



Ai Group Survey: Policy priorities for the next Australian Government. *Industrial relations reform tops the list*

July 2013

Executive summary

In the lead up to this year's Federal Election, Ai Group asked 330 Australian businesses the following question:

What are your top business policy priorities for the Australian Government for the next three years (2013-14 to 2015-16)? Rank from 1 (most important to you) to 6 (least important to you):

- Reduce red tape and regulatory duplication;
- Reform industrial relations to boost productivity;
- Encourage workforce skills and training;
- Reduce company tax rate and implement tax reform;
- Invest in physical infrastructure (e.g. transport); and
- Other (please provide details).

Table 1 below, summarises all responses using a weighted average of all rankings.¹ Table 2 below records the proportion of businesses nominating each policy area as their first priority.

Top five business policy priorities for the next government:

- 1) **Industrial relations reform to boost productivity** was, overall, the number one ranked policy area on a weighted average basis (Table 1), and almost a quarter (23.1%) of all respondents listed it as their top priority (Table 2). Over 30 per cent of manufacturers nominated industrial relations reform as their highest priority for the next government (Table 2).
- 2) **Reducing red tape and regulatory duplication** was the second ranked policy measure on a weighted average basis (Table 1), with 23 per cent of respondents nominating it as the highest priority for the next government (Table 2). Reducing red tape and regulatory duplication is a particularly high priority for small businesses, with around 30 per cent reporting this as their highest priority (Table 2).
- 3) **Reducing company tax rates and implementing tax reform** was the third ranked policy measure on a weighted average basis and just over 20 per cent of businesses ranked it as their highest priority.

¹ The weighted average of responses is calculated so that the greatest weight is given to respondents' first preferences and progressively reduced weightings to respondents' second and subsequent preferences: (1 * % of firms reporting it as their highest priority) + (0.8 * % of firms reporting it as their second priority) +....+ (0 * % of firms reporting it as their sixth priority).

- 4) **Investing in physical infrastructure** was the fourth ranked policy measure on a weighted average basis and almost 17 per cent of respondents ranked it as their highest priority.
- 5) **Encouraging workforce skills and training** was the fifth highest ranked policy measure on a weighted average basis with close to 6 per cent of businesses reporting it as their highest priority. Encouraging workforce skills & training was a relatively high priority for construction businesses in Queensland & Western Australia where skill shortages have been particularly acute.

Taken together, these results suggest that businesses are clearly looking for the next Australian Government to help reduce the cost of doing business and lift productivity by improving industrial relations arrangements; cutting regulatory burdens; and improving the competitiveness of Australia's taxation arrangements.

**Table 1. Business priorities for the next term of Government
(weighted average of responses)***

1= Highest ranking; 2 = Second ranking; 3 = Third ranking; 4 = Fourth ranking; 5 = Fifth ranking; 6 = Sixth ranking

	Reduce red tape & regulatory duplication	Reform Industrial relations to boost productivity	Encourage workforce skills & training	Reduce company tax rate & implement tax reform	Invest in physical infrastructure	Other
Manufacturing	3	1	5	2	4	6
Services	3	1	5	2	4	6
Construction	1	3	4	2	5	6
Small**	1	3	5	2	4	6
Medium**	3	1	5	2	4	6
Large**	5	1	4	2	3	6
New South Wales	3	1	5	2	4	6
Victoria	3	2	5	1	4	6
Queensland	1	2	4	3	5	6
Rest of Australia	3	1	4	2	5	6
Total	2	1	5	3	4	6

*Businesses were asked to rank the six policy measures in order of the importance to them, with 1 being the most important policy area and 6 being the policy area of lowest importance. The rankings shown in Table 1 are based on a weighted average of these responses calculated so that the greatest weight is given to respondents' first preferences and progressively reduced weightings to respondents' second and subsequent preferences.

** Small businesses have less than 20 staff; medium businesses have between 20 and 100 staff; large businesses have above 100 staff.

Key findings

1. Reform Industrial relations to boost productivity

Industrial relations (IR) reform to boost productivity was the number one ranked policy measure. A relatively high proportion of businesses (23.1 per cent) ranked IR reform as their highest priority, and more businesses ranked IR reform as their second (27.1 per cent) and third (24 per cent) highest priorities than any other policy area.

Industrial relations reform is a particularly high priority for medium and large manufacturers that traditionally have a relatively high rate of trade union membership. Over 30 per cent of manufacturers reported that industrial relations reform is their highest priority for the next government, while 36 per cent of large businesses reported that it was their highest priority (Table 2). A number of businesses specifically mentioned the need to remove rigidities in unfair dismissal laws and wage bargaining.

**Table 2. Business priorities for the next term of government
(distribution of businesses' first priorities)***

per cent of respondents ranking policy measures as the most important objective for Government

	Reduce red tape and regulatory duplication	Reform Industrial relations to boost productivity	Encourage workforce skills and training	Reduce company tax rate and implement tax reform	Invest in physical infrastructure	Other
Manufacturing	15.7	31.3	7.0	21.7	13.9	10.4
Services	15.0	23.9	7.1	26.5	21.2	6.2
Construction	41.6	12.9	5.0	21.8	15.8	3.0
Small**	29.9	16.5	4.3	26.8	13.4	9.1
Medium**	16.0	29.8	9.6	19.1	19.1	6.4
Large**	12.0	36.0	4.0	28.0	16.0	4.0
New South Wales	18.3	18.3	5.8	30.8	22.1	4.8
Victoria	24.6	31.4	3.4	16.9	14.4	9.3
Queensland	32.1	17.0	13.2	18.9	15.1	3.8
Rest of Australia	22.2	20.4	7.4	27.8	14.8	7.4
Total	23.4	23.1	6.4	23.4	17.0	6.7

*Respondents were asked to rank six policy priorities. This table shows just the first rankings, while Table 1 above gives a weighted average of all priorities.

**Small businesses have less than 20 staff; medium businesses have between 20 and 100 staff; large businesses have more than 100 staff.

Ai Group's findings are corroborated by the declining ranking of Australia's labour market in the World Economic Forum's 2012-13 Global Competitiveness Report, in which a fifth of respondents cited Australia's restrictive labour regulations as their biggest problem when doing business here.²

² The WEF report ranked Australia's labour market efficiency 42nd out of 144 countries in 2012-13, down from 13th in 2011-12. 20.3 per cent of respondents saw restrictive labour regulations as the biggest problem when doing business in Australia, up from 13.1 per cent in 2010-11. WEF, *Global Competitiveness Report 2012-13* (September 2012) www.weforum.org/reports/.

Our survey findings partly reflect the negative impact that the *Fair Work Act* and the *Fair Work Amendment Bill 2013* has had on Australian businesses, and in particular, Australian manufacturers. Following the introduction of the *Fair Work Act*, Ai Group identified 120 areas where union power had increased. This number now stands at 157 following the *Fair Work Amendment Bill 2013*. Ai Group has, in particular, strongly advocated for the following amendments:

- Narrowing the scope of bargaining claims to matters that fall within the employment relationship;
- Addressing the greenfields agreement provisions which currently enable unions to hold employers to ransom until their claims are met; and
- Implementing a more workable structure for Individual Flexibility Arrangements (IFAs).

2. Reduce red tape and regulatory duplication

Reducing red tape and regulatory duplication was the second ranked policy measure. 23.4 per cent of businesses ranked reducing red tape and regulatory duplication as their highest priority, while 24.5 per cent of businesses ranked it as their second highest priority and 20.8 per cent of businesses ranked it as their third highest priority.

Reducing red tape and regulation duplication is a particularly high priority for small businesses, with around 30 per cent reporting this as their highest priority. This in large part reflects the lack of resources that small businesses have to comply with excessive regulation. Reducing red tape and regulation duplication is also a high priority for businesses in the construction sector, with over 40per cent reporting this as their highest priority.

In particular, a number of respondents were concerned about recent changes to superannuation laws and felt that OH&S regulation is excessive:

“Introduce stability in legislation surrounding superannuation.”

“Stop changing super laws.”

“OH&S regulations have gone too far.”

Reducing red tape and regulation duplication has consistently been a high priority for business; an Ai Group survey³ conducted before the 2010 election, and after the onset of the global financial crisis, found that reducing red tape was seen by business as the second highest priority behind protecting the economy from recession.

Federal and State Governments have been actively working towards reducing the regulatory burden on business. For example, the State Governments of New South Wales, Victoria, and Queensland have committed to reducing red tape and regulation by 20 per cent, 25 per cent, and 20 per cent respectively. The survey findings above vindicate these commitments and highlight the need for them to be extended across the rest of Australia. They also suggest that these commitments are yet to fully translate into tangible outcomes.

³ Source: Ai Group, National CEO Survey: Growth strategies for business, Oct 2010

3. Reduce company tax rate and implement tax reform

Reducing company tax rates and implementing tax reform was the third ranked policy measure. 23.4 per cent of businesses ranked reducing the company tax rate and implementing tax reform as their highest priority. Reducing company tax and implementing tax reform was ranked by 25.2 per cent of businesses as their second highest priority, and by 19.2 per cent of businesses as their third highest priority.

In particular, a number of respondents were in favour of changes to the Goods and Service Tax (GST).

Reducing the company tax rate and implementing tax reform was a particular concern for businesses in New South Wales, with 31 per cent reporting this as their top priority.

The Henry Tax Review put forward the case for comprehensive changes to Australia's taxation arrangements but currently the major parties have no policy proposals to further develop or implement its recommendations. The survey findings highlight that businesses would like to see more rapid inroads made into tax reform including the Henry Review recommendation of reducing the company tax rate to 25 per cent.

4. Invest in physical infrastructure (e.g. transport)

Investing in physical infrastructure was the fourth ranked policy measure. It was ranked by 17.0 per cent of businesses as their highest priority; by 12.7 per cent of businesses as their second highest priority; and by 13.7 per cent of businesses as their third highest priority.

Investing in physical infrastructure was seen to be a relatively high priority for businesses in NSW, which backs recent infrastructure spending initiatives announced by the State Government.

5. Encourage workforce skills and training

Encouraging workforce skills and training was the fifth ranked policy measure. It was ranked by 6.4 per cent of businesses as their highest priority; by 9.5 per cent of businesses as their second highest priority; and by 20.5 per cent of businesses as their third highest priority.

Encouraging workforce skills and training was a relatively high priority for construction businesses in Queensland and Western Australia where skill shortages have been widely reported.

6. Other

Other key priorities nominated by businesses included greater import protection and reducing the size and spending of government:

"Stop spending on big ticket items that cannot be paid for."

"Reduce public service waste."

Appendix

Survey question

In June 2013, we asked Australian businesses the following question:

What are your top business policy priorities for the Australian Government for the next three years (2013-14 to 2015-16)? Rank from 1 (most important to you) to 6 (least important to you):

- Reduce red tape & regulatory duplication;
- Reform industrial relations to boost productivity;
- Encourage workforce skills and training;
- Reduce company tax rate & implement tax reform;
- Invest in physical infrastructure (e.g. transport); and
- Other

Survey composition

This survey included responses from 330 Australian businesses from across the manufacturing (34.8 per cent of respondents), services (34.5 per cent), and construction sectors (30.6 per cent). The size and location of these businesses are shown in table 3 below (Table 3).

Table 3. Survey Composition

	No. of respondents	per cent of respondents
Manufacturing	115	34.8
Services	114	34.5
Construction	101	30.6
Small (1 – 20 employees)	165	58.1
Medium (21 – 100 employees)	94	33.1
Large (100+ employees)	25	8.8
New South Wales	104	31.5
Victoria	119	36.1
Queensland	53	16.1
Rest of Australia	54	16.4
Total	330	100.0

Ai Group Economics Team

Julie Toth	Chief Economist	(03) 9867 0124
David Richardson	Manager, Economics and Business Services	(02) 9466 5456
Dr Sze-Young Lim	Senior Economist	(03) 9867 0231
Chris Lill	Economist	(03) 9867 0261
Colleen Dowling	Senior Research Coordinator	(03) 9867 0280
Lisa Walker	Research Assistant	(03) 9867 0108

For further assistance from Ai Group's Economics & Research Team, please email economics@aigroup.asn.au.