

# The Productivity Commission's Workplace Relations Framework - submission

Amanda Scully

## The Productivity Commission's Workplace Relations Framework - submission

The Productivity Commission's Workplace Relations framework draft report covers many areas and puts forward solutions that support minimum wages, wage bargaining and reduce unemployment. Support and further solutions are put forward in this submission.

### Summary

#### Wages differ to prices for products

Providing skills in employment is different to purchasing a product. A person has needs. A product does not. There is a limit to the downward flexibility of wages. Product prices can be more downwardly flexible. There is an inherent floor under wages so that the person lives adequately.

#### Youth wages and lower-cost but effective recruiting

The Commission discusses a hybrid option of minimum wages and competency-based pay that is a solution to low compensation for youth with experience.

Recruitment agency earnings for placing youth in work are limited. A lower-cost process could increase youth employment.

#### Lower Saturday penalty rates – Saturday differs to Sunday

Lowering penalty rates for Saturday reduces the disability of working in the evenings. Employees should be free to rest on Sunday and receive no pressure to work. The same should occur for employees of other religions. Penalty rates should deter employers from seeking employees for work on days of rest/celebration of any religion.

## Lower first marginal tax rate for minimum wage earners

A marginal tax rate of 15 cents for people on the minimum wage increases after tax income by \$638 per year.

The marginal tax rate is 19 cents in the dollar at present. A person earning the minimum wage or working few hours has more income after tax.

## Tax and child-care-free threshold

Child-care fees reduce the net wage after fees. Free child care for a parent on a minimum or low wage leaves \$18,200 per year tax and child-care-free. For 20 hours work, the tax and child-care-free income threshold is \$22,030.

## Lower unemployment by fewer migrants and tax and income credits for courses

Lowering the skilled migrant intake until unemployment reaches the natural rate of 5 per cent will reduce unemployment.

A tax credit for approved courses adds new skills for people on low incomes. Income credits for courses for unemployed lift employability.

## 'Poor fit' solutions

A solution for complaints from both sides and for a situation where the employee is a 'poor fit' is for the employee to be given 6 weeks at 80 per cent of pay at the office in which to find a new job.

Jobs that have a high turnover are more likely to be short-term. A good description of the job includes turnover.

## Wages differ to prices for products

Wages are different to payments for products. Wages are often called the price of labour. Wages, or the price for labour, is assumed to behave in a similar way to prices for products. People put their common and specialised skills to work in return for a wage. The term 'labour' is often included in the context that one pays for labour – an employee – as one pays for a product. The common and specialised skills are separate to the person. This is different to products. An employee is different to corn. The product purchased such as corn has no inherent needs. The common and specialised skills have no inherent needs. An employee does. People have the need to live adequately. There is a limit to the downward flexibility of wages. Product prices can be more downwardly flexible. Downwardly flexible wages potentially leave a person with insufficient to live. There is an inherent floor under wages so that the person is sustained and lives adequately.

## Youth wages include experience and low-cost effective recruitment

Youth wages are low. Yet the rate of unemployment of youth is high and far from the adult rate of unemployment. The Commission notes in the draft report that many employers have some market power. It argues that this may reduce wages below the efficient wage and reduce employment. This may be the case for youth. The issues paper discusses a hybrid option of minimum wages and competency-based pay that is a solution to low compensation for experience.

Recruitment agencies fees for placement are 15 per of the wage or more. The dollar fee for placing a youth is low compared to the fee for placing other employees. There are limited earnings for individual personal attention for placing a youth in work. A lower-cost, effective process could get more youth work.

## Lower Saturday penalty rates – Saturday differs to Sunday

The Commission shows in the draft report that 'social disabilities' of working in the evening are greater than at the weekend. Lowering penalty rates for Saturday reduces the disability. Sunday is a Christian religious day of

rest. This is the religion of 61.1 per cent of the population. Employees should be free to rest on Sunday and receive no pressure to work. The same should occur for employees of other religions for days of rest/celebration. Penalty rates should deter employers from seeking employees for work on days of rest/celebration. Religious belief and practice of varying degrees is woven in the social fabric.

## Lower first marginal tax rate for minimum wage earners

The Commission discusses the interaction of income tax and participation in work and earned income tax credits in the draft report. The increase in the threshold for income tax to \$18,200 per annum encourages more people to work. A marginal tax rate of 15 cents for people on the minimum wage increases after tax income by \$638 per year. The marginal tax rate is 19 cents in the dollar at present. A marginal tax rate of 12 per cent increases after tax income by \$1,117 per year. A person earning the minimum wage or working few hours has more cash for living expenses and saving. The cash is a catalyst for part-time employees working longer hours.

## Tax and childcare-fee free threshold

Child-care fees reduce the net wage after fees. Free child care up to the income tax free threshold of \$18,200 per year for a parent on a minimum or low wages leaves \$18,200 per year tax and child-care-fee free. This is 20 hours' work at the minimum wage.

The Australian Institute of Family Studies report, 'The Longitudinal Study of Australian Children Annual Statistical report 2015' shows that children develop at least as well in child care of up to 22 hours per week as for parental care. Children are equally advantaged or more advantaged across all incomes from the parent carer working part-time compared to parent care.

For 20 hours work across five days, 26 hours of child care is included in allowances. At \$105/10-hour day, this is \$252/week. The parent pays \$81 per week after allowances (at the highest benefit). This is \$3,829 per year. At 26 hours of free child care per week for 20 hours work, the tax and child-care-fee free income threshold is

\$22,030. Reducing travel hours lowers the tax and child-care free income threshold to \$21,544. The parent pays \$94/week and \$4,430 per year (for 80% of maximum benefit). The tax and child-care-fee free income threshold is \$22,630. At fewer travel hours it is \$22,145.

## Lower unemployment by fewer migrants and tax and income credits for courses

Unemployment is rising. Youth unemployment is high. Skilled migrants have risen faster since 1989/9. Lowering the skilled migrant intake until unemployment reaches the natural rate of 5 per cent will reduce unemployment. A lower target is 2 per cent unemployment that persisted earlier.

A tax credit for approved courses adds new skills for people on low incomes. Income credits for courses in areas tangential to an unemployed person's skill base lift employability. Additional income from work, over the Newstart allowance limit, are credits for courses.

## 'Poor fit' solutions

The issues paper discusses unfair dismissal outcomes. In my limited experience, the employee-employer relationship fails because of faults on one or both sides.

A solution for dissatisfaction from both sides and for a situation where the employee is a 'poor fit' is for the employee to be given 6 weeks at 80 per cent of pay at the office in which to find a new job.

Turnover in the job is important information for applicants. Jobs that are associated with a high turnover are more likely to be short-term. A solution is including this in the description of the job.

## Support for minimum wages , lifting wages after tax and expenses and lowering unemployment

The inherent 'needs' difference between employees and products limits downward flexibility of wages. The low response from employers to low youth wages could be lifted by low-fee effective recruiting. A hybrid wage that includes reward for experience is put forward by the Commission. Limiting the migrant intake and allowing tax and income credits for courses will reduce unemployment. A solution to 'poor fit' that lessens disagreement time and helps the person be reemployed quickly is a six-week reduced-pay payout. A lower first marginal tax rate for people earning the minimum wage or working few hours is a catalyst for increased participation in work and receiving more income to live on. Free child care, so that \$18,200 is earned tax and child-care fee free encourages part-time work. The parent receives more post-child-care income and the child develops at least as well for up to 22 hours as at home.

Amanda Scully

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People put their common and specialised skills to work in return for a wage. The common and specialised skills are separate to the person.

The common and specialised skills have no inherent needs. An employee does. People have the need to live adequately.

This is different to products. The product purchased such as corn has no inherent needs. The machinery and land require replenishing to continue producing. Employees whose common and entrepreneurial skills go into producing the product (corn) need to live adequately. The producer or farmer is an entrepreneur who accepts the rise and fall in price. This is the risk taken as an entrepreneur. The producer or farmer usually has more than one product.

A person has one product, her/his common or specialised skills.

Wages, or the price for labour, is assumed to behave in a similar way to prices for products.

Product prices can be more downwardly flexible than wages. There is a limit to the downward flexibility of wages. Equivalent downwardly flexibility of wages as products can leave a person with insufficient to live. There is an inherent floor under wages so that the person is sustained and lives adequately.