

Fair Work Act and Modern Awards Chaos

Impact on Queensland employers

> Introduction

After exactly one month of operation Chamber of Commerce & Industry Queensland (CCIQ) has examined the impact that the new Fair Work Act and modern award system has had on Queensland employers.

Hundreds of thousands of Queenslanders have had dramatically altered industrial relations arrangements for their workplace and accordingly the Fair Work Act must be monitored to consider the impact of the changes on businesses, jobs and the economy.

CCIQ surveyed 400 Queensland employers on their level of understanding and at what stage of implementation they are at with the new changes, together with the actual impact the changes have had at their firm level.

The results are fascinating and paint an alarming trend.

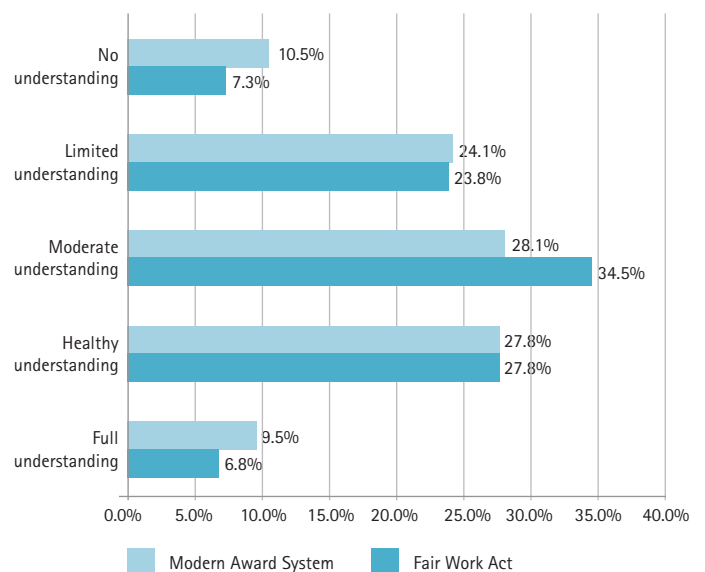
Understanding of the Changes

Fair Work Australia still has significant work ahead of it to bring the Queensland business communities' understanding of the new changes under the Fair Work Act and the new modern award system up to speed.

Only 34.6% of businesses have a healthy to full understanding of the new Fair Work Act and 37.3% for the modern award system. Conversely and alarmingly 31.1% of businesses have little to no understanding of the Fair Work Act changes and 34.6% of the modern award system. With poor understanding businesses are setting themselves up for non compliance.

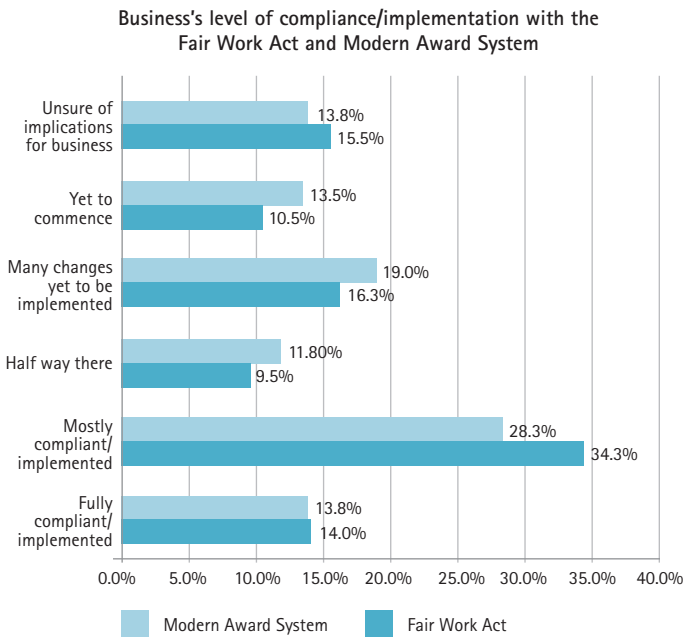
Small business appears to be most exposed with 49.6% not understanding the Fair Work Act changes and a whopping 56.9% not knowing which modern awards apply to their workforce.

Business's understanding of the obligations created under the Federal Government's new Fair Work Act and Modern Award System



Implementation of Changes

A significant proportion of Queensland businesses are not yet at the point where they are compliant with Australia's new industrial relations arrangements. Astonishingly only 48.3% of Queensland businesses regard themselves as compliant with the Fair Work Act and 42.1% of businesses have successfully moved their employees over to the new modern awards. Again the trend for small business compliance is frightening with respectively only 30.5% fully or mostly compliant with the Fair Work Act and 23.8% of small businesses moving their employees over to the new award.



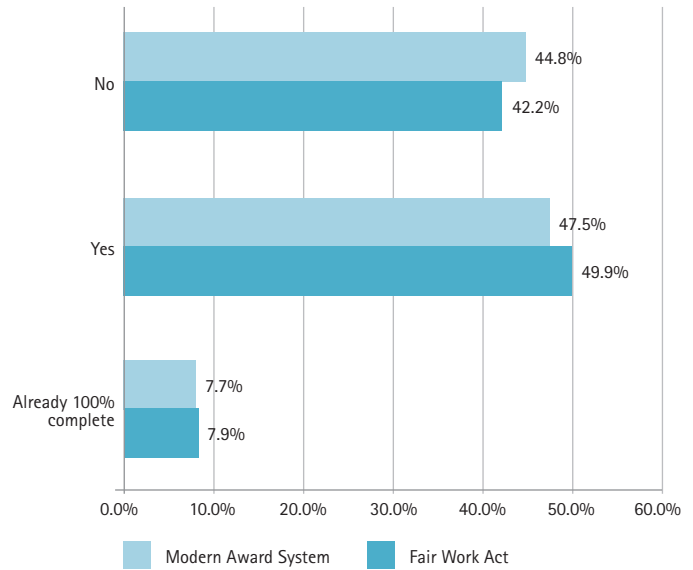
Looking Ahead

The pathway forward looks to be a rocky one with two in every five businesses not knowing how to finish meeting their obligations under the Fair Work Act and which modern awards now apply to their workforce. This increases to two in every three for small business. (FWA: 66.4% Modern Awards: 68.5%)

Possible explanation for this uncertainty is that nearly two thirds of businesses believe that Fair Work Australia is not providing sufficient user friendly information for business to meet their obligations under the new Fair Work Act and modern award system.

Of little surprise there appears to be a significant case for further educative awareness campaigns and a moratorium on any prosecutions arising from the new laws.

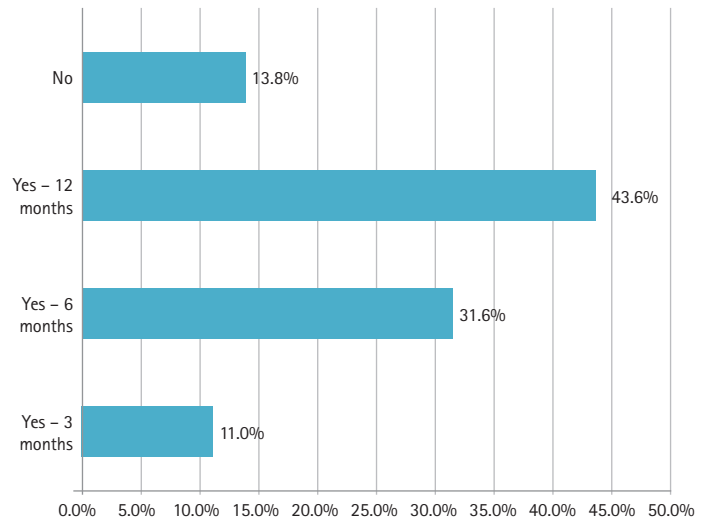
Does your business know how to finish meeting its obligations under the Fair Work Act and which modern awards now apply to your workforce?



The need for further employer education on the changes is supported with 77.6% of businesses wanting further information kits and 69.5% of businesses wanting further seminars on the changes from Fair Work Australia and other organisations.

75% of businesses want at least 6 months more time to comply with the changes. There will no doubt be a period of transition and CCIQ is encouraging Fair Work Australia to continue raising awareness before any stick is bought out of the closet.

Does your business support more time to comply with the Fair Work Act?



Impact of the Changes

Businesses were asked what has happened to their business in the past month as a direct result of the implementation of the modern awards and other aspects of the Fair Work Act?

Month of January 2010	Increased	Decreased	Stayed the same – but considered the implications	Stayed the same – as unsure of implications
Staffing levels	3.5%	16.4%	50.4%	29.7%
Staffing hours	3.0%	22.1%	46.4%	28.4%
Full time staff	3.1%	15.0%	54.5%	27.4%
Part time staff	4.7%	13.6%	53.9%	27.8%
Casuals	7.3%	16.5%	48.5%	27.6%
Union activity in your business	7.3%	2.2%	51.4%	39.0%
Wages & other monetary entitlements	30.8%	2.5%	39.4%	27.2%
Operating expenses	39.0%	1.5%	34.4%	25.0%
Red Tape	52.2%	0.3%	26.0%	21.6%
Business Profitability	0.3%	39.2%	36.2%	24.4%

Key behavioural changes included:

- 16% of businesses reducing their staffing numbers
- 22% reducing their staffing hours
- Staffing reductions occurring across full time part-time and casual workers
- 7% of business recording an increase in union activity
- Nearly 40% of businesses recording a reduction in their business profitability as a result of the changes
- 31% of businesses indicated the changes had led to higher direct and indirect labour costs
- 52% of businesses indicated an overall increase in red tape as a result of the changes.

Over the next twelve months there is even more apprehension over the Federal Government's new 'fair work'

national employment standards and modern industrial awards. Business were asked what will happen in their business as a direct result of the implementation of the modern awards and other aspects of the Fair Work Act:

- more than one in five businesses expect to reduce their staff numbers and hours in response to the changes;
- 11% of businesses anticipate unions to be more active in their workplace;
- 39% of business expect wages to rise;
- 52% expect red tape to increase;
- 42% of businesses believe their profitability will fall as a result of the changes; and
- A significant proportion of businesses are uncertain what the future holds in crucial aspects of their business.

Over the next 12 months	Increase	Decrease	Will elect to stay the same	Not yet known as unsure of implications
Staffing levels	5.3%	21.9%	43.0%	29.9%
Staffing hours	3.5%	25.4%	43.3%	27.7%
Full time staff	4.2%	19.6%	51.7%	24.5%
Part time staff	7.9%	18.2%	48.8%	25.2%
Casuals	11.1%	21.4%	41.3%	26.2%
Union activity in your business	11.4%	2.2%	40.2%	46.3%
Wages & other monetary entitlements	38.7%	3.8%	30.0%	27.5%
Operating expenses	48.0%	2.0%	24.9%	25.1%
Red Tape	51.5%	1.3%	22.4%	24.7%
Business Profitability	3.9%	41.8%	24.0%	30.4%



Summary

CCIQ would describe these changes for many businesses as being chaotic.

Accordingly Fair Work Australia needs to ramp up its educative awareness campaign for Australian employers and leave the prosecution stick in the cupboard for the time being.

Queensland business are overwhelmingly of the view that more time is needed for them to become compliant with the Fair Work Act and have correct award coverage. A longer transition period is required prior to any prosecution arising from the new laws.

The changes have significantly added to the cost and complexity to being an employer in Queensland and have subsequently increased the overall level of red tape impacting business without any additional benefits being realised yet.

Quotes

"A mess - too hastily put together, with punishment for companies that don't understand what the government itself can't explain!"

"A positive move for national consistency, but rushed in implementation/drafting awards causing a lot of uncertainty in how to implement & interpret."

"A shock as the modern awards are a very significant increase to what we have budgeted to make our business a success. I cannot see how businesses will cope it will either be raise prices or shut down."

"A total failure. I now have 5 (I think) awards to deal with instead of 1. I get conflicting advice from Fair Work Australia."

"Awful - it will cost our business thousands of dollars each year, staffing will have to decrease to fund all the additional penalty rates! Could even force us to remove some services to stay in business! Ultimate loser will be the employees!"

"Changes seem likely to simplify awards but any change is initially costly, time consuming and confusing for business owners."

"Exhausting, complicated, draining - 'specialists' are unsure so how are we 'business owners' meant to understand all the changes. Change for change sake, thought it was to simplify things, appears to have added complexity and stress."

"Implemented without adequate information available to employers."

"Lack of flexibility in work changes more rigidity, this makes it difficult to respond quickly to changes in the business environment."

"Increased our labour costs by a minimum of 5%. Increased union contact. Reduced productivity."

"Not at all how they were initially promoted by the Government. There will be significant increases to costs,

impacting about 5% of the Company's profit margin.

Changes introduce much complexity, red tape and increased costs to the employer."

"Poorly handled by the government which has not provided enough 'user-friendly' information about the changes."

"Restrictive to both employees & employers. Casuals who want less than minimum hours will now get less work. How on earth can ordinary hours be awarded penalty rates??? We have just spent 2 years training up an unskilled staff member who has just left us because a Sunday working at a cafe earns a ridiculous \$30 per hour for unskilled work. There are huge ramifications for small business - we'll go back to the days where there are no small businesses open on a weekend."

"The awards modernisation is long overdue, but the wording of each award is very hard to understand. With copies available to staff, it is creating confusion and uncertainty, as entitlements are not easy to calculate for the average person. We are now spending time explaining this to our staff, which is an expense we can do without."

"Unorganised. A complete mess. Should have had all issues ironed out and completed information sessions to business prior to implementation."

"Very confusing especially when trying to decide which award employees should be under. There needs to be a cross reference with old awards so employers know which award they should be using. At present in most instances unless the new award specifically states the name of the industry in which the employer is in business it is extremely hard to decide from the names of the modern awards which one to look at."

"Will be a good move in the long run but the implementation is huge and time consuming. Almost unreachable in the timeframe provided. Phasing in of pay rates and penalties from 1st July will be an absolute nightmare in our industry."

Invigorating Business



CHAMBER OF
COMMERCE &
INDUSTRY
QUEENSLAND

Chamber of Commerce &
Industry Queensland
Industry House
375 Wickham Terrace
Brisbane Q 4000
t > 07 3842 2244
f > 07 3832 3195
e > info@cciq.com.au

Call > 07 3842 2244

www.cciq.com.au