



Background

LHMU is one of the largest and most diverse unions in Australia, representing more than 120,000 of Australia's lowest paid workers. LHMU members are drawn from hundreds of occupations, sectors and industries. One of the main industry groups is hospitality with members working in casinos, clubs, pubs, hotels, motels, theme parks, catering, cafes, restaurants and other venues.

The hospitality workforce is characterised by a large proportion of youth and a high degree of casualisation:

- Within the Accommodation and Food Services industry, 43.9% of workers are aged 15-24 years compared to 17.7% of workers for all industries.¹
- Casual employees make up more than half of the café, restaurant and catering services workforce (50.2% or 98,324 employees). Permanent full-time employees account for under one-quarter of the workforce (22.9% or 44,851 people).
- The workforce can be further categorised by gender with 57% of females (59,332 employees) working as casuals. Permanent full-time positions are occupied by more males (26,077) than females (18,774).²

Issue: Superannuation Guarantee Threshold

LHMU is concerned that the Restaurant and Catering Association (R&CA) has made a submission arguing for the weakening of the superannuation guarantee threshold as outlined in section 3.6 of the Productivity Commission Draft Research Report.

R&CA makes two suggestions: either raise the threshold above \$450/month or retain the \$450/month threshold but create a three-month waiting period for employees to be eligible for payment.

Specifically, LHMU takes issue with the argument made by the R&CA that the administrative cost to business of making small payments to a "transient" workforce outweighs the benefit to employees of receiving superannuation payments.

Benefits to Low-paid Employees

Access to superannuation is especially important for a low-paid, casualised workforce that does not have access to the wide range of employment benefits available to full-time employees. Commentators have drawn attention to the link between low pay, low levels of labour market

¹ Service Skills Australia, *Tourism, Hospitality and Events Environmental Scan 2010*

² Australian Bureau of Statistics, *Cafes, Restaurants and Catering Services 2006-07*, 8655.0

participation and inequality in retirement incomes³. A recent Auspoll survey of 5000 LHMU members found the top three concerns were job insecurity, low pay and inadequate retirement incomes. 78% of members said they were extremely or very concerned about having enough super when they retire⁴.

Average weekly earnings in hospitality are significantly lower than average weekly earnings in other industries. Workers in the café, restaurant and takeaway industry earn on average \$720 per week compared with \$1000 for the average worker in other industries.⁵ Hospitality workers cannot afford to put aside funds for retirement, and should not be denied access to the superannuation guarantee.

Industry Capacity to Pay

The R&CA submission does not quantify the administrative cost burden imposed upon business for compliance with the superannuation guarantee threshold. However, data suggests that the industry does have the capacity to pay the superannuation guarantee threshold to employees earning \$450/month. Operating profit before tax has grown at an average annual rate of 10.9%, from \$422.9m in 2003–04 to \$576.4m in 2006–07.⁶

The growth in the sector is expected to increase with employment growth rates in accommodation and food services anticipated to outperform the average annual growth rate in the next five years to 2014-2015. The industry is likely to have a 2% annual employment growth rate compared to 1.8% across all industries. Within the Accommodation and Food Services industry, employment in Cafes, Restaurants and Takeaway are likely to perform best at 2.6% annual employment growth. This equates to 64,700 extra jobs.⁷

Industry Capacity to Invest in Workforce Retention

The R&CA uses the term “transient” to describe a workforce with a high level of turnover. However, the R&CA submission does not take responsibility for attempting to retain workers through improvements in pay and conditions. The net effect of raising the superannuation threshold in line with the R&CA suggestion would be reduced cost of labour, resulting in higher turnover rates as workers seek better jobs in alternate industries.

LHMU opposes the view that the hospitality workforce is necessarily “transient”, and argues that the sector has the capacity to lift wages and conditions to retain the workforce.

LHMU Submission

LHMU argues that the superannuation guarantee threshold should not be amended. Low-paid workers, whether in the hospitality sector or in other sectors, should continue to receive the same

³ Brown, Kerry and Brosnan, Peter and Gallery, Natalie, Women and Superannuation: Labour Market Participation and Retirement Prospects, *Journal of Contemporary Issues in Business and Government* 6(2):pp. 4-14, 2000

⁴ LHMU, *Low Paid Workers and the Henry Review*, <<http://www.lhmu.org.au/news/low-paid-workers-and-the-henry-review>>

⁵ Department of Education, Employment and Workplace Relations, *Employment Outlook for Accommodation and Food Services*, February 2010

⁶ Australian Bureau of Statistics, *Cafes, Restaurants and Catering Services 2006-07*, 8655.0

⁷ Department of Education, Employment and Workplace Relations, *Employment Outlook for Accommodation and Food Services*, February 2010

superannuation guarantee entitlements as the rest of the workforce. Access to superannuation is especially important for low-paid, casual workers who do not have access to the same employment benefits available to full-time employees. The Henry Tax Review recognises the need for increased retirement incomes, and measures such as the gradual increase in the superannuation guarantee to 12% go some way toward addressing this issue. It is important that casual workers are not disadvantaged by being denied superannuation by virtue of earning below the threshold.

Any increase in the superannuation guarantee threshold would disadvantage casual hospitality workers who move between employers throughout their careers. If hospitality businesses were genuinely concerned with costs associated with a highly “transient” workforce, they would invest in measures to reduce turnover rather than trying to absolve themselves of the administrative costs of compliance with the superannuation guarantee threshold. Investment in training of the local workforce would be a great place to start, but the R&CA instead focuses on sourcing skilled migrants arguing that “in a lot of cases Australians do not want to do the work”⁸.

Clearly, the R&CA alternative submission for the creation of a waiting period would create a perverse incentive for unscrupulous employers to avoid making superannuation payments by dismissing casual employees just prior to three months. This is not in the interests of employees and does not provide any incentive for employers to invest in retaining their workforce.

Recommendations

LHMU recommends that the superannuation guarantee threshold remains unchanged.

⁸ David Crowe and Julian Bajkowski, *Hospitality sector fears cost of migration cuts*, 28/07/10
<http://www.afr.com/Page/Uuid/d49dcfac-9923-11df-99bf-2090957e932e#Scene_1>
Liquor, Hospitality & Miscellaneous Union