

## Preface

The Coalition government's policy on unfair dismissal laws applying in the small business sector, and its attempts to implement this policy in numerous unsuccessful amendments to the *Workplace Relations Act 1996*, has been ground well raked over by the Employment, Workplace Relations and Education Legislation Committee.

It is now the turn of the EWRE References Committee to consider the basis of the Government's policy in more abstract terms, using the academic research that is available, as well as new data on termination of employment applications under state and federal jurisdictions. This report takes a fresh look at the Government's unfair dismissal policy, in particular its major claim that exempting small business from unfair dismissal laws will create 77,000 new jobs. The report's primary purpose is to consider whether there is any merit in the Government's argument: that unfair dismissal legislation is a worthwhile labour-market reform which would encourage both higher and more stable employment in the small business sector.

Small business is the largest employment sector. The committee's stance begins at a point which is close to the Government's concerns. There can be no dispute about the need to expand the small business sector and to increase its ability to absorb more labour and to increase its levels of profitability and productivity. Yet the research shows that small businesses are, in large measure, reluctant employers. They are not interested in growth for growth's sake. And without growth in the small to medium business sector, large-scale enterprises are unlikely to emerge.

The committee and the Government part company as soon as the evidence is reviewed. The committee believes that Government policy on unfair dismissal, in the light of inconclusive evidence, has its basis in an ideological position which has little relevance to the real problems that face small businesses. The claim made by the Government and employer groups about 77,000 small business jobs is unsupported on the evidence. This report shows conclusively that the claim is based on misinformation and wishful thinking rather than objective appraisal of the facts.

The committee's consideration of unfair dismissal policy has addressed in passing the Government's intention, as announced by the Prime Minister, to push ahead with a new package of industrial relations 'reforms', when it assumes control of the Senate on 1 July 2005. The committee believes strongly that the Government's intention to introduce an exemption for businesses with up to 100 employees represents an opportunity missed by the Government to improve the unfair dismissal system. It argues, and recommends accordingly, that the Government should not make any further changes to unfair dismissal laws until an independent review of Government policy has been conducted by experts. In the meantime, the Government should consider a number of sensible measures to improve and simplify procedures for unfair dismissal applications and to reduce costs for small businesses.

The subcommittee formed to deal with the inquiry into unfair dismissal and small business employment commends its report to the full committee.

Senator Trish Crossin  
Chair

Report formally adopted by the  
committee on 20 June 2005 for tabling