

**PRIME MINISTERIAL STATEMENT:  
WORKPLACE RELATIONS**

**PARLIAMENT OF AUSTRALIA**

**26 MAY 2005**

## **STATEMENT ON WORKPLACE RELATIONS**

For the benefit of the House, I wish to outline the Government's plans for an historic modernisation of Australia's workplace relations system.

The Australian economy has performed very strongly in recent years. Our people have enjoyed higher living standards from a combination of prudent economic management, strong jobs growth, higher real wages, low inflation and interest rates, lower taxes, increased family benefits and improved government services.

While the Government is proud of this record, Australia must press ahead with economic reform if we are to prosper in the 21<sup>st</sup> century.

As in the past, our future living standards will rely largely on the productivity of our workers and their workplaces. This Government trusts employers and employees to make the right decisions in the workplace.

The measures I am outlining today represent the next logical step towards a flexible, simple and fair system of workplace relations. Australia must take this step if we are to sustain our prosperity, remain competitive in the global economy and meet future challenges such as the ageing of our society.

The essence of these reforms is to further promote and facilitate the making of agreements at the workplace level. Only through this will the full potential for productivity gains in the Australian economy be realised.

The Government's reform package includes:

- New arrangements for setting minimum wages and conditions;
- A more streamlined process for the making of workplace agreements;
- Greater award simplification and a more focused role for the Australian Industrial Relations Commission;
- Major liberalisation of unfair dismissal laws which have held back job growth in Australia; and finally
- The goal of a national industrial relations system – one that reflects the competitive reality of the Australian economy in the year 2005.

Australia's continued prosperity hinges squarely on a flexible and dynamic labour market. It is the single most important determinant of our ability to secure future productivity gains from higher skills, new technology, competition and open trade.

Members are aware that the Government introduced significant reforms to free up Australia's labour market in 1996. These reforms simplified an overly prescriptive award-based system and gave Australian employers and employees greater choice in negotiating working conditions. They have helped to sustain productivity growth and higher living standards over the last nine years.

Unfortunately, however, the Government was not able to persuade the Senate to go further with reforms that would truly bring our workplace relations system into the 21<sup>st</sup> century.

That is why the Government is now asking the Parliament again to consider a package of workplace reforms. This package embodies one of the great pieces of unfinished business in the structural transformation of the Australian economy.

### **Key principles**

These reforms are based on principles that balance freedom and fairness and that have underpinned the Liberal and National Parties' historic contribution to changing the culture of industrial relations in Australia. These are principles that I have sought to articulate over two decades.

The Government's aim is to give even greater freedom and flexibility to employers and employees to negotiate at the workplace level.

We want to encourage the further spread of workplace agreements – both individual and collective.

We provide people with the choice of remaining under the existing award system or entering into workplace agreements.

We ensure all Australians have the right to join – or not to join – a trade union.

And we preserve the right of workers to have a trade union negotiate in the workplace on their behalf if they so wish.

### **Minimum wages and conditions**

The Government remains committed to protecting workers with a fair and sustainable safety net of wages and conditions. A new body – the *Australian Fair Pay Commission* – will set a single adult minimum wage on a periodic basis. This will be guided by parameters set in legislation. It will also adjust minimum junior, training and disability wages, award classification wages and casual loadings.

Wage rates contained within awards will also be set by the Australian Fair Pay Commission. Award-based classification wages will not fall below the level set after inclusion of any increase determined by the 2005 Safety Net Review,

although they will be capable of upwards adjustment by the Fair Pay Commission. Award classification wages will not be reduced nor are we abolishing awards.

Australian workers can be assured that this is not a wage cutting policy.

For the first time, the Government will introduce legislative minimum conditions to protect the rights of Australian workers. These conditions will be for annual leave, personal leave, parental leave (including maternity leave) and a maximum number of ordinary working hours. There can be no better guarantee of minimum conditions than those set in law.

Currently workplace agreements are assessed against a test which is unduly complex and which acts as a hindrance to agreement making. For this reason, the Government will introduce a new *Australian Fair Pay and Conditions Standard*.

This Standard will be based on minimum wages, as set by the Australian Fair Pay Commission, and the guaranteed minimum conditions of employment as set out in legislation. No worker can have their relevant award classification rate lowered.

This new Standard will be the test for all agreements. It will make it easier for employers and their employees to compare any agreement against this new safety net of fair pay and conditions.

It will strike a sensible and fair balance between business certainty and safeguarding employee rights. It will provide the basis for continued job growth at a time when Australia must increase participation in the workforce.

## **A simplified process for agreement making**

The introduction of workplace agreements has given businesses and workers greater flexibility in negotiating working conditions. But to lock in low unemployment, higher productivity and higher wages, more needs to be done to facilitate and streamline agreement making.

Currently the process is long and frustrating to employers and employees, preventing many from agreeing to their own arrangements at the workplace. The Australian Industrial Relations Commission must be involved in every collective agreement, even where the parties are in complete agreement.

The Government is determined to make it simpler to bargain at the workplace level. We will deliver a streamlined, simpler and less costly agreement making process so that all collective and individual agreements will now be approved on lodgement with the *Office of the Employment Advocate*.

## **Award protection and the role of the Australian Industrial Relations Commission**

Since the Award simplification process was introduced, progress has been made in reducing the complexity and overly prescriptive nature of awards. However, awards continue to be complex and difficult for workers and their employers to understand.

That is why further award simplification will be undertaken to ensure they provide a modern and simple safety net.

Matters that are already covered by other legislation – including jury service, notice of termination, long service leave and superannuation – will be removed from awards.

To further reduce complexity and ensure greater focus at the workplace level, a review will be conducted of the existing awards and award classification structures. The purpose of this review will be to rationalise these structures so they are relevant to a dynamic and flexible economy.

The review will be undertaken by a special Task Group which will be asked to complete its work within 12 months.

The role of the *Australian Industrial Relations Commission* will change to keep pace with the needs of the Australian economy. Australia's current workplace relations system is based on an adversarial and outdated view of workplace relations. It is a product of a by-gone era of crippling nationwide disputes and a small, inward-looking economy.

In the future, the Australian Industrial Relations Commission's focus will be on its key responsibilities of resolving legitimate disputes and further simplification of awards.

### **Unfair dismissal laws**

In 1993, the Keating Government introduced job-destroying unfair dismissal laws. These laws have held back employment. Rather than protect jobs, they have prevented jobs being created.

The Government will legislate to exempt businesses with up to 100 employees from the unfair dismissal system. This will generate jobs in small and medium businesses, the engine room of the Australian economy.

In addition, for businesses with more than 100 employees, the probation period for new employees will be increased from three to six months and the rules streamlined.

Workers will continue to be protected from unlawful termination, including dismissal on discriminatory grounds such as race and gender.

The Government will also proceed with stalled legislative measures which replace the myriad of complex and conflicting State laws with one system of unfair dismissal.

### **A national workplace relations system**

Australia currently has six different workplace relations systems with thousands of different Federal and State awards. This system of overlapping Federal and State awards is too complex, costly and inefficient.

The Government believes that a single set of national laws on industrial relations is an idea whose time has come. In an age when our productivity must match that of global competitors, forcing Australian firms to comply with six different workplace relations systems is an anachronism we can no longer afford.

The Government will work towards a unified national system in a cooperative manner with the States. Our preference is for a single system to be agreed between the Commonwealth and the States – as was the case with Victoria's referral of power in 1996.

At the June 2005 Council of Australian Government's meeting, other States will be invited to refer their powers on workplace relations to the Commonwealth. In the absence of referrals by the States, the Government will

move towards a national system by relying on the Corporations power in the Constitution.

A national system is the next logical step towards a workplace relations system that supports greater freedom, flexibility and individual choice. It is not about empowering Canberra, but liberating workplaces right across this country.

### **Delivering on election commitments**

The Government's programme of workplace relations reform includes full implementation of our election commitments. The Government will:

- Protect the status of independent contractors and support the right of people to make a choice about their working arrangements;
- Ensure the rule of law is restored to the building and construction industry;
- Restore the exemption for small business from making redundancy payments;
- Establish the Australian Safety and Compensation Council to oversee implementation of national occupational health and safety standards and pursue a national approach to workers' compensation; and
- Remove barriers to the take up of school based apprenticeships and part-time apprenticeships.

The Government will continue to pursue other stalled legislative measures, as amended to reflect current policy. This includes measures to:

- provide stronger laws in relation to industrial action (including secret ballots);

- provide a single right of entry regime; and
- discourage pattern bargaining.

The legislation necessary to put in place the framework for a new workplace relations system will be developed forthwith. The Minister for Employment and Workplace Relations will continue to consult on the detail of the legislation.

### **The Chicken Littles**

There will be those who say these reforms are unnecessary. Some will argue that they represent an attack on the pay and conditions of the working men and women of Australia.

They will be wrong – just as wrong as those same voices were when they preached doom and gloom about the Government’s workplace relations reforms in 1996.

Let me quote just one example of the Chicken Little mantra that was the stock in trade of the Australian Labor Party then, and that will doubtless become the barnyard cackle in coming months. Of the Chicken Littles, none was more shrill than the Member for Perth (now Labor’s industrial relations spokesman). In October 1995, he said this:

‘The Howard model ... is all about lower wages; it is about worse conditions; it is about a massive rise in industrial disputation; it is about the abolition of safety nets; and it is about pushing down or abolishing minimum standards.’

That was the Member for Perth a decade ago. The sky was going to fall.

For the benefit of the House, let's look at what has occurred under this Government.

We have seen real wages in Australia grow by 14 per cent since March 1996, in contrast with the miserable 1.2 per cent growth over the entire 13 years of the previous Labor Government.

We have seen more than 1.6 million new jobs created so that today unemployment is near a thirty year low and more Australians are in work than ever before.

We have seen more Australians choosing the working arrangements that best suit their needs and their family responsibilities.

We have seen a dramatic fall in industrial disputation with the number of working days lost per thousand workers at the lowest levels in 90 years.

And we have seen steady growth in the living standards of the lowest paid members of the Australian workforce, a point underscored by the National Centre for Social and Economic Modelling (NATSEM) when it found that the strongest growth in private incomes over the period from 1994-95 to 2002-03 was enjoyed by low income households.

So much for Labor's Chicken Little misinformation and mythology when it comes to workplace relations.

## **Conclusion**

Australia needs a workplace system geared to the present and the future, not to the past. Under this Government, that system will be one of high productivity, increasing real wages, choice and flexibility.

Our society has changed. The world of work has changed. The aspirations of Australian working men and women are high and rising. Our institutional structures must reflect these realities.

A single set of rules for minimum wages, conditions, awards and agreements will provide the long overdue framework to drive future productivity growth, create jobs and increase the standard of living of working Australians.

I said at the outset that this Government trusts employers and employees to make the right decisions in the workplace.

Mr Speaker, the era of the select few making decisions for the many in Australian industrial relations is over.