Australian
Chamber of Commerce
and Industry

Annual Wage Review- Reply Submission

2 May 2025

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Introduction

1. As highlighted in ACCI's initial submission, the Expert Panel must approach this year's Annual Wage Review with caution, recognising the broader economic environment in which its decision will take effect. While there are signs conditions are improving, the Australian economy remains fragile and exposed to escalating global uncertainty, subdued productivity growth, and ongoing labour and skills shortages.

2. ACCI reaffirms its position that a moderate increase in minimum and modern award wages of no more than 2.5 per cent, in addition to the legislated 0.5 per cent Superannuation Guarantee increase effective 1 July 2025, is fair, reasonable, responsible, and sustainable. This level of increase appropriately balances the interests of workers and businesses, while supporting the Reserve Bank's goal of keeping inflation within its 2–3 per cent target range.

3. It is important to acknowledge that Australian workers have experienced strong labour market outcomes over the past two years. Employment and participation rates are at record highs, with the participation rate remaining close to its peak of 67 per cent, and unemployment continuing to trend within the Reserve Bank of Australia (RBA) target range.

4. However, future wage increases need to be anchored to productivity growth, which has been contracting — down 1.2 per cent in calendar 2024 — and is forecast to remain sluggish throughout 2025.

5. Without productivity improvements to support wage growth, unit labour costs continue to rise, while businesses face limited ability to pass these increases onto consumers amid subdued demand and strong competition. This dynamic has placed significant pressure on profit margins, contributing to a 39 per cent decline in business profits over the 18 months to December 2024.

6. The financial strain on businesses has translated into a surge in insolvencies, with 14,670 businesses failing in 2023–24, a record high and 36.9 per cent above the pre-COVID 10-year average. The trend shows no signs of easing, with around 15,000 insolvencies already recorded in the first nine months to March 2025. The Expert Panel must consider the real risk that further large wage increases — absent productivity gains — could jeopardise the viability of many businesses, especially in award-reliant sectors.

7. Beyond domestic conditions, the global economic landscape is also fraught with risk. Heightened trade policy uncertainty and the re-emergence of global tariffs are disrupting supply chains and weakening global confidence. This unpredictability poses a material risk to Australia's investment outlook, and broader economic activity.

8. ACCI supports a minimum and modern award wage system that appropriately rewards workers. However, it should not be used as a blunt tool to drive wages growth across the economy, particularly at a time when inflation remains sensitive and economic risks are elevated.

9. This reply submission outlines key developments in economic conditions since our initial submission and responds to issues raised by other stakeholders, with the objective of assisting the Expert Panel in reaching a balanced, evidence-based decision that supports both workers and the businesses that employ them.

Global impact of the United States' tariffs

10. The escalation of trade tensions and resulting volatility in global financial and economic markets has significantly increased downside risks to both the domestic and international economic outlook. These risks are amplifying at a time when Australia is already experiencing soft economic conditions and subdued productivity.

11. Under the United States' new tariff arrangements, most countries now face import tariffs ranging from 10–50 per cent. All goods imported from Australia are subject to a 10 per cent tariff, with specific products — namely steel, aluminium, and automotive goods — facing a uniform 25 per cent tariff. This marks a notable departure from previous preferential trade terms under the Australia United States Free Trade Agreement (AUSFTA).

12. The impact on the Australian economy will largely depend on how other trading nations respond to the US tariffs. Retaliatory tariffs could significantly amplify the negative effects, particularly if global supply chains are disrupted or if Australian exports are displaced from key markets. The ability of Australian businesses to redirect trade to alternative markets and the duration of these trade measures will also influence the magnitude of impact.

13. Major US banks are now forecasting a recession, as the tariffs increase the cost of imported goods and weigh on consumer demand. By 2027, US GDP is projected to be approximately 0.8 per cent lower than it would be without the tariffs, while inflation is expected to rise by 1.4[1] percentage points. This slowdown in the world's largest economy is expected to ripple through global trade and investment channels.

14. China was hit with an additional 34 per cent retaliatory tariff on top of an existing 20 per cent levy on its exports to the United States. In response, it imposed a 34 per cent tariff on imports from the US. With neither economy willing to back down, the dispute has escalated to extraordinary levels of cumulative tariffs and counter-tariffs, resulting in the US levelling a total effective tariff of up to 145 per cent on Chinese imports and China imposing 125 per cent tariffs on US goods. As a consequence, Chinese GDP is projected to decline by 0.6[2] per cent relative to a no-tariff scenario. The ongoing tit-for-tat dynamic is contributing to heightened global market instability, affecting investor confidence and trade flows worldwide.

15. While direct trade with the United States represents only 4.6 per cent of Australia's goods exports (2024), the broader impact is expected to come from disruptions to Australia's key trading partners, particularly China. As China's economy slows and faces reduced access to US markets, Australian exports — especially those integrated into Chinese value chains — could see diminished demand.

16. The Chinese tariffs on US goods are likely to have only a modest direct impact due to the relatively small share of US exports to China (around 1 per cent of China's GDP), the broader concern lies in the slowdown of China's export sector. As China's exports to the US decline, overall economic activity in China is expected to slow, reducing its demand for Australian commodities and intermediate goods — particularly mining, energy and agriculture.

[1] Treasury Analysis of Recent Tariffs Announcements
[2] Treasury Analysis of Recent Tariffs Announcements

17. Similarly, Eurozone could see a reduction in GDP growth by 0.2 to 0.3[3] percentage points due to the new tariffs. While a full retaliation from the EU is not anticipated, targeted responses may emerge, affecting investment and economic stability.

18. The UK's growth forecast has been downgraded, with expectations now below 1% [4]for this year. The primary impact will stem from weakened US and global demand, alongside heightened trade policy uncertainty.

19. This increasing uncertainty is already being reflected in domestic indicators. The latest Westpac-MI Consumer Sentiment Index[5] shows a sharp decline in consumer sentiment falling by 6 per cent in April, to 90.1 from 95.9 in March signalling falling consumer confidence in the face of global instability, which could dampen domestic consumption and investment further. With the situation still deteriorating, there is a clear risk of more significant sentiment declines in the months ahead.

20. The Reserve Bank of Australia, in its latest *Financial Stability Review*, noted that

> *" ongoing uncertainty surrounding the imposition of tariffs and other trade restrictions between the United States and other major economies could have a chilling effect on business investment and household spending decisions, and pose substantial headwinds to the outlook for global economic activity"*

21. It further noted that risks to Australian inflation which:

> *" were more two-sided and would depend on the timing and relative size of the effects on aggregate demand and supply: weaker global demand and the possibility of trade diversion away from the United States could reduce inflation in Australia, but a larger exchange rate depreciation or more substantial global supply disruptions could increase inflation"[6].*

22. In the face of such global uncertainty, we cannot afford to impose further cost increases on businesses and simply presume the economy will remain resilient. Wage growth, if not carefully managed and aligned with productivity, could compound pressures on employers and undermine economic stability at a time when confidence and investment are already fragile.

New Economic Data

IMF World Economic Outlook

23. The IMF's World Economic Outlook, released on 22 April, forecasts global growth to slow to 2.8 per cent in 2025 and 3.0 per cent in 2026 — a cumulative downgrade of 0.8 percentage points relative to the January 2025 update. The downward revision is largely attributed to the abrupt escalation in tariffs and the resulting uncertainty, which are expected to significantly disrupt global supply chains.

[3] Tariffs and their Global Impact: A Note from the Desk of our Chief Economist, [Tariffs and Their Global Impact: A Note from the Desk of our Chief Economist | Oxford Economics]

[4] Tariffs and their Global Impact: A Note from the Desk of our Chief Economist, [Tariffs and Their Global Impact: A Note from the Desk of our Chief Economist | Oxford Economics]

[5] Westpac-Mi Consumer Sentiment, Consumer sentiment hit by tariff turmoil

[6] Minutes of Monetary Policy, RBA, 1st April

24. The slowdown is more pronounced among advanced economies, with real GDP growth projected to decline from 1.9 per cent in 2024 to 1.2 per cent in 2025, before recovering slightly to 1.5 per cent in 2026. In the United States, growth is now forecast at 1.8 per cent, 0.9 percentage points lower than previously anticipated, reflecting rising policy uncertainty, trade tensions, and softer demand. Growth in the euro area is also expected to ease, revised down by 0.2 percentage points to 0.8 per cent[7].

25. The IMF highlights that dense global supply chains amplify the impact of protectionist measures. As most traded goods are intermediate inputs that cross borders multiple times before final assembly, tariffs and uncertainty contribute not only to weaker output but also to inflationary pressures.

26. Indeed, global headline inflation is now projected to decline more slowly than earlier expected, reaching 4.3 per cent in 2025 and 3.6 per cent in 2026, with notable upward revisions for advanced economies in 2025.

27. The IMF further warns that risks to the global outlook are firmly tilted to the downside, citing escalating protectionism and persistent policy uncertainty as threats to both short- and long-term growth. In a world already facing low growth and high debt, rapidly shifting policy positions and deteriorating investor sentiment could trigger tighter global financial conditions.

28. These global developments have direct implications for Australia. With global momentum weakening, the IMF expects Australian real GDP growth to slow significantly, from earlier projections of 2.1 per cent in 2025 and 2.2 per cent in 2026, down to 1.6 per cent and 2.0 per cent, respectively. A weaker global outlook is expected to weigh heavily on domestic demand, investment, and trade.

29. In this context of geopolitical and economic uncertainty, the Expert Panel must exercise caution. A large increase in minimum wages risks protracted inflationary pressure and delays to monetary policy easing .

Inflation

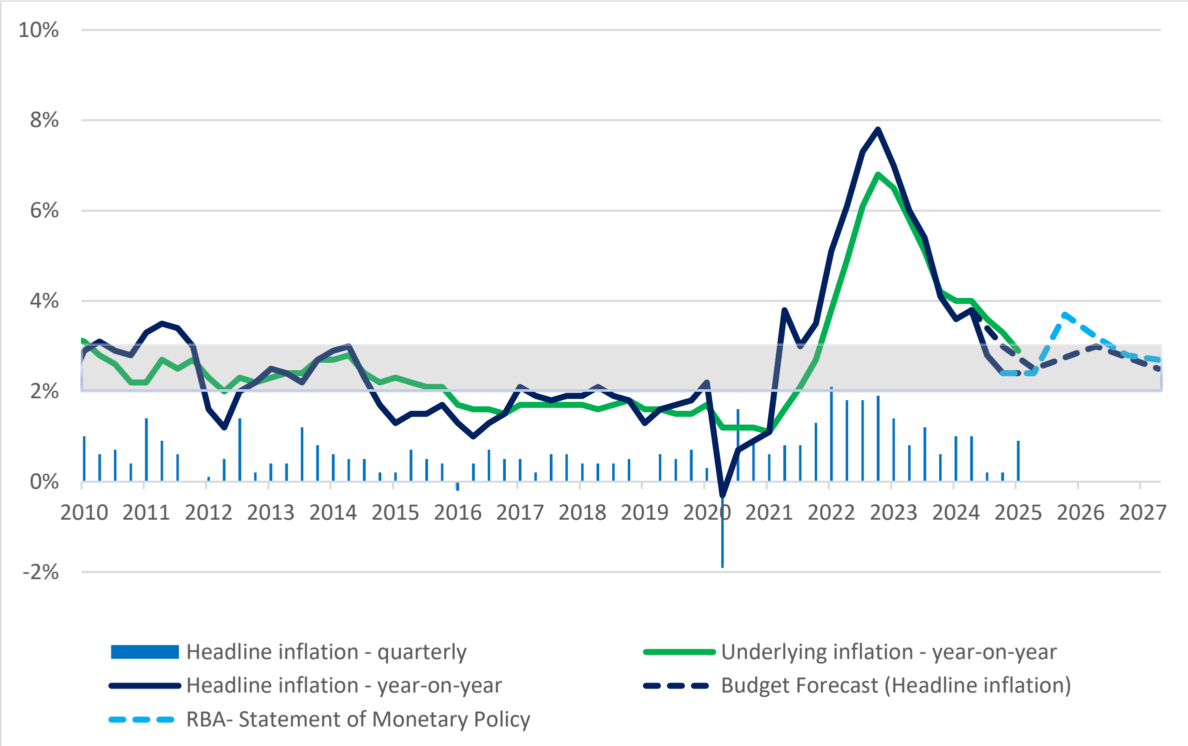
30. Headline inflation remained steady in the March quarter at 2.4 per cent year-on-year. Meanwhile, underlying inflation dropped to within the Reserve Bank's 2–3 per cent target band, down to 2.9 per cent in the March quarter[8].

31. A key factor contributing to lower headline inflation has been the government's temporary cost-of-living relief measures, including energy bill subsidies and increased rental assistance. These interventions have artificially suppressed inflation, masking underlying price pressures in the economy.

32. While the Federal Budget has extended the energy bill relief by a further six months, it is scheduled to expire in December 2025. From January 2026, energy prices are projected to rise sharply — by as much as 30 per cent, leading to a significant rebound in inflation. The RBA forecasts headline inflation to jump to 3.7 per cent once the relief measures expire. Similarly, the Federal Budget projects inflation to rise from 2½ per cent in June 2025 to 3 per cent in June 2026, before gradually returning to the target range by 2027.

[7] IMF, World Economic Outlook, A Critical Juncture Amid Policy Shifts, April 2025
[8] ABS, Consumer Price Index, March quarter 2025

Figure 1: Consumer Price Index, Australia, including Budget forecast 2025-26



Source: ABS 2025, Consumer Price Index, Australia | ABS 2025 , Monthly Consumer Price Index Indicator Inflation Forecast| Budget forecast 2025-26| Statement on Monetary Policy, February 2025

33. Despite the current easing, inflationary risks remain. In its April 2025 Meeting Minutes, the RBA noted that

> *risks to Australian inflation were more two-sided and would depend on the timing and relative size of the effects on aggregate demand and supply … but a larger exchange rate depreciation or more substantial global supply disruptions could increase inflation.*

34. However, RBA also acknowledged that some domestically driven risks could result in weaker economic activity and a sharper-than-expected decline in inflation. The likelihood of this more moderate scenario depends heavily on whether the slowdown in wages growth observed in late 2024 continues, and whether the recent softness in employment persists.

35. Crucially, this outcome would be far less likely if the Panel were to adopt the 4.5 per cent increase in minimum and award wages proposed by the Australian Council of Trade Unions' (ACTU), Australian Worker Union (AWU, Australian Services Union (ASU) and Australian Catholic Council for Employment Relations (ACCER). An increase of this magnitude, well above the RBA inflation target range, risks reigniting wage pressures and undermining the conditions required for a sustained easing in inflation.

36. In this context, the Expert Panel must exercise caution before approving any wage increase that is out of step with both inflation trends and productivity performance. A restrained and balanced wage outcome is essential to avoid placing unnecessary pressure on inflation, especially during a period when price stability remains a central economic objective.

Business investment

37. The ACTU claims that continued strength in private business investment provides a sound basis to support a 4.5 per cent increase in minimum and award wages[9].

38. However, the ACTU overlooks several critical external factors — both global and domestic — that must be considered when assessing the capacity of businesses to absorb further wage increases. Supply chain costs and scheduling disruptions are expected to persist in 2025, and costs are projected to remain volatile as the Australian businesses braces for the impact of the economic and political actions from the US.

39. It is also important to point out that the ACTU focuses on broad aggregate investment figures, while overlooking more precise and relevant measures of private sector business activity. Private New Capital Expenditure (PNCE) provides a far more accurate representation of business investment behaviour in Australia, specifically capturing investment by private businesses. Within PNCE, machinery and equipment investment serve a more precise indicator of business investment that drives productivity in the economy.

40. Recent data shows that machinery and equipment investment fell by 0.8 per cent in the December quarter of 2024, driven by a 1.0 per cent decline in non-mining equipment investment. This contraction was particularly sharp in sectors that are award-reliant, particularly construction which recorded an 8.1 per cent decline in investment, accommodation and food services fell by 12 per cent, and manufacturing declined by 6.4 per cent[10].

41. These sectors are already under pressure and are likely to face further constraints if wage increases proceed at the level proposed by the ACTU.

42. Business sentiment indicators also challenge the ACTU's optimism. The Business NSW Quarterly Business Conditions Survey finds that the Business Confidence Index has remained in negative territory since late 2021. As of February 2025, the Index stood at -44.7, still firmly negative despite being the highest reading in nearly three years. Businesses are facing an array of challenges, including regulatory pressures and financial management[11].

43. This view is reinforced by the RBA in its recent April meeting minutes, which noted that risks to the global outlook are "tilted to the downside," with members warning:

> *Uncertainty about global economic policy settings could also lead firms and households to reduce spending and investment. If either of those consequences were to transpire, global economic activity could fall significantly, though the implications for inflation would be more complicated.*

[9] ACTU Submission to the 2024-25 Annual Wage Review [99]
[10] ABS, Private New Capital Expenditure and Expected Expenditures, Australia, December 2024
[11] Australian Business Industrial and Business NSW Annual Wage Review 2024-25

Productivity

44. The ACTU asserts that the Expert Panel should have confidence that productivity in the parts of the economy most relevant to the wage decision has increased modestly.[12]

45. ACCER similarly claims that the proposed increase in the national minimum wage is extremely unlikely to undermine the prospects for productivity growth[13].

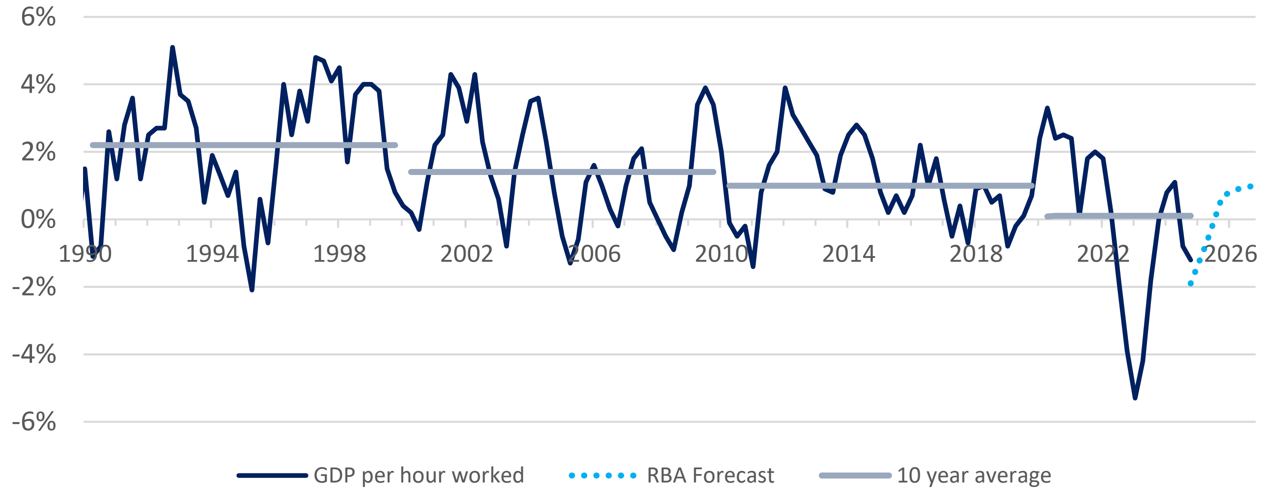
46. However, ACCI urges the Panel to take a more realistic view of the current economic climate and the underlying productivity trends. As highlighted in ACCI's earlier submission, the Australian economy is at a critical juncture where unwarranted wage gains cannot be sustained without corresponding improvements in productivity.

47. RBA Governor Michele Bullock recently reinforced this view, stating that

> "If productivity didn't pick up, then that means that the rate of nominal wages growth that can be sustained and be in line with the inflation target is lower"[14].

48. This warning comes as national productivity continues to decline, with labour productivity contracting by 1.2 per cent in the year to December 2024. Over the past five years, productivity has averaged close to zero growth. The Reserve Bank forecasts that productivity will remain negative through 2024–25, declining by 0.7 per cent in the year to June 2025, with only a modest recovery to 0.9 per cent projected by the end of 2026[15].

Figure 2: Productivity Growth and 10-year averages



Source: Australian Bureau of Statistics 2025 National Accounts: National Income, Expenditure and Product, March 2025, RBA, Statement of Monetary Policy, February 2025

[12] ACTU Submission to the 2024-25 Annual Wage Review, [7]
[13] ACCER, Annual WAGE Review 2024-25 Submission, pg 19
[14] Monetary Policy Decision, Michele Bullock, Media Conference, 1 April 2025
[15] RBA, Statement of Monetary Policy, February 2025

49. These concerns are echoed in the 2025–26 Federal Budget, which warns that

> *"If productivity does not pick up as expected, price pressures may be more persistent, with potential implications for unemployment and the real economy[16]."*

50. While the ACTU submission highlights that a key drag on productivity growth stems from the non-market sector — particularly due to difficulties in measuring output in subsidised areas like healthcare and aged care. However, that is not the only reason, the broader concern lies in the sustained expansion of the non-market share of the economy.

51. Over recent years, the Fair Work Commission has implemented significant award wage increases in these sectors, including a 15 per cent rise for aged care workers in 2023, followed by a final determination in 2024 delivering increases of up to 28 per cent, depending on the award. These increases are not only unsustainable but rely heavily on ongoing government subsidies, contributing to the structural deficit in the federal budget.

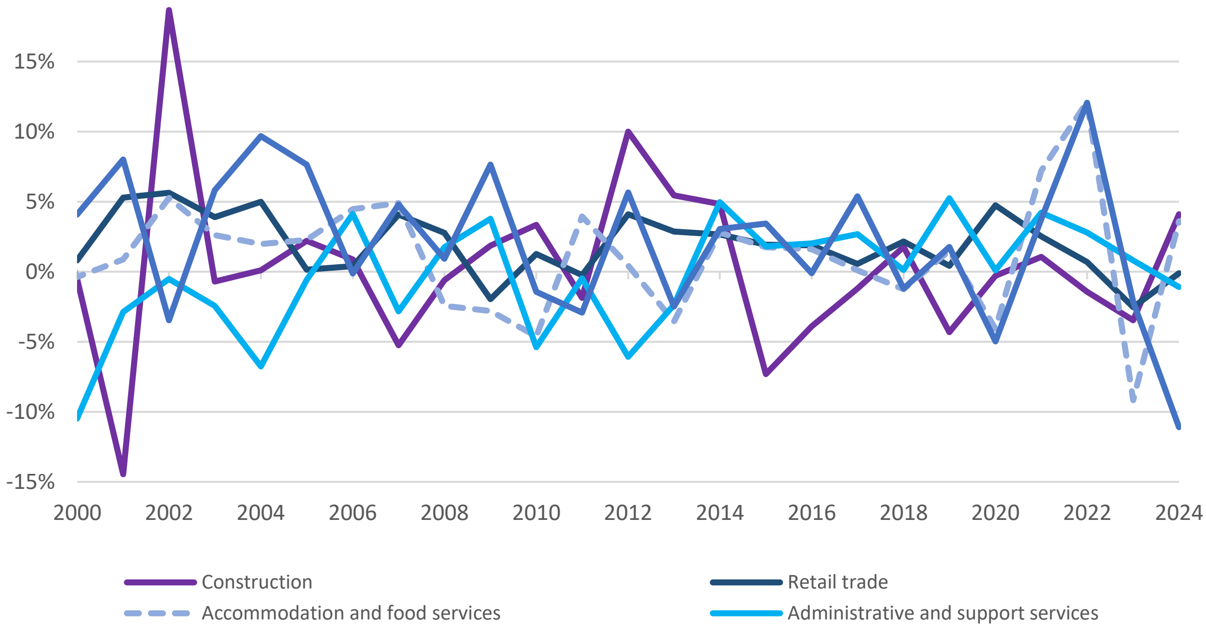
52. This sustained wage growth in the care economy has drawn labour away from other award-reliant sectors, tightening conditions across the broader labour market. As both market and non-market sectors draw from the same labour pool, these imbalances have made it increasingly difficult for employers in retail, hospitality, and other service industries to attract and retain staff. The outcome is rising wage pressures in low-productivity sectors, where the underlying economic performance does not support further increases.

53. Productivity in award-reliant sectors continues to trend downward. In the retail sector, productivity remains 2.62 per cent below its level in June 2022. The decline is even more pronounced in the arts and recreation sector, which is currently 13.01 per cent below June 2022 levels and 3.89 per cent below its pre-pandemic (June 2019). Similarly, administrative and support services recorded a 1.1 per cent fall in productivity over the year to June 2024[17].

54. The accommodation and food services sector, which was initially buoyed by a post-lockdown rebound with a 12 per cent productivity increase in 2022, has since suffered a 9.17 per cent decline in 2023. Although productivity rose by 3.6 per cent in the year to June 2024, the sector remains fragile — particularly amid rising business costs and the compounding impact of substantial wage increases in recent years. Even the construction sector has not been immune, with productivity now sitting 4.5 per cent below its June 2018 level[18].

[16] Federal Budget 2025-26
[17] Australian System of National Accounts, 2023-24 Financial year, Table 15
[18] Australian System of National Accounts, 2023-24 Financial year, Table 15

Figure 3: Comparison of Gross value added across per hour worked across industry



Source: Australian System of National Accounts, 2023-24 financial year

55. The Productivity Commission's March 2025 Quarterly Bulletin reinforces these concerns, stating that

> "… While this quarter's data shows more short-term fluctuations, we appear to be reverting to the 2015 to 2019 average. Even taking into account the potential for revisions, it looks like labour productivity seems stubbornly stuck at the level it was 10 years ago[19]".

56. It further notes that while hours worked and labour force participation are at near-record highs and people are earning more, this improvement in earnings is being driven by people working longer — not more efficiently. Raising wages by more than 2.5 per cent under such conditions risks further exacerbating the fundamental problem of weak productivity.

57. Higher wages without productivity gains will not solve the underlying issue. Instead, they will raise the cost of labour, reduce hiring flexibility, and strain already struggling businesses. Thousands of businesses are currently operating below capacity, facing staffing shortages, and resorting to reducing opening hours or compromising service quality.

58. According to the Australian Retailers Association's (ARA's) Member Survey, 42% of participants cited wage costs as one of the top three constraints to their business's success in 2025. When asked how they planned to manage increased business costs over the next 12 months, 28% of participants responded that they would reduce hours of work and/or headcount[20].

[19] Quarterly Productivity Bulletin- March 2025 – PC Productivity Insights
[20] The Australian Retailers Association and The National Retail Association Limited Annual Wage Review 2024-25

59. Furthermore, findings from the Business NSW Q3 Business Conditions Survey reveal that wages have remained one of the most persistent concerns for businesses over the past year. This challenge is further compounded by ongoing and widespread skills shortages across multiple industries.[21]

60. These concerns have been echoed by the RBA, which noted in its recent monetary policy minutes that unit labour costs continue to grow strongly, partly due to ongoing weakness in measured productivity.

61. Given this environment, a 2.5 per cent increase in minimum and award wages is not only fair but also responsible and sustainable. It reflects the current economic constraints, protects jobs, and aligns with the limited productivity growth observed. Any increase beyond this would risk exacerbating business pressures and undermining broader economic stability.

Wages

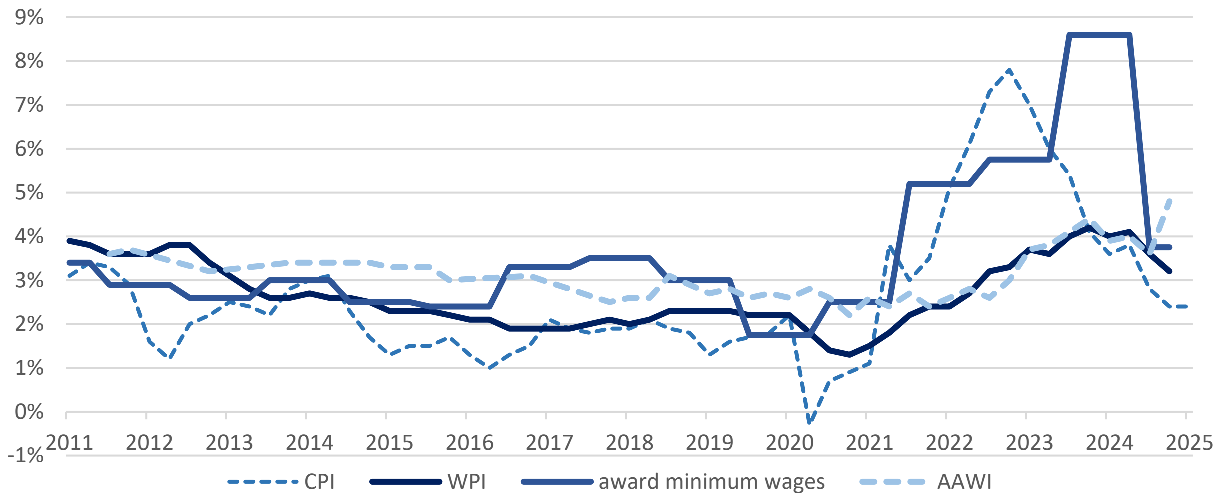
62. The ACTU claims that the Expert Panel's 2023-24 decision to increase minimum and modern award wages by 3.75 per cent was slightly below the Consumer Price Index (CPI) at the time the decision took effect, which was 3.81 per cent.

63. However, this comparison overlooks the legislated increase in the Superannuation Guarantee of 0.5 per cent, which effectively raises the total impact of the Panel's decision to 4.25 per cent—well above the inflation rate at that time.

64. When assessing outcomes over the past decade—rather than focusing on individual years — it becomes clear that the Expert Panel has consistently awarded increases to minimum and modern award wages that have outpaced both inflation and the Wage Price Index (WPI). Over this period, minimum have grown by an average of 4.2 per cent per year, amounting to a total increase of 42 per cent. While inflation has averaged just 2.7 per cent annually — or 27 per cent in total — over the past decade. Overall, real minimum wages growth has been 1.5 per cent per annum — or 15 per cent in total over the decade. In comparison, the WPI has, on average, kept pace with inflation over the decade. This means that, overall, minimum wages have not only kept pace with the cost of living but have increased at a rate significantly above both inflation and average wages.

[21] Australian Business Industrial and business NSW Annual Wage Review Submission 2024-25

Figure 4: Comparison of Consumer Price Index, Wage Price Index, Award Minimum Wage and Average Annualised Wage Increase (AAWI)



Source**:** ABS 2024, Consumer Price Index, December 2024 | ABS 2024, Wage Price Index, December 2024 | Department of Employment and Workplace Relations, *Trends in Federal Enterprise Bargaining*, December quarter 2024

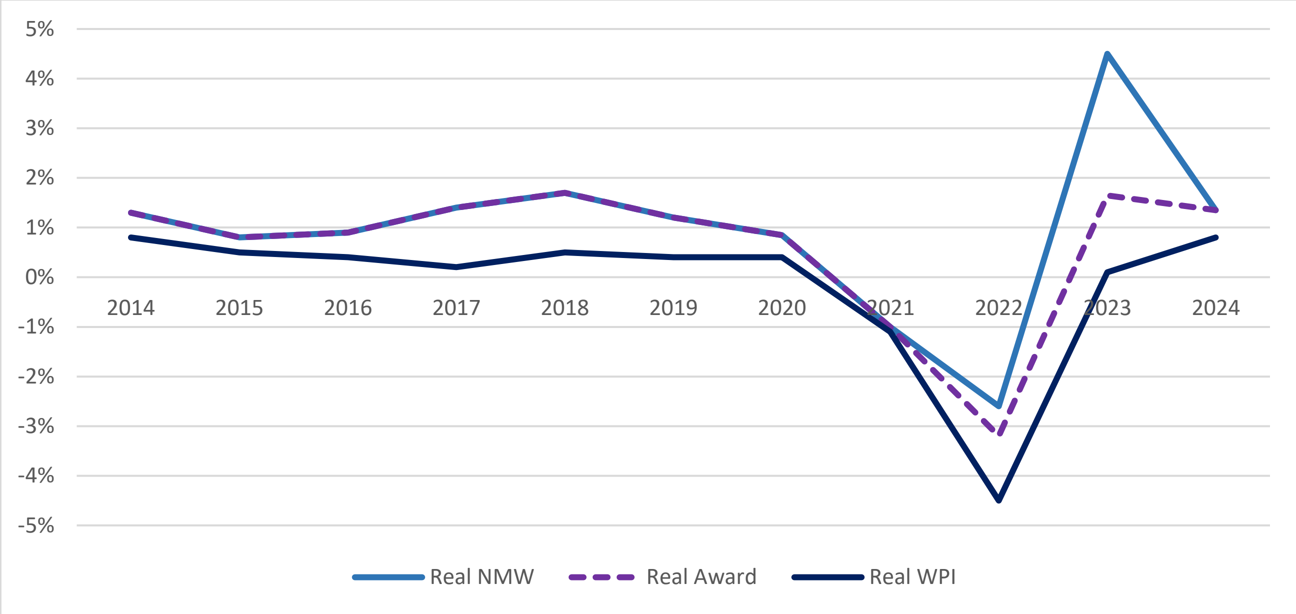
65. ACTU further asserts that real wages of modern award workers continue to go backwards and thus *encourage the Panel to award a 4.5% increase minimum and award wages: an above-inflation wage increase that helps to address the real wage losses of the past four years, and gives Australia's award reliant workers significant support in meeting their needs*[22]*.*

66. Similarly, the Australian Council of Social Services claim that *real wages though improving slightly, still remain below its level a decade prior to 2014. It will take many years for real hourly wages for comparable work to reach their immediate pre-COVID level*[23]*.*

67. However, using data from the Statistical Report, Table 4.1 and Table 5.1, which were used to calculate the real minimum wages growth shown in Table 9.1, we find that on average the real minimum wages growth, has increased on average by more than 1 per cent per year over the past decade. While there were declines in real wages in 2021 and 2022 - years of exceptionally high inflation – these declines were offset by real wages growth of greater than 1 per cent before and after these years.

[22] ACTU Submission to the 2024-25 Annual Wage Review,[12]
[23] ACOSS, submission to the Fair Work Commission on Minimum Wage, pg 7

Figure 5: Real Wages



Source: Fair Work Commission, Statistical table 4.1 |Statistical Table 5.1

68. With inflation easing and wage increases returning to pre-COVID levels, real wages today are 12.5 per cent higher than they were five years ago. This reflects the cumulative effect of sustained increases over time, even with the inflationary pressure in recent years.

69. The circumstances in 2024-25 are different to recent years, as inflation has returned to the RBA target range, the economy is slowing, global uncertainty is rising, and productivity continues to contract — down 1.2 per cent in the year to December 2024. Given these economic headwinds and the fact that real wages are already improving, a moderate increase of 2.5 per cent is both prudent and sustainable.

Profits

70. In calling for a substantial 4.5 per cent increase in minimum and modern award wages, the ACTU and the ACCER[24] assert that wage growth has been resilient and that there is little risk such an increase would derail business performance. However, this assessment relies heavily on a narrow and selective interpretation of business performance data.

71. Specifically, ACTU's analysis is based on company profits, which are limited in scope and not representative of all businesses in the Australian economy. Company profits refer only to the performance of private non-financial corporations, excluding other business structures. This subset paints an incomplete picture of overall business health.

[24] ACTU Submission to the 2024-25 Annual Wage Review,[83], ACCER, submission to the Fair Work Commission on Minimum Wage, pg 16

72. In contrast, ACCI has based its analysis on business gross operating profits, a broader and more comprehensive measure that includes all types of business entities, regardless of structure. This metric provides a more accurate reflection of aggregate business profitability across the economy, capturing both incorporated and unincorporated enterprises.

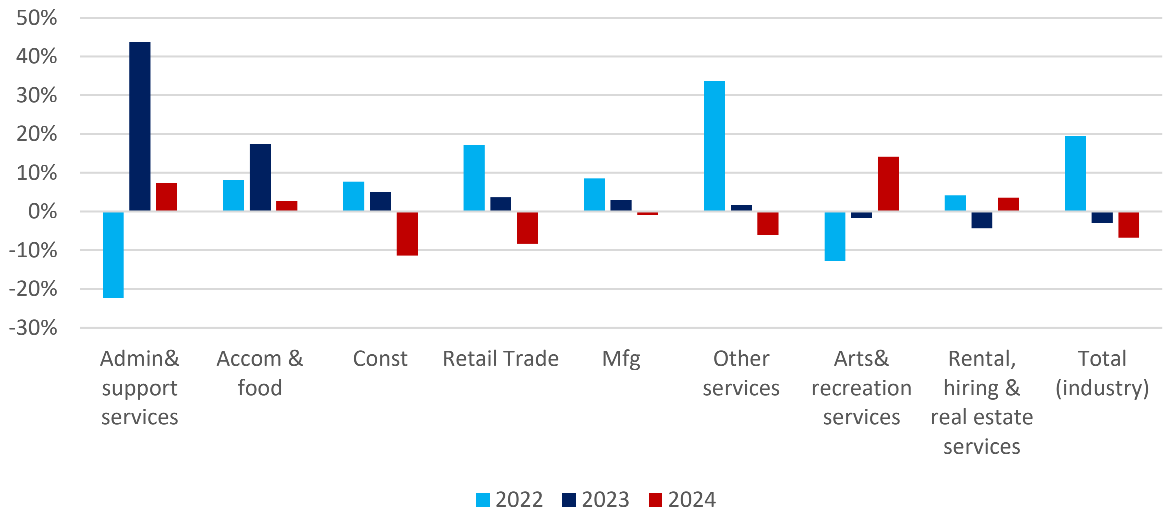
73. As highlighted in ACCI's initial submission, business profits have contracted significantly — by 39 per cent over the 18 months to December 2024. This decline has occurred as businesses grapple with strong growth in material input costs and rising wages, while having limited ability to pass these costs onto consumers due to competitive pressures and subdued demand. The combination of cost increases and constrained pricing power is placing immense pressure on profit margins.

74. This profit squeeze continues to be evident in award-reliant sectors. Annual profits in the retail sector down 8.5 per cent for the calendar year ending December 2024, reversing a 3.7 per cent increase recorded in the year to December 2023. On a quarterly basis, retail profits trended downward throughout 2024, with the exception of a modest 1.8 per cent rebound in the September quarter[25]. However, this improvement was short-lived, as profits again declined by the same percentage in the December quarter.

75. The accommodation sector also faced significant financial strain, experiencing consecutive quarters of negative profits throughout 2024. Overall, annual gross operating profits were up around 2.8 per cent in the year to December 2024, a notable contraction from the 17.4 per cent growth seen the year prior. Quarterly data shows that profits in the December 2024 quarter were still 24.6 per cent below December 2020[26] levels, highlighting the sector's ongoing recovery challenges.

76. The construction sector has not been spared either, with annual profits down 11.4 per cent in 2024. This sector has experienced a consistent downward trend in profitability, with profits in the December 2024 quarter 18 per cent below the December 2022 levels[27].

Figure 6: Gross operating Profit of sectors with the highest share of award reliant employees



Source: ABS, Business Indicators, December 2024

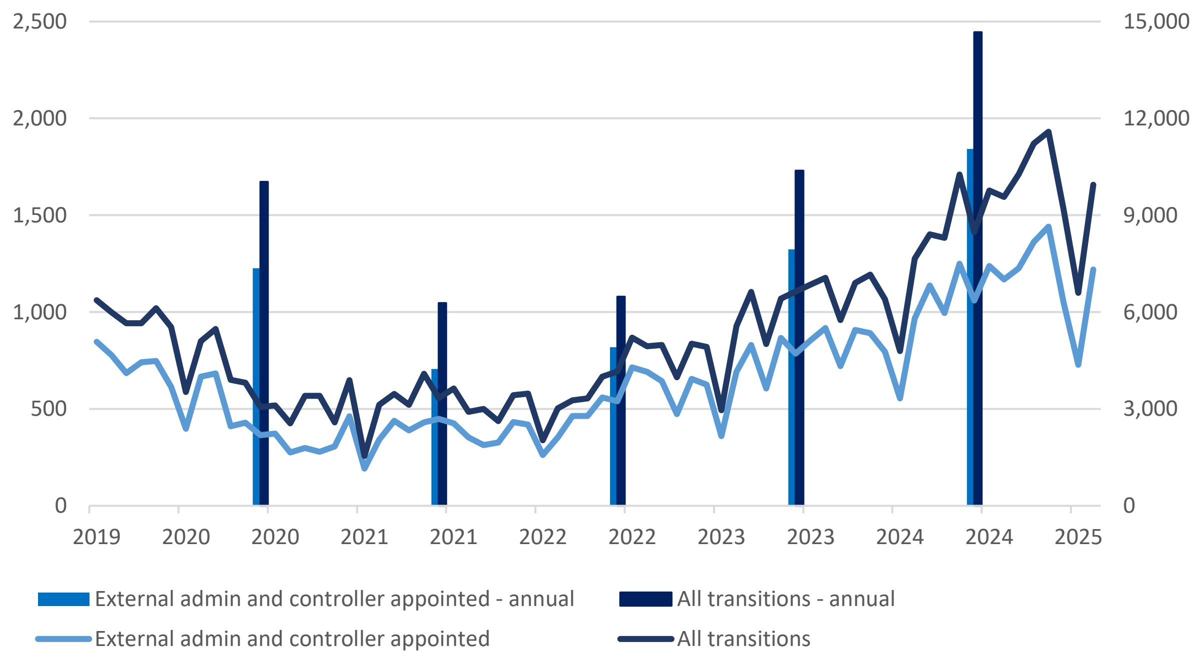
[25] ABS, Business Indicators, December 2024
[26] ABS, Business Indicators, December 2024
[27] ABS, Business Indicators, December 2024

77. These sectoral trends are consistent with broader business sentiment captured in the NAB Business Conditions Survey[28]. Business confidence remained subdued in March 2025, falling 1 point to -3 index points. Labour costs remain persistent at 1.5 per cent for the month, while product price growth remained steady at 1.4 per cent, highlighting the ongoing difficulty businesses face in passing on increased input costs to consumers.

78. Despite these warning signs, the ACTU and ACCER[29] continues to call for a 4.5 per cent increase in minimum and award wages, arguing that businesses are in reasonable financial health, with a stable wage-to-income ratio, all of which they suggest indicates a capacity to absorb a wage increase of the magnitude proposed.

79. This claim is difficult to reconcile with the sharp rise in business insolvencies. If business conditions are as favourable as suggested, we question how the surge in business closures is to be explained. With limited ability to raise prices, alongside falling profitability, the number of businesses entering administration rose to 14,670 in 2023–24—a record high, and 36.9 per cent above the pre-COVID 10-year average of 10,713. Early indicators show that 2024–25 will be even worse, with 14,936 insolvencies already recorded in the first nine months to March 2025[30].

Figure 7: Insolvency Statistics



Source: ASIC, Insolvency Statistics

80. The Reserve Bank of Australia's *Small Business Economic and Financial Conditions*[31] report confirms this trend, noting a sharp increase in insolvencies over the past couple of years. At least three-quarters of these insolvencies involved small businesses, with the construction and hospitality sectors particularly affected. Rising input costs and persistent labour shortages have severely eroded profitability in these industries, contributing significantly to the wave of business closures.

[28] NAB Monthly Business Survey, March 25
[29] ACTU, Submission to the 2024-25 Annual Wage Review [4], [226], ACCER, pg, 3,16
[30] ASIC, Insolvency Statistics
[31] RBA, Small Business Economic and Financial Conditions

81. The construction sector has recorded 1,151 insolvencies in just the first nine months to March 2025. This represents a 31.6 per cent increase compared to the March 2024 quarter, and the trend suggests that conditions could worsen further over the remainder of the year.

82. Similarly, the accommodation and food services sector has recorded a 35.9 per cent increase in insolvencies over the year to March in 2025. The administrative and support services sector has also seen insolvencies rise by 42.9 per cent during the same period.

83. The RBA's April Financial Stability Review, further underscores these concerns, stating:

> *Company insolvencies have picked up over the past couple of years to be at the top of the range observed in the 2010s – particularly among smaller firms that face a challenging operating environment.*

84. This illustrates the pressure on businesses already stretched by rising costs and uncertain demand and further reinforces the argument that any minimum wage increase above 2.5 per cent is neither sustainable nor responsible[32].

85. In this context, ACCI maintains that a moderate and carefully calibrated 2.5 per cent increase strikes the right balance between supporting workers' purchasing power and ensuring that employers, particularly in award-reliant sectors, can sustain jobs, manage costs, and invest in recovery.

Disemployment Effects

86. The ACTU[33] argues in its submission that increases in minimum wages have not led to disemployment effects, citing research from the *Handbook of Labor Economics* (Dube and Lindner, 2024). This study, based on US data, finds that minimum wage changes generally have near-zero or even slightly positive employment effects, while lifting wages and delivering welfare-enhancing impacts. Similarly, ACOSS[34] claims that increases in minimum wages have no discernible impact on aggregate employment, drawing on a range of international case studies.

87. However, it is important to contextualise these findings, as most of the cited research is derived from the United States, where the labour market and minimum wage structures differ significantly from Australia.

88. The US federal minimum wage is relatively low — approximately 20–30% of the mean wage — and in many cases, non-binding due to variations in state and local laws. In contrast, Australia has one of the highest minimum wages in the world, with a monthly minimum wage of US$2,635 in 2024, trailing only Switzerland, Luxembourg, and Germany[35]. As a result, the economic implication of wage increases in Australia are more pronounced.

[32] ASIC, Insolvency Statistics, Table 2.2
[33] ACTU Submission to the 2024-25 Annual Wage Review, [535]
[34] ACOSS Submission to the Fair Work Commission on the Minimum Wage, pg 28
[35] ILOSTAT, Wages and Working Time Statistics Database

89. Even the Dube and Lindner[36] paper itself cautions against broad generalizations, noting that the employment effects of minimum wages are not uniform and depend on specific contexts, such as the labour market conditions, productivity levels and the degree of monopsony power existing in the labour market of that country.

90. In fact, the same paper observes that the negative employment effects are more prominent in the tradable sector, where firms face international competition and have less flexibility to absorb wage increases.

91. Furthermore, Neumark and Wascher's seminal review (2006)[37] strengthens the case against assuming no negative employment effects. They found that 28 out of 33 studies (85%) reported job losses, particularly for young, less-skilled workers. They argue that the most rigorous studies — those using longitudinal data and controlling for regional economic conditions — are more likely to detect disemployment effects.

92. While some high-profile studies (such as the Card and Krueger research on fast food restaurants in New Jersey and Pennsylvania) suggest little to no negative effects — or even positive effects — the authors argue these are exceptions and often rely on narrow samples or limited timeframes. When similar research questions are examined using more comprehensive datasets and robust methodologies, the earlier findings of job losses tend to be confirmed.

93. They caution against overgeneralizing results from studies with methodological limitations and stress the importance of considering the broader body of evidence when evaluating the employment impacts of minimum wage policies.

94. Neumark and Wascher highlight that even in studies where the aggregate employment effect appears small or statistically insignificant, there may still be important changes in the composition of employment — specifically due to labour–labour substitution.

95. They explain that minimum wage increases can lead employers to substitute away from the lowest-skilled workers (those most affected by the wage floor) in favour of higher-skilled, more productive, or more experienced workers. For instance, employers might reduce hiring of teenagers or minority youth and instead hire slightly older or more experienced workers who are closer in productivity to the new minimum wage. This kind of substitution means that the observed total employment may not fall much, but employment opportunities for the most vulnerable groups decline.

96. In light of these findings, the authors recommend that policymakers consider targeted interventions like earned income tax credits, which raise incomes without pricing low-skilled workers out of employment.

[36] Dube A & Lindner AS (2024), Minimum wages in the 21st century, Handbook of Labor Economics (Amsterdam: Elsevier) Volume 5, Ch.4, 2024,

[37] Neumark D & Wascher W (2006), Minimum Wages and Employment: A Review of Evidence from the new minimum wage research

97. Complementing this, Neumark and Munguía Corella (2021)[38] reviewed 61 studies on minimum wage impacts in developing economies, and found mixed evidence, with more consistently negative employment effects in formal sectors, particularly where minimum wages were more binding and rigorously enforced.

98. Likewise, Broecke et al. (2017)[39] examined the effects of minimum wages in 14 emerging economies and concluded that youth and low-skilled workers were slightly more negatively affected, and that informal employment increased in response to minimum wage hikes—suggesting that employers may substitute away from formal labour arrangements.

99. The broader concern around minimum wages impacting skill supply and employment composition is reinforced by Gregory and Zierahn's[40] research on Germany's construction sector. Their findings show that higher minimum wages led employers to prefer high-skilled over low-skilled workers, due to changes in relative input costs. This labour–labour substitution reduces opportunities for low-skilled workers and contributes to workforce polarisation and exacerbates employment challenges for those who are most reliant on minimum wage.

100. They identify conditions where these negative effects are more likely — many of which are observable in Australia today:
    1. High 'minimum wage bite', especially during an economic downturn where businesses face tighter margins.
    2. Limited substitutability between high- and low-skilled roles, particularly across broader national skill distributions.
    3. Low labour mobility, often due to industry-specific training and skill pathways

The living wage and poverty

101. ACCER claims that the gap between the national poverty line and the national minimum wage remains unacceptably large for several household types.[41]

102. Similarly, the ACTU[42] presents a case that suggests most employees on minimum and modern award wages are low-paid and at risk of poverty. However, this interpretation overstates the reach and impact of low pay, particularly given recent wage increases and Australia's broader social support structures.

103. Following the Fair Work Commission's recent decisions — a 3.75 per cent increase in 2023-24, 5.75 per cent increase in 2022-23 and the rebasing of the minimum wage to the C13 rate (a further 2.7 per

[38] Neumark, David and Luis Felipe Mungu´ıa Corella (2021) "Do minimum wages reduce employment in developing countries? A survey and exploration of conflicting evidence," World Development, 137, 105165.
[39] Broecke, Stijn, Alessia Forti, and Marieke Vandeweyer (2017) "The effect of minimum wages on employment in emerging economies: a survey and meta-analysis," Oxford Development Studies, 45 (3), 366–391.
[40] "*When the minimum wage really bites hard: The negative spillover effect on highly skilled workers*", Terry Greory, Ulrich Zierahn, https://www.sciencedirect.com/science/article/pii/S0047272721002188#s0055
[41] Australian Catholic Council for Employment Relations for the Australian Catholic Bishops Conference, Annual Wage Review 2024-25 submission, pg27
[42] ACTU Submission to the Annual Wage Review, pg 85-86

cent increase) and 5.2 per cent increase in 2021-22 — Australia now has one of the highest minimum wages globally, standing at US$2,635 per month [43]in 2024, behind only Switzerland, Luxembourg, and Germany.

104. The ACTU highlight the Fair Work Commission research paper by van Netten and Lipp[44] on award-reliant employees, which they claim as evidence of a *disproportionate concentration of award-reliant and low-paid award-reliant workers in the lower income deciles, with 43.5 per cent of the award-reliant sample identified as low paid*. Yet, the research goes on to show overall 5.9 per cent of adult employees are low-paid and award-reliant. It is not surprising that the safety net role of modern award minimum wages leads to a proportion of award-reliant employees being included in lower household income brackets. However, overall, the absolute number of low-paid, award-reliant workers is small. These individuals are more effectively supported through the tax-transfer system and targeted social assistance payments than by an increase in minimum and modern award wages, which is a very blunt instrument.

105. Evidence from Wilkins and Zilio (2020)[45] reinforces these findings. In 2018, 14.2 per cent of employees were classified as low-paid, and 16.2 per cent were award-reliant. However, only 5.9 per cent of workers were both low-paid and award-reliant, representing a 21 per cent decline from 7.5 per cent in 2009. This trend indicates that living standards have improved over time and that reliance on minimum wages alone is not the sole determinant of financial stability.

106. Wilkins and Zilio (2020) also found that low paid award-reliant employees are more likely to be part-time (58 per cent) and/or in casual employment (66.5 per cent), more likely to be younger employees (29 per cent between 20-25 years, and 60 per cent between 20-35 years). This suggests they are more likely to be less experienced workers, beginning their careers and developing important skills. They are also likely to be in a couple (58.5 per cent) or dependent students/non-dependent children (19.9 per cent) still living with their parents. Almost 60 per cent of low-paid award-reliant employees in couple households are secondary earners, and a high proportion receive Government welfare benefits (25 per cent) that supplement their lower incomes. [46]

107. ACCI supports the principle that full-time workers should earn enough to live above the poverty line. However, on any reasonable assessment, Australia's minimum wage already delivers a standard of living well above poverty, particularly for full-time adult workers.

108. If 60 per cent of median income is to be used as a benchmark for assessing minimum wage adequacy it should be compared to the disposable income of single adults, who are the most common minimum wage earners and the least likely to receive family-based welfare support. Even ACOSS, in its own submission, acknowledges this point:

> *the minimum wage should be designed to at least provide a decent living standard, well above poverty levels, for* ***a single adult****; and that the tax-transfer system should meet the basic costs of raising children in a low-income family*[47].

[43] ILOSTAT, Wages and Working Time Statistics Database

[44] Award-reliant employees in the household income distribution of employees an update: Jamie van Nettten and Josh Lipp, Fair Work Commission

[45] Wilkins R. and Zillio F. (2020), *Prevalence and Persistence of Low-Paid Award-Reliant Employment* Fair Work Commission Research Report 1/2020, February

[46] Wilkins R. and Zillio F. (2020), *Prevalence and Persistence of Low-Paid Award-Reliant Employment* Fair Work Commission Research Report 1/2020, February

[47] ACOSS, Submission to the Fair Work Commission on the Minimum Wage, pg 30

109. As shown in Table 8.6 of the Statistical Report, based on ABS data, a single adult earning the minimum wage earns an income 20 per cent above the arbitrary 60 per cent medium income poverty line. Notably, with the exception of a single-parent working part-time and single earner couples with and without children all other household types earn an income above the 60 per cent medium income level. These household types represent around 20 per cent of minimum wage earners, or around 40,000 employees, who would be more effectively supported through the tax-transfer system and targeted social assistance payments.

110. In reaching a decision for the 2024-25 AWR, the Panel needs to realise that changes to award and minimum wages will have a very limited impact on household disposable income and poverty levels in Australia. It would be far more prudent to improve the situation of households with low disposable income through the tax and transfer systems and balanced decisions which support job creation. Having employment is the most effective means of counteracting poverty.

Secure Work

111. Under section 134(1) of the Fair Work Act 2009, the Panel is required to take account of considerations under the modern awards objective. Relevantly, paragraph (aa) of the modern awards objective directs that the Commission must ensure that “modern awards, together with the National Employment Standards (NES), provide a fair and relevant minimum safety net of terms and conditions, taking into account the need to improve access to secure work across the economy”.[48]

112. The term “secure work” is not defined in the FW Act and recent processes such as the Job Security stream of the Modern Awards Review (MAR) have noted that there is no agreed or clear definition of the term.[49]

113. The Full Bench in [2024] FWCFB 3500 adopted its previous analysis of the statutory considerations, including job security, as it was articulated in [2023] FWCFB 3500.

114. ACCI reiterates its position articulated at [145] of its initial submissions, where it urged the Panel to avoid an increase to the NMW and modern award minimum wages which may deprive employees of a choice to enter into forms of work like casual, fixed term etc employment, or to continue their employment, necessitating that the Panel take into account the economic impact on the employer, and relatedly, the capacity for that employer to offer work as effectuated by increases to the NMW or modern awards minimum wages.

115. On the topic of job security, ACCI notes differences in the approaches of the unions, and will address the issues raised.

116. The ACTU, at [428] of their submissions referred to the Panel’s decision in [2024] FWBFB 3500, that the primary consideration was whether the outcome of the Review “might affect the capacity of employers in the future to continue to offer, or maintain permanent employment”.[50] The ACTU then referred to the Panel’s additional comments, specifically where the Panel stipulated that “a higher

[48] Fair Work Act 2009, section 134(1)(aa).
[49] Modern Awards Review 2023-24 – Job Security: Discussion Paper, page 22.
[50] Annual Wage Review Decision 2023-24 [2024] FWCFB 3500 at [133].

level of increase to minimum award wage rates … may affect the number of hours of work assigned to such employees, and this diminish their income security".

117. The analysis made by the ACTU appears to conflate income security with job security as a consideration for the Panel when determining the NMW. It appears that the Panel were merely referring to a consequence of a potential significant NMW increase, rather than broadening the scope of its considerations of job security.

118. ACCI reiterates its agreement that the predominant consideration to be made by the Panel in undertaking its assessment of the impact of the NMW on job security is the ability for employers to continue to offer or, or maintain employment. ACCI advances the notion that job insecurity must first commence with an assessment of the ability of an employer to offer employment before any contemplation of security within employment can exist.

119. In anticipation of a misconstruction by parties to the AWR, ACCI does not suggest that insecurity within employment is not worthy of consideration. It merely asserts that if a business is not in a position to offer employment, this is the key factor for consideration by the Panel. To offer a slightly different perspective, the fundamental concern for most employees is the possibility of losing their job completely, which supersedes concerns about the form of engagement.

120. ACCI refers to the ACTU submissions at [436] where the Revised Explanatory Memorandum to the Fair Work Amendment (Secure Jobs, Better Pay) Bill 2022 is referenced, with emphasis added. ACCI notes that the ACTU failed to add emphasis to "ongoing, stable and secure employment", which ACCI considers to be integral to the Panel's considerations of job security.

121. ACCI also notes that the Australian Manufacturing Workers' Union (**AMWU**) seeks to draw the Panel's attention to economic insecurity at page 44 of its submissions, and defines economic insecurity as low weekly earnings or significant fluctuation of income. ACCI does not agree with this conflation of economic and job security. The reality is that Australia boasts one of the highest minimum wages worldwide. In order to ensure that businesses are able to continue offering employment and to grow their capacity to offer additional employment, a sensible increase of 2.5% to the NMW is appropriate.

Gender Equality

122. ACCI relies upon its initial submissions, particularly noting that the AWR and the setting of the NMW will have a negligible impact on achieving gender equality due to the uniform nature that is typical of AWR decisions, but rather that a significant increase may have disemployment effects.

123. Given the disemployment effects with respect to a significant increase to the NMW as previously canvassed, ACCI reiterates its request for a cautious approach to increasing the NMW.

124. ACCI notes that the unions made significant submissions with respect to the gender undervaluation proceedings, and will seek to address those assertions below.

Matters Relating to Gender Undervaluation

125. ACCI, at the outset, asserts that the AWR is not the appropriate forum for addressing the gender pay gap and the substantive issues surrounding gender undervaluation. The AWR is a blunt instrument and is applied across the board to NMW and all modern award minimum wages. ACCI submits that it is more appropriate for the Commission to undertake consultations with relevant parties relating to the substance and priority of gender undervaluation matters outside of this process. As such, ACCI will not be making any substantive comments or recommendations with respect to the priority of the Commission's work relating to gender undervaluation in this submission.

126. However, ACCI is not opposed to a general reflection on the current gender undervaluation matter that is before the Commission and its progress to date. The ACTU provided detailed reflections on the process to date, noting in particular that there were many elements of the proceedings that were challenging for parties, including the intersection between constrained timeframes and bringing forward significant evidentiary materials.

Collective Bargaining

127. ACCI relies upon its initial submissions with respect to the impact of the AWR on collective bargaining, and the position that the NMW ought to be approached cautiously to continue to encourage involvement in collective bargaining.

128. The ACTU and the United Workers Union have attributed a recent increase in the coverage of employees by enterprise agreements to the legislative changes made under the *Secure Jobs, Better Pay* amendments and the *Closing Loopholes* amendments. This is undoubtedly in large part due to unions having been gifted the unprecedented ability to drag employers to the bargaining table non-consensually, and, in some circumstances, without first requiring them to ascertain the desire of employees to engage in bargaining. Despite union membership being at its lowest level in the private sector at 7.9%, and only 13.1% coverage of all employees,[51] in this anti-democratic new world order,

Table 13 - Agreements approved in the quarter, by union coverage (December quarter 2021 to December quarter 2024)

FOR AGREEMENTS APPROVED IN THE NOMINATED QUARTER		Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Union covered	Agreements	928	847	742	870	910	673	713	805	1,001	794	1,005	753	1,024
	AAWI (%)	2.6	2.6	2.8	2.6	3.0	3.7	3.8	4.2	4.5	3.9	4.0	3.7	4.8
	Duration (yrs.)	2.2	2.4	2.7	3.0	2.5	2.2	2.3	2.6	2.5	2.6	3.0	3.1	2.9
	Employees ('000)	142.3	239.6	146.9	205.7	214.6	126.2	122.0	281.4	263.1	356.7	266.7	332.7	369.1
No union covered	Agreements	219	162	201	218	216	168	225	268	258	228	199	185	182
	AAWI (%)	2.4	2.4	2.8	3.1	2.9	3.4	3.4	3.5	3.4	3.5	3.0	3.1	3.5
	Duration (yrs.)	3.4	3.6	3.0	3.3	3.1	3.4	3.7	3.5	3.6	3.6	3.6	3.4	3.4
	Employees ('000)	7.7	7.4	7.9	8.0	7.5	8.2	14.2	14.4	13.8	8.4	8.8	8.5	7.0
All	Agreements	1,147	1,009	943	1,088	1,126	841	938	1,073	1,259	1,022	1,204	938	1,206
	AAWI (%)	2.6	2.6	2.8	2.6	3.0	3.7	3.8	4.1	4.4	3.9	4.0	3.6	4.8
	Duration (yrs.)	2.3	2.4	2.7	3.0	2.5	2.3	2.4	2.6	2.5	2.6	3.0	3.1	2.9
	Employees ('000)	150.1	247.1	154.8	213.7	222.1	134.4	136.2	295.8	276.9	365.1	275.5	341.2	376.1

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

[51] Australian Bureau of Statistics, "Trade Union Membership", 9 December 2024, [Trade union membership, August 2024 | Australian Bureau of Statistics](#).

the number of union covered agreements has increased since the implementation of the legislative changes.[52]

129. The AMWU have asserted that an increase in the NMW would promote collective bargaining because employers fail to engage in good faith bargaining. ACCI take exception to this assertion, and highlights that the AMWU has not provided any evidentiary basis for its assertion.

130. ACCI agrees that good faith bargaining has become compromised, however, asserts that this is on the basis that, due to the *Closing Loopholes* amendments, unions and employees carry no risk for the dragging out bargaining in favour of obtaining an intractable bargaining workplace determination, where they are legislatively guaranteed to achieve an agreement with enhancements.

131. ACCI reiterates the position that a cautious increase to the NMW will encourage bargaining by giving employers room to negotiate for conditions. A significant increase to the NMW such as that requested by the unions will see employers struggling to offer any conditions above minimum wage, or it will see significant costs passed on to consumers. ACCI urges the Panel to take on a considered and sensible approach to the NMW, which may encourage collective bargaining.

[52] Department of Employment and Workplace Relations, "Trends in Federal Enterprise Bargaining: December quarter 2024", 27 March 2024, Trends in Federal Enterprise Bargaining - December quarter 2024.

About ACCI

The Australian Chamber of Commerce and Industry represents hundreds of thousands of businesses in every state and territory and across all industries. Ranging from small and medium enterprises to the largest companies, our network employs millions of people.

ACCI strives to make Australia the best place in the world to do business – so that Australians have the jobs, living standards and opportunities to which they aspire.

We seek to create an environment in which businesspeople, employees and independent contractors can achieve their potential as part of a dynamic private sector. We encourage entrepreneurship and innovation to achieve prosperity, economic growth, and jobs.

We focus on issues that impact on business, including economics, trade, workplace relations, work health and safety, and employment, education, and training.

We advocate for Australian business in public debate and to policy decision-makers, including ministers, shadow ministers, other members of parliament, ministerial policy advisors, public servants, regulators and other national agencies. We represent Australian business in international forums.

We represent the broad interests of the private sector rather than individual clients or a narrow sectional interest.

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