



AUSTRALIAN CHAMBER OF COMMERCE AND INDUSTRY

Opinion Piece by ACCI Chief Executive Peter Hendy for the Australian Financial Review – “Campaign of Envy Doesn’t Create Jobs” - 4 October 2005

Campaign of Envy Doesn't Create Jobs

By Peter Hendy - Chief Executive, Australian Chamber of Commerce and Industry

To drum up support for their wholly negative campaign against reform of Australia's workplace relations laws, unions are again advancing the notion that the rich are getting richer while the poor are getting poorer.

The politics of envy might warm the heart of the union constituency, but the problem with this union argument, simply put, is that it is untrue.

The Australian Bureau of Statistics Household Income and Income Distribution Survey, released in August 2005, shows that households in Australia are far better off today than they were in 1994 (before workplace reform, announced in 1993, and widespread enterprise bargaining kicked in). This includes a 22 per cent real increase for the lowest-income households and a 19 per cent real increase for the high-income group. The rich are getting richer, but so too are the poor.

Over the past decade, award wages have increased for all income levels, and faster for low-income workers. Data from the 2005 national wage decision shows that from 1996 to 2004, wages for the lowest-income earners increased by 33.8 per cent well above inflation. Taking inflation into account, the real increase was 10.5 per cent. At higher wage levels, such as for tradespeople, award wages increased by 27.2 per cent, or by 5 per cent, taking inflation into account.

While the minimum wage has increased in real terms, workers who have bargained higher wages in return for higher productivity have done even better. They have secured higher wages than awards provide, and by bargaining, strengthened job security as businesses become more productive. This win-win outcome is why living standards for employees are up, while employers can increase employment despite higher wage bills.

When wages are based on productivity, one person's wage increase does not mean another person's job. It also helps to maintain the low-inflation environment critical to economic stability, with wage increases not being eaten up by higher prices.

The decade-long real (after inflation) wage increases come after a prolonged period of real wage stagnation in the 1980s, before enterprise bargaining was introduced. An Organisation for Economic Co-operation and Development report, *Innovations in Labour Market Policies: the Australian Way*, noted that during the 1980s, real wages fell, particularly for low-wage

workers, while during the 1990s (after reform began), real wages increased across the earnings distribution.

Wages will always differ between employment categories, especially when some workplaces/employees bargain higher wages and others do not. This is not something to criticise, but to applaud. Securing higher wages or better working conditions by being more productive is exactly what Australia needs.

Since all groups of wage and salary earners have higher incomes in both nominal and real terms, unions have nothing to complain about. All wage earners are better off.

Moreover, unions fail to identify what income distribution they are prepared to tolerate while complaining that the distribution has widened. They give no reason why the income distribution should not widen, nor a benchmark to aim for, nor do they use a proper basis to benchmark supposed inequality, as government benefits are conveniently excluded from their analysis.

Income distribution arguments also fail to take into account the taxes paid by the top 25 per cent of households. Sinclair Davidson (Are There Any Good Arguments Against Cutting Income Taxes, Centre for Independent Studies Policy Monograph 69) shows that the top 25 per cent of income earners pay 63.8 per cent of net taxes in Australia. Conversely, the lowest 20 per cent of income earners received 81.6 per cent of their income in the form of government benefits in 2003-04, and only 4.7 per cent was received from wages.

Another serious inaccuracy advanced by the union movement is describing Australia's lowest-income earners as most dependent on the minimum wage. Low-wage earners are in fact spread relatively evenly through Australia's households. A low wage does not necessarily translate to low household income. For instance, a teenage labour market entrant on base wages may come from a higher-income family.

By far the biggest reason to be in the lowest household-income category remains the lack of a job. As a result, industrial reforms are critical to get more people into jobs and to further raise real incomes. A modern industrial system does not just have to serve the interests of people in work, but also those who want and need jobs.

Industrial reform in the 1990s has been good for both working people and business. Modern workplace relations is not an us-versus-them game, as union ideology would make out.

Lastly, for those who wish to argue that good wage and wealth results are not the be-all-and-end-all of life, I wholeheartedly agree. So just let me say that this month's United Nations Human Development Index, which also measures quality of life outcomes such as education, health and environment, found Australia coming in at third (behind Norway and Iceland) among 177 countries. For those who think statistics are irrelevant let them cite their own to match these.



A productivity-based wages system, with a safety net for the lowest-paid, is the only sustainable model that can deliver the trifecta of raising wages, creating employment and safeguarding existing jobs. This is delivered by bargaining at an enterprise level, both collectively and individually. Workplace reform is needed to give a new impetus to productivity bargaining.

A negative union campaign of envy about past wage increases does not create one new job and does nothing to improve the living standards, job security or quality of life of Australian workers.