Australian Fair Pay Commission
2009 Minimum Wage Review

20 March 2009
Submission prepared by the Chamber of Commerce and Industry of Western Australia
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About CCI

The Chamber of Commerce and Industry of Western Australia (CCI) is the leading business association in Western Australia (WA).

It is the second largest organisation of its kind in Australia, with a membership of over 5,500 organisations in all sectors including: manufacturing; resources; agriculture; transport; communications; retailing; hospitality; building and construction; community services; and finance.

Most members are private businesses, but CCI also has representation in the not-for-profit sector and the government sector.

CCI members employ a significant number of employees – nearly 73 per cent of members employ up to 19 employees; 21 per cent between 20 and 99 employees and six per cent over 100 employees. CCI members are located in all geographical regions of WA.

CCI’s membership in the accommodation, cafes and restaurants; health and community services; property services; and retail industries is around 30 per cent of our members.
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<td>Global Financial Crisis</td>
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<td>Health and Community Services</td>
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<td>Notional Agreements Preserving State Awards</td>
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<td>Organisation for Economic Co-operation and Development</td>
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Executive Summary

Introduction

This year’s final AFPC review takes place in the context of a rapidly deteriorating economic outlook domestically and internationally as a consequence of the global financial crisis (GFC).

Heightened risk and uncertainty has been a feature of the economic environment, which in turn is significantly affecting all sectors of the economy.

The general uncertainty in Australia means the consideration and determination of minimum wage adjustments is made more difficult and forecasting effects of any decision made more uncertain.

The approach advocated by CCI is therefore one of caution and the paramount concern should be to support business to retain and create jobs.

The GFC and its effects on Australia challenge the historical practice of necessarily increasing minimum wages across all phases of the economic cycle. Further increases in minimum wages in the current environment will increase business costs at a time when they can least afford it, and could lead to further job losses.

Legislative context

Transitional Arrangements and Commencement of Legislation

The Government has almost completed two of its three phases required to introduce its new industrial relations system.

The first phase, the Transition to Forward with Fairness Act 2008, took effect in March 2008 and abolished the Australian Workplace Agreement system.

It is the Government’s intention the second and final phases of the industrial relations legislative program - the Fair Work Bill 2008 (FWB) and transitional bills (respectively) - commence on the 1 July 2009. The only exception being the National Employment Standards provisions and Modern Awards scheduled to commence on the 1 January 2010.
The New Safety Net: National Employment Standards (NES), Modernised Awards and facilitation of low paid agreements

The effect of the NES and the comprehensive modernised awards, supplemented by facilitated low paid bargaining will ensure that from the commencement of 2010, the low paid will benefit from a significantly enhanced and more comprehensive safety net.

CCI is concerned the costs of this safety net will, especially given the GFC, have deleterious consequences on employers and their ongoing capacity to retain employees and grow their business.

Economic Overview and context

International

The GFC is affecting all economies, from the advanced to the developing, and has serious implications for the domestic economy and labour market.

World economic growth is at significant risk. The developed nations such as the US, UK, Euro area (including Germany and Italy) and Japan are already in recession.

Western Australia

While economic conditions in WA and nationally have been very strong in recent times, growth is expected to slow in the near term as the GFC and associated weakening international conditions impact locally.

As a consequence, the near-term prospects for the WA and national economies have weakened. Recent data has confirmed the state and national economies have begun to slow.

While Gross State Product data is not released on a quarterly basis, the WA domestic economy grew by 5.8 per cent of the year to December 2008, down from 6.3 per cent over the year to September 2008 - the lowest annual rate of growth since June 2005. Expectations are that growth in the domestic economy will continue to ease over the next 18 months, reflecting the slowdown in consumer spending and housing investment, while business investment is also likely to moderate as the current pipeline of construction comes to an end.
Business confidence

All major surveys of business have highlighted a rapid deterioration in business confidence as the impacts of the GFC are increasingly felt. This is particularly true for business and industry in WA, where the Commonwealth Bank-CCI Survey of Business Expectations showed that confidence has fallen from record highs in June 2006 (where over 87 per cent of businesses expected the WA economy to remain strong or strengthen in the 12 months ahead) to successive lows in December 2008 and March 2009. Around three quarters of businesses now expect the WA economy to weaken in the next 12 months.

WA Growth forecasts

With economic conditions continuing to deteriorate, CCI has revised down its growth forecasts for WA for the next two financial years. The WA economy is expected to grow by just 2 per cent in 2008-09, before contracting by ¼ per cent in 2009-10 as the full impact of the GFC is felt locally.

Employment

In WA, employment grew by 2.1 per cent over the year to February 2009. Employment growth has been particularly weak in the property and business services sector, where the workforce actually fell by 6.9 per cent over the year to December 2008. This represents the third consecutive quarter of annual decline. Similarly, employment has eased in the culture and recreational services sector, down by 12.4 per cent over the year to December 2008.

Employment has also begun to fall in a range of other sectors, including education (down nine per cent), construction (down 3.5 per cent), manufacturing (down 2.5 per cent), communications (down 1.2 per cent), personal services (down 0.7 per cent) and health and community services (down 0.2 per cent).

As a result, WA’s unemployment rate is expected to rise to 4 ¼ per cent by the end of 2008-09 before picking up to five per cent by the end of 2009-10.

The impact of the GFC on the Australian labour market is expected to be even more pronounced, with the Commonwealth Treasury forecasting the national unemployment rate to reach 5½ per cent in 2008-09 and seven per cent in 2009-10.
Uncertainty

One of the greatest problems at the time of writing is uncertainty about the extent, impact and duration of the GFC and in turn its effects on Australia.

There are significant differences in economic opinion on when the downturn will be reversed, and on the speed and extent of any recovery.

Lag Indicators / Tailing Impact

Recognising the importance of lag indicators to minimum wage setting will also support a cautionary approach.

Of principal concern is that employment indicators are lagging behind the extent of the downturn at present – employment retention levels are not yet reflecting the extent of the current downturn in demand.

CCI membership

Over the last few months CCI member redundancy queries grew exponentially. The data collected by CCI indicates the following:

- The November/December increases in queries for 2007 and 2008 show an average increase of over 270 per cent; and
- The January/February increases in queries for 2008 and 2009 show an average increase of over 500 per cent.

Employer responses to minimum wage increases

Key findings of the research commissioned by the Australian Fair Pay Commission released in June 2008 examined employer responses to minimum wage adjustments from three industry groups: Accommodation, Cafes and Restaurants, Health and Community Services and Retail.

It follows from the research findings, that in the current circumstances and the foreseeable future, employers, especially the smaller businesses who are already struggling, will be placed under more pressure especially if there are further cost burdens associated with labour in an environment of weaker consumer spending.
Implications of the 2008 AFPC decision for 2009

In its 2008 decision the AFPC stated that the “...income safety net comprises minimum wages, tax benefits and income support payments.” and “While the Commission is responsible for setting and adjusting the first two components, the Australian Government is responsible for the remainder.”¹

The AFPC therefore focuses its attention mainly on those workers relying “…most heavily on minimum wages, either alone or in combination with income transfers.”²

Consistent with the AFPC identification of these two critical components of the safety net, the AFPC will need to ensure all elements of the December 2008 cash stimulus and the $42 billion stimulus package supporting Australian families are acknowledged as a substantial and comprehensive enhancement of household and low paid worker incomes.

CCI is of the view these packages, along with other Government initiatives and deflationary trends, maintain if not increase the purchasing power of the low paid and therefore obviate the need for any minimum wage increase.

Minimum wage impacts on enterprise bargaining

Experience shows that the quanta of safety net decisions has implications for enterprise bargaining. Substantial FMW increases act as a disincentive for bargaining - employees have a reduced need to enter into bargaining and employers have a reduced capacity to make over award payments.

It has been some considerable time since Australia has experienced what is now occurring as a consequence of the GFC. Enterprise bargaining is therefore likely to become increasingly focused on efficiencies and flexibilities to enable sustainable business operations and stem job losses. The focus must be on jobs not promoting increased labour costs that jeopardise business prospects.

² Ibid, page 12.
Absorption of wage increases by small business

CCI is of the view the GFC is significantly affecting small business and accordingly its capacity to absorb any further increases in labour costs is likely to be negative.

The Australian Fair Pay Commission wage-setting parameters

The AFPC focuses its attention mainly on those workers relying “…most heavily on minimum wages, either alone or in combination with income transfers.”³

When reviewing minimum wages, the following are key considerations for the AFPC in determining whether an increase is economically sustainable:

- minimum wages contribute to, and do not detract from, the viability of businesses employing at minimum wage levels;

- minimum wage increases do not reduce jobs, or have the potential to promote job loss or inhibit job creation – this is especially important now when economic indices indicate a significant downturn, business closures and rising unemployment;

- the extent of reliance on minimum wage increases to assist low income workers must depend and interrelate with tax transfers, income supplementation, etc provided by the Federal Government;

- minimum wage change does not detract from economic performance at the micro or macro level; and

- minimum wages must not discourage productivity improvement or substitute for productivity bargaining.

Accordingly, CCI maintains that any increase in minimum wages in 2009 is unsustainable and unjustified and it is the responsibility of the Federal Government to ensure that the low paid are supported through appropriate tax transfers and income support.

³ Ibid, page 12.
A decision to do otherwise, transfers the financial responsibility for the low paid on to employers at a time when they can least afford it and will in CCI’s view directly and indirectly lead to further job losses.

**Recommendation**

The CCI recommends:

a) the AFPC does not order any increase in 2009;

b) the primary ground for such an order is the lack of clarity on the extent, impact and duration of the global financial crisis and its implications for Australia;

c) the AFPC issue an interim report in relation to its wage-setting parameters prior to being dissolved for consideration by the incoming Fair Work Australia (FWA) wages panel;

d) the FWA wages panel commence a late 2009 review; and

e) no increase is to take effect prior to 1 January 2010, with FWA empowered to consider an increase prior to or from 1 July 2010.

If, however, the AFPC intends to issue a substantive decision mid 2009, CCI submits there is no minimum wages increase on the basis of the economic and legislative considerations detailed in this submission.

**Key grounds for no increase in 2009**

The following key factors support CCI’s contention there should not be any increase in minimum wages in 2009:

1. The AFPC determined a very high minimum wage increase that took effect only five months ago (October 2008).

2. The GFC – the near unparalleled level of global and domestic economic downturn and risk, and the increasing negative impacts on employers directly and indirectly subject to increases in minimum wages.
3. Imminent labour cost increases for employers from 1 July 2009 (with the promulgation of the FWB) and 1 January 2010, including costs flowing from award modernisation and the implementation of the National Employment Standards.

4. The New Safety Net provisions alone obviate the need for any increase in the FMW and Pay Scales (from 1 October 2009) – to do so is likely to be counter productive, leading to further unemployment, under-employment and business closures.

5. The Federal Government’s stimulus packages and other initiatives - including support for apprentices and trainees, and workers who have been made redundant – that provide substantial financial support to low income households and the low paid. This cash handout alone represents a 3.2 per cent or $17.30 per week increase to the Federal minimum wage.

6. A more moderate inflation outlook with the Reserve Bank of Australia indicating that consumer prices nationally are expected to fall gradually to around two per cent by 2011, with a possibility that prices may fall to two per cent in 2009.

7. Scheduled tax cuts from 1 July 2009.

8. Labour market conditions are expected to deteriorate in line with the downturn in economic conditions. This has been reflected in the March Quarter Commonwealth Bank-CCI Survey of Business Expectations, which found that recruitment activity has dropped to its lowest level since September 1991, with one third of respondents cutting staff during the quarter. As a result, CCI has forecast unemployment to rise to 4¾ per cent by the end of 2008-09, and five per cent by the end of 2009-10.

9. The unavailability and/or unreliability of essential information required by minimum wage decision makers to inform a responsible decision that properly takes into account all relevant economic considerations.
PART 1 – GENERAL SUBMISSION

Introduction

This year’s final AFPC review takes place in the context of a rapidly deteriorating economic outlook domestically and internationally as a consequence of the global financial crisis (GFC).

Heightened risk and uncertainty has been a feature of the economic environment, which in turn is significantly affecting all sectors of the economy.

The general uncertainty in Australia means the consideration and determination of minimum wage adjustments is made more difficult and forecasting effects of any decision made more uncertain.

The approach advocated by CCI is therefore one of caution and the paramount concern should be to support business to retain and create jobs.

The GFC and its effects on Australia challenge the historical practice of necessarily increasing minimum wages across all phases of the economic cycle. Further increases in minimum wages in the current environment will increase business costs at a time when they can least afford it, and could lead to further job losses.

The pre-eminent consideration of CCI is the economic context during which the 2009 minimum wages review is being undertaken – the Economic Overview and Context section in this submission identifies a range of economic considerations in the context of the GFC.

The GFC requires a fundamental rethinking of most domestic and international policy areas. Most recently this has occurred in relation to the role and responsibility of the Federal government, i.e. how to pre-empt and moderate global trends as they affect Australia; and how to protect and support Australian citizens. Accordingly, it follows there should also be a rethink about minimum wage adjustment in 2009, in particular the extent to which business should bear financial responsibility for the low paid.

Another issue which comes into very sharp relief in the current climate is the impact of increasing minimum wages. Businesses – mostly small to medium enterprises (SME) – paying minimum wages are already in substantial financial difficulty and are having difficulty retaining staff and maintaining former levels of employment.
It no longer appears sustainable to conclude that minimum wages should increase in each calendar year across all phases of the economic cycle or that increases exceed inflation.

The general uncertainty in Australia means the consideration and determination of minimum wage adjustments is made more difficult and forecasting effects of any decision is more uncertain. The approach advocated by CCI is therefore one of caution and where the paramount concern is to support business to retain and create jobs.

Structure of submission

This submission has three parts:

(1) General legislative and economic overview and context;

(2) Specific submission addressing the wage setting parameters identified in Section 23 of the Act; and

(3) Recommendation with supporting key grounds.

Legislative context

Workplace Relations Act 1996

The AFPC’s wage-setting parameters are set out in section 23 of the Workplace Relations Act 1996 (the Act), reproduced as follows:

“The objective of the AFPC in performing its wage setting function is to promote the economic prosperity of the people of Australia having regard to the following:

(a) the capacity for the unemployed and low paid to obtain and remain in employment;

(b) employment and competitiveness across the economy;

(c) providing a safety net for the low paid;

(d) 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.”

The wage-setting objective is to be achieved by the exercise of the AFPC’s functions (or powers) identified in sections 22 and 23.
Notwithstanding these statutory powers, it is important to recognise that this will be the last minimum wage determination the AFPC will make. The Government in the FWB has made provision for a specialist wages panel within FWA to annually review minimum wages in awards and to make a national minimum wage order for all award free employees.\(^4\)

In contrast to the date of effect of previous AFPC decisions (i.e. October after a July decision) the FWB provides that the FWA minimum wages panel decision will generally come into operation on 1 July, but allows for later operation in exceptional circumstances.

**Fair Work Bill 2008**

*Transitional Arrangements and Commencement of Legislation*

The Government has almost completed two of its three phases required to introduce its new industrial relations system.

The first phase, the *Transition to Forward with Fairness Act 2008*, took effect in March 2008 and abolished the Australian Workplace Agreement system.

It is the Government’s intention the second and final phases of the industrial relations legislative program - the *Fair Work Bill 2008* (FWB) and *transitional bills* - commence on the 1 July 2009. The only exception being the National Employment Standards provisions and Modern Awards scheduled to commence on the 1 January 2010.

The FWB was tabled in November 2008 and was immediately referred to the Senate Education, Employment and Workplace Relations Committee for inquiry. The Committee reported its findings on the Bill on 27 February 2009.

Although CCI and other employer groups made written and oral submissions highlighting key deficiencies in the FWB, the Majority Committee recommended only minor changes and recommended that the Bill pass without delay.

The Deputy Prime Minister confirmed there will be two transitional/consequential bills. The first, the *Fair Work (Transitional Provisions and Consequential Amendments) Bill 2009* is likely to be tabled in Parliament March 2009 and will deal with the majority of substantive transitional issues relating to the FWB. This will include transitional arrangements for current agreements as well as amendments to Commonwealth legislation considered essential to the operation of the FWB, such as the *Building and Construction Industry Improvement Act 2005*.

A second bill is also likely to be introduced late May 2009 dealing with the remaining consequential amendments to over 70 Commonwealth Acts and consequential amendments as a result of any State Government referrals of Industrial Relations power. The WA State Government has indicated that it does not intend to refer its powers.

It is anticipated these Bills will be dealt with together in the Senate in May 2009.

**The New Safety Net: National Employment Standards, Modernised Awards and facilitation of low paid bargaining outcomes**

**Introduction**

The Government through the FWB is providing a safety net of minimum wages and employment conditions comprised of National Employment Standards (NES) and new modernised awards that cannot be undermined. To supplement the NES and awards there is a special low paid bargaining process facilitated by the FWA.

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5 Letter from The Hon Julia Gillard MP to Chair of the Senate Education, Employment, Education and Workplace Relations Committee, 26 February 2009.

6 Ibid.
The New Safety Net

The Government is guaranteeing “...a safety net of decent, relevant and enforceable wages and conditions for working Australians.”\(^7\) This safety net comprises:

- 10 legislated national employment standards (NES) applying to all employees regardless of industry or occupation. The NES provide minimum standards for the following hours of work; parental leave; flexible work for parents; annual leave; personal, carers and compassionate leave; community service leave; public holidays; information in the workplace; termination of employment and redundancy; and long service leave;\(^8\) and

- A simplified and modernised awards regime providing a further 10 minimum employment standards tailored to the needs of the industries, occupations or enterprises they cover. The remuneration provisions will include: minimum wages; overtime rates; penalty rates allowances; and superannuation.

The awards are currently the subject of the “Award Modernisation” process that commenced early 2008.

Award Modernisation

The award modernisation process creates modern awards to operate in conjunction with the new industrial relations system and apply from 1 January 2010.

The process requires the Australian Industrial Relations Commission (AIRC) to review all the multiple-employer federal awards as well as many state awards operating in the national industrial system that are known as Notional Agreements Preserving State Awards (NAPSA).

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\(^8\) Above n 4, part 2-2 - The National Employment Standards.
It is a complex process involving the reduction/rationalisation of about 4,000 instruments into a much smaller number of industry sector awards that together with the National Employment Standards (NES) create a new minimum set of wages and conditions applicable to the majority of employers in Australia.

The award modernisation process is being conducted in four main stages - industries relevant to each stage are identified in ATTACHMENT A.

**Extended safety net**

Although the creation of modern awards is not intended to extend award coverage to classes of employees who have been traditionally award free, there is no limitation to extending modern awards to new industries or new occupations where the work performed is of a similar nature to work historically regulated by awards.

To illustrate, in WA home care workers and managers in hospitality are currently not covered by an award but are in some other states. It is therefore highly likely these classifications will be covered by a modernised award.

In other words, the reach of the Government’s safety net, including minimum wages, is likely to be extended into areas not currently covered by awards and will increase wage rates in many jurisdictions that currently have lower rates – e.g. the WA ACR industry.

**Labour cost implications of award modernisation**

The award modernisation process will result in the most extensive changes to prescribed terms and conditions of employment for employees that businesses have seen for many years.

The relevance and importance of the award system for employers will also change, in part due to the potential for extension to cover some employees in WA who are not currently covered by the award system.

It is estimated that hundreds of thousands of employers in the ACR, Retail and related service industries are set to pay higher penalty rates, allowances, overtime, annual leave and wages as a consequence of the award modernisation process.
Although the modernised award rates are not yet finalised, and may not be for some months, concerns have been expressed that labour costs could in some industries be increased by up to 20 per cent.

To illustrate these concerns, CCI has conducted a preliminary analysis of the cost implications of award modernisation for the Retail industry, a Pay Scale reliant industry that is considered to have high levels of low skilled casual employees. A detailed comparison of current award rates and proposed modernised award rates is at ATTACHMENT B1 – General Retail Industry and B2 – Fast Food Industry.

The analysis has revealed the following:

• In general, permanent and casual rates for ordinary hours has increased;

• Applicable allowances have also increased – some substantially; and

• Majority of shift work and penalty rates have increased.

Although some rates in the proposed new awards are less (but are likely to effect only a minority), The Hon Julia Gillard MP in her letter to Senator Gavin Marshall (26 February 2009) indicated that legislative provisions will be made to ensure employees’ take home pay is not reduced by the application of modernised awards.⁹

The New Safety Net includes the facilitation of low paid bargaining

The FWB provides a new scheme of bargaining for low paid employees, intended by the Government to be for employees in “low-paid” industries, e.g. health and community services, and property services (e.g. cleaning and security). Specific reference is made to clauses 241 to 246 of the FWB.

The FWB provides that FWA is obliged to facilitate the making of agreements and will play a “hands on role” to get the parties bargaining to secure improved wages and conditions.¹⁰

⁹ Above n 5.
The FWA has significant powers in assisting and making low paid outcome determinations and therefore provides another means by which the “low paid” can be awarded wages and other employment benefits above the minimum wages safety net.

The effect of the NES and the comprehensive modernised awards, supplemented by facilitated low paid bargaining will ensure that from the commencement of 2010, the low paid will benefit from a significantly enhanced and more comprehensive safety net.

CCI remains concerned the costs of these enhancements in the safety net will, especially given the GFC have immediate and deleterious consequences on employers and their ongoing capacity to retain employees.

**Conclusion**

The Government’s implementation of an enhanced and comprehensive New Safety Net, which includes new facilitative and determinative provisions for the low paid to access improved wages and conditions, has significant labour cost implications for employers, the majority of whom are being directly affected by the GFC.

CCI is of the view that the New Safety Net provisions alone obviate the need for any increase in the FMW and Pay Scales (from 1 October 2009) – to do so is likely to be counter productive, leading to further unemployment, under-employment and business closures.

**Economic Overview and Context**

**Introduction**

Western Australia has recently experienced a period of economic growth unlike any other in the state’s short history. Today, the WA economy is almost twice the size it was at the beginning of the decade - almost 200,000 jobs have been created and record numbers of people have been entering the state to share in these positive economic conditions.

WA has also been the driving force behind the national economy that has grown strongly over 17 years of uninterrupted economic expansion.
International

The GFC is affecting all economies, from the advanced to the developing, and has serious implications for the domestic economy and labour market.

World economic growth is at significant risk. The developed nations such as the US, UK, Euro area (including Germany and Italy) and Japan are already in recession.

The fifth consecutive quarter of decelerating Chinese growth, the $870 billion stimulus package by the Chinese government in November and a surprise interest rate cut by the Reserve Bank of India have sparked concerns about the ability of emerging economies to maintain their rapid economic expansion amid the fallout from the credit crunch.

World growth is projected to fall from 5.0 per cent in 2007 to 3.4 percent in 2008 and just 0.5 per cent in 2009 by the International Monetary Fund, its lowest rate since World War II. The growth for advanced economies is expected to fall from 2.7 per cent in 2007 to 1.0 percent in 2008 and -2.0 percent in 2009; while the growth for emerging and developing economies is expected to fall from 8.3 per cent in 2007 to 6.25 per cent in 2008 and 3.25 per cent in 2009. The slowing global economy poses significant downside risks to Australia’s economic growth in coming years.

Organisation for Economic Co-operation and Development (OECD) composite leading indicators (CLIs) for November 2008 point to deep slowdowns in the major seven economies and in major non-OECD member economies, particularly China, India and Russia. The OECD has forecast recessions amongst many of its major member states, and for the OECD group as a whole.

The OECD Economic Outlook issued sees some 21 of 30 member countries already in or heading into a recession that could last a year. Business investment will contract by over 5 per cent, and unemployment could rise by at least 8 million by 2010.11

The IMF issued a range of revised estimates in early 2009, updating its World Economic Outlook (WEO) in light of the GFC.\textsuperscript{12}

a) The IMF has drastically revised down its forecast for the global economy since the November 2008 WEO update and has called for further action to support growth.

b) This was the third downward revision to IMF forecasts in just four months, demonstrating how rapidly the global economy is deteriorating.

c) The IMF is now forecasting a collective budget deficit of 7 per cent of GDP for advanced economies.\textsuperscript{13}

d) Global growth is now expected to fall to $\frac{1}{2}$ per cent in 2009, with advanced economies expected to suffer their deepest recession since World War II.

e) Collectively, advanced economies are expected to contract by 2 per cent in 2009 — the first annual contraction in the post-war period.

f) Emerging economies are expected to slow sharply, growing by 3¼ per cent in 2009.


\textsuperscript{13} Media Release, The Hon Kevin Rudd MP and The Hon Wayne Swan MP, “Macroeconomic and Fiscal Outlook”, 3 February 2009.
g) The IMF has revised down its economic growth forecast for China in 2009 by almost 2 percentage points to 6.7 per cent — just half the rapid rate recorded in 2007 (Chart 1).

According to the recent International Labour Organisation (ILO) *Global Employment Trends Report* (Jan 2009), the global economic crisis is expected to lead to a dramatic increase in the unemployed, working poor and those in vulnerable employment.

Based on new developments in the labour market and depending on the timeliness and effectiveness of recovery efforts, the report says global unemployment in 2009 could increase over 2007 by a range of 18 million to 30 million workers, and more than 50 million if the situation continues to deteriorate. This represents a more than doubling of the earlier estimate of global unemployment.

**National and WA – economic trends**

While economic conditions in WA and across Australia have been very strong in recent times, growth is expected to slow in the near term as the GFC and associated weakening international conditions begin to impact upon the local economy.

The deteriorating international economic conditions are resulting in the weakening of the near term prospects for the WA and national economies. Recent data shows the state and national economies have begun to slow.
While Gross State Product data is not released on a quarterly basis, the WA domestic economy grew by 5.8 per cent over the year to December 2008, down from 6.3 per cent over the year to September 2008. This represents the lowest annual rate of growth since June 2005.

The deterioration in economic conditions in WA during the final quarter of 2008 was largely due to weaker household consumption and dwelling investment. Over the year to December 2008, consumer spending in WA grew by just 2.7 per cent (down from 4.2 per cent over the year to September 2008), while dwelling investment contracted by 0.4 per cent compared to a year earlier – the second consecutive quarter of annual decline.

Nationally, the domestic economy grew by 2.6 per cent over the year to December 2008, down from 4.1 per cent over the year to September. Meanwhile, the national economy actually contracted during the final quarter of 2008. Between September and December 2008, Gross Domestic Product (GDP) shrank by 0.5 per cent, but still remained 0.3 per cent higher compared to a year ago. This represents the lowest annual rate of GDP growth since December 1991.

Overall, the weaker economic activity across Australia reflects a softening across all sectors. In particular, this fall was driven by weaker consumer spending, which slowed to 0.6 per cent over the year to December 2008 (down from 1.7 per cent over the year to September).

**Business confidence**

Economic conditions have turned very quickly, with businesses becoming increasingly pessimistic. As a result, the WA and national economies have entered a period of considerable uncertainty.

An indication of the GFC has been the rapid falls in consumer and business confidence that appears to be ongoing, sustained and far ranging, as shown by the following:

a. The *ACCI-Westpac Survey of Industrial Trends* showing a plunge of general business confidence to the lowest level since the December quarter 1990 with a sharp decline in actual net outcomes for demand, output, employment and investment.
b. The February 2009 *Commonwealth Bank – ACCI Business Expectations Survey* showing a continued decline in business confidence and reported business conditions, with:

i. The Expected Economic Performance and General Business Conditions indicators falling to their lowest levels since the survey began in 1994.

ii. A marked deterioration in investment, with Investment in Plant and Equipment contracting for the first time in the survey’s 14 year history.

c. A 16 year low in consumer confidence in 2008 (The Westpac-Melbourne Institute index of consumer sentiment reached its lowest point since the Australia was emerging from recession in December 1992).

d. No basis in the economic discourse or developments to signal any substantial and sustained reversal of these falls in confidence.

According to the *Commonwealth Bank-CCI Survey of Business Expectations*, the global financial crisis has had a negative impact upon the majority of WA businesses. Against this background of weaker business conditions, the clear majority of firms expected conditions in the WA economy to worsen in the year ahead. Businesses were even more pessimistic about the prospects for the national economy (Chart 2).
While the GFC has affected many aspects of business activity in the state, the primary impact has been in relation to capital spending intentions. Many firms have begun to put their investment plans on hold, with a number of major projects - largely in the resources sector - being delayed until conditions improve, for example:

- Alcoa: $1.5 billion expansion of the Wagerup Alumina Refinery;
- Rio Tinto: Pilbara iron ore mine expansions; and
- Fortescue Metals Group: iron ore railroad between the Cloudbreak mine and the Christmas Creek project.

In addition, companies are reporting the GFC is adversely affecting turnover and sales, and businesses’ ability to access credit. Clearly, conditions have taken a turn for the worse, with businesses forced to delay investment decisions, placing a freeze on hiring, and in the worst case, laying off workers in order to cope with the deteriorating business conditions.

The extent to which the economic downturn is an issue for WA businesses was also reflected in the feature question of the latest Commonwealth Bank-CCI Survey of Business Expectations. The feature question asked businesses to rank a range of issues in order of importance for the year ahead.

Global economic growth was expected to be the most pressing issue for business in the year ahead, being identified as the single largest concern for more than 40 per cent of respondents. Meanwhile, around 59 per cent of respondents rated global economic growth as one of their top three areas of concern.

Wage costs are also a critical issue for WA businesses in 2009. Over 18 per cent of respondents identified wage costs as the number one issue facing their business in the coming year, while more than 55 per cent cited wage costs as one of their top three areas of concern.

Other key issues identified by businesses were taxation levels (39 per cent), borrowing costs (31 per cent), workplace relations (24 per cent), state government regulation (16 per cent) and labour availability (12 per cent).
Economic growth forecasts

The AFPC in its monitoring report released 24 February 2009 stated that the economic outlook has weakened more quickly than was anticipated in mid-2008. In its summary of macroeconomic developments the AFPC reflects the findings of various business surveys that the Australian labour market is significantly weakening and that as a consequence a reduction in working hours can be expected to bear the brunt of the initial adjustment but inevitably unemployment will rise.

With economic conditions continuing to deteriorate, CCI has revised down its growth forecasts for WA for the next two financial years. The WA economy is expected to grow by just 2 per cent in 2008-09, before contracting by ¾ per cent in 2009-10 as the full impact of the global financial crisis is felt locally (Chart 3).

The outlook for the national economy has also worsened, with the Commonwealth Treasury’s latest estimates showing that Australia’s GDP growth is expected to slow to one per cent in 2008-09, and ¼ per cent in 2009-10.

15 Ibid - page 22.
CPI and inflation

With economic conditions expected to slow, inflationary pressures are also forecast to ease. CCI expects consumer price growth to slow to 1 ¼ per cent by the end of 2008-09, before averaging 2 ½ per cent over the out years. This was reflected in the latest Commonwealth Bank-CCI Survey of Business Expectations, where the index of prices charged dropped to the lowest level in over six years.

Inflationary pressures are also expected to ease across Australia in line with the weakening economic conditions. According to the Reserve Bank of Australia, consumer prices nationally are expected to fall gradually to around two per cent by 2011, with a possibility that prices may fall to two per cent in 2009.

Employment

The forecast slowing in the economy is also expected to see labour market conditions ease in the near term. Already, there are signs that the weaker economic conditions are starting to take effect upon the state and national labour markets, with employment growth slowing and unemployment beginning to rise.

While employment in WA grew by 2.1 per cent over the year to February 2009, the composition of employment suggests that demand for labour is slowing.

The increase in the state’s workforce was underpinned by an increasing number of workers being employed on a part time basis. This trend is likely to reflect an increasing number of employers choosing to reduce staff working hours in order to cope with the uncertain economic conditions.

In February 2009, part time employment grew by 5.3 per cent, to stand 6.7 per cent higher than a year ago. By contrast, full-time employment in WA fell by 1.7 per cent in February, but remained 0.3 per cent higher over the year.
Employment growth has also differed by sector. Employment growth has been particularly weak in the property and business services sector, where the workforce actually fell by 6.9 per cent over the year to December 2008. This represents the third consecutive quarter of annual decline. Similarly, employment has eased in the culture and recreational services sector, down by 12.4 per cent over the year to December 2008.

Employment has also begun to fall in a range of other sectors, including education (down nine per cent), construction (down 3.5 per cent), manufacturing (down 2.5 per cent), communications (down 1.2 per cent), personal services (down 0.7 per cent) and health and community services (down 0.2 per cent).

WA’s unemployment rate jumped to 4.2 per cent in February 2009, up from 3.3 per cent in January. The state’s unemployment rate is now at its highest level since 2005. The national unemployment rate also rose to 5.2 per cent.

The softer labour market conditions were also reflected in the Commonwealth Bank-CCI Survey of Business Expectations. The latest results showed that firms’ employment activity has dropped to its lowest level since September 1991, while hiring intentions had also eased substantially. Meanwhile, labour availability has improved to its highest level in more than six years (Chart 4).
As a result, WA’s unemployment rate is expected to rise to 4 ¼ per cent by the end of 2008-09 before picking up to five per cent by the end of 2009-10. The impact of the GFC on the Australian labour market is expected to be even more pronounced, with the Commonwealth Treasury forecasting the national unemployment rate to reach 5½ per cent in 2008-09 and seven per cent in 2009-10.

Despite the softening labour market conditions, wage pressures still remain solid. According to the Wage Price Index measure of earnings growth, wages in WA grew by 5.7 per cent over the year to December 2008, and 4.3 per cent nationally.

**Federal Government Initiatives**

In response to the deteriorating economic conditions, the Federal Government has announced two stimulus packages, aimed at kick starting the economy. The primary focus of these packages has been in relation to job preservation, with the second stimulus package aimed at supporting up to 90,000 jobs in 2009-10.

The first stimulus package, totalling $10.4 billion, focussed on assistance for pensioners, low and middle income earners and first home buyers, as well as additional training allocations, and investment in nation building projects.

The second economic stimulus package involved a $42 billion injection over the next three years on a range of measures. In addition to social infrastructure and small business incentives, this package included $12.7 billion in bonus payments to low and middle income earners. This provides cash to those households that are most likely to spend and recirculate funds through the retail sector.

**Uncertainty**

One of the greatest problems at the time of writing is uncertainty. Not only is there no clear consensus on the extent, impact and duration of the downturn, but it is unclear when this will become available.

There are significant differences in economic opinion on when the downturn will be reversed, and on the speed and extent of any recovery.
At the time of writing there is also an insufficient understanding of:

- The impact / benefit of the economic stimulus to date.
- The impact / benefit of interest rate cuts, and the future direction of monetary policy.

**Lag Indicators / Tailing Impact**

Recognising the importance of lag indicators to minimum wage setting will also support a cautionary approach.

Of principal concern is that employment indicators are lagging behind the extent of the downturn at present – employment retention levels are not yet reflecting the extent of the current downturn in demand.

**The Future**

Although the GFC is undoubtedly a major challenge for the national economy, CCI believes it also represents an opportunity to introduce long term reform that will benefit the State and National economies.

It is imperative the State and Federal Governments ensure that appropriate policies and strategies are used to: encourage growth and development; and address key challenges facing the WA and national economies.

This long term agenda is even more important during this current period of uncertainty and the associated downturn in the economy. Governments must resist calls for further regulation and industry assistance, and should embark on a strategic economic reform agenda to promote sustained, long term prosperity.

**CCI membership**

The CCI Employee Relations Advice Centre records member queries and compiles a monthly report to show the number of calls related to member issues. This data is used to assist CCI in promptly acting on key business issues and member concerns.

Over the last few months the redundancy query trends have grown exponentially – see ATTACHMENT C. The data represents CCI member inquiries associated with making permanent staff redundant, categorised according to ANZSIC industry groupings. The data collection period for the collating of these types of queries commenced on 1 November 2007.
Although the data is viewed as indicative only, and does not necessarily translate to the number of employees being made redundant by CCI members, it is consistent with the latest economic and employment data – all pointing to a very significant downturn.

Summary of the data:

- The number of redundancy queries has been steadily increasing from September 2008;
- The November/December increases in 2007 and 2008 show an average increase of over 270 per cent;
- The January/February increases in 2008 and 2009 show an average increase of over 500 per cent; and
- Full month figures for January and February 2009 and part month figures for March [only up to 10th] show significant increases in queries.

System data for the remainder of March 2009 is being recorded but was not available at time of finalising this submission.

It is important to note that when considering this data, figures for those industries that are more likely to employ casual staff (e.g. ACR and Retail), the “redundancy” queries, although elevated, do not appear alarming. In such industries where casual staff are the majority, it is those staff who will loose their jobs or experience reduced hours first.

**Specific Industries**

**Introduction**

Key findings of the research commissioned by the AFPC and released in June 2008 examined employer responses to minimum wage adjustments from three industry groups: Accommodation, Cafes & Restaurants (ACR), Health and Community Services (HaCS) and Retail.16

CCI’s membership in the accommodation, cafes and restaurants; health and community services; and retail industries is around 25 per cent of our members.

Of particular relevance to the determination of minimum wage adjustments in 2009 and the flow on effects into 2010 and beyond are the likely responses by employers to any minimum wage increase and the consequential flow-on effects based on their documented responses in the Research Report 3/08.

A key finding of the Research Report 3/08 has implications for the business confidence of employers operating within industries directly affected by minimum wage increases:

“Participants paying exactly the Pay Scale rates, participants with formal agreements, and participants experiencing external wage pressures impacting on their business often saw themselves as having a lower level of control over wage rates. External pressures included operating in proximity to high paying industries (such as mining or certain areas of the public sector) as well as operating in an industry experiencing a skills shortage.”

It follows from the research findings, that in the current circumstances and the foreseeable future, employers, especially the smaller businesses who are already struggling, will be placed under more pressure especially if there are further cost burdens associated with labour in an environment of weaker consumer spending.

It is important to note that whereas many employers see increasing prices as a “top-of-mind” consideration, the final decision as to how to address increased labour costs was a lot more complex.

Wage costs are also a critical issue for WA businesses in 2009 as evidenced in the Commonwealth Bank-CCI Survey of Business Expectations. Over 18 per cent of respondents identified wage costs as the number one issue facing their business in the coming year, while more than 55 per cent cited wage costs as one of their top three areas of concern.

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Businesses can implement a range of strategies to try to address labour cost increases. Unfortunately in a severely constrained market where business fragility has been apparent for some time, and is worsening, the available strategies become limited and are likely to focus on reducing labour costs – cutting hours or reducing employee numbers.

Whereas personally working an increased number of hours by business owners was often adopted to offset increased labour costs, even where they were concerned about work/life balance and personal life, the extra hours were necessary to avoid insolvency. The other commonly implemented strategy was staff reductions.\(^{19}\) The former potentially compromising strategy, however, may be less relevant in a GFC, where consumers are spending less and instead staff reductions are likely to be the most effective option.

According to the latest Commonwealth Bank - CCI Survey of Business Expectations the most common strategy adopted by businesses to cope with the slowing economy is to delay investment decisions, with this approach being used by around 53 per cent of businesses, of all sizes and across all sectors.

Implementing a hiring freeze was the next most popular option, with around 35 per cent of all respondents putting recruitment activity on hold. This strategy was most commonly used by the mining and construction sectors, with 51 per cent and 41 per cent of respondents respectively halting recruitment activity.

Other commonly used strategies to deal with the worsening economic conditions included using an overdraft facility and drawing down on retained earnings (20 per cent respectively), and lowering production (11 per cent). Worryingly, 17 per cent of respondents also reported laying off staff.

\(^{19}\) Ibid - Page 9
Another key finding of the Research Report 3/08, which was researched in much more positive economic circumstances, reinforces likely employer responses as suggested above.20

It is therefore not surprising the recent economic weakness is beginning to affect the more Pay Scale reliant industries and occupations. AFPC research reiterates that there has been volatile employment growth over the last two years, such as: Retail and ACR industries. Employment growth, however, over the last six months in those industries has been very low.21

**Accommodation, Cafes and Restaurants (ACR)**

AFPC research commissioned in 2008 indicates that industry performance has been marked by low profit margins and relatively low revenue growth.22 Between 2002-03 and 2005-06 total income grew annually at 6.5 per cent versus 8.6 per cent across all other industries and industry profit margins are lower than the average. In 2005-06, operating profit margins in the ACR were 5.5 per cent compared to 10.8 per cent across all industries.23

It is important to note that the period subject to the AFPC research was during and after sustained economic growth and high levels of employment – circumstances that have changed considerably in recent months.

Demand for services in the ACR industry has been heavily driven by the increase in real disposable income and wealth that has occurred over the last decade.24 The negative wealth effects, however, associated with declining housing and equity prices, combined with heightened uncertainty as to the prospects for the economy going forward, suggest that consumer spending will weaken considerably. This has significant implications for the viability of the business in this sector.

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20 Ibid - Page 9
21 Above n 14, page 30.
23 Ibid, page 3.
Employment in the ACR industry has grown strongly, averaging 2.8 per cent annually over the last 15 years in contrast to a 2.2 per cent annual growth rate across other industries.\(^{25}\)

In the ACR industry there is a higher prevalence of part-time and casual workers. While only 20.3 per cent of workers across the economy were employed on a casual basis, around 56 per cent are casuals in the ACR industry.\(^{26}\) Generally casual employees in the ACR industry are more mobile, there is less worker attachment and it is often the specific preference of such workers to remain a casual employee because it provides them with the lifestyle flexibility they require.\(^{27}\)

The vast majority of employees in the industry – 57 per cent - are reliant on an award for settling their pay, compared to 20 per cent across all industries.\(^{28}\) The ACR industry is an example of an industry where the majority of employees are low skilled and low-paid.

The AFPC research includes the views of employers and employees about the impacts of minimum wage increase.\(^{29}\) Consistent with these views, the changing macro economic circumstances will have major implications for the sector, particularly given the discretionary nature of much of the sector’s activities.

**Health and Community Services (HaCS)**

In contrast to the ACR industry, the Health and Community Services (HaCS) industry displays some key differences, as follows:

- Operating profit margins are significantly higher than most industries;\(^{30}\)
- The majority of employees – 55.8 per cent - are covered by registered collective agreements;\(^{31}\)

\(^{25}\) Ibid, page 3.
\(^{26}\) Ibid, page 3.
\(^{27}\) Ibid, page 4.
\(^{28}\) Ibid, page 4.
\(^{29}\) Ibid, pages 123 to 125.
\(^{31}\) Ibid, page 4.
• Many employers receive some form of government funding to supplement their activities;  

• A strong likelihood that increases in labour costs would translate to increased service charges, thereby shifting costs to consumers, many of whom will be experiencing financial difficulties, who may have lost their jobs or been forced to reduce work hours by their employer.

Although there are differences between the HaCS and ACR industries, where labour costs increase, employers from both industries felt limited in their options – cuts in staff hours is generally not possible due to compliance and service level obligations. Many owner/operators indicated they would need to work longer or staff would need to perform what otherwise is “unpaid overtime”.

In summary, although the majority of the HaCS industry is not a low paid industry, those employers and employees who are directly affected by FMW or Pay Scale increases will be placed under more pressure as will clients who have to pay more for the same service level.

**Implications of the 2008 AFPC Decision in 2009**

**General observations**

The AFPC in making its 2008 decision sought to balance a range of key trends and developments in the economy, including inflation, employment conditions and factors affecting the safety net for the low paid.

The AFPC Decision 2008 went on to state that the AFPC was “…especially cognisant of the financial pressures on low-income households at this time.”

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32 Ibid, page 111.
33 Ibid, page 111.
34 Ibid, pages 112 to 113.
35 Above n 1, page 9.
All of these matters, given the statutory parameters in which the AFPC is to determine appropriate minimum wage adjustments, are relevant considerations. Accordingly, it follows that the AFPC in determining a 2009 outcome must take into consideration all matters that bear on low income households – including the immediate and delayed affects of the economic downturn such as rising unemployment, the fragility of businesses affected by minimum wage adjustments and the significant cash and other stimulus package benefits to a significant number of Australians, including the low paid.

**Quanta of decision in 2008**

The CCI in its submission in 2008 supported a moderate minimum wage increase comparable to the 2007 Wage setting Decision – increases of $10.26 and $5.30.

The $21.66 outcome was made by the AFPC in significantly more confident and buoyant economic times than what Australia is confronted with in 2009 and into 2010. At the time the AFPC made its decision, it projected that the great majority of workers earning Pay Scale wages would benefit from a real increase in the year ending October 2008.37

As the weaker conditions predicted by the AFPC in July 2008 have now been realised, low paid workers are now considerably more vulnerable to job losses or an inability to re-enter the workforce.

CCI is of the view that in 2009 into 2010 the focus of minimum wage setting must move away from wage increases – whether maintaining relative purchasing power of the dollar or a net real increase - to preserving existing jobs and promoting future job creation.

In other words, a shift in emphasis is required from the minimum wage component of the safety net – a direct cost to employers - to the tax transfer component [i.e. tax benefits & income support payments] of the safety net for which the Australian Government is responsible.

Consistent with the AFPC identification of these two critical components of the safety net,\(^{38}\) the AFPC will need to ensure all elements of the December 2008 cash stimulus and the $42 billion stimulus package that support Australian families (by boosting household incomes) and workers (in particular the low paid) are taken into consideration.

CCI is of the view these packages, along with other Government initiatives and deflationary trends, maintain if not increase the purchasing power of the low paid and therefore obviate the need for any further cost pressures being placed on employers.

“The capacity of the unemployed and low paid to obtain and remain in employment.”

The AFPC noted that “…the economic outlook is uncertain. Economic activity and employment growth are forecast to slow in the near term, while unemployment is expected to increase. These weaker conditions may place low-paid workers in a more vulnerable position.”\(^{39}\) These predictions, unfortunately, have been validated with all major economic indices pointing to even more job losses and the downstream effects that brings.

The monitoring of labour market outcomes for the low skilled/low paid is used by the AFPC to assist in the setting of minimum wages – “Setting minimum wages too high could exacerbate ‘churning between low-paid employment and unemployment.’”\(^{40}\) An accurate analysis and prediction of the effects of minimum wages on labour supply is critical for the AFPC in performing its wage setting function in 2009.

A key consideration in 2009 is to ensure that any AFPC decision unequivocally facilitates job retention and growth in more challenging economic circumstances.

\(^{38}\) Ibid, page 12.

\(^{39}\) Ibid, page 10.

\(^{40}\) Ibid, page 10.
“The provision of a safety net for the low paid.”

In its 2008 decision the AFPC stated that the “…income safety net comprises minimum wages, tax benefits and income support payments.” and “While the Commission is responsible for setting and adjusting the first two components, the Australian Government is responsible for the remainder.”\(^{41}\)

The AFPC therefore focuses its attention mainly on those workers relying “…most heavily on minimum wages, either alone or in combination with income transfers.”\(^{42}\)

The AFPC estimates that around 70 per cent of all Pay Scale reliant employees work in the following four sectors: ACR, HaCS, Property & Business Services and Retail trade.\(^{43}\) The total membership of CCI in these four industries is around 30 per cent.

Anecdotally it is well accepted that notwithstanding significant economic growth in industries such as resources and building and construction (and their related manufacturing and service industries); and transport and storage, other sectors have not benefited at all or in relative terms. There are many employers in the identified four sectors that previously were struggling and are now making employees redundant or closing down. Other employers are also now struggling to remain viable – in the face of contracting demand for services. Any increase in labour costs has the potential for more business closures.

**Minimum wage impacts on enterprise bargaining**

Determining FMW and Pay Scale adjustments should consider the potential implications for enterprise bargaining, noting that the Act has as one of its principal objects – section 3(d):

“...ensuring that, as far as possible, the primary responsibility for determining matters affecting the employment relationship rests with the employer and employees at the workplace or enterprise level; and...”

\(^{41}\) Ibid, page 12.

\(^{42}\) Ibid, page 12.

\(^{43}\) Above n 14, page 17.
Experience shows that the quanta of safety net decisions has implications for enterprise bargaining. During sustained periods of economic growth more substantial FMW increases act as a disincentive for bargaining - employees have a reduced need to enter into bargaining and employers have a reduced capacity to make over award payments. Higher FMW increases impact on productivity and performance based reward in agreements and the willingness of employers to grant increases beyond the safety net.

It has been some considerable time since Australia has experienced what is now occurring as a consequence of the GFC. Latest data has highlighted increases in unemployment (and under employment) and significantly weaker growth in consumer spending. All signs are suggesting these trends will not be reversed for some time. Enterprise bargaining is therefore likely to become increasingly focused on efficiencies and flexibilities to enable sustainable business operations and stem job losses. The focus must be on jobs not promoting increased labour costs that jeopardise business prospects.

**Absorption of wage increases by small business**

The Australian Chamber of Commerce and Industry (ACCI) conducted a small business survey, releasing the results on 18 February 2009. In summary the survey results show:

- The ACCI index of Small Business Conditions fell significantly to 34.2 in the December quarter (2008), down from 38.7 in the September quarter (2008).

- **Small Business Conditions** declined further into negative territory over the December 2008 quarter with this index falling to 34.2 – its lowest level since this survey began in December 1996 and almost 20 points below its five year average of 53.3, indicating a continued deterioration in business conditions. Small businesses expect their business conditions to remain negative in the first three months of 2009.

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• **Expected Economic Performance** also declined to an historic low level and is more than 20 points below its five year average, showing that small business expects a continued deterioration in Australia’s rate of growth over the next twelve months.

• **Sales Revenue** declined further into negative territory over the quarter to 38.5, the lowest level in the survey’s 12 year history. While it remains contractionary, small business expects sales revenue to improve marginally over the next three months.

• **Wage Growth and Non-Wage Labour Costs** continued to moderate and these indexes fell below their five year average over the December quarter. However these costs are still growing, which maintains pressure on small business profitability.

• **Selling Prices** growth continued to fall over the quarter with the downward trend expected to continue over the first three months of 2009.

• **Profit Growth** continued its significant decline below the key 50.0 level to 32.8 – almost 14 points below the five year average and the lowest level since this survey began in December 1996. Expectations for the next quarter improve marginally, however the index remained negative, indicating that small business is pessimistic about a quick recovery.

• **The Employment and Overtime Utilisation** indexes declined further into negative territory and are significantly below their five year average level of 52.8 and 52.0 respectively. These indexes are currently at historic lows.

• **Investment in Buildings and Structures** and Investment in Plant and Equipment remained negative and small business expects business investment to continue to fall over the next three months.

• In general, **medium** and **large** business reported more favourable business conditions than did **small** business, suggesting small business is more exposed to increasing input costs and falling domestic demand.

CCI is of the view the survey results strongly suggest that the economic downturn is significantly affecting small business and make it more difficult for the sector to absorb any further increases in labour costs.
PART 2 - SECTION 23 OF THE WORKPLACE RELATIONS ACT 1996: THE AUSTRALIAN FAIR PAY COMMISSION WAGE-SETTING PARAMETERS

The AFPC in performing its wage-setting function is to promote economic prosperity of the Australian people taking into consideration the following factors [section 23]:

“The capacity of the unemployed and low paid to obtain and remain in employment

Employment and competitiveness across the economy

The provision of a safety net for the low paid

The provision of 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”

Principal objective: Promoting the economic prosperity of the people of Australia

In the context of promoting economic prosperity, the AFPC in its 2008 Decision stated it understood its role “…as balancing a desire for minimum wages to promote employment opportunities for unemployed and low-paid Australians with the need for minimum wages to play their part in maintaining a safety net.”

The AFPC went on to say that it would interpret economic prosperity broadly finding that an economically prosperous Australia “…is one where those seeking work have ample opportunity to participate in employment and where a safety net mitigates hardship.”

45 Above n 1, page 37.
The 2008 AFPC decision indicated care had been taken “…to ensure that minimum wage increases do not exacerbate inflation. Both potential consequences of the Commission’s decision – higher inflation and lower employment growth - are likely to impact disproportionately on unemployed and low-paid Australians. The Commission acknowledges that minimum wages are only one of the factors that influence the prosperity of Australians…” 46

The AFPC in its 2007 decision referred to the 2006 Wage Setting Decision in which it accepted that setting minimum wages too high would have a detrimental effect on employment growth and cause unemployment to rise.

Increases in minimum wages must be economically sustainable - an assessment of which will of course depend on the economic circumstances at the time. The following are key considerations for the AFPC:

- minimum wages contribute to, and do not detract from, the viability of businesses employing at minimum wage levels;

- minimum wage increases are not to reduce jobs, or have the potential to promote job loss or inhibit job creation – this is especially important now when economic indices indicate a significant downturn, business closures and rising unemployment;

- the extent of reliance on minimum wage increases to assist low income workers must depend and interrelate with tax transfers, income supplementation, etc provided by the Federal Government;

- minimum wage change does not detract from economic performance at the micro or macro level; and

- minimum wages do not discourage productivity improvement or substitute for productivity bargaining.

The AFPC will need to ensure the effect of its 2009 decision does not directly or indirectly lead to further job losses. CCI urges caution in adjusting non-productivity related minimum wage increases, a factor made even more potent given the GFC.

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From the standpoint of an employer in an industry where sources of revenue are fixed by governments, high minimum wages result in the removal of flexibility to enter into bargaining. The result is less opportunity to negotiate improved productivity.

In the Commonwealth Government funded aged care sector, for example, the Australian Government indexed payments by 2 per cent to the residential care sector in 2008-09. 47 Those services qualifying for potential additional payment under “Conditional Adjustment Payments”, received an extra 1.75 per cent in the years 2005-06, 2006-07, 2007-08 and again in 2008-2009. 48 In addition, the Government is conducting a review of CAP at the moment seeking submissions on whether the payments should be retained. If the CAP is not retained aged care providers will be severely negatively impacted.

The majority of service providers do not have freedom to increase charges because clients are usually pensioners and the pension is typically indexed by the CPI only. This has been a difficult problem for aged care and community services employers in WA.

“The capacity of unemployed and low paid to obtain and remain in employment”

Economic considerations

As economic conditions across the globe continue to weaken, businesses have become increasingly cautious, with many looking to implement a hiring freeze, and in some cases lay off staff, in order to navigate through these uncertain times. As a result, the job prospects for all labour market participants, including the unemployed and low paid, are diminished.

Raising the minimum wage at a time when many businesses bottom lines are affected by deteriorating economic conditions has the potential to lead to greater unemployment, and limit the ability of the unemployed to re-enter the workforce and the low paid workers to remain in employment.

There are already signs that businesses are looking to shed workers, with the softening in businesses recruitment intentions being reflected in a range of business surveys. According to the latest *NAB Monthly Business Survey*, employment across Australia is at its lowest level since late 1992, indicating that employers are continuing to shed labour. The survey also noted that the series is somewhat lagged, and that the national labour market is likely to deteriorate significantly going forward.

Similarly, the latest *Commonwealth Bank-ACCI Business Expectations Survey* also showed a considerable deterioration in national employment. During the December quarter, the index of employment fell for the seventh consecutive quarter, to its lowest level since 1994, and well below the five year average. The Survey results also showed that businesses expect to reduce employment in the three months ahead.

As a result, labour market conditions across Australia are expected to deteriorate considerably in the near term in line with the slowdown in economic activity, with employment expected to contract through 2009, and remain weak in 2010.

According to the latest estimates by the Commonwealth Treasury, the national unemployment rate is forecast to increase to 5½ per cent by June 2009 up to seven per cent by June 2010. However, the potential job losses are expected to be mitigated to some extent by the Federal Government’s second stimulus plan, which it argues will support up to 90,000 jobs over the forecast period.

Additionally, the Government in recognition of redundant employees experiencing difficulties getting back in to the workforce, has committed a further $298.5 million. This is a welcome initiative that reinforces a Government responsibility rather than it fall to employers who should not be made financial responsible, for example, by way of increases in the FMW or Pay scales.
Minimum wages and demand for labour

The AFPC 2008 Decision referred to the relationship between employment and minimum wages continuing to be contentious. In response to submissions that downplayed the negative effects of minimum wage increases on employment, the AFPC indicated there was evidence “…that showed a slower rate of growth in real wages may result in even better employment outcomes.” 49 The AFPC continued: “…while aggregate employment may be affected only slightly by increases in minimum wages, employment of low-paid workers may be disproportionately harmed.” 50

The GFC has resulted in a reversal of the economic conditions during which the above discussion took place. It follows that in a no or negligible growth scenario any increase in minimum wages has the potential to increase unemployment.

Employment growth in Pay Scale reliant industries

In its 2008 decision the AFPC examined employment growth in the low skilled/low paid occupations of the majority of Pay Scale reliant employees, i.e. ACR, Property and business, HaCS and Retail noting that employment growth in low skilled occupations has been weaker than in all other occupations. 51

Given the weaker growth occurred during a sustained period of economic growth across all industries, it is likely that it will further weaken, especially in low skilled occupations. This may be offset to some degree by redundant workers from higher skilled industries competing for vacancies in low skilled occupations as a means of income assistance.

“Employment and competitiveness across the economy”

Economic considerations

While the national economy has recorded consistently strong growth in recent years, growth has not been even across all sectors. As such, the capacity of these industries to pay wage rises is significantly lower.

49 Above n 1, page 39.
51 Ibid, page 41.
The high level of activity in global mineral and energy markets has meant the mining and resources sectors have been the key drivers of Australia’s economic success. Since the beginning of the decade, the national mining sector has grown by 16.8 per cent per annum on average, to be worth $86.1 billion in 2007-08.

Similarly, the construction sector has also been a key beneficiary of the boom in global mineral and energy markets, and is a key driver of national economic growth. Not only does the sector make a valuable contribution in terms of output and employment, but it also plays a critical role in increasing the productive capacity of other sectors. Since the beginning of the decade, output from the construction sector has grown on average by around 10.2 per cent per annum, to be worth $81.1 billion in 2007-08.

Other sectors of the national economy that have grown strongly since the beginning of the decade are finance and insurance (rising on average by 10.2 per cent per annum), property and business services, and transport and storage (with annual average growth of 7.9 per cent respectively).

While the boom in global minerals and energy markets has had significant benefits for the national economy more generally, not all sectors have benefited to the same extent from this growth. In this regard, a number of services industries – many occupations in which are considered to be low skilled/low paid - have recorded considerably lower rates of growth than those industries which have directly benefited from the resources boom.

Since the beginning of the decade, the communications sector has grown on average by just 2.5 per cent per annum, to be worth $23.3 billion by 2007-08. Meanwhile, the accommodation, café’s and restaurants sector has recorded annual average growth of 4.5 per cent over this period (to be worth $20.8 billion in 2007-08), while the retail sector has grown by 5.3 per cent per annum (to be worth $27.4 billion by 2007-08).

The varying growth rates across the economy have meant that some sectors have been struggling to keep up with the rapid growth in wages that has occurred as firms have offered increased incentives to attract and retain workers.
In this regard, the highest rates of wages growth have been recorded in the booming construction, mining and utilities sectors, with growth in the Wage Price Index (WPI) averaging 4.3 per cent, 4.5 per cent and 4.2 per cent per annum since the beginning of the decade.

By contrast, wages growth has been weakest amongst the services sectors which are not directly benefiting from the resources boom. In particular, wages growth was been weakest amongst the accommodation, cafes and restaurants, retail and communications sectors, with annual growth in the WPI averaging three per cent, 3.2 per cent and 3.3 per cent respectively since the beginning of the decade.

These sectors have been unable to keep up with wages growth during a time of economic prosperity and therefore will find it increasingly difficult to pay additional wage rises in the context of a slowing economy.

“Providing a safety net for the low paid”

Economic considerations

It is important a safety net for low paid workers does not come at the expense of jobs. Raising the minimum wage at a time when many businesses’ bottom lines have been affected by deteriorating economic conditions has the potential to lead to greater unemployment, particularly amongst those poorer performing industries which typically employ low paid workers.

The two stimulus packages announced by the Federal Government in recent times will provide a significant boost to low income workers this year.

The first stimulus package, announced in late 2008, will provide some $3.9 billion in cash payments to low and middle income families.

This will be supplemented by the second stimulus plan that will deliver $42 billion to support economic growth and jobs in Australia. The plan aims to support and sustain up to 90,000 jobs over the next two years.

A key element of the second stimulus package is to provide direct cash payments to low and middle income earners. The Government will provide $12.7 billion to deliver an immediate stimulus to the economy to support growth and jobs, and implement measures to soften the immediate impact of the global recession on Australians.
In particular, the second stimulus package provides $8.2 billion to eligible taxpayers as a Tax Bonus. The Bonus of up to $900 will be paid to Australian residents who paid tax for the 2007-08 financial year after taking into account available tax offsets and imputation credits. The Bonus will benefit 8.7 million taxpayers. The Bonus is subject to an income threshold, with low and middle income earners the primary beneficiaries.

This cash handout alone represents a 3.2 per cent or $17.30 per week increase to the Federal minimum wage.

The Government will also provide $1.4 billion in 2008-09 for a $950 one-off bonus payment to around 1.5 million families who, on 3 February 2009, are eligible for Family Tax Benefit Part B (FTB-B).

In addition, the Government’s $2.6 billion Back to School Bonus will provide a one-off bonus of $950 per school age child (age four to 18) to families who are eligible for Family Tax Benefit Part A as at 3 February 2009.

The second stimulus package also includes a $511 million Training and Learning Bonus, which consists of two key components. First, it provides a one-off bonus of $950 to students and to certain other income support recipients at 3 February 2009 to assist with education costs for the 2009 academic year. Second, it provides a temporary additional incentive for eligible social security recipients to return to education and training (from 1 January 2009 until 30 June 2010). This incentive is in the form of a $950 temporary supplement to the Education Entry Payment, which provides financial assistance to commence approved training and education courses.

The Government will also provide an additional $2.7 billion temporary tax break to small and other businesses to boost business investment. Small businesses will be able to claim a 30 per cent deduction for the cost of eligible assets costing $1,000 or more that they acquire from 13 December 2008 to 30 June 2009 and install by 30 June 2010.

During recent months where prices growth has eased, and is set to ease further, the low paid have benefited / are to benefit from:

- A very large (and in retrospect, above inflation) minimum wage increase in October 2008.
• The first, late 2008 stimulus package.

• The second, 2009 stimulus package.

• The 2009 tax cuts.

• Moderate inflation.

Alternatives to increases in minimum wages

While these stimulus packages will provide a bonus to low and middle income earners in the short term, CCI believes that the GFC represents a considerable opportunity to introduce long lasting reform, which will benefit both the State and National economies over the longer term.

In particular, CCI believes that the current economic uncertainty provides a significant opportunity for broad tax reform that will deliver a lasting boost to the State and National economies.

Taxation is the most costly and intrusive facet of the interaction between government and business. Tax probably has more effect on the profitability and day-to-day operations of most businesses than any other government activity. Getting the tax structure right is the single most constructive reform that governments can do to promote a productive economy and competitive business sector.

One of the most significant reforms that could be achieved would be to address the imbalance in Commonwealth and State financial relations. It is this imbalance in the taxing powers between the Commonwealth and the States that has effectively limited the ability of the States to reform the most inefficient State taxes.

As part of the Federal Government’s responsibility there is a range of tax and compliance cost reforms that could be undertaken in the absence of such a wide ranging reform agenda, including:

• reducing personal income taxes to align the top marginal tax rate to the 30 per cent corporate tax rate;

• indexing tax thresholds in order to remove bracket creep;

• reducing capital gains tax;
changing fringe benefits tax so that it applies to employees (rather than employers) in the same way as all other income is treated;

tackling complexity and compliance costs, which is particularly important for small business; and

reducing high effective marginal tax rates on low and middle income earners, which act as a disincentive to participate in the workforce.

These matters are identified as further examples of how the Federal Government can directly assist employers and employees (especially the low-paid) rather than increase the labour cost burden for employers through minimum wage increases.

Real value of minimum wages

The AFPC finds in its Monitoring Report that:

“The real value of the FMW has increased over the period since the final Safety Net Review decision by the Australian Industrial Relations Commission. Moreover, there has been a sustained increase in the real value of the overall income safety net for minimum wage workers since mid-2006, due in part to improvements in the tax/transfer system, but also to the Commission’s first two minimum wage decisions.”

In the Monitoring Report the AFPC reported that over the period August 2005 to November 2008 the disposable incomes of all the households that were modelled increased in real terms 52 achieved in a high inflation context – the real value has not only been retained but enhanced through the interaction of wages, taxes and transfers. 53

CCI advocated in previous minimum wage submissions for more modest minimum wage adjustments during times of economic growth to encourage productivity based increases through enterprise bargaining.

Given the GFC, and consistent with the reasoning underpinning our previous submissions during periods of economic growth, there should not be any increases to take effect made in 2009.

52 Above n 14, page 33.
Industrial relations considerations

CCI is of the view that the New Safety Net provisions alone obviate the need for any increase in the FMW and Pay Scales (from 1 October 2009) – to do so is likely to be counter productive, leading to further unemployment, under-employment and business closures.

“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”

Economic considerations

The two stimulus packages announced by the Federal Government in recent times will also assist junior employees, those with whom training arrangements apply, and employees with disabilities.

Additionally, and in recognition by the Government that in a time of serious economic downturn, employers under financial pressure require additional incentives to retain apprentices and trainees. In response, the Government has committed $145 million in incentives available from the start of 2009 until 31 December 2010 to alleviate the existing cost burdens on employers. This is further evidence that as a consequence of the GFC employers cannot sustain existing cost pressures leading to the unfortunate situation whereby apprentices and trainees are being laid off.

Industrial relations considerations

The Government’s implementation of an enhanced and comprehensive modernised award regime will also benefit apprentices, trainees and employees with disabilities.

PART 3 – RECOMMENDATION AND KEY GROUNDS

Introduction

This submission has detailed the economic and legislative considerations that CCI submits must be taken into consideration by the AFPC when performing its wage-setting function in 2009.

CCI emphasises the significant and increasing uncertainty facing the Australian economy and labour market in 2009 as a consequence of the GFC, and the lack of clarity as to its full implications, extent and duration.

Accordingly, the CCI does not support an increase in minimum wages as a consequence of the AFPC minimum wages review in 2009.

Although there is some complication surrounding the 2009 review due to the transition from the AFPC to the new Minimum Wage Panel of FWA, it remains paramount that any AFPC decision in 2009 does not exacerbate and/or contribute to further job losses or business closures.

CCI is of the view that any complications or logistical concerns are capable of being overcome to ensure wage review outcomes are appropriate to the economic and labour market circumstances confronting Australia.

Recommendation

The CCI recommends:

a) the AFPC does not order any increase in 2009;

b) the primary ground for such an order is the lack of clarity on the extent, impact and duration of the GFC and its implications for Australia;

c) the AFPC issue an interim report in relation to its wage-setting parameters prior to being dissolved for consideration by the incoming FWA wages panel;

d) the FWA wages panel commence a late 2009 review; and
c) no increase is to take effect prior to 1 January 2010, with FWA empowered to consider an increase prior to or from 1 July 2010.

If, however, the AFPC intends to issue a substantive decision mid 2009, CCI submits there is no minimum wages increase on the basis of the economic and legislative considerations detailed in this submission.

**Key Grounds for no increase in 2009**

The following key factors support CCI’s contention there should not be any increase in minimum wages in 2009:

**Economic factors**

1. The AFPC determined a very high minimum wage increase that took effect only five months ago (October 2008).

2. The GFC – the near unparalleled level of global and domestic economic downturn and risk, and the increasing negative impacts on employers directly and indirectly subject to increases in minimum wages.

3. The Federal Government’s stimulus packages and other initiatives - including support for apprentices and trainees, and workers who have been made redundant – that provide substantial financial support to low income households and the low paid. This cash handout alone represents a 3.2 per cent or $17.30 per week increase to the Federal minimum wage.

4. A more moderate inflation outlook with the Reserve Bank of Australia indicating that consumer prices nationally are expected to fall gradually to around two per cent by 2011, with a possibility that prices may fall to two per cent in 2009.

5. Scheduled tax cuts from 1 July 2009.
6. Labour market conditions are expected to deteriorate in line with the downturn in economic conditions. This has been reflected in the March Quarter Commonwealth Bank-CCI Survey of Business Expectations, which found that recruitment activity has dropped to its lowest level since September 1991, with one third of respondents cutting staff during the quarter. As a result, CCI has forecast unemployment to rise to 4¾ per cent by the end of 2008-09, and five per cent by the end of 2009-10.

7. The unavailability and/or unreliability of essential information required by minimum wage decision makers to inform a responsible decision that properly takes into account all relevant economic considerations.

**Legislative**

8. Imminent labour cost increases for employers from 1 July 2009 (with the promulgation of the FWB) and 1 January 2010, including costs flowing from award modernisation and the implementation of the National Employment Standards.

9. The New Safety Net provisions alone obviate the need for any increase in the FMW and Pay Scales (from 1 October 2009) – to do so is likely to be counter productive, leading to further unemployment, under-employment and business closures.
Reference List


Australia Bureau of Statistics, raw data.


*Fair Work Bill 2008 (Cth).*


© All rights reserved
Julia Gillard, ‘Fair Work Australia Summit’ (speech delivered at the Fair Work Australia Summit, Sydney, 29 April 2008)
Julia Gillard, Revised Award Modernisation Request, 16 June 2008 accessed
Julia Gillard, Letter to Chair of the Senate Education, Employment, Education and Workplace Relations Committee, 26 February 2009.
NAB, Monthly Business Survey, accessed at
Workplace Relations Act 1996 (Cth).
List of industry awards the subject of the four phases of award modernisation

**Stage 1** – final awards published 19 December 2008

- Coal mining
- Glue and gelatine
- Higher education
- Hospitality
- Manufacturing and associated industries and occupations
- Mining
- Private sector clerical occupation
- Racing
- Rail
- Retail
- Rubber, Plastic and Cablemaking
- Security Services
- Textile, clothing and footwear

**Stage 2** - final awards published 3 April 2009

- Agriculture
- Building, metal and civil construction
- Cleaning services
- Financial services
- Graphic Arts
- Health and welfare services (excluding social and community services)
- Information and communications technology services
- Manufacturing
- Private transport (road, non-passenger)
• Quarrying
• Sanitary and garbage disposal

Stage 3 - final awards published 4 September 2009

• Airline operations
• Airport operations (other than retail)
• Aluminium
• Arts administration
• Cement and concrete products (including asphalt and bitumen)
• Cemetery
• Coal treatment
• Defence support
• Educational services (other than higher education)
• Electrical power
• Entertainment and broadcasting industry (other than racing)
• Food, beverages and tobacco industry (manufacturing)
• Maritime industry
• Meat industry
• Offshore island resorts
• Oil and gas industry
• Paper products industry
• Pet food manufacturing
• Pharmaceutical industry
• Photographic industry
• Port and harbour services
• Postal services (other than Australia Post)
• Private transport Industry (remaining sectors)
• Public transport industry (other than Rail)
• Publishing industry
• Scientific services (including professional engineers and scientists)
• Storage services
• Sugar industry
• Technical services
• Timber industry
• Tourism industry
• Travel industry
• Vehicle Industry (repair, service and retail)
• Vehicle manufacturing industry
• Wholesale and retail trade (wholesale) and commercial travellers

**Stage 4** - final awards published 4 December 2009
• Christmas Island
• Cocos (Keeling) Island
• Diving services
• Dry cleaning and laundry services
• Fire fighting services
• Funeral directing
• Gardening services (other than racing)
• General award
• Grain handling industry
• Health and welfare services (remainder)
• Industries not otherwise assigned
• Local government administration
• Mannequins and modelling industry
- Northern Territory (remainder)
- State government administration
- Water, sewerage and drainage services
**Disclaimer:**

The following calculations are based on the latest information (as at January 2009) and may be subject to change.

Rates in the following table are for the purposes of providing an estimate on additional costs that may be incurred by some members as a result of the proposed rates in the Modern Award becoming enforceable at January 2010.

All calculations are based on the Shop Assistants classification under the current Shop & Warehouse NAPSA (base Award rate of $15.88) and the comparable Retail Employee - Level 1 classification under the proposed Modern Award (base Award rate of $15.79). Rates contained in this analysis should not be relied upon for the purposes of payment of employees.

**Note 1:**

The General Retail Industry Award 2010 covers employers throughout Australia operating in the general retail industry. The Award does not cover employees in the following industries: fast food industry, meat retailing industry, hair and beauty industry or pharmacy industry.

Rates are based on those for an adult employee and on hours worked Monday to Friday, except where otherwise specified.

*Red Font - denotes where Fast Food Industry Award provides a higher rate of pay and an additional expense on employers*

**Note 2:**

Although some rates in the proposed new awards are less (but are likely to affect only a minority), The Hon Julia Gillard MP in her letter to Senator Gavin Marshall (26 February 2009) indicated that legislative provisions will be made to ensure employees’ take home pay is not reduced by the application of modernised awards.
<table>
<thead>
<tr>
<th>Casual Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Entitlement Description</strong></td>
</tr>
<tr>
<td><strong>Casual Base Rate Mon - Fri</strong>&lt;br&gt;(Ordinary Hours) Full Day Shift of 7.6 Hours or More</td>
</tr>
<tr>
<td><strong>Casual Base Rate Mon - Fri</strong>&lt;br&gt;(Ordinary Hours) Part Day Shift of less than 7.6 Hours</td>
</tr>
<tr>
<td><strong>Casual Base Rate Sat</strong>&lt;br&gt;(Ordinary Hours)</td>
</tr>
<tr>
<td><strong>Casual Base Rate Sun</strong>&lt;br&gt;(Full day shift of 7.6 hours or more)</td>
</tr>
<tr>
<td><strong>Casual Base Rate Sun</strong>&lt;br&gt;(Part day shift of less than 7.6 hours)</td>
</tr>
<tr>
<td><strong>Casual Rate After 6pm Mon - Fri</strong>&lt;br&gt;(Full day shift of 7.6 hours or more, not including night fill or shift - day of late night trade for S&amp;W)</td>
</tr>
<tr>
<td><strong>Casual Rate After 6pm Mon - Fri</strong>&lt;br&gt;(Part day shift of less than 7.6 hours, not including night fill or shift - day of late night trade for S&amp;W)</td>
</tr>
</tbody>
</table>

**NOTE:** No additional loading for casuals for time worked after 6pm on the day of late night trade. Also Ordinary Hours may be worked on any or all days of the week (including Sundays).
<table>
<thead>
<tr>
<th>Entitlement Description</th>
<th>Shop &amp; Warehouse NAPSA Entitlement</th>
<th>Modern Award Entitlement</th>
<th>Monetary Difference Per Hour (Between Shop &amp; Warehouse NAPSA and Modern Award )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Casual Overtime Rate Mon - Fri (First 2/3 Hours) Full day shift of 7.6 hours or more</td>
<td>$28.59 per hour - 1.5x base casual rate</td>
<td>$29.61 per hour - 1.5 x base casual rate</td>
<td>$1.02 per hour more</td>
</tr>
<tr>
<td>Casual Overtime Rate Mon - Fri (First 2/3 Hours) Part day shift of less than 7.6 hours</td>
<td>$29.78 per hour - 1.5x base casual rate</td>
<td>$29.61 per hour - 1.5 x base casual rate</td>
<td>$0.17 per hour less</td>
</tr>
<tr>
<td>Casual Overtime Rate Mon - Fri (Beyond first 2/3 hours) Full day shift of 7.6 hours or more</td>
<td>$38.12 per hour - 2x base casual rate</td>
<td>$39.48 per hour - 2 x base casual rate</td>
<td>$1.36 per hour more</td>
</tr>
<tr>
<td>Casual Overtime Rate Mon - Fri (Beyond first 2/3 hours) Part day shift of less than 7.6 hours</td>
<td>$39.70 per hour - 2x base casual rate</td>
<td>$39.48 per hour - 2 x base casual rate</td>
<td>$0.22 per hour less</td>
</tr>
<tr>
<td>Casual Public Holiday Work (Full day shift of 7.6 hours or more)</td>
<td>$47.63 per hour - 2.5x base casual rate</td>
<td>$49.35 per hour - 2.5x base permanent rate</td>
<td>$1.72 per hour more</td>
</tr>
<tr>
<td>Casual Public Holiday Work (Part day shift of less than 7.6 hours)</td>
<td>$49.63 per hour - 2.5x base casual rate</td>
<td>$49.35 per hour - 2.5x base permanent rate</td>
<td>$0.28 per hour less</td>
</tr>
<tr>
<td>Permanent Employees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permanent Full Time Base Rate Sat (Ordinary Hours) Where ordinary hours worked Mon - Sat prior to 1pm</td>
<td>$16.20 per hour</td>
<td>$19.74 per hour - 25% loading on permanent rate</td>
<td>$3.54 per hour more</td>
</tr>
</tbody>
</table>

**NOTE:** Time and one half for the first 3 hours under modern award vs time and one half for the first 2 hours under the Shop & Warehouse NAPSA.
<table>
<thead>
<tr>
<th>Entitlement Description</th>
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<th>Monetary Difference Per Hour (Between Shop &amp; Warehouse NAPSA and Modern Award )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent Full Time Base Rate Sat (Ordinary Hours) Where ordinary hours worked Mon - Sat after 1pm</td>
<td>16.54 per hour</td>
<td>$19.74 per hour - 25% loading on permanent rate</td>
<td>$3.20 per hour more</td>
</tr>
<tr>
<td>Permanent Part Time Sat Rate (Ordinary Hours) Where ordinary hours worked Sat prior to 1pm</td>
<td>$18.92 per hour</td>
<td>$19.74 per hour - 25% loading on permanent rate</td>
<td>$0.82 per hour more</td>
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<tr>
<td>Permanent Part Time Sat Rate (Ordinary Hours) Where ordinary hours worked Sat after 1pm</td>
<td>$19.18 per hour</td>
<td>$19.74 per hour - 25% loading on permanent rate</td>
<td>$0.56 per hour more</td>
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<tr>
<td>Permanent Sun Rate</td>
<td>$31.76 per hour</td>
<td>$31.58 per hour - 100% loading on permanent base rate</td>
<td>$0.18 per hour more</td>
</tr>
<tr>
<td>Permanent Rate After 6pm Mon - Fri (not including night fill or shift - day of late night trade for S&amp;W)</td>
<td>$19.27 per hour - $3.39 on the permanent base rate</td>
<td>$19.74 per hour - 25% loading on permanent base rate</td>
<td>$0.47 per hour more</td>
</tr>
<tr>
<td>Permanent Overtime Rate Mon - Fri (first 2/3 hours)</td>
<td>$23.82 - 1.5x base permanent base rate</td>
<td>$23.69 - 1.5 x permanent base rate</td>
<td>$0.13 per hour less</td>
</tr>
<tr>
<td>Permanent Overtime Rate Mon - Fri (beyond first 2/3 hours)</td>
<td>$31.76 per hour - 2x permanent rate</td>
<td>$31.58 per hour - 2 x permanent base rate</td>
<td>$0.18 per hour less</td>
</tr>
<tr>
<td>Permanent Public Holiday Loading</td>
<td>$39.70 per hour - 2.5x permanent base rate</td>
<td>$39.48 per hour - 2.5x base permanent rate</td>
<td>$0.22 per hour less</td>
</tr>
</tbody>
</table>

NOTE: Time and one half for the first 3 hours under modern award vs time and one half for the first 2 hours under the Shop & Warehouse NAPSA.
<table>
<thead>
<tr>
<th>Age of Employee</th>
<th>Shop &amp; Warehouse NAPSA Entitlement</th>
<th>Modern Award Entitlement</th>
<th>Monetary Difference Per Hour (Between Shop &amp; Warehouse NAPSA and Modern Award)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Junior Employees</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21 years</td>
<td>100% - $15.88 per hour</td>
<td>100% - $15.79 per hour</td>
<td>$0.09 per hour less</td>
</tr>
<tr>
<td>20 years</td>
<td>90% - $14.29 per hour</td>
<td>90% - $14.21 per hour</td>
<td>$0.08 per hour less</td>
</tr>
<tr>
<td>19 years</td>
<td>80% - $12.70 per hour</td>
<td>80% - $12.63 per hour</td>
<td>$0.07 per hour less</td>
</tr>
<tr>
<td>18 years</td>
<td>70% - $11.12 per hour</td>
<td>70% - $11.05 per hour</td>
<td>$0.07 per hour less</td>
</tr>
<tr>
<td>17 years</td>
<td>60% - $9.53 per hour</td>
<td>60% - $9.47 per hour</td>
<td>$0.06 per hour less</td>
</tr>
<tr>
<td>16 years</td>
<td>50% - $7.94 per hour</td>
<td>50% - $7.90 per hour</td>
<td>$0.04 per hour less</td>
</tr>
<tr>
<td>Under 16 years</td>
<td>40% - $6.35 per hour</td>
<td>45% - $7.11 per hour</td>
<td>$0.76 per hour more</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Entitlement Description</th>
<th>Shop &amp; Warehouse NAPSA Entitlement</th>
<th>Modern Award Entitlement</th>
<th>Monetary Difference Per Hour (Between Shop &amp; Warehouse NAPSA and Modern Award)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Allowances</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overtime Meal Allowance (at least one hour)</td>
<td>$9.80 - at least 1 hour of OT worked</td>
<td>$14.20 - more than 1 hour OT worked where less than 24 hours notice given that OT required</td>
<td>Na</td>
</tr>
<tr>
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<td>Late Night Trading Meal Allowance</td>
<td>$9.80 - when a worker who commences work at or prior to 1.00pm on the date of LNT and is required to work beyond 7.00pm.</td>
<td>no entitlement</td>
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</tr>
<tr>
<td>Special Clothing Allowance/ Uniform Laundering Allowance</td>
<td>no entitlement</td>
<td>$6.25 per garment, per week, with a maximum payment per week of a single complete set of any special uniform.</td>
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<td>First Aid Allowance</td>
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<td>$7.80 - 1.3% of the standard permanent rate per week</td>
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<tr>
<td>Cold Work Disability Allowance</td>
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<td>Location Allowance</td>
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<td>An employee in WA or NT in receipt of a location allowance immediately prior to 1 January 2010 will continue to receive the allowance prescribed in their NAPSA until 31 December 2014, when district allowances will cease to operate, and no further entitlement will be provided.</td>
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</tr>
<tr>
<td>Liquor Licence Allowance</td>
<td>no entitlement</td>
<td>$18.60 per week - 3.1% of the standard rate per week - where an employee holds a liquor licence</td>
<td>Na</td>
</tr>
<tr>
<td><strong>Shift Work</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permanent Night Shift (Ordinary Hours Mon - Fri)</td>
<td>$19.85 per hour - 25%</td>
<td>$20.53 per hour - 30%</td>
<td>$0.68 per hour more</td>
</tr>
<tr>
<td>Alternating Afternoon/ Night (Ordinary Hours Mon - Fri)</td>
<td>$18.26 per hour - 15%</td>
<td>$20.53 per hour - 30%</td>
<td>$2.27 per hour more</td>
</tr>
<tr>
<td>Permanent Afternoon Shift (Ordinary Hours Mon - Fri)</td>
<td>$18.26 per hour - 15%</td>
<td>$20.53 per hour - 30%</td>
<td>$2.27 per hour more</td>
</tr>
<tr>
<td>Sat Work</td>
<td>Sat rate plus 15% shift plus overtime loadings as normal - $19.02 per hour</td>
<td>$23.69 per hour - 50%</td>
<td>$4.67 per hour more</td>
</tr>
<tr>
<td>Sun Work</td>
<td>15% shift loading plus 100% (double time) - $36.52 per hour</td>
<td>$31.38 per hour - 100%</td>
<td>$5.14 per hour less</td>
</tr>
<tr>
<td>Public Holiday Work</td>
<td>15% shift loading plus 150% (double time and one half) - $45.65 per hour</td>
<td>double time and one half of the base rate - $39.48 per hour</td>
<td>$6.17 per hour less</td>
</tr>
<tr>
<td>Shop &amp; Warehouse (Wholesale and Retail Establishments) Notional Agreement Preserving a State Award &amp; Restaurant, Tearoom &amp; Catering Workers’ Notional Agreement Preserving a State Award vs Fast Food Industry Award 2010 Wage Costing Comparison Table</td>
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<tr>
<td><strong>Disclaimer:</strong></td>
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</tr>
<tr>
<td>The following calculations are based on the latest information (as at January 2009) and may be subject to change.</td>
<td></td>
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<tr>
<td>Rates in the following table are for the purposes of providing an estimate on additional costs that may be incurred by some members as a result of the proposed rates in the Modern Award becoming enforceable at January 2010.</td>
<td></td>
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</tr>
<tr>
<td>All calculations are based on the Shop Assistants classification under the current Shop &amp; Warehouse NAPSA (base Award rate of $15.88), the Level 2 classification in the Restaurants NAPSA (base Award rate of $15.42) and the comparable Fast Food Employee Level 1 classification under the proposed Modern Award (base Award rate of $15.79).</td>
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<tr>
<td><strong>Note 1:</strong></td>
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<tr>
<td>The Fast Food Industry Award 2010 covers employers throughout Australia engaged in taking orders and/or preparing and/or selling food for delivery and/or consumption away from the premises where sold and/or food retailers in food courts and shopping centres.</td>
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</tr>
<tr>
<td>The award does not cover employees in the following industries: fast food industry, meat retailing industry, hair and beauty industry or pharmacy industry. Rates are based on those for an adult employee and on hours worked Monday to Friday, except where otherwise specified.</td>
<td></td>
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<tr>
<td><strong>Red Font - denotes where Fast Food Industry Award provides a higher rate of pay and an additional expense on employers</strong></td>
<td></td>
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</tr>
<tr>
<td><strong>Note 2:</strong></td>
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<tr>
<td>Although some rates in the proposed new awards are less (but are likely to affect only a minority), The Hon Julia Gillard MP in her letter to Senator Gavin Marshall (26 February 2009) indicated that legislative provisions will be made to ensure employees' take home pay is not reduced by the application of modernised awards.</td>
<td></td>
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</tr>
<tr>
<td>Entitlement Description</td>
<td>Shop &amp; Warehouse NAPSA Entitlement</td>
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</tr>
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</tr>
<tr>
<td>Casual Employees</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Casual Base Rate Mon - Fri (Ordinary Hours) Full day shift of 7.6 hours or more</td>
<td>$19.06 per hour - 20% casual loading</td>
<td>$19.26 per hour - 25% casual loading</td>
<td>$19.74 per hour - 25% casual loading</td>
</tr>
<tr>
<td>Casual Base Rate Mon - Fri (Ordinary Hours) Part day shift of less than 7.6 hours</td>
<td>$19.85 per hour - 25% casual loading</td>
<td>$19.26 per hour - 25% casual loading</td>
<td>$19.74 per hour - 25% casual loading</td>
</tr>
<tr>
<td>Casual Sat Rate (Ordinary Hours)</td>
<td>$23.02 per hour - special formula prescribed in NAPSA</td>
<td>$23.12 per hour - 50% loading on permanent rate</td>
<td>$24.68 per hour - 25% casual loading</td>
</tr>
<tr>
<td>Casual Sun Rate - Full day shift of 7.6 hours or more</td>
<td>$38.12 per hour - 20% casual loading</td>
<td>$23.12 per hour</td>
<td>$27.63 per hour - 75% loading on permanent base rate</td>
</tr>
<tr>
<td>Casual Sun Rate - Part day shift of less than 7.6 hours</td>
<td>$39.70 per hour - 25% casual loading</td>
<td>$23.12 per hour</td>
<td>$27.63 per hour - 75% loading on permanent base rate</td>
</tr>
<tr>
<td>Casual Rate After 6pm Mon - Fri (Full day shift of 7.6 hours or more, not including night fill or shift - day of late night trade for S&amp;W)</td>
<td>$22.45 per hour) - $3.39 on base rate</td>
<td>$19.26 per hour</td>
<td>$24.68 per hour - 25% casual loading</td>
</tr>
<tr>
<td>Entitlement Description</td>
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<td>Restaurant, Tearoom &amp; Catering NAPSA Entitlement</td>
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</tr>
<tr>
<td>Casual Rate After 6pm Mon - Fri (Part day shift of less than 7.6 hours, not including night fill or shift - day of late night trade for S&amp;W)</td>
<td>$23.24 per hour - $3.39 on base rate</td>
<td>$19.26 per hour</td>
<td>$24.68 per hour- 25% loading on casual rate</td>
</tr>
<tr>
<td>Casual Overtime Rate Mon - Fri (first 2 hours) Full day shift of 7.6 hours or more</td>
<td>$28.59 per hour - 1.5x base casual rate</td>
<td>$19.26 per hour - no overtime penalty for casuals</td>
<td>$29.61 per hour - 1.5x base casual rate</td>
</tr>
<tr>
<td>Casual Overtime Rate Mon - Fri (first 2 hours) Part day shift of less than 7.6 hours</td>
<td>$29.78 per hour - 1.5x base casual rate</td>
<td>$19.26 per hour - no overtime penalty for casuals</td>
<td>$29.61 per hour - 1.5x base casual rate</td>
</tr>
<tr>
<td>Casual Overtime Rate Mon - Fri (beyond first 2 hours) Full day shift of 7.6 hours or more</td>
<td>$38.12 per hour - 2x base casual rate</td>
<td>$19.26 per hour - no overtime penalty for casuals</td>
<td>$39.48 per hour - 2x base casual rate</td>
</tr>
<tr>
<td>Casual Overtime Rate Mon - Fri (beyond first 2 hours) Part day shift of less than 7.6 hours</td>
<td>$39.70 per hour - 2x base casual rate</td>
<td>$19.26 per hour - no overtime penalty for casuals</td>
<td>$39.48 per hour - 2x base casual rate</td>
</tr>
<tr>
<td>Casual Public Holiday Work (Full day shift of 7.6 hours or more)</td>
<td>$47.65 per hour - 2.5x base casual rate</td>
<td>$34.67 per hour - 2.25x base permanent rate</td>
<td>$43.42 per hour - 2.75x base permanent rate</td>
</tr>
<tr>
<td>Casual Public Holiday Work (Part day shift of less than 7.6 hours)</td>
<td>$49.63 per hour - 2.5x base casual rate</td>
<td>$34.67 per hour - 2.25x base permanent rate</td>
<td>$43.42 per hour - 2.75x base permanent rate</td>
</tr>
<tr>
<td>Entitlement Description</td>
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<td>Restaurant, Tearoom &amp; Catering NAPSA Entitlement</td>
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</tr>
<tr>
<td>Permanent Employees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permanent Full Time Base Rate Sat (Ordinary Hours) Where ordinary hours worked Mon - Sat prior to 1pm</td>
<td>$16.20 per hour</td>
<td>$23.12 per hour - 50% loading on permanent rate</td>
<td>$19.74 per hour - 25% loading on permanent rate</td>
</tr>
<tr>
<td>Permanent Full Time Base Rate Sat (Ordinary Hours) Where ordinary hours worked Mon - Sat after 1pm</td>
<td>$16.54 per hour</td>
<td>$23.12 per hour - 50% loading on permanent rate</td>
<td>$19.74 per hour - 25% loading on permanent rate</td>
</tr>
<tr>
<td>Permanent Part Time Sat Rate (Ordinary Hours) Where ordinary hours worked Sat prior to 1pm</td>
<td>$18.92 per hour</td>
<td>$23.12 per hour - 50% loading on permanent rate</td>
<td>$19.74 per hour - 25% loading on permanent rate</td>
</tr>
<tr>
<td>Permanent Part Time Sat Rate (Ordinary Hours) Where ordinary hours worked Sat after 1pm</td>
<td>$19.18 per hour</td>
<td>$23.12 per hour - 50% loading on permanent rate</td>
<td>$19.74 per hour - 25% loading on permanent rate</td>
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<td>Entitlement Description</td>
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<td>Permanent Sun Rate</td>
<td>$31.76 per hour</td>
<td>$23.12 per hour - 50% loading on permanent rate</td>
<td>$27.63 per hour - 75% loading on permanent base rate</td>
</tr>
<tr>
<td>Permanent Rate After 6pm Mon - Fri (not including night fill or shift - day of late night trade for S&amp;W)</td>
<td>$19.27 per hour - $3.39 on the permanent base rate</td>
<td>$15.41 per hour - 6pm-7pm, $16.85 per hour - 7pm onwards ($1.44 loading for post 7pm work)</td>
<td>$17.37 per hour - 10% loading on permanent base rate</td>
</tr>
<tr>
<td>Permanent Overtime Rate Mon - Fri (first 2/3 hours)</td>
<td>$23.82 per hour - 1.5x base permanent base rate</td>
<td>$23.12 per hour - 1.5x permanent base rate</td>
<td>$23.69 per hour - 1.5 x permanent base rate</td>
</tr>
<tr>
<td>Permanent Overtime Rate Mon - Fri (beyond first 2/3 hours)</td>
<td>$31.76 per hour - 2x permanent rate</td>
<td>$30.82 per hour - 2x permanent base rate</td>
<td>$31.58 per hour - 2 x permanent base rate</td>
</tr>
<tr>
<td>Permanent Public Holiday Loading</td>
<td>$39.70 per hour - 2.5x permanent base rate</td>
<td>$38.53 per hour - 2.25x base permanent rate</td>
<td>$39.48 per hour - 2.5x base permanent rate</td>
</tr>
<tr>
<td>Age of Employee</td>
<td>Shop &amp; Warehouse NAPSA Entitlement</td>
<td>Restaurant, Tearoom &amp; Catering NAPSA Entitlement</td>
<td>Modern Award Entitlement</td>
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</tr>
<tr>
<td>Junior Employees</td>
<td></td>
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</tr>
<tr>
<td>21 years</td>
<td>100% - $15.88 per hour</td>
<td>100% - $15.41 per hour</td>
<td>100% - $15.79 per hour</td>
</tr>
<tr>
<td>20 years</td>
<td>90% - $14.29 per hour</td>
<td>100% - $15.41 per hour</td>
<td>90% - $14.21 per hour</td>
</tr>
<tr>
<td>19 years</td>
<td>80% - $12.70 per hour</td>
<td>90% - $13.28 per hour</td>
<td>80% - $12.63 per hour</td>
</tr>
<tr>
<td>18 years</td>
<td>70% - $11.12 per hour</td>
<td>80% - $11.80 per hour</td>
<td>70% - $11.05 per hour</td>
</tr>
<tr>
<td>17 years</td>
<td>60% - $9.53 per hour</td>
<td>70% - $10.33 per hour</td>
<td>60% - $9.47 per hour</td>
</tr>
<tr>
<td>16 years</td>
<td>50% - $7.94 per hour</td>
<td>60% - $8.85 per hour</td>
<td>50% - $7.90 per hour</td>
</tr>
<tr>
<td>Under 16 years</td>
<td>40% - $6.35 per hour</td>
<td>50% - $7.38 per hour</td>
<td>40% - $6.32 per hour</td>
</tr>
</tbody>
</table>

**Entitlement Description**

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<tbody>
<tr>
<td>Allowances</td>
<td></td>
<td></td>
<td></td>
<td>Na</td>
<td>Na</td>
</tr>
</tbody>
</table>

**Overtime Meal Allowance (at least one hour)**

- **Shop & Warehouse NAPSA Entitlement**: $9.80 - at least 1 hour of OT worked
- **Restaurant, Tearoom & Catering NAPSA Entitlement**: $9.70 - two hours or more of OT worked
- **Modern Award Entitlement**: $10.03 - more than 1 hour OT worked where less than 24 hours notice given that OT required
- **Monetary Difference Per Hour**: Not applicable
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<th>Restaurant, Tearoom &amp; Catering NAPSA Entitlement</th>
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<tbody>
<tr>
<td>Overtime Meal Allowance (at least four hours)</td>
<td>no entitlement</td>
<td>no entitlement</td>
<td>$9.04 - where OT exceeds 4 hours, paid in addition to first payment after 1 hour</td>
<td>Na</td>
<td>Na</td>
</tr>
<tr>
<td>Late Night Trading Meal Allowance</td>
<td>$9.80 - when a worker who commences work at or prior to 1.00pm on the date of LNT and is required to work beyond 7.00pm.</td>
<td>no entitlement</td>
<td>no entitlement</td>
<td>Na</td>
<td>Na</td>
</tr>
<tr>
<td>Special Clothing Allowance/ Uniform Laundering Allowance</td>
<td>no entitlement</td>
<td>$6.20 per fortnight - where more than 38 hours worked in FN or $3.10 per fortnight - where less than 38 hours worked in FN</td>
<td>$4.53 per garment, per week, with a maximum payment per week of a single complete set of any special uniform.</td>
<td>Na</td>
<td>Na</td>
</tr>
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<td>First Aid Allowance</td>
<td>$8.46 per week</td>
<td>no entitlement</td>
<td>$7.80 - 1.3% of the standard permanent rate per week</td>
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<td>$0.73 for 0 to -20 celcius, $0.83 for -20 to -25 celcius, $0.94 for below -25 celcius all payable per hour</td>
<td>no entitlement</td>
<td>$7.80 - where temps not below 0 celcius, $12.00 - where temps below 0 celcius all payable per hour</td>
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<td>Up to $12.00 per hour more</td>
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<td>----------------------------------------------------------------</td>
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</tr>
<tr>
<td>Location Allowance</td>
<td>Ranges from $5.20 to $45.60 depending on the location.</td>
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<td>An employee in WA or NT in receipt of a location allowance immediately prior to 1 January 2010 will continue to receive the allowance prescribed in their NAPSA until 31 December 2014, when district allowances will cease to operate, and no further entitlement will be provided.</td>
<td>Na</td>
<td>Na</td>
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</tbody>
</table>
## Frequency of CCI members seeking assistance about making permanent employees redundant – 1/11/2007 to 10/3/09 - Query by month/year

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<td>1</td>
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<td>Construction</td>
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No/% increase: same mth in preceding year

| No/% increase: same mth in preceding year | 49/275% | 40/270% | 42/514% | 49/1528% | 55/7? |