

Penalty rate cut will hurt economy without helping business: Labor

Written by The Conversation USA

The federal opposition says that reducing penalty rates in the retail and hospitality sectors would widen the gender pay gap across the economy and hit consumption without bringing the claimed benefits to business and jobs.

In a submission to the review of penalty rates by the Fair Work Commission (FWC), which sets them, Labor says penalty rates continue to be a fundamental part of a strong safety net for workers, enabling those on low incomes and people in highly casualised industries to share in the nation's prosperity. They help to increase the economy's competitiveness and to reduce inequality and the gender pay gap across the community, it says.

"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."

The Productivity Commission (PC) last year recommended that Sunday penalty rates should be brought in line with those applying to Saturday.

It said in its report: "Sunday penalty rates for hospitality, entertainment, retailing, restaurants and cafes are inconsistent across similar work, anachronistic in the context of changing consumer preferences, and frustrate the job aspirations of the unemployed and those who are only available for work on Sunday."

But the opposition says cutting penalty rates would harm the economy.

"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."

Labor says inequality is at a 75-year high, real national disposable income per capita has fallen

Penalty rate cut will hurt economy without helping business: Labor

Written by The Conversation USA

by 3.2% since September 2013, and wages growth is the slowest since the 1990s.

Changes to penalty rates would represent significant changes to the total earnings and income of workers in hospitality and retail, which have a higher prevalence of casualisation, and so have an impact on fairness and the performance of the economy, the submission says.

While the exact number of workers that would be affected by the FWC decision cannot be estimated, Labor says the best estimate provided by the Parliamentary Library is potentially more than 390,500 in retail and more than 342,000 in accommodation and food services alone.

It says that with women representing more than half the workforce in retail and hospitality any measures which reduce the take home pay of workers in these sectors “can only widen the gender pay gap across the Australian community”.

Disputing the PC’s argument for cutting Sunday rates, the submission says it did not give proper weight to the impact on individual workers of reducing their take home pay, and failed to consider the regional and economy-wide implications of an associated fall in consumption.

“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.”

The submission says proponents of cutting penalty rates use flawed assumptions in asserting that more businesses will open on weekends, or for longer hours, if their staff costs are lower, and that this will increase profits and create more jobs.

There is a lack of evidence that a significant number of businesses in the retail and hospitality sectors are genuinely choosing to remain closed on weekends and public holidays, it says. To the extent there are businesses with capacity to open longer, there is no reason to believe the claimed benefits in terms of aggregate business activity or total employment would flow from reducing penalty rates.

Penalty rate cut will hurt economy without helping business: Labor

Written by The Conversation USA

“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.

“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.”

Michelle Grattan does not work for, consult, own shares in or receive funding from any company or organization that would benefit from this article, and has disclosed no relevant affiliations beyond the academic appointment above.

Read more <http://theconversation.com/penalty-rate-cut-will-hurt-economy-without-helping-business-labor-56571>