Federal Opposition Submission to

the

Fair Work Commission's Review of Modern Awards – Penalty Rates

21 March 2016

Introduction

1. The Australian Labor Party in opposition or its predecessors has never before made a submission to the 4 yearly review of modern awards ("the review"). We do so now because of the impact of policy decisions of the current Liberal National Government on fairness and equity, and the Government's surreptitious attempts to persuade the Commission to cut penalty rates.

2. We note that:
   - inequality is at a 75-year high[1],
   - living standards or real national disposable income per capita has fallen by 3.2% since September 2013[2], and
   - wages growth is the slowest since the 1990s[3]

3. We also note that the 2014-15 Budget and the 2015-16 Budget disproportionately impacted low and middle income earners.

4. Given this we note that changes to penalty rates will represent significant changes to the total earnings and income of workers in hospitality and retail industries that have a higher prevalence of casualisation, and accordingly impact on fairness across our society and the performance of the Australian economy.

5. For these reasons, the Federal Opposition is taking the unprecedented step of making this submission.

Government Submission to Review of Modern Awards

6. We note that the Australian Government, in their previous submissions to the Commission has indicated a preference for weakening the penalty rates framework. We note that in those submissions, the Federal Government has asked the Commission to evaluate whether penalty rates were "appropriate in a particular industry"[4] implying a reference to hospitality and retail industries.

7. The Government's vocal advocacy for cuts in penalty rates over an extended period is clearly intended to influence the Commission, despite the Government not having made a formal submission. The Prime Minister who famously declared the death of the weekend, agreeing that it's a 7-day economy,[5] has argued for a reduction in Sunday penalty rates,[6] and sees them as an historic anomaly[7]. According to Coalition Ministers, cutting Sunday penalty rates

[1] Leigh, A. (2013) *Battlers and Billionaires The Story of Inequality in Australia*, Black Inc, Melbourne
[2] Australian Bureau of Statistics, *Australian National Accounts: National Income, Expenditure and Product*, December 2015
[3] Australian Bureau of Statistics, *Wage Price Index,* December 2015
[4] Australian Government Submission, AM2014/1 (4 Yearly Review of Modern Awards), para 3.6 https://www.fwc.gov.au/documents/sites/awardsmodernfouryr/submissions/AM20141_sub_AusGov_030214.pdf
[5] Malcolm Turnbull, *3AW*, 6 October 2015
[6] Malcolm Turnbull, *ABC Political Forum*, 10 March 2014
[7] Malcolm Turnbull, *3AW*, 6 October 2015

"could be good for the economy"[8], and penalty rates are "making many workers worse off"[9], "seem to deter weekend work"[10], "will lead to job losses, reduced services for the community, or both"[11] and "is absolutely killing employment on a Sunday"[12].

8. Other Coalition backbenchers have argued that penalty rates: "have got totally out of control"[13]; are "a deterrent to employment"[14]; "is an area we must reform"[15]; are "a mini-cyclone"[16]; "are having a disproportionate impact on the wine industry"[17]; "aren't working"[18]

9. Further, cutting penalty rates: "would create more opportunities for young people"[19], "would be a good place to start"[20]; "could enable businesses to open longer and to employ many more young people"[21]; "is something that should be considered"[22], "would be sensible"[23]; "has merit"[24].

10. It has been argued that "jobs aren't available because of penalty rates"[25]; that "the Productivity Commission is correct to suggest bringing Sunday penalty rates into line with Saturday rates in the retail and hospitality sectors"[26]; "more flexibility is required"[27].

11. Some have specifically referred to the Fair Work's Commission's deliberations: "I want the Fair Work Commission to understand that the relevance of penalty rates has changed"[28]; "I have some problems with penalty rates… I do hope that the Fair Work Commission… considers keeping businesses afloat… and keeping people employed"[29]

12. Moreover, the Government's Productivity Commission Inquiry into the Workplace Relations Framework, submitted as an exhibit to this Review was designed, in part, to amplify the business position in relation to cutting penalty rates, and "its findings must be of substantive persuasive impact on the Fair Work Commission".[30]

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[8] Josh Frydenberg, *Bolt Report*, 27 September 2015
[9] Julie Bishop, *ABC Radio*, 15 February 2010
[10] Michaelia Cash, *ABC AM*, 30 September 2015
[11] Michaelia Cash, *Media Release*, 17 December 2009
[12] Christian Porter, *Sky News*, 6 August 2015
[13] Warren Entsch, *House Hansard*, 26 August 2014, p. 8639
[14] Craig Kelly, *Fairfax*, 21 December 2015
[15] Jamie Briggs, *Australian Financial Review*, 12 August 2014
[16] James McGrath, *Courier Mail*, 10 September 2014
[17] Sean Edwards, *Senate Hansard*, 16 August 2012
[18] Wyatt Roy, *Fairfax*, 7 March 2014
[19] Angus Taylor, *Fairfax*, 7 October 2015
[20] Ian Macdonald, *Fairfax*, 7 October 2015
[21] Alex Hawke, *House Hansard*, 28 October 2014, p. 12328
[22] Dennis Jensen, *The Australian*, 24 December 2015
[23] Zed Seselja, *ABC AM*, 23 December 2015
[24] Melissa Price, Submission to Fair Work Commission, 14 December 2015
[25] Russell Broadbent, *Fairfax*, 12 August 2014
[26] Dean Smith, *Australian Financial Review*, 10 October 2015
[27] Teresa Gambaro, *House Hansard*, 29 October 2012
[28] Dan Tehan, *ABC AM*, 4 March 2014
[29] John Williams, *Senate Hansard*, 17 September 2015
[30] Eric Abetz, *2GB*, 22 December 2015

Legislative parameters

13. We recognise that the task of the Fair Work Commission (‘the Commission) involves carefully balancing economic and social conditions as required by the *Fair Work Act 2009* (‘the Act’) and in relation to this particular matter, the modern awards objective outlined in section 134.

14. The Federal Opposition notes that the Act places a requirement on the Fair Work Commission to ensure that modern awards, together with the National Employment Standards, provide a fair and relevant minimum safety net of terms and conditions.

15. In particular, the Act requires the Commission to take into account:
    - the need to provide additional remuneration for:
      i. employees working overtime; or
      ii. employees working unsocial, irregular or unpredictable hours; or
      iii. employees working on weekends or public holidays; or
      iv. employees working shifts.

16. These legislative parameters provide a balanced set of criteria for the Commission’s deliberations and underpin the importance of a strong safety net and a cornerstone of fairness, social inclusion and living standards.

The Federal Opposition’s position

17. The Federal Opposition submits that penalty rates continue to be a fundamental part of a strong safety net for Australian workers, enabling low income workers and workers in highly-casualised industries to share in the nation’s economic prosperity.

18. The Federal Opposition submits that, in the context of current economic circumstances and in the interests of supporting inclusive and fair growth, any changes to the modern awards should not cut the take home pay of affected workers.

19. We submit that the Commission’s decision should be one that firmly supports a fair and economically modern award system. We submit that penalty rates are necessary to maintain “relative living standards and the needs of the low paid”. We also maintain that penalty rates support demand in an economy in transition and are consistent with helping to deliver better productivity performance and increasing competitiveness of the national economy.

20. Our submission also highlights the current threat to living standards and the growth in inequality that is occurring under the policy settings of the Government – specifically those announced in the 2014-15 and 2015-16 Budget.

Economic Outlook

Performance of the national economy

21. The Commission is required to consider is required to consider “the likely impact of

any exercise of modern award powers on employment growth, inflation and the sustainability, performance and competitiveness of the national economy".

22. Australia's economic outlook is uncertain, and likely to remain so in the near term. While the most recent National Accounts recorded a small pick-up in growth, the economy has averaged below-trend growth of just 2.6 per cent a year since 2009.[31]

23. The fragility in the economy is primarily a function of falling prices and changing demand for Australia's exports. As Treasury Deputy Secretary Nigel Ray noted in a recent speech: "*the downturn in our terms of trade since 2011-12 has seen growth in national income first drop below GDP growth, and then stall. And shrink on a per capita basis. Since the terms of trade peak in 2011, we have had declining net national disposable income per capita – a measure regarded as a proxy for standards of living."* Mr Ray also noted that Australia cannot expect "*a resurgence in the global economy to underwrite our national prosperity."*[32]

24. In this context, domestic consumption has come to play a more significant role in sustaining Australia's growth. Household spending contributed almost half of total GDP growth in the most recent quarter,[33] and the Government has stated that protecting domestic consumption is critical to its budget strategy for 2016-17.[34]

25. The Reserve Bank has also noted that: "*Household consumption [is] forecast to contribute significantly to expenditure growth over the next couple of years…[but] households' decisions about consumption and saving continue to represent an important source of uncertainty for the forecasts*."[35] A fall in consumer spending at this point in the economic cycle would therefore be expected to have economy-wide impacts.

Policy Environment

Pressures on the Australian economy

26. Australia's economy is currently in the midst of its most significant transition in a generation. Since the early-2000s we have relied heavily on rising demand and prices for Australian exports to underwrite our prosperity. But patterns of demand in global markets are changing just as new production is coming online in competing countries. As a result, the past few years have seen significant falls in the price earned by Australian exports. This is clearly indicated by the fact that our terms of trade have now fallen for 12

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[31] Australian Bureau of Statistics, *Australian National Accounts: National Income, Expenditure and Product*, December 2015
[32] Nigel Ray, Remarks at the CEDA 2016 Economic and Political Overview, 8 March 2016
[33] Australian Bureau of Statistics, *Australian National Accounts: National Income, Expenditure and Product*, December 2015
[34] Scott Morrison, as quoted in 'Households to drive consumption in 2016', *The Australian*, 4 January 2016
[35] Reserve Bank of Australia, Minutes of the Monetary Policy Meeting of the Reserve Bank Board, 3 November 2015

consecutive quarters, with the key index sitting 21 points below its level in 2013.[36]

27. On the domestic front, the shift from construction to production in key export industries is also having a significant impact. Between 2000 and 2014 mining investment into Australia grew from 2 per cent of GDP to 8 per cent,[37] creating hundreds of thousands of jobs in construction, manufacturing and support industries. Much of this new activity was created in regional communities, which flourished as a result. The transition out of this investment phase is putting these communities under particular pressure as employment once again declines and associated economic activity shrinks back.

28. The uncertainty created by this challenging transition is being felt across the economy. In March 2016 consumer confidence was 10 per cent below the equivalent period in 2013, while business confidence has remained subdued over the same period.[38] Domestic final demand – which measures total spending in the Australian economy – has been weaker in recent times and has barely averaged annual growth of 1 per cent over the last two years, compared with annual growth of 3-4 per cent the decade prior.[39] Confidence is central to maintaining strong domestic demand but there are headwinds working against this, particularly for individuals and households.

Household incomes and living standards squeezed

29. Real net national disposable income per capita – a key measure of living standards – has now recorded flat or negative growth for two whole years consecutively. This is the longest prolonged fall since records began in the early 1970s.[40]

30. Wages are also growing at their slowest rate since the 1990s, increasing by just 2.2 per cent in 2015.[41] The household saving ratio now stands at 7.6 – the lowest level since before the Global Financial Crisis. It appears that Australians are feeling the impact of this slow growth and are dipping into their savings or putting less aside to cope with their increased costs of living.

31. The Reserve Bank of Australia noted this trend in its latest statement on monetary policy, stating: *"low wage growth has been broad based across the public and private sectors, industries and states over the past few years. Wage growth has continued to decline in many goods-related industries where employment growth has been weakest...business services wage growth has continued to decline, driven by the industries that appear to be*

[36] Australian Bureau of Statistics, *Australian National Accounts: National Income, Expenditure and Product*, December 2015
[37] Reserve Bank of Australia, *The Effect of the Mining Boom on the Australian Economy*, Research Discussion Paper 2014
[38] Westpac-Melbourne Institute Consumer Confidence Index, February 2016; Dun & Bradstreet Business Expectations Survey, February 2016
[39] *Australian National Accounts: National Income, Expenditure and Product*, December 2015
[40] Australian Bureau of Statistics, *Australian National Accounts: National Income, Expenditure and Product*, December 2015
[41] Australian Bureau of Statistics, *Wage Price Index,* December 2015

more exposed to the fall in mining investment, such as rental, hiring & real estate and administrative & support services."[42]

32. After falling back slightly during the second half of 2015, the unemployment rate rose in early 2016. Underemployment remains close to record highs. The seven months represents the longest period where the labour force utilization rate has eclipsed 14 per cent in over 17 years.[43] The current weakness of the jobs market has been reinforced by a 1.2 per cent fall in job advertisements and an uptick in the number of long-term unemployed.[44]

33. However, the Reserve Bank has also noted that the decline in wage growth has been greater than historic trends would lead us to expect given the current level of unemployment. In its February statement the Bank specifically attributes this to: "*an increase in labour market flexibility that may have provided firms with greater scope to adjust wages in response to a given change in demand for their goods and services*."

Characteristics of workers in the retail and hospitality sectors

34. In November 2015, full time average weekly earnings for the accommodation and food services industry were $1,096 ($1,141 for men and $1,027 for women). For all workers in this industry, average weekly earnings were $565 ($633 for men and $507 for women). This equates to pre-tax annual income of $56,992 (full time) or $29,380 (all workers).[45] These income levels put hospitality workers in the bottom 30 per cent of Australian income earners.[46]

35. In respect of the retail sector, Labor notes the research by expert witness Ian Watson related to employee earnings in the national retail industry based on HILDA and ABS data. This research found that "along with hospitality and food services, retail has the largest proportion of low paid workers in Australia".[47] Dr Watson also found that upwards of 30 per cent of retail workers had earnings below the bottom quintile.[48]

36. Across the Australian workforce, approximately 19 per cent of people are employed casually. However, in the retail and hospitality sectors, the proportion of casual workers is above 40 per cent.[49] Casual workers do a higher proportion of work hours attracting penalty rates, and draw a greater share of their income from penalty rates, than other categories of workers.

[42] Reserve Bank of Australia, *Statement on Monetary Policy*, February 2016
[43] Australian Bureau of Statistics, *Labour Force, Underutilised Persons,* February 2016
[44] Australian Bureau of Statistics, *Labour Force, Australia, Detailed,* January 2016
[45] Australian Bureau of Statistics, *Average Weekly Earnings,* November 2015
[46] Australian Bureau of Statistics, *Household Income and Wealth,* September 2015
[47] Watson, I. (2015) *Employee Earnings in the National Retail Industry*, A Report for the Shop Distributive and Allied Employee's Association (SDA), 30 April 2015. Submission to *Fair Work Commission*, 4 Yearly Review, Penalty Rates Case
[48] Ibid
[49] Australian Bureau of Statistics, *Forms of Employment, Australia*, April 2013

37. Women make up a disproportionate share of workers in both the retail and hospitality sectors, accounting for 55 per cent of all those employed.[50]

Impact on women and equal pay

38. The Federal Opposition is committed to addressing pay equity in Australia, and notes that complex industry specific factors which contribute to pay inequities. The Workplace Gender Equality Agency notes that the current gender pay gap is 17.3 per cent, and that it has remained within the band of 15 to 19 per cent band for the past two decades.[5] The retail and hospitality sectors are no exception in demonstrating a distinct pay gap between men and women.

39. With women representing more than half of the workforce in these sectors, any measures which reduce the take-home pay of retail and hospitality workers can only widen the gender pay gap across the Australian community.

40. This is in context of significant challenges to women's incomes in recent years including, but not limited to, Government decisions which will:
    - reduce retirement incomes though abolishing the Low Income Superannuation Contribution and delaying the Superannuation Guarantee increase;
    - reduce family payments, specifically those that targeted single parents; and
    - reduce assistance to families with children in childcare.

Implications of the case for workers in relevant industries

41. The modern awards that may be affected by the case are the Hospitality Industry (General) Award 2010, Registered and Licensed Clubs Award 2010, Restaurant Industry Award 2010, Fast Food Industry Award 2010, General Retail Industry Award 2010, Hair and Beauty Industry Award 2010 and the Pharmacy Industry Award 2010.

42. In respect of retail trade, 30 per cent of workers are covered by the award and a further 43 per cent are covered by a collective agreement. In accommodation and food services 45 per cent are covered by the award and 34 per cent are covered by the collective agreement.

43. While it is impossible to exactly quantify the number of employees who will be affected by the decision, either directly, or because the employee's collective agreement references the penalty rate in the award, the best estimate provided by the Parliamentary library is that the potential total number of impacted employees is 390,520 in retail trade and 342,030 in accommodation and food services alone.[51]

[50] Australian Bureau of Statistics, *Labour Force, Australia,* November 2015

[51] The Library expressed caution in relation to the use of a small sample size in respect of the following Awards: Registered and Licensed Clubs Award 2010 (15 out of 99 agreements); Restaurant Industry Award 2010 (15 out of 115 agreements); Fast Food Industry Award 2010 (20 out of 150); General Retail Industry Award (20 out of 181 agreements)

44. The Opposition urges the Fair Work Commission to consider the flow on impacts to collective agreements from the decision in this case.

Productivity Commission Review of the Workplace Relations Framework

45. The Productivity Commission examined the question of penalty rates and labour market flexibility as part of its *Review of Australia's Workplace Relations Framework*. Several of its key findings deserve quoting in full as they run completely counter to the arguments mounted by business lobby groups regarding the state of the Australian labour market.

46. The Commission found that: "*the labour market has become more flexible, most notably through a greater tendency to adjust hours rather than employment during demand downturns, and the unresponsiveness of inflation to strong labour demand in leading sectors. Economy-wide wage breakouts and associated stagnation — the horror of the 1970s — seem as dated as floppy disks*."[52]

47. The Productivity Commission also noted that: "*There are compelling grounds for premium rates of pay for overtime, night and shift work:*
- *long hours of work involve risks not only to an employee's health and safety but also for the community;*
- *there are proven adverse health effects from night shift and rotating shift work;*
- *by definition, public holidays are intended to encourage shared community activities. As such, there are strong grounds for deterrence against their use for working, but with some flexibility to provide some services on these days.*

Regulated minimum penalty rates recognise the impacts of such work and that absent regulation, the weaker bargaining power of employees may not lead to adequate compensation." The Federal Opposition could not agree more with these observations.

48. However, the Federal Opposition parts ways with the Productivity Commission regarding its recommendations on reducing remuneration for staff primarily engaged in weekend work. In its final report, the Commission dedicated more than three pages to discussing the impacts on business, markets and the industrial framework as a whole from changing Sunday penalty rates. Consideration of the impacts on those workers who would see their wages reduced was allocated a single paragraph.

49. It is our strong view that the Productivity Commission did not give appropriate weight to the impact on individual workers relying on penalty rates from reducing their take-home pay in its deliberations. The Productivity Commission also does not appear to have considered the regional and economy-wide implications from an associated fall in consumption, which are discussed below.

The case for penalty rates

50. As the Productivity Commission has noted, there are strong social and community arguments for protecting penalty rates. However, there is also a compelling economic case for ensuring low-paid Australians do not see a reduction in their take-home pay. This section focuses on the risks to the national economy and harm to regional economies if

[52] Productivity Commission, *Workplace Relations Framework – Report*, December 2015

penalty rates are cut without any associated adjustments in overall remuneration.

51. Reducing the take-home wages of low-paid Australians runs completely counter to the objective of supporting demand in an environment where domestic consumption has taken on a more central role in underpinning growth.

52. Analysis by the Parliamentary Budget Office shows that Australian households below the 50th percentile currently already spend more than they earn each week.[53] As noted above, average wages in the retail and hospitality sectors place these workers well below that benchmark. This indicates that many of these workers will already be consuming at or above the full capacity of their household budgets. Reducing their take-home pay would therefore be expected to lead to reductions in their spending.

53. Analysis of patterns in household consumption confirms this. For example, Berger-Thomson, Chung and McKibbin (2009) analysed changes in Australian households' spending in response to changes in income. Their analysis showed that a $100 increase in income was associated with an $80 to $100 increase in household spending.[54] Given this relationship, it is likely that a *reduction* in income would have an effect on consumption of a similar order of magnitude. That is, every $100 an Australian worker loses in penalty rates would translate into $80 to $100 less spending within the Australian economy.

54. The impact of such a fall in consumption would be harmful enough for the aggregate economy, but would do particular damage to regional communities which are already facing declining demand due to the slowing of mining and industrial activity. Modelling by the McKell Institute on the impact of penalty rate cuts for regional communities estimates that even a partial abolition across the retail and hospitality sectors would result in workers losing between $370.7 million and $691.5 million a year. This would lead to a reduction in spending of between $174.6 million and $343.5 million per year across local economies. Full abolition of penalty rates would see workers lose between $929.2 million and $1.55 billion a year, with an associated fall in spending of between $445.6 million and $748.3 million.[55]

55. In the alternative, if it is true that "staff would not take home any less pay – just work additional hours"[56] as John Hart, CEO of the Restaurant and Catering Association has stated, then there would be potentially significant negative impacts on employee's personal lives and families, including less time for unpaid work and caring responsibilities. There is an opportunity cost for those who regularly work on weekend in relation to family life, social life, leisure, sport and community activity. It is this opportunity cost that is recognised by the payment of penalty rates. This opportunity cost does not disappear in the retail and

[53] Parliamentary Budget Office, *Goods and Services Tax: Distributional analysis and indicative reform scenarios*, December 2015
[54] Laura Berger-Thomson, Elaine Chung and Rebecca McKibbin, *Estimating marginal propensities to consume in Australia using micro data,* Reserve Bank of Australia Research Discussion Paper, November 2009
[55] McKell Institute, *Who loses when penalty rates are cut? The economic impact of penalty rate cuts in Australia's retail and hospitality industries*, August 2015
[56] John Hart, Restaurant and Catering Magazine, 18 September 2015, http://rca.asn.au/magazine/simple-systems/

hospitality sectors.

56. While there is clear evidence that cutting penalty rates would be harmful for the Australian economy, there is comparatively little evidence to support the commonly-used arguments in favour of reducing workers' pay.

57. Proponents of cutting penalty rates argue that more businesses will open on weekends, or open longer hours, if their staff costs are lower. The assumptions flowing from this are that businesses will see increased profits and create more employment because they are open for additional hours. Both of these assumptions are flawed.

58. First, there is a lack of empirical evidence demonstrating that a significant number of businesses in the retail and hospitality sectors are genuinely choosing to remain closed on weekends and public holidays. According to research prepared by the Fair Work Commission for the purposes of this review, only 8.6 per cent of businesses in the accommodation and food services industry are not currently operating for at least some part of the weekend.[57] This reinforces the findings of a 2015 survey of hospitality businesses conducted on behalf of the Restaurant and Catering Industry Association, which found that 90 per cent of businesses surveyed already operated on Sundays and public holidays.[58]

59. To the extent that there are Australian businesses in these sectors that have capacity to open more days or for longer hours, there is no reason to believe that reducing penalty rates would increase aggregate business activity or add to total employment. The amount that consumers have to spend is a function of their incomes. Australians will not find themselves with more money to spend simply because there are more hours available in which to spend it.

60. Rather, businesses which do open additional hours will simply attract spending which would otherwise have been made at other times during the week, or from businesses which previously lacked direct competition. While *individual* businesses in some locations may benefit from increased custom on weekends, the associated reduction in custom elsewhere means the *aggregate* impact on the Australian economy is likely to be minimal.

61. Further, rebutting former Treasurer Joe Hockey's proposition that penalty rates are "profit murder"[59] the Productivity Commission has said that neither increasing nor decreasing penalty rates will have an "effect on overall long run profitability of enterprises".[60] The Productivity Commission explained that "in the short run, if you were to substantially increase penalty rates, you would see that individual firm's profitability would fall. But you would also see exits from the industry until you got to profitability ratios that were more sustainable…. Firms cannot survive on low profitability ratios forever. In the same way, if penalty rates were to fall, profits would initially rise but then

[57] Fair Work Commission, *Industry profile: accommodation and food services*, December 2015
[58] Jetty Research, *The effect of penalty rates on staffing, opening hours and profitability in Australian restaurants and cafes*, May 2015
[59] Joe Hockey, *Valedictory*, Hansard, 21 October 2015, p 11947
[60] Economics Legislation Committee, Estimates Treasury Portfolio Productivity Commission, 22 October 2015, at http://parlinfo.aph.gov.au

you would get entry from other businesses that would like to supply the market. This is why the long run profitability is not affected by penalty rates."[61]

62. Finally, there have been some arguments that penalty rates should be reduced because there are people, particularly university students, who would be willing to work for less money. As we have seen with the widespread exploitation of workers at 7-eleven, there will always be someone desperate or vulnerable enough to work for less. That should not ever be an argument accepted in Australia that wages should be reduced because people are prepared to work for less. In fact if that argument were acceptable, then equal pay cases for women and indigenous people would never have succeeded.

Conclusion

63. Penalty rates continue to be a fundamental part of a strong safety net for Australia workers, enabling low income workers and workers in highly casualised industries to share in the nation's economic prosperity.

64. In short, there is clear and well-founded evidence that reducing the take home pay of low paid Australian workers will have a negative impact on domestic consumption. At the same time, it is highly unlikely that the benefits claimed by individual businesses will be seen across the aggregate economy.

65. Further, there are clear implications for the workers across the economy, not just in these industries, if the Fair Work Commission were to accept the arguments of this Government, and industry associations, that penalty rates are an unnecessary evil and should be cut or abolished.

66. Penalty rates help to increase the competitiveness of the national economy and help to reduce inequality and the gender pay gap across the Australian community.

67. The Fair Work Commission's remit is to consider the economy-wide impacts of changes in wages and entitlements. Consideration of these impacts can only lead to the conclusion that cutting penalty rates without any associated adjustment in overall remuneration would be harmful to the Australian economy.

[61] Economics Legislation Committee, Estimates Treasury Portfolio Productivity Commission, 22 October 2015, at http://parlinfo.aph.gov.au

Attachment A – NATSEM Budget distributional analysis[28]

The following graphs provides further distributional information on the impact of the 2014-15 and 2015-16 Budget. Further information, include dollar impacts and cameos of various family scenarios is available at http://www.natsem.canberra.edu.au/storage/ANALYSIS%20OF%20THE%202015%20BUDGET2.pdf

Figure 2a % Change in Disposable Income from Budget 2015-16 Impact, 2018-19

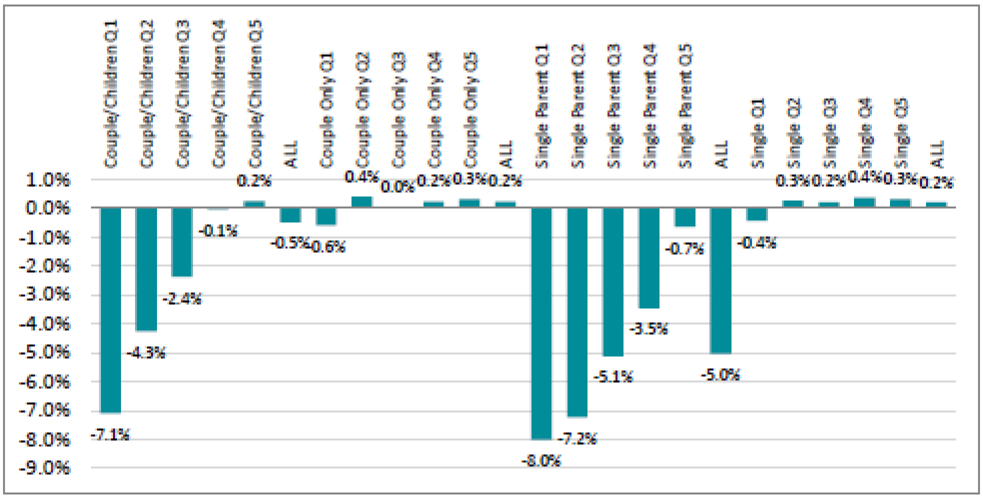
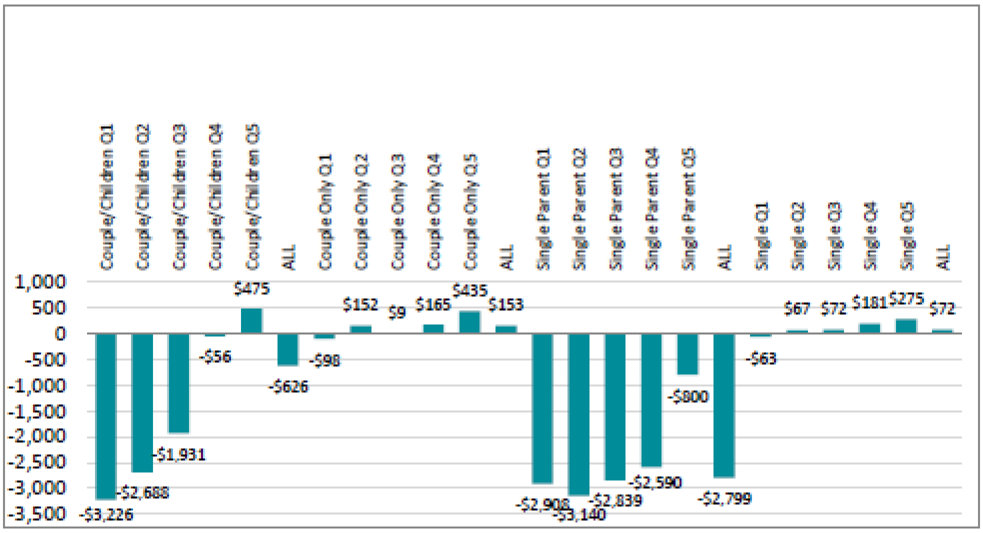


Figure 2b $ Change in Disposable Income from Budget 2015-16 Impact, 2018-19



[28] NATSEM, 2014, op. cit.

Attachment B – Cameos of Government changes to family payments

Turnbull's Family Tax Benefit Cuts – example families

Annual impacts when package is fully implemented

Family 1: Couple, single income of $65,000 with two children in primary school

They gain:	**They lose:**
• $525 from the fortnightly increase to FTB-A	• $860 in SchoolKids Bonus • $1,806 in FTB-A and B end of year supplements
In total they are $2,141 worse off per year.	

Family 2: Sole parent with income of $65,000 and two children in high school

They gain:	**They lose:**
• $525 from the fortnightly increase to FTB-A	• $1,712 in SchoolKids Bonus • $1,806 in FTB-A and B end of year supplements • $1,785 in FTB-B (as their base payment is reduced to $1,000 per year)
In total they are $4,778 worse off per year.	

Family 3: Couple, combined income of $80,000, two children in primary school

They gain:	**They lose:**
• $525 from the fortnightly increase to FTB-A	• $860 in SchoolKids Bonus • $1,453 in FTB-A end of year supplements
In total they are $1,788 worse off per year.	

Family 4: Couple, single income of $65,000, with a baby under one and a two year old

They gain:	**They lose:**
• $525 from the fortnightly increase to FTB-A • $1,000 baby bonus increase to FTB-B	• $1,806 in FTB-A and B end of year supplements
In total they are worse off by around $280 per year.	

Attachment C – Key Government changes to family payments impacting on the incomes of working households

	MEASURE	START DATE / PROPOSED START DATE	IMPACT ON HOUSEHOLD INCOMES	SAVE
Family Payments				
Family Payments package at MYEFO 2015				
	Phase out Family Tax Benefit end of year supplements over two years	1 July 2016	When fully phased out families receiving FTB-A will be worse off by $726 per child and families receiving FTB-B by $354 per family.	$3.2 billion over the forward estimates
	Cessation of Family Tax Benefit B for couple families whose youngest child is 13 or over		Affected families will be worse off by $2,785 per year	
	Reduction of Family Tax Benefit B to $1,000 per year for single parents and grandparent carers whose youngest child is aged 13-16		Affected families will be worse off by $1,785 per year	
	Cessation of Family Tax Benefit Part B for sole parent families whose youngest child is aged 16-19 and in full time secondary school		Affected families will be worse off by $2,785 per year	
	Increase to the maximum rate of Family Tax Benefit A and Youth Allowance for under 18 year olds living at home by $10.08 per fortnight		Families receiving more than the base rate of FTB-A will receive an increase of $260 per child per year, but none will be better off net of the loss of the $726 supplement	
	Increase to Family Tax Benefit B by $1,000 for families with a child under one year of age.		Single income and sole parent families with a new baby would receive a bonus of $1,000.	
Other changes				
	Abolition of the SchoolKids Bonus	Last instalment paid in July 2016	FTB-A families lose $430 for each primary school and $856 for each high school age child	$5.2 billion over four years from 2013-14

	Maintain the higher income threshold for Family Tax Benefit A for a further two years	1 July 2017	This extends the pause on indexation, resulting in forgone gains for families whose income increases beyond this threshold.	$125.7 million over 3 years from 2016-17
	Reducing the primary income earner test for Family Tax Benefit B to $100,000	1 July 2015	The previous threshold was $150,000, meaning families where the primary earner had income in the range between $100,000 and $150,000 would lose access to FTB-B – up to around $4,300 per year.	$1.2 billion over 4 years from 2014-15
	Limiting Large Family Supplement to families with four or more children	1 July 2015	FTB-A families with three children lost access to the supplement of $325.	$378 million over 4 years from 2014-15
	Removal of the Family Tax Benefit A per child add-on	1 July 2015	This tightened the FTB-A higher income test for families with two or more children. Families with combined income of more than $94,316 with two or more child lost access to the base rate of payment of up to $2,230 per child.	$211 million over 4 years from 2014-15
	Paid Parental Leave changes to prevent 'double dipping'	1 July 2016	This will mean that around 80,000 new parents who would be eligible under the current scheme will lose access to some or all of 18 weeks leave ($11,826 in total) they would currently be eligible for	$932 million over the forward estimates