

**Submission  
No 39**

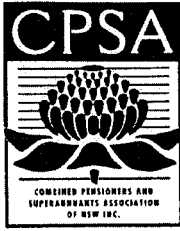
## **INQUIRY INTO IMPACT OF COMMONWEALTH WORKCHOICES LEGISLATION**

**Organisation:** Combined Pensioners & Superannuants Association of NSW Inc  
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**Position:** General Manager  
**Telephone:**  
**Date Received:** 13/06/2006

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**Theme:**

**Summary**



**COMBINED PENSIONERS AND SUPERANNUANTS  
ASSOCIATION OF NEW SOUTH WALES INC.**

Founded 1931. Celebrating 75 years of service in 2006.  
Serving pensioners of all ages, superannuants and low-income retirees.

*Consumer Protection Awards – 2002, 2003, 2004, 2005*

9 June 2006

Our refs: IIR.001  
ASC.020

The Hon. Jan Burnswoods, MLC  
Chair  
Standing Committee on Social Issues  
Legislative Council  
Parliament House  
Macquarie Street  
Sydney NSW 2000

LEGISLATIVE COUNCIL  
COMMITTEES

13 JUN 2006

RECEIVED

Dear Committee Members

**Re: Inquiry into the Impact of the Commonwealth Work Choices  
Legislation**

Please find attached CPSA's submission to the Legislative Council  
Standing Committee on Social Issues' Inquiry into the Impact of the  
Commonwealth Work Choices Legislation.

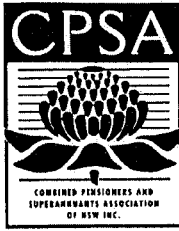
Yours faithfully  
Bob Jay, State Secretary  
per

Megan Lee, General Manager

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**SUBMISSION  
TO THE LEGISLATIVE COUNCIL  
SOCIAL ISSUES COMMITTEE**

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**Inquiry into the Impact of the Commonwealth Work  
Choices Legislation**

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Email: [cpsa@cpsa.org.au](mailto:cpsa@cpsa.org.au) Website: [www.cpsa.org.au](http://www.cpsa.org.au) ABN: 11 244 559 772

CPSA was founded in 1931 in response to pension cuts. CPSA is a non-profit, non-party-political membership association serving the interests of pensioners of all ages, superannuants and low-income retirees. The aim of CPSA is to promote the rights and improve the standard of living and well-being of its members and constituents. CPSA has approximately 140 branches and affiliated organisations with a combined membership of over 15,500 throughout NSW. CPSA serves the interests of its membership and broader constituency at the local, state and federal levels.

CPSA is concerned in general about the Commonwealth Work Choices Legislation, which it views as an attack on the working conditions of wage and salary earners. While the overwhelming majority CPSA's membership consists of people who have retired completely from the workforce in which they participated as wage or salary earners, many CPSA members fought, and fought successfully, for the improvement of working conditions in Australia. They did so not only for themselves, but also for those who took their place in the workforce when they retired, in particular their children and their grandchildren.

CPSA notes that, from the outset, there was widespread community concern that the Commonwealth Work Choices Legislation would, among other things, lead to lower wages in real terms.

The Australian Government has denied that a lowering of wages and salaries is one the objectives of the Commonwealth Work Choices Legislation or one of the effects it anticipated. The Government has argued that the legislation would lead to greater flexibility in the workplace and that increases in productivity and investment would result in increased profitability and economic growth, the effects of which would flow on to employees in the form of higher wages.

While CPSA has no view on whether the Commonwealth Work Choices Legislation will lead to greater flexibility, productivity and economic growth, CPSA believes that the financial benefits if this were to occur would not flow to the employees, with the exception of senior executive staff, but to the shareholders.

CPSA also believes that, given the opportunity to pay lower wages and salaries, businesses will do so, with savings thus achieved flowing to the shareholders.

The example of the fabrics and homewares retailer Spotlight, which employs 6,000 staff, illustrates what CPSA believes will become common practice in

Australia. Staff in Spotlight's Coffs Harbour shop lost shift penalties and other benefits worth \$90 a week, in return for a new rate of pay which lifted income by 2 cents an hour.

This case was canvassed in the House of Representatives and defended by the Prime Minister in a curious way. He argued that the employee's loss of \$90 was not relevant. What was relevant that Spotlight had opened up a new shop in an area of high unemployment, hiring 40 new staff of whom 38 had previously been unemployed. These previously unemployed people were now earning \$543 a week, rather than receiving \$205 a week in unemployment benefits: they were \$338 a week better off.

In other words, the Australian Government sees lowering of wages as a way of encouraging business activity by making one of the most common and most costly business inputs cheaper. However, if businesses are able to flourish in this way, they will do a lot of things, but they will not increase the price of the business input, the lowering of which allowed them to flourish in the first place.

The Australian Government's Fair Pay Commissioner told a Senate committee on 29 May 2006 that his office had analysed 250 of the 6,263 Australian Workplace Agreements (AWAs) lodged in the first month of the new industrial relations system.

Of this sample of new workplace deals, 40 per cent stripped workers' entitlement to public holidays; 52 per cent reduced their shift loading payments; 63 per cent cut penalty rates; and 64 per cent removed leave loading payments. While the Commissioner was unable to say whether workers covered under these AWAs were offered higher levels of base pay in return for losing these entitlements, it was clear that 22 per cent of the sampled agreements allowed for no pay rises in the life of the agreement, not even to keep up with inflation.

It is clear to CPSA that the wages and salaries of employees will progressively reduce in real terms.

Apart from this impact, the Commonwealth Work Choices Legislation will also have an indirect but dramatic effect on Pensions [i.e. Age Pension, Disability Support Pension, Carer Payment, Parenting Payment (Single)]. Pensions are indexed every six months on the basis of either the Consumer Price Index (CPI) or the Male Total Average Weekly Earnings (MTAWE). Pensions, and Pension-type payments, are set at 25 per cent of MTAWE. Pensions are adjusted according to which of these measures shows the greater increase.

Since this arrangement took effect, the MTAWWE has always increased by more than the CPI and Pensions have been increased accordingly.

However, if wages fall in real terms as a result of the changes to industrial relations law, the Pensions will increase on the basis of the increase in CPI, rather than MTAWWE. While this puts Pensioners in a better position than workers, a reduction in the rate of increase will have a serious deleterious effect on the financial position of Pensioners because the pensions are currently hardly enough to survive on.

In addition, while there will initially be lesser increases in Pensions rather than falls in real terms, this will not continue indefinitely. As wages are a significant (though not the sole) determinant of the level of inflation, inflation is likely to reduce, resulting in a further decline of indexation increases of Pensions.

CPSA is also concerned that the Australian Government will interpret the change in the dominant basis to CPI for indexing Pensions as a prompt to change this basis exclusively to MTAWWE. Its justification could well be that, traditionally, pensions are indexed so as keep up with wages. What would be more reasonable than that this should continue? So, if CPI increases become consistently higher than MTAWWE increases, the Federal Government will certainly be tempted to switch the basis of Pension indexation to a then lower, or non-existent, MTAWWE increase. It may even lead to falls in Pensions in real terms.

Such a change would deliver massive savings to the Australian Government, which pays approximately 3.5 million pensions. For example, increasing each fortnightly Pension by \$10 dollar less, would deliver an annual saving of almost \$1 billion to the Australian Government.

An additional concern is the effect of the Commonwealth Work Choices Legislation on working conditions in those parts of the community services sector not covered by State Awards. The pay of employees in this sector is already lower compared with other sectors. Any erosion of working conditions would inevitably lead to loss of morale and a reduction in the standard of service delivery and care. Of particular concern are the impacts of the Commonwealth Work Choices Legislation on working conditions in nursing homes, where in many cases the standard of care is very low already.