



AUSTRALIAN CHAMBER OF COMMERCE AND INDUSTRY

Opinion Piece by Peter Hendy, Chief Executive – Australian Financial Review – 29 March 2004

Cock-A-Hoop, but it's a False Dawn on Redundancy

Our good economic times and high living standards carry no guarantees into the future.

If last Friday's decision in the national redundancy test case is any guide, this message is still not understood by one of the Federal Parliament's powerful institutions, the Australian Industrial Relations Commission.

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The Commission decided to throw away 20 years of Australian law and remove an exemption it created in 1984 for small business from compulsory redundancy payments.

It is decisions like this that justify the case for further reform of the industrial relations system. Arbitrary, one-size-fits-all, centralized decisions with no clear understanding of the costs in individual workplaces boost the case for enterprise bargaining. As opposed to the Labor movement's call for greater powers for the AIRC, we argue that there should be less powers to make such damaging decisions.

When making a full-time or part-time employee redundant, small businesses will soon be required to pay between four and eight weeks redundancy pay per employee on top of all present termination pay obligations. The small business will also have to navigate Australia's job-destroying unfair-dismissal laws.

The removal of the small business exemption was made against the evidence and submissions presented by all employer bodies, the Federal Government and the State Labor Governments of NSW, Queensland and Western Australia. Somehow the Commission felt that it knew best.

The decision will add about \$259 million each year to the cost of redundancy payments by Australian employers, with \$109 million having to be found by small business.

While small business is the engine room of jobs growth, it is also much more susceptible to failure than larger businesses. Six months ago a similar union claim was rejected by the Queensland Industrial Relations Commission because it was decided that an obligation to make severance payments could result in the insolvency of several small businesses.

The Australian Council of Trade Unions might be cock-a-hoop at this decision, but it is a false dawn.



Paying a redundant employee three, four or five months' salary after they have left is not going to help the job security of staff who have survived the immediate redundancies. Cost increases of this size are neither absorbable nor affordable.

Nor are they fair. They punish businesses for restructuring to survive. Employers should not be penalized by industrial laws for doing what commercial common sense requires.

Once small business owners become aware of these new obligations they will wonder how on earth we still have a draconian, centralized industrial relations system where unions, which have no members working in their business, can still make claims that impose these costs on them.

Unless we do everything right to keep our economy strong, the higher cost of redundancies will make any economic downturn a harder landing. All of a sudden, the economic stakes in Australia have just become much higher.