

RE: INQUIRY INTO THE FAIR WORK AMENDMENT  
(TEXTILE, CLOTHING AND FOOTWEAR INDUSTRY)

13/2/2012

The unworkable aspect of the bill for a factory is treating contractors as employees.

In order to understand the financial impacts for a factory an explanation of a typical company structure relating to contractors must be explained.

Due to the wide variety of Fabrics many different machines and machinists are required to complete the sewing of a garment. One contractor will specialize in certain garments and using certain machines only. Therefore a pool of many contractors is required to complete various orders. Many contractors will work for a number of factories to generate their required turnover. One factory alone will not be able to provide consistent work.

Further to this the fashion industry is highly seasonal, within a year there can be many quiet and busy times, determined by the clients, not the factories. A factory has no guaranteed work, therefore to provide minimum hours to contractors on a weekly basis or up to 5 weeks notice of termination (as per NES) is not possible.

In the current arrangements with contractors (as with ALL Industries) – they are responsible for the quality of their work. If they make errors that require repair due to their own fault, they are required to make the repairs to fulfil the agreement. In the instance where they are to be employees they do not have this same responsibility of quality assurance. For this reason a Supervisor will be required to be employed by the factory, along with a company vehicle.

The current rate of pay is by per unit calculated by the minutes required. It currently is enough to cover Superannuation, Holiday Leave and other entitlements.

As employees we will have to pay for their machine maintenance. If a machine breaks down, which out of the many factories would be responsible for the repairs? There is no way to ascertain which work they were doing at the time of breakdown. Similar problems apply to Workcover and other issues.

It is for the above reasons that treating the contractors as employees is unworkable.

The added financial costs to a factory largely stem from the additional documentation and paperwork required. Most factories are still paper-based operations, generating the additional reports required is not the simplest of tasks. The additional records that must be retained to ensure rather complicated tax compliance will require a bookkeeper to maintain.

Assuming that the proposed changes were workable, the additional costs if contractors are eliminated is summarised below:

Quality Supervisor	\$55,000pa
Company Vehicle (incl. Expenses)	\$15,000pa
Book keeper	\$60,000pa
Total	\$130,000pa

Yours Faithfully,

Arthur Thomas  
Gouda P/L  
Director