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Event: Jennifer Westacott, Innes Willox, Andrew McKellar panel interview with Ross Greenwood, Business Now.

Speakers: Ross Greenwood host, Business Now; Innes Willox chief executive, Australian Industry Group; Jennifer Westacott chief executive, Business Council of Australia and Andrew McKellar chief executive officer, Australian Chamber of Commerce and Industry.

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E&OE

Ross Greenwood host, Business Now: Thanks for being with us here on Business Now, coming to you today from our Parliament House studios. With today's federal budget, the first for the Albanese government being handed down. Today's budget comes at a sensitive time for the Australian and the global economy. Too much budget spending that will trigger higher inflation, higher interest rates and an even faster economic slowdown. But businesses right now are also having to deal with those higher prices, higher interest rates and labour shortages, as it looks forward into a world full of slower economic growth. So, what does the business community want to see from this budget? Let's bring in on our panel today, Innes Willox, the chief executive of the Australian Industry Group, Jennifer Westacott, the chief executive of the Business Council of Australia and Andrew McKellar, the chief executive of the Australian Chamber of Commerce and Industry. Innes first to you, the government is expected to spend tonight on childcare, on skills, training, on climate transition. So, is this a good use, do you think, of the public's money?

Innes Willox chief executive, Australian Industry Group: Well, Ross, as you said in your introduction, business is facing enormous challenges around labour shortages, inflation, interest rates and productivity. That's where business wants the budget to be focused. That's where business is looking for big steps, whether we get them tonight or not, only time will tell. So far, the signals are we are not going to see much on those fronts. It's going to be very much a budget of laying down the markers and looking forward to another budget next May. So, I think this is a bit of a 'pitstop budget' if I can put it that way.

Ross: So, do you think the government might have been spooked by what we saw in the UK? Where tax cuts and spending basically spooked the markets and prompted them to have to act and obviously Liz Truss lost her job as a result?

Innes: Undoubtedly the government is now fully aware of what's going on across the global economy, not just in Europe, in the UK, but also across Asia, what's happening China, and also in the United States. So, the headwinds are very strong. So, we need to make sure, I think what the challenge is for tonight is to make sure that the fiscal policy of the government doesn't push against monetary policy, which the Reserve Bank is pushing to tighten rates to slow down the economy. So, the government in some ways is constrained perhaps from what it wanted to do, potentially. But the reality is, is that we do have strong headwinds, and that's why the business community is looking for those productivity drivers, those skills drivers, those employment drivers, skilled migration, all of those things to kickstart the economy in a sensible way. There's a lot of good measures coming out undoubtedly but that is where the business community is focused on.

Ross: Okay, so Jennifer, the whole issue of the spending on childcare, on skills, these are things that really the business community has called for, to get more people into the workforce to take pressure off the labour shortages, is it enough?

Jennifer Westacott chief executive, Business Council of Australia: Well, let's see what is announced. I think we are clear about the scope of what will be announced tonight. Look it is an important first step. I think there's some of those big initiatives, those TAFE places, the University places, the migration target, which has obviously come out of the Jobs and Skills Summit, the focus on fast tracking visa processing. All of these things go to those productivity changes that Innes was talking about. We are expecting this to be a cautious budget. I think the Treasurer has set the scene that this won't be a big reforming budget. What we are looking for, though, is that we lay the groundwork for a reforming budget in May, because if you look at those growth numbers 1.5 per cent that is a very poor growth rate.

Ross: Coming down from 3.5 per cent...

Jennifer: Coming down from 3.5 per cent and if you continue to sort of drift into higher spending, which is the other flip side what people will be looking at the budget...

Ross: Which inevitably is going to happen because of the funding for the NDIS for one thing.

Jennifer: Correct, NDIS is now as big as Medicare, you've got big pressures in aged care, you've got big pressures in health. So, the concern we've got is making sure that the government lays out tonight a fiscal strategy that's about balancing fiscal discipline, continuing that discipline, making sure that the focus is on growth. Because it's still going to be growth that actually continues to allow governments to provide services we need, that's the ticket to higher wages, and then we start to see some spending reform. Because we just can't be chasing a runaway train, we need to make

sure that aged care, the NDIS, childcare are designed properly so we get better outcomes for people and we control costs, not cut costs, but control costs. So, we're hoping they lay some groundwork. But you know, what's coming in the next three to four years is a very serious set of headwinds and the days of kicking the reform can down the road in this country are surely going to have to be over.

Ross: Yeah, it's going to be interesting to watch it. Andrew one issue about this is for the past two years as Australia's economy recovered from COVID, business conditions have been as good as they've ever been. Now, those days appear to be coming to an end, but they're not quite there, businesses had elasticity in prices as costs have raised, but at some point, that stops. And that's the big issue for a lot of businesses right now. So, the question is labour shortages at one point, but there's a point at which they say, 'well, we don't actually need any more labour and we might lay a bit labour off,' when you think that might be?

Andrew McKellar chief executive officer, Australian Chamber of Commerce and Industry: We're not at that point yet, I think the labour market is still very tight. And one of the policy objectives has got to be, I think, to try and sustain the economy at or near full employment for as long as possible. I think this is where the consistency between what the federal government is doing in fiscal policy and what the Reserve Bank is doing on monetary policy. And that needs to be, we need to get that coordination right, if we're going to sustain the economy as close as possible to full employment for as long as possible. So, I think what we do in the budget will be important in that regard. They do need to take a bit of a dividend from the extra revenues that they've received. They need to invest on the supply side, promote capacity in the economy, that will be very important. And equally, we've got to look at the other things that are going to be coming through in other areas of policy, including workplace relations, if we are going to keep the labour market functioning effectively and keep employment strong.

Ross: Innes what is known of Jim Chalmers worked with Wayne Swan, the former treasurer. It is also known that in Wayne Swan's era, even though he was rated as the best finance minister in the world, there was unfunded spending, and really for credibility's sake it's a situation now which this government has to show that it is not spending beyond its means and beyond its projected revenues, that's a fundamental issue for this budget?

Innes: Absolutely, the government has got to be very clear that it has the money available to it that it is going to spend, it's not kicking the can down the road into the never, never of spending and leaving more debt behind. That is something that this government can't do. We've got to start to reign in debt and spend appropriately and I think some of the measures that have been leaked are more modest...

Ross: So, you mean some of the things such as cutting back on the Morrison government's infrastructure programs, on many of the consultants that have been used, some of this will go back

in-house and this will also give some savings. These to me and when we spoke with Katie Gallagher only a week or so ago about exactly that, these seem to be some basic cost saving measures that you might do if you thought you were coming into rockier times?

Innes: Well absolutely it is just 101 in budget savings and its sort of quite normal for governments to do this. The point of tonight's budget is that this is the beginning really of the Albanese government. From now on they have responsibility for the decisions they take and make. Tonight is in part about what they would call 'clearing the decks' from the previous government and setting out their agenda. I think that the economic circumstances are that some of what they will deliver tonight will be more modest than perhaps they would have wanted in terms of output and in terms of impact as well. The other point I'd make Ross is that as important as budgets are, on Thursday we're having some workplace relations legislation, and that will perhaps be the biggest impact on our economy.

Ross: Andrew, I will come to you on that because that's a key issue for your members right now and that is, you know, the way in which they negotiate in the future, whether you see the industrial relations system going backwards or forwards. Now, some of that's going to come out in the budget, some of that is going to be seen. But of course, it's later this week when more of that detail is unveiled?

Andrew: This is a fundamental issue for business. So, we know that the enterprise bargaining system is really struggling, we've got to restore the strength in that. And the only way to do that is to really get momentum back at the individual enterprise level, genuine bargaining leading to productivity outcomes, and then we'll get wages moving. If we go in the other direction, if we go back to a system where we're focusing on collective agreements, industry-wide, multi-employer, pattern agreements. Look, I think the real concern of business here is that this won't end up with the outcome that the government is trying to get to. We'll end up with a situation where we just have more strikes, and ultimately, less jobs. And if we lose jobs, if we slip away from that low level of unemployment that we've got now, then there are going to be more people who are left behind and we don't want that outcome.

Ross: Because one issue that we do know is inflation, if it does get out of hand through too much spending or for whatever reason, then ultimately it leads to lower employment, greater unemployment, and that's one of the keys right now for business right around this country, they want to have workers, they want to employ, they want to get on with business.

Jennifer: And let's not make that hard. I think one of the concerns that we all have wanted is that we want people to be getting higher wages, but it has got to be sustained and it's got to be meaningful wages. And a system that creates complexity, which stops people getting wage increases, a system that creates widespread industrial action is not a system that's going to deliver those long-term sustainable wage increases. That is going to deliver higher unemployment, it's going to deliver

incredible pressure on consumers. So, we've got to make sure that we don't just think about the budget that we think about the broader policy context, but the budget has to stabilise the situation, it has to be modest in its expenditure and all the signs are that that is the case. But the work that's really got to be done is in the May budget, we've got to start tackling the fact that the structural problems of our economy are not fixed. If we want wages to go up we'll encourage businesses to invest, that's ticket to productivity.

Ross: And certainly, avoiding recession is one of the keys as well. Jennifer Westacott, Andrew McKellar and Innes Willox, good to have you on the program today. Many thanks for your input. We'll see what the budget holds.

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