AUSTRALIAN FAIR PAY COMMISSION (AFPC)

SUBMISSION TO 2008 MINIMUM WAGE REVIEW

14 March 2008
1.0 Introduction

1.1 On 13 August 2007, The Australian Fair Pay Commission ("the Commission") announced the submission timetable for its third Wage-Setting Decision and called for all interested groups and individuals to make written submissions to the Commission.

1.2 On 18 December 2007, the Commission announced that following advice from the Federal Government, it would continue to undertake minimum wage reviews until the establishment of Fair Work Australia in 2010.

1.3 The Commission’s key objective is to promote the economic prosperity of the people of Australia with particular regard to:
   - The capacity for the unemployed and low paid to obtain and remain in employment;
   - Employment and competitiveness across the economy;
   - Providing a safety net for the low paid; and
   - Providing minimum wages for junior employees, employees to whom training arrangements apply and employees with disabilities that ensure those employees are competitive in the labour market.

1.4 This submission is made by the National Baking Industry Association, as directed by its members, in response to the key considerations above.
2.0 National Baking Industry Association (NBIA)

2.1 The National Baking Industry Association (NBIA) is the baking industry’s peak representative and employer body.

2.2 For more than 100 years the Baking Industry Association has been the voice of the industry, playing a vital role in the development, promotion, education and protection of the baking industry.

2.3 NBIA’s activities include:
   - Peak representative body to government agencies, industry committees and lobby groups;
   - Representation and advocacy in the Australian Industrial Relations Commission (AIRC), State Industrial Relations Commissions, Anti-discrimination Commissions, and the Industrial Courts;
   - Publication of the industry’s bi-monthly, ‘Baking Business’ Magazine, circulated to more than 6000 industry operators and members throughout Australia;
   - Promotion of the baking industry throughout Australia;
   - The training and delivery of all three apprenticeship streams in the baking industry to apprentices via the NBIA’s training arm Baking Industry Training Australia (BITA);
   - A collective voice on all matters relating to the baking industry.

2.4 NBIA is a non-for-profit organisation with members representing a full spectrum of the baking industry – from hot bread shops, cake shops and franchises to in-store bakeries, plant bakeries and a variety of equipment and ingredient suppliers.

2.5 This diverse industry membership means the NBIA is in a well qualified position to comment on all areas involving and affecting the baking industry as a whole.
2.6 NBIA is a member of the Australian Chamber of Commerce and Industry (ACCI) and also endorses the submission made by ACCI.

2.7 The purpose of this submission is to make specific reference to the baking industry throughout Australia, incorporating the manufacturing, retailing, and exporting operations of the bread, biscuit, pastries and cake sectors.
3.0 Economic Consideration

3.1 The Wheat Crisis

3.1.1 Over the past twelve months, the Baking Industry throughout Australia has been severely affected by what has been commonly referred to as ‘the wheat crisis’.

3.1.2 As a result of on-going drought conditions, wheat prices have increased more 70% since March 2007, with world wheat stocks currently at 30 year lows.

3.1.3 The result for the Baking Industry has meant that the price of flour and other significant bakery ingredients has increased between 30 and 40% over the past twelve months. With all industry operators reliant on flour to produce their products, these recent increases are considerable.

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3.1.4 As an unexpected increase, the wheat crisis has had a dramatic effect on business operations, especially within the small business sector.

3.2 Tight Operating Margins

3.2.1 The baking industry, due to its competitive nature, is one that is dominated by the cost of labour and operates within tight margins.

3.2.2 With such tight operating margins, many industry operators struggle to absorb increases in wage costs into product prices.

3.2.3 Any rises in costs, whether they are based on wages or on associated business costs, must be absorbed into other areas of the business. Many industry operators are incapable of passing on wage increases to customers and are forced to take up the costs themselves.

3.2.4 These tight operating margins have an even greater effect on those baking industry operators that rely heavily on the export market for survival and growth. In order to compete in the global market, operators must insure that wage costs are kept at realistic levels.

3.2.5 An increase in total wage costs places immense pressure on the business to reduce costs in other areas. This in turn affects the organisation’s overall ability to remain in the highly competitive global market.

3.3 Industry Skills Shortages

3.3.1 The baking industry throughout is currently experiencing record levels of skill shortages throughout all areas of the industry.

3.3.2 There is an unquestionable lack of trade qualified bakers and pastrycooks within the industry, as evidenced by all baking industry trade qualifications listed as nation-wide shortages in the ‘Department
of Education, Employment and Workplace Relations – Skills in Demand List.²

3.4.4 For some years now, many industry members have also reported major difficulties in attracting and retaining staff in the traditional ‘non-skilled’ areas of their business operations.

3.4.5 As the ability for Employers to attract and retain employees becomes increasing difficult, especially in regional and remote areas, the ability for the unemployed to obtain employment has never been so high.

3.4.6 After rising to 7.0% in October 2001, the Unemployment Rate has generally fallen to stand at 4.3% in January 2008³. Combined, the skill shortages problem within the baking industry has now extended to incorporate both skilled and non-skilled occupations alike.

![Unemployment Rate, Trend](chart.png)

3.4.7 The Baking Industry considers that maintaining a low relative minimum wage level is a vital component for promoting the up-skilling of the non-skilled workforce within the industry.

3.4.8 By providing a low relative minimum wage and structured pay levels, employees are encouraged to further develop their skills and knowledge through formal and non-formal training. In return, employees can advance their career and further job prospects, and at the same time receive wage rates at higher levels.
4.0 Quantum and Operative Date

4.1 National Baking Industry Association supports a similar minimum wage increase to that determined by the Commission as part of the Minimum Wage Review in 2007 ($10.25 per week).

4.2 NBIA supports an operative date no earlier than 1 October 2008 for any minimum wage increase determined by the Commission.

4.3 In setting an operative date, NBIA continues to support a minimum three (3) month notice period of implementation, should an operative date other than 1 October 2008 be determined.
5.0 Conclusion

5.1 The submission by the National Baking Industry Association (NBIA) has identified areas of interest that are currently affecting the baking industry.

5.2 In the interests of a competitive and productive baking industry in which all parties (employers, employees, and consumers) will benefit, the industry requests that the Commission consider the submission of the NBIA in forming the Commission’s minimum wage determination.