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Business doubts workplace gains

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BIG business has cast doubt on the benefits of the Government's workplace changes, with some companies saying the reforms may have only a limited impact on labour costs and productivity.

In a blow to claims by the Government that the gains would be significant, a report by the world's largest bank, Citigroup, says the economic benefits from the changes "may not be large and certainly are more medium-term in nature".

Less than three weeks after the legislation came into effect, the report argues that further economic changes are needed to increase productivity.

The report has been criticised by supporters of the workplace changes, but has given unions ammunition to attack the Government.

NSW's largest business lobby group, ABL/State Chamber, said yesterday the changes were not a waste of time and pointed to a paper released by the Treasury last year that said labour market reform could increase the country's gross domestic product by up to \$26 billion a year.

The group's chief executive, Mark Bethwaite, disagreed with the report's findings and said the workplace changes would lead to wages rising because of productivity gains. "The real gains come from improved dialogue between employees and employers," he said. "Real wages have improved since 1993 because productivity gains have allowed it."

But the survey of 25 listed companies - which account for two-fifths of the value of the stock exchange's top 100 - found that two-thirds believed the changes would have only a limited impact on reducing labour costs, while half thought the impact on productivity would be minimal.

"If there is a short-term impact that could help moderate wage pressures this year, it could come from where employees feel less secure," the report said. Researchers said it was striking that "even proponents of IR reform have been at best lukewarm over the changes".

But the Workplace Relations Minister, Kevin Andrews, said similar claims were made after the introduction of the Workplace Relations Act in the mid-1990s, but those businesses that took up the flexibility it permitted

increased their productivity.

"The experience of the last 10 years is an indication that workplace flexibility correlates with productivity growth - and that's what these changes are about," he said.

However, an economist who has often supported the Government's initiatives agreed the changes offered "no magic bullet" in delivering an increase in productivity.

"I think [the Government] has gone to a lot of effort and copped a lot of flak, probably for minimal return," said Professor Mark Wooden, the deputy director of the Melbourne Institute.

Any benefits to labour costs would be "very, very modest", Professor Wooden said. "The bottom line is that if we want to free up markets you cannot do it without taking on the social security system."

The president of the **ACTU, Sharan Burrow**, said the report was proof that the changes were never designed to deliver sustainable productivity.

"The laws are not about productivity [or] ... delivering a sustainable economy. They will damage dreadfully the lives of working Australians and their families," she said.

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