


Economist Joseph Stiglitz says wages growth needs industry-wide bargaining

EXCLUSIVE

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Nobel Prize-winning economist Joseph Stiglitz has backed laws allowing across-the-board industry-wide bargaining by unions and workers to address weak wages growth.

Professor Stiglitz, who is visiting Australia to receive the Sydney peace prize, told The Australian that the practice of companies banking productivity increases and not passing on wage rises was one of the consequences of governments using laws to weaken the bargaining power of workers.

“If you have sector-wide, or even national-wide, bargaining, the countries that have been most successful in preventing this deterioration of wages have been the countries that have more sectoral and national bargaining,” he said.

“There are also sets of laws that have undermined unionisation so that the collective action of workers to defend themselves against employers has been weakened so those laws have to change. Those have to do, for instance, with collecting dues, ease of organising and so forth.”

Professor Stiglitz, who will address the National Press Club in Canberra tomorrow, said industry-wide bargaining had been effective in tackling wages growth.

“It’s one of the reasons why employers don’t like it,” he said. “The fact that it’s so controversial with employers coming down against it is, in a way, some evidence that it works because if it didn’t make any difference they wouldn’t be opposing it.”

He said industry-wide bargaining should be available across the workforce and not confined to certain industries because the problem of weak wages was “pretty much across the board”.

Professor Stiglitz said the productivity of workers had increased while wages had stagnated. “Profits margins are so large so that there is no argument that firms would have to raise prices if wages went up,” he said.

“If we return to the more normal relationship of getting better bargaining (and) wages to go up commensurably with productivity, there would still be no inflationary pressure.”

He said the decline in union membership and union density had “very much so” contributed to inequality. “Basically unions have been weakened through all variety of mechanisms ... it is both a cause and consequence of the weakening of workers’ bargaining positions,” he said.

He backed increases in the minimum wage and said there should be a broad objective that any worker with a full-time job was not living in poverty.

He said advances in technology would lead to a “larger economic pie so, in principle, if things are managed well, everybody could be better off”.

“But a very large fraction of the innovations are what we call labour replacing or labour saving and the effect of that is to reduce the demand for labour and that means wages will go down. And that mean inequality will increase,” he said.

Professor Stiglitz said policy decisions could be made to ensure that “unacceptable” outcome did not eventuate and workers shared in prosperity but “obviously a lot of people who are doing very well at the top don’t want to share the gains so it is going to be a political conflict”.