

Workplace Relations Framework
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

25 August 2015

To whom it may concern,

**Re: Modern Award Penalty Rate Reform:
Detrimental effects of high penalty rates on small to medium sized businesses**

I work for a medium sized food retail business with, on average, 230 staff members. We have a number of food retail and preparation outlets in Brisbane and on the Gold Coast, and pay staff according to their departmental classification and relevant Modern Award. These include the General Retail Award 2010, Meat Industry Award 2010, Fast Food Industry Award 2010, Clerks – Private Sector - Award 2010, Fast Food Industry Award 2010, and Road, Transport and Distribution Award 2010. We employ a predominately casual workforce across all Awards.

Updating the definition of normal working hours:

Historically, Saturday and Sunday penalty rates were established when the majority of jobs were classified as industrial in nature, and the penalty rates existed to accommodate for staff that may be required to work under exceptional circumstances, and outside of usual operating hours. But times have changed. Globalization, labour demand and consumer behaviour change have resulted in a trend towards a 24/7 retail environment. These fundamental workforce changes need to be taken into account when looking at amendments to the Modern Awards as the definition of normal working hours needs to be adjusted accordingly to accurately reflect this change.

Given the nature of the Retail and Hospitality sectors, Saturdays and Sundays are now seen as standard days of operation. The staff who work in these industries are well aware of the expectation that they are required to work at least one weekend day per week. This has become the accepted norm. However, this is not reflected in the wage structure. Penalty rates still seem to favour the weekend days as compensation for working outside of historic operating hours, which is far removed from the new reality.

Consumers want access to retail and hospitality outlets 24/7. We need to adapt to this. And the Modern Award pay and penalty rates need to adapt to this too. If penalty rates were true representations of globalized normal working hours, wage bills would decrease, and we would be able to employ more staff. Staff would not be disadvantaged by this as they would be work increased roster hours, in a more relaxed work environment. We, as a business, would be able to spend more money on staff training and professional growth for these individuals as it would lighten the financial burden of employing staff.

Even though Saturdays and Sundays are busier trade days for the majority of our businesses, the increased consumer traffic does not compensate for the increased penalty rate wages. Staffing levels on these days are increased to accommodate the increased customer base on these days. Increasing

staffing levels in turn increases the wage bill with the end results being that on the “weekend”, our stores struggling to break even.

Deterrents from expanding the business and employment stability:

In one of our Fast Food health store outlets, paid on the Fast Food Award 2010, the total wage bill for the department is in excess of \$800 – as an average - on a Sunday (minimum of \$33 per hour per staff member); while our sales figure for the department is approximately \$600, meaning that we incur a \$200 loss per Sunday we are open. Further to this, on a public holiday, we are required to pay our casual customer service staff \$52 per hour. This is five times more than the average cost of the products sold.

After cost analysis in our business, wages (inclusive of all allowances) account for 66% of all of our business expenses. This is our largest expense. Therefore, when there is a decrease in consumer spending, adjustments to staffing levels are the first cost saving strategy considered. A penalty rate reform would give our staff a more stable work environment as opposed to the current trend which is a seasonal business structure. Payroll tax, superannuation and WorkCover premiums are all related to the total wage bill for the Company. Increasing wage rates and inflated weekend penalty rates would be one of the largest deterrents from opening further retail outlets, and it seems unviable financially in the current workplace relations framework.

Businesses are trying to adjust to the changing economic climate as well as consumer habits, however the rigid structure of the Modern Awards and high penalty rates make this a constant challenge. There has been a great push towards supporting small businesses and encouraging new business as a way to promote Queensland economics, however, a wage reform is necessary if small business is to succeed.

Pay rate disparity:

There seems to be not only an outdated definition of normal working hours and associated penalty rates in the workforce structure, but also a pay disparity between casual unqualified staff performing weekend customer service roles who are currently being paid more than their week day co-workers who have relevant qualification for their specialised fields. These qualified staff earn less per hour Monday to Friday than the Customer Service Assistants on the cash registers with no qualification necessary and are paid more simply for working on Saturdays and Sundays.

Labour costs dictating business strategy:

In 2014, our Company opened a new retail store. We had to let go one third of the staff within the first 6 months, in an effort to decrease total expenditure of the business as the wage bill for a new business was the largest factor impacting the financial loss sustained each month. Our labour needs were assessed based on the cost of this labour, as opposed to the needs of the business. It is a sad state of affair when businesses have to alter their strategic plans according to wages, as opposed to general business needs. Penalty rate reform, and restructure to accommodate for business size, location, normal working hour span per industry and penalty rates to accurately reflect new work frameworks, are essential to supporting Retail businesses.

In summation:

The snowball effect of increasing wages and unnecessarily high penalty rates affects everyone. Higher wages mean that retailers and the hospitality sector increase their prices to cover costs. It is common for restaurants and fast food outlets to place a surcharge on items sold if they are open on a public holiday to cover wages, proving the negative repercussions of the current penalty structure on businesses and consumers.

Penalty rates were established in the workplace remuneration law to compensate for staff working outside of the normal span of hours. However, times have changed and trading for seven days of the week is now the new norm. By changing the Sunday penalty rate, we are not disadvantaging the staff member, but more highlighting the true nature of a changing business landscape. An overhaul of the penalty structures need to reflect modern day society where operating 7 days a week is the norm, and staff will be able to work more hours to compensate for the decreased penalty rates. More casual jobs will be created if Sunday penalty rates are aligned with Saturday penalty rates, or, better still, completely revised.

The high cost of stock due to decreased buying power as a medium sized business, the ever increasing wage bill and pay rate disparity between not only penalty rates, but also qualified and casual unqualified pay rates after inflated penalty rates, make for a very challenging environment to exit in as an independent retailer. I support the Productivity Commission's suggestion to take action with regards to penalty rate reform and if not decreasing them, then abolishing them. Drastic measures need to be taken as an adaptation to the changing work landscape.

Thank you for the opportunity to comment on this topic.

Kind Regards

Clarissa Garnett