

Roy Morgan — Research —

Roy Morgan Research Pty. Ltd.
A.B.N. 91 007 092 944

Certified to ISO 20252 Market, Opinion & Social Research Standard &
AS/NZS ISO 9001 Quality Systems Standard

Dr. Peter van Onselen
Business Contributing Editor
The Australian
2 Holt St, Surry Hills NSW 2010

February 4, 2010

Dear Dr van Onselen,

I was pleased to read your article yesterday '*Reintroduce flexibility to increase productivity*' in The Australian, Business Backpage.

We completely agree with your comments regarding IR reform, unfortunately neither side of politics handles the unemployment issue correctly because they 'refuse' to acknowledge the real extent of people seeking 'work' (unemployed) or 'more work' (under-employed) – many more than the present Rudd Government (or previous Howard Government) want people to believe – a sham!

While politicians argue that the unemployment 'trend' is what matters, once you begin to analyse deeper economic issues such as 'productivity' and the relationship between unemployment, under-employment and inflation, it is crucial only 'real' employment data is used.

Under the Howard Government the least productive 'end of the workforce' was not employed – they were just not counted! Understanding this makes a large difference to understanding how to **increase** 'productivity'.

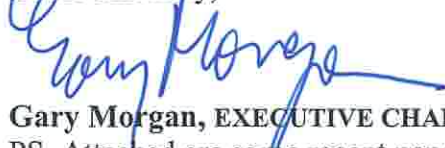
I mentioned both the IR and unemployment/under-employment issues 2 weeks ago when I was the guest speaker at the City Council of Glen Eira Australia Day Breakfast. (See attached copy of my address; **'Change is needed by all'**, <http://www.roymorgan.com/resources/pdf/papers/20100102>)

If you acknowledge that the true employment situation involves 1.720 million Australians **unemployed (875,000) and under-employed (845,000) your conclusions would have been very different.** See today's Roy Morgan January unemployment and under-employment estimates <http://www.roymorgan.com/news/polls/2010/4464>

Accepting the accurate unemployment/under-employment figure is 'high' (and therefore wage inflation is very unlikely) changes what you would say the Government should be doing – keeping low interest rates is essential. Putting interest rates up is a 'recipe for disaster' as more people need to work longer hours to keep up with increasing costs, and companies paying higher interest rates find it harder to employ people – both understandable!

It seems only President Barack Obama, David Lurie (see today's AFR letter P59) and Roy Morgan Research are concerned about the true unemployed/under-employed estimates – although the RBA (by recently not putting up interest rates) seems to have finally got the message! (We know people at the RBA eagerly await our Roy Morgan Unemployment estimate (monthly) and Consumer Confidence Rating (weekly) reports. <http://www.roymorgan.com/news/polls/2010/1004>)

Yours sincerely,



Gary Morgan, EXECUTIVE CHAIRMAN

PS. Attached are some recent papers I have written covering my family's involvement in Melbourne and newspapers (The Melbourne Herald) since the 1850's.

Level 1, 401 Collins Street, Melbourne, Victoria 3000, G.P.O. Box 2282U, Melbourne, Victoria 3001, Australia
Tel: (03) 9629 6888 Fax: (03) 9629 1250 (03) 9224 5387 Email: melbourne@roymorgan.com

Website: www.roymorgan.com

Offices also in: Sydney, Brisbane, Adelaide, Perth, London, Auckland, USA and Indonesia

REINTRODUCE FLEXIBILITY TO INCREASE PRODUCTIVITY

Kevin Rudd must revisit the government's rigid industrial laws to improve the situation

PETER VAN ONSELEN
CONTRIBUTING EDITOR



THE federal government has been very keen to talk up the need to improve productivity rates to help offset the ageing population.

According to the rhetoric coming out of the Prime Minister's mouth in the first month of this year, improved productivity is the panacea to an ageing population.

That might be true, but if Kevin Rudd really wants to lift national productivity, he needs to abandon Labor's ideological opposition to greater workplace flexibility as well as embrace an education revolution that delivers tangible

training outcomes. These twin policy pillars, industrial relations and education, need to be correctly calibrated if productivity gains are to be maximised.

The philosophical bedrock of any Labor government in the policy arena of industrial relations, wherein it is committed to protecting workers' rights (an admirable enough goal by the way), will always risk stifling productivity, thereby offsetting other attempts at improving it.

Because Labor governments are naturally distrustful of employers (strong union links can do that to a party), they invariably limit flexibility in setting workplace conditions (concerned that employees are at a disadvantage when negotiating terms).

While Julia Gillard's nationalised IR laws have the potential to lift productivity by streamlining what goes on from state to state (so long as the streamlining outweighs the loss of state-on-state competition), the rigidity of aspects of the Fair Work Act (such as the 10 National Employment Standards) will inevitably harm productivity.

If Rudd was as committed to improving productivity as his

rhetoric suggests, he would revisit the government's rigid NES standards. Consider the following example.

Bupa Australia, one of the nation's largest aged-care providers, wanted to strike a deal with its employees to offset some of the NES minimum standards with other entitlement gains. The employees and even the two unions representing them were all supportive of the move, but Fair Work Commissioner Greg Smith ruled the changes unlawful.

As opposition workplace relations spokesman Eric Abetz said: "The lesson for workers and business is this: you don't know what's good for you in your own workplace." Abetz of course is an ideological supporter of greater workplace flexibility, perhaps even to the extent of reducing protections for workers. But the productivity gains inherent in such flexibility are undeniable, and in the Bupa case the no disadvantage test was satisfied.

Ironically, the greatest improver to productivity when it comes to changes to labour laws occurred under a Labor government.

The 1980s ending of centralised

wage fixation by Bob Hawke did amazing things to lift national productivity, setting up the prosperity Australia has enjoyed ever since.

Rudd likes to lament the lower-than-average productivity during the Howard years. His figures are accurate, but he chooses to ignore the low unemployment also evident during that period. Low unemployment means the least productive end of the workforce is included in national productivity rates because they are not draining the public purse on the dole lines instead.

A less productive workforce with full employment is a price worth paying, and partly explains why Howard was unable to sustain the significantly higher productivity from the early 1990s, a period when unemployment was also significantly higher.

The other major impediment to improved productivity is quality education. A genuine education revolution is important to improved productivity because, as any economist will tell you, a better trained, smarter workforce with transferable skills is a key driver. On this score, Howard can be criticised for not supporting

better university funding as well as improved training agreements between the states. The lag effect on productivity will be felt during the Rudd years for some time to come, something the new government can do little about in the short term.

While the current government deserves credit for the concept of the education revolution as well as some of its early initiatives (such as infrastructure spending, laptops and the My Schools website), the real heavy lifting will occur when it better streamlines state-by-state approaches to education and training.

Take for example the existing differing vocational education streams from state to state. As absurd as it sounds, a plumber in one state cannot use his or her accreditation to immediately begin work in another state.

The process of transferring the qualification can take up to six months. That makes it hard for a workforce to be as mobile as it should be to follow the consumer needs of the nation. It means productivity sags.

Although the period of delay is much shorter, the same problem applies for barristers who want to

move from practising in one state to another. Rudd's apparent unwillingness to make good on his commitment to fix the federation is acutely linked to future productivity shortfalls in this country when it comes to education and training. Fixing the federation was a 2007 election commitment by Labor.

In fact, it was a central component of Rudd's statement of intention as Labor leader when he challenged Kim Beazley in 2006.

However, to date all he has effectively done on this score is improve the efficiency of the procedure of meetings at the Council of Australian Governments.

This election year will see a great deal of jostling for the high ground by both sides of politics over who is better placed to manage the economy in what are tricky times, given the ageing of the population.

It is a good thing that Rudd has targeted improved productivity as a priority. It will force Tony Abbott to do the same. All Rudd needs to do now is objectively look into policy areas where improvements will do just that.

Industrial relations and education are two such policy fields.

Letters

Under-employment must be addressed

Can someone in Canberra please explain to me why there is such euphoria about the state of our economy and self congratulation about the low unemployment rate when no one seems to take into account the under-employment rate.

I would be surprised if the total of the unemployment rate and the under-employment rate was not well in excess of 10 per cent.

It is my experience as a commercial lawyer working in insolvency that corporate reconstructions that have taken place in the past 18 months have resulted in many people working two, three and four days a week in lieu of a full week's employment and certainly no overtime.

Often these people are employed as casuals without the safety net of many of the employee entitlements.

The government and commentators seem oblivious to the social costs of under-employment.

David Lurie
B2B Lawyers
East Melbourne Vic