



CCIQ SUBMISSION

2013/14 ANNUAL WAGE REVIEW

CHAMBER OF COMMERCE AND INDUSTRY QUEENSLAND

28 MARCH 2014

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ABOUT CCIQ

1. CCIQ is Queensland's peak industry organisation for small and medium businesses. We represent over 25,000 businesses on the local, state and federal issues that matter to them.
2. 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.

OVERVIEW

3. CCIQ welcomes the opportunity to provide a submission to the Fair Work Commission (the Commission) as part of the Minimum Wage Panel's (the Panel) statutory responsibilities to conduct an Annual Wage Review (AWR) in each financial year under the *Fair Work Act 2009* (the FW Act).
 - 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.
4. CCIQ supports an increase to the national minimum wage (NMW) and modern award rates of not more than \$8.50 or 1.3 per cent of NMW. This is consistent with the position being taken by many other employer organisations, and represents a fair and sensible increase in light of the various considerations that the Panel must take account of in making a decision.
5. As Queensland's peak industry organisation for small and medium business, CCIQ is well placed to speak about how setting and increasing the national minimum wage and modern award rates, impacts on those businesses in Queensland employing award reliant employees. Small and medium businesses are major employers in Queensland and Australia, and the factors that influence decisions about whether to retain exist employees and create additional employment opportunities should be carefully taken into account by the Panel.

Key issues for the 2013/14 Annual Wage Review

6. The Panel has increased the NMW and modern award wages following each AWR since 2010, with the result that the NMW has increased by \$4,071.60 or 14.4 per cent – well ahead of the Consumer Price Index (CPI) measure of inflation, which has risen by 10.9 per cent over the same period. CCIQ maintains that these increases have resulted in high minimum wages that do not properly take account of employer capacity to pay, and that the Panel should exercise serious caution if it concludes that an increase is warranted as part of the 2013/14 AWR.
7. Accordingly, if the Panel does decide to award an increase to the NMW and modern award wages, then it should be modest, in keeping with projected inflation, and take into account the over-compensation provided in past decisions. This will ensure that the increase is in line with the pay rises that individual employers could realistically offer employees were they individually charged with making the decision rather than it being mandated under a centralised wage-

setting system. The Panel's decision has far-reaching impacts beyond those workers whose wages are dependent on the NMW or modern award, extending to non-award reliant workers and organisations and influencing enterprise bargaining outcomes.

8. While CCIQ recognises the importance of macroeconomic data to the Panel in coming to its decision and is required to give it significant weight, CCIQ considers that it is important that it be aware of how businesses are impacted by wage increases at the firm level, and their capacity to absorb a further increase. To this end, CCIQ has conducted an AWR survey of its members to determine how previous AWR decisions have affected Queensland businesses, how further increases will change this going forward, and the capacity of businesses to absorb a further increase. CCIQ's AWR survey provides an insight into the link between wage increases and small business decision-making, as well as highlighting 'Queensland-centric' issues, including the effect of the ongoing drought on farming and agriculture supply chain businesses.
9. CCIQ has also drawn on results from the *Westpac/CCIQ Pulse Survey of Business Conditions*, a quarterly survey report measuring business conditions against business sentiment on key economic measures. This data shows moderately resurgent business confidence that remains fragile and contingent on policy and regulatory outcomes. These results are considered in light of Queensland and national labour force data, and it appears that the ongoing attenuation in employment levels would not be assisted by a wage increase not supported by business.
10. This submission also outlines some of the key findings of the Commission's *Research Report 6/2013, Award Reliance* (the Report), which confirms not only that the AWR process has played a central part in the retention of a centralised wage system but that the Panel's decision operates to adjust wages beyond the NMW and modern award wages.

SUMMARY OF 2012/13 ANNUAL WAGE REVIEW DECISION

11. In June 2013, the Commission awarded a significant increase in the form of a 2.6 per cent increase to modern award wages and the NMW. This resulted in a weekly increase of \$15.80 to the national minimum wage, bringing it up to \$622.20 per week. A number of modern award classifications, set above the minimum wage, provide for significantly higher wages than the NMW. Importantly, these amounts do not include overtime, penalty rates or allowances.
12. CCIQ joined other major employer groups in seeking a weekly increase of \$5.80, which took account of inflation, overcompensation provided in the 2011/12 AWR decision and the 0.25 per cent increase to the mandatory superannuation guarantee levy in July 2013. This may be distinguished from the approach of employee organisations, led by the Australian Council of Trade Unions, which sought a weekly increase of \$30.
13. In its submission to the 2012/13 AWR, CCIQ highlighted the following factors for consideration by the Panel in coming to its decision:
 - a. The ongoing effect of natural disasters on Queensland businesses;
 - b. The particularly soft conditions being faced by businesses in the tourism, hospitality, manufacturing and retail industries;

- c. Prevailing economic and labour data showing increasing unemployment, particularly in regional areas of Queensland; and
- d. The manner in which the statutory framework for the AWR prevents proper consideration of matters that would support a smaller increase, or no increase, to the AWR in a given year.

14. The 2012/13 decision must be seen in the context of previous AWR decisions:

- a. In 2011/12, the increase was 2.9 per cent per week, or \$17.10;
- b. 2010/11, the increase was 3.4 per cent, or \$19.40; and
- c. In 2009/2010, the increase was \$26 per week.

15. This represents a cumulative increase to the NMW of \$78.30 per week or \$4,071.60 per annum.

Table 1 shows that these increases were well above CPI and not reflective of productivity growth in the economy.

TABLE 1: AWR INCREASES (2009-2013) COMPARED TO CPI AND PRODUCTIVITY GROWTH

AWR decision	2009	2010	2011	2012	2013	2009/10 – 2013/14
	(no increase)	(\$26p/w increase)	(3.4% increase)	(2.9% increase)	(2.6% increase)	(14.4% increase)
National Minimum Wage	\$543.90	\$569.90	\$589.30	\$606.40	\$622.20	\$78.30
Consumer Price Index	94.8	97.7	100	102.3	105.1	10.9%
Productivity Index 1 (GDP / hours worked)		-0.4%	2.1%	2.2%	1.2%	5.1%
Productivity Index 2 (Gross value added per hour worked market sector: Index)		0.2	3.3	2.4	1.3	7.4%

Source: ABS – Australian National Accounts – 5206.0, December 2013; ABS – Consumer Price Index – 6401.0, December 2013

16. This is a concern for CCIQ’s members, who considers that wage increases should be closely correlated with an increase in productivity. With respect to minimum modern award rates, the following provide examples of the increases received under several modern awards:

- a. A Level 1 attendant under the *Restaurant Industry Award 2010* earning \$560.50 in 2009 is now earning \$640.20 per week;
- b. A Level 1 employee under the *Fast Food Industry Award 2010* earning \$600 in 2009 is now earning \$683.40 per week; and
- c. A Level 1 Employee under the *General Retail Industry Award 2010* earning \$600.00 in 2009 is now earning \$683.40 per week.

17. However, in its decision, the Panel discounted arguments by employer organisations with respect to the state of the economy, concluding that ‘economic conditions over the past year have remained reasonably strong’ and that ‘the outlook remains favourable’, with solid growth, low unemployment and continuing moderate inflation anticipated. It acknowledged that outlook for growth remains uneven, with continuing pressures on businesses in the trade-exposed sectors of the economy outside of the resources sector.

LEGISLATIVE OBJECTIVES AND CONSIDERATIONS

18. It is important, at the outset, to make several important observations as to the key legislative provisions that govern the AWR process. CCIQ continues to hold concerns about these provisions and the bearing that they have on the Panel’s decision-making processes.

Acknowledging the special needs of small and medium businesses

19. Section 3(g) of the FW Act provides that ‘acknowledging the special circumstances of small and medium-sized businesses’ is one of the key objects of the FW Act. CCIQ and other organisations have sought to provide evidence of these special circumstances by presenting the Panel with survey data gathered from members. However, in the 2012/13 decision, the Panel gave limited emphasis to results garnered from surveys of employer organisation members, concluding that there is no evidence that the economic conditions for small business are materially different for businesses generally within the industries in which they operate.

20. Further, the Commission has pointed to the ability of individual firms to seek an exemption from the AWR increase, rather than exempting a particular industry or award.

21. CCIQ considers that the views of the hundreds of small and medium business that provide survey responses give colour and content to the macroeconomic data that the Panel considers in the AWR process, and encourages the Panel to look past the circumstances of larger businesses that are generally able to better absorb annual wage increases.

No presumption that the Panel must adjust wage rates

22. It must be reiterated that there is no presumption under the FW Act that the Panel must adjust wage rates in all modern awards. Section 284(1) provides that the Panel must ‘establish and maintain’ a safety net of minimum wages, while subs 285(1) and (2) only place mandatory statutory obligations on the Panel to conduct and complete an AWR in each financial year.

Minimum wages are not market wages

23. The FW Act refers to the NMW and modern award wages as forming part of a ‘safety net’ of minimum wages and conditions. Therefore, they are *not* market rates, nor are they intended to

be measured against bargained wage outcomes. In light of the findings of the Commission's report on award reliance, discussed further on in this submission and the impact of AWR increases on both award and non-award reliant organisations, it is essential that this consideration be accorded proper recognition in the Panel's decision.

Minimum wage objective

24. Section 284(1) of the FW Act sets out the minimum wage objective, requiring the Commission to take into account a number of factors with respect to its role in establishing and maintaining a safety net of fair minimum wages. The AWR is a key part of this role. These factors include:

- a. Section 284(1)(a) – the performance and competitiveness of the national economy, including productivity, business competitiveness and viability, inflation and employment growth;
- b. Section 284(1)(b) – promoting social inclusion through increased workforce participation;
- c. Section 284(1)(c) – the relative standards and needs of the low paid;
- d. Section 284(1)(d) – the principle of equal remuneration for work of equal or comparable value; and
- e. Section 284(1)(e) - providing a comprehensive range of fair minimum wages to junior employees, employees to whom training arrangements apply and people with a disability.

25. In respect of these factors, the Panel must ensure that it:

- a. gives due weight to the matters referred to in subs (1)(a). The issue of business competitiveness and viability is one that warrants particular consideration in the context of the FWC award reliance report (discussed below), which demonstrates that any increase to minimum wages will also have an impact on claims made in all sectors of the economy, not just traditionally low paid or award reliant sectors. Moreover, the strength of the economy and individual businesses has direct bearing on the others factors set out in section 284(1). CCIQ reiterates its concern that there continues to be no mechanism in the FW Act requiring that wage increases be linked to or contingent on productivity increases at the firm level; and
- b. properly considers the impact that increasing the NMW and modern award rates have on the employment decisions of business - any decision must not threaten the capacity of the unemployed and low paid to obtain and remain in employment. Increases to the NMW and modern award wages also affect bargaining claims and any decision to increase minimum wages should consider the likely effect on formal bargaining.

Modern awards objectives

26. Given that section 285(2)(b) does not mandate any requirement to vary modern award wages during the AWR process, but rather that it 'may' vary them, it is relevant to consider briefly several of the modern awards objectives set out in section 134(1) of the FW Act and which require consideration in the context of the AWR. These objectives include:

- a. Section 134(1)(b) - the need to encourage collective bargaining;
- b. Section 134(1)(d) - The need to promote flexible modern work practices and the efficient and productive performance of work;

- c. Section 134(1)(da) - the need to provide additional remuneration for
 - i. Employees working overtime
 - ii. Employees working unsocial, irregular or unpredictable hours;
 - iii. Employees working on weekends or public holidays
 - iv. Employees working shifts
- d. Section 134(1)(f) – the likely impact of any exercise of modern award powers on business, including on productivity, employment costs and the regulatory burden; and
- e. Section 134(1)(h) – the likely impact of any exercise of modern awards powers on employment growth, inflation and sustainability, performance and competitiveness of the national economy.

27. The Panel must ensure that it:

- a. gives due weight to subs (1)(d), (f) and (h), which require substantial consideration of the impact of varying modern awards on the economy and individual measures. As noted, the FWC award reliance report demonstrates that any increase to minimum wages will also have an impact on claims made in all sectors of the economy, not just traditionally low paid or more award reliant sectors;
- b. properly takes into account the impact that increase to the minimum wage and modern award rates have on the employment decisions of business. That is, any decision must not threaten the capacity of the unemployed and low paid to obtain and remain in employment. Increases to the NMW and modern award wages also affect bargaining claims and any decision to increase minimum wages should consider the likely effect on formal bargaining; and
- c. considers the impact of the new section 134(1)(da), which provides for additional remuneration for employees through overtime, penalty rates and allowances. This will have potentially significant implications for employment costs in traditionally award reliant industries, including retail and hospitality.

COMMISSION REPORT – AWARD RELIANCE

- 28. The results of the *Research Report 6/2013, Award Reliance* (the Report) confirms that Australia continues to retain a highly centralised wage-setting system, meaning that the national minimum wage, and any increases thereto, have a pervasive impact on wage-setting in both award reliant and non-award reliant businesses.
- 29. This underpins the clear fact that the NMW is now more than just a safety net (as it is described in the FW Act) for low-skilled or low paid workers who cannot access the bargaining system. It is therefore essential to ensure that the Panel recognises that its decision affects not only award reliant employees, but also those closely but indirectly connected to the awards.
- 30. It is apparent that many employers pass on the AWR increase to above award employees for a range of reasons, making the overall economic impact of the AWR decision more significant than would otherwise be the case. The Panel must therefore be cognisant of this when it considers increasing the NMW and modern award wages. The payment of over award wages should not be seen as indicative of 'greater capacity to pay' by a certain employer or industry,

but rather the prevailing practice in that business or workplace at a given time in order to attract and maintain their workforce and competitive standing.

31. For example:

- a. In 27 per cent of all surveyed organisations, the award was used in some way to guide pay setting arrangements.

In award reliant workplaces

- a. In award reliant organisations, only 25 per cent had at least one worker on the exact award rate of pay;
- b. 49 per cent of employees working in award reliant organisations were covered by an over-award arrangement; and
- c. Close to a third of employees in award-reliant organisations and on over award rates of pay received most recent AWR increase. This suggests that in organisations required to pass on the wage increase to one or more award reliant employees, there may be a flow on effect to over-award wage outcomes of non-award reliant employees in some circumstances.

In non-award reliant workplaces

- a. 36 per cent of surveyed organisations which were not award reliant referred to pay rates in awards.

In relation to enterprise bargaining

- a. 52 per cent of all surveyed organisations reported using awards in some way to set pay or guide pay decisions for the pay of at least one worker – i.e. award based;
- b. of enterprise agreements approved in the period reported on, 24.4 per cent had a clause linking enterprise agreements to increases flowing from the NMW increase. This means that just under one in four enterprise agreements may be linked in one way or another to AWR decisions; and
- c. 30 per cent of agreements in eight industry groups had some link to AWR wage movements with the incidence of such clauses being above 60 per cent in retail trade, accommodation and food service, agriculture, arts and recreation services and rental hiring and real estate services. The impact of AWR increases is significant for above award wages in these sectors which collectively employ around 25 per cent of the workforce.

OVERVIEW OF QUEENSLAND ECONOMIC CLIMATE

Westpac-CCIQ Pulse Survey of Business Conditions

32. The Westpac-CCIQ Pulse Survey of Business Conditions is a key economic measure of business confidence in Queensland, and has long been a ready reference point to the Queensland Government on sentiment at the individual business level. The December quarter 2013 Pulse Survey results identified greater optimism among Queensland businesses as they entered 2014 following the 2013 federal election. After an extended low, it is clear that business owners in Queensland are buoyed by the new Federal Government's agenda. Low interest rates,

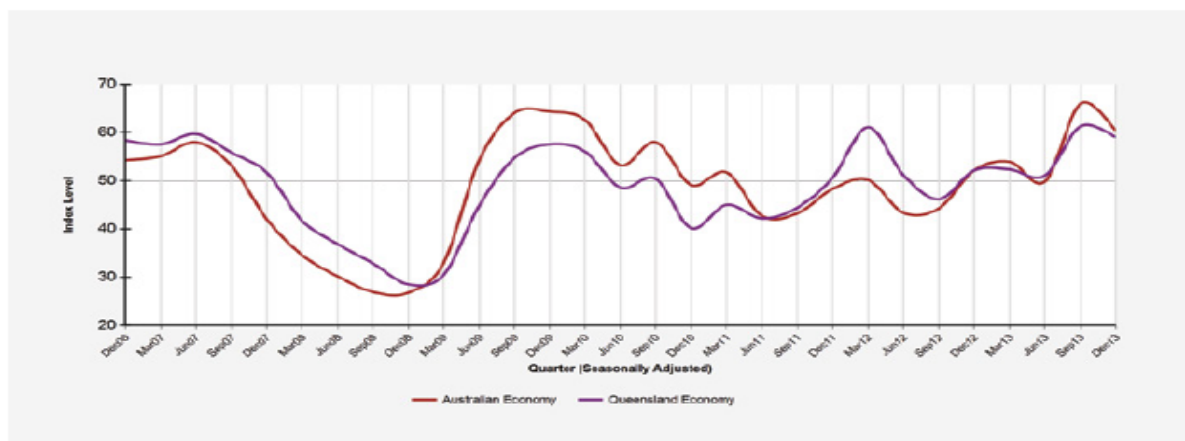
increased activity in the building and construction industry and higher tourism numbers are also contributing to business optimism.

33. The December quarter results show that Queensland is finally starting to see a conversion of confidence into an actual improvement in general trading conditions and other business indicators such as sales revenue. The latest results mark the end of a long-running disconnect evidenced in 2013 between business confidence and the actual trading environment. However, CCIQ anticipates that it will take several further quarters of improved sales before the profitability indicator improves, dragging with it capital expenditure. While there are signs for a significant improvement on last year, there remain a number of negative influences on business confidence at present, including:

- a. the Federal Government’s ability to deliver on its election commitments due to the current composition of the Senate;
- b. the high level of business insurance;
- c. the continuing concerns about constraints posed by workplace relations laws; and
- d. The impact of the Queensland drought on the supply chain the agriculture sector.

FIGURE 1

12 MONTH OUTLOOK: AUSTRALIAN AND QUEENSLAND ECONOMIES



Scale – An Index level above 50 indicates that growth prospects are strengthening, while an Index level below 50 indicates that growth prospects are weakening. *Seasonally adjusted

	Queensland Outlook			Australian Outlook		
	Dec-12	Sep-13	Dec-13	Dec-12	Sep-13	Dec-13
Weaker	27	13	18	23	10	15
Same	38	29	31	47	29	32
Stronger	35	58	51	30	61	53
Index	52.3	63.3	58.8	52.1	65.5	60.2

Source: Westpac/CCIQ Survey of Business Conditions – December quarter, 2013

34. Confidence in the national economic outlook is marginally stronger than it is for the Queensland economy.

- a. *Queensland economy:* While remaining well in positive territory, the Pulse Business Confidence Index decreased in the December by 4.5 percentage points to 58.8. Fifty-

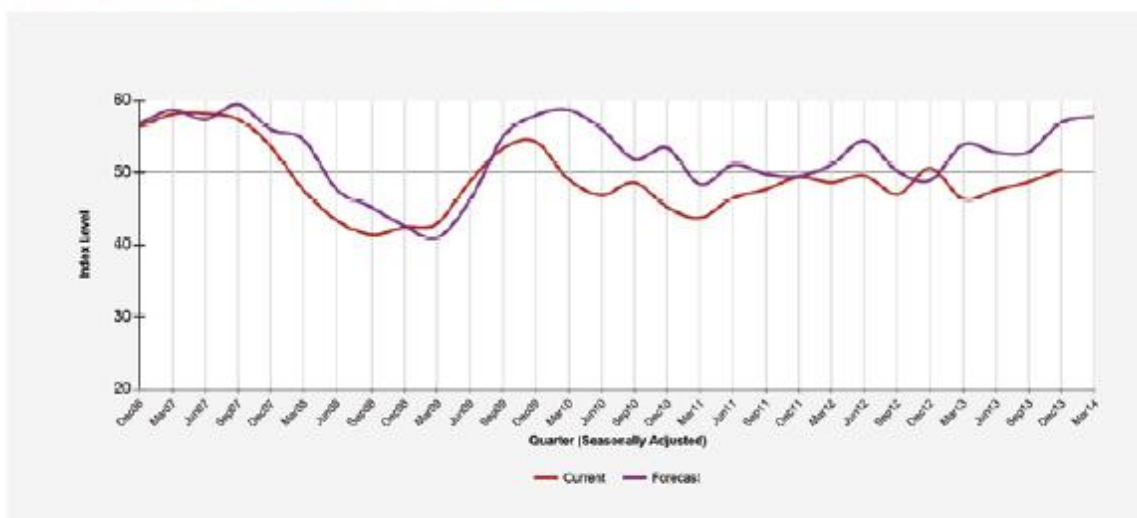
one per cent of Queensland businesses expect economic conditions in Queensland to be stronger over the coming twelve months.

- b. *Australian economy*: The Pulse Business Confidence fell by 5.3 percentage points to 60.2 in the December quarter. The majority of Queensland businesses expect the national economy to strengthen over the next twelve months.

General business conditions

FIGURE 2

GENERAL BUSINESS CONDITIONS



General Business Conditions				
	Dec-12	Sep-13	Dec-13	Mar-14
Weaker	24	27	26	19
Same	40	43	38	38
Stronger	36	30	36	43
Index	52.7	48.9	52.4	56.6

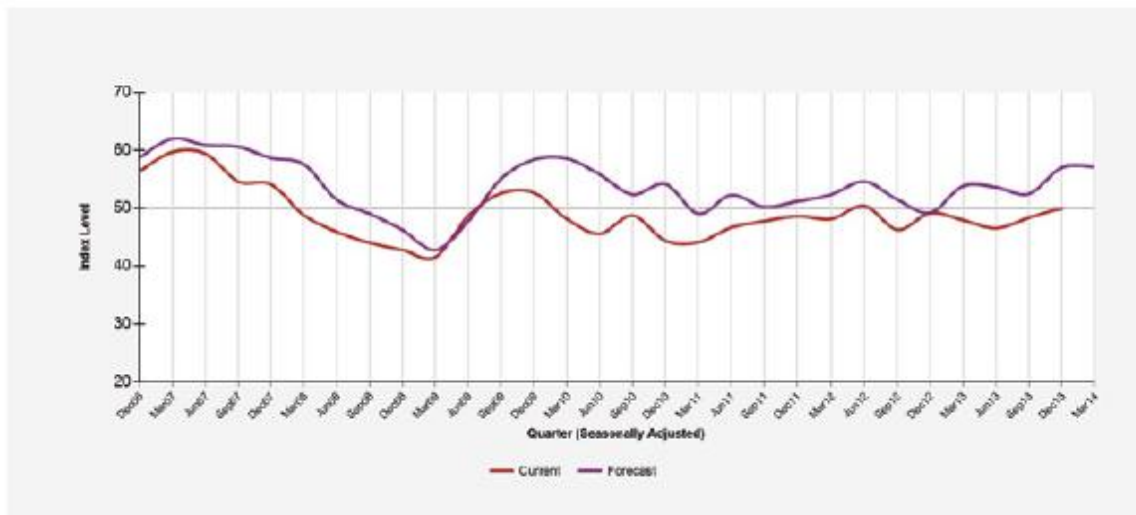
Source: Westpac/CCIQ Survey of Business Conditions – December quarter, 2013

35. General business conditions improved over the three months to December, increasing 3.5 percentage points to 52.4. The majority of businesses indicated that general business conditions remained the same (38 per cent) or stronger (36 per cent) over the December quarter. More businesses were positive about general business conditions for 2014, with only 19 per cent forecasting weaker conditions. The Pulse General Business Conditions Index is forecast to increase further to 56.6 (seasonally adjusted) in the March quarter 2014.

Sales and revenue

FIGURE 3

SALES AND REVENUE



Sales & Revenue				
	Dec-12	Sep-13	Dec-13	Mar-14
Weaker	29	31	29	22
Same	33	39	32	38
Stronger	37	31	39	40
Index	50	48.8	52.4	55.2

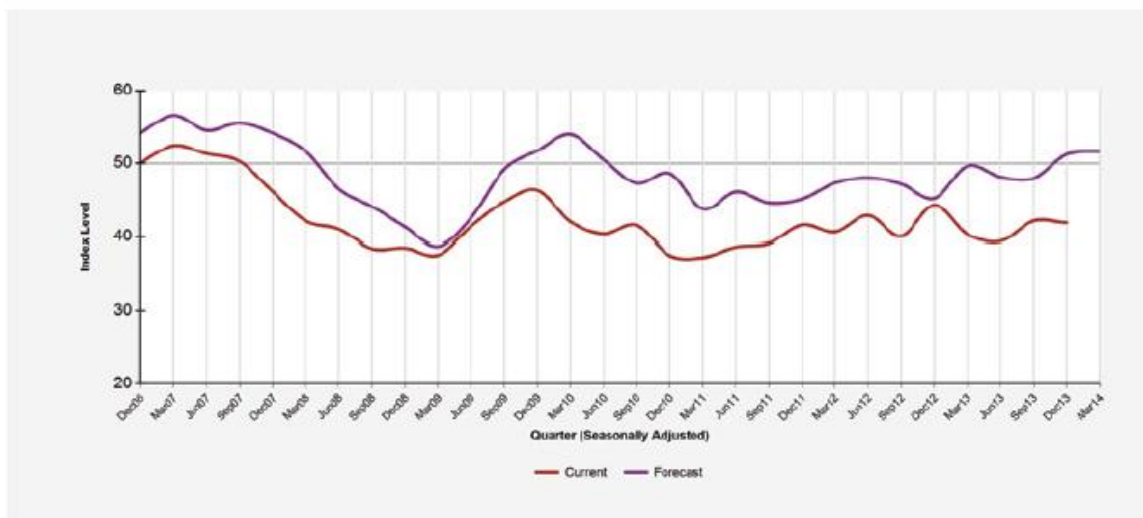
Source: Westpac/CCIQ Survey of Business Conditions – December quarter, 2013

36. Sales and revenue improved over the December quarter, with the Pulse Sales and Revenue index increasing by 4.0 percentage points to 52.4, the first time the index has reached positive territory since June 2012. The majority of businesses reported steady (32 per cent) or stronger (39 per cent) sales and revenue levels compared to the previous quarter. More businesses (40 per cent) are forecasting stronger sales and revenue levels in the coming quarter, with only 22 per cent expecting weaker conditions. The Pulse Sales and Revenue Index is forecast to increase further to 56.2 in the March quarter. If realised, this will represent the two consecutive quarters of growth since 2009.

Profitability

FIGURE 4

PROFITABILITY



Profitability				
	Dec-12	Sep-13	Dec-13	Mar-14
Weaker	36	40	40	26
Same	40	41	39	41
Stronger	24	19	21	33
Index	43.8	42.1	43.5	51.0

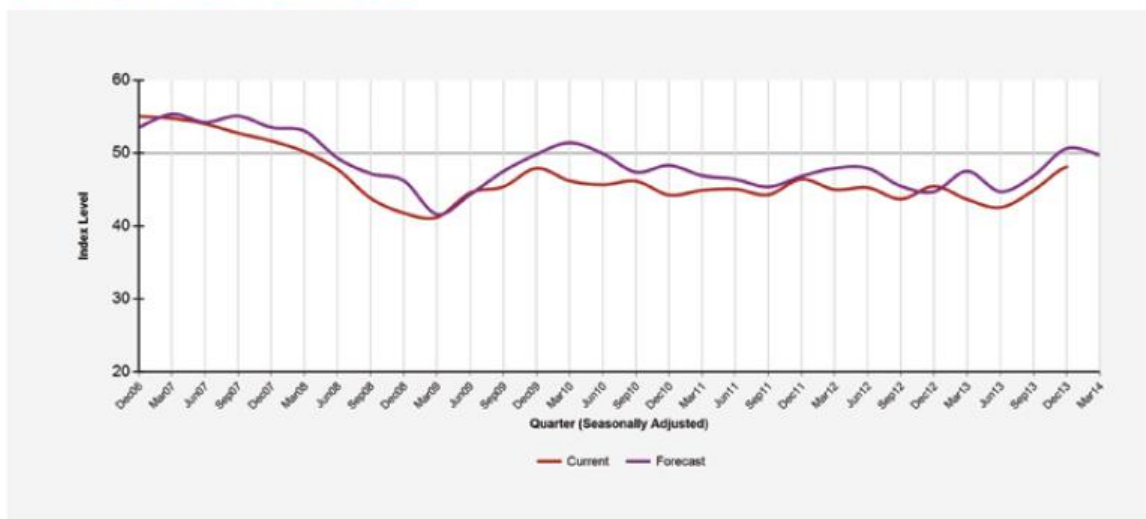
Source: Westpac/CCIQ Survey of Business Conditions – December quarter, 2013

37. The Pulse Profitability index remains relatively flat, increasing by only 1.4 percentage points to 63.5 in the December quarter. Profitability remains one of the most significant issues for Queensland businesses, with 40 per cent of businesses reporting weaker profit levels. This is consistent with the results of the CCIQ AWR Survey, which showed profitability to be the indicator most negatively affected by AWR increases. Expectations for an improvement in profitability continues to build, with the Pulse Profitability Index for the March quarter forecasted at 51.0, with 34 per cent of businesses expecting similar or stronger profitability levels all things remaining the same.

Employment levels

FIGURE 5

EMPLOYMENT LEVELS



Employment Levels				
	Dec-12	Sep-13	Dec-13	Mar-14
Weaker	28	29	22	19
Same	56	55	59	61
Stronger	16	16	19	20
Index	45.7	44.9	48.6	49.6

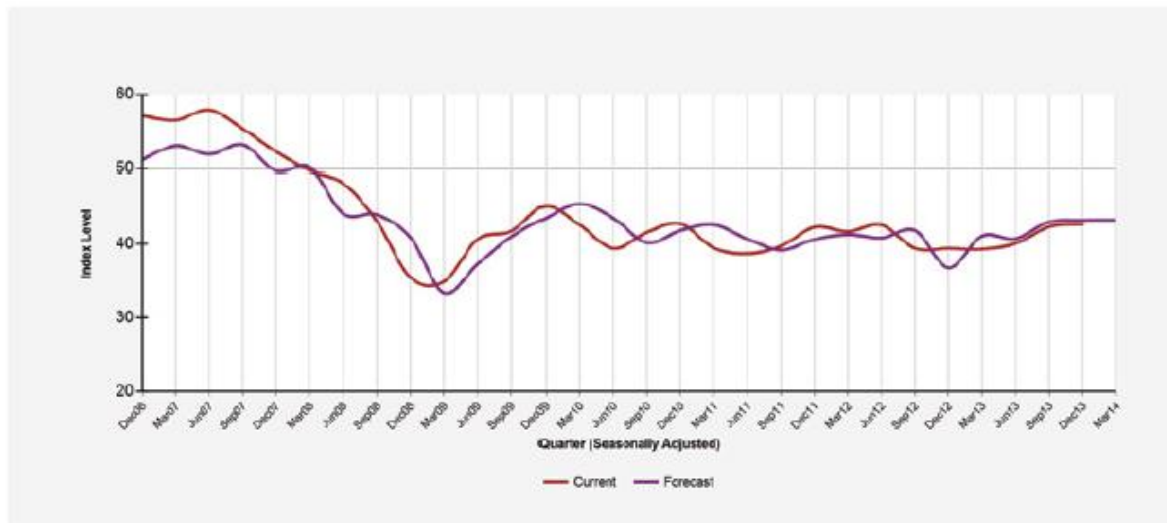
Source: Westpac/CCIQ Survey of Business Conditions – December quarter, 2013

38. The Pulse Employment Levels index increased by 1.7 percentage points during the December quarter to 48.6. The majority of Queensland businesses are keeping employment levels steady (59 per cent) rather than either increasing or decreasing staffing. The index is anticipated to improve slightly to 49.6 in the March quarter, with 61 per cent of businesses expecting to maintain employment levels. This is consistent with the results of the CCIQ AWR Survey, which showed that employers kept overall employment levels steady following last year’s AWR increase.

Capital expenditure

FIGURE 6

CAPITAL EXPENDITURE



Capital Expenditure				
	Dec-12	Sep-13	Dec-13	Mar-14
Weaker	38	32	32	31
Same	45	52	47	51
Stronger	17	16	21	17
Index	39.5	42.0	43.8	43.1

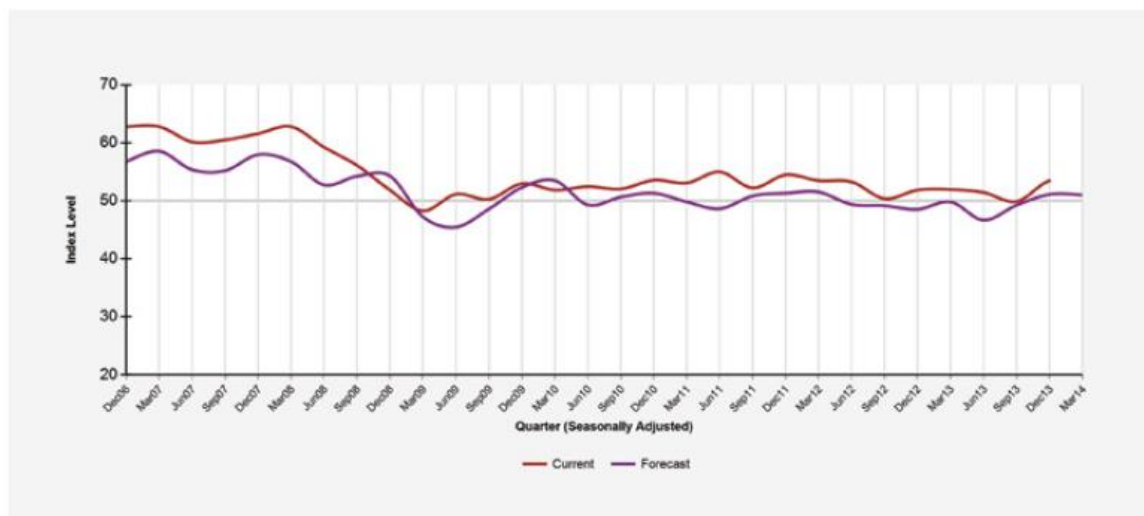
Source: Westpac/CCIQ Survey of Business Conditions – December quarter, 2013

39. The Pulse Capital Expenditure index increased slightly in the December quarter by 1.8 percentage points to 43.8. Only a modest 21 per cent of business respondents reported increased investment in building, plant and equipment; the majority reported capital expenditure to have remained the same. Capital expenditure remains relatively low on business priority lists, with the index forecasted to decrease slightly to 43.1 in the March quarter. Improvement in this indicator is not anticipated until profitability returns, and is therefore an important indicator in the context of the AWR, given the direct linkages between wage increases and profitability in small and medium businesses.

Average wages

FIGURE 7

AVERAGE WAGES



Average Wages				
	Dec-12	Sep-13	Dec-13	Mar-14
Weaker	9	10	7	10
Same	77	73	75	75
Stronger	15	16	18	15
Index	51.7	49.8	52.8	51.4

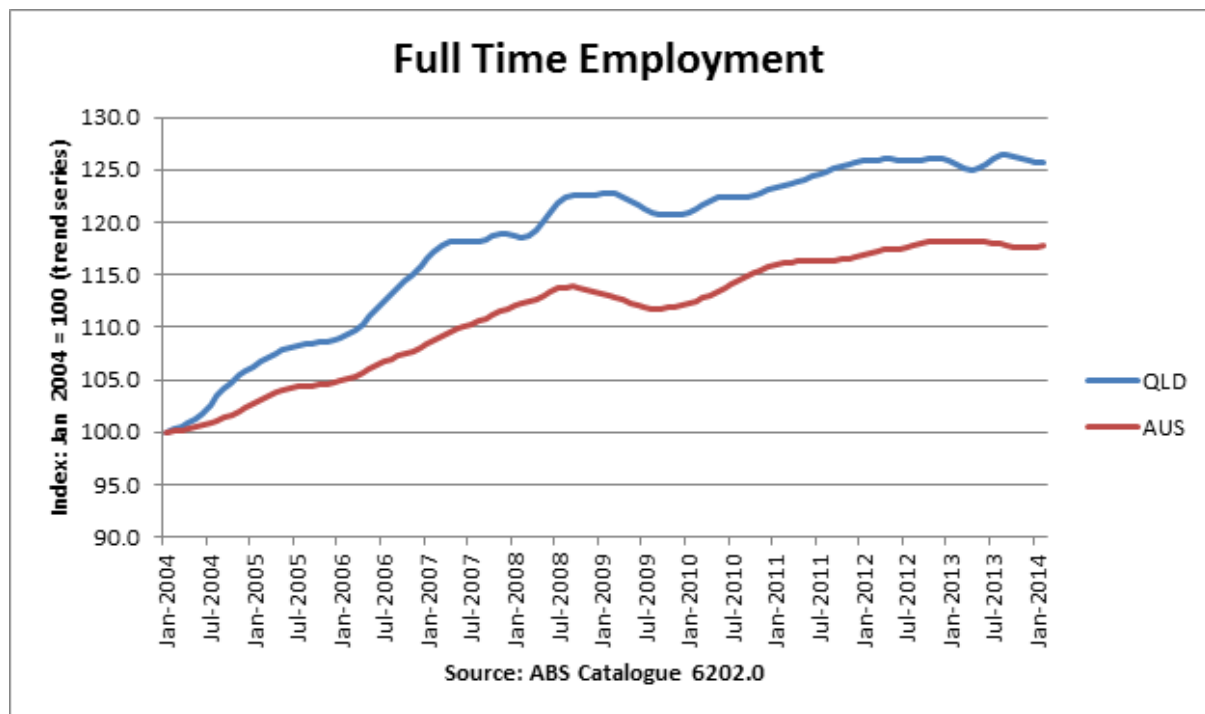
Source: Westpac/CCIQ Survey of Business Conditions – December quarter, 2013

40. Wage pressures have increased during the December quarter, with the Pulse Average Wages index rising three percentage points to 52.8. The majority of Queensland businesses (75 per cent) continue to report that wages have remained the same. Businesses are predicting that wage pressures will remain relatively stable in the March quarter of 2014, with the Pulse Average Wages index forecast at 51.4.

Labour force conditions in Queensland

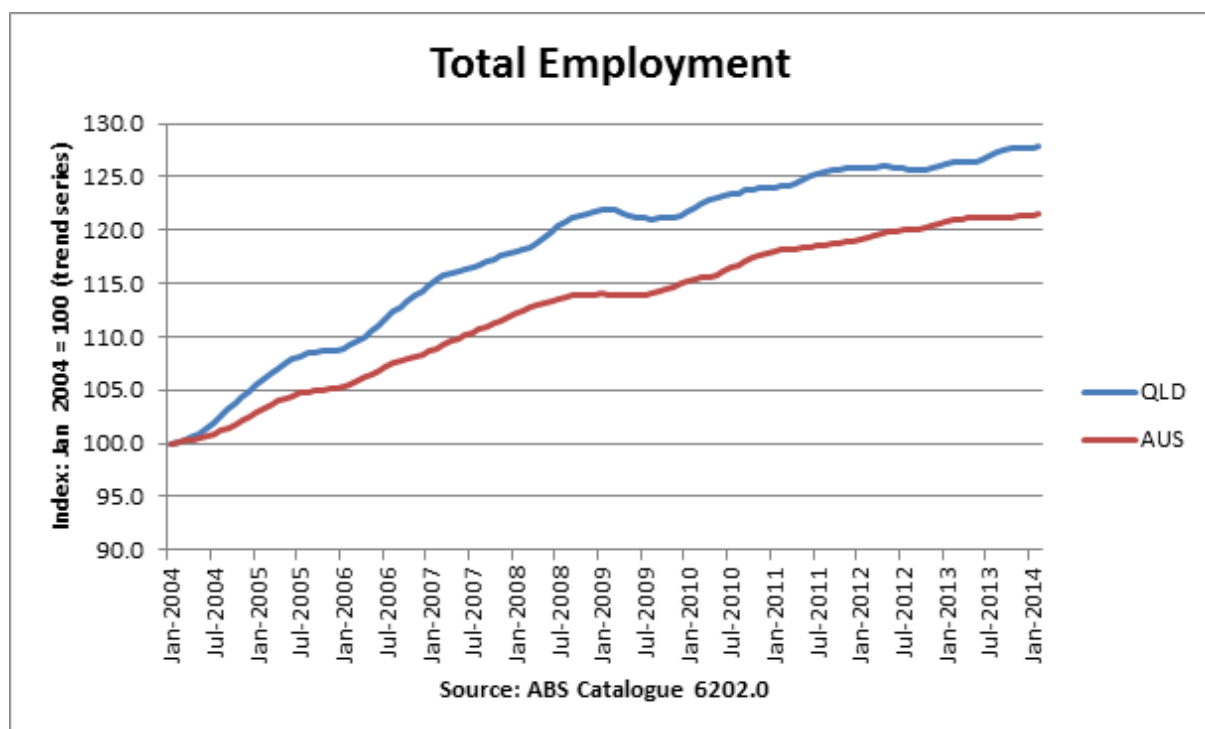
41. It is clear that labour market conditions have deteriorated in Queensland in the last twelve months, and that the mild resurgence in business confidence has not translated into improved employment figures. Figure 8 shows that full-time employment has remained largely static both in Queensland and nationally since the middle of 2011.

FIGURE 8



42. Total employment has not fared significantly better: Figure 9 shows similarly flat growth in total employment since the middle of 2011, indicating that in the last several years businesses have increasingly tended toward hiring casual or part-time employees.

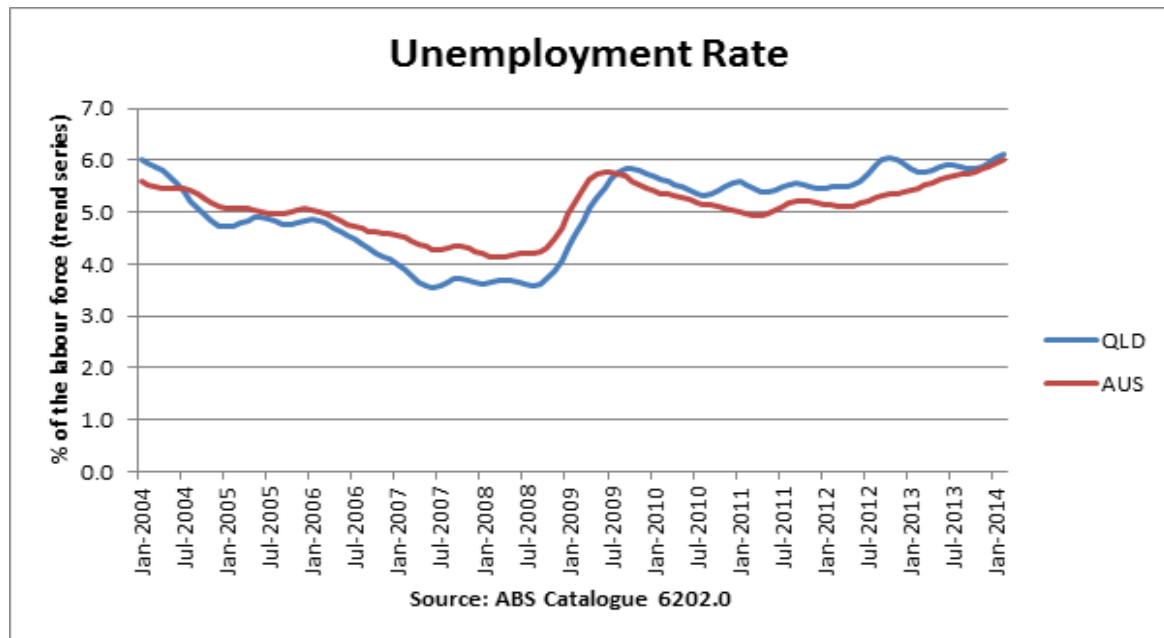
FIGURE 9



43. Further to this, the unemployment rate has increased in Queensland from 5.5 per cent in February 2011 and February 2012, to 5.8 per cent in February 2013, to 6.1 per cent in February

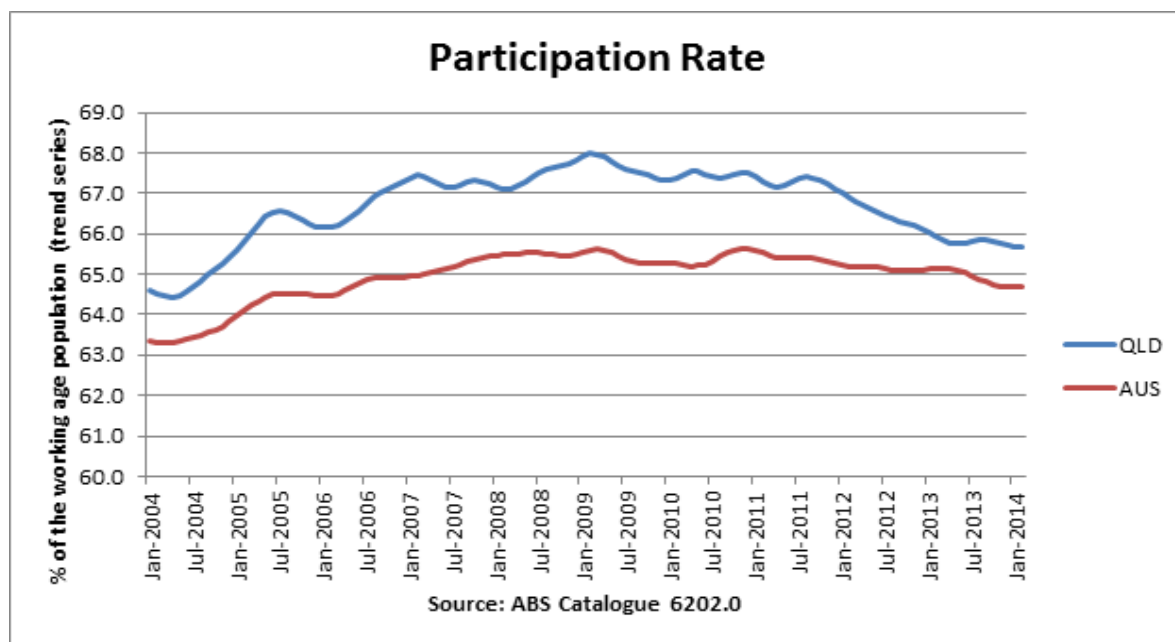
2014. Figure 10 reflects this increase in unemployment in Queensland since 2011, and demonstrates that these trends are not Queensland specific but are being replicated nationally: the unemployment rate has increased from 4.4 per cent in February 2011, to 4.7 per cent in February 2012, to 5.2 per cent in February 2013, to 5.9 per cent in February 2014.

FIGURE 10



44. Figure 11 suggests that labour force participation is trending downward and has been doing so since the first half of 2011. The participation rate has fallen in Queensland from 67.3 per cent in February 2011, 66.9 per cent in February 2012, 66.0 per cent in February 2013, to 65.7 per cent in February 2014. Nationally, the participation rate has declined from being at 65.5 per cent in February 2011, 65.2 per cent in February 2012, 65.1 per cent in February 2013, to a low of 64.7 per cent in February 2014.

FIGURE 11



45. Table 2 highlights the extent of the deterioration in labour market conditions nationally: it shows that all states have experienced an increase in unemployment levels between February 2013 and February 2014, with only the Australian Capital Territory and the Northern Territory showing an increase in employment levels.

TABLE 2: UNEMPLOYMENT, FEBRUARY 2013-FEBRUARY 2014

UNEMPLOYMENT – AUSTRALIA – FEBRUARY 2013-FEBRUARY 2014			
	February 2014 (%)	February 2013 (%)	Change (%)
Australia	6.0	5.5	+0.5
Queensland	6.1	5.8	+0.3
NSW	5.8	5.3	+0.5
Victoria	6.4	5.7	+0.7
South Australia	6.7	5.8	+0.9
Western Australia	5.3	4.6	+0.7
Tasmania	7.4	7.2	+0.2
ACT	7.6	10.0	-2.4
Northern Territory	5.1	6.2	-1.1

Source: ABS - Labour Force, Australia – 6202.0, February 2014

46. Turning to more localised employment data, Table 3 indicates that the situation in regional areas of Queensland is significantly worse than the Queensland average with respect to changes in unemployment levels between February 2013 and February 2014. Ipswich recorded the greatest increase in unemployment, jumping 6.0 per cent to 11.5 per cent; this was followed by Moreton Bay (North), where unemployment increased by 5.9 per cent to 10.3 per cent; unemployment in Townsville rose by 2.7 per cent to 7.9 per cent, followed closely by Mackay, where unemployment increased by 2.9 per cent to 5.7 per cent.

TABLE 3: UNEMPLOYMENT, FEBRUARY 2013-FEBRUARY 2014 – QUEENSLAND

UNEMPLOYMENT DATA: QUEENSLAND REGIONS			
	Unemployment rate January 2013 (%)	Unemployment rate January 2014 (%)	% Change Jan 2013- Jan 2014
Greater Brisbane	5.8	6.6	0.8
Brisbane - East	6.8	3.0	-3.8
Brisbane – North	4.4	4.5	0.1
Brisbane – South	5.8	6.8	0.9
Brisbane - West	5.8	4.6	-1.2
Brisbane – Inner City	8.8	5.6	-3.2
Ipswich	5.5	11.5	6.0
Logan-Beaudesert	5.2	7.5	2.3
Moreton Bay – North	4.4	10.3	5.9
Moreton Bay – South	4.5	3.6	-0.9
Gold Coast	5.7	4.6	1.1
Sunshine Coast	6.7	7.8	1.1
Toowoomba	8.6	9.0	0.4
Wide Bay	9.1	7.6	-1.5
Mackay	2.8	5.7	2.9
Fitzroy	7.8	6.3	0.3
Darling Downs-Maranoa	1.7	3.8	2.1
Townsville	5.2	7.9	2.7
Queensland – Outback	6.6	2.7	-3.9
Cairns	6.8	9.6	2.8

Source: ABS - Labour Force, Australia, Detailed – 6291.0.55.001, February 2014

CCIQ AWR SURVEY

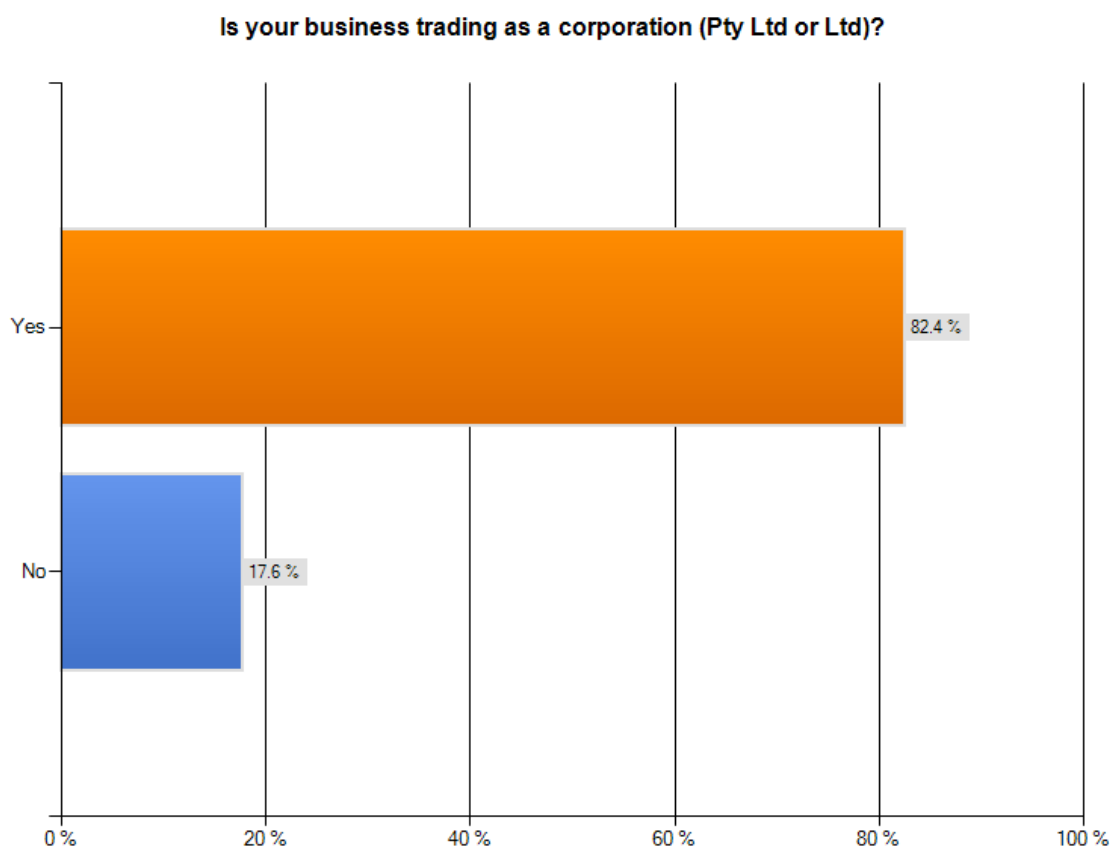
47. CCIQ's 2013/14 AWR Survey sought to measure how the AWR increases impacted Queensland employers, the manner in which they run their businesses, and their future intentions. CCIQ received over 700 responses to its 2013/14 AWR Survey.

48. The results are consistent with the overall economic state in Queensland of moderately resurgent business confidence that is sensitive to any negative change affecting their operational costs. The results also reflect state and national labour force data that shows slow but steady growth in unemployment and a reduction in the number of hours worked.

Characteristics of respondents to the CCIQ AWR Survey

49. Figure 12 shows that 82.9 per cent of respondents answered that they were involved in businesses trading as corporations, which demonstrates that the vast majority of respondents are subject to the Fair Work wage regime.

FIGURE 12

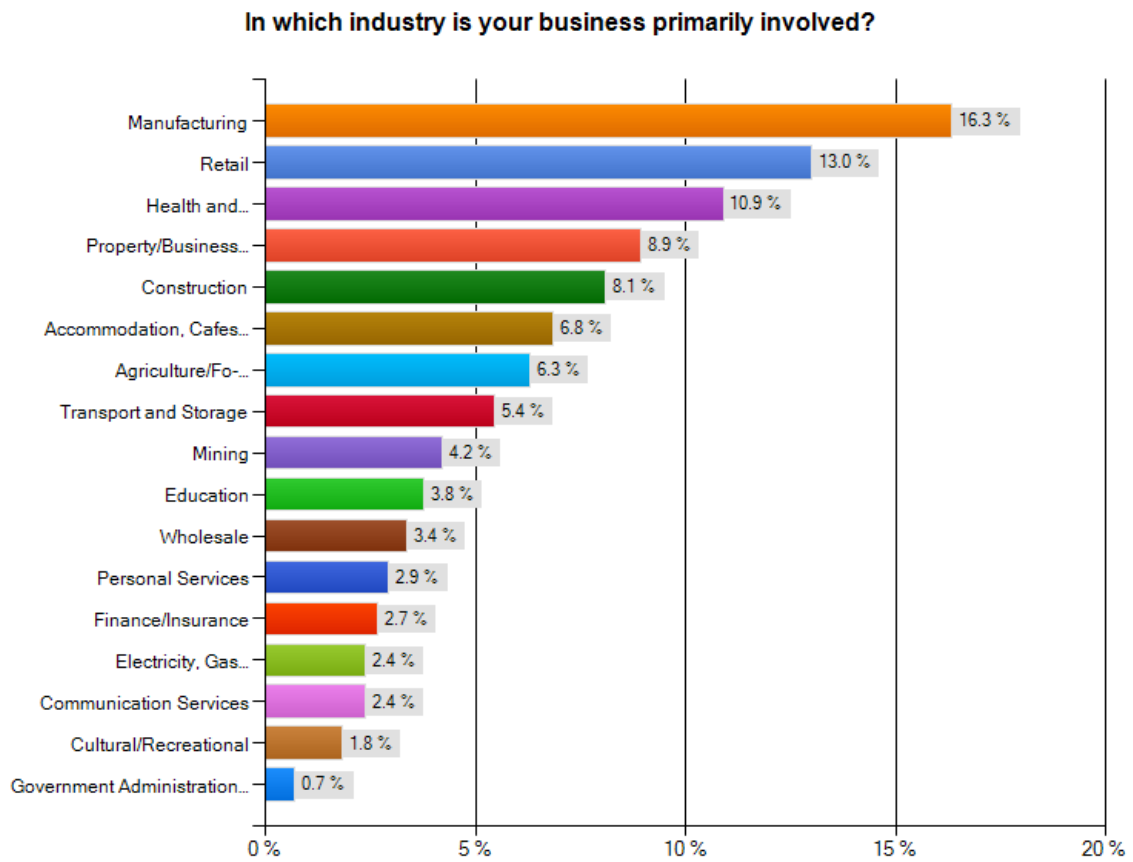


Source: CCIQ 2013/14 Annual Wage Review Survey

50. Respondents were from businesses involved in a broad range of industries (Figure 13). These included manufacturing (16.3 per cent), retail (13.0 per cent), health and community services (10.9 per cent), property/business services (8.9 per cent), construction (8.1 per cent),

accommodation, cafes and restaurants (6.8 per cent) and agriculture, forestry and fishing (6.3 per cent).

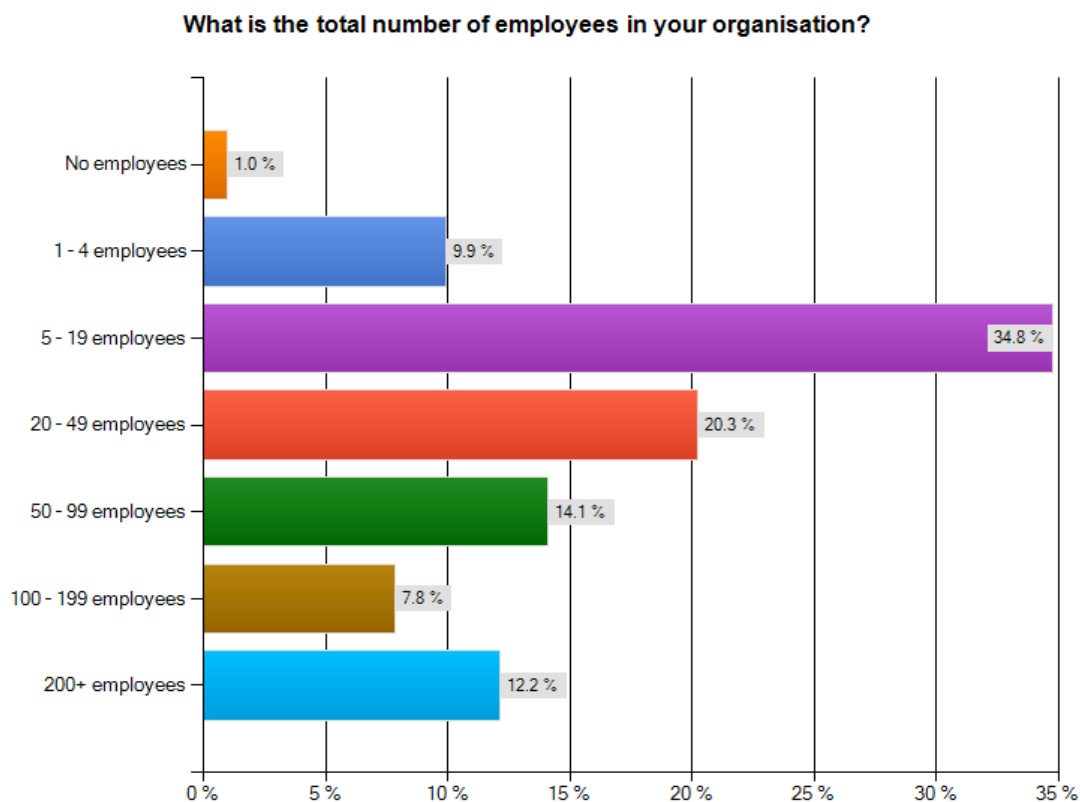
FIGURE 13



Source: CCIQ 2013/14 Annual Wage Review Survey

51. With respect to the size of businesses that respondents were involved in (*Figure 14*), measured by total number of employees, more than a third had 5-19 employees (34.8 per cent), 20.3 per cent had 20-49 employees, 14.1 per cent had 50-99 employees, 9.9 per cent had 1-4 employees, 12.2 per cent had 200 or more employees, and 7.8 per cent had 100-199 employees.

FIGURE 14



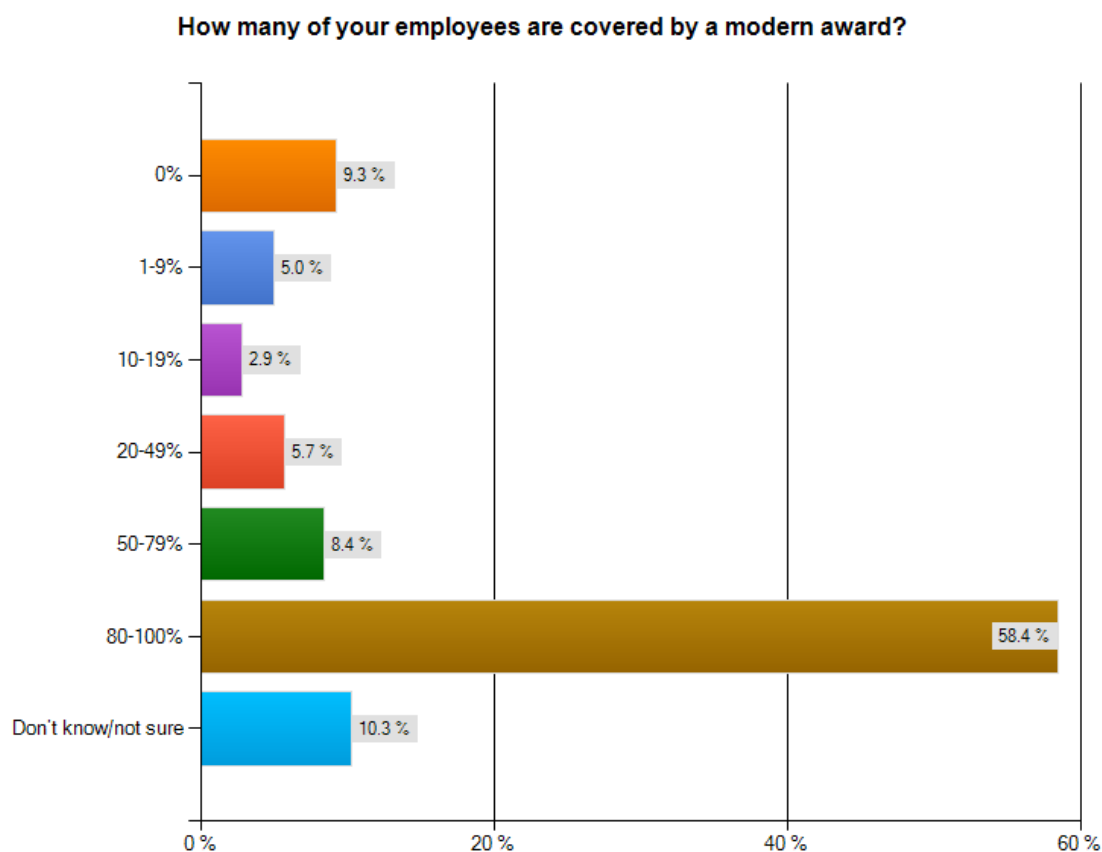
Source: CCIQ 2013/14 Annual Wage Review Survey

52. With respect to the location of the businesses respondents were involved in, almost half (47 per cent) were in regional areas, 37.2 per cent were in metropolitan areas, and 15.8 per cent were in rural or remote areas.

Modern award coverage

53. Nearly 60 per cent of respondents stated that 80-100 per cent of their employees were covered by a modern award (*Figure 15*). As the above graph shows, most employers had at least one employee covered by a modern award, with only 9.3 per cent having no employees covered by a modern award.

FIGURE 15



Source: CCIQ 2013/14 Annual Wage Review Survey

54. For those employees covered by a modern award, 67.7 per cent were paid *more* than the wages required by the modern award, while just under a third (32.3 per cent) were paid exactly the wages required by the modern award. This indicates two important points: that a significant proportion of respondents’ workforces were covered by modern awards, or use the award as a reference point for wage setting; and that a high proportion also pay their employees above award payments.

“We have to pay above the award simply to compete with the high wages in the resource industry.”

Survey respondent

“The wages are too high for us to pay them any more than the minimum. We are not competitive globally with the incredibly high wages that we pay in Australia as it is.”

Survey respondent

55. More than half (55.6 per cent) of respondents stated that employees covered by a modern award received an increase to their pay as a direct result of last year’s AWR decision. 44.4 per cent of respondents’ employees did not receive an increase to their pay as a result of the decision. This suggests that employers who pay above-award wages tend to pass on the AWR increase, despite the fact that they may not necessarily be required to.

56. Respondents cited a range of reasons for doing paying their employees above-award wages.

These reasons included:

- a. Enterprise agreement require above award payments;
- b. To allow their business to compete with mining sector wages/other industries (despite no requirement to pay above award rates);
- c. Some staff are paid award while others are paid above award;
- d. The cost of living in regional centres in Queensland is so high that there is a general expectation of above award rates;
- e. To reward and retain staff, and to reduce turnover.

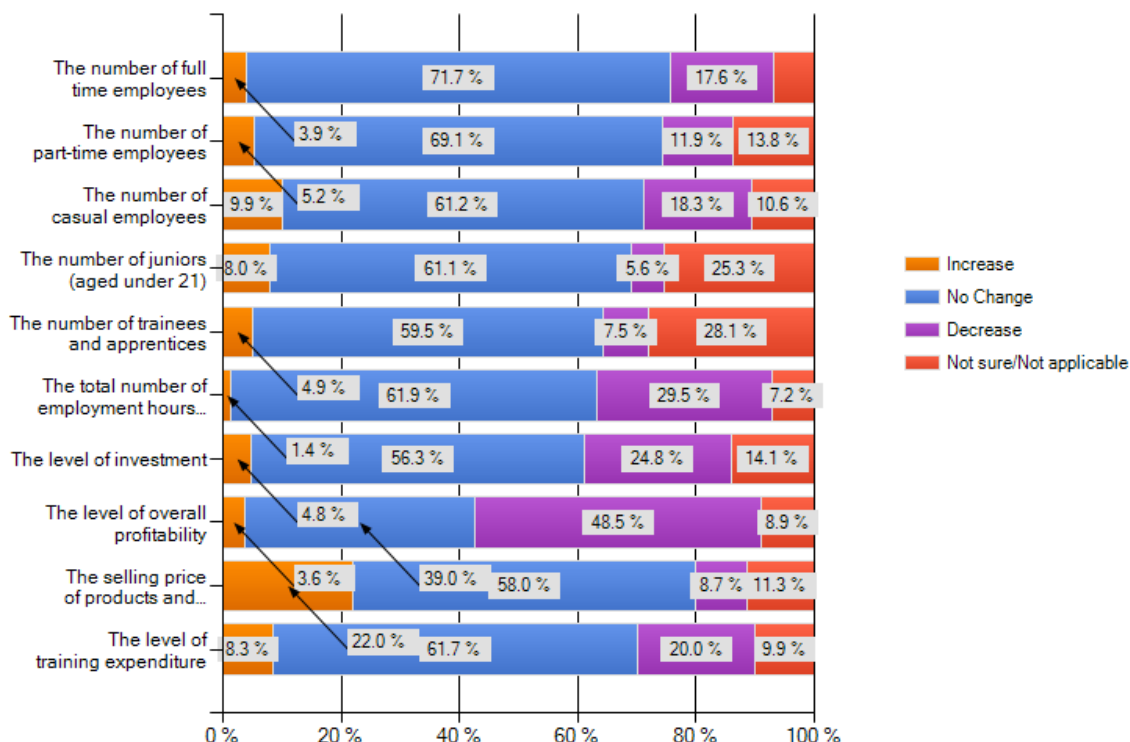
Impact of the 2012/13 AWR decision

57. Following last year's AWR decision, respondents indicated that they made a number of changes as a result of the decision (*Figure 16*), including that:

- a. the overall level of profitability was identified by respondents as the main area in which they saw a negative change as a result of the increase, with 49.4 per cent of respondents reporting a decrease;
- b. more than a fifth (20 per cent) of respondents reported a decrease in the level of training expenditure;
- c. Nearly a quarter (24.8 per cent) reported a decrease in the level of investment in their business;
- d. 18.3 per cent of respondents decreased the number of casual employees, 11.9 per cent reduced the number of part-time employees and 17.6 per cent reduced the number of full-time employees in their businesses;
- e. just under a third of respondents reported a decrease in the total number of employment hours offered to employees.

FIGURE 16

Last year, the FWC made the decision to grant a 2.6 per cent increase per week to the national minimum wage and to all adult wage rates in modern awards from the first pay period on or after 1 July 2013. Did this increase lead to changes in any of the following in your business?



Source: CCIQ 2013/14 Annual Wage Review Survey

58. Importantly, for full-time, part-time and casual employees, the majority of employers reported no change in the overall number of employees, with only 3.9 per cent of respondents indicating that they had increased the number of full-time employees, and 5.2 per cent taking on more part-time employees. Just under ten per cent hired more casual employees following the last AWR decision, which accords with the conclusion that employers are trying to reduce their fixed wage costs. It is apparent that employers will seek to reduce costs, including capital expenditure and training costs, or accept lower levels of profitability in their business before reducing staff hours or overall staff levels.

“Staff numbers are now reduced during quiet periods. Prior to the increase, staff remained on shift and were given additional tasks and training to ‘fill the time’ during these periods.”

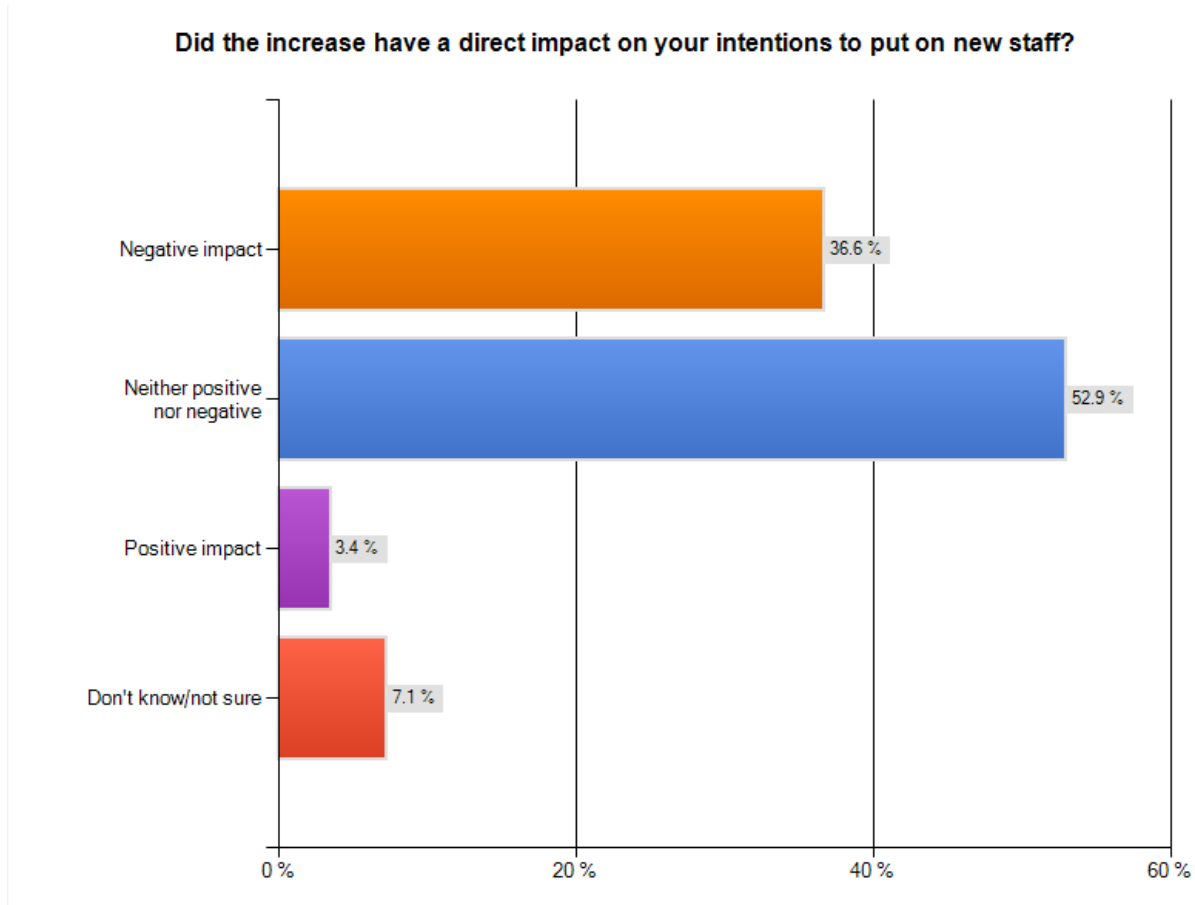
Survey respondent

“As a travel agency, we have little or no control of our selling price which is governed by service operators, i.e. cruise lines and airlines. As we work solely on commission, wage increases directly impact the number of staff we can afford to pay.”

Survey respondent

59. These results reinforce the negative correlation between wage costs and employment levels, and are consistent with Pulse data that employers remain cautious in their decision-making. This is reinforced by respondents’ responses with respect to their future hiring intentions: 37.4 per cent of respondents said that the 2012/13 increase had a negative impact on their intentions to put on new staff (Figure 17).

FIGURE 17



Source: CCIQ 2013/14 Annual Wage Review Survey

“With costs continually rising and with conditions of employment becoming increasingly restrictive, our intention is to further reduce our exposure/risk with employees. We once employed 140 staff and are now down to 45.”

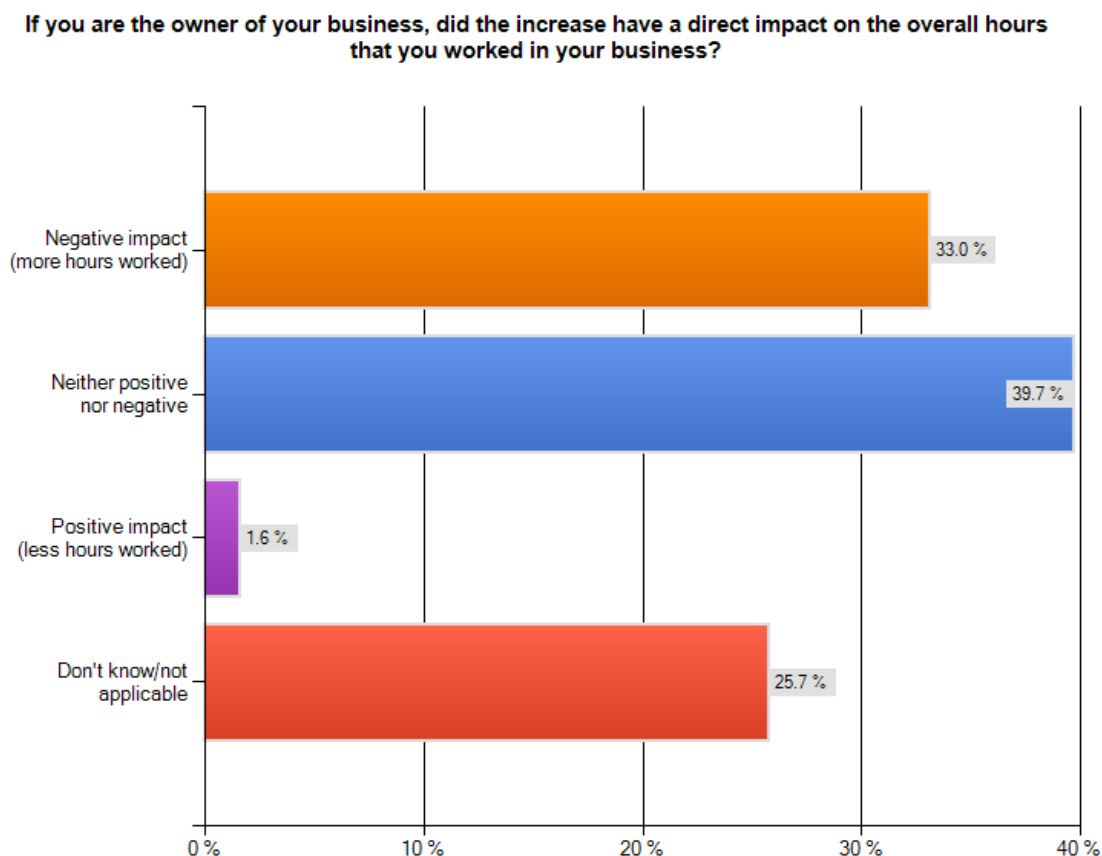
Survey respondent

“At times, we could certainly afford to employ extra staff, but unfortunately, cannot afford to employ any more at this time.”

Survey respondent

60. Additionally, a third of respondents (33.3 per cent) indicated that the increase had a direct impact on the overall hours that they worked in their business, suggesting that business owners and managers are spending an increasing amount of time ‘on tools’ to save on wage costs – rather than hiring new employees (Figure 18).

FIGURE 18



Source: CCIQ 2013/14 Annual Wage Review Survey

“The family definitely works more hours to pick up the slack of employees whom we had to let go. My husband works seven days a week and at least ten hours a day in our business, including on public holidays.”

Survey respondent

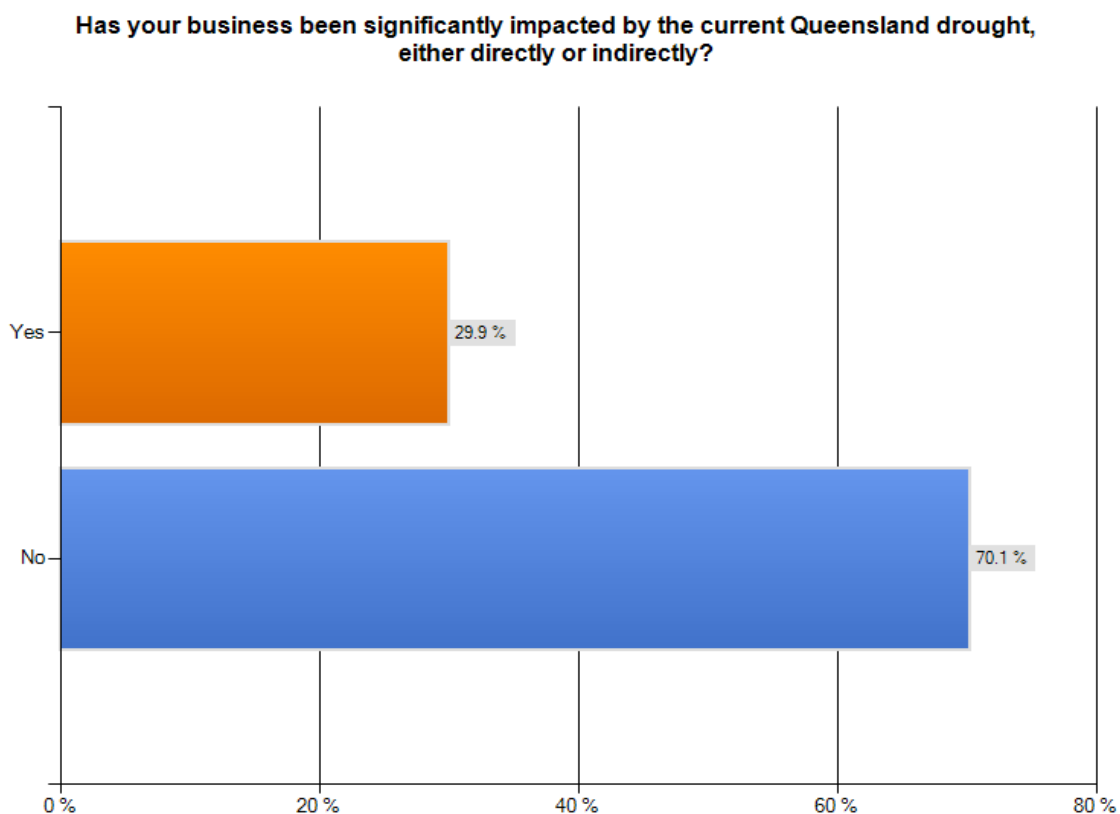
CAPACITY OF EMPLOYERS TO ABSORB ANOTHER INCREASE

Queensland drought

61. CCIQ submits that there is a strong case for the Commission to exempt Queensland agriculture businesses, and businesses in the agriculture supply chain, from any AWR increase in 2013/2014. 33 Local Government Areas are currently drought declared by the Queensland Government and a Drought Relief Assistance Scheme is in place and can be accessed by primary producers in drought declared area. The Commonwealth Government has also announced a drought assistance package worth \$320 million to support those farm businesses, farming families and rural communities facing hardship brought on by drought. An Interim Farm Household Assistance Allowance is also available through the Australian Government to help farm families experiencing financial hardship to meet basic household needs and improve long term financial security.

62. These arrangements do not, however, assist those businesses in the agriculture supply chain that are necessarily affected by a decline in farming conditions. Nearly a third (30.1 per cent) of respondents to the CCIQ AWR survey said that their business had been significantly impacted by the current Queensland drought, either directly or indirectly (*Figure 19*).

FIGURE 19



Source: CCIQ 2013/14 Annual Wage Review Survey

“We do a lot of work in the rural communities and during the drought, farmers and all the associated businesses minimise operating costs. Basically, if there is no rain, we lose a lot of work.”

Survey respondent

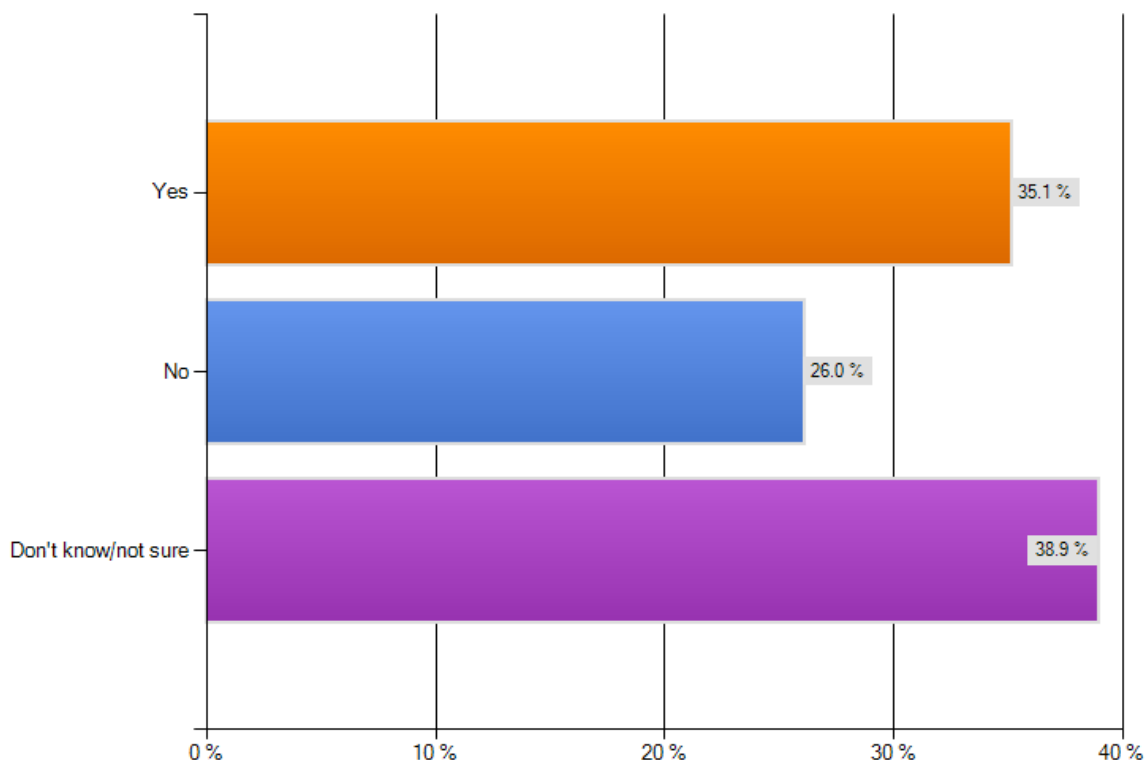
“We lost 50 per cent of our crop this year, which means a 50 per cent loss of income. We can’t tighten our belts much further, and unfortunately we’ve had to let quite a few of our regular staff go.”

Survey respondent

63. 36 per cent of respondents considered that Queensland businesses that have been significantly affected by the current Queensland drought should be provided with special treatment in respect to an increase in the NMW and award wages (*Figure 20*).

FIGURE 20

Should those Queensland businesses who have been significantly affected by the current Queensland drought be provided with special treatment in respect to an increase in the national minimum wage?



Source: CCIQ 2013/14 Annual Wage Review Survey

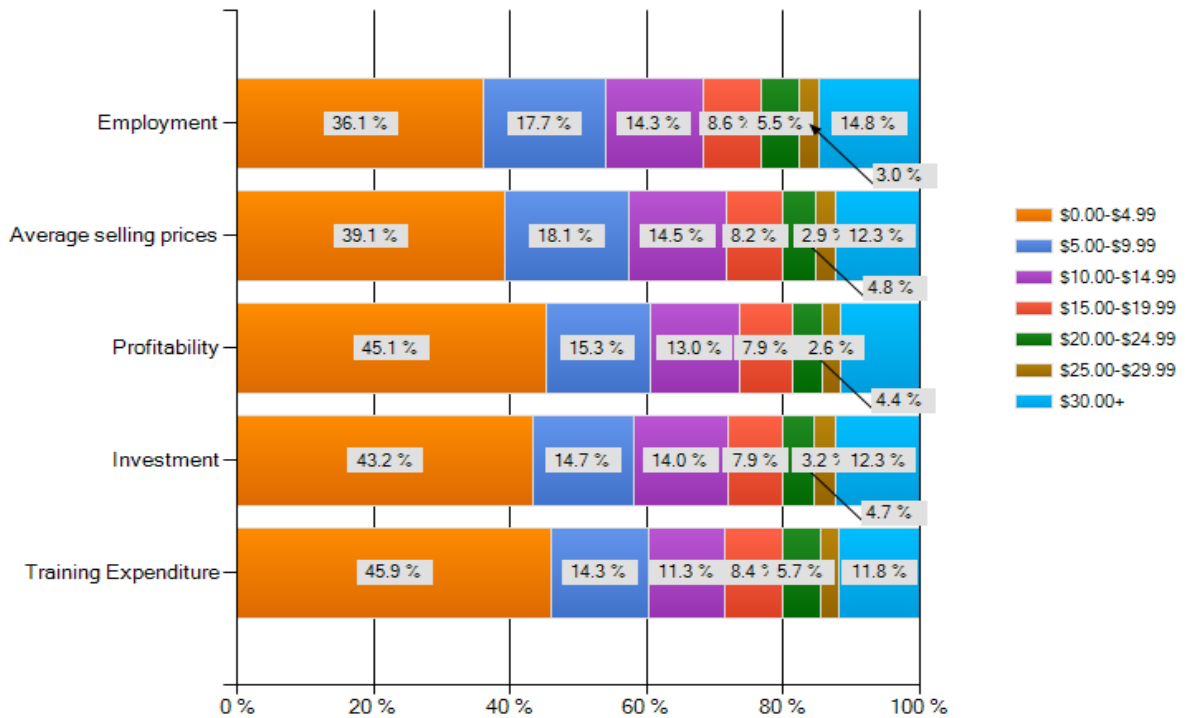
64. With respect to the kind of special treatment affected businesses should receive, respondents’ answers highlighted the possibilities for ‘special treatment’ for businesses affected by the Queensland drought. These included:
- a. an exemption from an increase to wage rates for employees under relevant awards to ensure that farm and supply chain businesses can continue to operate and see through current difficulties;
 - b. flexibility to negotiate directly with employees without fear of vexatious claims by some workers who think they have entitlements to harass their employers;
 - c. a rebate package, tax allowance or subsidy to enable businesses to maintain staff levels and alleviate cash flow pressures of wages and related expenditure; and
 - d. government assistance to pay wages.

CCIQ AWR Survey results – employer capacity to afford another increase

65. It is imperative that the Panel’s decision this year recognises that small and medium businesses continue to have limited capacity to absorb another increase to the minimum wage and award rates. The CCIQ AWR Survey asked respondents to indicate the point at which an increase in the weekly minimum wage from 1 July 2014 will have a negative impact on the following aspects of their business (Figure 21).

FIGURE 21

Please indicate the point at which an increase in the weekly minimum wage from 1 July 2014 will have a negative impact on the following aspects of your business:



Source: CCIQ 2013/14 Annual Wage Review Survey

66. The results showed that respondents considered that any increase would have a negative impact on most aspects of their business. This reflects the ongoing fragility of business confidence, and the effect of consecutive increase to the NMW on business operations. If the NMW and modern award rates were increased by \$0.00-\$4.99 per week:

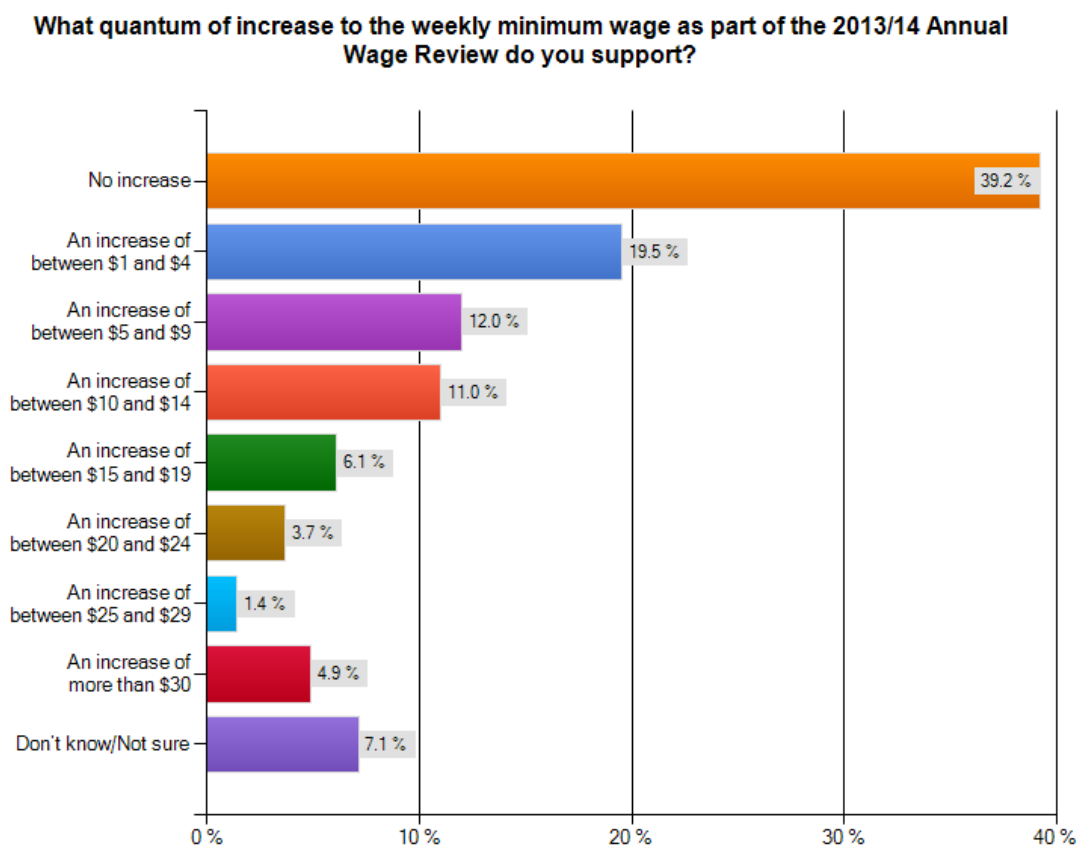
- a. With respect to employment, more than a third (36.2 per cent) believed this would have a negative impact;
- b. 46.1 per cent of respondents said that training expenditure would be negatively impacted;
- c. 39 per cent of respondents said that selling prices would be negatively impacted;
- d. Nearly (45.83 per cent) of respondents indicated that a wage increase of \$0.00-\$4.99 would have a negative impact on profitability. This is consistent with respondents' answers to how the 2012/13 AWR increase significantly affected overall profitability; and
- e. 43.3 per cent thought that investment would be negatively impacted.

67. The survey asked respondents to identify what financial impact an increase of \$10 per week in 2013/14 would have on their businesses. Responses highlighted the immediate and ongoing practical consequences of a \$10 wage increase, including:

- a. A significant increase in wages that would thus increase employment on-costs, including payroll tax, superannuation and workers' compensation;
- b. Reduction in overall staff hours and a freeze on hiring new staff. This was the case for a range of different businesses, including manufacturers seeking to compete with cheap imports;
- c. A necessary increase in fees where organisations have reduced flexibility to reduce staffing numbers, such as child care centres, where staffing numbers are mandated by law;
- d. government funded organisations stated that as they are not able to increase fees for services when wages go up, any increase in wages result in cuts elsewhere in the organisation;
- e. A number of businesses that identified as being in the building and construction industry noted that hourly service fees would need to increase, reducing their ongoing capacity to compete with larger businesses; and
- f. Those businesses that indicated they were not award reliant indicated that even in the absence of a requirement to pass on the AWR increase, they felt pressure from their workforce to do so.

68. The majority (39.2 per cent) supported no increase to wages as part of the 2013/14 AWR (*Figure 22*). This view must be placed in context; that is, as has been noted, there have been four consecutive increases to the NMW and modern award rates since 2010 that have outstripped inflation and productivity increases. For those respondents that supported an increase, the majority of support was for an increase of between \$1 and \$4 (19.5 per cent); an increase of between \$5 and \$9 (12 per cent); and an increase of between \$10 and \$14 per week (11 per cent).

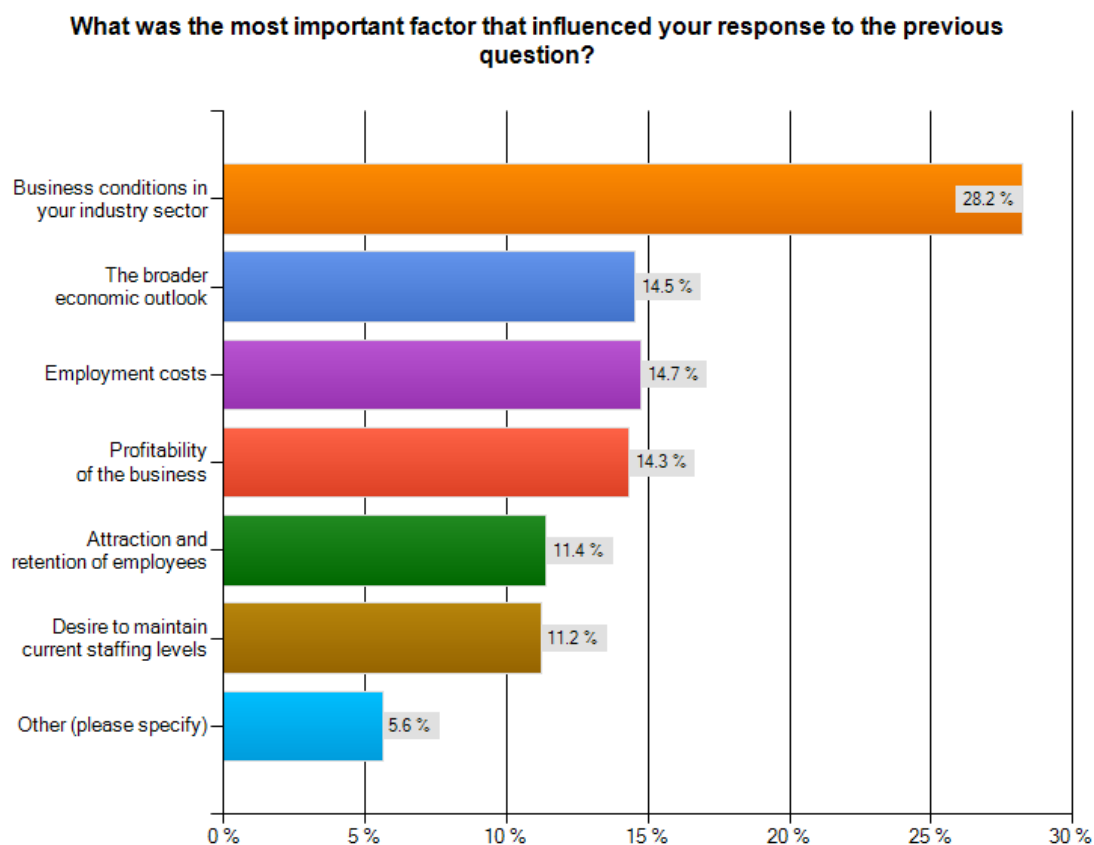
FIGURE 22



Source: CCIQ 2013/14 Annual Wage Review Survey

69. With respect to the most important factor that influenced respondents’ answers to the previous question about the quantum of increase they supported (*Figure 23*), the majority (28.2 per cent) stated that ‘business conditions in your industry sector’. Other responses were employment costs (14.7 per cent), the broader economic outlook (14.5 per cent) profitability of the business (14.3 per cent), attraction and retention of employees (11.4 per cent), and desire to maintain current staffing levels (11.2 per cent).

FIGURE 23



Source: CCIQ 2013/14 Annual Wage Review Survey

70. The fact that the majority of respondents identified industry specific business conditions as *the* most important factor influencing the wage increase that they supported highlights the fact that increases to the minimum wage are made regardless of employer capacity to pay. While some industries or businesses may be well placed, or better placed, to pay the wage increase, others are clearly not. While other employer organisations will make representations with respect to specific industries and modern awards, this highlights the problematic nature of varying all modern award wages as part of the AWR process, despite the absence of a statutory requirement to do so.

CONCLUSION

71. CCIQ considers that in light of this submission, and those made by other employer organisations, there is a clear case for the Panel to make only a modest increase to the NMW and modern award wages. Accordingly, we submit that an increase of \$8.50 per week, or 1.3 per cent of the NMW, is an appropriate increase that is, all things considered, fair and affordable.

72. CCIQ also respectfully observes that the AWR process remains inappropriately geared to give effect to imperative to acknowledge the special needs of small and medium business, and the

impacts of excessive AWR increases on their ongoing profitability and viability. The process must enable greater consideration of employer capacity to pay at the firm level.