Penalty pay rates slashed for Australian retail workers

Martin Scott
11 July 2020

The Fair Work Commission (FWC) ruled early last week against a token bid by the Shop, Distributive and Allied Employees Association (SDA) to block cuts to Sunday penalty wage rates for retail and pharmacy workers.

The 15 percent loading reduction is the latest in a series of cuts that began in 2017. In three years, full- and part-time workers in the two industries have had their Sunday rates reduced from double time to time-and-a-half.

From July 1, casual shiftworkers employed on Sundays will be paid 1.6 times their normal hourly rate, down from 1.75 prior to November 2018. This will reduce the pay of more than 240,000 workers.

The minimum wage for adult retail workers is $21.41 per hour, so full-time Monday to Friday workers earn just $813.60 per week, less than half the national average.

Around half of Australian retail workers are employed part-time, and more than one third are casuals, meaning the vast majority earn far less.

In circumstances where median weekly rent is $582 per week in Sydney, and $454 per week in Melbourne, many retail employees depend on penalty rates to live.

The penalty rate cut will be felt especially by the most vulnerable layers in society, including single parents, full-time students, those caring for elderly relatives, and others who are unable to work more hours, even if a full-time job is available.

International students, who are prohibited from working more than 20 hours per week during semester, will be hit hard.

The SDA claims it was "deeply disappointed" by the FWC decision, but the union made no serious effort to prevent the cuts. And the SDA only asked the FWC to delay the reduction to coincide with a 1.75 percent minimum wage increase scheduled for February.

The lower-than-inflation minimum wage hike was to be introduced on July 1, but, bowing to big business, the FWC postponed it for all workers except for some deemed "essential."

While the union referred to the crucial and frequently dangerous role of retail workers during the coronavirus pandemic, the SDA itself has been on the frontline of a broad assault on the working class.

In May, the union collaborated with McDonald's and other major fast-food outlets to reduce guaranteed hours, eliminate overtime penalties, and effectively abolish casual loading for around 214,000 workers.

The SDA is not alone in facilitating such attacks on vulnerable workers.

"JobKeeper enabling directions," rammed through parliament by the Liberal-National government with the full support of the opposition Labor Party and the Australian Council of Trade Unions (ACTU), granted employers the power to reduce workers' hours and change their duties and location of work. This allowed employers to maximise productivity while reducing workers' pay to the level of the $1,500 per fortnight JobKeeper wage subsidy.

The coronavirus pandemic has hit sections of the retail industry—more than 60,000 workers in the sector were stood down or sacked in March—but the largest employers, major supermarket chains, have seen surges in revenue.

Sales in Woolworths supermarkets rose by more than 40 percent in the week ending March 22, contributing to 11.3 percent revenue growth for the March quarter. Rival supermarket chain Coles increased its sales revenue 12.9 percent during the same three months.

Other major retailers have projected substantial growth for the 2019–20 financial year, partly as a result of the JobKeeper wage subsidy. The Harvey Norman retail chain anticipates a 20 percent year-over-year profit increase, while footwear retailer Accent Group, which sacked thousands of workers in March before signing on to the JobKeeper scheme, has told shareholders to expect a 10 percent earnings boost.

Rather than reward the workers who have endured life-threatening conditions to facilitate massive profits during the pandemic, these corporations have continued to call for reductions to workers' pay and conditions.

Gordon Cairns, chairman of Woolworths, Australia's largest retail employer, praised the collaboration between government and the unions. "It's been adversarial up until now, and now it's, I think, constructive," he declared.

Cairns claimed that penalty rates have prevented the $47.7 billion company from employing more staff on weekends. In fact, a 2019 report by Macquarie University and University of Wollongong researchers found no evidence that the two previous rounds of penalty rate cuts had led to increased Sunday and public holiday employment.

An earlier study, released before the FWC approval of the penalty pay cuts in 2017, found that an increase in Sunday rates in the state of New South Wales between 2010 and 2014 had a "statistically insignificant" impact on retail employment.

Ignoring this data, the FWC instead relied on employer intentions surveys and the conclusions of an economist based on 50-year-old data.

The FWC, established in 2009 by the Rudd Labor government, and hailed by the unions as an "independent arbiter," has consistently served as an arm of big business and the state.

In addition to imposing harsh cuts to workers' pay and conditions, the FWC has repeatedly used its power to ban strikes and shut down industrial action. This has helped the unions suppress working class struggles and force workers to accept sell-out deals with management.

The FWC's decision to slash penalty rates while delaying the promised minimum wage increase comes amid mass unemployment and underemployment.

Between March and April, around 2.7 million workers—one fifth of the workforce—lost their jobs or had their hours reduced. The job losses have disproportionately affected younger workers and those earning the least.

With less than three months remaining before JobKeeper and the JobSeeker coronavirus welfare supplement end, workers' financial stress and anger are going to increase.

The slashing of retail penalty rates is a blatant move to maximise corporate profits. The complicity of the SDA and other unions underscores the need for workers to form their own workplace committees and other independent organisations of struggle.