

**Ai Group's Opening Statement to the Senate Education and
Employment Legislation Committee**

Fair Entitlements Guarantee Amendment Bill 2014

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Ai Group welcomes the opportunity to express its views on the *Fair Entitlements Guarantee Amendment Bill 2014*

As our submission highlights, Ai Group has been very heavily involved in developments relating to the protection of employees' entitlements over the past 13 or so years. We represented the employers in a number of major industrial disputes in the early 2000s over the issue, including two disputes which stopped the car industry at a cost of more than \$400 million, and in another dispute in the rail maintenance industry which involved a 6 week strike.

Ai Group supported the introduction of GEERS which was very successful in resolving the industrial disputation which was occurring over the protection of entitlements issue and in allaying the concerns of employees. For a number of years we called for GEERS to be legislated and this eventually occurred with the *Fair Entitlement Guarantee Act 2012*.

The record shows that Ai Group has played a very constructive role in ensuring that appropriate protection of employees' entitlements is in place and we have given credit to both Coalition and Labor Governments for taking positive steps in this area. However, we have consistently and strongly opposed the extremely generous and inequitable redundancy protection which was announced by the Labor

Government during the 2010 Federal Election campaign without any consultation with industry. The announcement was made in response to representations from the AMWU.

There are major moral hazards present in the current legislative provisions, because there is little protection against employers being coerced by unions into implementing extremely generous redundancy packages in the lead up to insolvency and leaving tax-payers to pick up the tab.

There are also major public risks because as the examples in our submission show, the insolvency of even only one major company with a generous redundancy package could lead to a major Budget blow-out.

It is unfair for a publicly funded scheme to pay extremely generous compensation to the employees of one insolvent company and much less to those working for another company.

Generous over-award redundancy packages tend to operate in large, unionised workplaces. However, a much larger number of employees work in small enterprises and in non-unionised enterprises.

The inequity in the current level of redundancy entitlement protection can be seen in the fact that 75 claimants have recently received redundancy payments of more than \$100,000 with one claimant receiving approximately \$300,000 for redundancy pay.¹ Prior to the change in 2011, the highest payment for redundancy was \$43,200.

We urge the Committee to recommend that the Bill be passed without delay.

¹ See the Explanatory Memorandum to the Bill, p.3.