



MODERN AWARDS WILL KILL OFF JOBS

Opinion Piece by ACCI Chief Executive Peter Anderson for The Australian - "Modern Awards Will Kill Jobs"
- 15 May 2009

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

Wage costs will soar, warns Peter Anderson

WAS this budget good for jobs, I was asked this week. Before I could answer the question, a business owner told me that in the days before the budget he was thinking of reducing staff numbers and that the budget didn't change anything on that score.

Although the budget supports the economy and jobs with good investment in infrastructure, this cameo suggests employers still face a tough time holding on to staff.

Looking beyond the budget, an area where governments have not made it easy on the jobs front is the new industrial relations laws that start in July and next January.

These laws will rewrite many of the IR rules, especially rules set out in industrial awards. In the IR world, awards are not a prize. They are the rules that tell employers in specific industries their obligations concerning wages, classifications, penalty rates, allowances, rosters and leave.

Sensible employers will accept that there needs to be a fair set of rules that work as a safety net.

The Government has asked the Australian Industrial Relations Commission to rewrite these rules. Employment and Workplace Relations Minister Julia Gillard made a spirited defence of this decision in the opinion pages of The Australian on Tuesday, arguing that these rules needed to work on a national basis. On that the Government is right.

The problem is that employers in some industries in some states are facing large increases in labour costs simply because of this policy. Some penalty rates and allowances look like going up, and in some cases flexibility in hours and rostering will be removed. This is all in the name of a regulatory clean-up, not because employees or the business are working any differently or more productively.

The labour-intensive parts of the economy, such as shops, tourism and hospitality, are the big employers under industrial awards. They are often small and medium businesses with few, if any, disagreements with their staff on wages and conditions.

These businesses are under the gun with these modern awards. Some will have to avoid the higher costs by cutting back on jobs. Some employers even are saying they will need to limit hours of operation. That's hardly a modern approach. Industrial relations rules should set a safety net for employees, not control how businesses operate in the economy and when they provide consumer services.

The Government said the new awards would not increase employer costs. That expectation is being dashed. To make matters worse, it is asking the parliament during the next month to pass a law that will give every employee a watertight legal guarantee that no employer can allow that employee to lose money as a result of the modern awards. Yet the Government refuses to include in that law its promise to employers about not increasing their costs.

This is a one-sided approach to industrial relations. It is exactly a situation where the Senate should step in to hold the Government to its promise to small business.

The emerging problems with these modern awards is made worse because the Government's IR system gives employers little scope to work around these rules in a legal way. The new IR legislation brings back laws that make compliance mandatory, with only limited scope for agreements to be made in workplaces that change the rules. No employer is allowed to change the new award rules, even by agreement with employees, unless the employee is better off than the new award platform of wages and conditions.

The Government was wrong to put industry-wide awards back at the centre of labour market regulation. Given that the Government has also created new and higher employment standards in legislation, award rules did not need to become such a big part of the new system. A double safety net of legislation and awards is a recipe for over-regulation.

Because awards regulate thousands of businesses in the same way, they create inefficiencies and inflexible work practices as business conditions vary. Past experience with inflexibility in awards ultimately led to the creation of enterprise bargaining in the 1990s, to work around these problems. The Government is trying some different things to avoid the problems of the past. But it is creating potentially more serious problems for industry.

Gillard is not wrong to want a simple national system of IR rules. Industry believes that is the right plan. But the content and workability of IR rules are what really matters, and what business will judge a system on.

For the industries likely to be badly affected the Government holds out hope that phasing in changes will placate employer concerns. Some relief is better than none, but it cannot be at the expense of ditching the government guarantee that employer costs won't rise.

In any process of revising regulation there are hard choices and give and take. But these are not theoretical exercises; they have large practical consequences for shops, cafes and many other small businesses.

The solution lies in the Government giving full effect to its promise to these employers to not increase employer costs just because of a regulatory clean-up, and requiring the AIRC to do so. New awards with higher costs should not come into operation unless and until that occurs.

Industry must work with the Government and parliament and come up with constructive solutions.

Many in the community wanted the previous Work Choices IR laws abolished. But what is happening with the new awards is swinging the pendulum too far the other way.

Old awards are not just coming back, they are coming back with new and tougher rules on some employers.

That's the last thing the Government needs as it copes with a budget that already forecasts one million unemployed by 2011.

And in a recession, industry needs it like a hole in the head.

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