

Time to give outdated penalty rates the flick

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The case for penalty rates is 'weak' and an honest review should see them phased out, according to the head of a major Australian employer organisation.

Peter Anderson, chief executive of ACCI, said 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, cafés, pharmacies and tourism operators to be open 24/7,' he said.

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

Riddled with on-costs

Anderson said that Australia's industrial relations system is 'riddled' with high on-costs.

'These are compulsory payments on top of wages,' he said.

'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% to the wages bill of today's employers. It's one reason why Australia has become a high-cost country [in which] 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.'

Anderson said 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,' he said.

No inconvenience

'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 businesses should not trade when they are the hours customers expect a business to open.'

'The same goes for the 17.5% 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?’

Anderson said there are two ‘sensible answers’ to the penalty rates issue.

‘Governments and industrial tribunals should have an honest review of whether their original rationale [still] exists,’ he said.

Phase them out

‘If it doesn’t, lawmakers should phase them out on an industry-by-industry basis.’

As well, 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.’