



Transcript

#BackAustralianBusiness

Event: Andrew McKellar interview with Nadia Mitsopoulos, WA Mornings ABC Radio Perth.

Speakers: Andrew McKellar, chief executive Australian Chamber of Commerce and Industry; Nadia Mitsopoulos, host WA Mornings ABC Radio Perth.

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E&OE

Nadia Mitsopoulos, host WA Mornings ABC Radio Perth: I've got Andrew McKellar in the studio. He's the CEO of the Australian Chamber of Commerce and Industry and he's here visiting. Good morning and welcome back to the studio.

Andrew McKellar, chief executive Australian Chamber of Commerce and Industry: Oh, good morning, Nadia, indeed.

Nadia: It's been a while.

Andrew: Well, it's great to be back here in Perth. Great to be with you in the ABC Studios. Thank you very much.

Nadia: Nice to have you. We were just talking earlier that the borders are open and they will never close again as of tomorrow. It's kept you away for a couple of years. Now, you heard what Sally McManus was saying there. Is the business lobby scaremongering?

Andrew: No, we're not scaremongering. Look, we're listening very carefully to what business is telling us. I mean, this is complex legislation. You ran through a number of aspects of it, and I think I'd start by saying there are a number of parts of this bill which business supports and which we think are heading in the right direction.

Nadia: Okay, what do you support?

Andrew: So you mentioned the issues of gender pay equity, no problem at all. Of course, we should be trying to find ways to make that happen. So we support that part of the bill. Equally, there are parts of the bill which deal with what we call the low wage stream. That's under the new name, it'll be called the supported stream, and that's dealing with a number of sectors where wages genuinely are below general benchmarks. So trying to support some of those areas, whether it be childcare, aged care, a range of sectors where really they are below normal benchmarks, then I think that's perfectly reasonable. Where we have a problem is what they're calling multi-employer bargaining, and this is the stream where you can bind a number of different companies' work sites into a single agreement regardless of the circumstances of those companies. So you might have a situation in a shopping centre, for example, where there's a hardware store, there's a hairdresser, there's a cafe, there's a news agent. Now, theoretically, they could all be sucked into one agreement, even if a majority of employees in a number of those particular businesses don't support going into that single agreement.

Nadia: Okay, so that's your main concern, small businesses will be caught up in something that they may not support?

Andrew: That's exactly right.

Nadia: But wouldn't the Fair Work Commission have to approve that?

Andrew: Well, it's part of the process. That's exactly right. They have to make that judgment, but the criteria for how they make that judgment are very broad. They're not clearly specified. And our concern is, and I'll go back to what Sally McManus was saying because I think there's a critical point here, and that is that employers, businesses, do support wage rises. We're keen to see wage rises going. We recognize that people are going backwards at the moment, and we don't want to see that situation continuing. One of the big problems and the real cause of this is that we've had very low productivity over the past decade. We need to get negotiations going at the enterprise level, at the individual enterprise level. That's where people know how to make improvements that will make the business run more effectively, that will make it more profitable for the owner. But, equally, the owner then should be sharing those benefits with their employees. They're the ones that are contributing to it. So, look, we say that's absolutely fair. Let's make that happen. This bill unfortunately takes us in completely the opposite direction to that, and that's why we say it's wrong.

Nadia: But, again, the Fair Work Commission would have to approve this. So if there are, as you said, the hairdresser or the hardware store, it's not a fait accompli, basically.

Andrew: Well, there are criteria, very broad criteria that are set out in the bill and we don't think that this gives us clarity. There's a lot of uncertainty for business here. So in the bill it's talking about same geographic location. They could be under the similar regulatory regime. They could be similar businesses. It's unclear, and I think this is the problem. So if we head down this track, there'll be no reversing it. We won't get back to a situation where individual businesses can talk to their employees, can come up with arrangements that suit their own individual business arrangements. It's handing over control to a much bigger group, to third parties, and to the Commission. And at the end of the day, the Commission are not experts in running businesses. That's a job that small business people should be left to do. They should be able to talk directly with their employees and come up with arrangements which suit them best.

Nadia: As I understand it, multi-employer bargaining is already possible for low paid workers.

Andrew: Correct.

Nadia: But it seems virtually no one actually uses this option. There's only been four applications in the last 10 years. It's not something that a lot of people that have been able to use are actually using it. And when I've looked at some of the criticism, you then link this to, there'll be mass strikes. It's not overly popular. It's not being widely used, and it can be used already.

Andrew: At the moment, there are multi-employer agreement arrangements provided for in the Act. As you say, they're not widely used. They are very difficult to use. We are quite relaxed talking with the government about how those arrangements can be expanded, as you say, for the low wage or low paid sector. So no problem on all of that. The area where we have a problem and the big issue in the past decade or so in industrial relations is that the number of actual enterprise agreements has been declining. It's been declining because of changes that were made about 10 or 12 years ago which made it much harder for individual enterprises to put those sorts of agreements in place. Now, that's where the fundamental problem is. If you can get back and solve that problem, then what you will see is more agreement making occurring and you will see high productivity and higher wage outcomes. Those are sustainable outcomes. If you don't have that backed up with productivity, then it ends up feeding back into inflation, higher interest rates, lower living standards. It's a false economy.

Nadia: Well, on that point, I had a look and the number of operational federally registered enterprise agreements has fallen by more than half. So it went from 23,500 to 10,000 between 2013 and 2021.

Andrew: Correct.

Nadia: And the argument is that, that is partly due to pay rises offered under them being too low. So based on that, could you argue that they're not working and that this bill is about trying to fix that?

Andrew: No. Well, I think the diagnosis that you've made there about the pay rises being too low is not right. It's been much more difficult to get those agreements through the Commission because of the very complex criteria to actually get them supported. We need to simplify that. The other thing we need to do here is get back and simplify the award system as well. So particularly for small and medium sized businesses, they need to know very simply, what are the pay grades? What are the classifications that they're referring to when they're dealing with their employees? What's the correct rate of pay at the award? And, of course, then many businesses will pay over the award. I think we've got to simplify the system, make it easier for employees and for businesses to operate equally. Let's tie it back into getting real productivity increases, and ultimately that's the only way to get sustainable wage increases that aren't then cancelled out by higher inflation.

Nadia: I'm talking with Andrew McKellar, the CEO of the Australian Chamber of Commerce and Industry on ABC Radio Perth. It is 17 past 10. Wages though already have failed to keep up with productivity, so I just wonder, what's your evidence or what makes you think they will be able to catch up with what you're proposing? Can you just explain that?

Andrew: Well, in fact, what you said there is not correct. So if you look at a long term chart of productivity trends and wages growth, wages have actually kept pace with productivity broadly over a long period of time, and you can look at the evidence that the Productivity Commission has produced on this. But in the last decade, it's certainly true that we've been living in a low productivity and low inflation environment and, as a result, wages growth has been less than in previous periods. We're now entering a time where inflation is rising and it is chewing into people's pay packets. We've got to clamp down on that "public enemy number one" as the Treasurer Jim Chalmers has referred to it, and he is quite correct on that. Otherwise, we are just going to see the Reserve Bank continuing to push interest rates up and that has its own economic consequences. But if we're going to have sustainable real wage increases, we have to tie that back into making those workplace improvements, productivity gains, getting more technology in, improving the way in which we work to make it more productive. If we can do that, that will generate stronger real wage increases. Now, that's what employers support. Unfortunately, this bill for very complex reasons does not take us in that direction.

Nadia: The Australia Institute's been looking at real wages versus productivity, and they've been using ABS data, and, again, they're saying increases in productivity have not been rewarded with higher wages over the past 30 years. They're saying wages, and they've looked at this data, wages have only risen at about half the rate that productivity has. So, it's not keeping up.

Andrew: Look, I'm not going to argue with you on the fundamental point.

Nadia: But they're ABS figures though.

Andrew: You can quote their analysis. You can quote the Productivity Commission's analysis. What we do accept is going forward, I think it's desirable that we do have real wage increases. Business supports that. And the real issue here is, how do we get that happening? Unfortunately, where we disagree with the union movement and where we disagree with the government on this occasion is the method that they've put forward to do this because it takes control away from small businesses, small business owners. It also, in a lot of cases, will take control away from employees in some of these smaller businesses because, when it goes to a vote, you don't need a majority in all of those businesses that potentially get dragged in. Now, we don't think that that's democratic. We don't think that that's fair. We think the government is rushing this. We want them to have an open and transparent inquiry process, allow the parliament to do its work. Let's see if we can make this work better, see if we can make amendments. If we can't, we fundamentally think that the government should pull this so-called multi-employer stream, single interest stream, back off the table and get the other essential parts through. So whether that's gender pay equity, whether that's the low paid sectors, let's deal with those. That's where the priority is and let's make reforms to the other areas which makes sense.

Nadia: I've got to make the point that it's something that the crossbench is worried about. They are yet to be convinced. They don't want this to be rushed through, and so it's people like Jacqui Lambie and David Pocock that their vote's going to be critical on this. What is affordable wage rise?

Andrew: Oh, I think an affordable wage rise is one that's underpinned...

Nadia: Give me a figure.

Andrew: Well, it depends what productivity is. So if we can get 3 per cent productivity, then we should be getting real wage increases of 3 per cent. That's if we can get productivity up to that level, no problem. We should be able to cover off against inflation and productivity. That's how you get a real wage increase. So we've got to generate those real returns.

Nadia: There's a no pay secrecy clause. Do you support that?

Andrew: Look, we have some issues with it because I think this will inhibit the way some businesses work. But, look, I think we're talking very practically with the government about how that will be applied. We understand the objective that they're trying to get to here and we support that broad objective So

look, we'll have some discussions with the government about the fine detail of that, but this is not the fundamental problem in the bill.

Nadia: No. And that I imagine would help with gender parity, I would think. That's the issue.

Andrew: And that's exactly what the government's pointing to. We support that objective. We want to ensure that, of course, businesses can maintain their normal contractual processes, and that includes a degree of confidentiality about what some employees are paid. But as long as it is not working against the interests of achieving that objective that men and women doing the same job should get the same pay. Absolutely.

Nadia: Interesting. Rob, on the text line says, "If productivity hasn't grown and wages hasn't grown, how do you explain the record profits?"

Andrew: Well, I think here it is a very different story. So, yes, at the moment across the economy, if you look at the national account status, so called gross profit share is at very strong levels. Now, a lot of this is tied back into the strength of the mining and resources sector, record commodity prices. Those companies, some of those companies, are doing very well at the moment. It's not the case more generally across the economy. So if I start looking at what's happening in manufacturing, what's happening in retail, what's happening in sectors that have been absolutely slammed by the pandemic over the past two years, then it's a very different picture for them. So I think we've got to take into account, and that's where many, many small businesses are, medium sized businesses, and in Western Australia alone, 60 per cent of all private sector jobs in Western Australia are small and medium sized businesses.

Nadia: A big complaint is fixed term contracts. Now, this bill, and I'm still trying to work out how it will do that, as you said, that IR is very technical, it's very dense, do you have an understanding on how that would work and is that something you would support? I know that universities, for example, would be excluded. Because that is a big issue for a lot of people. That does not provide job security.

Andrew: Well, there are a number of exclusions in there. So I think what we've got to be careful about here is, if you're trying to create a job but that job is linked to a particular revenue stream, so if you have a contract which will run for one or two years, you want to take on a person to help you fulfill that contract, then normally you'll want to put in place a contract that might be a couple of one year contracts back to back or it might be a two year contract, something like that. So I think, provided you've got exclusions in there that don't stop that sort of thing from happening, because the last thing you want to do, you'll have uncertainty if you're trying to take somebody on, on a permanent basis and

you've only got revenue to support that position for a couple of years. So I don't think that's unreasonable as an exclusion. Otherwise, we understand where the government's going on that. Again, it's not an area where we have a fundamental criticism. We understand what they're trying to achieve. They're trying to promote greater certainty and security for the employee. And I think that's reasonable. We've just got to be careful that we don't get into a situation where a business has a contract or revenue stream, if that falls over, then can they sustain the job and keep the position going? And I think we've just got to be careful in those circumstances.

Nadia: I'll leave it there. Thank you for your time.

Andrew: Perfect, Nadia. Thank you so much.

Nadia: Andrew McKellar there, the CEO of the Australian Chamber of Commerce and Industry.

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