



# AI GROUP'S POLICY PRIORITIES FOR THE 2019 FEDERAL ELECTION: Building on Success

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# Building on Australia's Success

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The upcoming federal election is an opportunity for all major political parties to assert national leadership to promote investment, job creation, broader community prosperity and social cohesion.

Notwithstanding the slowdown in performance over recent months, Australia has recently completed a 27<sup>th</sup> year of rising GDP uninterrupted by recession. The many benefits of this record run include an average annual increase in *per capita* real disposable incomes of over 2 per cent and a decisive shift down in Australia's unemployment rate.

The key economic foundations of the successes over this period have been the openness and flexibility of the economy incorporating the floating exchange rate, receptiveness to global trade and investment, independent monetary policy and decentralised enterprise bargaining. These economic settings have been supported by Australia's unique wages safety net centred around industrial awards and independently-administered minimum wages, a rise in educational attainment and our strong social institutions including Medicare, our superannuation system and our sharply redistributive tax and transfer system.

These are very firm foundations on which to build to meet future challenges and to ensure we are positioned to take advantage of the considerable economic and social opportunities before us.

Central among Australia's opportunities are the very strong prospect of further rapid income growth in our region of the world with the accelerating rise of the "Asian middle class" and the further opportunities for innovation and improvements to practices in both the private and public sectors enabled by the adoption of digital technologies.

At the same time, greater global engagement, the rise of new centres of economic success and the growing adoption of digital technologies and automation are disrupting existing businesses, industries and occupations. While these same forces are creating new opportunities they also bring new challenges.

Like many other developed economies, Australia faces cross-currents of dissatisfaction and distrust associated with the transformations in the global economy compounded by the failures that led to the Global Financial Crisis. Closer to home, the revelations in the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry has fueled further distrust.

The sense that "the system" is not working for some needs to be taken seriously in the formulation, design and communication of policy.

An immediate challenge is the current period of relatively low real wages growth. This phenomenon is evident across the developed economies and, as the Governor of the Reserve Bank has pointed out, is intimately associated with the transforming global economy and disruptive technological change.

Ai Group's policy priorities for the 2019 Federal Election form a positive and proactive agenda for sustainable increases in Australians' incomes, jobs, living standards and broader community prosperity and social cohesion.

This agenda recognises and builds on Australia's considerable successes.

Critically, we avoid poorly-conceived and populist proposals that are evident in many parts of the world including in Australia and that play to the cross-currents of distrust and dissatisfaction referred to above. In Australia, they include a range of negative and divisive policies that would undermine the foundations on which Australia's relative outperformance over recent decades has rested.

While the causes of dissatisfaction and distrust need to be taken seriously, it is no less critical that Australia's major parties put aside the temptation to adopt populist rhetoric and populist policy measures and opt instead for substance and policy rigour.

## **Ai Group's Policy Priorities**

Building on Australia's successes requires continued efforts on the policy fundamentals of disciplined and sustainable fiscal policy and competitive taxation and regulatory arrangements.

It also requires new initiatives to promote investment, job creation, broader community prosperity and social cohesion.

The policy priorities we have identified for particular emphasis in the 2019 Federal Election are firmly aimed at addressing these economic and social goals. We see these four areas as fundamental to the sustainable growth of household incomes; to extending social and economic opportunities; to building resilience and better equipping our businesses and our workforce to adapt successfully in the face of rapid change; and as critical to our ability to regain our energy advantage and to make our contribution to the global effort to reduce greenhouse gas emissions.

Our priority areas are summarised below and set out in greater detail in separate papers covering the following four areas:

- Education and Training
- Productive and Fair Workplace Relations
- Building Dynamic and Competitive Industries
- Climate and Energy.

## Education and Training

Education and training plays a critical role in the economy and the broader community both in addressing workforce skill needs and improving social inclusion. The transformation of our economy is leading to skill mismatches and shortages due to the new tasks and jobs that are being created. Better skills alignment requires more regular skills forecasting to identify specific skills in demand.

Critical shortages exist for Australia's STEM workforce. Ai Group calls for measures to grow and strengthen our STEM-qualified workforce through a national STEM skills strategy led by government and industry. Ai Group is helping to address this gap through its Industry 4.0 Higher Apprenticeships Program, which provides a key platform for the delivery of workforce skills through an employment-based learning program.

The constant reskilling and upskilling needs of industry means that businesses require more support for workforce planning. To assist this, industry requires access to programs that are flexible in length and mode in both the higher education and VET sectors.

With literacy and numeracy levels a constraint on business effectiveness, Ai Group urges the funding, development and promotion of a national workforce language, literacy and numeracy strategy and program, developed in partnership with industry. The program must incorporate the development of digital literacy skills.

Australia's youth unemployment rate is concerningly high. Increased investment is needed in transition programs that equip individual young people with the right skills to enable them to enjoy greater opportunities and to more fully participate in the workforce and the community.

Australian industry needs its apprenticeship system to grow. A number of measures are needed for it to sufficiently meet industry's needs, including a national body to oversee the system.

Ai Group has released a paper, *Realising Potential: Solving Australia's Tertiary Education Challenge*, which calls for a more coherent and connected higher education and vocational education policy and funding framework.

## Productive and Fair Workplace Relations

Australia needs to maintain a workplace relations system that:

- Enables businesses to operate productively and competitively;
- Is flexible for businesses and employees; and
- Is fair for employees and employers

Australia's current workplace relations system operates on some key principles which have served the nation very well and must not be diluted, including:

- Enterprise agreements;
- A safety net of awards and legislated minimum conditions;

- An independent umpire – the Fair Work Commission; and
- Strong regulators to ensure that all parties comply with the law.

The flexibilities in Australia’s current workplace relations system, compared with the previous highly centralised arrangements, have been pivotal to Australia’s economic and social success over the past 25 years, and are central to our future success.

## Building Dynamic and Competitive Industries

Australian industry is diverse, strong and poised to pursue new opportunities through digitalization, innovation, participation in global markets and supply chains, and responses to the challenges of emissions reduction and reducing waste. At the same time, there is a clear role for public policy in developing our businesses - particularly our small and medium-sized businesses whether in new or traditional sectors and equipping them in raising their horizons and their competitiveness.

Ai Group maintains that Australian industry policy should have a positive, 21st century orientation. It should work, together with policy in education and training, to support a confident, dynamic and resilient private sector that not only builds on existing competitive advantages but is equipped to meet both the challenges and the opportunities presented by the transformational forces of globalisation, technological development and environmental protection.

The Federal Government can play valuable roles:

- In coordinating a broad and inclusive discussion of the future of industry;
- Providing well-designed policies to improve business capabilities including in relation to the digitisation of commercial activity;
- Facilitating greater opportunities and increased involvement in international trade by Australian businesses;
- Ensuring that, in meeting Australia’s Defence needs, full advantage is taken of the unique opportunity to grow competitive Australian industries and further connect them to global markets and supply chains;
- Ensuring that Australia’s innovation system is stable and effective in supporting business research and development, collaboration between business and Australia’s research capabilities and supportive of the emergence of deeper markets for early-stage capital.
- In cooperation with the states and territories, give particular attention to addressing the ongoing crisis facing our waste and recycling systems due, most immediately, to China’s clampdown on the contaminated plastics we previously exported for processing; and
- Incorporating the latest evidence and analysis into evolving strategies for growth and successful transitions of Australia’s industry through a period of immense change.

## Climate and Energy

The next Government should:

- Cement durable frameworks for energy and climate, the lack of which is a serious barrier to needed investment;
- Pursue a new energy advantage by improving energy productivity, lowering the cost and risk of investment, encouraging competition, making provision for likely scenarios and ensuring policy can cope with surprises
- Ensure that deeper emissions targets over time are consistent with continued and increased prosperity, by ensuring policies are trade-neutral and facilitate successful industry transition;
- Adopt climate policy measures that collectively access emissions reductions from across the Australian and world economies and operate at least cost; and
- Work with representatives of industry, employees, States, local government and community organisations to develop effective and proactive responses to anticipated closures or transitions of existing emissions-intensive facilities.

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