



IR CHANGE MUST BE BALANCED

Opinion Piece by ACCI Chief Executive Peter Anderson on Government IR changes as published in *The Australian* on 19 November 2008

By Peter Anderson - Chief Executive, Australian Chamber of Commerce and Industry.

This is not the time to make excessive industrial relations changes, argues Peter Anderson

THE release next week of proposed national industrial relations laws is an important moment for Australian employers and the Rudd Government.

A rewrite of the complex Australian industrial relations system is a big and controversial task at any time. Doing it in the midst of an economic storm makes it daunting and risky.

Although industry expects industrial relations arrangements to change as governments come and go, the goal should be to make changes that reflect the nation's economic and social needs.

ACTU secretary Jeff Lawrence made it clear in these pages that this means making the safety net stronger than the Work Choices system. No doubt this will happen. It was a Labor Party election commitment.

The more difficult task is paying for that higher safety net of wages or conditions, especially when business conditions are getting worse. Governments have limited money, business has limited capacity, and no employed person wants to make their job less secure.

There is scope to better recognise some rights of union members. But where union rights are created, the system must also work in non-unionised workplaces, where most Australians are still employed.

Business is realistic about the need to make sensible changes to industrial relations, but the times don't lend themselves to the level of enthusiasm being expressed by union leaders. Risks still need to be managed. The greatest risk is regulatory overreach.

The announcement on Friday by Deputy Prime Minister Julia Gillard that some employers in lower-paying industries would be exposed to arbitrated decisions forcing them to pay higher wages and conditions than their legal requirements is a sign of overreach. Previous models of enterprise bargaining by Labor and Coalition governments did not go down that path. Arbitrating an agreement no longer makes it an agreement.

We can make our laws fairer, but many of the new rights unions seek still have to be paid for. To avoid shooting ourselves in the foot, the only sure way to fund the cost of industrial relations changes will be through improved productivity.

Productivity requires flexibility in some of the new employment rules, and sensible willingness by unions and employees to reach agreements that lift productivity in return for the better wages or conditions.

If we are going to have arbitration rights above the safety net, then arbitration will need to compel productivity gains, not just better wages.

Job security is a common goal of business and unions in the present financial environment, but it is ultimately business conditions that matter. Unfair dismissal laws can protect some against a few rogue employment decisions, but you cannot legislate job security.

Much will be said about mandates and counter-mandates over the next few months. Parliament needs to recognise the Government's mandate to implement its policy, and the consultative approach taken before tabling legislation.

Equally, the Government said it would not only lift the workplace safety net but also act conservatively when it came to economic matters. Industrial relations laws certainly fall into that category.

The Senate also has a mandate to examine laws and propose amendments, especially when complete rewrites of the system are proposed, with its complex economic, industrial and social interactions. For industry, each proposed change will be examined on its merits and the system assessed as a whole. Business realities must be explained and defended.

Debates about industrial relations ideology will not get industry anywhere in parliament. Realistic and reasonable proposals for amendment might. Presumptions that the Government has it all wrong will be misplaced, as will assumptions that its proposals are without criticism or scope for improvement. Overblown rhetoric might grab a headline but not an outcome.

Rarely does a government get a large package of legislative reform right from the outset. I have been associated with seven major changes to industrial relations systems in my career so far, including this one. On each occasion the government of the day said its legislation should be passed without amendment, only to find that amendments were made in upper houses, sometimes by governments themselves. One hundred and seventy changes were made to the Howard government's IR laws in 1996.

Above all, union enthusiasm for change must be moderated by a recognition that placing excessive additional workplace regulation on employers will be risky, especially in a time of economic downturn and at a time when unemployment is forecast to rise even under existing laws.

Through no fault of the Government, its labour laws were conceived when we were at the top of the economic cycle. They must be tested against what will work best in this different context.

Strangely, it may be in the Government's interest for the Senate to make sure that gaps in providing reasonable flexibility are filled, alongside an improved safety net. That would make its system more durable, even though it may not be exactly what unions have been hoping for.

Peter Anderson is chief executive of the Australian Chamber of Commerce and Industry.