

AUSTRALIAN BUSINESS INDUSTRIAL

ANNUAL WAGE REVIEW 2016-17

POST BUDGET SUBMISSIONS OF AUSTRALIAN
BUSINESS INDUSTRIAL AND THE NSW BUSINESS
CHAMBER Ltd

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About ABI and the NSWBC

Australian Business Industrial (ABI) is registered under the *Fair Work (Registered Organisations) Act 2009* and has some 4,200 members and the NSW Business Chamber Ltd (NSWBC) is registered under the (NSW) *Industrial Relations Act 1996* and is a State registered association recognised pursuant to Schedule 2 of the *Fair Work (Registered Organisations) Act 2009*.

The NSWBC has some 20,000 members.

ABI comprises those NSWBC members who specifically seek membership of a federally registered organisation.

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Submissions in reply

Consultations

On 3 May the Minimum Wage Panel (Panel) issued a list of questions for parties to address by 12 May. A number of the questions arose from individual submissions and were directed to specific parties although available for any party with an interest to answer.

Question 3.14

This question was directed to ABI and the NSWBC (ABI). Question 3.14 is in the following terms

ABI and NSWBC submitted results from the NSWBC quarterly Business Conditions Survey for December 2016 [fn 27]. Businesses with employees 'whose wages are affected by changes to the minimum wage' were asked about their staffing decisions in response to different minimum wage increases.

Do ABI and NSWBC have any information on the outcomes of staffing decisions made by these businesses or other businesses as a result of the 2015–16 Review decision?

Footnote 27 referred to pp 20 – 23 in ABI's initial submission.

ABI's answer to this question is that the Business Conditions Survey does not provide information about the outcomes of staffing decisions made by these or other businesses which are attributable to an earlier minimum wage increase and nor does the NSWBC collect information of this kind by other means. The Business Conditions Survey (Survey) is a long running survey but it is intended to identify the climate in which decisions with economic impact are being made. The annual wage impact question was asked about prospective increases.

The Survey collects data about staffing decisions but it is not possible to disaggregate responses so as to identify employers paying on the award from those paying above the award, and nor is it possible to identify any specific impact of an earlier wage review increase.

Although previous Business Conditions Surveys have asked questions about prospective annual wage review outcomes, these earlier questions had not been posed in the same manner as the question asked in the December 2016 quarter.

Question 2.3

Question 2.3 which was addressed to all parties is in the following terms

The latest Consumer Price Index (CPI) from the Australian Bureau of Statistics showed an increase of 2.1 per cent over the year to the March quarter 2017 and increase of 1.8 per cent in underlying inflation, both higher than the 1.5 per cent increase over the year to the December quarter 2016.[fn 7]

Given that a number of parties referred to the CPI in reaching their proposed increase to the NMW and/or award minimum wages, with some parties suggesting that their proposal provided a real increase in the standard of living of award-reliant employees, do any parties seek to revise their proposal?

Footnote 7 references ABS Cat 6401.0, March 2017 issue.

Whilst it is true that the March quarter CPI figures were higher than those in the December quarter, they came in below market expectations. In this respect it could be argued that, if anything, they ought to bias toward a downward revision in parties' earlier recommendations rather than an upward revision.

ABI's initial submission drew attention to a sustained period of low inflation using the December quarter figures as a benchmark. However, to be clear, ABI notes that the premises of its submission is based on a period of sustained low inflation, including broader measures of prices growth than CPI, over the past several years. The underlying premise of ABI's submission is therefore unchanged by the March quarter results.

Question 3.10

Question 3.10 which was addressed to the Ai Group is in the following terms

In reference to modelling undertaken by the ACTU, Ai Group submitted that:

'... the aggregate "multiplier" effect of a large increase in the minimum wage that is funded by private sector businesses is very likely to be significantly smaller than a similar-sized macroeconomic stimulus that is funded from future public sector spending and savings.'[fn 21]

Does Ai Group accept that there would be some positive net macroeconomic stimulus, and hence growth in sales and employment, from a large increase in minimum wages?

Footnote 21 refers to p 15 of the Ai Group submission in reply.

It is potentially arguable that low paid employees tend to spend what they get and that therefore increases to their wages will show up as consumption, but to the extent to which this holds true any resulting increase in consumption would only have a marginal effect over the economy as a whole.

Second, the proposition that increases to low paid employees' wages translates into spending gains does not properly take into account the combination of price and income effects which apply. A very large increase in the minimum wage might increase the incomes of those who retain employment, but the price effect associated with a very large increase would prompt substitution away from award-reliant workers, particularly those with few skills. In other words, fewer hours would be given to award-reliant workers limiting the extent to which the incomes of low skilled award-reliant workers as a group can grow overall.

ABI strongly challenges the notion that significant increases in minimum wages can in any way be used to boost economic activity.