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YOU CAN'T GET HIGH GROWTH FROM LOW PAY



**CAMERON
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Economies are like cricketers: form is temporary, class is permanent. This is why watching Steve Smith these past 12 months has been a joy for any cricket lover.

Yet, with each century, and now the start of the Ashes, comes the obvious question: When and how will it come to an end? No Australian cricket fan wants Smith's streak to end but we know when it does the true test will be how quickly he regains his form.

The same predicament exists for the Australian economy as it closes in on two-and-a-half decades without two consecutive quarters of negative growth.

Not just when will the recession come but how will we grow out of the downturn?

No Australian wants a recession but, when it comes, that will be the true test for us. Naturally there is a stream of analysis from commentators on what led to our golden run and what will sustain it.

Unfortunately, too much of that analysis relies on either a rose-coloured, rear-view mirror or insists on simplistic rem-

edies to fuel future growth.

The suggestion that overblown entitlements and high wages are holding Australia back is one of the classics in the simplistic category.

Australia has seen an increase in real household income over the past 20 years.

By comparison, the US has seen a fall in real household income over a similar period.

The top 1 per cent has certainly enjoyed a boost to income in the US but unlike Australia other income groups have stagnated or fallen, not only among the poorest but for the bulk of middle America.

The desire to cut not just benefits but wages is more than simplistic; it is probably the most disappointing path to growth, in that it doesn't work and has far-reaching consequences.

Any attempt to compete with low-wage nations is a slippery slope. There may be a short-term uplift but inevitably you will need to keep cutting to be competitive.

Ultimately, if you get on the low-wage train you have to be prepared to stay on until the last stop, with significant erosion of basic quality of life for our poorest workers.

The route to growth is higher wages and improving productivity. So we need to invest in industries that will provide those jobs.

Here, Australia has some hard questions to answer.

Why are we graduating

fewer information technology graduates than we were a dec-

ade ago? Why are we trying to shut down clean energy initiatives as the world is ramping them up?

There is a very positive future for Australia.

It is a future that can deliver above trend growth, but it will require a more nuanced and critical view of what delivered our past growth and a more inclusive view of what can drive the next wave.

Cameron Clyne is the former CEO of National Australia Bank and now chairman of advisory firm Camel Partners and a member of the Chifley Research Centre's Inclusive Prosperity Commission.