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ACTU calls for RBA overhaul

The ACTU has called for a comprehensive overhaul of the RBA which would include shifting the focus of the Bank to real wage growth and job creation, and ensuring the board has a diversity of skills and experience, including understanding of the labour market and wage setting systems.

In its submission to the independent inquiry of the RBA, the ACTU identified problems with the Bank's singular focus on inflation control, which often comes at the cost of wages and jobs for working people.

The RBA's modelling and publicly commentary on wages had been poor. Forecasting on wages growth has almost always been incorrect and the Bank has frequently warned about the potential of wage rises to cause inflation, despite record low wage growth acting effectively as a brake on inflation. Yet it has remained almost totally silent on the impact of companies making record profits off inflated prices.

This poor record is partly explained by the historically unusual make-up of the RBA Board, with all six lay representatives currently from business backgrounds, with no members who have specialist expertise relating to the labour market or wage setting systems.

The ACTU submission calls for:

- An explicit full employment target for the RBA, pursued in balance with an inflation target;
- Better modelling of wages and unemployment, and public commentary that better reflects the real drivers of inflation;
- The establishment of a macro-economic coordination committee to ensure that key institutions, including the RBA, are working in coordination to achieve full employment, and price stability;
- At least one position on the board for an expert on labour markets and real-world wage setting systems.

The ACTU also acknowledges that price and financial stability and full employment is not the task of the RBA alone. It calls for the creation of a coordinating council of Treasury, the RBA and APRA, among others, to work together to achieve macroeconomic goals, including fighting inflation and securing full employment.

Quotes attributable to ACTU Secretary Sally McManus:

“The RBA must always be independent, but it must also have a diversity of skills, experience and expertise to work in interests of all Australians. Lack of diversity causes blind spots, such as a one-sided and inaccurate view of what is occurring with wage expectations.

“The reality is that the Bank has been consistently wrong in its analysis of wage growth and the relationship between wages, unemployment and inflation. It has contributed to the current cost of living crisis through a myopic and heavy-handed approach to inflation control with little regard for other macro-economic goals like full employment and wage growth.

“Instead, the RBA should work in better coordination with the Government and other agencies to meet these goals, including by better tackling the underlying causes of inflation. It would be far better, for example, to regulate gas prices and reign in the profits of gas companies, than to keep hitting working people with huge mortgage costs.

“The Bank should be re-orientated with new objectives and greater range of expertise to ensure that it is working to make our economy and workforce stronger and more equitable.

“The extremely narrow skill set of the RBA Board must change. A body with this much power needs a diversity of skills, experience and expertise to best serve the interests of all Australians.”

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