



Legislative Council Select Committee Inquiry

Growing Tasmania's Economy

Unions Tasmania submission

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Introduction – The purpose of Growing Tasmania's Economy

The Australian trade union movement works everyday towards building a better society for everyone. We believe that workers and their families are entitled to live in a decent and civil society that values fairness and equality - where everyone is afforded opportunity, dignity and respect.

When we consider opportunities to grow Tasmania's economy we don't think about growth for growth's sake. We want to see inclusive growth that brings us closer to the better society that we strive for.

To achieve this it must be considered the responsibility of government to support good, secure, well-paying jobs for everyone that wants to work.

Life, however, is not just about work, which is why government should nurture our community and look after our most vulnerable, especially through the provision of strong public and community services.

Government must also provide appropriate support to industry to ensure we utilise the full productive capacity of our economy right through the supply chain for the purpose of generating and sharing wealth.

Generating Demand and removing Supply Constraints

It is our submission that the role of government in industry policy is to provide direction to industry for the purpose of inducing job-creating growth.

This should be done through policies that address both sides of the demand and supply equation.

On the one hand government should assist to stimulate demand for products and services and on the other government should work to remove capacity constraints which prevent supply from meeting demand.

Proposals put to this inquiry that focus on creating supply where demand does not currently exist should be given less serious weight. In other words “build it and they will come” ordinarily does not work as an economic concept.

Capacity constraints to supply can generally be looked at in two broader areas; economic constraints and social constraints.

Economic capacity constraints exist in the workforce in the form of lack of adequate skills-mix, failure to plan workforce development, competency of management and infrastructure bottlenecks.

Social capacity constraints exist where we as a society have failed to invest in our people and ensure the benefits of our prosperity have been shared to those that need it most. Especially those struggling with social isolation.

Below we outline some proposals to generate demand and remove constraints across the broader economy.

Public Works to support growth and enhance productivity

An obvious capacity constraint presents itself in the state of our infrastructure. Better mobility of freight and people will enhance our productivity and generate more wealth for our State.

Our air and sea ports, rail network, communications infrastructure, broadband and roads are all vital to the movement of goods and people and the provision of services in the agricultural, retail, tourism and hospitality sectors.

The removal of constraints on these assets should be a top priority for all levels of Government.

For example major road projects that would improve traffic movement along the Midland Highway include the \$300 million Bridgewater Bridge replacement project, the Pontville – Dysart bypass and the Perth bypass.

Presently borrowing costs for the Commonwealth and State Governments are at all-time lows.

In February, the Commonwealth Government was able to borrow at a record low of just 2.28% on 10-year bonds.

There is enormous elasticity in Australia's capacity to borrow without threatening our credit rating, allowing us the opportunity to leverage debt into job generating and productivity enhancing infrastructure projects.

Given Tasmania has long suffered from a paucity of Commonwealth funding for State infrastructure projects, relative to other states, it would seem prudent for the Commonwealth to use the opportunity of record-low borrowing costs to invest in underperforming parts of Australia's economy.

The Tasmanian Government should be lobbying the Commonwealth for such investment by presenting the Commonwealth Government with a proposal for funding a major set of vital public works projects across the State.

Borrowing should fund the full value of these projects, with the Commonwealth requested to provide the overwhelming bulk of financing.

Public works projects could also take the form of upgrading public buildings. For example Tasmania's public housing stock is in desperate need of refurbishment and the addition of new dwellings to meet demand.

Many government buildings, such as regional police buildings and community assets are also in need of upgrade.

The financing of such projects would generate jobs in regional areas, while having the dual benefit of removing economic and social capacity constraints.

Unions Tasmania contends that the Legislative Council should recommend the State Government bring forward a proposal for a massive Commonwealth led effort of investment in public assets.

Proper Workforce Planning

The importance of proper workforce planning must not be overlooked when confronting the challenge of growing Tasmania's economy.

We are increasingly seeing a fragmentation of the workforce and whilst unemployment in many areas is high there remain significant vacancies that arise from the inability to find staff with the appropriate skill-mix.

A broader national shift away from heavy manufacturing and towards the services sector has resulted in large sections of the workforce being made redundant and without the right skill-mix to fill available positions.

Whole-of-economy workforce planning, including partnerships between educational providers in the tertiary, pre-tertiary and VET sectors, business groups, large employers, unions and government is essential to providing a framework for inclusive and internationally competitive growth in Tasmania.

A properly planned workforce removes capacity constraints in two ways – the maintenance and transfer of skills and corporate knowledge from long-serving employees to new recruits and the filling of skilled vacancies and consequently a reduction in the number of unemployed Tasmanians.

We have recently experienced very poor decisions made around workforce planning in the Tasmanian public sector. Despite an increasingly large portion of the public sector workforce approaching retirement and the need to restructure the public service to deliver the best quality services for the Tasmanian people within our limited resources we have seen in 2011 and again in 2014 State Government's adopt short-term expensive strategies of mass redundancy offers and workforce renewal incentive payments.

Unions Tasmania would like to work with the State Government, our educational institutions and business to develop a whole-of-economy workforce plan for Tasmania.

Cultural Competency in the Tourism and Hospitality Industries

Tasmania's ability to grow our tourism and hospitality industries (particularly in the Asian markets) could be assisted by ensuring that employees in the sector are fully Asia Literate and are inter-culturally competent.

Unions Tasmania would support a scheme that would assist or subsidise relevant employees' enrolment and completion of the University of Tasmania's breadth unit *Living and Working with Cultural Diversity* - XBR104.

As identified in Tasmania's Place in the Asian Century White Paper, improving the Tasmanian community's cultural and economic awareness of Asia is a key strategy for the state's economic prosperity.

As is commonly known tourism is a major industry for Tasmania supporting at least 17,000 jobs or 7.2% of total employment in Tasmania.

What is less known is that international tourism currently accounts for about 14% of tourist activity, a rate which the State government and tourism industry are seeking to increase. Tourism Australia's Tourism 2020 Strategy predicts that China/Hong Kong will become Tasmania's largest international market.

Specific skills are required to meet the needs of international tourists especially those from the booming economies of Northeast Asia and increasingly South Asia (India).

It is vital for the hospitality and tourism sectors to ensure that employees have the ability to communicate effectively and appropriately with people of other cultures. Even without specific Asian language skills, employees can better understand the needs of their Asian clients if they have undertaken some inter-cultural competence training.

Inter-cultural competence can be developed through the University of Tasmania's fully online unit, *XBR104 Living and Working with Cultural Diversity*.

XBR104 Unit description:

Become better prepared to deal with the variety of culturally challenging situations you will encounter in whichever part of the world you live and work. Develop an appreciation of the personal and professional benefits which come from being more culturally aware and competent in increasingly diverse settings. Explore what it means to belong to a culturally diverse, global society and be challenged by the social constructions of race, ethnicity, and culture. This unit provides a firm

foundation for understanding and dealing with real world issues relating to culture and cultural differences. It will help you come to a clearer understanding of your own worldview, way of being, and use of language, and how they potentially affect your communication and interactions with others. Your teaching team is a group of culturally diverse and highly qualified academic and professional staff from three Faculties (Health; Arts; Science, Engineering & Technology) and the Division of Students & Education. All of them are able to draw on their considerable knowledge and experience of living and working with cultural diversity in their own and other countries.

Administrative detail:

This fully online unit is designed for introductory level students. Currently, this unit is run in both semester 1 and 2 each year. It can also be run at other times if numbers are adequate. Students can enrol in the Bachelor of General Studies if they are not currently enrolled at UTAS)

Public Holiday Harmonisation

Harmonisation of public holidays around the State should be considered as part of a strategy for a more efficient Tasmanian economy.

Instead of southern Tasmania observing Hobart Regatta Day and Northern Tasmania observing Recreation Day it would be preferable to combine these into a singular state-wide public holiday.

This would provide a sensible economic rationalisation and efficiency gain without asking workers to sacrifice any entitlements.

Given the scarcity of public holidays in the latter half of the working year we would contend that it would be sensible to harmonise these days into the existing Recreation Day.

Further harmonisations could be made, however they should not result in any worker receiving less public holiday entitlements. Indeed if we consider again the purpose of economic growth – to create a better society for us to live in – serious consideration should be given to the creation of additional public holidays.

Victoria has recently added AFL Grand Final Friday and Easter Sunday to their list of statutory public holidays, leaving our State behind our Victorian counterparts in the number of public holidays observed.

Tasmania is the only jurisdiction in the Commonwealth in which neither Easter Saturday or Easter Sunday are public holidays. This puts Tasmanian workers at a disadvantage to our interstate counterparts.

In NSW Good Friday, Easter Saturday, Easter Sunday and Easter Monday form a contiguous four day long public holiday block.

Life is about more than work. It's about family, relaxation and recreation. The ability of workers to enjoy these things are enhanced through public holidays.

Unions Tasmania would be pleased to work with the State Government to consider how we can better enhance our economy and the lives of working people through public holiday harmonisation.

Social capacity constraints

Social capacity constraints that face our workforce, including bosses and managers, are a serious community issue and curb our state's ability to grow our economy.

A holistic approach to tackling issues of alcohol and drug addiction and family violence, including domestic violence and violence against women and children, must be adopted for the betterment of our community and to improve our productive capacity.

These issues contribute considerably to the consistently lower employment participation rate Tasmania experiences in comparison to our mainland counterparts.

Public and community services that reach out to communities on the ground to tackle these issues must be supported to enhance their activities. In recent years, State and Federal Governments have cut funding to these services – in some cases altogether.

This is a classic example of a false economy. We cannot develop a strong, skilled and health workforce without investing in the social capacity of our people and our communities.

Unions Tasmania urges the Legislative Council to recommend a greater focus on the importance of our community and public services, particularly those delivered by the Department of Health and Human Services.

Family violence, drug and alcohol addiction also present themselves as problems in the workplace itself.

It is vital that employers consider the impact these issues may have in the home environment of their workers and assist these workers in dealing with these issues.

One of the easiest ways employers can assist their workers facing difficulties is to provide them with paid leave from work.

To this end the Legislative Council should recommend the State Government encourage all employers to adopt domestic violence leave clauses in their employment agreements and contracts.

Australia's single national workplace relations system

Unions are under no illusion as to the original purpose of this inquiry – therefore we will address the issue of penalty rates despite the fact penalty payments received by workers form a vital component of consumer demand in Tasmania's economy, without which the hospitality, tourism and retail services sectors would contract.

The argument that penalty rates are an inhibitor to growth in our economy have been proved incorrect time and time again by the Fair Work Commission.

The key driver of growth in any economy has always been demand - the demand of consumers for products and services. Demand is driven by necessity and purchasing capacity. In a modern, first-world economy such as Australia's the key driver of demand is the elastic capacity of consumers to spend 'disposable' income.

If a business product or service is in demand it will be profitable. If it is not it may face difficulties. Such is the nature of our free-market economy.

This can be seen in the hospitality industry on the streets of Hobart and Launceston.

Cafés in the inner-city that are lively during the week are closed on the weekend because their patronage consists of Monday – Friday office workers and shoppers.

They are not closed on weekends because of penalty rates. They are closed because the demand for their product collapses.

However, cafés, pubs and restaurants in suburbia and other hot-spots remain very popular and continue to be open because these are the places consumers go on the weekend – when they themselves are not at work.

The very business groups that lobby for a cut in penalty rates simply don't understand basic economics. They seem overly concerned with their overheads (the supply side) and not nearly enough concerned with consumer demand for their product or service. Here we see a capacity constraint in the form of competency of management.

Demand can only grow when consumers have the capacity to spend.

For a large number of employees, from cleaning, to nursing, to hospitality, penalties make up one third of their take home pay.

Cutting penalty rates for these workers will result in a reduction in their spending.

Business must understand this basic fact – any cut in wages will only result in less aggregate demand in our economy leading to lower profits and resulting in fewer jobs. Cutting penalty rates is an enormous false economy.

Despite all the rhetoric from the business lobby the reality is that when it comes to nights, weekends and public holidays nothing has changed in decades.

Australian Bureau of Statistics data shows that in 1997, 69.7% of Australians worked from Monday to Friday. By 2012, the number of people working during the week had fallen by less than one per cent to 68.9%.

The ABS figures show that working Monday to Friday is the norm for an overwhelming majority of Australians. Nights, weekends and public holidays are different to week days and the people who sacrifice that time away from family and friends to work should be compensated for that.

It is also disingenuous to suggest that employers would hire more people if they could cut the wages of their existing staff. You either need to hire someone to perform duties and functions or you don't. The Fair Work Commission has found there is absolutely no evidence that employers would hire more staff if penalty rates were cut.

The Fair Work Commission's decision ([2014] FWCFB 1996) in relation to the Restaurant Industry Award 2010 handed down in May 2014 that found:

"There are clear examples in the history of industrial regulation of the restaurant industry in which weekend penalty rates have been abolished or reduced, but no evidence was forthcoming to demonstrate that this had discernibly positive effects in terms of turnover and employment."

It must also be understood that the basic premise of compensation in Award wages for work performed in unsociable hours is consistent across industries.

If you attack penalties for hospitality, tourism, agriculture and service sector employees you are also attacking penalties for nurses, allied health professionals, aged care workers and many others.

The Australian people have also shown that they reject the contention that a reduction in penalty rates would create more jobs. Opinion polls have consistently shown large majorities of 80% + in favour of penalties, against cutting them, and of a belief that if they were cut it would only result in larger profits rather than more jobs.

In this the Australian people are very smart.

If propositions are brought forward that Tasmania should have a unique system of lower penalties compared to the rest of Australia it will only result in Tasmanians being unfairly treated and paid less, leading to a weaker economy and fewer jobs.

Imagine the disincentive for workers and young Tasmanians to stay in their home state if they are to be paid less than their colleagues and less than their counterparts in other states. This applies equally as a disincentive for people to move to our state for work.

Unions Tasmania puts to the Legislative Council that you should find penalty rates are an essential part of the Australian economy and provide a strong underpinning for Australia's economic success and our ability to better share the fruits of that success among all our people.

Growing Tasmania's Economy - Key Recommendations

1. The State Government bring forward a proposal for a massive Commonwealth led effort of investment in public assets.
2. Develop a whole-of-economy workforce plan for Tasmania in partnership with unions, the State Government, our educational institutions and business.
3. Develop Asia literacy and are inter-cultural competency skills in the tourism and hospitality sectors by assisting or subsidising relevant employees' enrolment in and completion of the University of Tasmania's breadth unit *Living and Working with Cultural Diversity* - XBR104.
4. The State Government should work with unions to better enhance our economy and the lives of working people through public holiday harmonisation and the consideration of additional public holidays.
5. The State Government should assist in dealing with social capacity constraints to economic growth by encouraging all employers to adopt domestic violence leave clauses in their employment agreements and contracts.
6. Full support from all parliamentarians for the maintenance of penalty rates as an essential component of consumer demand within the Australian economy – without which our tourism, hospitality and retail sectors would contract.

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