

**For**

**Pharmacy Guild of Australia**

**In relation to**

**Exposure Draft Sept 2008 Retail Industry Award 2010**

**Comparative Analysis of Wages paid  
in the Pharmacy Industry**

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**Prepared by**

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## Introduction

1. By request of Pharmacy Guild of Australia we have reviewed the calculations included in their submission to AIRC 10 October 2008 in order to determine their accuracy and provide an analysis of those results.
2. Specifically, using rosters for hours worked in existing pharmacies, our analysis sets out to compare actual wages paid under existing Awards to what would be required to be paid under the proposed Retail Industry Award as it would apply to the pharmacy industry.
3. We have undertaken the analysis and set out below the relevant information and issues. A summary of results is set out a paragraph 6 below, followed by details of assumptions made with more detailed explanation of adjustments for each store towards the end.
4. I am a Chartered Accountant with 20 years experience in professional practice. I am a panel valuer of pharmacy businesses for 6 banks – Westpac, NAB, CBA, ANZ, Bankwest and Macquarie. In addition to this, I provide specialist advice to pharmacists in the acquisition and management of pharmacy businesses and am currently a national director of the Australian College of Pharmacy Practice & Management.
5. I acknowledge the direction and assistance of Kim Sadler, Principal – Pharmacy Services, Saccasan Bailey Pty Limited in preparing this report. Kim has 10 years experience in providing management and taxation advice to pharmacy owners and is a Chartered Accountant.

## Summary of Adjusted Results & Assumptions Made

6. Table 1 sets out the final wages costs of the stores reviewed. It also includes results for stores in Victoria, ACT and Tasmania which were not included in the 10 October submission. This gives a picture of the impact on all states and territories. We note that in every instance except one (with only a \$658 fall), the expectation is an additional cost to pharmacy owners – in 4 states this will be \$100,000 or more, being more than a 20% increase - Western Australia, NSW, Tasmania and Queensland in particular appear to be significantly effected.

The total calculated increased cost to the employers also includes statutory obligations such as superannuation, state payroll taxes and workers compensation insurance costs. These costs all apply to wages and which are defined in the case of payroll tax and workers compensation to be wages plus superannuation and fringe benefits.

**Table 1 – Summary of impact of new Retail Industry Award on wages paid in Community Pharmacy (average increase 11.28%)**

State/Location	Current Wages including current allowances	Wages under Draft Award including new allowances	\$Annual Increase in Wages	\$Annual Increase incl super, payroll tax & w/comp	% total Increase
WA – small suburban strip	307,695	338,587	30,892	33,841	11.00%
WA – medium suburban strip	616,931	734,299	117,369	131,357	21.29%
WA – large 24hr	740,880	882,792	141,912	164,008	22.14%
NSW – small strip	225,328	240,065	14738	16,293	7.23%
NSW – suburb medium strip	521,088	613,634	92,546	106,443	20.43%
NSW – large	970,212	1,118,342	148,130	173,449	17.88%
Qld – remote rural medical centre	515,643	594,440	78,797	86,179	16.71%
Qld – rural strip	485,517	537,752	52,235	57,129	11.77%
Qld – suburban shop centre	520,678	617,419	96,741	105,804	20.32%
Qld – suburban strip	474,860	546,437	71,577	78,283	16.49%
ACT suburban shop centre	419,227	480,531	61,304	68,733	17.07%
NT – remote city	321,045	325,570	4,525	5,031	1.57%
NT – remote rural medium	349,613	359,286	9,674	10,757	3.08%
SA – small rural	288,861	301,344	12,483	13,825	4.79%
SA – suburban strip	427,082	447,054	19,972	22,118	5.18%
SA – rural shop centre	506,516	505,921	(594)	(658)	-0.14%
Tas – large after hours	688,695	785,152	96,457	106,842	15.51%
Vic – large suburban	1,065,773	1,083,796	18,024	20,708	1.94%



7. The increases in the wages costs set out in Table 1 are due to the impact of:-
  - a. New penalty rates which apply to the current base rate of pay of employees which in some cases are well above the current award rates of pay;
  - b. Increase in casual loadings in most states (excluding NSW and Vic);
  - c. Increase in garment laundry allowances in all states;
  - d. Introduction of new allowances – first aid, language, bicycle. We have been conservative in our estimation of these (see later comments);
  - e. Increase in penalty rates above existing penalty rates in some states.
8. Various assumptions were made in relation to trading conditions and interpretation of the Draft Award and are detailed below.
9. The number of garments provided to staff in reality will vary from shop to shop. It was assumed that an employee working one day per week would have 2 garments (shirt and pants/skirt). Employees working more than 1 day would have 6 garments - being two sets of shirts & skirts/pants and possibly 3 sets. It is also common for stores to provide jackets/blazers, white pharmacists' coats and in some stores, scarfs for pharmacy assistants as part of the uniform, so it could be as many as 8 or 9 garments.
10. The first aid allowance was applied to all pharmacist trainees as it is a training requirement of their Registration Year. It was also assumed that one pharmacist per store would have first aid qualifications. The exception is Tasmania, as all pharmacists there are required to maintain their first aid accreditation and provide a statutory declaration to this effect annually. It is common in a pharmacy business for all staff to be asked by customers for first aid advice. One possible interpretation is that, as the staff member is employed to provide advice on products best suited for a customer's health issue, it could be construed that the allowance applies to most, if not all, staff. If so, the expected increased wages cost presented in Table 1 would be higher.
11. The language allowance was applied to 2 staff members per store. It is especially common in Sydney and Melbourne for a significant number of staff to speak a second language in suburban areas, where ex-patriots from foreign countries choose to live in proximity to each other. These staff often live locally to the pharmacy and their skill in speaking the alternate language is often used in serving customers – especially for older customers who might make up a large portion of the customer base of pharmacy businesses.
12. The application of public holiday loading was applied to all staff working on a Monday only, as the majority of public holidays fall on this day. The calculation was based on 10 public holidays per year. If public holidays were to fall on those days where the pharmacy was open for longer hours, eg Thursday night shopping, then wages would be higher again.

13. Pay rates used for categories of staff were matched as best as possible between grades/levels in current awards to the draft award. A pharmacy assistant employed but not yet attaining Level 1 certificate was allocated to new Retail Level 1 rate as this is the lowest rate, which is the same as a pharmacy assistant who has completed the Level 1 certificate. There are no grades for different levels of responsibilities for Pharmacists in Charge or Pharmacy Managers. All employees in these categories were matched to the relevant new “blanket” category. It is anticipated that for example Pharmacist In Charge Grade 3 under current award may seek an increase in rate to the Pharmacist Manager grade given their responsibilities. This would increase costs above those expected in the Table 1. There is no definition to determine the difference between a pharmacist (Level 10) and experienced pharmacist (Level 11). In the current award, it is common to have experienced pharmacists defined with 4 years experience, and we have used this benchmark to determine pay rates between Level 10 and Level 11. Further, there is no category for pharmacy graduates undertaking their registration year studies. The classification currently is split for a graduate in 1<sup>st</sup> 6 months of study and 2<sup>nd</sup> 6 months of study. We have related these to a new Level 4 retail rate and Level 6 retail rate respectively.
14. Our observations outlined in paragraph 13 are that there would need to be significant improvement in the staff levels and categories in order to accommodate the existing career path and development available under existing awards for pharmacy assistants and pharmacists.

### **Sources of Information**

15. The sources of information used in this appraisal included the following:-
- Copy of Exposure Draft September 2008 Retail Industry Award 2010.
  - Copy of current awards applicable to pharmacy assistants in each state where employers are Constitutional Corporations, plus the Community Pharmacy Award 1998 as applicable to pharmacists.
  - Copy of submission to Australian Industrial Relations Commission by Ian Neil SC on behalf of The Pharmacy Guild of Australia
  - From each state, details of staffing roster or hours worked for a week or fortnight and hourly rates of pay either actual rates being paid by the owner or, if not available, the applicable current award rates of pay.
  - General information about the businesses.
  - Research undertaken by ourselves to determine applicable rates of payroll tax and workers compensation insurance in each state.



## Drafting Issues & Interpretations Used

16. The practical application of the Exposure Draft September 2008 Retail Industry Award 2010 was challenging in some instances due to the lack of definition of certain terms.
17. The application of clause 35.1 of the Exposure Draft to NSW and Victoria is interesting. These states currently have base rates of pay at all draft retail award levels marginally in excess of the Draft Award. These states also apply loading to casual employees in excess of 25%. The Draft Award applies only 25% loading and the impact is that the current NSW rate plus current loading is higher than the new draft rate plus new loading. When clause 35.1 states “the making of this award will not result in the rate of pay of any existing employee being reduced below the level of pay in an award or a NAPSAs that applies to the employee immediately before this award comes into effect” does this mean the base rate or the rate including loading? We have assumed the base rate cannot be lower, but that the loading % can. **If the loading percentage cannot be lower, then we note that the wage increases in these two states will actually be higher than outlined in Table 1.**
18. The difficulty in applying the Draft Award is partly due to the inconsistent use of terminology, or if the differing terms are necessary, the lack of definitions of the different terms to understand the meaning or reason for such variations. For example, there are references to “weekly rate”, “ordinary hourly rate”, “weekly wages”, “rates of pay” and “ordinary time rate of pay”.
19. In the Northern Territory, there is currently an allowance called a “district allowance” which does not appear to be specifically included in the Draft Award. In this instance, we have included the allowance as payable under the Draft Award as we understand the background to the drafting of the new award was to maintain these payments for remote businesses.
20. It is unclear in the Draft Award if an employee should be paid at a penalty rate for working from midnight to 6am on Monday morning. We do not believe that shift work applies in this situation. The award indicates at Clause 29.2(a) that overtime applies when working “in excess” of ordinary hours set in clause 27.1 ie. hours greater than 38 per week. It may not be the case that the employee is working more than 38hrs per week. We suspect the intention is that overtime would apply as this is “outside” ordinary hours, and have applied penalty rates in this manner.
21. Clause 31.1(g) states that a pharmacist who is required to take their meal break on the premises for the purpose of attending to urgent matters will be paid at 150% for the period of the break. Is the 150% referring to the base rate of pay, or the rate including penalty? If the pharmacist is working a Sunday which is 200% per hour, is the pay for the meal break period at 150%, 200%, or 250%? We have been conservative and assumed 150% in our calculations.