



# MCKELL INSTITUTE

## Assessing the Impact

The Consequences of Reduced Public Holiday Penalty Rates on Labour Day and Grand Final Weekend

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## About the McKell Institute

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## Background

This report builds on previous research by The McKell Institute on penalty rates and industrial relations, including:

- *Who loses when penalty rates are cut? (2015)*
- *The economic impact of penalty rate cuts on rural NSW (2015)*
- *The economic impact of penalty rate cuts on metropolitan Brisbane (2015)*
- *The importance of penalty rates for our health workforce (2016)*
- *The impact of the FWC's February 23 Sunday Penalty Rates Decision (2017)*
- *Unfair Burden: The impact of Sunday penalty rate reductions on regional and rural Australia (2017)*
- *Counting the Cost: The impact of Sunday penalty rate reductions on Urban Australia (2017)*

Further McKell Institute research into penalty rates and industrial relations can be found at [www.mckellinstitute.org.au/policy-areas/industrial-relations/](http://www.mckellinstitute.org.au/policy-areas/industrial-relations/)

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## Note

The opinions in this paper are those of the authors and do not necessarily represent the views of the McKell Institute's members, affiliates, individual board members or research committee members. Any remaining errors or omissions are the responsibility of the authors.

## Overview

On Friday September 29, workers in Victoria's retail, fast food, hospitality and pharmacy sectors will be among the first across the nation to experience the brunt of the Fair Work Commission's February 23 decision to reduce public holiday penalty rates. On Monday, October 2 - the Labour Day public holiday, workers in Queensland, New South Wales, the ACT and South Australia will similarly, for the first time, work under the reduced public holiday award in these four sectors.

The February 23 2017 ruling by the Fair Work Commission determined that both Sunday penalty rates and public holiday penalty rates were to be reduced as of July 1 2017. While the FWC proposed that the changes to Sunday rates be gradually phased in between July 1 2017 and July 1 2020, there has been no gradual phase in for public holiday penalty rate reductions.

Across all four affected industries, award-reliant employees working on public holidays will see their pay reduced from 250 per cent of the standard hourly rate to 225 per cent of the standard hourly rate<sup>i</sup>. While some commentators argue that the changes are reasonable, the abruptness of the public holiday rate change has given workers reliant on higher public holiday pay rates little time to adjust to the new lower rates, and there are significant economic impacts as a result of reduced spending capacity that will result from the changes.

An award reliant worker in the retail, fast food and pharmacy sector working an eight hour shift on a public holiday will be earning \$38.90 less than they were prior to July 1, 2017 on public holidays. For a worker in the hospitality sector, this income loss is \$35.40. For some higher income workers, the proposed reduction in pay would seem negligible. But those award reliant workers affected - many of whom are already low income workers - the reduction of \$38.90 on a public holiday is significant.

It has also been established in previous research into the economic impact of penalty rates that those who are most adversely impacted by these changes are women, younger workers, and those in lower income quintiles<sup>ii</sup>.

This report determines the aggregate loss of income that resulting from the reduction in public holiday penalty rates in Queensland, Victoria, New South Wales, ACT and South Australia over the Grand Final and Labour Day long weekends. It finds that workers across all jurisdictions stand to lose around \$9.5 million in income over the weekend's public holidays.

## Key Findings

1. Award reliant workers stand to lose around \$9.5 million in income collectively across the Queensland, New South Wales, Victoria, ACT, and South Australia over the public holidays on Grand Final and Labour Day weekend.
2. Up to 255,000 award reliant workers could be directly impacted by the public holiday rate change across the five jurisdictions over Grand Final and Labour Day weekend.
3. New South Wales' workers face the most significant aggregate loss of income, with up to \$3.4 million in income being lost on Labour Day alone.
4. Impacted award reliant employees working a full eight hour shift on either Grand Final Friday or Labour Day stand to earn between \$35.40 and \$39.80 less than they would have on a public holiday prior to July 1, 2017.

## Changes to Public Holiday Rates

The Fair Work Commission's ruling determined that, as of July 1 2017, award reliant workers in the Fast Food, Hospitality, Retail and Pharmacy sectors would see Sunday and public holiday penalty rates reduced. While the FWC determined that the Sunday rate cuts would be phased in gradually between 2017 and 2020, the public holiday penalty rate changes were affected as of July 1 2017 with no transition.

	1 July 2017	1 July 2018	1 July 2019	1 July 2020
	Per cent of award	Per cent of award	Per cent of award	Per cent of award
<i>Fast Food</i>	150 to 145	145 to 135	135 to 125	
<i>Hospitality</i>	175 to 170	170 to 160	160 to 150	
<i>Retail</i>	200 to 195	195 to 180	180 to 165	165 to 150
<i>Pharmacy</i>	200 to 195	195 to 180	180 to 165	165 to 150

Table 1: Full time & Part Time Sunday penalty transitional arrangements<sup>iii</sup>.

	1 July 2017	1 July 2018	1 July 2019	1 July 2020
	Per cent of award	Per cent of award	Per cent of award	Per cent of award
<i>Fast Food</i>	175 to 170	170 to 160	160 to 150	
<i>Hospitality</i>	175 to 170	170 to 160	160 to 150	
<i>Retail</i>	200 to 195	195 to 185	185 to 175	
<i>Pharmacy</i>	225 to 220	220 to 205	205 to 190	190 to 175

Table 2: Casual Sunday penalty transitional arrangements<sup>iv</sup>.

The FWCs changes to public holiday rates have been implemented with no transitional arrangements, and were effective as of July 1 2017.

<i>Award</i>	<i>Public holiday penalty rates %</i>	
	Full time & part time	Casual
<i>Hospitality</i>	250 to 225	275 to 250
<i>Restaurant</i>	250 to 225	250
<i>Retail</i>	250 to 225	275 to 250
<i>Fast Food</i>	250 to 225	275 to 250
<i>Pharmacy</i>	250 to 225	275 to 250

Table 3: Public holiday penalty rate changes – not there is no transitional arrangement<sup>v</sup>.

## The Number of Affected Workers on Labour Day and Grand Final Weekend

No data is available that accurately records the percentage of workers in any specific industry who work on public holidays in Australia. Accordingly, ascertaining the precise number of affected employees working on the Grand Final Friday public holiday in Victoria and the Labour Day public holiday in Queensland, New South Wales, the ACT, and South Australia, requires estimates based upon the number of these workers who would traditionally work weekends.

This report estimates that approximately 255,924 workers award reliant workers subject to the penalty rate changes that came into effect on July 1 2017 across the five jurisdictions would be working on any given Sunday. Using this as a proxy, we can assume that this weekend figure closely correlates to the maximum amount of workers who will be employed on public holidays. However, as it is difficult to precisely determine the number of workers who will be rostered on on any given public holiday, this report tables two more conservative estimates in addition to the higher estimate.

In the medium and low cases, we determine that 75 per cent and 50 per cent of Sunday workers would be rostered on on a public holiday, respectively. In the low case scenario, this report estimates that approximately 127,962 workers would be directly affected by the penalty rate reductions over the Grand Final and Labour day weekends, with around 191,943 in the medium case. The higher estimate suggests close 256,000 workers could be affected.

	<i>High</i>	<i>Medium</i>	<i>Low</i>
<i>NSW</i>	90,574	67,931	45,287
<i>VIC</i>	77,784	58,338	38,892
<i>QLD</i>	62,717	47,038	31,359
<i>SA</i>	19,612	14,709	9,806
<i>ACT</i>	5,236	3,927	2,618
<i>Total</i>	255,924	191,943	127,962

*Table 4: The number of award reliant workers affected by a reduction in public holiday penalty rates predicted to be working on Grand Final and Labour Day public holidays, high, medium and low cases.*

## Aggregate Income Loss Across Grand Final and Labour Day public holidays

The following table demonstrates the aggregate loss of income as a direct result of the public holiday penalty rate reduction. The high case uses the Sunday employment rate as a proxy for the amount of workers employed on the public holiday, with the medium case using 75 per cent of that figure, and the low case 50 per cent. It is assumed that employees work an 8-hour shift. Determining the exact split between casual workers and full time workers working on the specific public holidays examined in this report would be speculative. Therefore, the rate of pay used to determine the income loss is that of full time and part time employees. It is possible that, under each scenario, the aggregate income loss could be markedly higher depending on the number of casuals employed on the specific days examined in this report.

	<i>High</i>	<i>Medium</i>	<i>Low</i>
<i>NSW</i>	3,349,833	2,512,375	1,674,916
<i>VIC</i>	2,882,749	2,162,061	1,441,374
<i>QLD</i>	2,318,785	1,739,089	1,159,392
<i>SA</i>	727,670	545,753	363,835
<i>ACT</i>	192,496	144,372	96,248
<i>Total</i>	\$9,471,532	\$7,103,649	\$4,735,766

*Table 5: Aggregate income loss under high, medium and low cases across all five jurisdictions with public holidays over Grand Final and Labour Day weekend.*

This report determines that an aggregate loss of approximately \$9,471,500 is probable across the five jurisdictions with public holidays over Grand Final and Labour Day weekends, if the higher estimate of 255,924 weekend workers also worked on a public holiday.

In the medium case, approximately 191,000 workers would stand to lose \$7.1 million collectively, with around 128,000 standing to lose approximately \$4.35 million collectively in the low case.

While it is a challenge to determine with complete accuracy the specific number of award reliant employees who will be working on the Grand Final and Labour Day weekends across Queensland, New South Wales, Victoria, ACT and South Australia, these conservative estimates determine that the impact for the broader economies of each jurisdiction will be notable, even in the most conservative cases.

## Conclusion

This report has analysed the effect on the income of award reliant workers that the public holiday penalty rate reduction will have over Grand Final and Labour Day weekends in Queensland, New South Wales, Victoria, ACT and South Australia.

It finds that up to 255,000 award reliant workers could be directly impacted by the penalty rate reduction collectively standing to lose around \$9.5 million. Under more conservative estimates, up to 191,843 workers would stand to lose around \$7.1 million collectively, with this report's most conservative estimate, based upon an assumption that 127,962 award reliant workers are employed on either public holiday, determining that \$4.735 million in income would be lost.



## Methodology & Assumptions

1. Numbers working on weekends<sup>vi</sup>:
  - Retail: 46.4%
  - Hospitality: 61%
  - Fast Food: 59.9%
  - Pharmacy: 42.1%
2. Award reliant workers<sup>vii</sup>:
  - Retail: 31%
  - Hospitality: 60%
  - Fast Food: 50%
  - Pharmacy: 65%
3. Disposable income lost is gross income (without tax rate cut).
4. Number of workers in each industry determined by Australian Bureau of Statistics, 2017. 'Labour Force, Australia, Detailed, Quarterly, Aug 2017.'<sup>viii</sup>
5. Rates of pay conservatively based upon full time and part time rates. It is inherently challenging ascertaining the precise breakdown of casuals to full time / part time employees, hence adopting this conservative measure.
6. The number of workers who work Sundays has been estimated at 255,924 across the five jurisdictions analysis in this report. This figure has been used as a proxy for number of workers working on a public holiday in the high case, with the medium case being based upon 75 per cent of this figure, and the low case 50 per cent of this figure.

## End Notes

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<sup>i</sup> Fair Work Commission, 2017. 'Summary of Decision'. Accessed online: <https://www.fwc.gov.au/documents/sites/awardsmodernfouryr/2017fwcfb3001-summary.pdf>

<sup>ii</sup> McKell Institute 2015. 'Who Loses When Penalty Rates Are Cut?'

<sup>iii</sup> Fair Work Commission, 2017. 'Summary of Decision'. Accessed online: <https://www.fwc.gov.au/documents/sites/awardsmodernfouryr/2017fwcfb3001-summary.pdf>

<sup>iv</sup> Fair Work Commission, 2017. 'Summary of Decision'. Accessed online: <https://www.fwc.gov.au/documents/sites/awardsmodernfouryr/2017fwcfb3001-summary.pdf>

<sup>v</sup> Fair Work Commission, 2017. 'Summary of Decision'. Accessed online: <https://www.fwc.gov.au/documents/sites/awardsmodernfouryr/2017fwcfb3001-summary.pdf>

<sup>vi</sup> The McKell Institute, 'Counting the Cost', <https://mckellinstitute.org.au/app/uploads/The-McKell-Institute-Counting-the-Cost.pdf>

<sup>vii</sup> The McKell Institute, 'Counting the Cost' <https://mckellinstitute.org.au/app/uploads/The-McKell-Institute-Counting-the-Cost.pdf>

<sup>viii</sup> Australian Bureau of Statistics, 2017. 'Labour Force, Australia, Detailed, Quarterly, Aug 2017', Accessed online: [www.abs.gov.au/ausstats/abs@.nsf/mf/6291.0.55.003](http://www.abs.gov.au/ausstats/abs@.nsf/mf/6291.0.55.003)