

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into the 2024–25 Budget Estimates

Melbourne – Thursday 16 May 2024

MEMBERS

Sarah Connolly – Chair

Nicholas McGowan – Deputy Chair

Michael Galea

Mathew Hilakari

Lauren Kathage

Bev McArthur

Danny O’Brien

Aiv Puglielli

Meng Heang Tak

WITNESSES

Tim Pallas MP, Minister for Industrial Relations; and

Chris Barrett, Secretary, and

Matt O'Connor, Deputy Secretary, Industrial Relations Victoria, Department of Treasury and Finance.

The CHAIR: I declare open this hearing of the Public Accounts and Estimates Committee, and I ask that mobile telephones please be turned to silent.

On behalf of the Parliament, the committee is conducting this Inquiry into the 2024–25 Budget Estimates. The committee's aim is to scrutinise public administration and finance to improve outcomes for the Victorian community.

I advise that all evidence taken by the committee is protected by parliamentary privilege. However, comments repeated outside of this hearing may not be protected by this privilege.

Now, as Chair I expect that committee members will be respectful towards witnesses, the Victorian community joining the hearing via the live stream today and other committee members.

Witnesses will be provided with a proof version of the transcript to check, and verified transcripts, presentations and handouts will be placed on the committee's website.

I welcome you again, Treasurer and Minister for Industrial Relations the Honourable Tim Pallas, as well as officers from the DTF. Treasurer, I am going to invite you to make an opening statement or presentation of no more than 5 minutes, and this will be followed by questions from the committee. Your time starts now.

Visual presentation.

Tim PALLAS: Thanks, Chair. I want to run through some of the key achievements of Industrial Relations Victoria, which we refer to as IRV, in the 2023–24 year. We have negotiated an in-principle agreement with the CPSU for a new agreement covering the VPS. This was within wages policy, with a 3 per cent wage increase and a 0.5 per cent lump sum cash payment. This outcome is a demonstration that the government's wages policy is working. We have also approved 17 smaller public sector enterprise agreements.

We have also developed a model for labour hire regulation, which was accepted by the Commonwealth, state and territory workplace relations ministers, and I will go into more detail on that shortly. As always, we have advocated to the Commonwealth on industrial relations reform impacting Victorian workers, including *Fair Work Act* amendments and the annual wage review. We also launched the gender equality toolkit for small and medium businesses, and we updated the government's *Building Equality Policy*.

I have not yet touched on the Portable Long Service Authority, which is now in its fifth year of operation. The authority, which is an established and respected employer in the City of Greater Bendigo, has provided skills and secured employment for more than 50 staff. The authority has registered almost 350,000 workers and over 3300 employees, all part of a self-funded scheme which ensures workers in the contract cleaning, security and community services sector have access to long service leave.

Wage Inspectorate Victoria is another entity that is within the IR portfolio. In 2023–24 Wage Inspectorate Victoria answered more than 8000 phone calls and responded to more than 600 written inquiries from Victorians relating to Victorian industrial relations related laws. On 1 July 2023 the child employment regulatory regime moved from a permit to a licensing scheme. It has issued 662 licences – that is at 31 March – and 724 child employment investigations were completed. The inspectorate has also recovered hundreds of thousands of dollars in unpaid long service leave, amounting to \$1.3 million, for Victorian workers, as well as enforced child employment laws. This has included some big employers, such as Woolworths and Red Rooster.

From 1 July 2023 the new child employment laws, which were designed in consultation with stakeholders and the community, saw a new licensing system replace the permit system. It enables businesses to employ multiple children under one licence instead of needing a permit for every child that they employ. The Labour Hire

Authority is a body which administers a labour hire licensing scheme in Victoria. In the financial year to 30 April 2024 the LHA granted 1050 licences. There were 98 application refusals. As at 1 May 2024 the total number of current licences was 5539. Now in its fifth year of licensing operations, the LHA now deals with almost as many licence renewals as it does new licence applications. The LHA is also removing noncompliant operators from the scheme. It has cancelled 678 licences since the scheme's commencement for suspected contraventions of relevant laws and noncompliance with the *Labour Hire Licensing Act*. The LHA has prosecuted five matters in the Supreme Court of Victoria in that period, and two resulting in significant penalties imposed for breach of labour hire laws, with total penalties of more than \$1.1 million.

Looking forward to 2024–25, the following are IRV's key priorities: lead the national labour hire project and advocate in the Commonwealth for fair system reforms for workers; continue to advocate for women's workplace equality, including male-dominated industries like construction and manufacturing; promote the Victorian public sector as a model employer; finalise key enterprise agreements through good faith negotiations with employers and their unions; and develop and/or support policy and legislative reform that contributes to fair, equitable and productive workplaces. With regard to the labour hire harmonisation, work is underway to adopt a harmonised model for labour hire regulation across the country. Following successful development of the model accepted by jurisdictions at the end of 2023, led by Victoria and Queensland, Victoria will be the host jurisdiction, and I was pleased to see that the federal budget handed down earlier this week has provided \$2 million for a project office to support the reform. We will continue to advocate through the Commonwealth for national minimum standards and protections for gig workers. Thank you.

The CHAIR: Thank you, Treasurer, very much. The next 8 minutes is going to go to Mrs McArthur.

Bev McARTHUR: Thank you, Chair. Thank you, Minister. I refer you to page 132 of the 'Department Performance Statement', which projects the blowouts on the Big Build sites in March 2024. There have been a lot of reports about explosive allegations, about standover tactics and alleged corruption in Victoria's Big Build sites. Have you received any advice concerning standover tactics on Big Build sites?

Tim PALLAS: You would appreciate that any advice that I might get would be with respect to the government and its contract management in respect of this matter, and our contracts are with companies who have a responsibility to deliver the project. So if the suggestion is that there has been any formal advice or advice received by me about the way that those contracts have been managed, I have not received any.

Bev McARTHUR: I am really asking whether you have had advice about the standover tactics.

Tim PALLAS: I cannot give you any advice around matters that I have no direct knowledge of, other than to say that if people have concerns about the way that behaviour is being exhibited and applied in any workplace, then there are appropriate forums that they can report them to. Taxpayers money is in play here, and we take our responsibilities in that very seriously and the MTIA, I know, takes these responsibilities very seriously. With respect to your element around cost overruns, the reality is that our total cost of projects is below 4 per cent out of a \$208 billion program. It in fact came in at 3.9 per cent. So those are well within inflation measures, both the headline inflation rate and certainly below the rate that we have come to expect with regard to the peaking of commodity prices that have pushed up building material costs.

Bev McARTHUR: Minister, there have been other allegations along the lines that building companies were overlooked for contracts despite lower bid costs due to industrial relations threats, workers have been targeted and harassed due to union affiliations and contractors were told they need workplace deals with the militant CFMEU to work on Victorian projects. Are you aware of these tactics, and what are those tactics costing taxpayers? Millions probably, tens of millions of dollars, which would help to go to those blowouts.

Tim PALLAS: As I say, the reference to blowouts is probably not justified given the relatively impressive performance in terms of how we have maintained costs on our capital works program at a time with peaking commodity prices and labour shortages. But I might throw to the Secretary to answer directly, other than to say this: we have procurement requirements, and businesses seeking to access employment and the delivery of capital for the state of Victoria must demonstrate that they have an appropriate industrial relations environment and that they respect collective bargaining with the workforce. In all other respects the management of the engagement with their workforce is a risk that those employers take on, not one that the state assumes. That is

why we contract with them. They manage the delivery of these projects, how they are delivered and how they engage with their employees.

Bev McARTHUR: Thank you, Treasurer. I will go to budget paper 5, page 7 now, which outlines the \$889 million blowout in public sector wages in 2024–25. What is driving that blowout?

Tim PALLAS: I think the very clear arrangement in place here is that the state has made a very substantial contribution to the community's peaking needs during the pandemic. We made very substantial investments. It is I think a clear demonstration that we did see during the pandemic a rise in public service numbers, but we have also seen those numbers progressively wound back. We hit nearly 56,000 VPS numbers in 2021. We are down to 53,500 in 2022. We do see that some of the departments are resolving their clause 11 processes, including consulting with their relevant unions. So far around about 1400 FTE have left core departments. What we have seen is I think a pretty clear demonstration that employee expenses growth in this budget is 2.9 per cent. In the context of our wages policy of 3 per cent plus a 0.5 per cent cash payment, this represents restraint in a very tight labour market.

Bev McARTHUR: Secretary, perhaps I could ask you: you have negotiated a new enterprise agreement with the CPSU which sets wages and conditions for the Victorian public service, not frontline workers – firefighters, police, nurses et cetera. This agreement includes elements exceeding usual industrial arrangements, including a \$5600 one-off cost-of-living bonus for every public servant covered by the enterprise agreement. How was that figure arrived at?

Matt O'CONNOR: Is that a question for me?

Bev McARTHUR: Yes.

Matt O'CONNOR: It is part of wages policy, Mrs McArthur. The pillar 1 component of wages policy delivers 3 per cent increases plus a 0.5 per cent one-off lump sum calculated on the total wage costs for the agreement, so it is consistent with wages policy.

Bev McARTHUR: So who came up with the figure?

Matt O'CONNOR: The figure is calculated by DTF based upon the payroll and costs for the particular agreement in question.

Bev McARTHUR: So this is rather an extraordinary agreement, isn't it, Secretary, reached at a time when the government is supposed to be controlling costs. A \$5600 cost-of-living bonus is a 7 per cent increase for someone earning \$80,000. They also receive the 3 per cent increase on top of that. A 10 per cent increase smashes other agreements, except construction, in most enterprise agreements. Do you agree that the terms of the agreement exceed the terms of other enterprise agreements?

Matt O'CONNOR: It depends on which agreements you are talking about, Mrs McArthur, but the agreement itself is clearly consistent with wages policy. I am not sure what the 10 per cent figure you are referring to is, other than that there are four 3 per cent increases totalling 12 per cent, plus the one-off 0.5 per cent lump sum, which does not go onto the base.

Tim PALLAS: And I would make the point that the wages policy that the state of Victoria is applying is in fact the most modest wages policy across the nation at the moment. The fact that we have been able, and DTF have certified it as an appropriately costed agreement and therefore in compliance with our wages policy, is a clear demonstration that that policy is securing the wage restraint we need in order to deliver the services.

Bev McARTHUR: So, Minister, did you have a role in negotiating any of those agreements?

Tim PALLAS: No. I oversight the process of engagement in terms of formulating the policy, taking that policy through cabinet and working very closely with IRV and DTF in terms of costing the value of those policies, but I did not get involved in any discussions with the CPSU.

The CHAIR: Apologies, Mrs McArthur. Your time is up. We are going to go to Mr Galea.

Michael GALEA: Thank you, Chair. Welcome back, Treasurer. Thank you as well, Mr Barrett and Mr O'Connor, for joining us again. Minister, I would like to ask you about Wage Inspectorate Victoria. I will take you to the DTF's output initiatives in budget paper 3 on page 84. In terms of the things that have been cited that WIV is looking at in terms of long service leave, owner-drivers and child employment specifically, can you expand on what work has been done in that space by WIV?

Tim PALLAS: Thanks very much, Mr Galea. I also want to take this opportunity to commend the professionalism of the team that we have had working in Wage Inspectorate Victoria. They play a vitally important role in enforcing laws for the benefit of some of Victoria's most vulnerable workers. The wage inspectorate has statutory responsibility for administering the *Long Service Leave Act*, the *Child Employment Act* and the *Owner Drivers and Forestry Contractors Act*.

Starting with long service leave, the wage inspectorate is of course the responsible regulator for enforcing the state scheme. Long service leave remains an area of industrial relations that is primarily regulated by state arrangements, and most workers in Victoria who have some entitlement to long service leave will have an entitlement derived from a state legislative provision. The wage inspectorate investigates reports about businesses withholding long service leave and answers general inquiries from the public about long service leave. The inspectorate also provides an educational role in relation to long service leave and has established an ongoing learning module for the benefit of employees and employers to help explain the obligations under our laws.

Its enforcement activities in the area are particularly noteworthy at the moment, with particular reference to work that they have done around the recent sentencing of Woolworths entities for breaches of Victoria's long service leave laws. On 26 April Woolworths Group was fined \$1.22 million after pleading guilty to failing to pay more than \$960,000 in long service leave entitlements to 1991 former employees between 1 November 2018 and 29 January 2023. The related entity Woolstar Pty Ltd was fined \$36,000 after pleading guilty to failing to pay more than \$45,000 in long service leave entitlements to 36 former employees between 1 November 2018 and 18 December 2022. Those proceedings really related to underpayments ranging from \$250 to as much as \$12,000 per worker and were a result of what the magistrate described as 'systemic and widespread payroll failures' by Woolworths. In sentencing, the magistrate also noted the many negative flow-on effects underpayment of long service leave could have on victims, which to my mind really clearly indicates and underscores the importance of this area of regulatory work and the importance of the work that the wage inspectorate undertakes.

Going next to the *Child Employment Act*, the Act is designed to set out the age, the type of work and the conditions applicable to child employment; protect children from performing work that could be harmful to their health or safety, impact on their moral or material welfare or development or impact on their attendance at school; and protect children from being subject to any form of exploitation. The wage inspectorate has responsibility for the administration of the child employment licensing system, education about child employment laws and enforcement of those laws.

The inspectorate has of course successfully concluded a number of prosecutions relating to breaches of child employment laws in the last year. Notably, on 16 April 2024 TK Maxx pleaded guilty to a number of charges including employing children without a permit and failing to ensure a child was supervised by someone with a working with children clearance as well as exceeding permitted work hours. TK Maxx was placed on an adjourned undertaking for 12 months with the condition that it pay \$5000 to the court fund. Earlier in April IVE Distributions Pty Ltd admitted to breaking the law by employing 318 children aged between 11 and 14 years without child employment permits between 5 July and 6 September 2022. It was placed on an undertaking to be of good behaviour for three years with the condition it pay \$4000 to the court fund and ordered to pay \$3000 in costs. In February Red Rooster in Wodonga pleaded guilty to a number of child employment offences. The judge remarked in sentencing that if not for the early guilty plea and the cooperation of the wage inspectorate a fine of \$10,000 with conviction would have been recorded. On 1 July 2023 the inspectorate also became responsible for the enforcement of the new child safe standards for employers who engage children under the age of 15 years, and Victoria's child safe standards require organisations to embed child safety in their day-to-day operations, helping keep children safe from physical, sexual, emotional and psychological abuse and neglect. The standards apply to Victorian organisations that employ children under 16 years of age whether work is paid or unpaid, and the inspectorate is what is known as a sector regulator, which means that they are responsible for promoting child safe outcomes and monitoring and enforcing compliance with child safe

standards in Victorian workplaces. Before employing a child under 15 an organisation must obtain a child employment licence from the wage inspectorate, then once the child is employed an organisation must comply with child safe standards as an ongoing responsibility. So you can see that the wage inspectorate's work is both important and varied.

Finally, I will come to the *Owner Drivers and Forestry Contractors Act*. Those Acts and associated regulations outline the requirements a hirer or freight broker must follow when engaging an owner-driver or forestry contractor. Among other things, the hirer must provide relevant information and a written contract to the contractor outlining the guaranteed minimum hours of work or income level as well as an obligation on the hirer to maintain certain records. So this funding is important because it provides for the wage inspectorate to continue its role, providing information to contractors and hirers, monitoring compliance with the law and investigating potential contraventions.

Michael GALEA: Thank you for that, Minister. Interesting that you referenced amongst those examples the Red Rooster in Wodonga, and it was decided by the judge that because the franchisee had actually engaged properly with WIV the penalty was less than it otherwise would have been. Could you talk to me about how WIV scales its approach to enforcement or what sorts of penalties it seeks to get?

Tim PALLAS: In many ways this is a work in progress, because there is a transition from the differences between the new system and the previous system. As it has formed a substantial part of the wage inspectorate during last financial year, the *Child Employment Act* was amended in 2022, and it follows a substantial review of the child permit framework as it then was. That review really identified a number of opportunities to improve the child regulatory regime, particularly with respect to streamlining the permit system. Amendments were intended to really strengthen the protection for children in the workplace and make it easier for employers to understand the new system. Under the former scheme the employment of children was primarily regulated through that permit arrangement.

Since the Act has been amended the system is regulated through a risk-based licensing scheme, and under the Act children aged 11 and over can undertake delivery work where their employer obtains a general industries permit. Similarly, children aged 13 years and over are able to be employed under a general industries permit in the entertainment industry; for example, children of any age can be engaged to work provided the conditions of the Act have been met. The new licensing system maintains a distinction between our entertaining licence and the general industry licence, which recognises the protections required for children working in the entertainment sector. A licence application is required to satisfy a fit and proper person test, so this ensures that the current levels of protection for children in the workplace are maintained moving to the new system. The general industry licence covers all children's work that is not entertainment work. Critically, unlike the former arrangements, which required a permit for every child worker an employer had arranged and engaged, an employer is now only required to have a single licence to engage children to work. This information required for a licence application and any conditions of a licence under the new system is better targeted to risk, meaning that effectively different information is required depending upon the nature of the industry and the work that is intended to be performed.

As of 31 March 2024 there have been 662 licences issued since the commencement of the new scheme. The public register of the licences is maintained by the wage inspectorate and it is available on this website. This also allows parents and other persons interacting with child employees to assess given workplaces' compliance. Amendments to the Act also have increased the effectiveness of the wage inspectorate's compliance functions.

The CHAIR: Thank you, Treasurer.

Michael GALEA: Thank you, Minister.

The CHAIR: The next 3 minutes goes to Mr Puglielli.

Aiv PUGLIELLI: Thank you, Chair. Hi. I will just begin with regard to budget paper 3, page 92, 'Whole of government savings and efficiencies'. Just to paint a picture, under this government we have seen the sacking of thousands of public service workers; the keeping of wages deliberately low, below inflation, with the public sector wages cap; and the undermining of federal industrial relations reform that would strengthen the rights of workers. We recently saw your government joining with the Liberals to throw injured workers off workers compensation, denying many people access to that scheme. We are seeing nurses, ambos and other essential

workers out there campaigning for better pay, and on top of all this we see right here the announcement that you are axing the sick pay guarantee for casual workers. These are hardly the actions of a government that supports workers, are they?

Tim PALLAS: Well, I have got to say it is a refreshing angle to the question. I would have expected it to come from a different direction, being the people sitting approximate to you. Can I say that as a government we remain very much committed to making sure that we have a responsible industrial relations framework in place. We, through the pandemic, stepped up to protect workers, particularly workers in insecure areas of employment. We did that because the sick pay guarantee was designed during the pandemic as a means for the government to provide support for casual and contract workers in key industries and to keep the community safe at a time of critical need. So that pilot, which was identified as such at the time, supported over 130,000 workers to access sick and carers leave at a time when the federal government had basically indicated pretty much that people were on their own, particularly in those casual areas of employment, which in effect demonstrated that we stepped up when people needed it.

This is a government that, within the realms of capability, have put in place generous wage arrangements, and we have done that because we respect the collective bargaining rights of unions. But we also have to have physical discipline around the capacity for wage adjustments so that services to Victorians can be provided in a context that we can maximise the capability of those services. We respect the important role that our workforce performs.

Aiv PUGLIELLI: Thank you, Minister. As you can imagine, I and many others are really, really sad to see that scheme is going, that sick pay guarantee for casual workers. I wonder what so many people who will get sick and work casually are going to do now. As I have outlined, workers are being pushed to the edge with low wages and undermined conditions. So many in the community are struggling to make ends meet, barely scraping by with the jobs that they have. Just to provide some assurance for them with the time I have got left, are you prepared to rule out any further cuts to public service jobs?

The CHAIR: Apologies, Mr Puglielli, your time is up.

Minister, Treasurer and witnesses, thank you very much for appearing before the committee today. The committee is going to follow up on any questions taken on notice in writing, and responses are required within five working days of the committee's request.

The committee is now going to break for lunch before beginning its consideration of the portfolio of Premier and cabinet at 2 pm sharp.

I declare this hearing adjourned.

Witnesses withdrew.