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Australia Needs More Than Labor's Union-appeasing Industrial Relations Laws To Fix Our Chronic Worker Shortage

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At a critical economic period in our history, union-friendly concessions have been made instead of real reform enacted for the benefit of everyday Australian.

You would have to look very hard to find someone to argue that Australia's industrial relations system is not in dire need of reform, and Prime Minister Anthony Albanese was right to pursue it early in his term in office.

Yet somehow, the required industrial relations reform was nowhere to be seen in 2022.

What the Prime Minister did deliver however, was the introduction of multi-employer bargaining.

Multi-employer bargaining is a mechanism which allows unions to take individual employers out of the bargaining process with employees when drafting enterprise agreements.

With individual employers excluded, it increases the ability of unions to plan and enact industry-wide strikes across the economy, vastly expanding their power within the Australian labour market.

Not surprisingly, multi-employer bargaining was heavily criticised by the Federal Government's opponents, the cross bench, the RBA, economists, the Productivity Commission, the media, and business groups.

This occurred, despite the latter falling hook, line, and sinker for the government's agenda at the Jobs Summit earlier in the year.

Criticism of multi-employer bargaining has been diverse and largely not borne out of "anti-worker" sentiment, despite what Labor and unions will say.

Instead, the negative reaction is because it is bad policy that has been enacted at an even worse time of rising inflation and a shortage of workers.

Make no mistake, Australia faces an unprecedented worker shortage.

According to data released this week from the Australian Bureau of Statistics, there are over 444,000 job vacancies across the country, and over 27 per cent of businesses reporting vacancies.



Since May 2020, the number of job vacancies have increased by 244 per cent, and the number of businesses with vacancies have increased by 326 per cent.

Recent analysis by the Institute of Public Affairs found that our current worker shortage level will cost Australians \$32 billion in foregone wages and the Federal Government \$7 billion in foregone income tax revenue.

This is revenue that could have been invested in roads, schools, and hospitals or even used to help pay off our spiralling national debt.

Not only that, but business investment as a percentage of the economy, a critical measure of economic performance, is at a record low.

Today, it is lower than during previous times of economic crisis, such as, the Global Financial Crisis, the 1990s recession, or the worst of the Whitlam years.

Any economist worth his or her salt, understands that a lack of new business investment into our economy prevents innovation and limits opportunities for Australians.

Expanding the scope for and likelihood of industry-wide strikes will not increase Australia's record low private business investment or improve job growth.

In their five-year interim report, the Productivity Commission said:

“Removing restrictions on protected industrial action and bargaining orders would pose significant risks to productivity and real wages if it led to wider industrial action, with impacts on the broader economy.”

Decreasing the level of job vacancies by stifling the productivity of businesses and making it harder to employ Australian workers is no solution to addressing this crisis.

Further research and analysis by the IPA found that increasing the pool of workers available to businesses is the best way to solve these challenges.

An immediate first step that can be taken is by doing a proper job of cutting red tape that prevents age pensioners, veterans, and disadvantaged students from working.

Currently, an aged pensioner or veteran can only earn \$300 a fortnight before their benefits are reduced by 50 cents on the dollar.

This low threshold of \$7,800 per annum gives them little incentive to work beyond one day a week, if at all.

If they work beyond this, their combined earnings and benefits are subject to income tax, meaning that working pensioners could be subject to an effective marginal tax rate of up to 69 per cent.



Although, the Federal Government has passed legislation to increase the annual threshold by \$4,000 per annum, this only increases penalty-free work by half a day per week.

This is simply not enough to incentivise the thousands of pensioners who want to work but cannot because of the system in place.

Those on the youth allowance face similar barriers to work.

Once students on the youth allowance earn more than \$450 a fortnight, much like pensioners and veterans, they lose 50 cents on the dollar in terms of their benefits.

They then lose 60 cents on the dollar once they earn more than \$540 a fortnight, and their benefits become subject to income tax.

These young Australians are being discouraged from learning and developing the vital skills required for a life in the workforce.

The IPA presented evidence and research to the Senate Committee for Community Affairs in September 2022, which found that the Federal Government should remove all work restrictions facing these people.

Yet the government has continued to ignore our worker shortage crisis.

Having a larger pool of potential employees will improve the productivity of businesses, which will incentivise private investment into the economy, allowing more people to benefit from the dignity of work, and increase tax revenue for the Federal Government.

At a critical economic period in our history, pandering concessions to unions have been made instead of real reform enacted for the benefit of everyday Australians.

In 2023 the Albanese Government must represent mainstream Australia and increase work opportunities for Australians who deserve a fair go.

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