

South Australian Pre-Budget Statement

2022-23

MAY 2022



Budget 2022-23: South Australia

Introduction

The preceding two-year period has been like no other in living memory with unforeseen challenges, seismic global shifts, significant changes to how we work and the emergence of new opportunities.

The new Government is focussed on these unprecedented opportunities with Premier Peter Malinauskas stating: "There is an appetite for ambition and boldness in policy, a vision for the future of the country."

The Premier is correct. However, the challenge will be to deliver a budget that not only recognises this unique moment in time but provides the streamlined processes and targeted investment necessary - in a tight fiscal environment - to ensure these opportunities can be achieved.

This challenge is further compounded by proposed industrial relations reforms which, although part of an attempt to realise these opportunities, could place far greater pressure on South Australian businesses and create unintended consequences such as unfairly penalising businesses which seek to do the right thing.

Ai Group has prepared this pre-budget statement under four key themes:

- Skill Shortages
- Industry Development (including industrial relations and WHS)
- Energy, Climate and Circular Economy
- Taxes and Levies

Ai Group calls on the new Government to create a robust environment for strong economic growth, ensuring that private enterprise has the opportunity to invest, innovate and create new jobs securing an industry-led recovery that provides a better future for all.

Skill Shortages

Training and development of skills are a major priority for South Australian employers and employees with skill shortages a key barrier to day-to-day operations and business growth. The Ai Group's most recent Skills Needs Survey continues to reveal shortages across the full skills spectrum, from community and personal service workers through to technicians, trade workers, professionals and specialists. The Ai Group recommends the Government invests in:

- ongoing and dynamic research that maps state-wide skills shortages over 3, 5 and 10 year horizons – based on robust, forward-looking data – to inform strategic planning
- initiatives to provide a pipeline of workers and support apprentice retention rates to help businesses – many facing acute skill and labour shortages – to achieve Labor's election promises of:
 - 20% of all labour hours on major State Government projects delivered by apprentices, trainees, Aboriginal workers and long-term unemployed
 - 90% of labour hours on major State Government infrastructure projects delivered by SA workers
- a digital skills workforce plan for South Australia
- expert careers counselling in middle and senior schools with a key focus on trades, including an up-to-date source of careers options
- evolving VET and education offerings to deliver innovative, short, focussed training programs and micro-credentials that align with specific job opportunities
- free, high-quality careers counselling to adults
- support for the Higher Apprenticeship Programs
- women in manufacturing initiatives to expand the talent pool by encouraging women to consider a career or remain in manufacturing
- the continuation of the Defence Industry Scholarship program which is helping build a highly skilled workforce

Industry Development

The past two years have been challenging for the State's businesses with COVID-19 disruptions, supply chain issues, skills shortages and inflationary pressures. As a predominately SME state, investments that strengthen businesses to drive the next phase of economic development, such as helping local businesses export and compete nationally and globally, are required. The Ai Group recommends the Government invests in:

- lifting supply chain capability to ensure businesses can deliver on global standards and regulations relating to climate change and other issues

- continuing activities to enhance local business export capabilities
- developing a bold vision and strategy for manufacturing to address future opportunities and address Australia's sovereign capability needs
- fostering and driving initiatives to speed up the State's transition to a fuller deployment of digital processes
- driving the general uplift of the cyber-security skills of businesses and their employees
- maintaining and strengthening the emphasis on local capacity, capability, skills and supply chains, including a focus on already announced initiatives
- continuing to support the Industry Participation Advocate through initiatives such as the already announced tender-ready workshops for local businesses
- ensuring that the frustration caused by red-tape measures at both state and local government levels is a focus for action

Industrial Relations and WHS

While Ai Group appreciates and supports the new Government's focus on a "fair day's pay for a fair day's work", there is a risk some of the new Government's industrial relations policies could disadvantage local businesses and create unintended consequences. To this end, the Government needs to proceed cautiously and liaise closely with industry to ensure fair outcomes for all.

The proposed **broadening of the portable long service leave program** for the construction industry into other industries such as aged and disability care would result in a levy being imposed on businesses which would operate like a tax on employment. Portable long service leave schemes are much costlier for employers than traditional long service leave schemes. They also typically create major uncertainties and cost risks for businesses which provide services to the relevant industries given the difficulty which invariably arises with precisely defining the relevant industry. The levy that would be imposed on employers would make South Australian businesses less competitive than interstate firms.

The proposed **broadening of the labour hire licensing scheme** would impose a major regulatory burden on businesses that are operating lawfully and which are bound by industrial laws and instruments, like every other business. The current South Australian labour hire licensing scheme covers the industries which have been identified in various inquiries as requiring special regulation, i.e. horticulture, meat processing, seafood processing, cleaning and trolley collection. There is no case for broadening the scheme into other industries. The broader labour hire licensing schemes which operate in Victoria and Queensland have caused major problems for businesses. The coverage of the schemes extends far beyond any reasonable definition of 'labour hire' and has disturbed a very large number of business-to-business contracting arrangements.

The proposed **'wage theft' legislation** is not appropriate. The characterisation of underpayments as 'theft' is misleading. The existing regulatory system provides an appropriate framework for oversight and enforcement of penalties directed against the small minority of employers who deliberately underpay their staff. Most underpayments are the result of genuine errors by employers, typically caused by Australia's overly complex industrial relations system.

The introduction of South Australian State laws relating to 'wage theft' would add further complexity and lead to even more confusion for employers and employees.

In addition, any South Australian 'wage theft' law would run the risk of being Constitutionally invalid given that the Fair Work Act 2009 is intended to "cover the field" in respect of compliance and enforcement matters relating to wage underpayments. We note that when the Victorian Wage Theft legislation was before the Victorian Parliament, Professor Andrew Stewart of Adelaide University was quoted in the media as stating: "Almost every situation this (bill) is intended to cover is subject to federal legislation and there's fairly clear argument that the Victorian legislation, if it is passed as we assume, will be unconstitutional because it's inconsistent with the federal Fair Work Act".¹

Regarding proposed **work-related death legislation**, Ai Group does not believe that there is a place for industrial manslaughter provisions within WHS laws. The current offence provisions within the WHS laws are directly related to the level of risk, not the outcome. For example, the current category 1 offence, which carries a significant financial penalty and/or 5 years imprisonment, applies to conduct "that exposes an individual ... to a risk of death or serious injury or illness ... and is reckless as to the risk...". It is not appropriate to have a provision within WHS laws which could lead to a higher penalty, because there was a death, than the penalty that would apply to the same level of risk and recklessness which results in a serious injury or illness, rather than a death.

However, if corporate/industrial manslaughter provisions were to be adopted, parliamentary counsel must be assisted by experienced lawyers with close understanding of the nuances of the WHS laws and the general criminal law of manslaughter and how they will interact with each other when drafting these laws. They should also consider the recent decision of WHS Ministers to make amendments to the Category 1 offence of reckless conduct.

Energy, Climate and the Circular Economy

Successful transition to net zero emissions and a continued focus on renewables is essential for businesses in South Australia. The new State Government has already committed to an ambitious Hydrogen Jobs Plan while further steps need to be taken to help businesses transform to capitalise on existing and emerging opportunities in relation to climate and renewables. The Ai Group recommends the Government invests in:

- developing policies and programs that support SME's transition to net zero
- consulting closely with industry over further moves in demand response capability standards ensuring national consistency, even where new approaches are applied first in SA
- working with stakeholders to agree a NEM-wide approach to resource adequacy that is efficient, protects consumers from unnecessary costs, and helps keep the NEM on the path to its role in net zero
- ensuring that public policies to promote hydrogen distribute costs fairly and avoid compromising vulnerable energy users

¹ Ewin Hannan, *The Australian*, "Wage theft laws 'dead on arrival'", 15 June 2020.

- prioritising opportunities to use hydrogen to decarbonise industry
- working proactively with other States and the Commonwealth on a long-term road pricing approach in relation to electric vehicles
- considering targeted support to stimulate markets for local recycled products, including identifying cost gaps between recycled and raw materials and the barriers to use this creates
- driving circular economy transition via State purchasing decisions

Taxes and Levies

Ai Group recognises the damage to the state's fiscal position from the COVID-19 pandemic. However, we caution against raising tax rates or broadening the tax base in the present environment of continued uncertainty and fragility. The Ai Group recommends the Government invests in:

- ensuring that Return to Work premiums do not increase, particularly in light of the Summerfield decision that will result in South Australia having some of the highest premiums in the country unless legislative changes are made
- improving the efficiency of service delivery as well as the rigorous assessment and careful prioritisation of recurrent spending and investment
- easing tax burdens to accelerate recovery, including easing conveyance duties on commercial property transfers and providing payroll relief
- adopting a leading role in promoting much-needed reform of federal financial relations as fundamental to greater efficiency in service delivery and more efficient and fair taxation

About Australian Industry Group

The Australian Industry Group (Ai Group®) is a peak employer organisation representing traditional, innovative and emerging South Australian industry sectors. We have been acting on behalf of businesses across Australia and South Australia for nearly 150 years.

Ai Group is genuinely representative of South Australian and Australian industry with more than 60,000 businesses nationally employing more than one million staff.

Our members are small and large businesses in sectors including manufacturing; engineering; construction; automotive; food; transport; information technology; telecommunications; call centres; labour hire; printing; defence; mining equipment and supplies; airlines; and other industries.

Our vision is for thriving industries and a prosperous community. We offer strong advocacy and an effective voice at all levels of government underpinned by our respected position of policy leadership and political non-partisanship.

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