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Tony Burke's deal with major resources companies is a political win

Workplace Relations Minister Tony Burke's deal with the Australian Resources & Energy Employer Association, which includes some of the nation's biggest resource and energy companies such as Fortescue, Woodside, ExxonMobil and Chevron, is a significant political breakthrough for the Albanese government on one of its signature issues: industrial relations. The deal comes on top of agreements with the Australian Hotels Association and gig platforms including Uber, DoorDash and Menulog. By splitting employers' opposition to the controversial Same Job, Same Pay Bill, currently the subject of a Senate inquiry, the deal increases the chances of the legislation passing when parliament resumes next year.

The new deal agrees to exempt service contractors from the new laws. AREEA chief executive Steve Knott, who had been a strong critic of Labor's workplace agenda for years, told Ewin Hannan that Mr Burke had responded to members' concerns that the government's labour hire proposals potentially could affect the broader resources and energy sector. Mr Burke said the government's amendments "will put it beyond doubt" that service contractors should not be captured by the new laws.

His behind-the-scenes negotiations allow the government to present itself as constructive and open to addressing the concerns of employers. The latest move is a political win for Mr Burke and the Albanese government in that it distances the companies from the Minerals Council of Australia, which has been a vocal critic of the government's industrial relations changes. Those enacted so far, such as multi-enterprise bargaining, and those in the new legislation are geared to making an already straitjacketed system – set up by the Rudd and Gillard governments and barely amended by the Coalition from 2013 to last year – even more centralised and rigid.

For the sake of the national economy, a key factor to be determined is how much, if at all, the deal is geared to improving productivity in return for new benefits for some workers. It needs to do so to help the battle against inflation and to create a better business climate to encourage growth and investment.

The link between productivity, wages growth and inflation was a key theme of the speech to the Australian Securities & Investments Commission annual conference on Tuesday by Reserve Bank of Australia governor Michele Bullock. Flat growth in productivity meant the nation's current wages growth of 4 per cent was "on the high side", Ms Bullock said. Without a lift in economic dynamism, the pace of pay rises would not be consistent with getting inflation back under control. Subduing inflation was "the crucial challenge" facing the economy in the coming one to two years, she said. In the minutes from the RBA board's Melbourne Cup Day meeting at which it lifted interest rates for the 13th time in 18 months, the bank confirmed it was prepared to raise them again if data in the coming months showed the economy and inflation were going better than expected. But the board acknowledged the "painful squeeze" on household finances after the rates increases to date, at the same time that living costs were soaring with sharp increases in essentials items such as food, energy prices and rents.

Central bank officials have made it clear that there is no evidence of the type of damaging and self-reinforcing wage-price spiral that emerged in the 1970s. But in her ASIC speech Ms Bullock said a lack of productivity growth, which slumped in the decade leading up to the pandemic and fell to zero through the crisis, meant employers were facing increases in labour costs of as much as 7 per cent. That makes it likelier that cost increases will be passed on to consumers, exacerbating inflation. The price of ineffective IR changes that fail to lift productivity will be higher living costs and interest rates.