

**Lunch for RBA Governor**  
**Wednesday 13 June 2018**  
***Introduction of Philip Lowe – Innes Willox***

Welcome everyone to this important discussion today with the Governor of the Reserve Bank of Australia, Philip Lowe.

It is a real privilege to have the Governor with us today. When he speaks the markets listen and he always has something substantial to say.

It's sometimes said that the Prime Minister is the most important person in Australia and the Captain of the Cricket Team is the second most important – (if not the most controversial).

If that's true, then arguably the Reserve Bank Governor is the third most important Australian.

He is a person whose decisions impact on the business and personal lives of everyone in this room – indeed of every Australian.

The theme of his speech today is '*Productivity, Wages and Prosperity*' and I will just make a couple of quick comments on that.

There has been a lot of negative sentiment recently around slow wages growth. This is in sharp contrast to discussions only five or so years ago when we were looking nervously at the implications of a period of rises in real unit labour costs in Australia and a worsening in

our labour cost/productivity equation relative to those in our major competitors.

Tellingly, the period of growth in relative unit labour costs was followed by a period of low jobs growth and by concerns that most of our jobs growth was in part-time positions.

In contrast in the past couple of years – after the period of low real wages growth set in – we have seen a very strong pick up in employment growth. And a large proportion of this growth has been in full-time positions.

It seems likely that at least a good part of the low real wages story is that we have seen a correction to an earlier phase of relatively strong unit labour cost growth.

This has occurred alongside us making only gradual inroads into the high levels of youth unemployment and youth underemployment that we saw in the years following the GFC. So there is much more progress that we should be aiming to make in this area.

Encouragingly, over the past couple of years we have also seen further rises in participation rates. We are now at all-time highs for total participation, for female participation and for the participation of over-65 year olds.

So clearly there are layers and layers to the low real wages growth story.

Looking ahead, if we are to deliver sustainable wages growth we need to also see a sustainable lift in productivity growth and our unit labour costs need to remain competitive.

A good part of productivity growth will come from the actions of businesses – investing, innovating and otherwise improving their businesses.

For their part, policymakers also have important roles and should focus on:

- improving our approach to all forms of infrastructure – economic and social;
- on the tax reform needed to support investment, innovation and employment growth; and, critically
- on ensuring that our education and training arrangements are capable of supporting the advances that we need to make:
  - in lifting foundation skills;
  - in improving our vocational education and training performance; and
  - in ensuring we equip our school leavers and our graduates with the range of skills that will allow them to make strong contributions to current and emerging industry needs.

Finally, our workplace relations landscape is changing with some unions intensifying a divisive anti-business rhetoric and arguing for workplace changes that would

make it harder for businesses to deliver productivity improvements rather than easier. For our part, Ai Group will continue to work for a more cooperative approach between business and the unions because we know how important it is for the economy and the prosperity of all Australians.

On that note, will you please welcome, RBA Governor, Philip Lowe:

**[Philip Lowe speech: Productivity, wages and prosperity](#)**