

15 March 2015

Commissioner Peter Harris AO

Chairman

Public Inquiry into the Workplace Relations Framework

Productivity Commission

Via email

Dear Mr Harris

Thank you for the opportunity to make a submission to examine possible improvements to Australia's Workplace Relations system.

This submission is made on behalf of the members of the Mount Gambier Chamber of Commerce which consists of 150 members, principally across retail, tourism and service sectors. The majority of these members being small to medium sized enterprises.

A. Excessive weekend and public holiday penalty rates are diminishing potential employment

Small to medium business is the largest employer group in Australia and the rate of employment growth is currently being depressed by the inflexible award wage conditions, particularly by the excessive penalty rates imposed on weekends and public holidays.

1) Tourism Industry

The tourism and hospitality industry is a major employer in our region with strong growth potential as a result of increased Chinese tourism and other international tourism. At present at least half of our region's restaurants, cafes and retail operations are closed on Sundays and public holidays during a time of peak demand.

We have consulted our members on this matter and the overwhelming primary reason for closure is due to the penalty rates imposed on these days.

2) Service Industry

The weekend penalty rates in the service sector is reducing potential employment as businesses choose not to service their clients during these times.

We have received a submission from one of our members, Tye's Plumbing Service which illustrates the implications of penalty rates in the plumbing industry which we have included below in its entirety.





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A customer calls in the morning of a public holiday because they have no hot water.

*We send our on- call plumber and the job takes one hour to repair the hot water service. The customer expects an invoice for one hour. **\$60** plus GST*

The actual cost to the business:

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|--|-----------------|
| <i>The award states the plumber must be paid 5% extra to be on – call (for one day only)</i> | <i>\$43.70</i> |
| <i>Must be paid minimum of 4 hours on a public holiday at double time and a half</i> | <i>\$230.00</i> |
| <i>Extra work cover costs approx.</i> | <i>\$10.35</i> |
| <i>Phone rental must also be paid (in the award) – we pay an allowance weekly anyway</i> | |

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|----------------------------------|------------------------|
| TOTAL COST (to business) | <u>\$284.05</u> |
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|--|-----------------------|
| EXPECTED COST (from customer) | <u>\$60.00</u> |
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This scenario above is for one day only. If the business owner wanted the whole three days off on a long weekend the on-call plumber would have to be paid the \$43.70 for each day.

There is also the scenario that the on –call plumber gets one call out in the morning then another in the afternoon where it would then be law that they are paid another minimum four hours at double time and a half.

To add to this we often find that people who have an emergency weekend job (and aren't regular customers) generally never pay their bill at all.

3) Retail Sector

Small to medium business are in the main family operated and often a seven day a week but because of the present wage structure and ever increasing operating costs these businesses are struggling to exist and find the owner/operator working the extra shifts and we believe with a more equitable wage structure, would be inclined to employ staff to cover these shifts. Thus again potential employment in the region is not being realised as the owner/operators are working ever longer hours to minimise their wage bill and not employing extra staff to cover these shifts.



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B. High penalty rates are encouraging some businesses to pay staff cash-in-hand

Whilst the Mount Gambier Chamber of Commerce acknowledges that paying staff on a cash basis is illegal, we have received anecdotal evidence that the practice is occurring as some employers are making individual agreements and paying staff cash at a lower rate than the award. We are not suggesting this is a widespread practice however, its occurrence although isolated reduces tax income to the Government and it is unfair to law abiding competitors. The Mount Gambier Chamber of Commerce believes that a reduction in weekend and public holiday penalty rates will have the impact of reducing the number of employers relying on cash payments to staff.

C. Employees who choose to work weekends and public holidays

Working weekends and public holidays suits some family situations and university students but they are having difficulty gaining employment during these times as employers are reducing the number of shifts available during these times due to the cost.

Summary

The current regime of weekend and public holiday penalty rates is not in line with a 24/7 modern society, with extended shopping hours and the expectation that businesses trade longer hours. The effect of penalty rates is especially damaging in a region where tourism is such a vital industry.

The current award system is reducing potential employment putting an unnecessary cost burden on employers, reducing services and dampening tourism revenue.

The Chamber acknowledges employees should not be disadvantaged and thus believe a consistent wage rate applicable at all times will have the effect of driving employment growth and GDP growth

Unless this is addressed urgently it is going to have the effect of bankrupting many small businesses in our region, who are finding it increasingly difficult to compete with national companies and overseas internet sales.

In order for Australia to remain competitive and attract overseas tourists we need to be open for business.

Yours faithfully

Lynette Martin
President
Mount Gambier Chamber of Commerce