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Shadow economy delivers wage theft, tax avoidance and exploitation

The Australian Council of Trade Unions (ACTU) is calling for an overhaul of Australia's industrial relations framework, in a submission to the Black Economy Taskforce.

The ACTU has found that the shadow economy, also known as the cash economy, is contributing to gross inequality in Australia and works in favour of employers over the legal rights of workers.

The submission, titled '*The shadow economy: A story of wage theft, tax avoidance and exploitation*', outlines the drivers of the shadow economy and what needs to change to swing the power pendulum back towards workers.

The ACTU's submission concludes:

- The system is too onerous and expensive for workers to access and navigate. It can cost between \$600 and \$1200 for an upfront filing fee in a bid to win back stolen wages.
- Inequality is being driven in part by systemic wage theft and exploitation in the shadow economy.
- Businesses should be heavily penalised for stealing from employees. There is a perverse incentive for them to rob workers because they can get away with it.
- Australian Unions need wider rights to inspect pay records so they can help workers. The system is currently anti-union and thus anti-worker.
- Sham contracting must be stopped.
- Businesses must be forced to pay payroll tax.
- Big, multinational companies who pay no tax and underpay workers should never get government procurement contracts.

Quotes attributable to ACTU President Ged Kearney:

"The mechanisms offered to exploited workers to fight back through the current Australian industrial relations (IR) system are too complicated and are financially out of reach for most working people."

"In order to claw back stolen wages and superannuation, and fight exploitation, workers who are not in a union must spend hundreds of dollars as a starting figure and endure lengthy court proceedings."

"This is a barrier for workers and it creates a perverse incentive to underpay workers and deny them access to their entitlements, safe in the knowledge that the likelihood of being caught and punished is much lower than the potential rewards."

"The use and abuse of the shadow economy as a business model is a clear example of how the rules at work are broken."

"The current IR system favours big corporations and the framework that ensures workers are not ripped off at work has collapsed."

"Unions need stronger investigation and compliance rights. They must be empowered to inspect pay records and enforce laws."

“There are 12 million workers across Australia yet the Fair Work Ombudsman (FWO) only has 240 inspectors nationwide. Australian Unions should be an integral part of the process in checking workplaces for underpayment and exploitation.”

“Employers are able to game the system in order to make profits and pay little or zero tax. This is done at the expense of vulnerable workers getting their legally entitled wages and conditions.”

“Big multinational companies who pay little or no tax should not be able to bid for government procurement contracts.”

“We will not stop until we restore fairness in the industrial relations system.”

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