



**SUBMISSION
FAIR WORK LEGISLATION AMENDMENT
(SECURE JOBS, BETTER PAY) BILL - 2022**

Laundry Association Australia & the Australian Laundry Sector

LAA represents commercial laundry operators and textile suppliers across Australia. The Sector employs around 13,500 staff and generate around \$1.2 Billion for the Australian economy. If commercial and industrial laundries did not operate, hotels, hospitals, food manufacturing, pharmaceutical manufacturing, spas, food and beverage together with a range of businesses would not be able to open. Anywhere that uses sheets, towels, workplace uniforms, table linen etc, will have those textiles professionally and hygienically cleaned through laundries that range from on-site through to large scale industrial volume laundries capable of washing 140 tonnes a day of laundry. Throughout the Covid pandemic, the laundry sector was at the frontline, with soiled linen, uniforms and other textiles being washed and made safe through our quality processes.

Workers in our Sector are predominantly paid in accordance with the Award and currently it is very common to pay over the Award to attract staff given we have around 10% vacancies across the nation. Our Sector is increasingly based upon high tech machinery and therefore many staff roles involve working with these machines. In such roles they feed textiles into the machines that dry/iron the items, although other sector roles include sorting, moving, quality control, transportation and other such positions.

Australian commercial laundries support two main sectors, health/aged care and the accommodation/hospitality industries. With the pandemic, laundries supporting health/aged care carried on and even slightly increased their operational capacity, whilst those on the accommodation/hospitality side greatly contracted. Generally what happened, was that our (accommodation/hospitality supporting) laundries couldn't continue to employ staff and remain viable, so labour was lost. The workers we couldn't continue to employ were, like other sectors, lost for a variety of reasons. The lost work force can be attributed to factors that included retirements, employment in other sectors that were less affected by the pandemic and also to high paying Government and priority pandemic response roles. These factors continue to undermine our ability to find labour as the whole economy recovered and particularly as the lockdowns wound back, demand for the hotel sector also recovered.

Now, as the economy has greatly recovered, we cannot get this labour force back, despite paying above award rates. In many cases our former employees obtained much higher paying Covid response roles as part of the pandemic emergency. The overall result is that our laundry sector has significant labour shortages and a reduced capacity to maintain service levels to the sectors our laundries support. This has resulted in increased labour costs of as much as 30% with penalty rates and overtime included, and those increases now include the minimum wage rises recently enacted. Together with the sharp increases in energy costs, the challenges are increasing. These represent significant inflationary pressures and these costs have to be passed through to customers, otherwise our businesses will not remain viable.

Massive increases in energy costs, utility costs, equipment costs and importing of textiles are all significant threats to business viability, and these must be carefully considered.

The LAA provides the following comments regarding the Bill and its intent.

Background – Staff Shortages

The Commercial Laundry Sector in Australia currently has a shortfall of staff. These shortages of around 10% across our Sector are in roles that are not considered skilled labour jobs. Similar shortages exist in the retail or laundromat area of the Laundry Sector. This has led to more and more businesses paying above Award pay rates and also penalty rates in order to get the work done beyond usual work hours. These additional costs, together with a range of other higher costs such as transport and energy costs, have caused our prices to rise and increases in inflation. Our higher costs are passed on to our customers and that causes cost increases for hotels, hospitals, aged care and hospitality venues. Our additional costs cause price rises for consumers and therefore impact upon inflation.

Given so many of our vacancies are in unskilled or lower skilled roles, both in cities and regions, this would suggest that the unemployed rate of 3.5% includes those that are unwilling or unable to seek these basic jobs we have on offer. Barriers to employment are low as our workforce tends to be older and childcare is not so much of a direct issue. Ultimately we struggle to get staff because few people want to do such work or they can get higher paid work through other jobs. The conclusion is that there is no one else to get, and skills and training are not the issue. For anyone who wants a job, jobs are there in our Sector, either in commercial laundries or across our retail element. Students and older workers whom have been granted work concessions have not ended up helping us to bridge our staffing shortages. The Government really does need to ask the question of how there can be a National unemployment rate of 3.5% when there are unskilled roles available throughout the country. This is not a skill shortage issue in our sector and therefore skills training is a red herring.

This situation leads us to the view that we should be able to recruit for labour overseas, despite these roles being unskilled or lower skilled.

Job security, conditions and pattern bargaining

The Laundry Sector employs full-time, part-time and casual employees. With direct reference to the Minister's Second Reading speech, it is entirely wrong to believe that casual employment conditions were essential in helping many of our businesses survive through the pandemic and government lockdowns when commercial laundries that serviced hotels had no work. The proposed undermining of the principles of casual labour agreements as envisaged in this Bill, demonstrates a lack of understanding of real-world business operating conditions and the reality that many casuals do not want to take up the opportunity offered to work full-time or part-time.

The Federal Government should maintain existing casual arrangements rather than decrease flexibility and increase costs that would then either result in commercial and other laundry businesses become unviable and close, or see these increased costs passed on to consumers in increased prices to health, accommodation, hospitality or other supported businesses. Such government-imposed cost increases results in government driven inflationary pressure.

Beyond the Federal Government's proposals to increase inflexibility via changes to the long-held principles of casual employment arrangements, the proposed multi-employer bargaining arrangements represent a lack of consultation and an actual lack of understanding of private sector business operations. Every business and every site in our Sector operates under different costs and revenue arrangements. Pattern bargaining takes workplace relations back 20 years and in 2002 the Productivity Commission estimated the loss related to two industrial disputes in the automotive sector as costing \$630 million. The Federal Government, by pursuing pattern bargaining will risk business viability and certainly increase costs, thereby driving prices for laundry and textile supply services up. This is bad policy that doesn't appreciate the realities of business and is another inflation creating policy.

Pay equity

The Laundry Sector has an overall workforce of more than 50% female with a similar percentage of CALD staff. Staff are paid in accordance with the Award or EBAs that do not discriminate upon gender.

Around 40% of our workforce was born overseas with 60% born in Australia or New Zealand.

Wage Movements and Costs

The laundry sector pays our staff in accordance with the Award and commonly above award rates, or by the agreements struck in EBAs. The reality is that attempts to recruit staff and bridge our staffing shortfalls have been of limited success. The unemployment rate of 3.5% suggests that there are workers available and that in our sector there is no skill gap holding potential workers back. The conclusion of our members is that the unemployed do not want jobs in our sector or are incapable of doing these roles. The Government should seek to understand the reasons why the

unemployed do not wish to work in unskilled or lower skilled roles, not just in our sector but in other sectors as well.

The Minister in his second reading speech raises the issue of why wages have not increased and in the laundry sector it is important that the industry conditions are properly understood without a reliance on economy wide generalisations. Firstly we are a high volume, low margin, highly competitive sector. The highest elements of our costs are labour and energy. We are also an energy intensive sector, as we need gas and electricity to achieve our processes of hygienically cleaning textiles for hospitals, aged care, accommodation, tourism, hospitality, food preparation and other supported sectors. The Minister's speech did not properly acknowledge the range of costs that directly influence our sector's ability to pay higher wages and absorb higher costs of less flexible work arrangements, should we face another pandemic situation. The margins of our businesses are necessary to ensure that equipment and modernisation processes can be afforded, in order to maintain efficiencies and competitiveness. It is also important to understand that the reasonable margins in the Laundry Sector helps address the ever-increasing struggle in meeting the cost of insurance. This is an additional area that threatens laundry businesses, whether at the retail/laundromat end, up to the larger commercial laundries. At this higher volume end of our industry, there are multi-site businesses with six figure or more premium payments, despite having extensive risk management and business continuity plans and systems in place.

It is unrealistic and highly inflationary to urge our Sector to increase costs and thereby drive-up prices to our customers, passing through those prices in terms of higher tourism and health industry costs and prices.

Arbitration

This Bill allows the FWC to resolve intractable disputes by making a determination that there is no reasonable prospect of agreement between the parties. The FWC would then arbitrate a bargaining outcome for any outstanding matters that have not been agreed. It is the view of the LAA that this has been included to facilitate the ability of unions to access arbitration in pursuit of wage rates and entitlements in addition to the already existing regulation through awards. We believe that it will increase costs for small and medium-sized businesses.

Summary

The Australian Government, its officials and the unions are not experienced in running businesses under the conditions that Australian businesses have to operate. The provision of goods and services to customers is significantly different for Government, Officials and unions compared to private sector businesses. This is why this sort of legislation needs to be significantly changed to ensure the legitimate concerns and the realities of running businesses are properly considered.

The fundamental point is that Government and this Senate Committee should always ask itself, what is the impact of any decision it makes? That should not just be a one dimensional question, but seek answers to what will be the full range of impacts for any decision, as no decision exists in isolation. An example being the minimum wage increase. That represented an immediate cost burden on business, but it was also a

popular decision with the lower paid and many Australians to address the cost of living. The outcome of that decision is not just the good news, but also a cost flow on and thereby increased inflationary pressure. In order to remain viable, a coffee shop that has to pay its staff more, has to charge more for its coffee, thereby increasing inflation.

The LAA urges the Senate Committee to not just consider the ramifications of a Bill that will increase costs on our businesses, thereby risking our viability whilst driving up inflation, but the impacts that will flow through to all the sectors that laundries support. These additional costs will be borne by everyday Australians. We understand that Government Members of the Committee will not break ranks with the Minister, however we urge Opposition and Cross Bench Senators to oppose this Bill and recognise it as a step backwards for productivity and industrial relations in Australia. This Bill should also be considered and fully assessed by the Productivity Commission, so that all Australians will know how much it will impact on the cost of living for all Australians.