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FAIR WORK SYSTEM FAILING ON JOBS

John Lloyd, Director, Work Reform and Productivity Unit at the Institute of Public Affairs has warned in the *Australian Financial Review* today that the failure of the current workplace relations system to deliver agreements that address productivity improvements will lead to further jobs pain in coming months. The story followed the release of the Institute of Public Affairs' submission to the Fair Work Act Review.

The announcement today that Qantas will axe 500 jobs after a massive decline in profitability, following crippling industrial disputes in 2011, is just the latest piece of evidence that the Fair Work Act is not working.

Many Australians have recently had the dreadful experience of losing a job. Many industries are affected. Neither managers nor workers are safe.

Various causes are catalogued; the strong dollar, cheap imports, internet transactions, the carbon tax, excessive regulation, high labour costs and rigid workplace arrangements.

The normal response of union leaders is to call for greater support from government or criticise the competency of management. Union leaders never, and management personnel rarely, canvass a contributing factor in many job loss cases: inflexible enterprise agreements and awards.

Inflexible enterprise agreements and awards result in reduced international competitiveness and poor productivity. Just this week we have union officials boasting about a spectacular enterprise agreement at GM Holden. It delivers a guaranteed remuneration increase of 18.3 per cent over the next three years. It entails not one scintilla of productivity improvement.

Similarly, the pattern agreement in the Victorian building industry negotiated last year saw labour cost increases of 24.5 per cent over four years without any commitment to improve productivity.

A system that regularly delivers such insular agreements is failing. Parties entering such agreements invite a reckoning that inevitably will involve business contraction and job losses.

We have proposed reform of major aspects such as choice of agreement, bargaining rules, right of entry, independent contracting and transfer of business.

No one should take their job for granted. It is up to union leaders and business managers to bargain constructively to improve the efficiency and competitiveness of the firm.

For media and comment:

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The IPA submission is available at:

[http://ipa.org.au/library/publication/1329347843_document_120214 -
_fair work act review 2012.pdf](http://ipa.org.au/library/publication/1329347843_document_120214_-_fair_work_act_review_2012.pdf)