AUSTRALIAN INDUSTRY
GROUP

2003

SAFETY NET REVIEW

CASE

Reply Submission to the

Australian Industrial Relations Commission

By

The Australian Industry Group

And

Engineering Employers' Association, South Australia

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2003 SAFETY NET REVIEW CASE

Reply Submission

1. INTRODUCTION

1.1 The ACTU's reply submission fails to adequately address many of the key points arising from Ai Group's original submission, including:

- There is considerable uncertainty surrounding the outlook for the global and Australian economy, with the balance of risks moving increasingly towards weaker future economic growth.
- That the war in Iraq (particularly if protracted) will lead to even weaker growth.
- There has been a sharp deterioration in labour productivity gains in recent quarters making wage costs less affordable.
- There is a demonstrable need for wage caution arising from slower growth, higher economic risks and greater uncertainty.

1.2 Nothing has been put in the ACTU's response of March 2003 to deter the Commission from adopting a cautious approach to wage adjustment in the current economic environment.

1.3 The ACTU maintains that economic growth in 2003 will be stronger than 2002. However, this claim continues to be highly questionable. It is not consistent with economic forecasts, it is contrary to the ACTU's own reliance on certain industry forecasts, and it is likely that economic data in the months ahead will confirm slowing conditions (as recent

housing, consumer confidence and imports data is showing). Further, the outbreak of war in Iraq will weaken growth prospects, particularly if it is a prolonged conflict.

1.4 In short, the ACTU claim should be rejected as it remains fundamentally out-of-step with weaker economic growth levels facing industry in 2003. The Commission should adopt Ai Group's moderate proposal for an $11.00 per week increase in all award rates.

1.5 The ACTU also continues to be in a state of denial about the negative economic impacts associated with large safety net wage increases. In particular, the ACTU urges the Commission to disregard the results of the employer survey research about the impact of last year's Safety Net Review decision.

1.6 Whilst Ai Group has already acknowledged the methodological limitations of its own survey, the results still raise serious concerns about the impact of safety net wage increases, in particular the impact upon employment opportunities for low-income earners and the overall costs to employers.

1.7 As uncomfortable as the results of the employer survey research are for the ACTU, they cannot be so lightly ignored. Indeed, this is why Ai Group strongly argues that the Commission should undertake its own official survey to assess the impact of minimum wage increases. Nothing has been put in the ACTU response to diminish the need for a comprehensive independent survey to be conducted by the Commission. In fact, such a survey would be consistent with the international material relied upon by the ACTU, namely the March 2003 report by the UK Low Pay Commission.

1.8 The ACTU reply submission also attempts to deny that safety net wage

increases have any bearing upon claims and outcomes in enterprise bargaining. Such a proposition is plainly at odds with the evidence and previous statements in Safety Net Review decisions.

1.9 Contrary to the repeated assertions of the ACTU response, Ai Group's original submission looks in great detail at the needs of the low paid. Moreover, Ai Group acknowledges a substantial degree of common ground with the ACTU about the interaction between the award safety net and the broader social safety net.

1.10 Notwithstanding some minor technical and measurement issues raised by the ACTU, the evidence continues to establish that many low income households will receive little or no benefit from any safety net wage increase. Ai Group's original proposition that the Commission should take into account the imbalance between the costs to employers and the benefits for employees associated with any increase remains unshaken.

1.11 Finally, Ai Group maintains that there are compelling reasons for the Commission to clarify that delays caused by the normal ebbs and flows in the Commission's workload do not constitute "exceptional circumstances" for the purposes of s.146 of the Act.

2. ECONOMIC ISSUES

2.1 In Ai Group's original submission to the Commission, our economic argument for a modest wage increase was based on four fundamental propositions:

- Consistent with the ACTU submission, there was little to gain from discussing the shape of the current economy given that any wage increase would impact on businesses six to nine months from now.
- That the balance of risks towards weaker future economic growth have been rising over recent months, resulting in a downgrade in forecasts and greater caution by the Reserve Bank of Australia and other central banks in setting monetary policy.
- That any war in Iraq (particularly if protracted) would lead to even weaker growth.
- That the Commission should take into account the fact that businesses have reinvested the benefits of past economic activity into future growth, investment and jobs, and this would be threatened by excessive wage increases.

2.2 Nothing in the ACTU's response of March 2003 has altered these fundamental conclusions.

2.3 Further, Ai Group regards the current round of "economic point-scoring" on the shape of the economy at this point in time as futile given that the post-Iraqi economic environment remains so unclear. Indeed, in our original submission, we stated that:

- any war in Iraq would result in a downgrading in Ai Group's economic forecast, and
- the Commission will need to look towards more current economic forecasts in the months ahead to ensure that any wage adjustment is consistent with current growth and expected growth in 2003/4.

2.4 Consequently, we pass no comment on the ACTU's assessment of the current economy as we continue to regard such assessments as irrelevant, particularly in the climate of war. Our response therefore focuses on what could be the likely shape of the Australian economy around the latter half of 2003 when any decision by the Commission would come into effect.

2.5 Doing this in itself poses difficulties as there are many uncertainties. While it is clear that the balance of risks continues to move towards the negative side, assessing the full effect is dependent on the final shape of the war in Iraq. This was highlighted in the US Federal Reserve's decision on 18 March 2003 to leave interest rates on hold. In its press release, the Reserve stated:

"In light of the unusually large uncertainties clouding the geopolitical situation in the short run and their apparent effects on economic decision making, the Committee does not believe it can usefully characterize the current balance of risks with respect to the prospects for its long-run goals of price stability and sustainable economic growth".

2.6 Despite the uncertainties and the reality of war in Iraq, the ACTU continues to persist with its argument that "*the outlook for the economy*

is one of a strengthening in growth over 2003-04 ".[1] If the US Federal Reserve cannot be so definitive, how can the ACTU make such a claim?

2.7 In our original submission, we stated that the Reserve Bank of Australia in its February 2003 Statement on Monetary Policy had acknowledged that while the Australian economy is set to continue to grow at a good pace, it would be *"slower than last year"*.[2] This point has been totally ignored by the ACTU.

2.8 These observations were echoed by the Reserve Bank Assistant Governor (Economic), Malcolm Edey, in an address ("*Economic Performance and Issues in 2003*") delivered to an Ai Group forum on 5 March 2003:[3]

"The international environment is quite an uncertain one, and the outlook now is not as promising as it seemed to be at this time last year. Most observers still expect a gradual pick-up later in the year, but that would still mean a further period of sub-par growth in the major economies. In Australia these effects have, to date, been largely offset by the strength of domestic demand. But looking ahead, some rebalancing of growth is expected, with domestic demand slowing and the drag from net exports being gradually wound back; this is likely to mean the overall pace of growth being a bit slower than we have been accustomed to recently."

2.9 In supporting its argument, the ACTU has quoted BIS Shrapnel's assessment. However, a closer reading shows that rather than supporting stronger growth in 2003, it actually states that growth will

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1 See, eg, para R5.43 of the ACTU Reply Submission
2 See para 3.48 of Ai Group Submission
3 Annexure A

"*slow to 2.9 per cent this year*".[4] Indeed, as we showed in our original submission, NAB, along with ANZ (from 3.75% in 2002 to 3% in 2003) and most other economic forecasters have already factored in a slowing of growth in 2003, even without taking into account the impact of war. The ACTU again fails to acknowledge these factors.

2.10 The ACTU has also quoted a media release on Ai Group's forecasts for manufacturing in 2003 to support its argument for an "*encouraging outlook for manufacturing*".[5] These forecasts were included in our original submission. While they are indeed encouraging, two points were ignored by the ACTU.

2.11 First, the forecast reflects an easing in overall conditions in 2003 with weaker employment, investment and below average export growth. Second, in our submission we stated that "*even with Ai Group's own assessment of manufacturing conditions in 2003, which the ACTU quotes, we understand that the prospect of war in Iraq will require us to revise (presumably down) our forecast, particularly if the war is protracted*".[6]

2.12 Recent work undertaken by Ai Group with manufacturers across Australia now points to a (short) war in Iraq leading to the growth forecast for 2003 being lowered by as much as 0.5%.

2.13 Based upon a survey of 550 manufacturers conducted by Ai Group in late February 2003, 38 per cent of firms expect to be affected by the conflict, and of those 11 per cent anticipate their production to be cut by up to 20 per cent. Output could be down by $830 million reducing growth in manufacturing turnover from 4.2% to 3.9%.

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4 As quoted in para R5.46 of the ACTU Reply Submission
5 Para R5.47-R5.48 of the ACTU Reply Submission
6 Para 3.42 of Ai Group Submission

2.14 The survey also found that a two-month conflict would cut investment by 10.4%, exports by 9.7% and employment in the industry by 7.1%.

2.15 In conclusion, the ACTU's claim that growth will be stronger in 2003 than 2002 is highly questionable. It is not consistent with other economic forecasts, it is contrary to its own reliance on BIS Shrapnel forecasts, and it is likely that economic data in the months ahead will confirm slowing conditions (as recent housing, consumer confidence and imports data is showing). Further, the outbreak of war in Iraq will weaken growth prospects, particularly if it is a prolonged war.

2.16 Our original proposition that greater economic uncertainty requires the Commission to adopt a cautious approach still stands.

2.17 As the ACTU put in its original submission, what the Commission must do is judge business conditions at the time any wage increase comes into effect (rather than when granted) – that is towards the latter half of 2003. The answer is uncertain, but the economic risks are mounting and we need to see the outcomes of the war. Slower growth, higher economic risks and greater uncertainty therefore support caution in granting any wage increase.

3. NEEDS OF THE LOW PAID

3.1 Contrary to the repeated assertions of the ACTU,[7] Ai Group's submission looks in great detail at the needs of the low paid. In our original submission, Ai Group closely analysed the position of the low paid and put forward three key propositions:[8]

- That the Commission should note that safety net wage increases represent a very poor "bang for the buck" and that the income support system is much more effective in addressing the needs of low-income households.
- In its deliberations the Commission should take into account the impacts of periodic changes to income support arrangements in assisting to meet the needs of the low paid.
- In weighing the costs and benefits of any potential award wage increase on low income households, the Commission should take full account of the imbalance between the costs to employers and the benefits for employees associated with any increase.

Substantial areas of agreement

3.2 Subject to some relatively minor technical and measurement issues discussed further below, Ai Group acknowledges a substantial degree of common ground with the ACTU position.

3.3 In particular, we strongly agree with the ACTU statement "*that award minimum wages and the social security system are complementary not substitutes*."[9] We also agree that, as a rough guide, the average

[7] See para R1.29 and R7.1 of the ACTU Reply Submission
[8] See para 4.1 to 4.39 of Ai Group Submission
[9] Para 7.30 of the ACTU Reply Submission

effective marginal tax rates for a low paid household with earnings ranges between 30 and 36 percent for the bottom three deciles of the income distribution.[10]

3.4 In addition, we agree with the ACTU that the annual adjustments to income support arrangements should be considered by the Commission.[11] However, in paragraph R7.27 of its reply submission, the ACTU appears to criticise Ai Group for adopting the ACTU suggestion that the adjustments to income support arrangements should be taken into account by the Commission. The ACTU also argue that the charts in Annexure J of Ai Group's original submission ignore the adjustments to benefit levels and thresholds. In fact, the charts take full account of the changes to all relevant benefits and income tests between February 2002 and February 2003.

3.5 In sum:

- Both the ACTU and Ai Group agree that complementarities between the wages, tax and income support systems should be taken into account by the Commission.
- There is similar agreement that the annual adjustments made to income support arrangements should be taken into account by the Commission in considering the needs of the low paid.
- In this connection Ai Group refers to Table 3 at paragraph 4.26 in our original submission which sets out changes in income support payments over the last year. With similar inflation and wage outcomes over the past two years, the values in Table 3 are good approximations of the size of the increase in income support arrangements that can be expected over the coming year.

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10 Para R7.27 of the ACTU Reply Submission

11 See para 7.77-7.87 of original ACTU Submission

3.6 Further, noting the absence of any disagreement by the ACTU, we also urge that, in weighing the costs and benefits of any potential award wage increase, the Commission should take full account of the imbalance between the costs to employers and the benefits for employees associated with any increase.

Technical and measurement issues

3.7 In paragraphs R7.26 and R7.27 of its reply submission, the ACTU raises four points in relation to the Actual Benefit Ratios introduced in our submission.[12] These four points are covered in turn in the remainder of this section.

(i) That no regard is paid to the actual incidence of the effective marginal tax rates.[13]

This statement overlooks the discussion of precisely this issue at paragraphs 4.13 to 4.18 in Ai Group's submission.

Interestingly the ACTU accepts at paragraph R2.26 the measures of the average effective marginal tax rates faced by low income households adopted by Ai Group.

(ii) That because of the selection of hypothetical households in Annexure J, there is no basis for the assertion in our original submission that "many" low income households receive little or no benefit from safety net adjustments.

12 See para 4.9-4.18 of Ai Group Submission
13 Para R7.27 of the ACTU Reply Submission

We note that the charts in Annexure J of our original submission cover the following household types:

- Single income familes with children
- Two income families with children
- Sole parent family
- Household with children eligible for New Start allowance
- Single person eligible for New Start Allowance
- Single employed person.

The charts in Annexure J show that households in these categories (with the exception of the single person without children) face high effective marginal tax rates over considerable ranges of private income. We believe this selection is quite comprehensive and representative with respect to low income households with earnings.

In respect to low income households *without* earnings, we note that none of these families benefit from increases in award wages. Included in this category are sole parent families without wage earnings; households of unemployed people without wage earnings; and age and disability pensioners without earnings from wages.

This is the basis for our claim that many low income households receive little or no benefit from safety net wage increases.

(iii) *That the Actual Benefit Ratios do not include the full range of benefits to workers*.

Ai Group acknowledges that among the factors that account for the large disparities between the costs to employers and the benefits to

employees is a set of factors that may indirectly be of broader benefit to employees.

This includes the eventual (and contingent) benefits of employer contributions to superannuation funds, the indirect benefits derived from workers' compensation payments and the indirect benefits of services funded from the taxes levied by both federal and State governments.

However, in using the Actual Benefit Ratios, we are concerned with achieving a measure of the ability of the family to finance its own needs relative to the immediate increase in costs faced by the employer. The Actual Benefit Ratios are related to the concept of disposable income. Measuring disposable income may not be a perfect measure of a household's welfare, but it is widely used in analyses of this kind.

(iv) That the estimate of additional labour costs of 30 per cent used in the calculation of Actual Benefit Ratios differs from an ABS measure of on costs of 14.4 per cent.

Firstly, we note the following:

- Additional labour costs and on costs as measured by the ABS are related but are not the same thing. Additional labour costs look at the extra costs borne by employers due to the increase in award wage rates, and includes proportional loadings for instance. The ABS measure looks at a range of costs associated with the employment of labour, but does not include proportional loadings.

- The ABS measure of on costs derives from an out-of-date and discontinued series.[14] Since the second half of the 1990s when the series was discontinued, the superannuation guarantee has increased, workers' compensation premiums have increased, the incidence of overtime has increased, casual loadings have increased and the payroll tax base has been broadened to include not only straight salary but also non-cash salary elements such as superannuation. All of these will increase measures of additional labour costs.

Secondly, we have conducted a Sensitivity Analysis of the Actual Benefit Ratios to test how they vary with different assumptions about additional labour costs.

The Sensitivity Analysis, which is set out in Annexure B to this reply submission, shows that Actual Benefit Ratios do not change substantially with variations in additional labour cost assumptions.

The Sensitivity Analysis set out in Annexure B gives us considerable confidence in the conclusions we have drawn in our original submission – namely:

- That the wages system is an inefficient means of assisting low income families;
- That many low income households receive little or no benefit from safety net wage adjustments; and
- That there is a considerable imbalance between costs to employers and benefits received by employee's households.

[14] We look forward to the release scheduled later this year of an improved ABS measure of labour costs.

4. ASSESSING THE IMPACT OF THE ACTU CLAIM

4.1 The ACTU repeatedly denies that last year's very large safety net increase had any negative economic impact. In doing so, the ACTU urges the Commission to ignore the results of the employer survey research concerning the impact of last year's $18.00 per week increase.[15]

4.2 Relying upon the report by Associate Professor Ian Gordon, the ACTU has gone to considerable lengths to point out what Ai Group had acknowledged in the first place about its own survey– that there are certain methodological limitations, in particular the low response rate.[16]

4.3 We note, however, that the ACTU reply submission ignores the following positive findings and conclusions made by Associate Professor Gordon about the methodology of the Ai Group survey:[17]

- *"The questionnaire, in general, is reasonably straightforward. In my view there are only minor deficiencies."*
- *"There was an introductory note on the survey form about the context of the survey. This note is, in general, even-handed and clear in its instructions."*
- *"[T]he 8281 companies that receive the magazine [and the survey] are still a substantial and important population of companies about which to make inferences."*

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15 See para 1.15-1.19 of ACTU Reply Submission

16 See, eg, para 6.1 of Ai Group Submission. We also note that a recent survey about the impact of minimum wage increases conducted by the UK Low Pay Commission only achieved a response rate of 13 per cent. Nevertheless, the Low Pay Commission stated that this response rate was *"reasonable for a postal survey"*: see n19 below at p.226

17 See Tag 4 of ACTU Reply Composite Exhibit at pp.56, 59 and 60

- *"Hence it appears that AIG essentially attempted a census of companies on its magazine mailing list, rather than a sample. Obtaining the views of all member companies would, of course, be preferable to obtaining the views of a sample of affected members."*
- *"It is never the case that a survey is completely uninformative. It is possible to say that there are some AIG member companies that have particular characteristics, since some members responded and indicated that they had such characteristics."*

4.4 According to the ACTU's own evidence, the results of the survey are relevant and informative. As Professor Gordon's report highlights, the survey questionnaire (about which only very minor criticism is made) was not distributed to a limited sample of companies. Ai Group effectively conducted a census of its membership to ascertain the views of all member companies.

4.5 Moreover, the results provide cogent evidence about the impact of safety net wage increases within a very sizeable number of companies. The 600+ companies which responded to the survey are still a substantial and important population of companies about which to make inferences.

4.6 As we pointed out in our original submission,[18] the results of the survey raise serious concerns about the impact of minimum award wage increases. For example, it appears that safety net increases significantly impact upon employment opportunities for low-income earners, especially within smaller firms. It also appears that the costs to employers are much higher than most parties believed given the

[18] Para 6.2 and 6.3 of Ai Group Submission

practice of many employers to flow-on safety net increases to non-award and over award employees.

4.7 In paragraph R4.24 of its reply submission, the ACTU argues that the results of Ai Group's survey provide no basis on which to estimate any meaningful proportion of employees who received a pay increase as a result of safety net flow on. However, the results are sufficient to bear out Ai Group's original contention that there is a substantial flow on of safety net wage increases to non-award and over award employees.

4.8 Further analysis of the survey results shows that, within the substantial proportion of firms which elected to pass on the safety net increase to over award and non-award employees (i.e. 29.5% of firms or N=143), the number of beneficiaries was quite significant:

- the average number of employees receiving over-award payments who were granted the increase within these firms was 21; and
- the average number of non-award employees receiving the increase was 12.

4.9 Again, these results are strongly indicative of a substantial flow-on cost for employers associated with safety net wage increases.

4.10 In order to assess the impact of safety net wage increases, Ai Group maintains that it would be very worthwhile for the Commission to conduct its own comprehensive independent survey.

4.11 We note that the international material relied upon by the ACTU supports the case for an official independent survey being conducted by the Commission. In particular, the report released on 18 March

2003 by the United Kingdom Low Pay Commission, *"The National Minimum Wage – Fourth Report"* details the extensive research projects undertaken by that body to measure the impact of minimum wage adjustments, including a comprehensive postal survey of employers:[19]

"1.14 As for our previous reports, we conducted our own survey on the impact of the minimum wage. Again we targeted this survey on sectors that were most likely to be affected, i.e. hospitality, social care, manufacture of textiles, clothing and footwear, hairdressing, retail, childcare, security and cleaning. And for the first time, we included businesses from the leisure sector. We expected the October 2001 increase in the National Minimum Wage to have had an effect on these sectors and we were keen to see how they had coped with it.

1.15 Rather than distributing the questionnaires through trade associations, as we have done in the past, we commissioned the Sample Surveys Research Group to administer the survey on our behalf, using the Dun and Bradstreet business database to select the sample. This allowed us to broaden the coverage of the survey, and in particular to include more small firms."

4.12 Further information about the survey and details of the results are set out in Appendix 4 of the Low Pay Commission's report. Included in the appendix is a copy of the questionnaire which was distributed to 30 000 employers in May 2002. The report notes: *"We received 3,783 replies – a response rate of 13 per cent, which is reasonable for a postal survey".*

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[19] *"The National Minimum Wage - Fourth Report: Building on Success"*, United Kingdom Low Pay Commission, March 2003 at pp.3-5

4.13 Ai Group acknowledges that there are important differences between the structure and nature of the UK Low Pay Commission and the AIRC, including the arbitral nature of AIRC proceedings like the current Safety Net Review case. However, the conduct of an AIRC survey would remain entirely consistent with both arbitral practice and the Act which enables the Commission to inform itself in a manner which it considers just (s.110(2)(b)).

4.14 Moreover, the conduct of an official AIRC survey would undoubtedly assist all stakeholders (including Governments) and the Commission for the reasons set out in paragraphs 6.4-6.6 of our original submission.

5. IMPACT UPON ENTERPRISE BARGAINING

5.1 In paragraph R8.10 of its reply submission, the ACTU states that it is "*demonstrably false*" for Ai Group to argue that safety net wage increases have an impact on wage claims and outcomes under enterprise bargaining.

5.2 However, it is plainly consistent with the evidence presented by Ai Group at paragraphs 7.13-7.15 of its original submission that safety net wage increases can have a significant bearing upon claims and outcomes at the enterprise level. In particular, the evidence confirms the notion that large safety net increases are likely to drive the cost of labour significantly upwards in the context of enterprise bargains. The ACTU response fails to address this evidence.

5.3 The Commission has also been mindful about the effect of (large) safety net adjustments upon wage negotiations at the enterprise level in previous proceedings. For example, in the April 1997 Safety Net Review decision, the majority of the Full Bench observed:[20]

" . . . we do accept that the attitudes of negotiators will be more strongly affected by larger than by smaller safety net increases. This is a reason for caution in determining the amount of any increase in award rates".

5.4 The potential for the Commission's decision to impact upon enterprise-level wage negotiations, and possibly fuel excessive claims and outcomes, is clearly heightened in circumstances where there are literally hundreds of enterprise agreements expiring simultaneously across the manufacturing sector. As we pointed out in the original

[20] (1997) 71 IR 1 at 22

submission, these negotiations pose considerable risks and opportunities for the economy and the Australian community. This is another reason why the Commission should adopt a cautious approach to wage adjustment in the current proceedings.

5.5 Contrary to the ACTU's assertion in paragraph R4.45, there is no contradiction in Ai Group's submission about the impact of the ACTU claim upon the incentive to bargain. It is axiomatic that a large safety net increase would diminish the incentive for those workplace parties not yet covered by enterprise agreements to engage in bargaining. This would be contrary to the principal objects of the Act, in particular ss.3(b) and 3(d)(i).

5.6 By contrast, the evidence confirms that a large safety net increase would fuel excessive wage claims and unrealistic wage outcomes for those workplace parties already falling within the formal bargaining stream of the Act (e.g. the large number of enterprises involved in the current bargaining round affecting the manufacturing sector).

6. RETROSPECTIVE WAGE ADJUSTMENTS

6.1 Ai Group maintains that the Commission should clarify that delays arising from the normal ebbs and flows in the Commission's workload are not exceptional circumstances for the purposes of s.146 of the Act. Such a statement would help to avoid unnecessary confusion and inconsistency, as illustrated by recent controversies before the Commission concerning the implementation of last year's Safety Net Review decision.[21]

6.2 It would also not be inconsistent with the Full Bench decision in *Re Victorian Shops Interim Award 2000* relied upon by the ACTU. In that case, the Full Bench stated that "*it is to be expected that there will be delays between the filing of [safety net wage] applications and the hearing".*[22]

6.3 Although the Bench went on to conclude that "*in some cases such delays may justify a date of operation earlier than the date of hearing*", Ai Group submits that delays arising from normal ebbs and flows in the Commission's workload clearly cannot constitute exceptional circumstances. As the Bench pointed out, such delays are to be expected. It is, therefore, impossible to see how such circumstances could ever be categorised as "exceptional" for the purpose of s.146.

6.4 At the same time, delays occasioned by other factors outside the normal fluctuations in the Commission's workload (e.g. delays between the filing and hearing of wage applications caused by the action of one party) are not necessarily to be expected and may therefore constitute exceptional circumstances, consistent with the observations made by the Full Bench.

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21 See para 9.3-9.6 of Ai Group Submission

22 PR922761 at para 21

7. CONCLUSION

7.1 Ai Group urges the Commission to reject the ACTU claim on the basis that it is fundamentally out-of-step with weaker growth levels facing Australian industry in 2003 and mounting economic risks, reflecting the impact of war with Iraq, ongoing drought and faltering global growth.

7.2 The Commission should adopt a cautious approach to wage adjustment in the current proceedings.

7.3 Ai Group submits that the Commission should grant a moderate increase of $11.00 per week to all award rates, in order to properly reflect the current economic environment and avoid adverse employment outcomes for low-income households.