

7.30 Report - ABC

Panel analyses yesterday's budget

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Kerry O'Brien analyses the Rudd government's first budget with John Robertson from Unions NSW and Heather Ridout from the Australian Industry Group.

Transcript

KERRY O'BRIEN: In all the reports and arguments over whether this Budget is anti-inflationary, inflation neutral or will actually add to inflationary pressure, there is one Budget statistic that is crucial and that's the forecast for wages growth.

The Treasury forecasts a growth of 4.25 per cent in wages which is regarded at the top end of acceptable.

The Opposition has claimed that because Wayne Swan has talked up inflation, he's effectively invited unions to push for unacceptably high-wage claims to compensate.

Well, the mildly reassuring news for the Government today was that the latest official figures show a very slight drop-off in the rate at which wages are growing now. That's just as well because the Reserve Bank has warned it won't tolerate rising wages feeding back into inflation.

To get a better sense of what's ahead with wage bargaining in the next year, I spoke late today with Australian Industry Group chief executive, Heather Ridout in Canberra. And Unions of New South Wales secretary and ACTU vice-president, John Robertson in Sydney.

Heather Ridout, your overall assessment of the Budget from the perspective of your members?

HEATHER RIDOUT, AUSTRALIAN INDUSTRY GROUP: Look, we thought the Budget was on task. We wanted the Budget to be fiscally disciplined and it has been.

But we also wanted it to put in place some pretty major investments in Australia's future in infrastructure, in skills and it has certainly done that with the two major funds - the building Australia fund and the education investment fund.

Business didn't get everything it wanted, Kerry. We had to give up some depreciation arrangements on software which will be quite costly for a lot of our members.

The commercial ready program is up for grabs and we're certainly going to be putting some pretty heavy submissions to Kim Carr as part of the innovation review.

But generally, if business wants cuts we have to cop some of it.

KERRY O'BRIEN: John Robertson, from the perspective of your membership, the Budget?

JOHN ROBERTSON, UNIONS NSW: It wasn't a Budget that was terribly surprising. The Government's done what it said it would do all along, it's pleasing that the tax cuts aren't much more targeted than we've previously seen for low and middle-income earners.

I think means testing on things like baby bonuses is important, that we target those sorts of social safety nets. And it's also going to deal with things like Heather talked about, and in particular skills shortages which is an area that is of concern, I think, to everyone.

KERRY O'BRIEN: Well the Budget is forecasting as you both know that wages will grow by 4.25 per cent next financial year.

Heather Ridout, how relaxed are you on that figure in the content of inflation and what is the risk as far as you're concerned that it will blow out over the year?

HEATHER RIDOUT: I think we always need to be alert about wages. We have skills shortages. We have a lot of capacity constraints. We have a huge boom in construction and in mining.

And anything abutting those particular industries has got a lot of pressure on it in wages.

We've had pretty tough industrial laws up until recently. We've had a big election which put the lid on a lot of more militant campaigns. So we've had a few things putting some downward pressure on wages.

The Government have put in place a number of commitments around secret ballots around secondary boycott retention, right of entry arrangements, pattern bargaining commitments which should be quite helpful going forward. But wages as the Reserve Bank and many others have indicated have been drifting upwards.

Even those today were a little bit softer, Kerry. We're still quite concerned about it. We have hundreds of agreements coming up for renegotiation in manufacturing early next year, hundreds of agreements in construction are really now up for renegotiation.

So there's a lot happening in the wages area and in highly unionised sectors like manufacturing and construction and with some pressure on particularly construction from demand it's a situation that needs to be closely watched.

KERRY O'BRIEN: John Robertson, Wayne Swan said on this program last night that the lid will stay on wages because under Labor's IR system, any wage increase is

linked to productivity.

Do you share that view, or will your rank and file membership expect to be reimbursed as well for the highest inflation in 16 years?

JOHN ROBERTSON: Well the reality is that our members are going to expect to keep up with their standard of living and at the moment we have got situations in New South Wales as an example where the Government is actually asking people to take a real wage cut.

You have got Qantas saying they're only offering three per cent, again that's a real wage cut.

Our members expect to maintain their standard of living.

With the Budget and some of the investment that will occur through the Budget there will be productive improvements. With the infrastructure investment we're going to see some blockages removed.

With the skills investment we'll see more skilled workers coming into the work force.

But that will deliver productivity.

KERRY O'BREIN: But that's a long run thing. That's medium term at best.

JOHN ROBERTSON: It is, but in the end our members are going to have an expectation that they will be able to maintain their standard of living.

KERRY O'BRIEN: But the quite significant tax cuts in this Budget, as you've said yourself, are targeted pretty much at your membership.

Now, surely we can expect that they would take that into account as part of an offset for the high inflation. Surely that is going to cushion the impact of inflation to some degree.

JOHN ROBERTSON: Well it will. But in the end as a minimum our members are going to expect to at least maintain their standard of living. And that means that there will be a push for wage increases that ensure people's standard of living doesn't decline in this current environment.

We have got a situation where you have got interest rates going up, rents going up, fuel going up. Basic food items all increasing and we can't go out there and say to our members, well sorry your standard of living has to be reduced as a result of where we find ourselves.

KERRY O'BREIN: Heather Ridout, that sounds very reasonable. Why shouldn't workers expect to be compensated for inflation that is eroding their wage packet, quite apart from any productivity gain?

HEATHER RIDOUT: Well it sounds quite a reasonable proposition, but of course

wages have to be matched to productivity and as the treasurer said last night productivity is at a 17 year low in Australia at the present time.

In New South Wales, the Government there is committed to a 2.5 per cent rise in the public sector with the rest to be made up with productivity.

And I think what John Robertson is acknowledging in many ways is that whilst it sounds reasonable about the CPI, we have to realise that if you just say we'll have a CPI adjustment without a proper productivity increase, trade exposed sectors for example like manufacturing, who are competing against very low cost manufacturers who are having to deal with the very high dollar, it will only feed into misery. Feeding to fewer jobs and frankly into higher interest rates.

So whilst it sounds reasonable to go for a CPI adjustment, it's not going to work when companies can't pass on those cost increases in prices and when the demand is just not going to be there.

KERRY O'BRIEN: John Robertson you would know the history of this, you know what happened to the Australian economy where you had that classic trap - wages chasing, prices changing wages, a spiral that was destructive in the end.

JOHN ROBERTSON: It was and we don't want to go back there. But by the same token we don't have an accord anymore. We're not ruling out discussions around productivity.

We recognise there needs to be a role for those discussions.

But what we don't want to see is the current stance being taken by the likes of Qantas where they just put a cap at three per cent, that's the end of the discussion. We don't want to enter into the wages bargaining period where employers just simply say, well that's it, there will be a cap and we're not going to talk to you about anymore.

We are happy to talk to business about productivity improvements. We recognise the dangers associated with not talking about those issues.

But by the same token we cannot be saying to people your standard of living is going to be eroded through this bargaining process.

KERRY O'BRIEN: So is it possible, given all that of that, that we will see wages rise beyond that 4.25 per cent over the next 12, 18 months?

JOHN ROBERTSON: I think if you're realistic, it's only going to happen if they are productivity related increases beyond that 4.25 per cent. I think it would be absurd to suggest otherwise.

KERRY O'BRIEN: Where are you on pattern bargaining? Because I think you would have to acknowledge that there are still a lot of union leaders out there who do want to see a return to pattern bargaining?

JOHN ROBERTSON: And I think that's a realistic proposition for the union

movement.

The fact is that what we don't want to see is wages in competition.

One of the biggest problems for organised workers is that if wages are in competition there is an incentive for businesses to actually de-unionise. So we are saying that we need to get outcomes that are consistent.

They might be productivity related across an industry but we do want to see a situation where people can have bargaining outcomes that are similar. That puts us in conflict with Government, puts us in conflict with Heather. But in the end we have a responsibility to act in the interests of our members and make sure wages does not become a factor in determining whether people are or are not winning jobs and continuing with ongoing employment.

KERRY O'BRIEN: Heather Ridout, how confident are you that Labor's IR system is going to work, including no pattern bargaining given what John Robertson and other union leaders are expecting?

HEATHER RIDOUT: Well Julia Gillard and the Rudd Government have committed to not allowing industrial action in relation to pattern bargaining claims, effectively outlawing pattern bargaining. I mean claims might end up similar, but in the end, they have to be negotiated at the enterprise level to reflect the circumstances of each enterprise and that's how you get productivity.

John would know there's a lot of research around that shows if you have a cooperative approach at the enterprise level between unions for example and employees, and employers, you can actually achieve quite strong productivity gains.

We had a period in Australian industrial relations where the unions wouldn't negotiate around productivity at all at the enterprise level. There were no trade-offs so that is not a very good issue.

Going forward with the new laws, the new collective bargaining laws which are currently being drafted and discussed and negotiated, there are a number of issues that really do need to be clarified and they will be.

The content of agreements, what unions can bargain about at the moment that is very restricted. It was very restricted under WorkChoices and that is something to be sorted out.

The other issue is what bargaining will look like, these good faith bargaining orders. And that will be very important.

Then of course how you take industrial action. The Government are committed to secret ballots and maintaining those and that's a good thing.

Then what happens when you can't get agreement and access to arbitration, and that is something that there's a lot of dangers attached to it if we get this wrong. And we are very confident that we will be able to work with the Government to get some

satisfactory outcomes.

KERRY O'BRIEN: John Robertson, quick response?

JOHN ROBERTSON: I think there are going to be some difficulties along the way and we will find ourselves in a different position to the Government and business. I make no apologies for that.

In the end, we are going to advocate very strongly for our members. We campaigned for three years around the rights at work campaign on these very issues ensure workers are not worse off.

And we need to make sure there is access to things like arbitration that we can get proper outcomes that we don't end up with a law of the jungle scenario where people sit down to bargain in good faith with a baseball bat in the back of their pocket.

KERRY O'BRIEN: But at the same time you'd be very conscious, I'm sure, and also in terms of the interests of your members, there is a projection in this Budget for unemployment to go up. At this stage modestly, as Wayne Swan describes it.

But you would also be very conscious of the warnings from the Reserve Bank that if they see what they would regard as unacceptably high wage increases feeding back into inflation they will act to increase interest rates again.

JOHN ROBERTSON: And we have a responsibility to educate our members and manage their expectations around those issues because the last thing we want is to see workers losing their jobs because there haven't been responsible approaches adopted. We are going to pursue very vigorously our claims to ensure people's standards of living is maintained.

KERRY O'BRIEN: John Robertson, Heather Ridout, thanks for talking with us.

JOHN ROBERTSON: Thank you.

HEATHER RIDOUT: Thank you.