

Warning for Local Government on the dangers of lowest-cost security contracts

30 May 2014

Local councils are being urged to check that they are not inadvertently to blame for workers being underpaid when they sign low-cost contracts.

The security industry has raised concerns with the Fair Work Ombudsman that competition is driving down tender bids - and employees are likely to be paying the price.

Fair Work Ombudsman Natalie James says councils should assure themselves that low-cost contracts are not resulting in security firms underpaying their employees their lawful minimum entitlements.

"If a council is buying in security services at a price that does not allow the contractor to pay an average of \$24 an hour, then there is a real possibility the employee is being underpaid," she cautioned.

Ms James says it is important that councils throughout Australia understand and comply with federal workplace laws when they buy-in security services.

"It is not acceptable for Local Government to outsource work to the lowest-cost provider and then turn a blind eye if it results in workers being treated unfairly," she said.

The Australian Security Industry Association Ltd (ASIAL) and United Voice have agreed to help the Fair Work Ombudsman mount a pro-active education campaign.

In highlighting a \$24 hourly charge-out rate, Ms James said the Fair Work Ombudsman was in no way trying to influence the pricing behaviour of legitimate operators or establish a pricing benchmark.

However she said the figure had been identified as a level at which, rather than being competitive, may indicate problems with the proposed service delivery.

Ms James says the campaign will remind security contractors of their obligations to pay minimum wages – but also draw Local Government's attention to its responsibilities.

"Councils need to ensure their procurement decisions do not undermine compliance with workplace laws," she said.

Ms James welcomed the partnership with ASIAL and United Voice and says it is pleasing that Local Government Associations also want to assist by increasing awareness among their members of potential issues.

The Fair Work Ombudsman plans to publish new resources to help local government managers, including a template questionnaire for contractors vying for council work.

Councils will also be apprised of minimum pay rates applicable under the Security Industry Award 2010.

"We want to be sure low-cost contracts are the result of efficient business practices, rather than the underpayment of employee entitlements," Ms James said.

"We want to encourage councils to ask questions before they sign on the dotted line."

The Fair Work Ombudsman plans to run a number of educative webinars and presentations for local government explaining procurement chain obligations.

It will also audit the procurement practices of a number of councils in each state next year.

ASIAL chief executive Bryan de Caires says the awareness campaign will benefit security service providers who are complying with workplace laws by helping to create a level playing field.

"The security industry is extremely competitive and contractors consequently face pressure to keep costs low to enable them to win tenders – but we must ensure that companies that are complying with workplace laws are not disadvantaged," he said.

United Voice national president Michael Crosby says the campaign will benefit the many security industry employees who rely on

minimum award entitlements.

“It sends a clear message that organisations have a responsibility to ensure that workers who perform duties on their premises are paid their full lawful entitlements, even if they do not directly employ them,” he said.

In 2009, the Fair Work Ombudsman audited 302 security businesses as part of a national campaign and found that only 47 per cent were complying with workplace laws.

After undertaking a range of educative activities in conjunction with ASIAL, a follow-up campaign was conducted in 2012. Of 392 businesses audited, 75 per cent were found to be compliant.

Employers and employees seeking assistance can visit www.fairwork.gov.au (www.fairwork.gov.au/) or contact the Fair Work Infoline on 13 13 94. A free interpreter service is available by calling 13 14 50.

Online resources include PayCheck Plus and an Award Finder to assist employers to calculate the correct pay rates for their employees.

An ‘industries’ section on the website provides specialised information for employers and employees in a range of industries, including security.

Media inquiries:

Ryan Pedler, Assistant Media Director

Mobile: 0411 430 902

ryan.pedler@fwo.gov.au (<mailto:ryan.pedler@fwo.gov.au>)

Page reference No: 4923

Contact us

Fair Work Online: www.fairwork.gov.au

Fair Work Infoline: 13 13 94

Need language help?

Contact the Translating and Interpreting Service (TIS) on 13 14 50

Hearing & speech assistance

Call through the National Relay Service (NRS):

For TTY: 13 36 77. Ask for the Fair Work Infoline 13 13 94

Speak & Listen: 1300 555 727. Ask for the Fair Work Infoline 13 13 94

The Fair Work Ombudsman is committed to providing advice that you can rely on. The information contained on this website is general in nature. If you are unsure about how it applies to your situation you can call our Infoline on 13 13 94 or speak with a union, industry association or workplace relations professional. Visitors are warned that this site may inadvertently contain names or pictures of Aboriginal and Torres Strait Islander people who have recently died.