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QUEENSLAND GOVERNMENT SUBMISSION TO THE FAIR WORK COMMISSION

Annual Wage Review 2023-24

March 2024

Queensland Government

Contents

Introduction

Queensland referred its remaining private sector industrial relations jurisdiction to the Commonwealth for inclusion under the *Fair Work Act 2009* (FW Act) in the national workplace relations system on 1 January 2010. Because of the referral, Queensland's private sector workforce is subject to the national Fair Work jurisdiction, while Queensland's public sector and local government sectors remain within the State's industrial relations jurisdiction.

The submission that follows provides Queensland's perspective on the current economic and social factors relevant to Queensland's award-reliant private sector workforce for the Panel's consideration in its review of the National Minimum Wage (NMW) and national modern award minimum wages.

The Queensland submission notes that the object of the FW Act (at Section 3) is to:

> *'…provide a balanced framework for cooperative and productive workplace relations that provide national prosperity and social inclusion by …(b) ensuring a guaranteed safety net of fair, relevant and enforceable minimum wages…; (f) achieving productivity and fairness through and emphasis on enterprise-level collective bargaining.'*

Queensland notes, since 2010, there has been a consistent increase in the proportion of private sector employees who rely on national modern awards for their actual rate of pay. In 2010, 17.2%[1] of Queensland employees were national modern award reliant. This proportion increased to 21.2%[2] by 2021 and to 24.1%[3] by 2023. By extension, this places even greater emphasis on the Panel's consideration of minimum wage and national modern award increases that are fair in the context of improved living standards for all private sector workers.

This submission also notes the concerning decline in the number of private sector agreements and private sector employee coverage under collective bargaining over the past five years. Noting this continued decline in private sector agreements, the Queensland submission considers that the 2023–24 Annual Wage Review (AWR) outcome must balance the provision of a safety net of fair wages for workers who have not benefited from collective bargaining, with not becoming a disincentive for collective bargaining at the enterprise-level.

In determining the level of increase, a broad range of indicators relevant to award-reliant private sector employment should be considered. These include inflation, employment, wage growth, business profits and conditions, productivity growth, relative living standards and the needs of the low paid.

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[1] Based on ABS Employee Earnings and Hours, reference period May 2010.
[2] Based on ABS Employee Earnings and Hours, reference period May 2021.
[3] Based on ABS Employee Earnings and Hours, reference period May 2023.

Queensland submits that there are factors which distinguish the national and State industrial jurisdictions in relation to minimum wage determinations. Workers impacted by the AWR have experienced low wage rate outcomes over the past decades. Until the recent *Fair Work Legislation Amendment (Secure Jobs, Better Pay) Bill 2022,* some workers have had no or extremely limited opportunity to secure wage increase through enterprise bargaining. When compared to the State jurisdiction where 98.2% of employees within the Queensland jurisdiction actively participate in collective bargaining, and with only 1.8% of all employees being award-reliant, the current situation places even greater emphasis on the Panel's consideration of minimum wage and national modern award increases that are fair in the context of improved living standards for all private sector award-reliant workers.

Additionally, as noted in previous AWR decisions of the Expert Panel, including in the 2021-22[4] and last year's[5] decisions, female workers continue to be more likely than male workers to be reliant upon the NMW and national modern award rates of pay, and those on these minimum rates are more likely to be low paid. On this basis, it is argued that raising the NMW and national modern award minimum wages will help promote gender pay equity.

Consistent with the principles and considerations outlined in this submission and based on data available at the time of this submission, Queensland supports an increase to the NMW and minimum national modern award rates for private sector award-reliant workers that is fair and reasonable, taking into consideration the inflation outlook, employment impacts on low-paid, award-reliant private sector workers, and cost of living pressures with an effective date from 1 July 2024.

Legislative parameters

Queensland submits that the objects of the FW Act[6] and the objectives of national modern awards[7] and minimum wages[8] require the FWC to balance economic and social issues as well as to take account of the needs of low paid workers within the national fair work jurisdiction, amongst other factors to maintain a safety net of fair minimum wages. Queensland submits that this requirement signifies a focus on social factors being as important as economic factors in the creation of a fair safety net.

These objectives taken together imply that when determining the safety net of fair minimum wages, the Panel is bound to ensure a wage outcome consistent with strong economic performance, while at the same time providing a fair and relevant minimum wage safety net that ensures a decent standard of living for full-time adult employees and that those with limited access to bargaining are not left behind. This is particularly important for low-paid workers who rely on the AWR for an annual wage increase.

[4] FWC Decision Annual Wage Review 2021–22 (C2022/1) para 87.
[5] FWC Decision Annual Wage Review 2022-23 (C2023/1), para 166
[6] *Fair Work Act 2009* (Cth) s 3.
[7] *Fair Work Act 2009* (Cth) s 134.
[8] *Fair Work Act 2009* (Cth) s 284.

In this context, Queensland notes that the minimum wages objective requires the FWC to consider relative living standards and the needs of the low paid within the national fair work jurisdiction, the principle of equal remuneration for equal work, the promotion of social inclusion through increased workforce participation, the provision of a comprehensive range of fair minimum wages for certain junior employees and those with a disability as well as the performance and competitiveness of the national economy.[9]

Number of Queensland employees subject to the NMW and national modern award rates

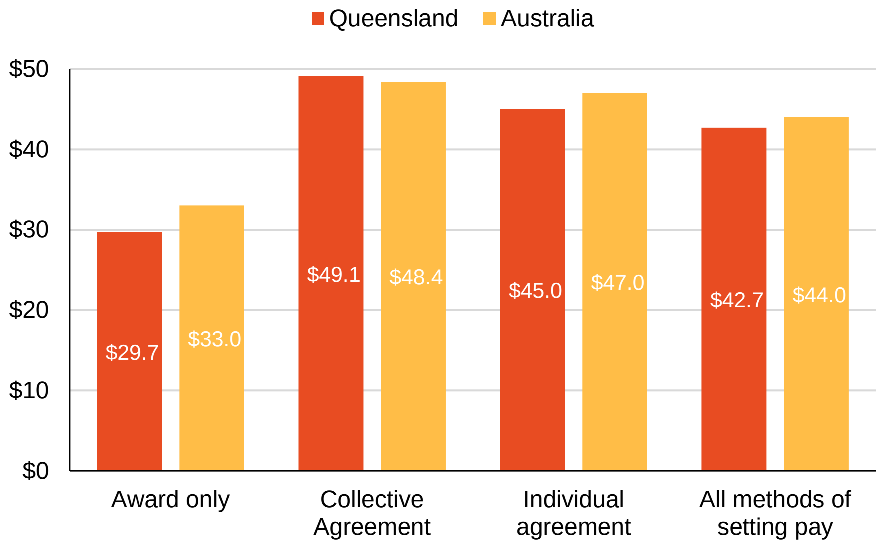
Award-reliant workers are particularly dependent on pay increases determined by the FWC to meet their everyday living costs. The AWR plays a critical role in sustaining the financial wellbeing of many Australian workers, particularly those in lower paid classifications where rates of pay may be only marginally higher than the NMW.

The most recent figures of national modern award dependency are from May 2023[10]. At that time, of the 11,641,400 non-managerial employees in Australia, 2,915,300 or 25.0% were national modern award reliant. Queensland had a marginally higher proportion of private sector national modern award-reliant employees, i.e., of an estimated 2,344,200 non-managerial employees, 604,200 or 25.8% were national modern award reliant. The proportion for Queensland was the third highest of all states and territories after Tasmania and New South Wales.

Significantly, Queensland's national modern award-reliant non-managerial employees were paid $741.40 per week on average (second lowest of all states and territories) compared to the national average at $861.70 per week. Chart 1 shows award only employees earn significantly less on average (based on average weekly total cash earnings) than employees working under other pay setting arrangements. Furthermore, as shown in Chart 1, Queensland's modern award-reliant non-managerial employees received an average of $29.70 per hour, which is below the national average of $33.00.

[9] *Fair Work Act 2009* (Cth) s 284(1).
[10] Based on ABS Employee Earnings and Hours, reference period May 2023.

Chart 1: Average hourly cash earnings by method of setting pay, May 2023



Source: ABS Employee Earnings and Hours, reference period May 2023.

These figures reinforce the important role the AWR plays in protecting Australia's most vulnerable workers. Given Queensland's proportion of national modern award-reliant employees, and that Queensland's national modern award-reliant employees also have one of the lowest rates of pay on average in absolute and relative terms compared with other states, the relationship between national modern award reliance and low pay is particularly significant to Queensland employees and with regard to the setting of fair minimum rates of pay.

Characteristics of Queensland employees subject to the NMW and national modern award rates

Of Queensland's national modern award-reliant employees, 123,900 are full-time (non-managerial) employees paid at the adult rate. This represents 9.7% of all full-time (non-managerial) employees in Queensland paid at the adult rate.[11]

Queensland accepts the Panel's position 'that adult national modern award-reliant employees who receive a rate of pay that (as a full-time equivalent) is below two-thirds of median (adult) ordinary time earnings prove a suitable and operational benchmark for identifying who is low paid.'[12]

Queensland also accepts the Panel's view that 'the information as a whole suggests that a sizeable proportion—probably a majority—of employees who are national modern award-reliant are also low paid by reference to the two-thirds of median weekly earnings benchmark'.[13] Therefore the minimum wage and national modern award objectives pertaining to relative living standards and the needs of the low paid are particularly relevant to this group. It is important that such a significant group of full-time employees are

[11] Ibid.
[12] FWC Decision Annual Wage Review 2015–16 (C2016/1) para 449.
[13] Ibid.

provided with a living wage.

Table 1 below shows employment by industry and the proportion of employees who are female in each industry (as at December 2023) along with the proportion of national modern award-reliant non-managerial employees by industry (as at May 2023). The largest proportions of national modern award-reliant (non-managerial) workers are found in ‘Accommodation and food services’ (60.4%, 540,300 workers), ‘Administrative and support services’ (38.2%, 163,600 workers), ‘Retail trade’ (33.9%, 448,300 workers), ‘Health care and social assistance’ (33.6%, 750,300 workers) industries and ‘Arts and recreation’ (31.8%, 90,400 workers). These industries are also characterised by high levels of female participation: 53.9%, 53.1%, 53.9%, 77.2% and 47.9% respectively.[14]

These industries account for 36.1% of total employment. Given that these industries are disproportionately national modern award-reliant, and therefore lower paid and highly feminised, an increase in minimum wages will promote gender pay equity.

Table 1: Employees by Industry (Australia)

Industry	Number of Employees[a] (000s)	Proportion of female Employees[a] (%)	Proportion of National modern award-reliant Employees[b] (%)
Mining	299.4	21.4	2.4
Finance and insurance services	566.6	46.8	3.2
Electricity, gas, water and waste services	162.5	25.5	4.6
Education and training	1,233.4	72.6	7.1
Professional, scientific and technical services	1,321.2	41.5	8.5
Information media and telecommunications	188.5	39.3	8.7
Wholesale trade	377.8	34.3	12.6
Transport, postal and warehousing	754.8	23.0	12.9
Construction	1,350.5	14.1	14.0
Public administration and safety	931.0	50.8	14.3
Rental, hiring and real estate services	200.6	47.0	17.0
Manufacturing	933.5	28.9	17.3
Other services	532.3	41.5	27.5
Arts and recreation services	284.0	47.9	31.8
Health care and social assistance	2,235.7	77.2	33.6
Retail trade	1,321.5	53.9	33.9
Administrative and support services	428.4	53.1	38.2
Accommodation and food services	894.4	53.9	60.4
Total	**14,325.3**	**47.6**	**23.2**

Source: a. ABS Labour Force, Detailed, reference period Dec 2023.
b. ABS Employee Earnings and Hours, reference period May 2023.

[14] ABS Labour Force, Detailed, reference period Dec 2023.

Economic factors[15]

The Australian and Queensland economic forecasts outlined in this document are the latest available, current as of the RBA's February 2024 *Statement on Monetary Policy* (SoMP) and Queensland 2023-24 Budget Update (State Budget Update, released December 2023).

National economic conditions and outlook

The RBA recently updated its economic forecasts in the February 2024 SoMP. The Australian economy has slowed over the course of 2023, similar to many other advanced economies. Overall, real GDP growth is expected to have been 2% in 2023, down from 3.9% in 2022. Real GDP growth is expected to moderate further to just 1.5% in 2024, before strengthening to 2.2% in 2025.

The near-term outlook for the global economy is clouded by a range of uncertainties. In China, economic growth could slow more than forecast due to continued weakness in the property sector and weaker-than-anticipated household consumption. In advanced economies, a key downside risk is the potential for inflation to not decline as quickly as expected, leading to more restrictive monetary policy and softer global economic growth than anticipated. It also remains uncertain how much further the earlier tightening in monetary policy will weigh on economic activity.

Household consumption growth has been particularly weak across 2023, rising just 0.1% over the year to the December quarter, despite very strong population growth. High inflation, in addition to high interest rates and tax payable have resulted in falling real household disposable income, weighing on consumption growth. The RBA notes that real disposable incomes have been declining for around two years and this has put pressure on household budgets, with many households having responded to these pressures by curbing spending, particularly for discretionary items. However. higher household wealth, mainly due to house prices reaching new record highs, is providing some support to consumption growth. These factors are expected to result in household consumption growth strengthening to 1.7% over 2024 and 2.6% over 2025.

Dwelling investment has also been weak in the post-COVID period despite very strong house price growth and population growth accelerating. Dwelling investment fell 3.1% over the year to December quarter 2023 and is below levels that were typical prior to the pandemic. Quarterly commencements are at their lowest level in over a decade and capacity constraints have continued to limit the pace at which builders can work through the existing pipeline of residential construction, with labour shortages acute in the latter stages of

[15] Forecasts are taken from the RBA's February 2024 *Statement on Monetary Policy*.

construction. The RBA has forecast dwelling investment to continue to decline over 2024, falling 1.5% over the year before growing by 2.0% over 2025.

Business investment has increased strongly to be 8.2% higher over the year to December quarter 2023, supported by an easing in international supply chain disruptions and a large pipeline of construction work. Business investment has grown strongly in both the mining and non-mining sectors. A backlog of orders and further easing in supply chain disruptions has supported increased expenditure on machinery and equipment over recent quarters. Non-residential construction has also increased, reflecting continued progress on the still-elevated pipeline of yet-to-be-done construction work as well as investment in offshore LNG projects. Spending on software, alongside projects for automation and digitisation, has also supported growth in investment. However, growth in business investment is likely to slow, with the RBA stating that investment intentions reported by firms in the Bank's liaison program having softened over recent months. The RBA is forecasting overall business investment to grow modestly over 2024 (up 1.2%) and 2025 (up 1.8%).

Public final demand is forecast to rise by 1.1% over 2024, before strengthening to 2.8% over 2025. Public demand is expected to continue to contribute to headline growth in the near-term, supported by strong population growth, an easing in supply constraints and a large pipeline of public infrastructure projects.

The RBA expects import growth to exceed export growth in both 2024 and 2025, resulting in a detraction to headline economic growth. Exports are forecast to have grown by 5.3% over 2023, however growth is forecast to moderate to 3.1% over 2024 and 2.4% over 2025. Overseas imports are expected to rise by 3.9% over both 2024 and 2025.

Conditions in the labour market are continuing to slowly ease across a range of measures but remain tight. While the seasonally adjusted unemployment rate remains low at 3.7 per cent and employment growth robust in February 2024, other indicators of labour demand have eased over recent months, including job ads and vacancies continuing to trend lower from their 2022 highs. The RBA forecast the unemployment rate to continue to rise gradually over the next two years, rising to 4.3% in December quarter 2024 and to 4.4% in December quarter 2025, reflecting below-trend economic growth.

Tight labour market conditions have resulted in annual wage growth rising to 4.2% in December quarter 2023, the strongest result since 2009. However, consistent with expectations for a further gradual loosening in labour market conditions, annual growth in the wage price index is forecast to soften to 3.7% over 2024 and to 3.4% over 2025.

Annual headline consumer price inflation peaked at the end of 2022 at 7.8%, while annual underlying (trimmed mean) inflation also peaked in December quarter 2022 at 6.8%. Both headline and underlying annual inflation have moderated over 2023 and into early 2024, with the ABS' *Monthly CPI Indicator* showing annual headline inflation at 3.4% in January 2024, and annual trimmed mean inflation falling to 3.8%, down from peaks of 8.4% (headline) and 7.2% (trimmed mean) recorded in December 2022. Despite this moderation, services inflation remains sticky at 4.6% in December quarter 2023, consistent with the assessment that there is excess demand in the economy and strong domestic cost pressures. The RBA's latest forecasts show annual headline and trimmed mean inflation are expected to continue moderating over 2024, falling to 3.2% and 3.1%, respectively, by the end of the year, and to 2.8% by the end of 2025, just within the RBA's 2-3% target band.

There are considerable uncertainties surrounding the outlook for the domestic economy. If demand is weaker than expected, it could lead to spare capacity in the labour market and a faster decline in inflation.

The forecast decline in inflation is also a source of uncertainty. Domestic demand pressures on inflation could be more persistent than anticipated, resulting in consumers' inflation expectations rising and a longer timeframe being necessary to return inflation to the target band.

The Queensland economy[16]

The Queensland economy grew by 2.3% in 2022–23, a little above the 2023–24 Queensland Budget forecast of 2%. The strong labour market and population growth, combined with significant public investment, have supported domestic activity. Overall, the outlook for Queensland economic growth is unchanged from Budget, with gross state product forecast to grow by 3% in both 2023–24 and 2024–25.

Strong growth in labour income, a pick-up in population growth and the substantial savings accumulated during the pandemic led to real household consumption growing by 3.0% in 2022–23. However, this was below the strong 4½% per annum averaged across the 2 previous years, as households reduced discretionary spending in response to higher borrowing costs and other cost-of-living pressures. Consumption patterns that had altered during the COVID-pandemic continued to normalise throughout 2023, with a rebalancing towards spending on services appearing to have now mostly run its course.

Notwithstanding the wealth boost from the sharper and earlier than expected rebound in dwelling prices, elevated inflation and the lagged impact of higher interest rates are expected to continue to weigh on household budgets in the near-term and lead to a further slowing in real consumption growth in 2023–24. However, as inflationary pressures subside and the scheduled 'Stage 3' Federal tax cuts assist household incomes, growth in real household consumption is forecast to regain momentum in 2024–25.

Following two years of strong growth, dwelling investment in Queensland fell 6.1% in 2022–23. Residential construction activity in 2022 was constrained significantly by material and labour supply shortages, poor weather and flooding, and several construction company insolvencies. However, there are signs that

[16] Forecasts are obtained from the Queensland Government's 2023-24 Mid-Year Budget Update, December 2023.

supply constraints are beginning to ease, particularly for materials, with new and used construction in December quarter 2023 10.4% above its trough in June quarter 2022. Conversely, renovation activity, which is traditionally more discretionary in nature, has trended lower as higher interest rates impact household budgets.

Record low interest rates and substantial government stimulus drove strong increases in building approvals and lending indicators throughout 2020–21. However, given the supply constraints faced by the sector across 2021 and 2022, there remains a near-record value of residential building work in the pipeline. Supported by the continued easing of supply constraints, dwelling investment is expected to rebound in 2023–24, followed by further moderate growth in 2024–25.

Following declines in the three years to 2020–21, business investment recovered strongly in the subsequent 2 years as the economy rebounded from the COVID-19 pandemic, interest rates remained low, and the labour market strengthened. Business investment grew by 9.3% in 2021–22 and a further 5.2% in 2022–23. Over that period, strong business conditions and confidence, high commodity prices and capacity utilisation constraints all supported business investment, with these factors more than offsetting the impacts of the rapid growth in construction costs.

Modest growth in business investment is still expected in 2023–24. While construction cost growth has moderated, indicators suggest that business confidence, conditions and capacity utilisation rates have eased over the past year. Higher interest rates and the anticipated continuation of commodity price softening will also moderate the outlook.

Public final demand rose a further 4.5% in 2022–23, its eighth consecutive year of solid growth, with public final demand growth averaging 4.9% per annum over this period. Growth in public final demand is expected to remain robust in 2023–24 and 2024–25.

High prices for Queensland’s key commodity exports have boosted the nominal value of Queensland’s goods and services exports which nearly doubled in 2021–22, before rising a further 11% in 2022–23 to a record high of $144 billion. Overseas exports declined in real terms, falling by 1.7% in 2022–23, reflecting a 5.4% decline in goods exports, caused by unscheduled LNG maintenance and weather-related supply constraints impacting coal and metal export volumes. This more than offset strong growth in services exports, as they recover from the impacts of the pandemic. Overseas exports are expected to grow in 2023–24, as supply constraints previously affecting goods exports unwind and services exports continue to recover towards pre-COVID-19 levels.

Queensland’s employment grew 3.6% in 2022–23, above the Budget forecast of 3¼%. The stronger than forecast growth primarily reflected revisions to ABS civilian population estimates, which resulted in higher employment estimates. The unemployment rate averaged 3.7% in 2022–23, in line with the Budget forecasts. This was Queensland's lowest year-average unemployment rate since 2007–08 and the second lowest on record since monthly ABS *Labour Force* estimates began in 1978.

Partially reflecting stronger growth in population and domestic economic activity in 2023–24 than was forecast at Budget, and the historical ABS revisions that have been implemented since Budget, employment is now forecast to grow by 1¾% in 2023–24 and 1¼% in 2024–25. The unemployment rate is expected to increase from its record low level, as the impacts of interest rate rises are fully felt, and household consumption slows, but remain low by historical standards. The unemployment rate is forecast to average 4¼% in 2023–24 and 4½% in 2024–25.

Queensland's Wage Price Index (WPI) grew by 3.6% in 2022–23 and rose 0.9% (original) in December quarter 2023, seeing annual growth accelerate to 4.8%. Annual growth in Queensland is the highest of the states and at its highest since 2006. Wages growth is forecast to moderate in 2024–25 to 3½% as capacity constraints in the labour market begin to ease.

Similar to the national trends, annual headline inflation in Brisbane peaked in late 2022 (7.9% in September quarter 2022) but has moderated over the course of 2023 to be 4.2% as of December quarter 2023. The outlook for year-average headline inflation in 2023-24 has been upgraded from Budget to 4¼%, largely reflecting stronger services inflation and higher automotive fuel prices. However, annual headline inflation is expected to continue to moderate, in line with national trends, slowing to 3% in 2024-25.

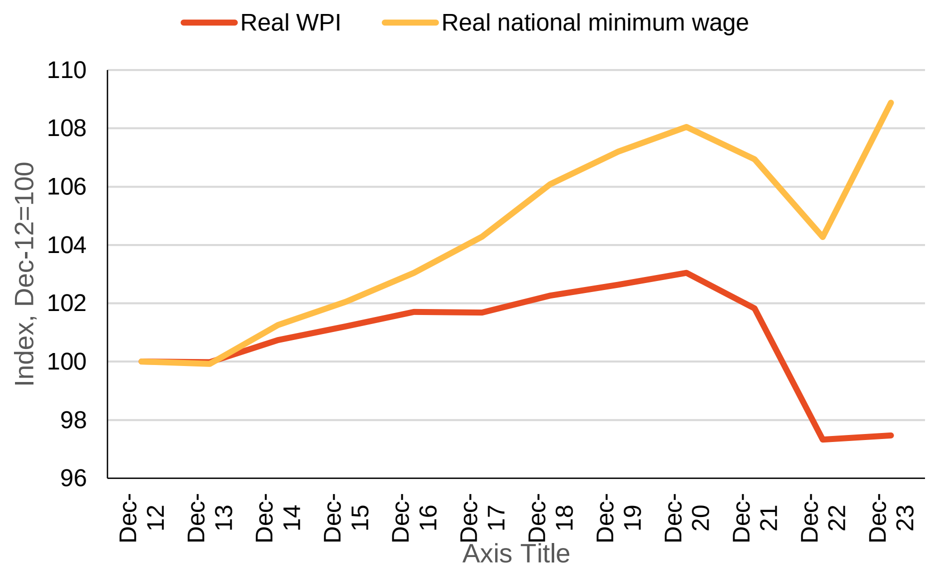
Risks to the outlook

While international supply chain disruptions have largely eased, the ongoing war in Ukraine and the conflict in the Middle East represent the major geopolitical risks to the outlook, especially in relation to key commodity prices such as oil and therefore energy costs. Recent weakness in the Chinese economy also presents a potential risk to the outlook. In addition, both at the national and international level, the combination of high inflation and monetary policy tightening pose ongoing downside risks to economic growth. While inflation rates have trended downwards and expectations are that the peak in interest rates is close, it will take some time for these risks to fully dissipate.

Economic implications of low wage growth

Australia recently experienced a sustained period of subdued wage growth, particularly in the private sector. However, wages growth has picked up in 2023 and now appears to have broadly stabilised and is forecast to decline gradually over 2024 and 2025 as labour market conditions ease. Despite the recent growth, the pace of inflation has still generally exceeded wages growth. Seasonally adjusted wage growth was 4.1% through the year to September quarter 2023, while inflation rose by 5.3% over the same period.[17, 18] The latest results from December quarter 2023 show some level of parity between annual growth in wages (4.2%) and inflation (4.1%). Despite this, higher inflation over the past few years has also contributed to a decline in both real WPI and national minimum wage since 2020 (Chart 2), although the increase in minimum wage in 2023 was stronger than inflation. Despite the boost in real national minimum wage in 2023, it is unlikely that this increase has fully offset the declines observed since 2020.

Chart 2: Real national minimum wage and wage price index, Australia, indexed at Dec-12 =100



Note: Figures for WPI, CPI and the NMW are all indexed at December 2012. Growth in WPI and CPI reflect annual growth to the December quarter. Deflated using headline consumer price index.
Source: ABS Wage Price Index, ABS Consumer Price index and Fair Work Commission decisions on National Minimum Wage.

Sustained periods of low wage growth or declining real wages have implications for the broader economy. Subdued wage growth constrains growth in household income, one of the key drivers of household consumption (which accounts for around 60% of total economic activity), with potential flow-on effects for businesses and government revenues. Additionally, the demand for government services (such as social housing) may rise if households' purchasing power is reduced by low wage growth conditions or declining real wages. Lower income households may seek to access a broader range of government services if wage growth falls behind the rate of increase in the cost of non-discretionary goods and services. This, combined with the flow-on effects for government revenues identified above, could adversely affect the government's fiscal position.

The Queensland submission notes that the AWR decision in recent years supported this view, observing the negative economic and social consequences of sustained low wages growth. As further explored

[17] ABS Wage Price Index, Australia, reference period December quarter 2023.
[18] ABS Consumer Price Index, reference period December quarter 2023.

below, the RBA has previously been vocal in its concerns about persistently low wages growth[19]and indicated there is a low risk of a wage-price spiral occurring in the high inflation environment should wages increase at a reasonable rate[20]. Recent research from International Monetary Fund supported this view showing limited evidence of any sustained episodes of wage-price spiral in Australia (and other advanced economies) over the past few decades[21]. More recently, in October 2023, the RBA Governor Michelle Bullock also noted that there are no signs of a wage-price spiral in Australia[22].

Further, the RBA has suggested that the previous low level of wages growth reflected a number of factors including spare capacity in the labour market and low inflation expectations[23]. However, the situation has recently changed, with a confluence of events leading to high inflation and tight labour market conditions, elevating risk of a wage-price spiral. However, recent evidence suggests such an outcome is highly unlikely[24] [25].

- Wage increases in EBAs (covering about 35% of employees) lodged during 2023:
  - do not seem to be reflecting higher price inflation and were flat or trending down;
  - only a small fraction (4.4%) had future wage increases linked to the CPI; and
  - 24% of EBAs provided higher wage increase on commencement than in subsequent years;
- Data on individual agreements (covering around 40% of employees) during 2023 also generally do not seem to be driving wages growth;
- Building in of price inflation to wages growth appears to have mainly occurred for employees covered by awards (only about 20% of the workforce); and
- Most medium- and long-term inflation expectations measures remain consistent with RBA's inflation target.

The employment impact of increases to minimum wages

A perennial point of contention is with the impact of minimum wage movements on the employment of low-skilled workers. Arguments around the empirical evidence regarding the impact of wage adjustments on employment have been a constant feature of national wage cases but, while it has been argued that moderate increases in real wages in the absence of offsetting productivity improvements may lead to a negative impact on employment, this has not been borne out by the evidence. Factors such as employer efforts to increase workers' productivity to justify the wages paid and incentive effects on employees and through the broader effects of a fairer system on social and economic cohesion in society as a whole are

[19] Cassidy, N. (2019). Low Wages Growth in Australia – An Overview, Address to Low Wage Growth conference, Reserve Bank of Australia, Sydney, 4–5 April 2019.
[20] Suthaharan, N and Bleakley, J (2022). Wage-price Dynamics in a High-inflation Environment: The International Evidence, Reserve Bank of Australia, Bulletin, September 2022.
[21] Alvarez, J et al. (2022).
[22] Appearance by RBA Governor Michele Bullock before the Senate Economics Legislation Committee (2023).
[23] Cassidy, N (n 17).
[24] Ross, I. (2023).
[25] Borland, J (2023).

effective in mitigating any potential dis-employment effects. Evidence from Australia shows that moderate increases to the minimum wage result in *statistically insignificant* employment impacts[26].

The employment impact of safety net adjustments to national modern award wages has been similarly well-canvassed by the FWC and its predecessors. In previous wage case decisions, the Panel has noted that a general assessment of employment data, including in more heavily national modern award-reliant sectors, has not disclosed any basis to suggest that past safety net adjustments have had any significant adverse employment effects.

In its 2016 Decision, the Panel reaffirmed its view that 'modest and regular increases in minimum wages have a small or even zero impact on employment'.[27] This sentiment was reiterated in the Panel's 2017 decision along with the statement that 'the Panel's past assessment of what constitutes a 'modest' increase may have been overly cautious, in terms of its assessed dis-employment effects'.[28] This view was confirmed by a landmark study published by the RBA in 2018 which found that there is no evidence that modest, incremental increases in national modern award wages have an adverse effect on hours worked or the job destruction rate.[29] More recently, the Panel noted in its 2021-22 AWR Decision that moderate and regular increases in minimum wages do not result in significant disemployment effects[30]. Queensland submits there is no reason to depart from this consistent set of conclusions.

Queensland further submits that these findings regarding the employment effects of wage increases should be considered in tandem with the social and individual benefits of an increase in the minimum wage and national modern award wages.

Social factors – The importance of fair wages

As mentioned previously, as at May 2023, approximately 604,200 (25.8%) of Queensland non-managerial employees relied on the national modern award system to determine their rate of pay.

Minimum and national modern award wage increases serve an important social function by directly targeting and benefiting those employees who are not able to negotiate wage increases with their employer through enterprise bargaining. This helps to ensure that those workers with little or no bargaining power are not left behind and that these workers can share in the benefits of economic prosperity, productivity growth and rising living standards through improvement to their real wages.

In the long run, growth in real wages is almost entirely driven by labour productivity growth. However, this relationship can deviate in the short term due to various reasons including relative bargaining power or economic factors such as labour force utilisation or movements in the terms of trade. In Australia, recent

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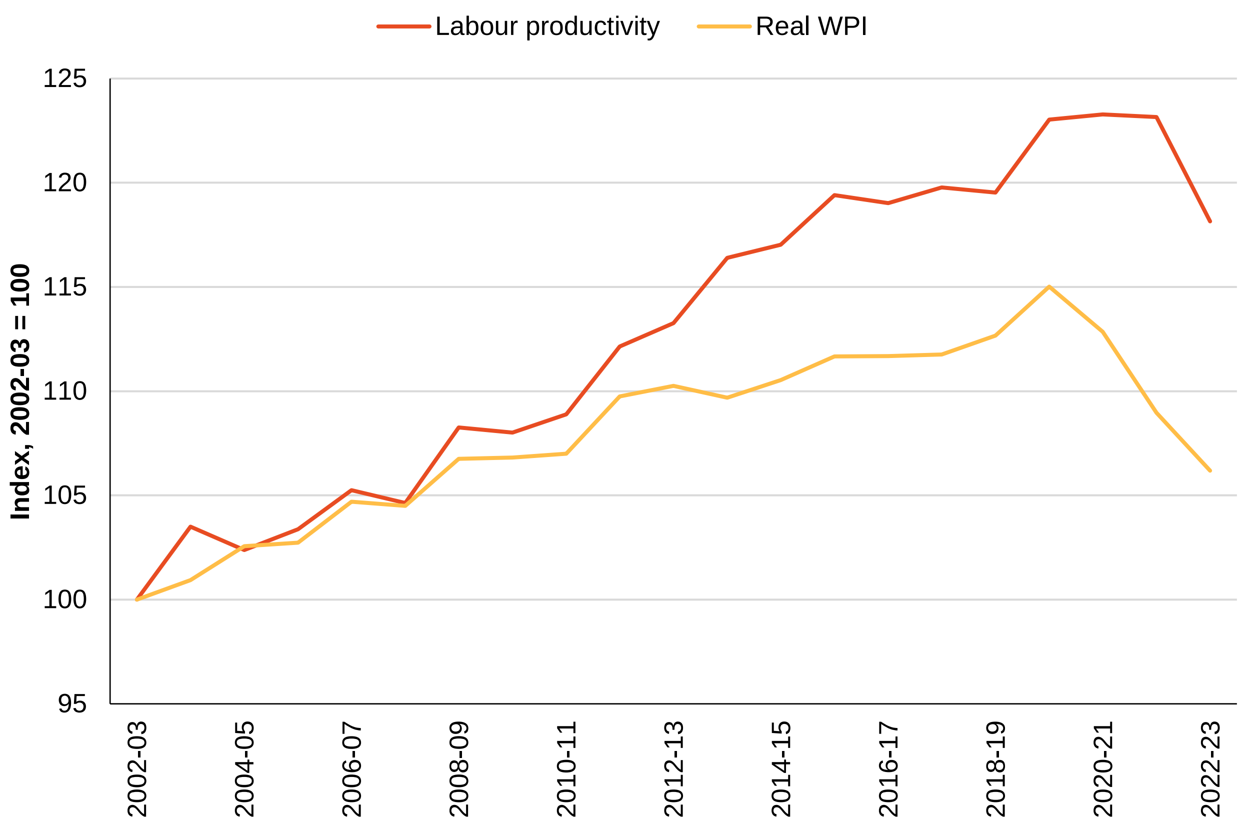
[26] Bray (2013); Productivity Commission (2015).
[27] FWC Decision Annual Wage Review 2015–16 (C2015/1) para 492.
[28] FWC Statement Annual Wage Review 2016-17 (C2017/1) para 9.
[29] Bishop J (2018), The Effect of Minimum Wage Increases on Wages, Hours Worked and Job Loss, Reserve Bank of Australia, Bulletin, September 2018.
[30] FWC Decision Annual Wage Review 2021–22 (C2022/1) para 65.

trends in labour productivity growth have been lacklustre which has further implications for real wages. Ideally, real wages would increase over time in line with productivity growth but there has been no growth in labour productivity since the 2019-20. Chart 3 shows while the decline in WPI has generally followed the decline in labour productivity, the fall in real wages has been much stronger.

It is important to note that strong productivity growth continues to be an important tool to increasing real wages, improving living standards and workers' prosperity. In this respect, the RBA has also stressed that strong wages growth in future is unlikely without a concurrent improvement in productivity[31]. Wages growth without a meaningful improvement in labour productivity can likely elevate unit labour cost with repercussions on workers and their employment.

Chart 3: Real wages and labour productivity growth, Australia, indexed at 2002-03 =100



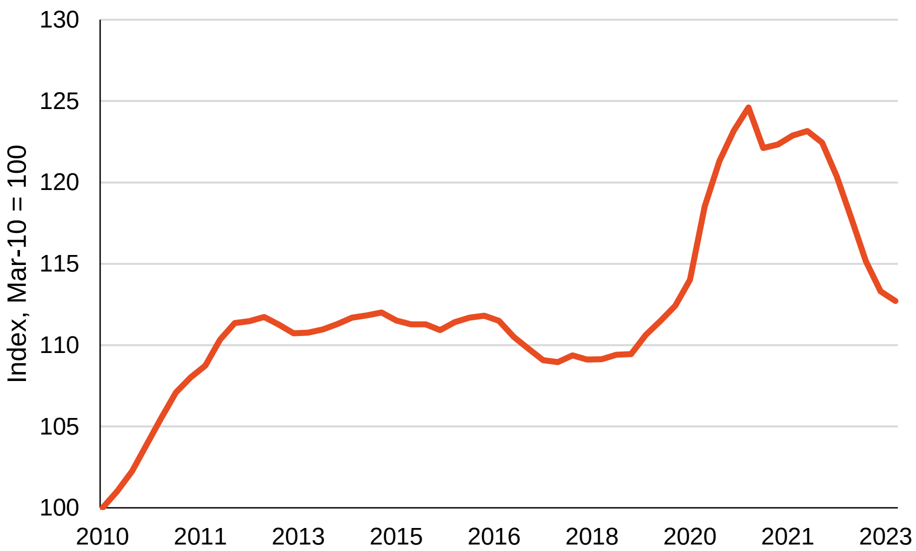
Source: ABS Wage Price Index, Australia and ABS Consumer Price Index, Australia - Australian National Accounts: National Income, Expenditure and Product. Growth in WPI, CPI and labour productivity reflect growth in the financial year.

Further, Queensland recognises that declining real wage growth has also been widely identified as a significant problem in recent years and that rising income inequality has become an issue of significant social concern. The RBA has previously argued this to be a major problem, suggesting that flat real wages are diminishing our sense of shared prosperity and the lack of real wage growth is one of the reasons why some in our community question whether they are benefiting from our economic success.[32]

[31] RBA Statement by Michelle Bullock, Governor: Monetary Policy Decision (2023).
[32] Lowe, P. (2018). Trust and Prosperity, Address to CEDA Annual Dinner, Melbourne, 20 November 2018.

In particular, the current low-wage growth environment hurts workers when inflation is high. Chart 4 shows that, since the GFC, workers have not seen a meaningful improvement in their real average earnings. Real average earnings per hour in Australia has been on a declining trend since 2020. This decline has occurred as inflation remained higher by historical standards combined with poor wages growth. It should also be noted that recent decline in real average earnings per hour is on top of stagnant growth recorded between 2012 and 2018.

Chart 4: Real average earnings per hour, Australia, indexed at Mar-10 =100



Note: Non-farm average earnings per hour (nominal) is constructed as non-farm compensation of employees divided by non-farm employee hours. Nominal metric is then deflated using headline consumer price index. Underlying data is quarterly.
Source: RBA and ABS Australian National Accounts: National Income, Expenditure and Product.

The February 2024 RBA SoMP states that inflation is expected to decline gradually through 2024 to be in the target range of 2–3% in 2025 as domestic inflationary pressures continue to dissipate. Wages are forecast to grow by around 4% over 2024, while underlying inflation is expected to slowly decline to 2.8% by December 2024. Nominal wages growth is expected to remain robust in the near term, and then decline gradually in line with the easing in the labour market.

While Chart 3 above shows lagging growth in productivity and real wages overall, national modern award-reliant workers are even worse off. There is a marked disparity between the wage outcomes for those on national modern awards compared to employees covered by collective agreements. In Queensland, in May 2023, average weekly earnings for full-time non-managerial employees paid at the adult rate covered by industrial national modern awards were $1,304.00 per week, compared to $2,209.80 for those covered by collective agreements and $1,880.80 for those covered by individual agreements[33]. The ratio of national modern award-reliant wages to the average of all wages was marginally lower (69.1%) in Queensland than the national average of 77.0%.

[33] Based on ABS Employee Earnings and Hours, reference period May 2023.

As national modern award reliance increases and bargaining coverage has started to fall off, the AWR continues to perform a vital role in responding to this marked disparity between the wage outcomes for those workers on the NMW and national modern award-reliant employees compared to those workers who receive higher rates of pay under collectively bargained agreements.

Table 2: Real and nominal increases for national modern award rates and AWOTE, 2019–2023

Wage group	Weekly rate of pay		$ increase	Nominal % increase	Real % increase
	2019	2023			
C14	740.8	$859.30	$118.50	16.00%	-0.96%
C13	762.1	$882.80	$120.70	15.84%	-1.10%
C12	791.3	$914.90	$123.60	15.62%	-1.29%
C11	818.5	$945.00	$126.50	15.46%	-1.43%
C10	862.5	$995.00	$132.50	15.36%	-1.51%
C9	889.5	$1,026.20	$136.70	15.37%	-1.50%
C8	916.6	$1,057.40	$140.80	15.36%	-1.51%
C7	941.1	$1,085.60	$144.50	15.35%	-1.51%
C6	988.8	$1,140.70	$151.90	15.36%	-1.51%
C5	1009	$1,164.10	$155.10	15.37%	-1.50%
C4	1036.1	$1,195.30	$159.20	15.37%	-1.50%
C3	1090.4	$1,257.90	$167.50	15.36%	-1.51%
C2(a)	1117.6	$1,289.30	$171.70	15.36%	-1.50%
C2(b)q1EA	1166.4	$1,345.70	$179.30	15.37%	-1.50%
AWOTE*	**$1,634.80**	**$1,838.10**	**$203.30**	**12.44%**	**-4.00%**
WPI:** **Australia** **Queensland**	 **133.5** **133.1**	 **149.2** **150.1**		 **11.76%** **12.77%**	 **-4.58%** **-4.75%**

*AWOTE based on June 2019 and June 2023.
** Wage-Price Index refers to Ordinary time hourly rates of pay excluding bonuses; December 2019 and December 2023.

Sources: ABS, *Average Weekly Earnings*; ABS, *Wage Price Index*; National modern award rates: Manufacturing and Associated Industries and Occupations National modern award 2010 and National modern award rates: Manufacturing and Associated Industries and Occupations National modern award 2020 (Effective 31/12/2023)

Table 2 shows nominal and real increases in both the Average Weekly Ordinary Time Earnings (AWOTE) and national award rates. As an example, award wage rate is shown only for workers covered under the manufacturing national modern award[34]. Between 2019 and 2023, workers on NMW and national modern award generally saw increases in their nominal wages. However, real increase in award wages declined for workers over this period. This shows that exceptionally high inflation over the recent years has eroded the purchasing power of wages earned by workers, reinforcing the need to ensure those on the NMW and national modern award-reliant employees do not suffer a fall in living standards.

[34] Manufacturing and Associated Industries and Occupations Award 2010/2020.

Given the recent trend towards increased reliance on national modern award minimum wage rates, it is incumbent upon the Panel to set rates of pay through the AWR that are 'fair and relevant' in the context of living standards and the needs of the low paid.

Enterprise Bargaining in the Private Sector

The Trends Report contains data about the number of enterprise agreements made in the federal workplace relations system. Data in the most recent Trends in Federal Enterprise Bargaining September Quarter 2023 (Trends Report) showed federal and state enterprise agreements covered 35.1%(rounded) of all Australian employees in May 2021, and the report continues to note the declining number of enterprise agreements in operation.

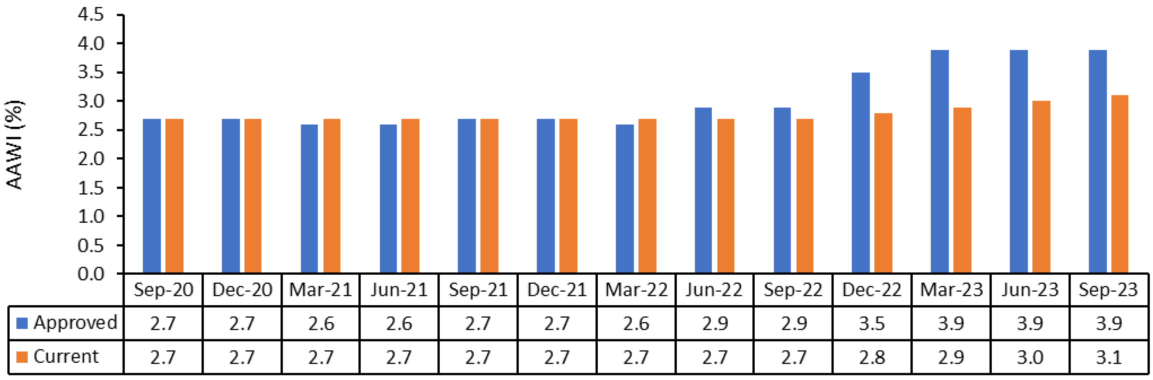
In June 2018, there were 12,832 federal enterprise agreements covering 1.96 million employees. Federal enterprise agreements covered 30.4% of all Australian employees as of May 2018 which included the public and private sectors. As of 30 September 2023, the Trends Report shows there are 9,797 current (not expired or terminated) agreements covering 1.81 million employees.

According to the latest Trends Report, while the total number of current agreements is down from 11,207 agreements as of 30 June 2023 and down from 10,966 agreements as at 30 September 2022, the September quarter 2023 employee coverage of 1.81 million is up from the 1.78 million employees covered as at 30 June 2023 and is higher than the 1.72 million employees as at 30 September 2022.

This result represents the highest number of employees covered since the March quarter 2021 which is related to increased public sector bargaining. The Trends Report confirms that employee coverage has further declined in the private sector with the number of enterprise bargaining agreements of 9,401 as at 30 September 2023 covering 1.2 million. In June 2018, there were 12,262 current agreements covering 1.28 million private sectors employees.

The Trends Reports shows that, of the current agreements, 7,480 agreements contain quantifiable wage increases. The Average Annualised Wage Increase (AAWI) for all federal enterprise agreements approved in the September quarter 2023 was 4.1%up from 3.8% in the June quarter 2023, 2.6%in the September quarter 2022 and up again from the historic low of 2.2% in the December quarter 2020. In Chart 5 the Trends Report provides an overview of the AAWI for the private sector since September 2020 to show that it is currently 3.1% for current agreements. The last three quarters March 2023, June 2023 and September 2023 have all recorded the highest AAWI of 3.9% for approved agreements.

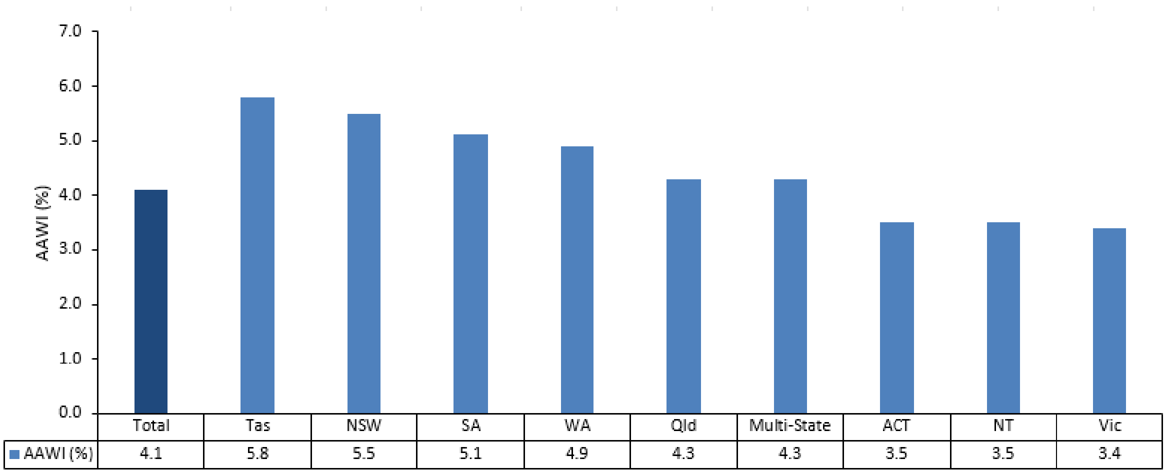
Chart 5 – Private sector AAWI – approved and current agreements – September quarter 2020 to September quarter 2023



Source: Department of Employment and Workplace Relations, Workplace Agreements Database.

Chart 6 below shows the AAWI results for approved agreements for each state and territory. Queensland has 4.3% AAWI which is above the national average total AAWI of 4.1% but equal to the 'multi-State' rate of 4.3%. Tasmania, New South Wales and South Australia are clearly leading the nation with AAWI over 5%.

Chart 6 – AAWI for approved agreements by State/Territory – September quarter 2023



Source: Department of Employment and Workplace Relations, Workplace Agreements Database.

Queensland submits that there are factors which distinguish the national and State industrial jurisdictions in relation to minimum wage determinations. The Queensland industrial relations framework supports the primacy of collective bargaining as the means for determining wages and conditions for employers, with access to assistance, and ultimately arbitration, from the Queensland Industrial Relations Commission should negotiations break down.

In addition to agreed wage outcomes, collective bargaining delivers workers a united voice to secure improved working conditions such as job security provisions, flexible working arrangements, access to training and development opportunities and collectively address productivity enhancements without trading away previously negotiated terms and conditions of employment.

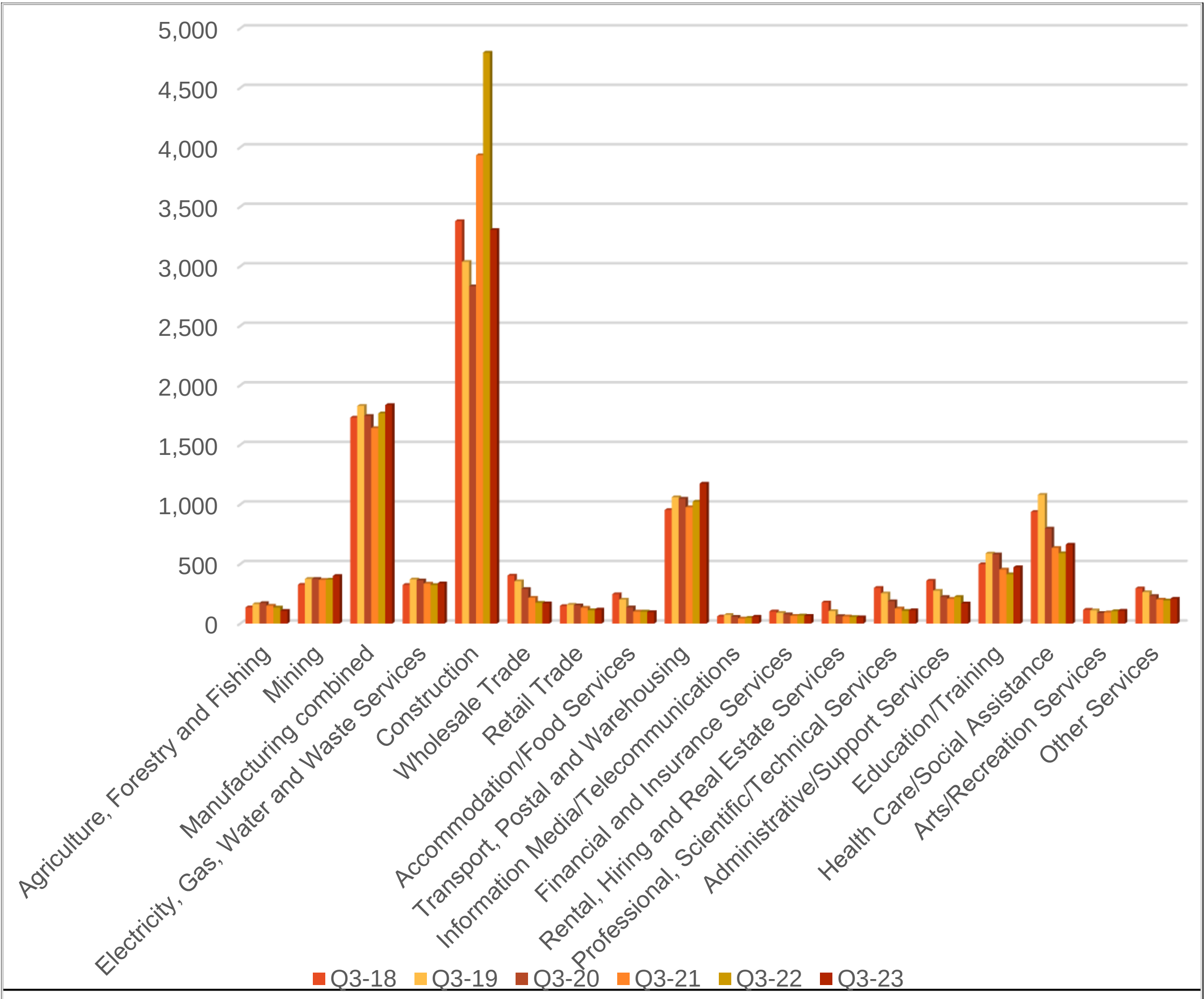
Compared with the national figures of around a third of the workforce being covered by enterprise bargaining agreements and almost two thirds relying on awards, in Queensland 98.2% of employees within the Queensland industrial relations jurisdiction actively participate in collective bargaining with only 1.8% of all employees being award reliant.

Queensland observes that over time, there has been an increase in the proportion of private sector employees who rely on national modern awards for their actual rate of pay. In 2010, 17.2% of Queensland employees were national modern award-reliant, which increased to 22.4% by 2021. Over the same period there is ongoing decline in enterprise bargaining in the national system.

To further identify a reason for this decline, the Queensland Government submits that the issue requires examination of collective bargaining activities at an industry level. The Trends in Federal Enterprise Bargaining historical data provides data on the number of agreements and employee coverage by industry for each quarter back to 1991. The extraction of data for each September quarter from 2018 to 2023 shows that the decrease is not reflected across the private sector equally.

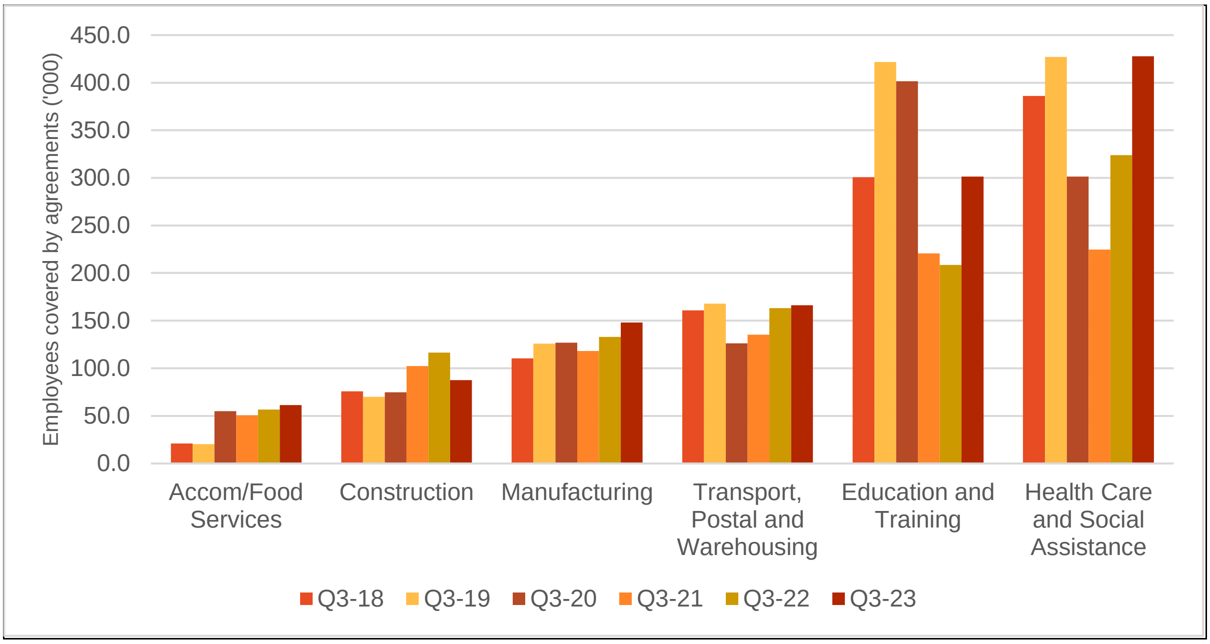
These results are presented in Chart 7 to show a five-year comparison of the number of agreements as of 30 September quarter for each of the key industries and sectors engaged in collective bargaining in the national workplace relations system. This chart includes all the private sector industries reported on in the federal Trends Report and excludes the public sector. Manufacturing in metal and non-metal has been combined in the following chart. The chart shows that the largest proportion of agreements are made in the Construction (over 3,000) and Manufacturing industries (over 1,500), along with the Transport, Postal and Warehousing (over 1,000), Education and Training, and the Health Care and Social Assistance (over 500) compared to other industries (under 500).

Chart 7 – Private sector – current agreements by industry – September quarter 2018 to September quarter 2023



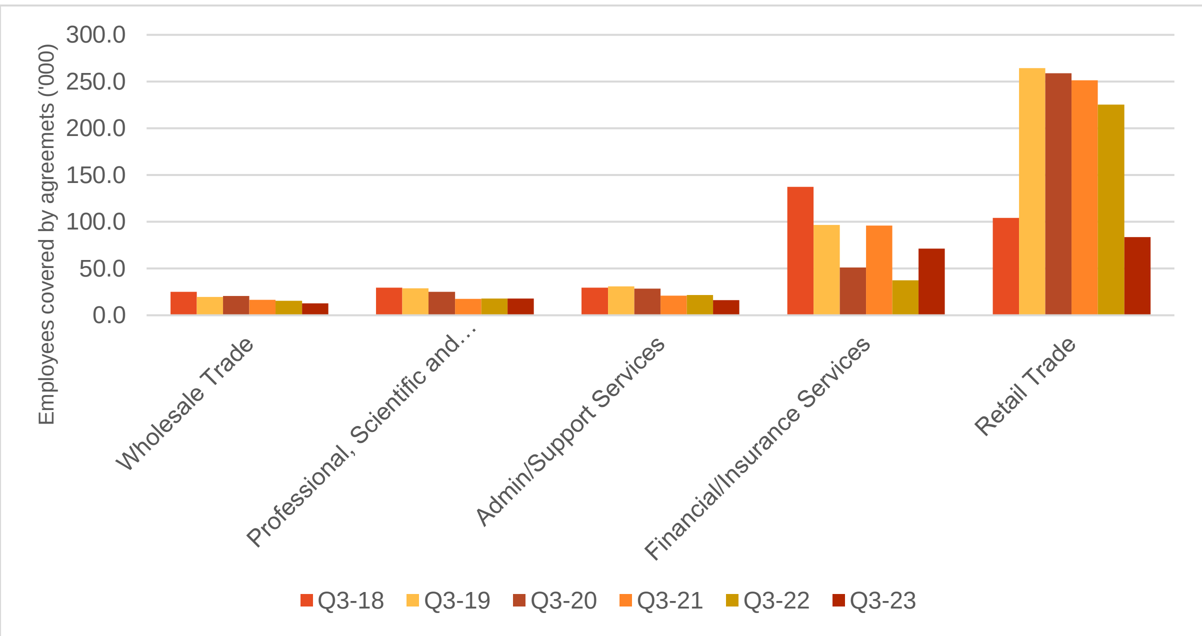
The following chart (Chart 8) compares the September quarter over the past five years to show that the number of employees covered by agreements has increased steadily in these key industries with the highest number of agreements (however, there have been significant fluctuations in Education and Training, Health Care and Social Assistance during the COVID-19 pandemic period). In comparison the Accommodation and Food Service industry (which has fewer than 500 agreements, see Chart 7) has almost tripled its employees covered by agreements (21,000 (2018) to 61,200 (2023)) during the pandemic and maintained it post-pandemic even though the number of agreements decreased during the pandemic.

Chart 8 – Private sector – employees covered by agreements by key industry – September quarter 2018 to September quarter 2023



In direct contrast, Chart 9 compares the September quarter for the past five years to show the Wholesale Trade, Professional, Scientific and Technical Services, and Administration and Support services experiencing a steady decline in employee coverage by agreement compared with significant fluctuations in the Financial and Insurance services and the Retail Trade pre and post pandemic to return to lower employee coverage in 2023.

Chart 9 – Private sector – decreased employee coverage (by agreements) by industry – September quarter 2018 to September quarter 2023



The latest Trends Report again highlights the issue of increasing award reliance combined with the reduction in enterprise bargaining employee coverage in female dominated industries such as retail trade, declining coverage in administration and support services and major fluctuations in the education and health sectors over the past five years.

While external factors such as the pandemic may account for some of the variations in employee coverage by enterprise bargaining the commitment to collective bargaining in the public sector by government plays a major role in increasing overall total employee coverage. The above breakdown of private sector industries and sectors confirms that reduced or declining employee coverage will continue to be important to the 2024 AWR decision for cohorts reliant on future minimum wage increases by the FWC. This is in direct contrast to enterprise bargaining in the blue-collar industries of construction, manufacturing and transport continues to remain strong with steady growth in enterprise bargaining over the past five years.

Queensland notes the FWC's observation in last year's decision that no party had made a submission that identifies a causal relationship between AWR decisions since 2010 and the long-term decline in enterprise bargaining. Queensland submits that the decline in trade union membership in the private sector appears to be a factor contributing to the decline in collective bargaining across industries.

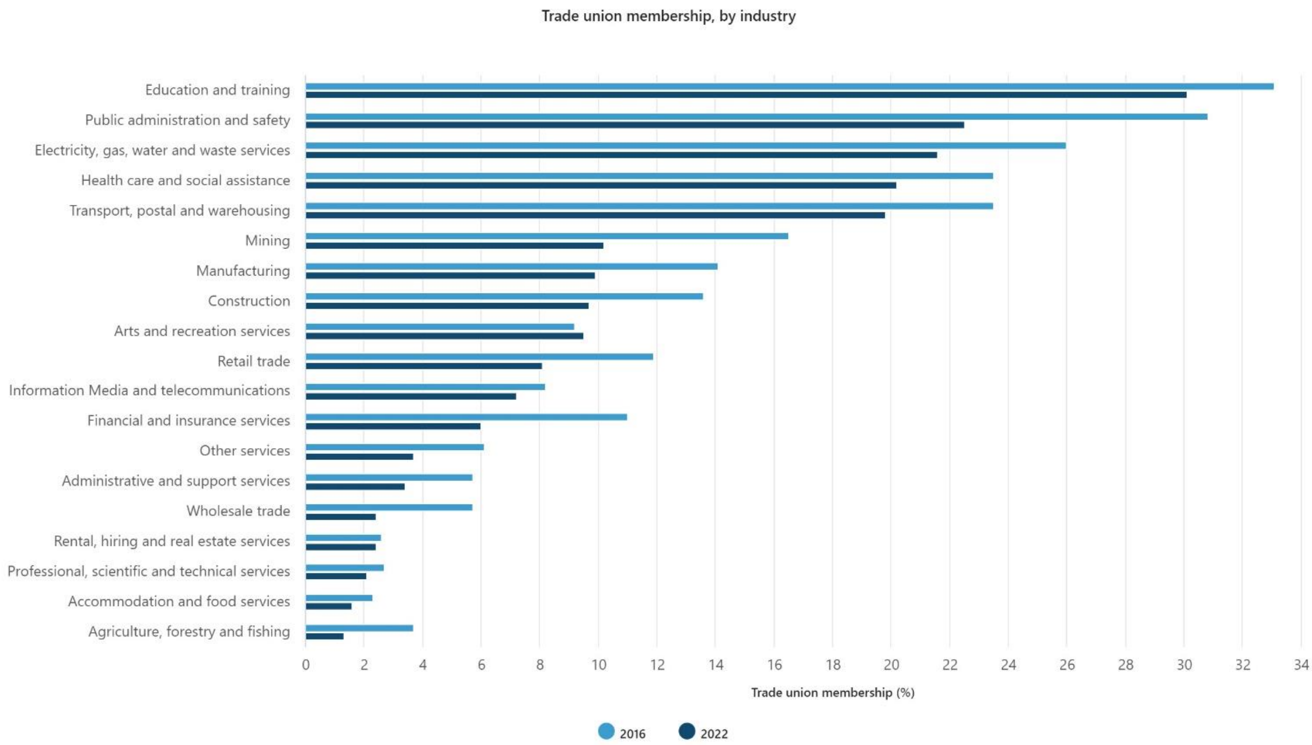
This assumption correlates with the ABS latest release on trade union membership, released in August 2022 that shows since 1992, the proportion of employees who were trade union members has fallen from 41% to 12.5% (1.4 million employees). The education and training industry (30%) had the highest rate of trade union membership. Women also made up a greater proportion of trade union membership (54%) compared to 46% men. Since the introduction of the FW Act, women have recorded higher membership than men, overtaking men in 2012 but declining at a slower rate than men from 45.5% to 11.4% for men and 35.9% to 13.6% for women as shown in the following ABS chart below.

Chart 10 – ABS Trade Union Membership by sex – 1976 to 2022

Source: Australian Bureau of Statistics, Trade union membership August 2022

Of Australia's 11.4 million employees in August 2022, the ABS reported that 12.5% were a member of a trade union in their main job. This is a decrease from the 14.3% recorded in August 2020. From 1992 to 2022, the proportion of employees who were trade union members has fallen from 41.1% to 12.5%. Chart 11 shows that most industries experienced a decline except Arts and recreation services which increased between 2016 to 2022.

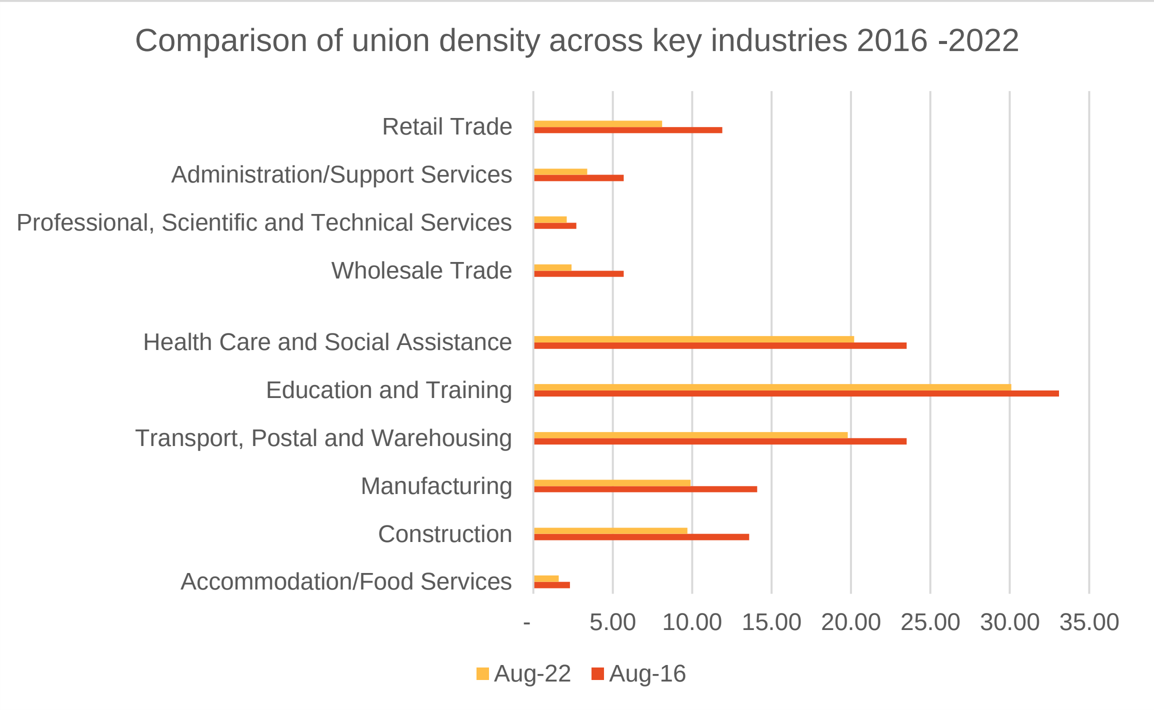
Chart 11 – ABS Chart – Trade union membership by industry – 2016 to 2022



Source: Australian Bureau of Statistics, Trade union membership August 2022

Queensland submits that there appears to be a correlation between low union density industries and smaller agreement coverage compared to higher union density industries.

Chart 12 – Comparison of union density across key industries identified from enterprise bargaining trends report for increase or decrease agreements – 2016 to 2022



Equal remuneration

In previous AWR decisions, the Panel noted that a 'relatively high' proportion of women earn the NMW[35], that there continues to be more national modern award-reliant women than men and it is more likely that national modern award-reliant employees will be lower paid.[36]

Queensland notes the assessment in the 2018 AWR decision that, in the context of an AWR, the application of the principle of equal remuneration for work of equal or comparable value has 'limited relevance' and that to address 'systematic gender undervaluation of work' it would be more appropriate to make an application to vary a national modern award for 'work value reasons'.[37] However, Queensland agrees that 'the broader issue of gender pay equity, and in particular the gender pay gap, is relevant' to the AWR[38] and that as '[w]omen are disproportionately represented among the low paid…an increase in minimum wages is likely to promote gender pay equity'.[39]

On this basis Queensland reiterates the position it put forward in previous submissions to the AWR that '[g]iven the relationship between national modern award reliance and low pay, an increase in minimum

[35] FWC Decision Annual Wage Review 2017–18 (C2018/1) para 267.
[36] FWC Decision Annual Wage Review 2017–18 (C2018/1) para 435.
[37] FWC Decision Annual Wage Review 2017–18 (C2018/1) para 417.
[38] Ibid.
[39] FWC Decision Annual Wage Review 2017–18 (C2018/1) para 436.

wages is likely to positively impact on pay equity. While such an increase may only have a minimal impact on the gender pay gap, the Queensland position is that this remains a worthwhile pursuit.'[40]

Conclusion

This submission has examined the background and context for the FWC AWR and the key economic and social factors that are relevant to the determination of the Panel.

Queensland is committed to economically responsible pay increases for award-reliant private sector workers and the protection of low-paid workers within the national fair work jurisdiction.

Queensland submits:

a) The object of the FW Act (at Section 3) is to:

> *'…provide a balanced framework for cooperative and productive workplace relations that provide national prosperity and social inclusion by …(b) ensuring a guaranteed safety net of fair, relevant and enforceable minimum wages…; (f) achieving productivity and fairness through and emphasis on enterprise-level collective bargaining.'*

b) Noting the decline in private sector agreements, the Queensland submission includes that the AWR outcome must balance the provision of a safety net of fair wages for award-reliant workers who have not benefited from collective bargaining, with not becoming a disincentive for collective bargaining at the enterprise-level;

c) the RBA's outlook for the national economy in the February 2023 SoMP remains broadly unchanged from the November 2022 SoMP. The economic growth forecast for 2022-23 is 3.5%, while growth in 2023-24 is 1.5% (both unchanged). National employment is forecast to grow by 2.4% through the year to June quarter 2023 (up from 1.4% in the November SoMP) and 1.0% through the year to June quarter 2024 (unchanged). The national unemployment rate is forecast to rise marginally to 3.6% in June quarter 2023 (revised up by 0.1 percentage point), before rising to 4.1% by June quarter 2024 (up 0.1 percentage point);

d) in determining the level of increase, a broad range of indicators relevant to award-reliant private sector employment should be considered. These include inflation, employment, wage growth, business profits and conditions, productivity growth, relative living standards and the needs of the award-reliant low paid within the national fair work jurisdiction;

e) there is little or no evidence to suggest that moderate increases for award-reliant workers in the NMW and national modern award wages have any significant dis-employment effects;

[40] Queensland Government submission to AWR 2017–18.

f) raising the NMW and national modern award wages will promote gender pay equity due to the greater reliance of female award-reliant workers on minimum and national modern award wage rates; and

g) consistent with the principles and considerations outlined in this submission and based on data available at the time of this submission, Queensland supports an increase to the NMW and the minimum wages for award-reliant private sector workers prescribed under national modern awards that is fair and reasonable, taking into consideration the inflation outlook, employment impacts on low-paid, award-reliant private sector workers, and cost of living pressures with an effective date from 1 July 2024.