low paid work is a good thing. Not one word saying that the importance of people having real pay increases, let alone keeping up with the cost of living. So in terms of Anthony Albanese, and not to talk it down at all, but if they're the opposition leader, they're not the government. So an opposition putting in and saying, we think this, or we think that's very different scenario to-

Patricia: Well they could be the government within a week and a bit though.

Sally: Well, if they do get elected, there's a final time. And so I suppose it'd be up to them, but it's probably too late in terms of deliberations. Remember it comes in on the 1st of July, Fair Work Commission makes a decision in early June. So essentially all the action's happening now.

Patricia: Andrew, I'm interested in your thoughts on this. The prime minister said that Anthony Albanese has no magic pen on wages, no power on wages, that he was really overstating his case on being able to do much about wages in this country. Now he wants to wreck the economy. So the line has shifted. Which one is it do you think?

Andrew: Oh, look, I mean, I leave the politics to the politicians-

Patricia: But it goes to substance, which is, does he actually have all of this power if he becomes prime minister or does he not?

Andrew: Look, I think the government has a significant influence that it can bring to bear, but it's got to be around an agenda that is on substantive economic reform. So there are a lot of things that government can do in terms of-

Patricia: I know, but on the wage increase, I find this really interesting and I think our listeners want to understand it. If a government puts a figure on, and now we know historically governments have, even the Howard government did, so there were figures put in submissions in the past. If it does, how influential is it?

Andrew: Well, the decision that The Fair Work Commission will make is influential. It does set the safety net. It sets the base rate in many awards and that's a decision that comes out of the commission. So of

course, government, business, unions, other stakeholders in community can make submissions to that process. They can influence where that comes out. Ultimately the commission will make up its mind. They'll look at the evidence. There are a group of experts, and they'll be swayed by what the evidence shows. Now government can have a role in that process. They can seek to influence that outcome. It's not a unilateral decision.

Patricia: Sally McManus, what's your take on that because yeah, that was the narrative of the prime minister that Anthony Albanese, basically was overstating his hand on what he could do with wages but now that line has changed since Anthony Albanese was a bit more explicit about what he wanted. What is the power of government here?

Sally: I think that Scott Morrison was lying in the first instance when he said that there's nothing governments can do about this. Which is just obvious when they're putting in a submission, everyone puts in a submission is influencing with the commission's decision. But clearly that is the case. And as you know other governments, state governments have put in submissions and put figures on it, previous governments had done so as well. So it just wasn't true what he was saying in the first place. And then when he saw that Anthony Albanese said that it wasn't a bad thing, that people had a pay rise, it keeps up the cost of living. Oh, all of a sudden the sky's going to fall in. So, I think that he just jumped on that and thought I'll use this in the way I'm going to in an election campaign. It was the first thing he said that wasn't true.

Patricia: Andrew, what do you make of what Labor's suggesting? Does it hurt its economic credibility with business?

Andrew: Oh, I think they're entitled to express their opinion. And I understand what Anthony Albanese was saying.

Patricia: That's diplomatic?

Andrew: Well, look it may well be. I mean, we have a dialogue with the opposition. We have a dialogue with the government and whoever forms government of the day, we will obviously work very constructively with them. We understand the point of view he's expressing. We don't agree that it's the reasonable outcome. And we don't agree that it's the outcome that's supported by the facts at this point in time. That's why we've put in a submission supporting an increase of up to 3 per cent.

Patricia: What are your thoughts on whether... I know you don't like the 5.1 per cent that Labor is suggesting, although they're still not being clear about whether they actually write that down in the

submission, but what are your thoughts on whether government should put a figure on it given as has been revealed in history, it has happened before.

Andrew: Well, I don't have a problem. I mean, I think-

Patricia: You don't think it's at a step or unreasonable?

Andrew: I think they've got every right to. I mean, they've got many analysts at their disposal, many good economists. I think it's entirely reasonable for government to pull that data and information together and express a view about what is supported by the facts. I mean, they put out wages forecasts, they put out inflation forecasts in the budget. So they are in the marketplace expressing a view about these things.

Patricia: Sally McManus just on another thing, if I can get you on this, and we've seen kind of what really has been in increase in some strike action, transport workers, teachers, nurses. Will there be a lot more strike action going forward?

Sally: I think that depends on employers. If employers continue to insist on real wage cuts for workers and through negotiations, they move off that, that's what brings about strikes. People go on strike when they have no other option. And that's what's happening in New South Wales at the moment with the government, with teachers and with nurses, but also with aged care workers right around the country. You can see a couple of days ago, there was strike action there, there's strike action in transport areas. It's all because employers are still insisting on real wage cuts and people are suffering. And when I say suffering, they can't pay the rent. The rent's gone up like for a lot of people, a \$100 a week. And if you're on low wages, \$45,000 a year, you can't afford that.

Patricia: Okay. We've only got a minute left. I have to ask you this. Anthony Albanese says if he's elected, and polls say he will be, I don't know until I see it happen. People have to vote. Voting has to happen first. But let me be clear, he says in his first 100 days, he wants to bring business and unions together. Will you work together to deal with some of these issues? Will you here on Radio National Breakfast say, yes, we will try to broker a deal, Andrew?

Andrew: Oh, of course we will work with the government of the day. I've said that.

Patricia: But with each other, because you have entrenched views, with each other.

Andrew: Of course, we work with the government of the day. We talk regularly with the union movement. We have a very cordial and responsible working relationship. Of course we'll do that.

Patricia: Sally McManus, quick answer from you.

Sally: Well, I think our track record says we did that even under a coalition government. So, of course we would always try and work with employers.

Patricia: All right. We're out of time. Thanks to both of you. Sally McManus is the secretary of the Australian Council of Trade Unions, Andrew McKellar, the CEO of the Australian Chamber of Commerce and Industry.

Media contact:

Jack Quail | Media adviser

P | 02 6270 8020

E | media@australianchamber.com.au