

**Senate Economics Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Additional Estimates

2015 - 2016

**Department/Agency: Productivity Commission**

**Question: AET 90**

**Topic: Inquiry into workplace relations system**

**Reference: Hansard page no. 39 - 11 February 2016**

**Senator: Ketter, Chris**

**Question:**

**Senator KETTER:** I want to turn to your inquiry into the workplace relations system, and in particular your recommendation to reduce the level of Sunday penalty rates in certain industries. I want to understand the impact on low-paid workers of that particular recommendation if it is implemented—I think you recommended it happen through the Fair Work Commission system.

**Ms Davidson:** The views of the commission are set out in our final report. I do not mean to sound unhelpful here, but beyond what has been provided in our final report, which, as you know, is now being considered by government, I am not well placed to go into some of the underlying analysis and evidence there, again because I was not involved in that particular piece of work. I am not in a position to take you through in the way that some of my colleagues might be if they were able to be here today.

**Senator KETTER:** How about you, Mr Scammell?

**Mr Scammell:** It is the same response from me. We are going to be relying on the final report as it is published, at this stage.

**Senator KETTER:** I am interested in your assessment of what happens to low-paid workers if your recommendations are implemented. I understand that you have modelled a range of other consequences. I have a particular interest in the people that would be impacted by that recommendation. Could you take that one on notice for us?

**Ms Davidson:** Yes.

**Answer:**

AET90. As noted by the Senator, the Productivity Commission recommended that changes to penalty rates occur through the award determination processes of the Fair Work Commission.

The Productivity Commission undertook considerable analysis of the impacts of penalty rates on all employees, including the income effects and the improvement of opportunity for aspiring employees in the relevant industries. We refer the Senator to chapter 14 and particularly to section 14.4 (pp. 480-489).

We also draw attention to the third dot point of recommendation 15.1, which recommends that the Fair Work Commission should “investigate whether weekend penalty rates for casuals in these industries should be set so that casual penalty rates on weekends would be the sum of the casual loading and the revised penalty rates applying to permanent employees, with the principle being that there should be a clear rationale for departing from this.” If the Fair Work Commission were to adopt this principle, this would have the effect of *raising* wage rates and potentially weekly incomes for casuals in some industries.

The Productivity Commission also examined the effects of changes to penalty rates on hours worked and employment (section 14.3, pp. 469-480). In sum, employment would increase, if wages per hour were equalised across the week-end at the Saturday level. This would partly offset immediate income effects, and stimulate the availability of entry-level jobs, with benefits for currently underemployed or unemployed people (who have low incomes).