CCIQ Powering business potential

18 May 2015

The Research Director
Finance and Administration Committee
Parliament House
George Street
Brisbane QLD 4000
Submitted via email: fac@parliament.qld.gov.au

Dear Research Director,

The Chamber of Commerce and Industry Queensland (CCIQ) welcomes the opportunity to provide feedback to the Finance and Administration Committee (the Committee) on the *Industrial Relations (Restoring Fairness) and Other Legislation Amendment Bill 2015* (the Bill). The proposed amendments to the *Industrial Relations Act 1999* (and consequential amendments to the subordinate legislation – the *Industrial Relations Regulations 2011*) that CCIQ wishes to specifically respond to include:

- Reinstate employment conditions for Government workers that were removed as a result of changes to the *Industrial Relations Act 1999* (Qld) made in 2012 and 2013; and
- Re-establish the independence of the Queensland Industrial Relations Commission when determining wage cases;

Firstly the Queensland Government referred their private sector industrial relations powers to the Federal Government in 2010 leaving the Queensland *Industrial Relations Act 1999* covering State public service and local government employees. Subsequently, CCIQ does not believe that the proposed amendments to the Bill will have a direct impact on the day-to-day operations of Queensland businesses.

Nevertheless, certain aspects of the Bill go to the health of Queensland's economy on a broader scale and it is in this light that the Queensland business community has a strong right to be heard on contributing at least $8.1 billion to the State Government through payroll tax, land tax, business stamp duties and motor vehicle rego or 65% of total taxation revenue. Approximately 44% of the State's operating expenses in 2014-15 are apportioned as employee or superannuation expenses. Accordingly the nexus between businesses taxes and the State budget's employee expenditure is strong. Business wishes to see its taxes used appropriately and anything short of optimum efficiency infers that business is paying higher taxes than necessary.

Accordingly CCIQ strongly believes that the QIRC should give consideration to the State's financial position and fiscal strategy, including the financial position of the relevant public sector entity, when determining wage negotiations. Additionally over measures that were introduced under the *Industrial Relations (Fair*

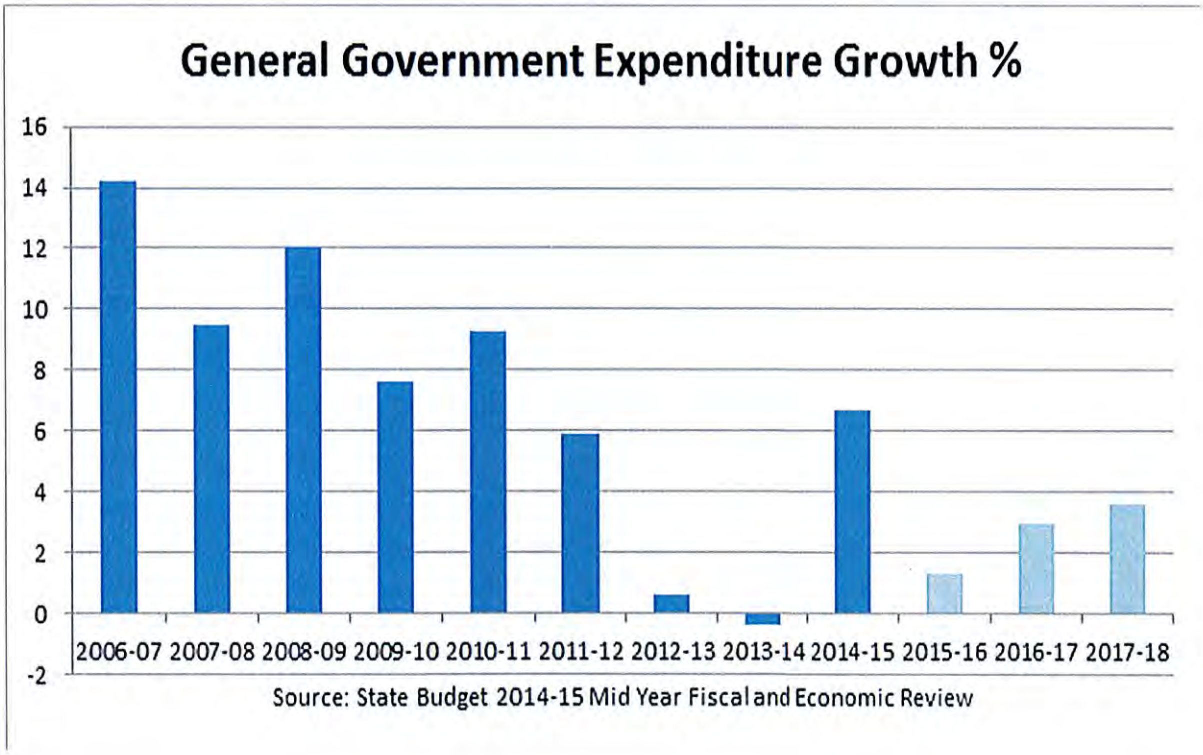
Chamber of Commerce & Industry Queensland
Industry House, 375 Wickham Terrace, Brisbane, Qld, 4000
T 1300 731 988 F 07 3832 3195 E info@cciq.com.au
EAL 1300 731 988 ABN 55 009 662 060
cciq.com.au

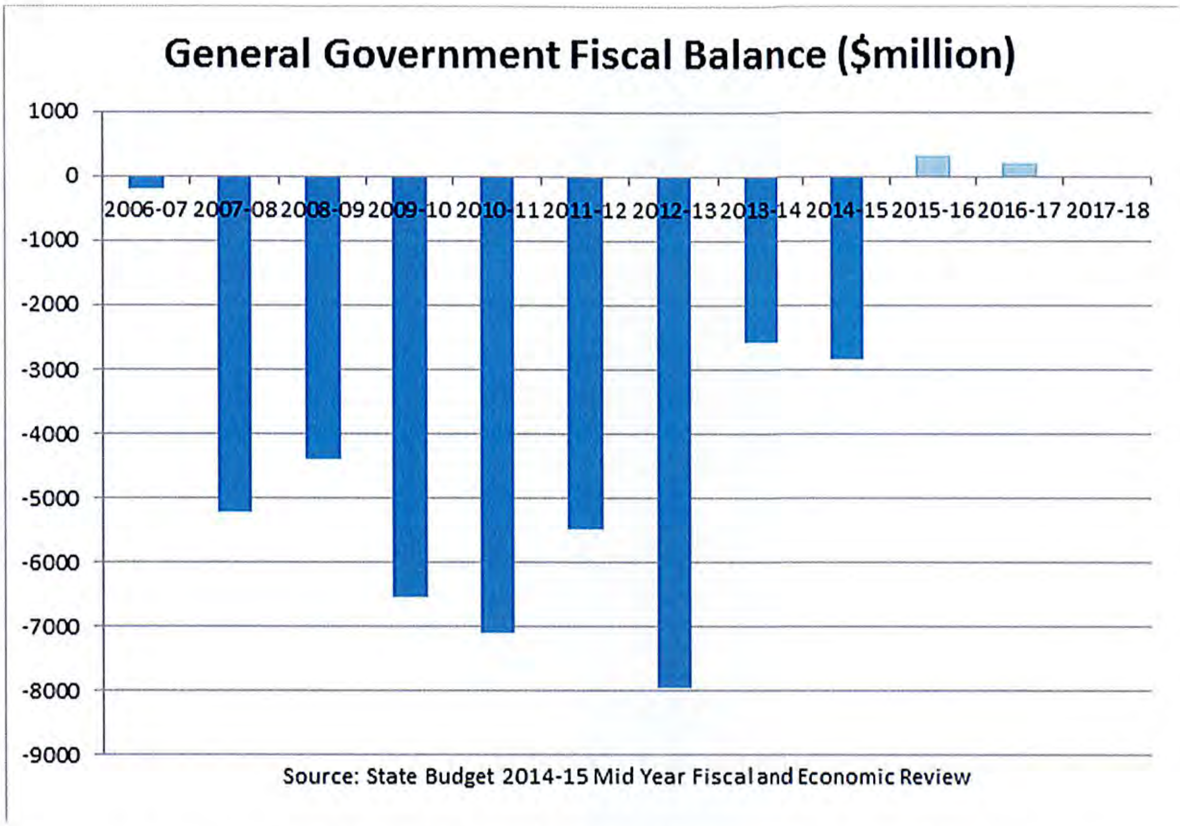
Work Act Harmonisation) and Other Legislation Amendment Bill 2012 to deliver greater efficiency and flexibility within the public service were strongly supported at the time and should be retained.

One of the key outcomes sought by Queensland businesses from this State Government is better economic and fiscal management. This is required to bring the State Budget closer to a more sustainable position and restore the state's vitally needed AAA credit rating. Failure to keep a reign on spending growth weakens the sustainability of our public finances over the medium term and damages the economy's competitiveness through dependence on high business taxes and charges. This is an outcome that must be avoided.

At present, Queensland's finances are in a challenging position. We have a significant level of debt, a loss of AAA credit rating, and a budget in deficit. CCIQ's Pre-State Election Survey highlighted a significant proportion of Queensland businesses expressed major or critical concern with the current budget deficit (40 per cent) and the efficiency of State Government service delivery (48 per cent). These findings reinforce the need for ongoing savings measures to correct the structural deficit in the State budget. In addition to restoring a fiscal surplus, the State Government must explore all options to pay down the State's $80 billion accumulated debt, which is of major to critical concern to 47 per cent of Queensland businesses.

CCIQ notes the fiscal restraint that has clearly been evident in the State's finances since 2012-13. This is illustrated in the significant reduction in expenditure growth that has unquestionably bought the budget closer to being in fiscal surplus forecast to occur in 2015-16. The approach of the previous State Government to reduce expenditure resonates with business community actions following the GFC.





The reduction in headcount and introduction of contestability were only two of the measures utilised to achieve this outcome. The State has managed to reign in Government employee expenses in the past two years, contributing to an overall decline in average general Government expense growth in 2013-14. There was a fall in actual employee expenses in 2013-14 of 1.7% (or $313 million), following a decline of 0.7% in 2012-13. For the four years 2014-15 to 2017-18, employee expenses are expected to grow by 3.8% per annum on average, in contrast to an average growth of 8.6% per annum over the decade to 2011-12. CCIQ wants to see this control of employee expenditure continue, and believes that the inclusion of subsections 3(p) and 140D(2)(h) of the *Industrial Relations Act 1999* (Qld) allows for continued effective expenditure control.

On the issue of the QIRC's independence, the Bill's Explanatory Notes state that *"the former Government also curtailed the independence of the Commission by mandating that the financial position and fiscal strategy of the State, public sector entity or relevant employer be part of public interest considerations when determining wages and employment conditions by arbitration."*

CCIQ disagrees with the premise that providing a guiding principal of fiscal sensibility curtails the independence of the Commission. Section 3(p) of the the *Industrial Relations Act 1999* (Qld) provides that the principle object of the Act is to provide a framework for industrial relations that supports economic prosperity and social justice by ensuring that, when wages and employment conditions are determined by arbitration, the financial position of the State and the relevant public sector entity, and the State's fiscal strategy, or the employer's financial position, is taken into account.

Subsection 140D(2)(h) of the *Industrial Relations Act 1999* (Qld) provides that the Commission must have regard to the State's financial position and fiscal strategy, and the financial position of the relevant public sector entity, or the financial position of the employer (where not a public sector entity) when exercising its chapter 5A powers with respect to modern awards. This consideration is one of nine public interest considerations outlined within the section, all of which are premised on public policy considerations of equality, fairness and relevance of employment conditions of Queensland employees. CCIQ considers that the State's financial position and fiscal strategy is a relevant and essential consideration when determining the relevance and fairness of employment conditions for the Public Service, particularly with respect to wage outcomes for Queensland's public service.

CCIQ does not believe that the consideration outlined in subsection 140D(2)(h) is no more onerous than those provided at subsection 140D(2)(f) and (i), which require the Commission to consider the impact of decisions on business productivity, employment costs and regulatory burden to business, likely impacts on employment growth and inflation, and likely impacts on the sustainability, performance and competitiveness of the Queensland economy. Nor does the consideration impede the Commission's discretion to make decisions with respect to modern awards any more than the other eight public interest considerations. In this light, CCIQ fails to see how subsection 140D(2)(h) curtails the Commission's independence.

Further, the fiscal management of Queensland's economy is of significant interest of Queensland's business community, and is certainly as important as the other public interest considerations listed in section 140D(2), and those listed in section 3. The Government's proposal to omit sections 3(p) and 140D(2)(h) from the Act fails to give adequate consideration to those who ultimately pay for Government expenditure the Queensland business community.

The Commission should arguably already consider the financial position and fiscal strategy of the State when having regard to the effect that a decision would have on the Queensland economy under subsection 140D(2)(i). However, the inclusion of subsection 140D(2)(h)provides confirmation to the general community that the checks and balances are in place to ensure that decisions about Public Service wages and employment conditions do take into account the ability of the State to support such conditions both now and into the future. Thus, CCIQ considers that the considerations outlined in subsections 3(p) and 140D(2)(h) of the *Industrial Relations Act 1999* (Qld) should not be omitted from the legislation.

In conclusion, CCIQ is supportive of ensuring that the state's fiscal and economic conditions are taken into consideration when determining wages and other conditions of employment. Please do not hesitate to contact me should you wish to discuss this submission further.

Yours sincerely,

Nick Behrens
Director – Advocacy and Workplace Relations