



# **CCIQ SUBMISSION**

## **▼ Annual Wage Review 2017-18 Fair Work Commission**

**CHAMBER OF COMMERCE AND INDUSTRY QUEENSLAND**

**13 March 2018**

## Introduction

1. The Chamber of Commerce and Industry Queensland (CCIQ) welcomes the opportunity to provide this submission to the Fair Work Commission (the Commission) on the Annual Wage Review 2017-18 as part of the Minimum Wage Panel's (the Panel) statutory responsibilities to conduct an Annual Wage Review (AWR) each financial year under Part 2-6 Fair Work Act 2009 (Cth) (FWA).
  - a. As part of these responsibilities, the Panel must review both modern award minimum wages, and the national minimum wage (NMW). The Panel is required to make a new NMW order and may also vary modern award wages as part of this process.
  - b. The Panel is not required to increase either the NMW or modern award wages as part of the AWR process; rather, it is required to ensure the NMW and modern award wages continue to provide a fair and relevant safety net.
2. CCIQ is Queensland's peak industry representative organisation for small and medium businesses. We represent over 426,000 Queensland businesses on local, state, and federal issues that matter to them. Our guiding focus is to develop and advocate policies that are in the best interests of Queensland businesses, the Queensland economy, and the Queensland community.

## Overall Position

3. CCIQ supports an increase to the NMW and modern award rates of not more than 1.9%, \$13.20 per week to a rate of \$708.10 per week or \$18.63 per hour. This is consistent with the position being taken by other employer organisations, in support of the Australian Chamber of Commerce and Industry (ACCI) submission, and represents a fair and sensible increase based upon consumer price index (CPI).
4. Along with the various considerations that the Panel must take into account,<sup>1</sup> we ask the Panel to ensure it gives weight to the recovering labour market, unemployment levels, youth unemployment, rising operational costs for small business and a decline in non-mining investment.
5. This submission focusses on issues specifically relating to the Queensland economy, its industries, and businesses to provide the Panel with a clear view of how their businesses experience the minimum wage adjustment process, and what impact it has on their operations.

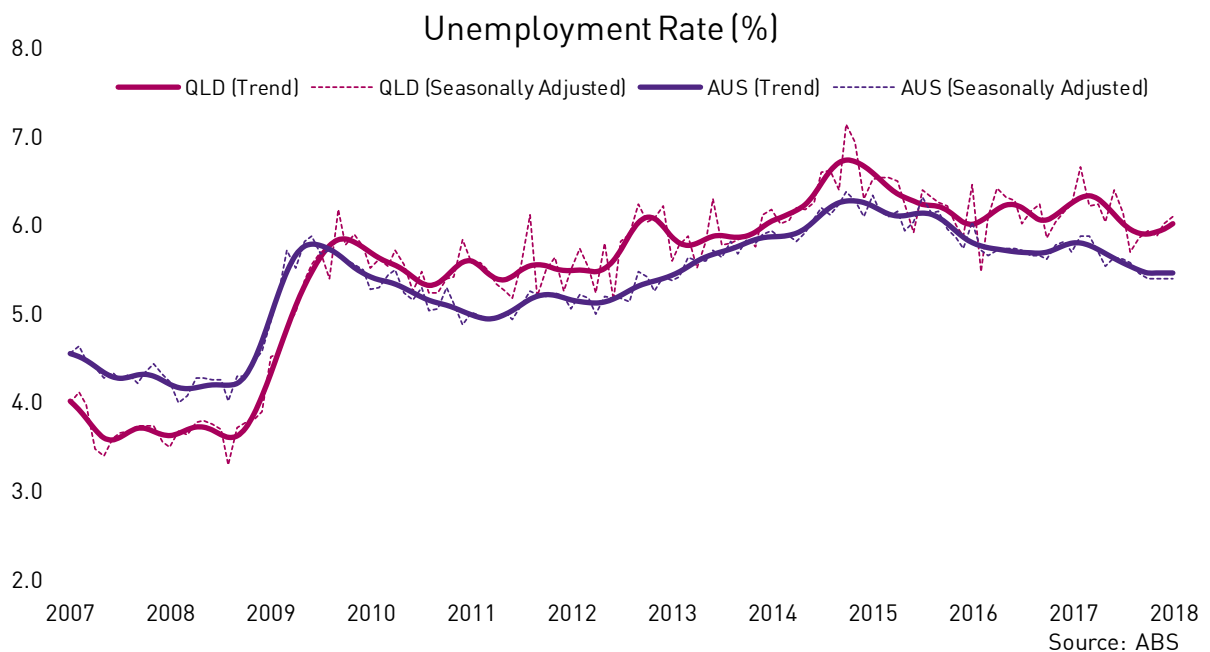
**Recommendation:** With respect to broader economic conditions, such as low wages growth and high youth unemployment, CCIQ supports an increase to the NMW of not more than 1.9% or \$13.20 per week, totalling \$708.10 per week.

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<sup>1</sup> *Fair Work Act 2009* (Cth) ss. 3, 284 and 134.

## Queensland's Economic & Labour Market

6. Any increase above CPI will have flow on impacts on small and medium enterprises (SMEs) in Queensland, employing award reliant employees. Small and medium businesses are major employers in Queensland and Australia. In 2015-16 SMEs made up 67% of all private sector activity contributing to the economy.
7. The performance of the Australian economy continues to underwhelm. Annual economic growth in the year to December 2017 was 2.4%, well below long term trend growth. This has occurred despite the large boost to activity from strong levels of population growth (1.4%).

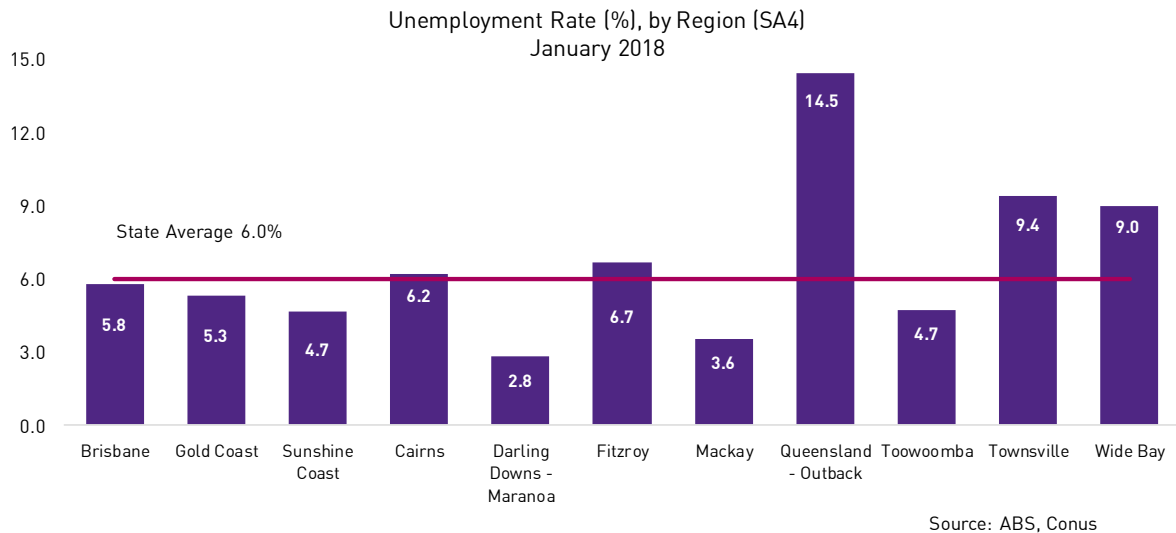


8. The Queensland economy is also going through a period of weak economic growth, expanding 1.8% during the 2016/17 financial year. While Tropical Cyclone Debbie shaved up to 0.75% off the growth figure, the underlying Queensland economy remains fragile and performing well below potential.
9. The recent poor performance of the Queensland economy is reflected in the labour market data for January 2018 which showed the rate of unemployment in Queensland was amongst the highest in the country at 6.0%.<sup>2</sup>
10. The number of people employed across Queensland has increased by 110,000 in the year to January 2018, a sign that conditions are improving across the state. While employment growth has improved, underutilisation (14.4%) continues to remain a critical issue with a large number of employed workers seeking to perform more work hours than they are currently offered.<sup>3</sup>

<sup>2</sup>ABS Cat No 6202.0 - Labour Force, Australia, Jan 2018

<sup>3</sup> ABS Cat No 6202.0 - Labour Force, Australia, Jan 2018

11. Labour market outcomes vary across the state with Outback Queensland the region with the highest unemployment in the state at 14.5%. Youth unemployment is another major concern with workers aged 15-24 struggling to find work. The youth unemployment rate for Greater Brisbane was 12.6%, while for regional Queensland youth unemployment was higher at 14.2%. Currently youth unemployment in outback Queensland is 68%.<sup>4</sup>



12. Wage restraint, within reason, will continue to facilitate some recovery in labour market conditions. The labour market is also showing some spare capacity, with certain sectors of the labour market experiencing weaker conditions. This reflects CCIQ’s concern that minimum wage decisions disproportionately impact particular sectors of the economy more so than others.

13. CCIQ’s latest [Pulse Survey Report](#) showed business confidence returned to positive territory for the first time in four years. However, it confirmed labour costs were still expanding for small businesses along with operational costs. Despite rising sales volumes and revenues, the Pulse Profitability Index continues to indicate profitability has been falling for the small business community. Current economic conditions, as well as decreased levels of business investment, specifically in non-mining sectors, plus increases in electricity prices highlights employers’ inability to sustain or absorb wage increases in the current climate.

14. It is with these factors in mind that CCIQ encourages the Panel to resist any significant increases in the NMW or modern award minimum wage. An increase would negatively impact employment outcomes. Raising the NMW and modern award wage should be modest, in keeping with projected inflation, and consider the over-compensation provided in past decisions. This will ensure that the increase is in line with the pay rises that individual employers can realistically offer employees.

## NMW Review Process

15. The minimum wage process impacts on the competitiveness of all businesses, but particularly those in award-reliant industries. A key consideration for the Panel with

<sup>4</sup> Conus, *Conus Trend Regional Jobs QLD*, January 2018

respect to the minimum wage in Australia is a system that allows businesses to remain competitive in the global marketplace.

16. The NMW review process must not be considered in a vacuum, CCIQ is calling for a sensible acknowledgement that the minimum wage setting process must be appropriately geared to ensure that wages are set at a level that is affordable, does not erode profitability, and not impact on the long-term sustainability of businesses while not compromising workers' entitlements. To that end CCIQ urges the Panel to not view this submission as a 'race to the bottom' but a genuine comment on external economic factors which will further impact the decision they make.
17. With respect to the competitiveness of minimum wages on a global scale, Australia currently has one of the most regulated and highest minimum wages (converted in \$US) in the Organisation for Economic Cooperation and Development (OECD). The minimum wage in Australia is well above other OECD countries including Japan, the United Kingdom, the United States and New Zealand. Australian employees are afforded one of the highest social safety net and demand for increase should be based on actual need not expectation.
18. CCIQ also urges the Panel to acknowledge that the minimum wage only represents the base wage cost of employees. Small businesses must also be able to afford additional on-costs including penalty rates, allowances, loadings, workers' compensation premiums, payroll tax, and superannuation and associated administration costs.

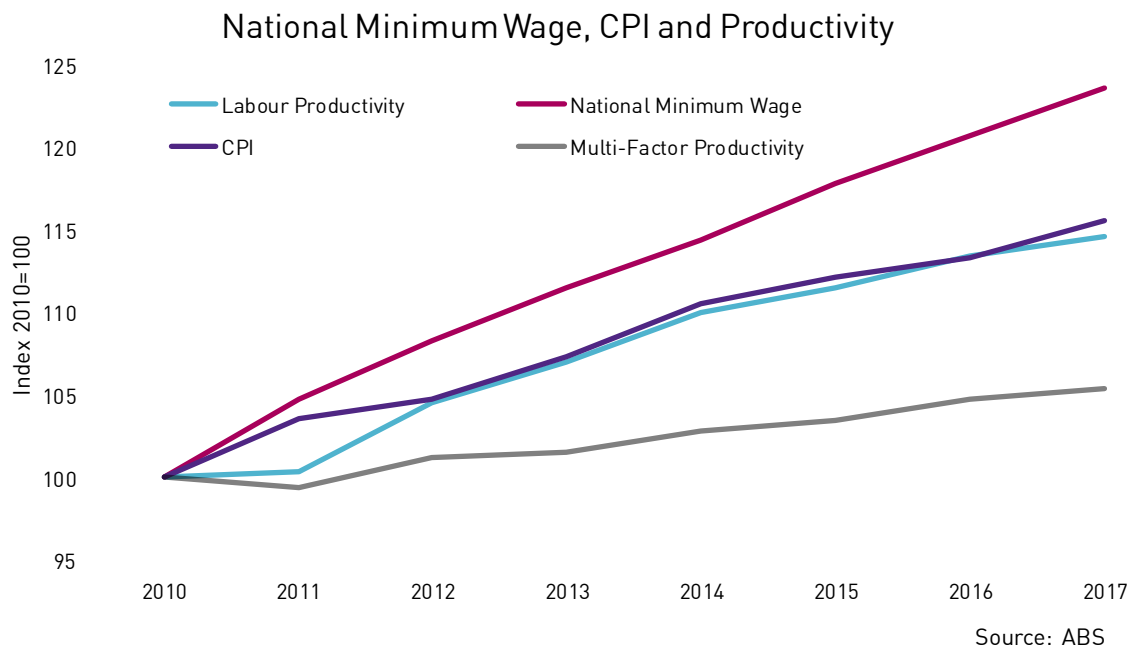
## Other Economic Indicators

19. Further, minimum wages have been growing at a substantial pace in Australia. The NMW has progressively increased each year since 2009-10. CCIQ was pleased to see the Commission implement a modest increase of 2.5% or \$656.90 per week and again a 2.4% to 672.70 in the 2014/15 and 2015/16 review years, heeding calls from employers to approach rises in the NMW with caution due to broader trends in the economy.
20. CCIQ however was dismayed to see a 3.3% raise last annual review, as it was substantially above CPI despite a soft labour market. Such an increase cannot be sustained by Queensland small businesses again.

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
	(no increase)	(4.78% increase)	(3.4% increase)	(2.9% increase)	(2.6% increase)	(3.0% increase)	(2.5% increase)	(2.4% increase)	(3.3% increase)
<b>NMW (per week)</b>	\$543.90	\$569.90	\$589.30	\$606.40	\$622.20	\$640.90	\$656.90	\$672.70	\$694.90

21. CCIQ urges the Commission to return to a path of modest adjustments to the NMW, with consideration for other economic indicators such as productivity growth as a guide.

22. It is also concerning that rising award wages in Australia are continually outpacing inflation and productivity growth. There are concerns that wages are rising at a much faster pace than the price of goods and services, particularly in award reliant industries. Queensland employers are frustrated by the fact that the increasing costs of employment resulting from the national minimum wage adjustment process and annual modern award reviews are not being offset by productivity gains. This has implications for the ongoing viability of businesses if these costs continue to increase with no associated offsets or trade-off benefits for the business. These increasing costs are pricing some businesses out of the market, either encouraging them to move part or all their operations overseas, close their doors or decrease their number of employees.
23. To be productive, businesses need a competitive wage structure that encourages a shift towards higher value products and services and provides incentives for workers to move to more productive arrangements. Yet, Australia's annual minimum wage setting process has resulted in increases to the minimum wage above the rate of productivity growth. This is despite an underlying downward trend in Australia's and Queensland's productivity performance over the past decade, which has been worse than most other developed economies.



24. Queensland's small and medium businesses are very sensitive to the impacts of minimum wage changes given the high concentration of minimum wage and award-reliant jobs amongst these businesses, particularly in the hospitality and retail sectors.
25. CCIQ urges the Panel to view their predicted increase to the minimum wage through the prism of the abovementioned arguments.

## Exemptions

26. CCIQ stresses the Panel to consider the impacts of natural disasters when reviewing changes to the minimum wage. Most pertinent for Queensland businesses are the impacts of drought on farmers and businesses in the agricultural supply chain, which

are far-reaching and are not simply restricted to the period in which the drought is officially declared.

27. Despite slow improvement in the past 48 months in average rainfall, Queensland is still experiencing a significant drought event. Over two thirds of Queensland is considered to be in drought.<sup>5</sup> For some regions this would be their fifth year of consecutive drought.
28. Key impacts of natural disasters such as drought include a significant reduction to capital expenditure, loss of skilled staff and loss of crops and livestock. As the agricultural industry is a key economic driver in many rural communities, the impact of drought on the industry has significant ripple effects that can result in higher unemployment rates, reduced rural populations, and reduced economic activity.
29. Queensland is a de-centralised and geographically expansive state. CCIQ asks the Panel to give special consideration to regional businesses who are exposed to additional operational costs such as fuel and water transport.
30. On 28th of March 2017 Cyclone Debbie hit Northern Queensland, south of Bowen. The Cyclone causes over \$2 billion, and over \$1.69 billion in insurance claims. The sugar industry alone was predicted to suffer \$150 million in loss due to damage. Currently parts of North Queensland are experiencing a heavy rain event, which has caused flooding and damage across the northern region.
31. CCIQ urges the Panel to consider Queensland's unique, and sometimes devastating weather patterns, especially as meteorologists predict more severe weather events into the future. CCIQ strongly argues that extenuating circumstances such as ongoing drought and exposure to the destructive effects of cyclones warrant exemption from the minimum wage adjustment for a given period.

## Conclusion

**Recommendations:** any increase in the minimum wage should reflect the key considerations of productivity, economic growth and business conditions, particularly in award reliant industries. This involves:

- The Annual Wage Review consider employers' capacity to pay any proposed wage increase; the economic and business conditions within those industries in which the minimum wage has the greatest impact; and the flow-on impacts of the decision;
- Link minimum wage setting to productivity improvements; and
- Exempt industry sectors exposed to natural disasters from award review processes until such time as the effects of the disaster are declared to have ceased.

32. CCIQ considers that in light of this submission, there is a clear case for the Panel to make only a modest increase to the NMW and modern award wages. Accordingly, we

<sup>5</sup> Department of Agriculture and Fisheries, (2018), Drought Declarations, accessed at <https://legacy.longpaddock.qld.gov.au/queenslanddroughtmonitor/queenslanddroughtreport/index.php>

submit that an increase of \$13.20 is an appropriate; all things considered, fair and affordable.

33. If you wish to discuss the contents contained therein please contact Kate Whittle, General Manager, Advocacy at [kwhittle@cciq.com.au](mailto:kwhittle@cciq.com.au)