

Transcript

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Program: **MORNINGS** Time: **08:34 AM**
Compere: **DEBORAH CAMERON** Summary ID: **S00037547490**

Item: **THE AUSTRALIAN INDUSTRY GROUP SUPPORTS CALL FOR A TWO PER CENT RISE IN PRODUCTIVITY.**

INTERVIEWEES: HEATHER RIDOUT, CEO, AUSTRALIAN INDUSTRY GROUP

Demographics:	Male 16+	Female 16+	All people	ABs	GBs
	40000	79000	119000	28000	81000

DEBORAH CAMERON: Good morning, Heather.

HEATHER RIDOUT: Good morning, Deborah.

DEBORAH CAMERON: There are many ways to increase productivity. We should go through a bit of a list. The top of the list is make people work harder. How do you do it?

HEATHER RIDOUT: Well, Australians are already working very hard; we're not laggards in that respect. But we need more of us to work, and that's the other side of the productivity and growth equation.

Economic growth is made up of productivity growth and growth in the workforce, and we have to focus on both if we're going to meet the demographic challenge that the Prime Minister is talking about.

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On the productivity side, we need to look at areas like our education and training levels, we need to look at how healthy we are, we need to be able to remain in the workforce for longer ... so the rise in the pensions age is to encourage us to work for longer. We need to encourage women at work who are having children to get back into the workforce through better childcare, more flexible work arrangements. We need to invest in infrastructure so that when we work we get more bang for our dollar. We need to invest in better technology, which of course in the nineties was a key source of productivity growth and there were very strong figures at that time. We need to make sure we have flexible labour markets. It's an old mantra of employers that has shown to be extremely effective in the past.

So there's a whole range of issues, and we need to join the dots up with to create this bottom line, which is productivity.

DEBORAH CAMERON: In that flexible labour market that you're talking about, most negotiations already happen around pay increases linked to productivity increases. So a pay rise is a great way to get people to work harder.

Can you expect people to ask for more money in exchange for this harder work deal?

HEATHER RIDOUT: It's interesting you make that comment. I mean, the whole move of bargaining to the enterprise was to

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actually encourage productivity-based bargaining at the enterprise level. That was against the old centralised system.

But I must say, over the last several years we've seen unions really not backing productivity-enabling reforms at the enterprise level. And this is a real challenge for labour relations under the new post-WorkChoices system.

So yes, we do need that. Every company needs to be able to lift its own performance, which translates into a national productivity performance. Michael Porter once said that firms compete, not nations. And basically that's all about productivity.

So I think employers are focusing heavily on it; they're trying to make it more possible for people to have more flexible working arrangements. This new right to request that's come into place from 1st January for mothers returning to the workplace, if that's properly handled, that will be productivity-enhancing.

And I think the whole focus on paid maternity leave that is going to be introduced will also be very important.

DEBORAH CAMERON: Now, you talked also, just beyond the workplace, about other things, other factors that an economy can embrace to increase productivity. The national

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broadband rollout is something that I think in the scoping documents was to deliver Australia a productivity increase of somewhere approaching between five and ten per cent. I just can't quite recall the figure.

Is that the sort of automatic productivity increase that you get from efficiency if you have really good technology at your fingertips?

HEATHER RIDOUT: Indeed. In the nineties, Australia lifted - it doubled its productivity performance on its post-war average, and a lot of that was due to the application of new information technology.

The National Broadband Network, when it's fully functioning and accessible to businesses and to individuals, is going to have an enormous effect on our productivity. It will underpin a whole lot of our other efforts. For example, flexible working arrangements. If we can have fantastic national broadband infrastructure, that will enable that.

It's a key enabler of productivity enhancements at the enterprise and the individual level.

So this is really a big investment and we need to get it right.

DEBORAH CAMERON: Heather, another interesting thing, though, when you're talking about telecommunications, a little

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story in today's papers said that people were copping a huge fright when they got bills for their mobile phones, for example, that was much higher than they imagined that they would be for internet downloads and so forth.

So telecommunications companies that sort of hold the keys in some ways to this greater productivity also present an obstacle because of the price that they're putting on some of this technology.

What's to be done about accessibility, wide accessibility to these new technologies?

HEATHER RIDOUT: Well, industry strongly supports competitive access to the system as a means of controlling costs and making sure the service, not only the cost but the service itself is good. So I think that's a key challenge for the Government in the way it rolls out this network. And we can't have that lack of competitiveness in the system, otherwise, as you say, that will fight and mitigate against the productivity enhancements we're trying to achieve.

DEBORAH CAMERON: Now, another interesting point, I suppose, is that the lion's share of the domestic economy is consumption. So the way we shop and what we buy is actually what drives a lot of economic growth and development in Australia.

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Now, can you drive up productivity by driving down retail prices?

HEATHER RIDOUT: Look, I think the business-to-business, people online shopping, all these areas are going to be enabled by the new ICT technology in the new national broadband arrangements. It's all part of the same equation.

I think also, Deborah, just on this demographic issue, we've not only got an ageing population, we're going to have a bigger population, and that gives rise to all sorts of issues like urban congestion, as one example. And that's another argument for having more flexible arrangements driven by the enabler of a better technology base.

DEBORAH CAMERON:.....Heather Ridout, we're wasting a lot of time. How do you redeem the time wasted?

HEATHER RIDOUT: Look, I think you redeem it by enabling people to travel at different times; you redeem it by enabling them to work from home. You can't actually recapture it but you try not to lose it and waste it.

And I think this is where we need to make sure these investments in infrastructure, urban infrastructure, these investments in technology, are all organised around a fundamental principle of driving better workforce participation, better productivity. And if we keep those objectives front

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of mind, we will make - we'll get the best bang for our dollar. If we get distracted by other agendas, it won't work, Deborah.

During the GFC, everyone was focused on cost, not on growing the pie. And productivity is as much about growing the pie as anything else, and we need to work on the numerator and the denominator so that companies increase employment and increase their productivity at the same time. And they can if they're growing the overall cake.

DEBORAH CAMERON: Thank you to Heather Ridout, who is the chief executive of the Australian Industry Group.

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