

## Impact of the ACTU Claim

- The ACTU seek:
  - To double the existing award redundancy standard (up to 20 weeks pay);
  - To impose the redundancy standard on small businesses (by removing the current arbitrated exemption);
  - To extend redundancy payment to casual employees (by removing the current arbitrated exemption);
  - To include overtime and penalty rates in redundancy payments;
  - To require employers to fund a new \$300 job search payment to redundant employees;
- The claims are advanced by the ACTU as a national test case;
- The ACTU proposes the following:

Current Standard		ACTU Claim	
1 year or less	Nil	1 year or less	Nil
1 to 2 years	4 weeks	1 to 2 years	4 weeks
2 to 3 years	6 weeks	2 to 3 years	7 weeks
3 to 4 years	7 weeks	3 to 4 years	10 weeks
4 years and over	8 weeks	4 to 5 years	12 weeks
		5 to 6 years	14 weeks
		6 years and over	16 weeks
• Small/medium businesses <15 employees currently exempt		• Over the age of 45, payout 20 weeks (five months pay)	• Remove small business exemption
• Casual employees currently exempt		• Add a new job search allowance	• Extend payments to casual employee

## Key Issues in the Employer Case

- The claims are flawed, economically and industrially;
- The employers primarily affected would be small and medium businesses which are the largest profile of employers employing staff under awards;
- Economically, the cost impact would be severe. ABS data suggests about 200,000 redundancies occur in industry each year;

- For larger employers, the average redundancy cost would increase by 30%;
- Small business would become subject to these redundancy payment obligations for the first time. This would impose additional redundancy costs on small businesses of between 166% and 400%, or between \$1,793 and \$8,968 for just one redundancy of an employee on the minimum wage. Five months redundancy pay on the minimum wage would equal \$11,210 per employee; [this is for the minimum wage only – the full impacts will be much higher for higher skilled employees];
- For small and medium businesses the average redundancy cost would increase by 300%, or from \$1,500 per employee to \$6,000;
- Employers would be penalised for undertaking necessary business restructuring, and in some cases the cost of doing so would be prohibitive. The industrial system would punish employers for undertaking what commercial commonsense, if not commercial law, require – business restructuring;
- Business restructuring strengthens the job security of remaining employees;
- Industrially, the claims lack merit. The labour market has changed and employees now have more alternatives to minimise the adverse effect of redundancy. This includes:
  - More jobs in the labour market;
  - A more open economy with more forms of entering and working in the labour market;
  - Greater skills and education amongst employees;
  - Greater mobility and willingness to move between employers and between careers;
  - Greater opportunities for training and retraining;
  - More employment services for unemployed job seekers.
- These costs and obligations would be in addition to already burdensome unfair dismissal laws.

## **Practical Examples of Cost Impact**

### Example 1 – Shop Employee \$500.70 – Three Years Service – Small Business

ACTU Claim:           \$6,509.10 (notice + redundancy pay)

Current:               \$1,502.10

### Example 2 – Tradesperson - \$525.20 – Three Years Service – Small Business

ACTU Claim:           \$6,827.60 (notice + redundancy pay)

Current:               \$1,575.60

### Example 3 – Clerk - \$627.50 - Three Years Service – Medium Business (over 45)

ACTU Claim:           \$8,157.50 (notice + redundancy pay)

Current:               \$6,275.00