

# Heather Ridout joins the 7.30 Report

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Australian Broadcasting Corporation

Broadcast: 12/03/2009

Reporter: Kerry O'Brien

Heather Ridout from the Australian Industry Group speaks with Kerry O'Brien following news today that Australia's unemployment is the highest it has been in four years.

## Transcript

**KERRY O'BRIEN, PRESENTER:** The Australian Industry Group has a membership group ranging across a huge chunk of the Australian work force. 750,000 on the payroll, but with its affiliates, AIG represents 1.2 million staff.

Its chief executive Heather Ridout has told 7.30 that some 40 per cent of her members right now are "Seeking to reduce employment."

Ms Heather Ridout will be attending the G20 Business Leaders meeting in London next week as part of the preparation for the all important G20 Leaders Summit in early April, and I spoke with her in Sydney earlier tonight.

Heather Ridout, how do you interpret these unemployment, and for that matter, underemployment figures?

**HEATHER RIDOUT, AUSTRALIAN INDUSTRY GROUP:** Look I think they are showing that the economy is slowing down quite sharply, in fact employment's falling faster than domestic demand.

So I think they're quite portentous of things to come, and it's going to intensifying over the next few months.

Interestingly though, the loss of full time jobs was matched by growth in part time jobs, and that indicates that particularly women are going back into the workforce at quite a rapid rate, maybe taking out some insurance that household income is falling. They're quite interesting figures.

**KERRY O'BRIEN:** And possibly husbands losing their jobs or the fear that they will.

**HEATHER RIDOUT:** Indeed, and business also not being willing to create permanent full time employment. So very interesting set of statistics, but probably unambiguous in indicating the downturn.

KERRY O'BRIEN: Putting these figures together with your own data and the anecdotal evidence from within your own manufacturing sector, what is the picture that emerges for you?

HEATHER RIDOUT: Well we represent far beyond manufacturing and across the board for us we're seeing in construction, in our services sectors, in manufacturing really weak employment data.

The latest monthly reading of employment in manufacturing went down 9.9 points, absolutely horrible figure.

That said, there are areas of strength where demand is holding up, and that's putting some floor under employment. But generally around 40 per cent of our members would be at the moment seeking to reduce employment.

KERRY O'BRIEN: From the feedback that you are getting from your members, how hard are companies finding it to access credit? And how big a problem is that?

HEATHER RIDOUT: Well I think it's an interesting thing because accessing credit to make people redundant is quite a big issue for companies at the moment. And that's quite interesting.

There's a lot said about small business and certainly small medium sized businesses have issues there and they're quite widespread, and they were highlighted in the car industry with the dealers. But it's not just the dealers, it's the component companies as well.

We saw it in TCF (Textile, Clothing and Footwear) industry where an industry was essentially blackballed and brought those issues to a head.

But large companies, whether they're seeking project finance, whether they're seeking investment finance, whether they're seeking rollover of finance for cash flow purposes, the rates are higher, much, much higher, and it's harder to get, and the covenant being applied are much stricter.

KERRY O'BRIEN: The figures from Victoria were particularly bad. Unemployment jumped twice as much as the national average. Why do you think that it?

HEATHER RIDOUT: Well clearly there is some dearthing manufacturing happening there. It's really doing it tough there.

It's interesting because the national accounts show that in the December quarter Victoria grew the strongest, 1.2 per cent, but the employment figures really tell a different story and, frankly, manufacturing is doing, struggling in Victoria, and that's showing through.

KERRY O'BRIEN: Given the pace at which employment is declining, do we have to consider an unemployment number beyond 8 per cent by the second half of next year?

HEATHER RIDOUT: Look, I don't want to do that. I think in a sense everyone is

guessing around these figures. But today's figures were probably worse than people thought.

KERRY O'BRIEN: Worse than you were expecting?

HEATHER RIDOUT: Worse than we were expecting. I think the drop in full time jobs was a figure to be quite concerned about. The growth in part of time jobs was encouraging, but they will eventually start to reflect a worsening picture.

So I would have thought we'll be lucky to average 6.5 to seven per cent this year, and that would be worse than the Treasury, I suspect, is forecasting at the present time.

KERRY O'BRIEN: Does this add to your concerns about the potential impact of the Emissions Trading Scheme on jobs, and, for that matter, the Government's changes in workplace laws.

HEATHER RIDOUT: Well, in our view, the Emissions Trading Scheme, we should legislate for it this year, we should regard an ETS as the main program to do the heavy lifting for the economy in this area. But should defer the introduction of it for two years to 2012.

Our companies don't have the money at the moment to spend on the investments that they need to make. They don't have the time to spend on the issues they need to comply with around it. And overall the timetable is far too onerous. And I think it would be a disaster to try to push this ahead too fast when we are not ready to go.

On the IR laws, they have to work for the good times and bad. Now, the Government have gone a long way to addressing a number of industries' concerns, but we have seven real ones, and right of entry, transmission of business, even with some of these apparent changes that have been mooted in the letter to the Independents, we still have real concerns there.

KERRY O'BRIEN: How positive do you feel about the \$42 billion stimulus package that's started rolling out now to, to some degree at least, stem the haemorrhage in jobs that we are now seeing.

HEATHER RIDOUT: Look, I think the fiscal stimulus to consumers is the right thing to do, we need to see that happen around the world in a coordinated way. And the IMF (International Monetary Fund) have said it will be about at least a one to one multiplier back into demand from that measure, and possibly three, compared to 30 cent in the dollar from a tax cut. So that's a good thing and it has to happen.

The other side of it, 65 per cent of it is capital. It's going to mean we will have better skills, public housing, better maintained skills, and on the back of that, will come investment in hospitals, in universities and in big national projects.

So we are going to come out of this downturn hopefully with a renewal of Australia's infrastructure and a pipeline of activity which has been well assessed going out a number of years.

So I'm very positive about it. So far the roll out is going well in New South Wales for example, a number of our members are telling me that the New South Wales Government is really handling this roll out of infrastructure in New South Wales around schools very well. And that's very encouraging.

KERRY O'BRIEN: There's a lot of talk about workers having to show wage restraint in these times. Do you think it's also time for business genuinely to do its bit with regard to executive incomes?

HEATHER RIDOUT: We had a very interesting discussion today at our New South Wales board meeting about this very, very important issue.

And they were saying that they're going to take a freeze in many cases on senior executive pay. But they're also having to pay enterprise bargaining claims of five per cent and upwards in many cases, so there's a strange divide opening up.

But I think everyone believes it's the only responsible thing to do for management, senior management in particular, to be very restrained about pay.

KERRY O'BRIEN: The G20 Leaders Summit in early April is going to be crucial. I imagine there's no argument about that in terms of what happens next with the global economy. You are going to the G20 Business Leaders Summit in London next week. What is the message you are taking there?

HEATHER RIDOUT: Well I think what business is looking for is a very clear focus in this on the current crisis, how we are going to stabilise the world economy and how we're going to get growth back again.

There's a lot of other issues, world institutions, regulations etc which will need to be part of that, but we can't get distracted because I think business really needs to see some action out of this summit.

We need to see a coordinated fiscal stimulus across the world, and we need to see countries all doing the heavy lifting. I think surplus economies are going to have to put more money into the system and that's going to be very important.

KERRY O'BRIEN: You mean like China, Japan?

HEATHER RIDOUT: China, Japan, yes, indeed.

KERRY O'BRIEN: Germany?

HEATHER RIDOUT: Yeah, and I think we need to see some real will around protectionism.

KERRY O'BRIEN: How serious are your concerns about protectionism because some leaders have been making encouraging noises on that front.

HEATHER RIDOUT: Well, there was a pledge made at the last G20, but since then 17 out of the 20 G20 countries have actually taken, put in place, protectionist

measures.

They haven't been extreme ones, but the trend in protectionism is certainly up at a time when we are just really starting to see the impacts, the full impacts of the downturn.

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

HEATHER RIDOUT: Thank you Kerry.