March 2019

Queensland Government submission to the fair work commission

Annual Wage Review 2018–19

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# Introduction

The following is a submission by the Queensland Government to the 2018–19 Annual Wage Review (AWR) conducted by the Expert Panel (the Panel) for the Fair Work Commission (FWC).

The Queensland Government advocates for an increase, as set out below, that rewards productivity gains, improves the value of real wages as well as the living standards for workers reliant on the National Minimum Wage (NMW) or modern award minimum wages, that protects the low paid, and that is economically responsible.

In determining the level of increase, a broad range of indicators 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.

The Queensland Government notes there has been an increase in the proportion of employees who rely on awards for their actual rate of pay. In 2008, 16.5%[[1]](#footnote-2) of non-managerial employees were award reliant. By 2018, this had increased to 22.5%[[2]](#footnote-3). By extension, this places even greater emphasis on the Panel’s consideration of minimum wage and award increases that are fair in the context of improved living standards for all workers.

Additionally, as noted in previous AWR decisions of the Expert Panel, including last year’s[[3]](#footnote-4) decision, women workers continue to be more likely than men to be reliant upon the NMW and 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 modern award minimum wages will promote gender pay equity.

The Queensland Government submits a real wage increase that rewards productivity gains and improves living standards, is economically sustainable and consistent with the objects of the FW Act. Consistent with the principles and considerations outlined in this submission, and based on data available at the time of this submission, the Queensland Government supports a 3.5% increase to the NMW and a fair and reasonable increase to minimum award rates of pay. At the level of the NMW, this equates to an increase of $25.17 a week, which would lift the current NMW from $719.20 a week to $744.40 a week (rounded up) or $19.59 an hour.

The submission that follows provides the Queensland Government perspective on the current economic and social factors relevant to the FWC’s review of minimum wages.

# Legislative parameters

The Queensland Government submits that the objects of the FW Act[[4]](#footnote-5) and the objectives of modern awards[[5]](#footnote-6) and minimum wages[[6]](#footnote-7) require the FWC to balance economic and social issues, as well as to take account of the needs of the low paid, amongst other factors, in making determinations on minimum wages. The Queensland Government submits that this requirement signifies a focus on social factors being equally as important as economic factors in the creation of a fair safety net.

The abovementioned objectives, taken together, imply that when determining 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 wage bargaining are not left behind. This is a particularly important consideration for low-paid workers who rely on the annual wage review for an annual wage increase.

In this context, the Queensland Government notes that the minimum wages objective requires the FWC to consider relative living standards and the needs of the low paid, 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.[[7]](#footnote-8)

### Number of Queensland employees subject to the NMW and award rates

The most recent figures of award dependency are from May 2018**[[8]](#footnote-9)**. At that time, of the 9,916,500 non-managerial employees in Australia, 2,232,900 or 22.52% were award reliant. Queensland had a similar proportion of award-reliant employees i.e. of an estimated 1,905,000 non-managerial employees, 426,700 or 22.40% were award reliant.

Significantly, Queensland’s award-reliant non-managerial employees are paid $724.60 per week on average compared to the national average at $787.70 per week.

Given Queensland’s proportion of award-reliant employees, and that Queensland’s award-reliant employees also have the lowest rate of pay, on average, in both absolute and relative terms of any state, the relationship between 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 award rates

Of Queensland’s award-reliant employees, 147,400 are full-time (non-managerial) employees. This represents 13.0% of all full-time (non-managerial) employees in Queensland[[9]](#footnote-10). The Queensland Government accepts the Panel’s position “that adult 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.”[[10]](#footnote-11) The Queensland Government also accepts the Panel’s view that “the information as a whole suggests that a sizeable proportion—probably a majority—of employees who are award reliant are also low paid by reference to the two-thirds of median weekly earnings benchmark”.[[11]](#footnote-12) Therefore, the minimum wage and 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 provided with a living wage.

Some 279,300 part-time employees in Queensland are also award-reliant[[12]](#footnote-13). Given current high levels of underemployment, the Queensland Government submits that the needs of the low paid is also an important consideration for this group.

**Table 1: Employees by Industry (Australia)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Industry** | **Number of Employeesa (000s)** | **Proportion of female Employeesa (%)** | **Proportion of Award reliant Employeesb**  **(%)** |
| Mining | 256.0 | 15.93 | 0.87 |
| Manufacturing | 901.7 | 27.56 | 20.77 |
| Electricity, Gas and Water Services | 156.6 | 26.61 | 4.11 |
| Construction | 1156.9 | 11.94 | 16.57 |
| Wholesale Trade | 407.0 | 32.76 | 16.08 |
| Retail Trade | 1296.6 | 56.58 | 30.09 |
| Accommodation and Food Services | 904.7 | 53.53 | 44.87 |
| Transport, Postal and Warehousing | 658.3 | 21.46 | 12.68 |
| Information, Media and Telecommunications | 222.2 | 40.41 | 7.14 |
| Financial and Insurance Services | 440.7 | 49.05 | 5.21 |
| Rental, Hiring and Real Estate Services | 213.4 | 46.21 | 29.40 |
| Professional, Scientific and Technical Services | 1072.7 | 43.40 | 8.01 |
| Administrative and Support Services | 412.4 | 54.52 | 41.31 |
| Public Administration and Safety | 832.7 | 50.56 | 10.88 |
| Education and Training | 1062.4 | 71.81 | 10.02 |
| Health Care and Social Assistance | 1686.1 | 78.22 | 31.71 |
| Arts and Recreation Services | 240.6 | 49.38 | 22.49 |
| Other Services | 485.5 | 45.05 | 38.14 |
| **Total** | 12739.2 | 47.02 | 22.52 |

Source: a. ABS, Cat.No. 6291 Labour Force, Detailed, Nov 2018

b. ABS, Cat.No. 6306 Employee Earnings and Hours, May 2018

Table 1 above shows employment by industry and the proportion of employees who are female in each industry (as at November 2018) along with the proportion of award reliant   
non-managerial employees by industry (as at May 2018). The largest proportions of award dependent (non-managerial) workers are found in ‘Accommodation and food services’ (44.87%, 347,000 workers), ‘Administrative and support services’ (41.31%, 258,100 workers), ‘Health care and social assistance’ (31.71%, 452,500 workers) and ‘Retail trade’ (30.09%, 320,200 workers) industries8. These industries are characterised by high levels of female participation: 53.53%, 54.52%, 78.22 and 56.58% respectively[[13]](#footnote-14).

These industries account for 33.75% of total employment. Given that these industries are disproportionately award reliant, and therefore lower paid and highly feminised, an increase in minimum wages will promote gender pay equity.

# Economic factors**[[14]](#footnote-15)**

Australian Gross Domestic Product rose 2.8% in 2017–18, up from 2.3% growth in the previous year. The Australian Government expects the national economy to expand in line with its estimated potential over the next few years, with the transition from the end of the investment phase of the mining boom to broader-based sources of growth progressing as expected.   
Real GDP is forecast to grow by 2¾% in 2018–19 and 3% in 2019–20, supported by a resurgence in mining investment as well as non-mining business investment, household consumption and exports.

The Australian Government expects global growth to remain solid over the forecast period,   
at 3¾% in each of the next two years, faster than the average rate of growth over the past decade. Major trading partner growth is forecast to be 4% in 2019 and 2020. However, there are a range of risks to the international outlook, including:

* Trade protection measures already announced or imposed by the United States and China are forecast to have a negative effect on activity in those countries.
* Additional tariffs would be expected to result in weaker growth, though a resolution of current disputes could result in stronger growth than forecast.
* Geopolitical uncertainty and vulnerabilities in emerging economies remain a concern for the international outlook, especially to the extent that they provoke broader financial market instability.
* Uncertainties around the future UK-EU relationship.

Exports are forecast to grow by 2% in 2018–19 and 3½% in 2019–20, supported by non-rural commodity exports and services exports. Exports of rural goods are expected to decline, reflecting the impact on agricultural production of drought conditions in Queensland, New South Wales Victoria and South Australia. The decline in rural exports is forecast to subtract around ¼ of a percentage point from real GDP growth in 2018–19. An assumption of average seasonal conditions in 2019–20 underpins a forecast return to growth in the farm sector. However, the pace of growth of rural exports and farm GDP will depend on how weather conditions evolve. Services export volumes, including tourism and education services, continue to be supported by a lower exchange rate and rising demand from Asia.

Business investment rose 6% in 2017–18, despite mining investment continuing to decline.   
The outlook remains positive for business investment, with growth of 1% forecast for 2018–19, followed by 5% growth in 2019–20. Growth in non-mining business investment is forecast to increase from 4% in 2018–19 to 5% in 2019–20, supported by strong growth in machinery and equipment investment.

Dwelling investment is expected to grow by 1% in 2018–19 before falling by 4% in 2019–20.   
The forecast decline in 2019–20 reflects the expected unwinding of some of the recent strength in construction activity. Nonetheless, the level of dwelling investment is expected to remain relatively high, reflecting the large stock of work still to be done.

Household consumption is forecast to grow by 2½% in 2018–19 and 3% in 2019–20. Consumer spending (up 2.8%) was supported by a pick-up in household income growth in 2017–18. Income growth increased due mainly to strong growth in employment, with a smaller contribution from a modest rise in average earnings. Continued growth in employment and stronger wage growth is expected to support an expansion in household consumption over the forecast period, albeit at a slightly slower rate in 2018–19. Personal income tax measures announced in the 2018–19 Budget are expected to support disposable income over this period. After declining over four years, the household saving ratio is expected to stabilise in 2019–20.

Labour market conditions have remained strong over the past 12 months, with employment increasing up 2.7% through the year to June quarter 2018 (seasonally adjusted).   
The unemployment rate has fallen to around 5% (seasonally adjusted), towards its lowest level in six years. Consistent with improved opportunities in the labour market, as well as continued increases in participation by women and older Australians, the headline participation rate (65.6% in June quarter 2018) remains close to recent highs and is expected to remain at 65½% over the forecast period. Strong growth in output is expected to bring the economy closer to its productive capacity over the forecast period and support increased demand for labour. However, consistent with leading indicators of employment growth, further improvements in the labour market are likely to be more gradual than in 2017–18. Employment growth of 1¾% is forecast through the year to both June quarter 2019 and June quarter 2020. The unemployment rate is expected to decline to 5% in June quarter 2019 (seasonally adjusted), down from 5.4% in June quarter 2018.

Wage growth is expected to rise from 2.1% (seasonally adjusted) through the year to June quarter 2018 to 2½% through the year to June quarter 2019 and to 3% through the year to June quarter 2020. As in other advanced economies, the response of wages to improving labour market conditions has been slower and more muted than in past cycles. This may reflect the decline in the terms of trade from 2012–13 to 2015–16, or sustained low inflation outcomes which have affected inflation expectations and wage setting in recent years. Additionally, while the unemployment rate has fallen, broader measures of labour underutilisation indicate that there remains spare capacity in the labour market.

Consumer price inflation was 2.1% (seasonally adjusted) through the year to June quarter 2018 and is forecast to strengthen slightly from 2% through the year to June quarter 2019 to 2¼% through the year to June quarter 2020. Over the past year, higher fuel and tobacco prices have exerted upward pressure on inflation. However, a combination of slow growth in labour costs, subdued increases in dwelling rents and heightened competition in the retail sector has continued to weigh on consumer prices. Slower growth in administered prices, largely a result of child care policy changes introduced in July, contributed to a subdued inflation outcome for September quarter 2018. The inflation forecasts are moderate, reflecting recent outcomes and a more gradual forecast pick-up in wage growth.

### The Queensland economy[[15]](#footnote-16)

Economic growth in Queensland is forecast to be 3% in 2018–19, before easing to 2¾% in 2019–20. This follows growth of 3.5%[[16]](#footnote-17) in 2017–18, driven largely by an earlier than expected rebound in business investment, further strengthening in household consumption and a recovery in coal exports following the impacts of Severe Tropical Cyclone Debbie in late 2016–17.

Household consumption grew by a higher than expected 2.5% in 2017-18 (the strongest result since 2013-14), supported by strong employment growth and a modest pick-up in private sector wages. After stabilising in 2018–19, growth in household consumption is expected to accelerate in 2019–20. However, any improvement in household spending will likely be constrained by modest income growth and the impact on wealth of the stock market decline experienced in late-2018.

Following four consecutive years of strong growth, dwelling investment in Queensland declined 4.1% in 2017–18, driven by the slowdown in construction of medium-to-high density dwellings in South East Queensland and a further tightening of lending standards, especially to investors. While approvals and construction have continued to decline, the substantial amount of work remaining in the pipeline and ongoing strong renovation activity should support some activity in the dwelling sector. However, downside risks to the sector have increased recently, with Sydney and Melbourne dwelling prices falling faster and further than expected.

Business investment rebounded strongly in 2017–18, rising 13.0%. Growth was primarily driven by a 16.8% increase in non-dwelling construction, supported by significant investment in renewable energy projects, including wind and solar farms. Meanwhile, machinery and equipment investment rose 7.7%, supported by strong employment growth, elevated capacity utilisation and sustained lower lending rates. However, recent data suggests business investment will ease slightly in 2018–19, before continuing its expansion from 2019–20 onwards. Investment in renewable energy projects is likely to continue to support engineering construction activity in 2018–19, while a sustained lower A$ has supported the Queensland tourism industry and spurred further investment in hotel accommodation projects.

The nominal value of Queensland’s overseas goods and services exports reached a record high of $94.3 billion in 2017–18, boosted by a recovery in coal export volumes, as well as sustained high global commodity prices. Looking ahead, while commodity prices are expected to return to more sustainable levels, export volumes are forecast to continue to grow, reflecting modest growth in resources exports, increased metals mining capacity coming online and a competitive A$ exchange rate supporting ongoing growth in services exports.

Following the strongest growth in a decade in 2017–18, employment growth is expected to return to more sustainable rates, to be 1½% through the year to June quarter 2019.   
Through the year to June quarter 2020, employment growth is expected to pick up to 1¾%,   
in line with population growth. With employment growth forecast to largely keep pace with population growth over the next two years, the unemployment rate is still forecast to remain at 6¼% in June quarter 2019, while a modest improvement to 6% is expected by June quarter 2020. While not uniform, labour market conditions in regional Queensland have continued to converge with those in South East Queensland over the past 12 months.

Despite the strong pick-up in employment, the unemployment rate remains largely unchanged, while the labour underutilisation rate remains elevated, partly explaining subdued wages growth. Wages growth in 2017–18 picked up slightly from its historic low, with the Wage Price Index up 2.2% compared with 1.9% growth recorded in each of the previous two financial years. Wages growth in Queensland in 2018–19 is expected to remain modest, however a subdued price inflation outlook means that wages are expected to grow in real terms.

### Risks to the outlook

Further monetary policy normalisation has taken place in major economies, but more recently downside risks to global economic growth have intensified. An escalation in the US-China trade war has increased the risk that demand for key industrial commodities will be impaired. This heightened uncertainty has driven recent falls in global and domestic share markets, impacting wealth and potentially restraining any recovery in household consumption.

As a result, the US Federal Reserve has indicated that future monetary normalisation may be delayed and both China and India have introduced further monetary stimulus. The Reserve Bank of Australia (RBA) has also recently stated that the prospects of a rise or fall in the cash rate are now evenly balanced.

On the upside, if commodity prices moderate less than anticipated, investment in mining‑related projects may be higher than expected. Further, there is the possibility that the recent increase in investment in renewable projects may be sustained for longer than is currently expected.

On the domestic front, the housing market remains a risk to both the national and Queensland economies. After nearly six years of strong dwelling price growth (particularly in Sydney and Melbourne), tighter credit conditions, increased supply and declines in foreign and investor demand have seen dwelling prices fall sharply recently in Sydney and Melbourne, while Perth dwelling prices have also continued to trend lower. There is a risk that continued falls in Sydney and Melbourne could flow-on into the Queensland market. Additionally, the Commonwealth Treasury has forecast a soft outcome for dwelling investment in 2018–19 and a decline in   
2019–20. With household debt to income ratios at elevated levels, continued falls in dwelling prices could impact future consumption activity, with household wealth one of the key drivers of household consumption.

### Economic implications of low wage growth

Australia has experienced a sustained period of subdued wage growth, both in the public and private sectors. Seasonally adjusted wage growth was just 2.3% through the year to September quarter 2018, a slight increase from the annual rate in June quarter 2018 (2.1%) and the historically low annual growth rate of 1.9% recorded in previous quarters.

A sustained period of low wage growth will 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. The Queensland Government submission notes that the Annual Wage Review decision last year supported this view, observing the negative economic and social consequences of current low wages growth. As further explored below, the Reserve Bank has also been increasingly vocal in its concerns about persistently low wages growth.

Additionally, the demand for government services (such as social housing) may rise if households’ purchasing power is reduced by low wage growth conditions. 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 RBA has suggested that the current low level of wages growth reflects a number of factors, including spare capacity in the labour market and low inflation expectations. Other contributing factors to recent low wage growth include:

* The process of adjustment following the end of the mining boom;
* A decline in labour’s relative bargaining power;
* The effects of technological change and globalisation;
* A low level of voluntary job turnover (where workers choose to leave their job for a better job);
* The use of bonuses, rather than wage rises, by businesses to incentivise employees (which doesn’t permanently raise labour costs); and
* Some firms attempting to retain staff by using non-wage incentives, such as flexible work arrangements, shares, additional annual leave, etc.

### 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 and state 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, incentive effects on employees, and through the broader effects of a fairer system on social and economic cohesion in society as a whole, are effective in mitigating any potential dis-employment effects.

The employment impact of safety net adjustments to 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 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”.[[17]](#footnote-18) 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”.[[18]](#footnote-19) 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 award wages have an adverse effect on hours worked or the job destruction rate[[19]](#footnote-20). The Queensland Government submits there is no reason to depart from this consistent set of conclusions.

The Queensland Government 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 award wages.

# Social factors – The importance of fair wages

As mentioned previously as at May 2018, approximately 426,700 (22.40%) of Queensland non-managerial employees relied on the award system to determine their rate of pay.

Minimum and 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.

Figure 1 shows real wage growth and productivity growth in the years since the 2001 downturn. As can be seen from the chart, real wage growth mirrored labour productivity growth until 2011–12 but has subsequently diverged, resulting in low wage growth and rising inequality.

Source: ABS Cat No 6345.0 - Wage Price Index, Australia and ABS Cat No 6401.0 - Consumer Price Index, Australia ABS Cat No 5206.0 - Australian National Accounts: National Income, Expenditure and Product

The Queensland Government recognises that stagnant wage growth has been widely identified as a significant problem in recent years and that rising income inequality has become an issue of significant social concern. The Governor of the RBA has argued this is 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.[[20]](#footnote-21) Governor Lowe used Figure 2 below to show that from 1995 to 2012, on average, real wages increased by almost 2% per year. This occurred while inflation averaged around the mid-point of the 2-3% target range. However, since 2012, there has been little change in average real hourly earnings. Wage increases have been broadly matched by inflation. On 16 February 2018, appearing before a House of Representatives Committee Hearing on Economics, Governor Lowe commented that 3.5% wages growth would be considered a normal level of wage growth with inflation within the RBA target range of 2–3%.

Figure 2.



Source: Lowe, P. (2018). Trust and Prosperity, Address to CEDA Annual Dinner, Melbourne, 20 November.

While Figure 1 above shows the divergence between productivity growth and real wages overall, award reliant workers are even worse off. There is a marked disparity between the wage outcomes for those on awards compared to employees covered by collective agreements. In Queensland, in May 2018, average weekly earnings for full-time non-managerial employees paid at the adult rate covered by industrial awards were $1139.90 per week, compared to $1,759.30 for those covered by collective agreements and $1,616.60 for those covered by individual agreements**[[21]](#footnote-22)**. The ratio of award-reliant wages to the average of all wages was marginally lower (69.95%) in Queensland than the national average of 76.37%*.*

As 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 award-reliant employees compared to those workers who receive higher rates of pay under collectively bargained agreements.

**Table 2: Real and nominal increases for award rates and AWOTE, 2008-2018**

| Wage group | Weekly rate of pay | | $ increase | Nominal % increase | Real % increase |
| --- | --- | --- | --- | --- | --- |
| 2008 | 2018 |
| C14 | $543.90 | $719.20 | $175.30 | 32.23% | 8.00% |
| C13 | $560.50 | $739.90 | $179.40 | 32.01% | 7.82% |
| C12 | $583.00 | $768.30 | $185.30 | 31.78% | 7.63% |
| C11 | $603.90 | $794.70 | $190.80 | 31.59% | 7.48% |
| C10 | $637.60 | $837.40 | $199.80 | 31.34% | 7.27% |
| C9 | $658.50 | $863.60 | $205.10 | 31.15% | 7.11% |
| C8 | $679.30 | $889.90 | $210.60 | 31.00% | 6.99% |
| C7 | $698.20 | $913.70 | $215.50 | 30.87% | 6.88% |
| C6 | $734.90 | $960.00 | $225.10 | 30.63% | 6.69% |
| C5 | $750.40 | $979.60 | $229.20 | 30.54% | 6.62% |
| C4 | $771.20 | $1005.90 | $234.70 | 30.43% | 6.53% |
| C3 | $812.90 | $1058.60 | $245.70 | 30.23% | 6.36% |
| C2(a) | $833.80 | $1085.00 | $251.20 | 30.13% | 6.28% |
| C2(b) | $871.50 | $1132.40 | $260.90 | 29.94% | 6.12% |
| **AWOTE\*** | **$1124.50** | **$1586.20** | **$461.70** | **41.06%** | **15.21%** |
| **WPI\*\*:**  **Australia**  **Queensland** | **98.7**  **98.6** | **129.7**  **129.9** |  | **31.41**  **31.74** | **7.33**  **7.60** |

\*AWOTE based on June 2008 and June 2018

\*\* Wage-Price Index refers to Ordinary time hourly rates of pay excluding bonuses; September 2008 and September 2018.

Sources: ABS, *Average Weekly Earnings*, cat. 6302.0; ABS, *Wage Price Index*, cat. 6345.0; Award rates: Metal, Engineering and Associated Industries Award, 1998 (increase operative December 2006) and Manufacturing and Associated Industries and Occupations Award 2010

Moreover, the growth in the minimum wage and award rates of pay has not kept pace with the growth in earnings across the workforce generally. As Table 2 above shows, over the 10-year period June 2008 to June 2018, the Average Weekly Ordinary Time Earnings (AWOTE) increased by 41.06%, or 15.21% in real terms, compared with an increase of only 31.34%, or 7.27% in real terms, to the benchmark C10 tradesperson rate in the manufacturing award[[22]](#footnote-23). AWOTE may be influenced by compositional changes – the Australian Bureau of Statistics (ABS) wage-price index may provide a better measure of overall wage movements, abstracting from compositional changes. While this comparison is less dramatic, it is still evident that the C10 benchmark real increase of 7.27% over the period is marginally below the real increase in the ordinary-time wage-price index of 7.33%. Increasing the real value of wages in line with productivity growth should be a threshold benchmark. Labour productivity, real GDP per hour worked, has increased 13.6% in the 10 years to 2018.

Given the recent trend towards increased reliance on 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.

# Equal remuneration

In last year’s FWC AWR decision the Panel noted that a ‘relatively high’ proportion of women earn the NMW[[23]](#footnote-24); that there continues to be more award reliant women than men; and it is more likely that award reliant employees will be low paid than other employees.[[24]](#footnote-25)

The Queensland Government notes the assessment in the 2018 FWC 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 modern award for ‘work value reasons’.[[25]](#footnote-26)

However, the Queensland Government agrees that ‘the broader issue of gender pay equity, and in particular the gender pay gap, is relevant’ to the AWR[[26]](#footnote-27) and that as ‘[w]omen are disproportionately represented among the low paid…an increase in minimum wages is likely to promote gender pay equity.’[[27]](#footnote-28)

On this basis the Queensland Government reiterates the position it put forward in its submission to the 2018 AWR that ‘[g]iven the relationship between award reliance and low pay, an increase in minimum 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 Government position is that this remains a worthwhile pursuit.’[[28]](#footnote-29)

# 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.

The Queensland Government is committed to economically responsible pay increases and the protection of the low paid. The Queensland Government submits that a pay increase that rewards productivity gains and improves the value of real wages as well as the living standards for workers subject to the NMW order and award wage reliant workers would meet these criteria.

**The Queensland Government submits:**

1. On balance, the Australian economy is expected to grow in line with its estimated potential over the next few years, with the transition from the end of the investment phase of the mining boom to broader-based sources of growth progressing as expected. However, recent developments have seen a softening in the global outlook, which could impact on Australia. Real GDP is forecast to grow by 2¾% in 2018–19 and 3% in   
   2019–20, supported by a resurgence in mining investment as well as non-mining business investment, household consumption and exports. Employment growth has strengthened recently as the economy transitions to more labour-intensive services sectors. However, the strengthening labour market has not produced an improvement in wage growth;
2. an increase that rewards productivity gains and improves the value of real wages as well as the living standards for workers receiving the NMW or award wage reliant workers is economically responsible and protects the low paid;
3. in determining the level of increase, a broad range of indicators 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;
4. there is little or no evidence to suggest that moderate increases in minimum and award wages have any significant dis-employment effects;
5. due to increased reliance upon the NMW and award rates of pay it is incumbent on the Panel to set minimum wages that are fair in the context of living standards generally;
6. raising the minimum and award wages will promote gender pay equity due to the greater reliance of women workers on minimum and award wage rates; and
7. consistent with the principles and considerations outlined in this submission, and based on data available at the time of this submission, the Queensland Government supports a 3.5% increase to the NMW and a fair and reasonable increase to minimum award rates of pay.

1. ABS, Cat. No. 6306, *Employee Earnings and Hours*, May, 2008 [↑](#footnote-ref-2)
2. ABS, Cat. No. 6306, *Employee Earnings and Hours*, May, 2018 [↑](#footnote-ref-3)
3. FWC Decision **Annual Wage Review 2017–18** (C2018/1) para 435 [↑](#footnote-ref-4)
4. Fair Work Act 2009 (Cth) s 3. [↑](#footnote-ref-5)
5. Fair Work Act 2009 (Cth) s 134. [↑](#footnote-ref-6)
6. Fair Work Act 2009 (Cth) s 284. [↑](#footnote-ref-7)
7. Fair Work Act 2009 (Cth) s 284(1). [↑](#footnote-ref-8)
8. ABS, Cat. No. 6306, *Employee Earnings and Hours*, May, 2018 [↑](#footnote-ref-9)
9. ibid [↑](#footnote-ref-10)
10. FWC Decision **Annual Wage Review 2015–16** (C2016/1) para 449. [↑](#footnote-ref-11)
11. ibid [↑](#footnote-ref-12)
12. ABS, Cat. No. 6306, *Employee Earnings and Hours*, May, 2018 [↑](#footnote-ref-13)
13. ABS, Cat.No. 6291 Labour Force, Detailed, Nov 2017 [↑](#footnote-ref-14)
14. Forecasts are taken from the Mid-year Economic and Fiscal Outlook (MYEFO), Commonwealth of Australia (released 17 December 2018). [↑](#footnote-ref-15)
15. Forecasts and data are obtained from the Queensland Government’s 2018–19 Mid-Year Fiscal and Economic Review (MYFER), December 2018. [↑](#footnote-ref-16)
16. Based on September quarter 2018 Queensland State Accounts. [↑](#footnote-ref-17)
17. FWC Decision **Annual Wage Review 2015–16** (C2015/1) para 492. [↑](#footnote-ref-18)
18. FWC Statement **Annual Wage Review 2016-17** (C2017/1) para 9. [↑](#footnote-ref-19)
19. Bishop J (2018), The Effect of Minimum Wage Increases on Wages, Hours Worked and Job Loss, Reserve Bank of Australia, Bulletin, September 2018 [↑](#footnote-ref-20)
20. Lowe, P. (2018). Trust and Prosperity, Address to CEDA Annual Dinner, Melbourne, 20 November. [↑](#footnote-ref-21)
21. ABS, Cat. No. 6306 *Employee Earnings and Hours*, May, 2018 [↑](#footnote-ref-22)
22. Manufacturing and Associated Industries and Occupations Award 2010 [↑](#footnote-ref-23)
23. FWC Decision **Annual Wage Review 2017–18** (C2018/1) para 267 [↑](#footnote-ref-24)
24. FWC Decision **Annual Wage Review 2017–18** (C2018/1) para 435 [↑](#footnote-ref-25)
25. FWC Decision **Annual Wage Review 2017–18** (C2018/1) para 417 [↑](#footnote-ref-26)
26. ibid [↑](#footnote-ref-27)
27. FWC Decision **Annual Wage Review 2017–18** (C2018/1) para 436 [↑](#footnote-ref-28)
28. Queensland Government submission to AWR 2018 [↑](#footnote-ref-29)