



18 July 2017

Committee Secretary  
Senate Standing Committee on Education and Employment  
Parliament House  
Canberra ACT 2600

Submitted online: [eec.sen@aph.gov.au](mailto:eec.sen@aph.gov.au)

### **Senate Inquiry into Penalty Rates**

The Federation of Ethnic Communities' Councils of Australia (FECCA) is the national peak body representing Australia's culturally and linguistically diverse (CALD) communities and their organisations. FECCA provides advocacy, develops policy and promotes issues on behalf of its constituency to Government and the broader community. FECCA strives to ensure that the needs and aspirations of Australians from diverse cultural and linguistically diverse backgrounds are given proper recognition in public policy.

FECCA supports multiculturalism, community harmony, social justice and the rejection of all forms of discrimination and racism so as to build a productive and culturally rich Australian society. FECCA's policies are developed around the concepts of empowerment and inclusion and are formulated with the common good of all Australians in mind.

FECCA welcomes the opportunity to make a submission to the Education and Employment Reference Committee inquiry into penalty rates.

### **Key message**

FECCA believes that meaningful employment is one of the most effective ways of ensuring refugees and migrants to Australia are empowered and included in the community. Beyond the obvious financial and economic benefits, employment helps to improve and develop a person's dignity, self-confidence and social stability. It also benefits the physical and mental health and well-being of individuals and families. These positive outcomes from meaningful employment support and encourage the participation and inclusion of CALD communities from the immediate settlement period and throughout their life in Australia.<sup>1</sup>

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<sup>1</sup> FECCA 2011, *Settlement is a Life-Long Process*, Submission to the Department of Immigration and Citizenship on Achieving social inclusion and participation for new and emerging communities beyond the immediate settlement period, FECCA, Canberra p. 13

FECCA believes that cuts to weekend penalty rates would have a disproportionate impact on vulnerable CALD workers. Research demonstrates that people from CALD backgrounds are overrepresented in casualised work in retail, fast food and hospitality. United Voice has noted that workers ‘in hospitality and retail are primarily young workers, migrant workers, older workers, people trying to get a foot into the labour market and to a career path. It is most cruel that it is these workers that have been unfairly targeted for a pay cut’.<sup>2</sup> Amongst the most vulnerable of these are temporary migrant workers and those on international student visas. Lack of knowledge about Australian workplace relations, including their workplace rights and entitlements, lack of support networks, social isolation, and language barriers all contribute to this vulnerability.<sup>3</sup>

People from CALD backgrounds are already facing a significant number of barriers in the employment market due to a lack of Australian work experience, difficulties in achieving recognition of overseas qualifications, racism and discrimination, and limited professional and social networks. Other challenges include English language proficiency and limitations to employment opportunities based on visa status. Migrant workers are also disproportionately impacted by underpayment and other exploitation. Cuts to penalty rates will disproportionately hit these most vulnerable workers, already burdened with other challenges, and these workers will be forced to work longer hours, take up second jobs or suffer reduced income.<sup>4</sup>

Cuts to penalty rates will impact on individual and family financial security of many migrant workers. Fluctuating working hours and limited paid leave entitlements already impact the quality of life for the lowest paid workers in Australia. Keeping up with the costs of day-to-day living and affording basic necessities such as housing, groceries and transport can be difficult to manage when faced with an unreliable income. This financial insecurity can also have a detrimental effect on social connectedness and inclusion, an issue particularly relevant to many migrant and CALD Australians who already face challenges including limited social networks, discrimination and social exclusion resulting from a range of factors.

FECCA acknowledges that small business representatives in Australia have advocated for cuts to penalty rates. It is recognised that migrants, in particular those who came to Australia as humanitarian entrants, are more likely to be small business owners. It is the view of FECCA that supporting small businesses, including the participation of Australians of migrant and CALD backgrounds in the small business sector, should not be done at the expense of vulnerable workers including those of CALD and migrant backgrounds.

### **People most likely to be impacted by the penalty rates cuts and why**

At June 30, 2016, 28.5% of Australian population was born overseas and nearly 50% of Australians have one or more parent born overseas.<sup>5</sup> Difficulties obtaining recognition of skills and qualifications earned overseas are among the key barriers for migrants and CALD Australians due to lack of information, costs of obtaining the recognition and the complexity of obtaining documentation from their countries of origin. Without access to this recognition, migrant and refugees find it difficult to access employment that is commensurate with their skills. As a result, many people from CALD backgrounds frequently move into lower-skilled jobs in retail, hospitality and fast food employment—explained as ‘occupational skidding’ by the renowned demographer at the Hugo Centre for Migration and Population Research at the University of Adelaide, the late Professor Graeme Hugo—whereby arrivals do not get jobs

<sup>2</sup> <http://www.sbs.com.au/news/article/2017/02/23/unions-slam-penalty-rates-cut-business-groups-call-calm>

<sup>3</sup> Media Release Federation of Ethnic Communities’ Councils of Australia ‘FECCA Calls for Balanced Debate on Temporary Migrant Workers’ 16 November 2016.

<sup>4</sup> <http://www.smh.com.au/comment/penalty-rate-cuts-would-hurt-canberras-easter-long-weekend-workers-20170414-gvkdxy.html>

<sup>5</sup> <http://www.abs.gov.au/ausstats/abs@.nsf/mf/3412.0>

commensurate with their qualifications and are forced to take jobs that do not allow them to use their full skills.<sup>6</sup>

### Refugee and humanitarian entrants

Refugee and humanitarian entrants, particularly during the initial years of settlement, often find themselves in low paid work in the sectors impacted by the reduction in penalty rates. Research has shown that refugees and humanitarian entrants often lean towards hospitality, cleaning services and retail when looking for a job as part-time jobs in these fields are easier to combine work with full-time or part-time study or family care responsibilities. Some refugees, as a result of extended periods spent in refugee camps where education is often interrupted, do not have the required skills on arrival for more highly paid positions. Other challenges include limited recognition of skills and qualifications gained overseas and lower levels of English language and literacy. Factors such as housing affordability and access to transportation also contribute to exclusion from sustainable employment options, as do recruitment and workplace discrimination and racism. The cut to penalty rates will have a detrimental impact on this group who, in many instances, rely heavily on penalty rates to get by. These types of employment that are often insecure and irregular, together with cuts to weekend penalty rates, will impact on the financial security of refugee and humanitarian entrants and increase their experiences of instability in this critical early stage of settlement.

### Migrant Women

At FECCA's National Multicultural Women's Conference, held in 2017, employment was a key concern, with the acknowledgement that employment is an important part of the settlement process, providing migrant and refugee women with access to economic security and interaction with the broader community. The casualisation of the workforce was a particularly salient concern. Women are more likely to be low paid employees—that is earning below, at, or just above the minimum wage.

Women from CALD backgrounds are overrepresented in insecure employment fields, which include industries such as manufacturing, beauty salons, care, accommodation, food services, cleaning, and labouring. They are more likely to be employed on a casual basis and to be at a disadvantage negotiating terms of employment. Women often work part time and on weekends to fit in with family life and to supplement their family income. Women in these situations will experience a significant reduction in pay and cuts to penalty rates for women with children will also directly impact their ability to access child care.

### Youth

Young people from a refugee and migrant background make up a significant proportion of the Australian youth population. Their engagement as active citizens in Australian society, including their meaningful economic participation, has significant and long-term benefits for them, their families and communities, and for a diverse, socially cohesive Australia. Research has demonstrated how 'younger workers (aged 18 to 24) were more likely to work weekends only, evenings and weekends, or any type of unsocial hours'.<sup>7</sup>

Australian Bureau of Statistics (ABS) has demonstrated that the 'lowest average weekly total cash earnings was for employees in the accommodation and food services industry (\$548.40), who represented 7.6% of employees and had the lowest average age of all industries (28.8

<sup>6</sup> Hugo, Graeme, May 2011, *Economic, Social and Civic Contributions of First and Second generation Humanitarian Entrants*, First Report to the Department of Immigration and Citizenship.

<sup>7</sup> Daly, Tony 2014, *Evenings, nights and weekends: Working unsocial hours and penalty rates*, University of South Australia, Centre for Work + Life.

years)'.<sup>8</sup> A disproportionate number of these poorly paid people will be of migrant, refugee and CALD background and will be further impacted by the cut to penalty rates.

According to research by the University of Melbourne, work-life balance and cost of living pressures are creating a stressful transition for adulthood for young Australians. Additionally, Australia has the lowest youth wage compared to minimum wage in the world.<sup>9</sup> Youth are one of the group mostly found in retail, hospitality and fast food work and CALD youth is a significant part of this workforce. Cut to penalty rates will make it even harder for this group to sustain their economic income and they may become more dependent on welfare.

### International Students

The total number of international students in Australia in May 2016 was more than half a million with a total contribution of \$19.7b to the Australian economy.<sup>10</sup> Research at the ANU has demonstrated that as many as 40,000 students from overseas rely on the hospitality sector for income.<sup>11</sup> Further, 2011 census numbers showed how more than one in three foreign students reported having jobs and approximately 15 per cent of these were hospitality workers, 11 per cent were cleaners, 10 per cent sales assistants and eight per cent were food preparation assistants.

The Fair Work Ombudsman notes there are four key factors that are making international students vulnerable to exploitation: youth, language barriers, loyalty to their employees, and concern about losing their visas.<sup>12</sup> With many already below minimal wage, proper safeguards are needed to protect vulnerable international student and ensure further cuts are not made to their wages.

### **Conclusion**

The cut to penalty rates will have a disproportionate impact on people from CALD backgrounds as outlined above, FECCA opposes the changes made to penalty rates in the Hospitality, Restaurant, Fast Food, Retail and Pharmacy Awards. FECCA asserts that for the above-mentioned employment sectors, cuts in penalty rates will severely impact on workers' financial security. This will in turn have a detrimental effect on social connectedness and inclusion, mental and physical health and family relationships.

FECCA notes the Fair Work Commission's words on how the cuts will impact on already low paid workers who often 'rely on penalty rates to meet ordinary household expenses'.<sup>13</sup> The cuts will impact on people already struggling with financial distress and who earn just enough to cover expenses and this impact will be disproportionately felt by Australians of migrant and refugee background.

FECCA thanks the Standing Committee on Education and Employment for the opportunity to make a submission to this important matter. If you would like to discuss any aspect of this submission further, please contact the FECCA Director, Dr Emma Campbell

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<sup>8</sup> Australian Bureau of Statistics, 6306.0—Employee Earnings and Hours, Australia May 2016, accessed at <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6306.0/>

<sup>9</sup> See <https://theconversation.com/cutting-sunday-penalty-rates-will-hurt-young-people-the-most-73511>

<sup>10</sup> <http://www.abc.net.au/news/2016-07-13/international-students-underpaid-australian-working-conditions/7586452>

<sup>11</sup> <http://www.sbs.com.au/news/article/2017/03/24/impact-international-students-australian-job-market-finally-revealed>

<sup>12</sup> <http://www.abc.net.au/news/2016-07-13/international-students-underpaid-australian-working-conditions/7586452>

<sup>13</sup> <https://www.fwc.gov.au/documents/sites/awardsmodernfouryr/2017fwcfb3001.pdf>