



**Sally McManus, speech to TJ Ryan Foundation, Brisbane  
1st September, 2017**

Acknowledge country

We are coming to an end of an era.

The end of the 30 years of the neo-liberal experiment.

Consensus that neoliberalism is the right approach for society has fractured, as the results of this experiment are there for everyone to see.

Working people were promised more jobs, greater wealth and better services.

Privatisation would bring greater choice, better products at cheaper prices. Instead, jobs have been outsourced, wages cut, and prices have gone up as companies extract profits from essential services.

We were promised that trickledown economics would ensure that all the wealth we hand over to the very rich will come back to us. Instead, it seems we cannot rely on the very rich to put limits on their own greed, or to share, as they have kept much of this wealth for themselves.

The era of deregulation saw protections generations of working people had fought for stripped from them. In their place we have concerted, unabashed campaigns to systematically weaken unions, which has left working people with little protections in the face of the King Kong-sized power of multinational corporations who have no heart and no sense of obligation to anything other than increased profits.

The result – record low wage growth and one in four workers in insecure work.

Now at the end of the neoliberal era, inequality is at a 70 year high. If we continue down the same path, what is left of the rights and protections that made Australia a different place to the United States will be in tatters and we will return to the situation of working people more than 100 years ago. Many Australian workers are already there – no job security and poverty-level wages. With this will come broken communities with a broad range of social problems. Is this what we are prepared to accept for our children?

So if the ideology of neoliberalism is the cause of record inequality, what should be done?

The first thing that needs to occur is recognising we have a problem, so we can diagnose the cause.

But Scott Morrison chooses to deny we even have a problem with inequality. He actually insists it doesn't exist at all.

Perhaps he thinks that his alternative facts will be successful stopping people pointing the finger at the cause.

Let's consider the truth.

The most common measure of inequality is income inequality.

Income inequality in Australia has been getting worse. Despite a blip just after the Global Financial Crisis, when share prices fell for a short period and those rich enough to make lots of income through their investments took a hit, it is clear that the general trend in the Gini-coefficient has been towards widening income inequality.

The last OECD Economic Survey of Australia, released in March 2017, had this to say about income inequality in Australia:

*“Inclusiveness has been eroded. The Gini coefficient has been drifting up and households in upper income brackets have benefited disproportionately from Australia’s long period of economic growth. Real incomes for the top quintile of households grew by more than 40% between 2004 and 2014 while those for the lowest quintile only grew by about 25%<sup>1</sup>”*

Income inequality has been rising over time and is now at a 70 year high. And in particular, the share of income held by the richest 1% of the population has been steadily rising since neo-liberal approaches began to dominate economic policy in the 1980's.

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<sup>1</sup> OECD Economic Survey Australia 2017

The fact that our Government denies inequality is a problem, while traditionally conservative global economic institutions, including the OECD and the IMF, argue that rising inequality is among the most pressing issues of our time, demonstrates that our Government is desperate and completely out of touch with reality.

Or, alternatively, they can never admit that we have a problem with inequality as people might start pointing the finger at the cause – the neo-liberal ideology it continues to zealously follow. Whilst the focus has been on income inequality, what is often forgotten is that wealth inequality is even worse.

Wealth inequality has increased even more sharply than income inequality due to very rapid increases in the value of homes, investment properties, shares and other assets held by the rich. Among the wealthy elite in Australia it is common to have a multi-million dollar home, several investment properties and a large portfolio of shares, bonds and other assets. And the benefits seem to multiply the more wealth you have, as our current tax laws mean you can get out of paying your fair share of tax.

At the other end of the income spectrum, many young Australians are struggling to pay rent and many have been forced to move back in with their parents. They have very little chance of getting into the housing market.

Wealth and income inequality are related. The distribution of income has implications for the distribution of wealth and vice versa. High incomes enable the accumulation of large wealth holdings on the one hand, while large wealth holdings generate high incomes.

Over the last decade the incomes of the already rich rose by almost double that of the poor. The comparison of changes in real wealth is much more dramatic.

The real net wealth of the already rich jumped by around 38%, while that of the poor increased by only around 4%<sup>2</sup>. The gap between the “haves” and “have-nots” has become a great chasm in this past decade.

The disparity in wealth is apparent when we see that the top 10 richest Australians have more than \$77 billion dollars between them.<sup>3</sup>

It's now true that the top 1% owns more wealth than the bottom 70% of Australians combined.<sup>4</sup>

What's happening to workers? A contributing factor to rising inequality is record low wage growth. It is at record lows. Even conservative commenters such as the Governor of the Reserve Bank of Australia have argued that this is highly detrimental to the economic health of the nation.

Let's dig deeper.

For those workers on Enterprise Agreements we again see low wage growth, yet productivity is going through the roof. What is going on?

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<sup>2</sup> OECD Economic Survey Australia 2017

<sup>3</sup> : Financial Review Rich List 2017

<sup>4</sup> Oxfam 'An Economy for the 99%' Australian Factsheet January 2017

The system of enterprise-based bargaining was meant to deliver increased wages alongside increased productivity. Well, since around 2000 this stopped happening<sup>5</sup>. People are working harder and smarter, workers are making record profits for their employers, but they are not sharing in it.

Even more alarmingly has been the increase in the number of workers on minimum award rates, which has shot up in the last few years from 15.2% in 2010 to 23.9% in 2016<sup>6</sup>. This is a staggering increase in only six years.

Many of these workers are on or around the minimum wage, which is only around \$36,000 a year.

And below these workers we now have an underclass of people who are victims of day to day wage theft. Casual and temporary visa workers are hyper-insecure and cannot just ask for a payrise, let alone enforce our employment laws, as the independent umpire has been stripped of powers leaving a system that encourages business models for too many employers that are based on just ignoring our laws. The protections that are meant to be there to stop this abuse of power are ignored.

All of this brings us to an alarming decline in the share of national income going to labour. In fact the share of national income that goes to labour is at its lowest level in 50 years. Meanwhile, the share of national income going into profits has increased dramatically since 1990. Even the Reserve Bank of Australia in its latest statement on monetary policy noted this disparity.

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<sup>5</sup> Matt Cowgill 'A Shrinking Slice of the Pie'. From around 2000, wages growth decoupled from productivity— the labour share fell, as real hourly labour income failed to keep pace with productivity growth

<sup>6</sup> Department of Employment 'Trends in enterprise bargaining report march quarter 2017 summary'

So inequality exists and it is a serious problem. It will get worse unless we address the cause. The cause is the failed ideology of neoliberalism. Let's say it out loud. Let's face up to it.

So what can we do?

We need a new deal. We need to change the rules.

We need to put back protections that have been removed and make sure these protections, the checks and balances, fit the way businesses organise themselves today.

There are two areas where our Government can act to start restoring fairness.

The first is modernising our tax laws to ensure that everyone pays their fair share of tax. This will ensure that wealth is more fairly distributed and everyone benefits.

As the ALP have been proposing, we need to close corporate tax loopholes and tackle unproductive negative gearing and capital gains tax concessions which disproportionately benefit the wealthiest Australians.

The Government should also reverse its planned \$65 billion dollar corporate tax cut. Despite the Government's spin, this will not benefit working people or the economy- they are simply handouts to big business.

Increased corporate welfare is not used to build new factories, update technology and create more jobs. Rather a tax funded jump in corporate profits will end up in the pockets of the corporate executives and the, all too often, offshore shareholders.

The second is better and stronger rights at work for working people that also account for how businesses organise themselves.

The priority areas here are:

1. More secure jobs by taking away the incentives to casualise work
2. Restoring a strong, fair and independent industrial umpire
3. Ensuring a level playing field for bargaining
4. Rebuilding a relevant, modern and strong safety net for all workers

Industrial laws have always existed with one primary purpose, that is to address the inherent power imbalance that exists between capital and labour. That imbalance has never been greater. Our laws need change to do their job.

Finally, unions are the essential element to keeping inequality in check. It will not be enough to strengthen the support for individual workers if we do not also strengthen the support for their collective power – unions.

The union bashing must stop.

The laws that make the job of unions harder and harder must be addressed. It is in the interest of all Australians that we have a strong union movement. We have the harshest laws in the OECD against unions.



Only in parts of the US are the laws equally harsh. Australian unions operate in an environment of no support and continual, vicious attacks.

We are the people that win the increases to award wages and agreements. Yet, we receive no institutional support and many people benefit from our work without contributing to the cost. It is the same as having to give away a product for free.

If the same situation existed for companies – where they developed and produced something and then had to give it away for free - they would not survive.

Our society needs unions but due to this problem, commonly called the “free rider” problem, we have a market failure. We cannot forever provide this vital service to the whole of our society while relying on ever smaller groups of members to fund our activity. Our activity, which is about increasing wages and building a strong economy, ultimately benefits everyone in Australia.

Every other country in the OECD recognises this situation and finds way to support their unions. In Australia we need to build that recognition and develop the supports to keep unions able to lift wages and improve our economy.

This is the new deal we need.

We need to accept that the era of neoliberalism is ending and our Governments need to act on tax and labour law to bring fairness back to Australia.

Thank you