

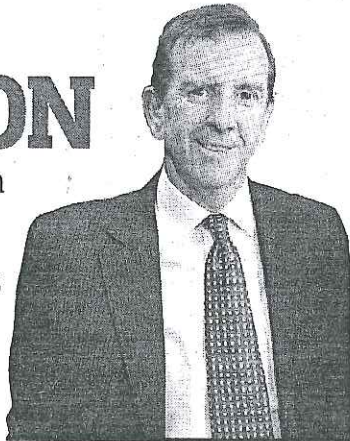


AUSTRALIAN CHAMBER OF
COMMERCE AND INDUSTRY

IN MY OPINION

with Peter Anderson

Penalty rates and loadings throwbacks to long ago



WHILE I don't agree with employment Minister Bill Shorten's public defence of penalty rates, it's a good thing there is debate about what is a fair reward for hours worked.

Australian employers pay good wages. For a wealthy country that wants high living standards, that's fair enough. But is it fair to pay people different amounts for doing the same job depending only on the time of day or the day of week?

Most employers can fund wage obligations, so long as wages rise somewhere in line with sales, profits or productivity.

But Australia's industrial relations system is riddled with high on-costs. These are compulsory payments on top of wages. They include penalty rates, shift rates, overtime rates, allowances, annual leave loading, superannuation levies, workers compensation premiums and different forms of paid and unpaid leave.

Some are forced by governments, some by industrial tribunals such as Fair Work Australia. None takes account of different capacities of businesses. Small or not-for-profit employers are assumed to afford them in the same way as large corporates.

These on-costs add at least 30 per cent to the wages bill of today's employers. It's one reason why Australia has become a high-cost country to employ and do business.

Understandably, staff don't see much difference between dollars in the pay packet from wages and those from penalty rates. They should. The case for good wages is strong. The case for high penalty rates is weak, and weakening as each year passes.

Penalty rates were introduced to penalise employers from trading and employing staff during what were unsociable hours — late nights or weekends.

A generation later, the community expect shops, cafes, pharmacies and tourism operators to be open 24/7.
In service



industries, the Monday to Friday trading week has gone with the horse and buggy.

Longer trading hours has not meant longer working hours. A generation ago, the standard working week was 40 or 42 hours. Now it's 38.

Businesses now hire casual and part-time staff, often university students who don't find working evenings or weekends an inconvenience — they are the hours when work is possible around the week's study or family commitments.

The industrial relations system should be honest. Don't call penalty rates compensation for hours a businesses should not trade when they are the hours customers expect a business to open.

The same goes for the 17.5 per cent annual leave loading. It was meant to be paid to people who earned shift loadings when at work so they didn't drop income when on leave. Trouble is, it's paid to almost all workers whether they work shifts or not. How stupid is the system when it pays us more for being on holidays than when we are at work?

Taking a penalty rate or loading to compensate for something that no longer exists is an ethical dilemma, even if it's legally fair enough while the law stays that way.

If these penalty rates and loadings are from another era and don't fit their original purpose, then what should be done about them?

THERE are two sensible answers. Governments and industrial tribunals should have an honest review of whether their original rationale exists. If it doesn't, lawmakers should phase them out on an industry-by-industry basis.

And businesses should be allowed to incorporate penalty rates into base rates of pay on an enterprise by enterprise basis. This way staff don't lose income from one pay packet to the next, and an anomaly in the system is addressed.

For this to happen, the rules about bargaining and agreement-making need to be more flexible than Julia Gillard's Fair Work laws. And before anyone claims this would be a return to WorkChoices, it is not.

Twenty years ago, I negotiated the removal of penalty rates in a key retail industry award in return for Saturday afternoon trading and a higher base rate of pay. One of Australia's largest unions, the SDA, was a party to that agreement. It was common sense.

Peter Anderson is chief executive of the Australian Chamber of Commerce and Industry.