



Australian Business
Industrial

SUBMISSIONS

Re: Annual Wage Review 2013-14
Fair Work Commission

140 Arthur Street
North Sydney NSW 2060

1. ABOUT ABI

- 1.1 ABI is registered under the *Fair Work (Registered Organisations) Act 2012* as an organisation of employers. ABI is the successor of the former Chamber of Manufactures of New South Wales.
- 1.2 ABI members are also members of the New South Wales Business Chamber and ABI is the industrial policy and representative affiliate of the New South Wales Business Chamber.

2. POSITION

- 2.1 Australian Business Industrial (ABI) recommends that the Minimum Wage Panel of the Fair Work Commission (MWP) increase the National Minimum Wage and award wages for 2014-15 by no more than a uniform 1.3 per cent (which equates to \$8.09 per week for the National Minimum Wage). This recommendation is based on the implications of changes in economic conditions.

3. KEY CONSIDERATIONS

- 3.1 ABI supports the economic and other analyses contained in the submission of the Australian Chamber of Commerce and Industry (ACCI).
- 3.2 The economy has performed poorly over the past twelve months. The latest data shows 2.8 per cent growth in gross domestic product (GDP) in the year to December 2013. In comparison, the data available prior to the Panel's last showed GDP growth of 3.1 per cent in the year to December 2012.
- 3.3 There is some indication that growth will improve over the next 12 months, but the transition remains fragile. Business investment outside the mining sector remains weak and growth is largely being driven by improved export performance that is vulnerable to fluctuations in the exchange rate, and the performance of key trading partners.
- 3.4 Weak output growth, and change in the structure away from more labour intensive industries such as construction, has driven a continued deterioration in labour market conditions. Prior to the Panel's last decision the most recent data indicated an unemployment rate of 5.5 per cent in April 2013. This has risen to 6 per cent in February 2014 and is generally expected to move even higher in the near future.
- 3.5 These conditions provide very little capacity to support wage growth, which is clearly shown by the collapse of the Wage Price Index to the lowest levels since the series began in 1997.
- 3.6 While inflation is slightly higher than it was when the Panel made its last decision, increasing wages more rapidly to ensure that the Panel continues to award a real wage increase would be a mistake in the current economic environment.
- 3.7 Labour productivity growth has fallen, but remains higher than it has been for much of the past decade. However, higher labour productivity should not always translate into an equivalent increase in wages, as the international decline in labour share of income demonstrates. The relationship between higher labour productivity and wages is poorly understood, but it very much depends on the reasons why productivity has improved.

Recent improvements in Australian labour productivity appear likely to have been driven by improvements in mining production, as well as a softening labour market leading employees to work harder to maintain their jobs, and to less productive employees leaving the labour force. These circumstances provide very little support for higher wages.

- 3.8 The Panel's approach to considering relative living standards and needs may have led it to an unnecessarily pessimistic conclusion about the circumstances of the low paid. Many award reliant workers are not low paid, and many workers that have relatively low hourly rates are better off when their living standards are compared to others at the household level.
- 3.9 Additionally, the Panel should give further consideration to the incomes of small business owners, as the wages of an employer are immensely relevant to what society would consider fair pay for those that they employ. As such, it is a significant concern that census data shows that employing and non-employing small business owners in award-reliant industries often earn less income than employees – despite working longer hours, having more experience and making significant capital investments.
- 3.10 The maintenance of carbon tax compensation, and the likely increase in the superannuation guarantee should also factor significantly in the Panel's decision.

4. IMPLEMENTING THE RECOMMENDED INCREASE

- 4.1 ABI has recommended that the increase from the MWP's 2012-13 annual wage review be no more than 1.3% ("the adopted increase").
- 4.2 ABI is also recommending that that the adopted increase be awarded as a percentage increase to be applied to award wages. Nothing has occurred since the last MWP decision to mean that a percentage increase is not consistent with the Minimum Wages Objective. For robust clarity ABI also submits that nothing has occurred since the MWP's last decision which would mean that the approaches adopted to the various special wages (such as the Special National Minimum Wages) are no longer consistent with the Panel's obligations or statutory constraints.
- 4.3 For the purposes of the National Minimum Wage Order a 1.3% increase represents an increase of \$8.09 per week to the adult minimum wage with standard rounding adopted.
- 4.4 For the purposes of the remaining components of the National Minimum Wage Order ABI recommends that:
- 4.4.1 The casual loading be increased by 1% to 25%;
 - 4.4.2 Rates in the junior rates pay scale be increased by the same the percentage as the adopted increase;
 - 4.4.3 Rates for employees undertaking non-apprenticeship based training are increased by the same percentage as the adopted increase;
 - 4.4.4 Rates for employees (both adult and non-adult) undertaking an apprenticeship rates are increased by the same percentage as the adopted increase;
 - 4.4.5 Rates for employees with a disability whose productivity is not affected be increased by the same percentage as the adopted increase;

- 4.4.6 Rates for employees with a disability whose productivity is not affected be increased by the same percentage as the adopted increase but the minimum rate be adjusted in the same way as the minimum rate in the Supported Wages System when the new rate becomes available.
- 4.5 For the purposes of awards ABI recommends that:
 - 4.5.1 Classification rates be increased by the same percentage as the adopted increase.
 - 4.5.2 National Training Wage schedules be increased by the application of the percentage of the adopted increase applied to each cell.
 - 4.5.3 Supported Wages System schedules, except for the minimum rate in the schedules, be increased by the application of the percentage of the adopted increase. The minimum rate be increased to the new amount set as the income free threshold for the Disability Support Pension when that is announced In June.
- 4.6 In the area of allowances the Commission has made a practice of issuing drafts of the changes to allowances and draft orders, and providing for comment. This is very helpful to assist consistent understanding of the increases and reducing the likelihood for misunderstandings. ABI both thanks the Commission for undertaking this task and remains a strong supporter of it continuing.

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