

Supplementary Submission - Senate Enquiry into
The Future of Work

Stephen Lacaze

A special gratitude is expressed to Senator Watt , his staff and committee staff for enabling this submission.

About me : I was born in 1959, and raised in an aspirational family environment which bestowed many privileges, most notably a quality education (in which I achieved high results) . There is no readily identifiable environmental factor, as to why I should not be a highly successful professional person.

The very core issues dealt with in this enquiry are in fact something of a life story for me, and upon reflection, perhaps the greatest losses that will arise from current employment trends will be on a societal rather than individual level.

The squandering of talent and human resources that will arise from an acceptance and entrenchment of the values of the “gig economy” will represent a massive regression in societal opportunity.

As an operator of numerous businesses in hospitality, transport and civil construction, I can provide an “insider’s insight” into wage (theft) depression, what motivates it and the inevitable results, and I can assure you that none of it is positive.

Simply stated, wage depression or risk shifting, unless very carefully managed, leads directly to compromises in quality and worker safety, but also, undermines to the point of extinction, the need for effective management in entire industries.

In essence – It is an avoidance of responsibility.

Core Issues :

1. What is the future of work in Australia ?

- a. Changing priorities and opportunities in employment
- b. Changing values of the work performed and its marketability

2. Service Industries and simplification of business operation

- a. The Adam Smith concept and perception
- b. Cottage and local industry and customer service vs worker cost
- c. The dumbing down of society

3. Case study – Taxi Industry

- a. Who are the workers and why ?
- b. How are they remunerated and relevance.
- c. What transpired with Competition policy.
- d. What has happened with competition policy mk 2
- e. Response by employer to market failure
- f. Response by workers to market failure
- g. Response by customers to market failure.
- h. Response by Society to market failure.

4. Conclusion - Nothing New except better spin

- a. Comparison with parallels from 1980s /90s
- b. Difference in government response
- c. The need for active intervention.

What is the future of work in Australia ?

Policy makers seem to consider that we as a community are at a crossroads of societal magnitude that will necessitate radical changes to the employment landscape. Whilst this is demonstrably true in that we are at a crossroads, the

challenges and changes to be faced are not unique and have been managed as processes multiple times over the last 200 years.

The notion that technology and its impacts are new, this time round simply does not stand up to rational analysis. (examples abound in operations such as refuse collection, nightsoil vs sewerage, health care)

However, the core response in every other meeting of technology challenges, was to lift worker capability, and pursue higher quality opportunities)

In Australia, we have seen evidence of the reverse with a seeming reverence of expanding low skill, low value work to the point where the “wheelspin” economic activity that it produces is seen as a positive outcome to be pursued.

As a result, markets become oversupplied and business operators come under viability pressure.

The first step to Systemic failure occurs at this point –

The pressure leads to implementation of easily achieved cost reductions

eg **Quality of materials, Safety, deferral of capital outlays and Wages**

Thus begins the “unvirtuous cycle”

Service Industries and simplification of business operation

Much will have been said about the impact of automation, and again, these impacts are nothing new and in fact the lessons of history demonstrate that those impacts spawn entirely new employment opportunities. Unwillingness to effectively assist displaced worker is simply economic laziness.

At odds with the notion of “smaller, cheaper, faster , better ? “ are the clearly established niche markets that cater to consumers by tailoring seemingly superior offerings.

The consumer genuinely receives a better deal and cannot be condemned for pursuing it. The business operator, achieves viability, even success and reaps financial gain, however, nearly always concealed in this wonderful equation, are one or more parties that are being deprived of the benefits that they deserve.

Simple and direct “wagetheft” has become so entrenched, that the customer outcome is now seen as more important than the wage outcome for the worker (whether they be the business operator or engaged labour)

Even more disturbingly, most of these types of businesses are in fields of highly discretionary consumer choice and generally low value purchases.

History, until possibly as recently as the 1960s has generally demonstrated a leaning to this form of economic model where large numbers of workers provide labour to those more affluent, in a devastatingly competitive environment. Most of the developing world continues with that arrangement as is readily observed in S.E Asia.

The inevitable result is the failure of government revenues to be sufficient to meet social support requirements that we have become accustomed to.

Case study – Taxi Industry

The Taxi industry is interesting, because of certain unique elements in its structure. It never graduated to waged model, and to this day relies on either

a revenue split, or rental gate to distribute financial reward to workers. This unique payment system is legally known as “Bailment”

In bailment, ALL wage risk is deposited with the worker.

Other unusual elements include :

- A mix of Owner and Bailee drivers
- Rigidly enforced price controls
- Rigidly enforced standards
- A controlled market by both entry restrictions and numbers of providers.
- Imposed and enforced service delivery outcomes
- A cottage industry mentality toward labour management.

Because of the low skill requirements, this was often a transitional employment opportunity for aspirational workers. Traditionally, at least in post war years, workers were largely migrants or students. In the 1970s with the first serious interruption to job markets, the industry started to see more permanence in its Bailee work force, as WW2 ex servicemen started to retire.

The highly prescribed market conditions made little demand upon those operating in the industry to creatively manage or develop labour which was often severely underpaid, however, the carrot was that by participating in the industry, one could become a license owner and continue that cycle drawing a financial benefit from it.

Competition policy in the 1990s (Hilmer) led to attempts to deregulate (remove market restrictions) the industry, with notable failures of such magnitude, that no market remained deregulated for more than two years.

In fact the rebound was so strong that in NSW, even (self employed) Bailee drivers had paid leave entitlements and workcover.

Since 2014, however, with a well funded corporation not just ready to fill the void created by deregulation, actively lobbying and agitating for it, outcomes, at least on a regulatory level, have been very different.

In this scenario, Worker conditions count for nothing, and customer choice is paramount. The appended witness statement to the Parliamentary (QLD) Committee investigating the deregulation of taxi services was acknowledged as having made it very clear what the unfolding wage impacts were.

As it stands in June 2018, I can confidently state that

NO PERSONALISED TRANSPORT PROVIDER IN BRISBANE CAN
GENERATE SUFFICIENT REVENUE TO PAY A WAGE EQUIVALENT
WITHOUT SUBSIDY.

In fact most participants are working for less than half the minimum wage.

Looking at the recent national wage case

Take $\$ 18.50 \times 1.23$ (casual loading) = $\$ 22.75 \times 1.1$ (superannuation) = $\$ 25.03 + \text{workcover} = \$ 26.00 + 10\% \text{ fuel}$ (to generate revenue) = $\$ 28.60 + \text{GST} = \$ 31.60$ hourly revenue required to simply pay the driver for an 8 hour shift between 6 am and 6 pm Monday to Friday.

No car in any fleet is consistently generating that revenue, and we are assuming a free car in this!

Add any sort of penalty rates and the equation becomes more impossible.

The market is in oversupply failure, a tendency that has been evident since the 1600s and repeated many times since.

Workers, either by deception or desperation, “suck it up” and work longer, sacrificing, safety, and quality as they do so, even resorting to petty crime to increase their earnings.

Customers revel in cheaper prices and better service.

Society is left with a pool of the population who cannot ever aspire to financial independence.

The question becomes ...

Is it ok, because of customer outcomes, and the illusion of choice that workers have, and the social and ethnic make up of the group, for them to be working for \$ 10 per hour ?

Conclusion - Nothing New except better spin

A very similar situation existed in the 1980s with the introduction of cb radios, radio – telephone interfaces (tara) two way pagers, and computers. I had a

flourishing business delivering food and other items, supported also with personal shopping service, and a “you drink we drive” arm.

The entire business model was based on systemic underpayment of workers.

The only difference, then and now is political appetite and will !

Our choice, as a community, is whether we want to maintain the type of society that we have become accustomed to, or, in the interests of consumer choice, construct a working underclass , subject to long hours and poor conditions and pay, so that poorly run businesses can survive where and when they are not actually necessary.

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BRIAIS, Mr Darryl, Private capacity
LACAZE, Mr Stephen, Private capacity
SMITH, Mr Shane, First Class Taxis Pty Ltd
CHAIR: I now welcome the next witnesses.

Mr Lacaze: I have been involved in the taxi industry since 1982 as an owner, as an operator and as a driver. I am going to cut this down and refer to pretty much points 2 and 9 from my original written submission. I will work with the lack of continuity here to make it happen.

My understanding of the proposed regulation is that it is to grant powers of discretion to the minister to disburse the arbitrarily decided \$100 million taxi adjustment package. In my view, it says to me, 'Trust me, I'm a politician.' Frankly, we in this industry do not trust you. That is how we feel. In the process that has run up to this, right through the OPT, everyone in this industry feels betrayed and bullied. As it stands, the proposal is little better than burial assistance and at a pauper level. As it has been targeted in the information that we have received so far, it does little by way of industry assistance or assisting the industry to meet the challenges that it is now being faced with. As a citizen, I actually find both the concept and the process of this to be disturbing. As a taxi industry stakeholder, I find it insulting and feel like a bullying victim or a betrayed spouse.

I would like to draw your attention, like everyone else, to the TCQ submission and indicate my wholehearted support for it as presenting valid cases and information critical for consideration. There is, however, a massive and glaring omission and it goes right through the OPT, through every other committee hearing that there has been, through the IPNRC and in fact it is missing from this one to date as well. That is, the predicament of the workforce in the industry. You have heard plenty from licensed owners and impassioned pleas from operators, and no doubt Mr King has briefed the committee members on the structure of the taxi industry and possibly even indicated his disdain for the remuneration model, but that model is approved. It is an approved model by federal and state governments and the department.

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Everyone who is represented on this committee here has been sitting on government benches sometime in the last few years and has had their opportunity to raise it as an issue. The absolute silence of both parties in parliament indicates to me a tacit approval of that remuneration model.

Let us get to the nub of this argument. Non-owning drivers, of whom there are something like 12,000 in Queensland—that is 12,000 people, that is one of your state seats pretty much, or a little bit less, it is a lot of people—derive their income in direct proportion to the revenue that is generated. This is usually 50 per cent split. I have used a direct comparison for shifts in the same car and period in 2013 and 2016, and I want to give you the results. In 2013, nine shifts in one week produced \$4,056 revenue, providing the drivers with an averaged out median of \$225 a shift, which we can extrapolate to \$1,125 a week, or \$22.50 an hour. In 2016, that very same car in the same week of the year produced \$2,731 over nine shifts, providing the drivers with \$151 per shift, extrapolated to \$750 for the week or \$12.50 an hour.

We are starting to see here the differences that exist in this industry that no-one has been particularly open about. Even allowing for the monetisation of conditions that were common for the majority of New South Wales taxidrivers—which included holiday pay, WorkCover and superannuation; in Queensland the taxidriver had to look after all of those things himself, and that comes to something like \$7 or \$8 an hour—this guy could still produce something that equated to a wage in 2013. In 2016, he is starting so far behind he is at \$12.50 an hour. This goes to the entire viability of the industry.

It does not matter what you take out or what you add to that, there is no community acceptable wage available for an employed driver. In fact, there is not even a community acceptable standard remuneration for an owner-driver, because if we work from \$12.50 and if we allow for a standard overhead of about 25 per cent—so if we are grossing \$26 an hour, and a quarter of that is for the overhead of the vehicle, the licence, whatever—he still has not even got to the newly gazetted

\$17.90 minimum wage. This is allowing for no costs at all. This is extinguishing the licence, no value, nothing. It is actually making no allowance for any sort of safety net, any sort of cover at all.

You guys have all sat there and watched this happen. The members of this committee and your parliamentary colleagues have sat in the positions of power and status in this state and watched this happen to the taxi industry and the people who are involved in it. If you think for one moment that the drivers in the rideshare industry have got it any better, they have not; they are actually even further down the ladder. What is actually happening is an industry is being dismantled here and a war on wages and conditions is being fought and won.

CHAIR: Thank you. We certainly noted your point there. What we are really after obviously is if you have got any input or anything further.

Mr Lacaze: I would like to expand on that for one more moment and look at who the people are in the taxi industry. If we break it down by age, we have got three broad categories. There are those who are 20 to 35. They are largely new arrivals to the country and they are looking at it as a stepping stone to something else. We have those who are 35 to 50. They are largely new arrivals as well who have been captivated or captured by the industry and they are often the sole breadwinner with young families. Then we have got those aged 50 to 65-plus. These are largely Australians with limited employment opportunities—severely limited employment opportunities—because of age, lack of qualifications and physical limitations. These are the people who are working for \$12 an hour, and they are working for \$12 an hour because they have got no other options—none at all.

When you are looking at an industry adjustment package, if you want an industry to continue to exist—and I would suggest that you need to because the political risk in completely smashing the taxi industry is huge—the only way forward is actually with direct subsidies, like public transport. If you are going to take this industry and subject it to competitive pressures—just the same as the bus services in Redlands, Caboolture or Kallangur, as TransLink, as the railways—what it means is that the community has to start bearing the costs.

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Mr POWER: And your suggestion is that that direct subsidy be given in the form of compensation to workers?

Mr Lacaze: That is a good starting point. I have laid it out there.

CHAIR: It is in his submission.

Mr Lacaze: The very first one is obviously CTP. CTP is a big bugbear and you have heard lots about it. The parliament cannot dictate to MAIC; MAIC is independent. Instead of that, you just pay it. There it is; there is your \$5,000; that is the difference between class 1 and class 3. Is Mr registration Costigan still a member of this committee?

CHAIR: Yes.

Mr Lacaze: Three of this committee actually voted in March this year to have all vehicles doing taxi type work in the same CTP and registration class. That became law almost without royal assent. Where is it? No-one has mentioned it since March? We know it was reversed; it was a poorly written piece of text but the concept is still a valid one. If you are going to do taxi type work, then you should be in the same category of insurance and. Given that that side of the House actually promotes itself on a user-pays philosophy, is it only when it suits you and when it is not very awkward, or is it user pays the whole time? That is the first one.

The state government writes the chequebook out, writes out the CTP insurance. Non-owner taxidrivers have to be provided with an exit strategy. Something like 2,500 people need to be provided with an exit strategy out of the industry. That means they need income support and retraining. I have plucked a number out of the air, probably \$7,000 each. Now we have \$17½ million a year to subsidise the CTP, a \$17½ million one-off to exit people out of the industry, then we start looking at passengers and the public community. I have not even tried to work that out. Pluck a number, but it will be a big one. Then we have to start talking about government providing alternative transport arrangements, strategies and facilities because taxis until 2013 provided pretty much everything everyone expected and they did it without subsidy and generated a profit and attracted investment. Now all of a sudden that is apparently a bad thing.

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In summing up, both sides of parliament have taken an industry with a complaint rate of less than one in 5,000, that has fulfilled community expectations, that has operated without government subsidy requiring minimal government enforcement costs, all the while paying tax and in fact operating as an early adopter of technology—such as digital dispatch and computer, SMS and app booking—while fully embracing green fleet low-emission vehicles and meeting and exceeding obligations under the disability discrimination act, which is an important one, for both drivers and passengers. Through actions and inactions, that industry is now unable to actually say it can do all of that.

I find it absolutely ironic that in this committee covering two proposed bills over three transport sectors—rail, heavy vehicles and personalised passenger transport—two of them are seeking to increase regulatory reach and implement chains of responsibility, including for something as seemingly trivial as what livestock are fed before they are transported, while smashing exactly those chains of responsibility in the Queensland taxi industry. Vulnerable passengers are being herded into cars with the dismantling of the implemented protections that have been regulated in response to past negative outcomes.

I ask the committee members this question: what protections would you want governing a driver and a car picking up your 18-year-old daughter on a Saturday night in the city? Why does the daughter of anyone else deserve any less than that? On that note, I was on Eagle Street the night that Laura Mercer was picked up, transport inspectors were on Eagle Street the night that Laura Mercer was picked up, and the police were on Eagle Street. We all actually saw Laura Mercer get into that Uber car before she was carted off to be sexually assaulted. That goes right to the heart of identification issues that other people have spoken to. We had everyone who represents personal transport in this state actually watch a girl go off to be sexually assaulted.

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CHAIR: There can be no disagreement that the taxi industry has cameras in vehicles that are recording and the other models do not. You are highlighting something that we are all aware of, and that tragedy highlights it as well. Thank you for that. We will move on. Darryl, I invite you to make an opening statement.