



Transcript

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Event: Andrew McKellar interview with Kieran Gilbert, Sky News Afternoon Agenda.

Speakers: Andrew McKellar, chief executive Australian Chamber of Commerce and Industry; Kieran Gilbert, host Sky News Afternoon Agenda.

Date: 15 June 2022.

Topics: Fair Work Commission annual wage review outcome, inflationary pressures on business, national wage case process, workforce shortages, enterprise bargaining, employment summit.

E&OE

Kieran Gilbert, host Sky News Afternoon Agenda: Let's bring in Andrew McKellar now. He's from the Australian Chamber of Commerce and Industry, the chief executive of ACCI. Andrew, thanks for your time. So, you heard from the federal government, from Tony Burke, warmly welcoming the increase in the minimum wage. You're not convinced, though.

Andrew McKellar, chief executive Australian Chamber of Commerce and Industry: Well, we're a bit more cautious, Kieran. We would say this is a risk for the Australian economy at this point in time. We're seeing a number of pressures building on business. We're seeing acute labour shortages, we're seeing real supply chain disruptions, energy prices spiking up, and now we see that inflation risk present as well. So our concern is that this is a very significant additional cost there.

Kieran: So it's not just a risk. You say it's a very significant risk right now.

Andrew: That's right. I mean, our calculation is that this increase will result in an additional cost to the affected businesses of about \$7.9 billion a year. That's got to either be absorbed on the bottom line or passed through to consumers, and I think that's where our concern is it potentially does add to inflation.

Kieran: What do you say to the argument, though, that those on the lowest incomes have had wage growth pretty much stagnant for a long time.

Andrew: Well that's not actually the facts. So if you look over the past six years or so, in fact, these minimum wage increases have been well in advance of inflation. There's been actually a reasonable increase in real wages, minimum real wages over that period of time. And in fact, it's been above productivity growth as well. So look, we understand of course people are keen to get a pay rise, and those on the lowest incomes I think certainly deserve an increase, but we think this is too much.

Kieran: When you look at the argument, though, that unemployment is so low and you're talking about labour shortages and so on. But to say that there's a risk to the jobless rate and so on out of a wage increase like this, isn't that diminished by the fact that we are in demand for labour right across the economy? So if someone were to be laid off somewhere, there are many other opportunities.

Andrew: Well, I think that the issue here is the cost impact that business is facing. It comes at a time when the real risk to the economy is increasing inflation. In turn, we're seeing the Reserve Bank signalling that it will continue to increase interest rates. And if we get higher inflation locked in, then I think the risk is we're going to see more and more increases in interest rates, simply wiping out this sort of gain.

Kieran: But isn't that the point that the Fair Work Commission has increased the minimum wage and the flow on effect to other awards because of that very point, that rates are going rise, they know that, and to keep up with it, there needed to be a substantial increase?

Andrew: Well, we're like a cat chasing its own tail at this point, and I think really what we need to see is much more flexibility. It needs to be driven by the outcomes in individual industries, in individual enterprises, not this one-size-fits-all. So I think here part of the problem in today's decision is not just that it picks up 180,000 or thereabouts of the lowest paid people in the economy. That's one thing. But then this spills through, the award system, picking up about another 2.6 million people, adding \$7.9 billion in cost to the bottom line for all of those businesses.

Kieran: When you look at the structural issues within the labour market, obviously enterprise bargaining is a big flaw. Are you hopeful that this job summit coming up within weeks will assist in coming up with a grand bargain to get that back and working?

Andrew: I think it's critical that we use that opportunity, that all groups that are involved in that use that opportunity to really try and put some of those important issues on the table. We have to address the immediate challenges around skills and participation and migration. But of course, we also have to look at the industrial relations system. Enterprise bargaining, as you say, it's withering on the vine. Yes, we have to be able to prepare to look at real reform.

Kieran: Andrew McKellar, the chief executive of the Chamber of Commerce and Industry. Appreciate it. Thank you.

Andrew: Thanks, Kieran.

Kieran: Talk to you soon.

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