



Australian Government
Productivity Commission

Workplace Relations Framework

Productivity Commission
Inquiry Report
Volume 1

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The Productivity Commission

The Productivity Commission is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role, expressed most simply, is to help governments make better policies, in the long term interest of the Australian community.

The Commission's independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

Further information on the Productivity Commission can be obtained from the Commission's website (www.pc.gov.au).



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□ 30 November 2015

The Hon Scott Morrison MP
Treasurer
Parliament House
CANBERRA ACT 2600

Dear Treasurer

In accordance with Section 11 of the *Productivity Commission Act 1998*, we have pleasure in submitting to you the Commission's final report into the *workplace relations framework*.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter Harris'.

Peter Harris AO
Presiding Commissioner

A handwritten signature in black ink, appearing to read 'Patricia Scott'.

Patricia Scott
Commissioner

Terms of reference

WORKPLACE RELATIONS FRAMEWORK

Productivity Commission Act 1998

I, Joseph Benedict Hockey, Treasurer, pursuant to Parts 2 and 3 of the *Productivity Commission Act 1998*, hereby request that the Productivity Commission undertake an inquiry into the workplace relations framework.

Background

The Australian Government believes that it is fundamentally important to make sure that the Fair Work laws work for everyone.

Workplaces are important to our economy and society. Higher living standards, better pay and more jobs all depend on having fair, productive, and effective workplaces. The prosperity of tomorrow is driven by what happens in our workplaces today and this is why it is in our national interest to make sure that the Fair Work laws are balanced and effective.

The Australian Government's objectives in commissioning this Inquiry are to examine the current operation of the Fair Work Laws and identify future options to improve the laws bearing in mind the need to ensure workers are protected and the need for business to be able to grow, prosper and employ.

Scope of the Inquiry

The Productivity Commission will assess the performance of the workplace relations framework, including the *Fair Work Act 2009*, focussing on key social and economic indicators important to the wellbeing, productivity and competitiveness of Australia and its people. A key consideration will be the capacity for the workplace relations framework to adapt over the longer term to issues arising due to structural adjustments and changes in the global economy.

In particular, the review will assess the impact of the workplace relations framework on matters including:

- unemployment, underemployment and job creation
- fair and equitable pay and conditions for employees, including the maintenance of a relevant safety net

-
- small businesses
 - productivity, competitiveness and business investment
 - the ability of business and the labour market to respond appropriately to changing economic conditions
 - patterns of engagement in the labour market
 - the ability for employers to flexibly manage and engage with their employees
 - barriers to bargaining
 - red tape and the compliance burden for employers
 - industrial conflict and days lost due to industrial action
 - appropriate scope for independent contracting.

In addition to assessing the overall impact of the workplace relations framework on these matters, the review should consider the Act's performance against its stated aims and objects, and the impact on jobs, incomes and the economy. The review should examine the impact of the framework according to business size, region, and industry sector. It should also examine the experience of countries in the Organisation for Economic Co-operation and Development.

The workplace relations framework encompasses the *Fair Work Act 2009*, including the institutions and instruments that operate under the Act; and the *Independent Contractors Act 2006*.

The review will make recommendations about how the laws can be improved to maximise outcomes for Australian employers, employees and the economy, bearing in mind the need to ensure workers are protected, the need for business to be able to grow, prosper and employ, and the need to reduce unnecessary and excessive regulation.

The Productivity Commission will identify and quantify, as far as possible, the full costs and benefits of its recommendations.

An overarching principle for any recommendations should be the need to ensure a framework to serve the country in the long term, given the level of legislative change in this area in recent years.

In conducting the review, the Productivity Commission will draw on the full spectrum of evidence sources including, but not limited to:

- Australian Bureau of Statistics data and publications
- data sources maintained by other relevant Government bodies, including but not limited to the Department of Employment, Fair Work Commission and Fair Work Ombudsman
- employers or their representatives
- employees or their representatives

-
- academia
 - special interest groups.

The review should also identify gaps in the evidence base where further collection may assist in the analysis of the overall performance and impact of the system.

Process

The Commission is to undertake an appropriate public consultation process including holding hearings, inviting public submissions and releasing a draft report to the public.

The final report should be provided to the Government in November 2015.

J. B. HOCKEY

Treasurer

[Received 19 December 2014]

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Abbreviations and explanations

Abbreviations

ABCC	Australian Building and Construction Commission
ABS	Australian Bureau of Statistics
ACAS	Advisory, Conciliation and Arbitration Service
ACCC	Australian Competition and Consumer Commission
ACCI	Australian Chamber of Commerce and Industry
ACOSS	Australian Council of Social Service
ACREW	Australian Centre for Research in Employment and Work
ACTU	Australian Council of Trade Unions
AHA	Australian Hotels Association
AHRI	Australian Human Resources Institute
AIRC	Australian Industrial Relations Commission
ALAEA	Australian Licenced Aircraft Engineers Association
AMMA	Australian Metal and Mines Association
AMWU	Australian Manufacturing Workers' Union
ANAO	Australian National Audit Office
ANZSIC	Australian and New Zealand Standard Industrial Classification
APPEA	Australian Petroleum Production & Exploration Association
APS	Australian Public Service
APSC	Australian Public Service Commission
AWA	Australian Workplace Agreement

AWALI	Australian Work and Life Index
AWRS	Australian Workplace Relations Study
AWU	Australian Workers Union
BCA	Business Council of Australia
BOOT	Better Off Overall Test
BRICS	Brazil, Russia, India, China and South Africa
BRIT	Bendigo Regional Institute of Technical and Further Education
CEPU	Communications, Electrical, Electric ,Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia
CFMEU	Construction, Forestry, Mining and Energy Union
CGE	Computable General Equilibrium
CMS	Case Management System
COAG	Council of Australian Governments
COAT	Council of Australasian Tribunals
COSBOA	Council of Small Business Australia
CPI	Consumer Price Index
CPSU	Community and Public Sector Union
CURF	Confidentialised Unit Record File
DEEWR	Department of Education, Employment and Workplace Relations
DET	Department of Education and Training
DFAT	Department of Foreign Affairs and Trade
DIBP	Department of Immigration and Border Protection
EA	Enterprise Agreement
EBA	Enterprise Bargaining Agreement
EITC	Earned Income Tax Credit
EPL	Employment Protection Legislation

FWA	Fair Work Australia
FWAFB	Fair Work Australia Full Bench
FWBC	Fair Work Building and Construction
FWC	Fair Work Commission
FWCFB	Fair Work Commission Full Bench
FWO	Fair Work Ombudsman
GDP	Gross Domestic Product
HILDA	Household, Income and Labour Dynamics in Australia
HR	Human Resources
HSU	Health Services Union
IFA	Individual Flexibility Arrangement
ILO	International Labour Organization
IR	Industrial Relations
IRC	Industrial Relations Commission
LITO	Low Income Tax Offset
MBA	Master Builders Australia
MUA	Maritime Union of Australia
NAIRU	Non-Accelerating Inflation Rate of Unemployment
NATSEM	National Centre for Social and Economic Modelling
NBER	National Bureau of Economic Research
NCC	National Competition Council
NCOSS	Council of Social Service of New South Wales
NES	National Employment Standards
NTEU	National Tertiary Education Union
OECD	Organisation for Economic Cooperation and Development

OLS	Ordinary Least Squares
PAYG	Pay As You Go
PC	Productivity Commission
PIR	Post-Implementation Review
PISA	Programme for International Student Assessment
PPP	Purchasing Power Parity
QUT	Queensland University of Technology
RBA	Reserve Bank of Australia
SACES	South Australian Centre for Economic Studies
TCF	Textile, Clothing and Footwear
TCFUA	Textile, Clothing and Footwear Union of Australia
TRYM	Treasury Macroeconomic
TWU	Transport Workers Union
UNSW	University of New South Wales
VECCI	Victorian Employers' Chamber of Commerce and Industry
WAIRC	Western Australian Industrial Relations Commission
WSC	Workplace Standards Commission
WHS	Workplace Health and Safety
WR	Workplace Relations
WTO	World Trade Organization

Explanations

Billion The convention used for a billion is a thousand million (10^9).