

4. ACCI Survey

Results of Survey on the Safety Net

[4.1] It has been a constant refrain of the ACTU that the increases granted as part of the Safety Net cost no one their jobs and do not flow on from those paid the minimum award rate either into the overawards or into non-award system. For example, in its written submission to this case, the ACTU stated on page 105:

“There is simply no evidence that recent Safety Net increases have had any adverse impact on employment.”

[4.2] It is also an assumption of the ACTU that the effect of the increases granted do not flow on into other increases which is why it attempts to isolate the increases granted through these proceedings from the increases received in all other sectors of the economy.

[4.3] As part of its regular surveys of the business community, ACCI attached as part of its Survey of Investor Confidence in September 2001 a series of questions dealing with the Safety Net. The entire survey is Attached at Tag 6 and the questions dealing with the safety net are found on the final page.

[4.4] The first paragraph of the questionnaire provided background information about the decision in the Safety Net case in 2001. What it stated was the following:

“In its decision in May 2001, the Industrial Relations Commission granted safety net increases of \$13 for employees on award wages up to \$490 per week, a \$15 increase for award employees earning between \$490 and \$590 per week and a \$17 increase for employees earning more than \$590 per week. The minimum wage was raised from \$400.40 to \$413.40

by the same decision. The questions below seek information on the effect that these increases had on your business”.

[4.5] This simply stated what had been granted as part of the Safety Net increase in 2001. The second paragraph of this introductory section sought to ensure that answers to the questions were restricted only to the effects of the Safety Net itself. What this second stated was this:

“In answering these questions, it is important to be able to distinguish increases granted as a result of the safety net decision from increases granted for other reasons. Please, therefore, answer the questions as carefully as possible.”

[4.6] We made it clear that in answering these questions that it was critical that respondents distinguish increases granted as a result of the Safety Net from increases granted for any other reason. We asked, as can be seen, that the questions be answered as carefully as possible so that increases granted for other reasons were distinguished from increases granted because of the decision in the Safety Net case.

[4.7] The first question then asked was whether any employees had received an increase directly because of the Safety Net decision. The question was worded as shown below:

“Did any of your employees receive an increase in wages **directly** because of the Safety Net decision?”

[4.8] Note that the word “directly” was emphasised in the question to ensure that respondents understood that only if their business had employees who received an increase as a specific consequence of the decision should they reply in the affirmative.

[4.9] The second question then asked about whether the increases granted to those paid exactly the relevant award wage flowed onto employees receiving overaward payments. The wording of the question is shown below:

“According to the safety net decision, the increases granted were to be absorbed into overaward payments. Did you nevertheless raise the wages of any employees receiving overaward payments because of the increases granted even though you were not compelled to do so by the decision?”

[4.10] It was made clear in the question that only employees who were not entitled to receive an increase should be included as employees who had received an overaward increase because of the Safety Net. If there were any such employees, the answer was to be in the affirmative. If no employees on overawards had received such increases, then the reply was to be in the negative.

[4.11] The next question asked about non-award employees. It didn't ask about all employees, only whether any at all had received an increase because of the Safety Net decision. The wording of the question is shown below:

“Did you raise the wages of *any non-award employees* because of the increases granted to award employees in the safety net decision?”

[4.12] The next question asked about the effect on the level of employment of having granted the increases that were granted as a result of the Safety Net decision. This question was worded as follows:

“Did the increases in the Safety Net have any effect on the level of employment in your own firm?”

[4.13] Question 5 then went on to ask about the effect on full-time employment. The question reads:

“Did the increases in the Safety Net have any effect on the level of **full-time employment** in your own firm?”

[4.14] Finally, the last question asked about whether there was a reduction in the number of full-time employees and increased number of part-time or casual employees. The question was worded in the following way:

“As a result of the Safety Net decision did you reduce the number of full-time employees and increase the number of part-time or casual employees?”

[4.15] Thus, the questionnaire was worded in an entirely neutral way. Special care was taken to ensure that those responding to the questionnaire understood that the reason for wage increases, and the employment consequences that arose from having paid such increases, had to be carefully considered in answering each of the questions.

[4.16] Turning then the results of the survey which are found in Tag 6. The results come in three sections. There is, firstly, the full weighted survey results, then the results in firms where no employee had received an increase through the award through the Safety Net, and then finally the results in those firms where the Safety Net was granted to some employees within that enterprise.

Weighted Full Survey Results

[4.17] The first section shows the weighted full survey results. We particularly draw attention to the fact that these data are weighted. All of the survey work that is done across the economy by ACCI is subject to the weighting process so that each firm within this sample does not take a disproportionately large or small place within the full framework of all the responses. The survey is weighted by industry and by size of firms.

[4.18] The first question asks about whether any employees had received an increase in wages due to the Safety Net. The data show that across the economy 42.2% of firms had at least one employee receiving a Safety Net increase while 57.8% had no employees receiving an increase through the Safety Net.

[4.19] The second question then asks about the flow on of the Safety Net decision. The first area that is looked at is employees on overawards. These are employees who would not have received an increase directly as a result of the decision but only because it was decided within the firm to grant increases to its employees in tandem with those granted through the Safety Net.

[4.20] The results show that 30.4% of businesses flowed the Safety Net increases onto overaward employees who were otherwise not entitled to that increase. Thus, across the economy, almost one third of businesses granted these increases to employees on the overaward.

[4.21] The next question asked about the effect of the Safety Net on non-award employees. And what is shown by these results is that in 18.8% of firms the Safety Net was flowed onto non-award employees.

[4.22] Thus, the data provides clear evidence that increases granted through the Safety Net do flow in a substantial way on to other employees, both those who are on awards and those who are not.

[4.23] Turning then to look at the effects on employment, the questionnaire asked whether the Safety Net increases had had any effect on employment in respondent firms. The data show that in a negligible number of firms employment was higher than it otherwise would have been. In the majority of firms, the data then show, there was no effect on employment. However, in 8.1% of firms the number of employees was lower than it otherwise would have been.

[4.24] This was then taken to the next stage in regard to full-time employment. What the data show was that again only in a negligible number of firms was the number of full-time employees higher than it otherwise would have been. Then in another 93.3% of firms, there was no effect on full-time employment. Finally, the data show that in 6.7% of firms, the number of full-time employees was lower than it otherwise would have been.

[4.25] Finally the question was asked whether firms had reduced the number of full-time employees and increased the number of part-time or casual employees as a result of the increases granted through the Safety Net. What the data show was that in 2.0% of cases there was a reduction in full-time and an increase in part-time or casual employment. In the other 98.0% of firms there had been no change of this kind.

[4.26] It is clear from these figures that the increases granted through the Safety Net do flow onto other employees and also lead to a lower number of employed persons because of the increases in costs involved. Thus, the effect of the decision is to increase the wages paid to employees well beyond the numbers targeted by the ACTU in its claim.

[4.27] The increases stretch beyond the minimum awards area to those who are paid overawards and to those who are not even paid according to awards at all. Finally, the results show that there are negative implications for employment through granting these increases.

Firms Where Employees Did Not Receive a Safety Net Increase

[4.28] The data have been subdivided between those in which employees in the firm did receive an increase through the Safety Net and those in which no employees received an increase through the Safety Net. The first set of data shows the proportion of businesses which did not have any award based

employees receiving an increase in the Safety Net. That is why the first table shows 100% in this category.

[4.29] We would also note that these figures are not weighted, as were the previous figures. There is no data that allows one to work out the proportion of firms either by size of firm or by industry in which some employees received the Safety Net or in which, as this case, no employee received a Safety Net.

[4.30] But as the second table shows, there was a flow on to overaward employees in 6.6% of firms even where there had been no employees on the award itself. Whether through formal or informal agreement with employees, or simply because of a desire to match the market, these businesses had chosen to grant increases to their employees they were not otherwise compelled to grant. Similarly, as the next table shows, 8.6% of firms flowed the Safety Net increase onto non-award employees.

[4.31] Thus, even where there were no employees within the enterprise, some firms did choose to grant increases to their employees as a direct result of the decision in the Safety Net last year.

[4.32] There was then the question of the effect on employment. What the survey results show was that in no firm did the increase in the Safety Net lead to an increase in employment and that in 98.0% of firms there was no effect on employment at all. The final figure show that in 2.0% of firms the number of employees was lower than it otherwise would have been.

[4.33] The next table shows the effect on full-time employment. What the data show is that in 97.4% of firms there was no effect on the level of full-time employment, but in 2.6% of firms the level of full-time employment was lower than it otherwise would have been because of this decision.

[4.34] Finally, the last table shows that in 3.3% of firms the effect of the increase granted through the Safety Net was to lead to a reduction in the number of full-time employees and an increase in the number of part-time employees.

[4.35] Thus, even in firms where there was no direct relationship with any other employees there was still some flow on of the Safety Net and also some reduction in employment as a result.

Firms Where Employees Did Receive a Safety Net Increase

[4.36] The final grouping is for firms where at least some employees received a Safety Net increase last year. That is why the figure for “yes” is 100.0%. These figures, too, are unweighted.

[4.37] The question then is whether the increases granted though the Safety Net flowed on to other employees receiving overaward payments. What the data show is that in 49.5% of firms where the Safety Net was granted there was a flow on to employees receiving overaward payments. That is, in virtually half of all enterprises where the Safety Net was granted there was a flow on of the increase.

[4.38] Given that in many firms there would be no employees on overaward payments but all would be paid the award rate, it can be seen that this flow on takes place in an considerable proportion of firms where any employees are paid according to the award.

[4.39] The next question asks about whether non-award employees receive increases because of the Safety Net. Here we find that 37.0% of firms, where Safety Net increases were paid, flowed the Safety Net increase onto the wages of non-award employees.

[4.40] Here, too, the proportion in which such a flow on had occurred is to some extent lower because many firms that do pay the Safety Net have no employees who are not paid according to the award either as an award payment or as an overaward. Nevertheless, 37.0% of firms did pass these increases onto such non-award employees.

[4.41] The questionnaire then asked whether the wages increases granted as a result of the Safety Net decision had had any effect on employment in their firms. The results shown on the table indicate that in 1.0% of firms, the number of employees was higher than otherwise would have been. Although this is a counterintuitive result, this kind of outcome could arise if an employer had expected an even larger increase than the one that was granted and therefore increased employment as a result of the actual decision handed down.

[4.42] But what the data also show is that while for 82.3% of respondents there was no effect on the level of employment, in another 16.7% the effect on employment was that the numbers were reduced as a result of the wages increases granted because of the Safety Net.

[4.43] The next question asked about the effect on full-time employment and here we find that in 0.5% of firms there was an increase in the number of full-time employees. Then in another 83.3% of firms there was no effect on full-time employment one way or the other. Finally, what is shown is that the number of full-time employees was lower than it otherwise would have been in 16.2% because of the increases granted as a result of the Safety Net decision.

[4.44] The last question then asked whether as a result of the Safety Net increases granted did the firms reduce the number of full-time employees and increase the number part-time or casual employees. The survey results show that where the Safety Net was granted, there was a reduction in full-time and an increase in part-time and casual employees in 15.7% of firms.

Conclusion

[4.45] These results should not be surprising. They are consistent with submissions that ACCI has advanced for a number of years. They are the kinds of results that one would expect in a general kind of way if one did not have data providing an extra dimension of precision. What we find is that in firms where the Safety Net increases were not granted to any employees that there was some flow on of the Safety Net increase either into overawards or to non-award employees. The data also show that while there was an effect on the level of employment that that effect was minor.

[4.46] But then amongst firms in which the Safety Net increases were granted to at least some employees as a direct result of the decision, we find that there is a large flow on of the increases to non-award and overaward employees.

[4.47] It would be almost impossible to imagine this not being the case. The examples that we have provided in the past where two employees are working in similar areas where one received a Safety Net increase and the other does not would lead to immense tensions within the workforce. Similarly where an employee on an award has an increase it would almost invariably compel an employer who had granted an overaward to another employee to at least match that increase. Again, the industrial relations implications of not granting increases to overaward and non-award employees when the Safety Net is increased are easy to imagine. The expectation would be that such increases would flow on.

[4.48] Thus, all attempts to cost the claim that do not recognise the flow on of the Safety Net are a vast underestimate of the true costs to businesses and to the economy. The increases granted through the Safety Net are more consequential than just affecting the two million or so employees paid exactly the award. A decision to increase wages in these proceedings means that the cost of labour must continue to rise even where there has been no productivity growth to

support those increases. The fact is that the safety net, operates more extensively than a singular impact on award rates of pay.

[4.49] It also ensures that the adjustment processes of the economy must begin from a higher base. The increases granted through the Safety Net are not granted in return for changes at the workplace level. They are granted simply because they are ordered to be paid. If one wants to attract new employees, or pay higher wages for increased skills, or reward employees for their tenure of employment, or do anything else that justifies paying a higher wage to a specific employee, one must first pay an amount at least equivalent to the Safety Net increase and then pay additional amounts over and above the Safety Net amount.

[4.50] There is thus a platform put beneath the wages system by these proceedings that continues to drive the cost of labour upwards in an inflationary way and in a way which causes employment to grow more slowly than it otherwise would.

[4.51] The second aspect of what these results have shown is that in firms where Safety Net increases are granted there are genuine and large employment consequences. The data show that in something like one firm in six there are fewer employees, and fewer full-time employees in particular, because of the decision. This is not at all an inconsiderable impact, when this conclusion is drawn across the economy.

[4.52] It may be noted that the survey results do not say that there has been a fall of 16.7% in the number of employees. What it says is that the proportion of firms in which employment is lower than it otherwise would have been is 16.7%. But on anyone's estimation, this is a very large number of firms in which employee numbers could have been higher but for the increases granted as a result of the Safety Net.

[4.53] It has been our contention from the beginning of this process that granting increases through the award system from top to bottom would lead to lower employment levels. These results provide evidence that this is the case. The ACTU can no longer say there is no such evidence because now there is.

[4.54] It is all very well for the ACTU to wish to do something to assist the low paid, and we are at one with the ACTU in seeking just that outcome. But our contention is that if we are to assist the low paid we can assist them most by raising productivity and in this way ensuring that real wages do rise. It is not the number of dollars that one receives that makes the difference in ones standard of living but the amount those dollars will buy.

[4.55] Granting increases that add to inflation and reduce employment does not achieve the ends that the ACTU has in mind for the low paid. To the extent that increases granted through the Safety Net reduce the rate of growth in employment, then to that extent we are doing harm rather than good.

[4.56] Just over a year ago we were wondering whether the unemployment rate would fall below 6%. Now, instead, the unemployment rate has breached the 7% mark at least according to the seasonally adjusted data. The labour market has slowed and while the main reason for that slowdown is due to other factors besides increases in the cost of labour, nevertheless it must be appreciated that some of that slowdown in the labour market is due to the increases that have been granted through the Safety Net. In any event, these proceedings are being conducted in an environment where the labour market has slowed.

[4.57] The results of ACCI's survey of the Safety Net decision in 2001 demonstrate that granting increases in this way lead to higher and more widespread increases in the cost of labour than the ACTU believes and it leads to a greater slowdown in employment than it had considered. Given that these results demonstrate numerically what our judgement and submission have previously suggested, the Commission must accept these results for what they

are, a clear statement of the dangers of across-the-board wage increases which occur without the benefit of increased productivity. Granting the ACTU claim in this case, which would lead to even larger increases than were granted in 2001, would lead to consequences at least as bad as those that have been catalogued in the survey results dealing with the Safety Net decision in 2001.