



Transcript

#BackAustralianBusiness

**Event:** Andrew McKellar interview with Michael Usher, 7 News The Latest.

**Speakers:** Andrew McKellar, chief executive Australian Chamber of Commerce and Industry; Michael Usher, host 7 News The Latest.

**Date:** 15 June 2022.

**Topics:** Fair Work Commission annual wage review outcome, inflationary pressures, effect of pandemic on small business, potential business closures, delay for tourism, hospitality and aviation awards, business profits.

**E&OE**

**Michael Usher, host 7 News The Latest:** Andrew McKellar from the Australian Chamber of Commerce and Industry joins me now from Canberra. Andrew, good evening. Thanks for joining us.

**Andrew McKellar, chief executive Australian Chamber of Commerce and Industry:** Good evening, Michael.

**Michael:** Your take on this fairly large announcement today. What is it?

**Andrew:** The outcome, an increase of 5.2 per cent on the minimum wage, 4.6 per cent for minimum award wages, are a higher-than-expected outcome and one that we would say presents a risk for the economy. Very significant potential costs there for business as a result of this decision.

**Michael:** And how much of a risk to the economy? What will this do to business owners on all levels, do you think?

**Andrew:** By our calculations it means additional costs now flowing through to the affected businesses, around \$7.9 billion a year. That's quite a significant increase, particularly for those smaller and medium sized businesses, many of whom have been doing it very tough over the past couple of years with the

pandemic, are struggling to keep their doors open, keep their employees on. Now just as they're getting back on their feet, they're facing a significant number of challenges, including rising costs on a number of fronts, and now higher wage outcomes.

**Michael:** Andrew, traditionally if bosses have to pump up the pay packet of their employees, it means some people get sacked along the way. Do you think that's going to happen?

**Andrew:** There is a risk that we could see an adverse outcome for some businesses. Obviously, we don't want to see a situation where a business is forced to close its doors because it just can't maintain its viability, but look, that is a risk here. I think the broader risk to the economy is that this is feeding back into higher prices, higher inflation, and ultimately the risk that we will see the Reserve Bank further increasing interest rates in the months ahead.

**Michael:** Still, the government says that after years of real wage cuts, that 5.2 per cent increase is fair and needed.

**Andrew:** Well, we think it's higher than is justified. The target that the Reserve Bank has for inflation is 2 to 3 per cent. We said a 3 per cent increase was reasonable. So we think that's where it should have been set if we're going to get inflation under control, and it is a myth that real wages have been falling. Over the past six years the minimum wage has actually increased in real terms by more than 6 per cent.

**Michael:** Okay. What did you make then of the commission's decision to delay the increase, I think it's for tourism, aviation and hospitality industries? That would have to be an admission that they're struggling or going to struggle?

**Andrew:** Absolutely, and we think that's appropriate. We highlighted this in our own submissions to the commission, so those sectors are particularly exposed in the tourism and hospitality space. Many of them have been, I guess, victims of the pandemic. They've had border closures to contend with over that period, lockdowns, these sorts of impacts. So look, I think it's appropriate that they are given a bit of breathing space now to make sure they can get back up and on their feet.

**Michael:** So to your point about inflation though, because the unions today are saying that big businesses in particular are doing fine, they shouldn't have to pass these sort of increases onto customers. You are saying they will, and they just have to?

**Andrew:** I think it's a very misleading picture that's been cited there. There are some sectors, and particularly I guess mining and resources, who have fared better in a market where commodity prices

have been booming. But for mainstream business and particularly for small business, 98 per cent of all businesses are small business, so they're doing it tough, and this sort of outcome doesn't make it any easier.

**Michael:** All right, Andrew McKellar there from the Australian Chamber of Commerce. Thank you.

**Andrew:** Thanks Michael.

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