

Taskforce Cadena uncovers workplace issues in Melbourne, Perth karaoke bars

5 September 2016

The Fair Work Ombudsman today released the results of an investigation into alleged exploitation of staff working in karaoke bars in Melbourne and Perth.

Twenty-five Fair Work inspectors made surprise visits to five karaoke bars last October as part of a Taskforce Cadena* operation.

All five businesses – three in Perth and two in Melbourne - were in breach of their obligations under workplace laws.

Each employer was issued with a Compliance Notice and three received on-the-spot fines.

All operators have received a formal Letter of Caution from the Fair Work Ombudsman placing them on notice that further contraventions may result in legal action.

Almost \$11,000 was recovered for 19 employees who were short-changed their minimum wages for a sample period between September 28 and November 11 last year.

The underpayments were primarily the result of the staff employed to serve patrons and set up the karaoke rooms being underpaid their minimum hourly rate, casual loading and penalties.

Deputy Fair Work Ombudsman (Operations) Michael Campbell says karaoke bars were targeted for attention after intelligence and research assembled by Taskforce Cadena.

“Karaoke bars have allegedly been connected to illegal brothels, prostitution, human trafficking, links to organised crime syndicates and non-compliance with workplace laws,” he said.

“Intelligence indicates that many karaoke hostesses are either recent migrants or foreign nationals in Australia on tourist, student, 417 or 457 visas.

“There is also a possibility that some staff may either be illegal immigrants or have been trafficked to Australia to work.”

Mr Campbell said the Fair Work Ombudsman had not had extensive dealings with the karaoke industry in the past, but put this down to a likely reluctance on the part of employees to seek help for fear of jeopardising their visa status.

He said Taskforce Cadena had received information which suggested the industry operated under a cash economy, which was generally indicative of wage, tax and superannuation contraventions and potential exploitation of workers.

“The initial focus of our site visits was to determine compliance with the employment conditions of workers engaged as karaoke hostesses,” Mr Campbell said.

“Whilst on site, it became apparent that some businesses did not directly engage hostesses, but employed staff to serve patrons and set up the karaoke rooms.

“Information gleaned on the night suggests that if karaoke patrons wanted a hostess to visit their room, they were provided with a phone number to call and order the service, and the patrons would pay the girl direct.

“Where employees were directly engaged by the business, we found workplace contraventions in relation to wages, record-keeping and pay-slip obligations.”

Mr Campbell said the co-operation of the employers, their directors and legal representatives during the investigation was “limited, but sufficient”.

He said Fair Work inspectors found poor workplace practices in relation to the clarity of employee status, record-keeping, rosters of hours worked, calculation and payment of wages and provision of pay-slips.

Meal allowances were also not paid.

Fair Work inspectors interviewed 30 employees during the site visits.

“None were prepared to go beyond providing brief information in relation to their employment or the practices of the business,” Mr

Campbell revealed.

“Some employees also provided information which contradicted their employer, giving rise to concerns about possible deception and coercion by the employer.”

Mr Campbell said the karaoke bar employers had a “rudimentary, at best” understanding of their obligations under federal workplace laws.

He said there were indications that employers retrospectively created pay-slips and paid tax after the site visits in an apparent effort to conceal, or at least lessen the true underpayment of wages.

Mr Campbell said that on top of providing potentially false and misleading records, employers raised suspicions about their behaviour by refusing to participate in a formal Record of Interview with Fair Work inspectors.

The investigation was also impacted by the limited engagement of employees, who despite being aware they were underpaid, did not wish to assist Fair Work inspectors.

“Employees reported being concerned that the employer would retaliate in some way or that they may face other repercussions,” he said.

“Some employees were just thankful that they had a job and that the rates of pay they received were still higher than what they hear other employees are paid.

“It appeared as though some workers were not interested in getting back-payment of wages or assisting us to change their employer’s behaviour ... it was not worth the risk of the perceived consequences.”

Mr Campbell said all five businesses had been earmarked for follow-up visits in six months to assess whether they were compliant.

He said the findings were being shared by Taskforce Cadena and would contribute to planning for future activities.

The Fair Work Ombudsman recovered more than \$3 million in underpaid wages and entitlements for 687 visa-holders last financial year.

Employers and employees seeking assistance can visit www.fairwork.gov.au or contact the Fair Work Infoline on 13 13 94. An interpreter service is available on 13 14 50.

Information on the website to assist people from culturally and linguistically diverse backgrounds has been translated into 27 languages.

In May, the Fair Work Ombudsman launched an “Anonymous Report” function to allow the community to alert the Agency to potential workplace issues.

Intelligence can be provided at www.fairwork.gov.au/tipoff (<http://www.fairwork.gov.au/tipoff>) .

“If someone suspects something isn’t right, but is unable or unwilling to get directly involved in resolving the issue, they can tell us about it using this new form,” Mr Campbell said.

*Taskforce Cadena is a joint agency taskforce comprising the Fair Work Ombudsman and the Department of Immigration and Border Protection (DIBP) and its operational arm, Australian Border Force (ABF).

The taskforce also involves collaboration with other agencies, including the Australian Federal Police (AFP), the Australian Criminal Intelligence Commission (ACIC), Australian securities and Investments Commission (ASIC), the Australian Taxation Office (ATO) and local law enforcement agencies.

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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

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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

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