

**SENATE EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION
LEGISLATION COMMITTEE**

**2005-2006 SUPPLEMENTARY BUDGET SENATE ESTIMATES HEARING
2 and 3 NOVEMBER 2005**

EMPLOYMENT AND WORKPLACE RELATIONS PORTFOLIO

QUESTIONS ON NOTICE

Outcome 2: Higher productivity, higher pay workplace

Output Group: 2.1: Workplace relations policy advice and analysis

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Question Number: W594-06

Question:

Senator Marshall asked in writing: Can the Department explain how it considers the IR changes to be beneficial for IR stakeholders when, by its own admission, it has not conducted or commissioned any research, surveys or studies on the attitudes, problems and future wishes of IR stakeholders (W313-06)?

Answer:

The policy rationale for the *WorkChoices* reforms is clearly set out in the document *WorkChoices: A New Workplace Relations System*, released on 9 October 2005 and in the Explanatory Memorandum to the Workplace Relations Amendment (Work Choices) Bill 2005.

The views of stakeholders in relation to workplace relations reform are well known. Peak bodies such as the Australian Council of Trade Unions, the Australian Chamber of Commerce and Industry and Australian Industry Group have set out their positions in well articulated, detailed, publicly available policy documents. Many elements of the *WorkChoices* reforms have been the subject of inquiries by Parliamentary committees. The Senate Employment, Workplace Relations and Education Committee, for example, has conducted 20 inquiries into workplace relations issues since 1996, to which hundreds of submissions have been made by stakeholders across the spectrum of policy debate.

In relation to the effect of the proposed reforms on the Australian economy more generally, it has been found by the Productivity Commission that the adoption by workplaces of flexible workplace relations arrangements facilitated by past workplace relations reforms has improved productivity performance.¹ Other researchers in Australia including Fry, et al have found that firms adopting workplace relations

¹ Productivity Commission, *Microeconomic Reforms and Australian Productivity: Exploring the Links, Volume 2: Case Studies*, Research Paper, Ausinfo Canberra 1999; *Productivity in Australia's Wholesale and Retail Trade*, Productivity Commission Staff Research Paper, Ausinfo, 2000

reform reported higher levels of productivity than competitors.² Tseng and Wooden, Connolly et al, and others have all found that increases in bargaining increased productivity.³ On an industry basis, an Access Economics report for the Business Council of Australia has found a strong correlation between the degree of agreement making within an industry and the rate of productivity growth in that industry.⁴

International bodies such as the International Monetary Fund and the Organisation of Economic Co-operation and Development have also noted the benefits of flexible workplace relations arrangements in enhancing productivity growth in Australia.⁵ The IMF views the proposed reforms as further steps in the same direction as past reforms to increase labour market flexibility and which will help sustain Australia's economic performance. Indeed the fall in productivity over last financial year reinforces the need for further workplace reform to ensure that past gains are not unwound.⁶

² T Fry, K Jarvies and J Loundes, *Are Pro Reformers Better performers?*, Melbourne Institute Working Paper, No.18/02, Sept 2002.

³ Y-P Tseng and M Wooden, *Enterprise Bargaining and Productivity: Evidence from the Business Longitudinal Survey*, Melbourne Institute Working Paper, No.8/01, July 2001. G Connolly, A Herd, K Chowdhury and S Kompo-Harms, *Enterprise bargaining and other Determinants of Labour Productivity*, Paper presented at the Australian Labour Market Workshop 2004., UWA [Http://www.clmr/uwa.edu.au](http://www.clmr/uwa.edu.au) (last accessed 1 Feb 2005).

⁴ Access Economics. *Workplace Relations: the way forward*. Canberra 2005, p 21.

⁵ International Monetary Fund, *IMF Survey*, Oct 31, 2005; International Monetary Fund letter to the ACTU President Sharan Burrow, <http://www.imf.org/external/np/vc/2005/102705.htm> (accessed 10/11/05). Organisation for Co-operation and Economic Development, *OECD Economic Surveys – Australia 2004*.

⁶ ABS, Australian System of National Accounts 2004-05, Cat. No. 5204.0.