

Productivity Commission report into the Australian Retail Industry – FACTSHEET

Over a million people are employed in the retail sector.

Earlier this year, following a high-profile public campaign by Harvey Norman and a few other national retail chains, the Productivity Commission was asked to investigate the impact of online sales on the industry.

It was found that online sales accounted for less than 5 per cent of all sales.

The report did not stop there. Despite it being outside its brief, the draft Productivity Commission Report proposed a range of measures to workplace laws that could reduce the rights of all workers.

Employers have asked the Productivity Commission to recommend reducing workers' rights including:

1. To reduce minimum wages.
2. To get rid of unfair dismissal protections.
3. To remove penalty rates for workers who work late at night or on the weekends.
4. To cut back minimum shift length, so that a worker could be called to work for as little as 1 hour.
5. To get rid of the rule that ensures workers have to be better off overall when they make an agreement.
6. To reduce pay for retail workers "replacing" it with incentive or performance based pay.

Below is a summary of what has been included in the draft Productivity Commission report.

Wages

The Productivity Commission has acknowledged that employees in the Retail sector are among the lowest paid in Australia.

- *'Employees in the retail industry earn less on average than employees in most other industries'*
- *'Growth in retail industry wages and earnings has consistently been lower than the average of all industries'*

However, the Commission then contradicted its earlier findings by concluding that to make the sector internationally competitive, productivity of workers must keep pace with workers' wages: that is, that workers will have to work harder for less.

Employers have long wanted to get rid of the minimum wage system.

They nearly succeeded under WorkChoices where over 1.6 million workers covered by the award system suffered a wage freeze for over 12 months. Real wages fell by up to \$84 a week.

Only this year did minimum wages return to the level they were before WorkChoices was introduced in 2006.

Unfair dismissal protections

The Productivity Commission said that the unfair dismissal system needed to be “monitored”, to ensure employers have ‘reasonable flexibility for employers to hire and fire’. The Commission noted that fairness to employees was also a consideration, but implied that provisions in the Fair Work Act, that provide unfair dismissal protection to all regularly employed workers, went too far.

Under WorkChoices over 4 million working Australians lost their right to unfair dismissal protections. Many workers lost their jobs, and had no recourse.

Penalty rates

The Productivity Commission said:

‘Penalty rates and other related provisions set in awards are unlikely to be optimal for many enterprises.’

Penalty rates give workers who have to work unsociable hours additional pay, to compensate for this fact.

During WorkChoices, 65% of AWA individual contracts removed penalty rates.

As wages in retail are relatively low (beginning at \$17.03 an hour, or \$7.67 for juniors), many workers rely penalty rates to help make ends meet.

Minimum shifts

The Productivity Commission noted that:

‘Prescriptive minimum hours requirement ... continues to be a constraint on employer flexibility’.

Minimum shift lengths have existed in the Australian award system for decades. Employers do not need to employ workers for the full length of the minimum shift, but workers are entitled to a minimum pay each shift. That means that workers can cover the cost of going to and from work.

A 16 year old student casual retail worker gets paid \$10.65 an hour. If they had to work for only one hour, their wage would barely cover the train fare to get to and from work. (Note: a ‘multi-day pass’ concession ticket costs \$10 in Sydney; a return ticket from Western Sydney concession costs \$5).

Better off overall test

The Productivity Commission criticised the “better off overall” provisions in the Fair Work Act, that protect workers from being ripped off by agreements.

The report quotes employer representative Heather Ridout as saying:

‘Individual Flexibility Agreements promised so much but in reality they have not proved to be a meaningful replacement for the flexibility provided by AWAs’

There was no need for WorkChoices AWAs to ensure that workers’ were better off. As a result, nearly all workers on AWAs lost at least one previously protected award condition and over half lost their penalty rates, annual leave loading, and public holiday pay. Three-quarters of AWAs provided for no pay increase for the life of the agreement.

The Productivity Commission also suggested that employers should be able to “offer” individual flexibility agreements as take it or leave it conditions of employment.

Incentive pay

The Productivity Commission argued that productivity could be increased through reducing wages and replacing pay with incentive-based remuneration. It reported employers' concern that:

'High minimum award wages are limiting retailers' flexibility to consider the adoption of...incentive-based remuneration for their employees.'

The "high minimum wages" the employers refer to are what the Productivity Commission itself recognised as among the lowest paid workers in Australia.

Low paid workers should not have to trade-off minimum wages for uncertain 'incentive pay'. If employers truly believe that incentive pay would increase productivity in their workforce, they are able to offer incentive pay *above* the safety net, just not below.

Productivity / Flexibility – How the retail sector really stacks up

When the Productivity Commission discussed "flexibility", it encouraged the notion that employers should be able to employ people outside of ordinary work hours and not have to pay overtime or penalty rates.

The Commission called for "productivity" improvements in the industry, which hinged on the idea that by cutting wages, they would 'increase' productivity. They measured "productivity" by the cost per hour worked minus profits, or sales. By this measure, increasing "productivity" would mean fewer shop assistants to help you, or longer queues to purchase goods.

"Productivity" should not come at the expense of workers' wages, especially when retailers have done little to adapt to changes in technology, and face unfair and overly expensive rents compared to retailers overseas. There are a lot of steps that retailers can take to make their industry more competitive than it is, rather than attacking their own workforce.

In fact, the retail industry is not going as badly as it would lead us to believe.

ABS data shows that the number of jobs in the retail industry increased by 2.8% in the year to May 2011. Employment across the economy as a whole grew by 2.2%, a pretty solid pace.

Over the past five years, total profits in the retail industry have increased by over 50%, while the total wages bill in the industry has risen by less than half that amount.

Profitability across the Australian retail sector generally reflects the same trends in other countries. Although consumer sentiment has been somewhat volatile throughout 2010 and early 2011, it remains above average, indicating a stable long-term future for the sector.

The Productivity Commissions draft report into the Retail Industry is available at:

<http://www.pc.gov.au/projects/inquiry/retail-industry>