Annual Wage Review 2016–17: Questions for consultations

All interested parties are invited to comment on any question published for consultations, including those that have been addressed to specific parties.

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1. Additional data and references
   1. Question to all parties

The Commission will continue to update the Statistical Report and Research reference list for this annual wage review. All interested parties that wish to provide comment on the additional data or references can continue to do so in a timely manner after the final date for providing responses to questions on notice.

1. Decision making process
   1. Question to the South Australian Government

The South Australian Government submitted that the Expert Panel (Panel) should set a special NMW for the ‘specific class of employees’ affected by the Penalty Rates decision,[[1]](#endnote-2) by increasing their wages to equal the penalty rate amounts lost per hour.[[2]](#endnote-3)

Ai Group replied that ‘[t]he FW Act does not enable a ‘special national minimum wage’ to be set for the class of employees proposed by the South Australian Government.’[[3]](#endnote-4)

The South Australian Government is invited to elaborate on the statutory or legislative grounds for this proposal.

* 1. Question to the ARA

The ARA submitted that the Panel should consider any increase on an award-by-award basis[[4]](#endnote-5) and that the Panel should provide an interim decision or statement prior to handing down a final decision.[[5]](#endnote-6)

The Panel has dealt with similar proposals in previous AWRs and was not persuaded in the *Annual Wage Review 2015–16* (2015–16 Review) decision to depart from those conclusions.[[6]](#endnote-7)

ARA is invited to address those conclusions.

* 1. Question to all parties

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.[[7]](#endnote-8)

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?

1. The economy
   1. Question to the Australian Government

The ACTU argued that the macroeconomy would benefit from the stimulatory effect of a rise in minimum wages via the multiplier effect,[[8]](#endnote-9) while Ai Group replied that this effect would be smaller than estimated by the ACTU.[[9]](#endnote-10) In addition, Treasurer Mr Scott Morrison has said that the ‘biggest challenge we have is to ensure what Australians are earning every week is increasing’.[[10]](#endnote-11)

The Australian Government is invited to comment on these aspects of the submissions.

* 1. Question to the Australian Government

Chart 5.3 of the Statistical report shows that real unit labour costs declined by 5 percentage points over the year to the December quarter 2016.[[11]](#endnote-12)

Can the Australian Government confirm whether the main reason for this was due to the large rise in profits accruing to firms in the resources sector, or are there other reasons?

* 1. Question to the Australian Government

The Australian Government provided data and predictions of the participation rate.[[12]](#endnote-13)

Can the Australian Government confirm whether the participation rate referred to in the relevant paragraph encompasses all people aged 15 years and over?

* 1. Question to the NSW Government

The NSW Government submitted that ‘[t]he level of National Minimum wage and the magnitude of minimum award rates of pay will have a significant bearing on the success of [infrastructure] projects’.[[13]](#endnote-14)

How will the NMW and award wage rates ‘have significant bearing’ on the success of major NSW Government infrastructure projects?

* 1. Question to the ACTU

The ACTU submitted that ‘[t]he increase in the minimum wage and modern award minimum wages will raise household spending and demand for goods and services in the Australian economy’.[[14]](#endnote-15)

Is there any data or research concerning the effects of minimum wage increases upon household consumption and consumer demand? Is there any data or research concerning the effects of minimum wage increases upon government taxation revenue?

* 1. Question to the ACTU

The ACTU submitted that ‘[l]ow-paid workers in Australia should share in the benefits of the growth in labour productivity’.[[15]](#endnote-16)

How does recent growth in multifactor productivity affect this assertion?

* 1. Question to the ACTU

The ACTU submitted that ‘GDP per capita … has still not recovered to pre GFC levels’.[[16]](#endnote-17)

Can the ACTU explain how this statement matches with the data provided in Figure 16 of its submission?

* 1. Question to the ACTU

Figure 25 in the ACTU submission presents data from the OECD and shows an increase of   
0.9 per cent in real unit labour costs for Australia over the the year to the September quarter 2016.[[17]](#endnote-18) However, Chart 5.3 in the Statistical report shows that real unit labour costs fell over this period.[[18]](#endnote-19)

1. Can the ACTU confirm that the data show real, and not nominal, unit labour costs?
2. Can the ACTU also explain how the data in Figure 25 reconciles with the following statement:

‘According to ABS data, over the year to December 2016 Australia’s real unit labour costs fell 5.2% compared with an increase 1.4% for the year before’.[[19]](#endnote-20)

* 1. Question to the ACTU

The ACTU submitted that the ‘[p]opulation of working age increased faster than the numbers participating, so the participation rate fell slightly from 65.2% at January 2016 to 64.6% at January 2017’.[[20]](#endnote-21)

Can the ACTU explain how it defines ‘population of working age’?

* 1. Question to Ai Group

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.’[[21]](#endnote-22)

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?

* 1. Question to Ai Group

Ai Group described the Australian economy as ‘weak’, including national aggregate income, employment growth and productivity growth.[[22]](#endnote-23) However, Chart 1 of its submission shows that business conditions are better than at any other time since the GFC.[[23]](#endnote-24)

How does Ai Group reconcile these different positions?

* 1. Question to Ai Group

Ai Group submitted that the employment to population ratio and participation rate have fallen, indicating ‘fragility’[[24]](#endnote-25) in the labour market and ‘is likely indicating a greater number of “discouraged” job-seekers exiting the labour force’.[[25]](#endnote-26) However, Tables 6.8 and 6.11 in the Statistical Report present data on these indicators for persons aged 20–64 years (which reduces the effect of the ageing population). These do not show falling levels of participation.[[26]](#endnote-27)

Can Ai Group explain why it uses a measure of participation that does not adjust for demographic change? Does Ai Group wish to maintain that recent changes in the employment to population ratio and participation rate indicate ‘fragility’ in the labour market?

* 1. Question to Ai Group

Can Ai Group explain why it focuses on multifactor productivity and does not consider changes in labour productivity in deciding on an appropriate increase in minimum wages?

* 1. Question to ABI and NSWBC

ABI and NSWBC submitted results from the NSWBC quarterly Business Conditions Survey for December 2016.[[27]](#endnote-28) 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?

* 1. Question to AFEI

AFEI submitted data on labour productivity at Table 5, which are inconsistent with data provided at Table 2.2 of the Statistical Report.[[28]](#endnote-29)

Could AFEI provide an explanation of how these figures were obtained?

1. Relative living standards and the needs of the low paid
   1. Question to all parties

In the *Annual Wage Review 2015–16* decision, the Expert Panel stated:

‘… we do not accept the proposition that most low-paid workers are not in low-income households. Around two-thirds of low-paid employees are found within the bottom half of the distribution of employee households and have lower living standards than other employees. Increases in the minimum wage and award classification wages do have a role to play as part of a package of measures to address the relative living standards and the needs of the low paid. So much is evident from the minimum wages objective and the modern awards objective in the Act.’[[29]](#endnote-30)

Does any party dispute either the facts or interpretations that the Expert Panel has placed on them in the paragraph cited above?

* 1. Question to the Australian Government

The Australian Government provided a discussion and data on the effects of the tax-transfer system.[[30]](#endnote-31)

Could the Australian Government comment on the submission from ACOSS concerning the change in the adjustment method of Family Tax Benefit (FTB) Part A[[31]](#endnote-32) and submissions concerning the abolition of the Schoolkids Bonus and the freezing of FTB Part A and B for 2 years from 1 July 2017?[[32]](#endnote-33)

* 1. Question to the Australian Government

Can the Australian Government conduct an assessment of the likely effect on disposable income on persons with low incomes in light of *The Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Act 2016*?

* 1. Question to the Australian Government

Using data from the Household, Income and Labour Dynamics in Australia (HILDA) survey, the Australian Government submitted that 57.9 per cent of low-paid workers were single without children.[[33]](#endnote-34) The Australian Government also submitted that increasing the NMW and award minimum wages ‘may not be effective in raising the living standards of currently low-paid workers’[[34]](#endnote-35) and argued that ‘[t]he tax-transfer system is the primary means of redistributing income in Australia. It can provide better targeted and more effective assistance to maintain living standards … than increases in the national minimum wage and award classification wages.’[[35]](#endnote-36) However, the ACTU submitted that ‘the tax and transfer system cannot be relied upon to alleviate the impact of small increases in the minimum wage. This is the case in the current policy environment where transfers are being reduced, in effect bringing more people into the low disposable income range.’[[36]](#endnote-37)

The Australian Government is invited to comment on the following:

1. How the changes to the tax-transfer system will affect single low-paid workers without children.
2. Whether the relative living standards of low-paid households have been declining.
3. The [*Poverty in Australia*](http://www.acoss.org.au/wp-content/uploads/2016/10/Poverty-in-Australia-2016.pdf)report, referred to by the Federal Opposition,[[37]](#endnote-38) which found that wages were the main source of income for 32 per cent of Australians living below the poverty line.[[38]](#endnote-39)

Can the Australian Government also provide details of the changes in the tax-transfer system over the past 2 years that have increased the living standards of the low paid and improved their relative living standards?

* 1. Questions to the Australian Government

The Panel has previously stated that the ‘potential contribution of increases in the minimum wage and award classification wages is made more apparent by the focus on employee households’.[[39]](#endnote-40)

1. The Australian Government and other interested parties are invited to comment on whether the *employee* households income distribution or the *all* households income distribution (including those that rely on government transfers) is the most relevant to identify and analyse the relative living standards of award-reliant workers.
2. The Australian Government and other interested parties are invited to comment on the finding from the Fair Work Commission Research Report 1/2017—*Award-reliant workers in the household income distribution*[[40]](#endnote-41) that the majority of award-reliant workers are located in the bottom half of the household income distribution.
   1. Question to the ACTU

The ACTU submitted that raising the minimum wage will reduce inequality and thereby promote economic and productivity growth.[[41]](#endnote-42)

All parties are invited to comment on this part of the ACTU submission.

* 1. Question to the ACTU

The ACTU submitted that:

‘The NMW as a percentage of average full-time earnings (AWOTE) is still below the level it was in 2008 at the GFC, nearly ten years ago. Improving the relative value of the NMW is necessary but not sufficient, in order to maintain a fair safety net.’[[42]](#endnote-43)

The ACTU is invited to comment on whether the AWOTE in 2008 was substantially affected by the resources boom and is not a typical year on which to base a comparison, particularly given the growth rate of the AWOTE relative to WPI was unusually strong across 2007–2009.[[43]](#endnote-44)

* 1. Question to the ACTU

The ACTU submitted that:

‘Most public sector employees are not covered by the Fair Work Act. This means that an increase in the minimum wage and awards is more important than ever as a mechanism for wage increase.’[[44]](#endnote-45)

The ACTU is invited to explain this aspect of its submission.

* 1. Question to the ACTU

The ACTU submission provided a discussion of relative living standards making reference to the minimum wage bite.[[45]](#endnote-46)

1. Can the ACTU explain why AWOTE is used to calculate the minimum wage bite rather than median earnings?
2. Can the ACTU also provide an explanation of how the ‘60 per cent median measure for the relative poverty line’[[46]](#endnote-47) relates to its measure of the minimum wage bite using the AWOTE given that the measures of poverty use median equivalised household disposable income rather than wages?
3. Can the ACTU identify a reference to 60 per cent of median earnings as a ‘measure of the relative poverty level used by the UK Low Pay Commission’[[47]](#endnote-48) or by any other jurisdictions in the report cited?[[48]](#endnote-49)
   1. Question to the ACTU

The ACTU submitted:

‘The ACTU view is that minimum wage and awards should be at a level of a living wage for workers, whether or not they are eligible for increasingly uncertain and currently declining welfare measures.’[[49]](#endnote-50)

Does the ACTU submit that minimum wages should provide a living wage regardless of family size or if there is only one wage earner?

* 1. Question to the ACTU

The ACTU submitted data on the change in the minimum wage bite between November 2010 and November 2016 by industry.[[50]](#endnote-51)

Is the AWOTE used as the base for the minimum wage bite rather than median earnings?

* 1. Question to all parties

ACCER submitted that the Panel’s ‘policy of maintaining relativities set in the past … based on relativities established prior to the enactment of the *Fair Work Act*, is not based on the terms of the legislation’:[[51]](#endnote-52)

‘The obligation on the FWC is to take into account the needs of the low paid unconstrained by wage relativities within award classifications.’[[52]](#endnote-53)

ACCER submitted that the Panel, in deciding that a percentage increase should be applied to both the NMW and award wage rates, ‘conflated what should have been two separate wage setting processes.’[[53]](#endnote-54)

All interested parties are invited to comment on this aspect of ACCER’s submission.

* 1. Supplementary question to the Australian Government

The Australian Government submitted that the tax-transfer system has assisted real income growth in minimum wage households and that:

‘… even if the national minimum wage had remained constant in real terms, most minimum wage households’ disposable incomes would have improved in real terms due to changes in the tax-transfer system. Further, the real increase in the national minimum wage only increased household incomes by a marginal amount’.[[54]](#endnote-55)

In support of this submission the Australian Government provided Table 8.6, *Changes in real disposable household income,* *2012–2017*, to illustrate the contribution that has been made to growth in real disposable income for hypothetical households over this period by a) tax-transfer changes and b) the net impact of real NMW increases.[[55]](#endnote-56)

The Panel seeks further information about how this table has been constructed. Can the Australian Government explain, for example:

1. What is the amount of the real increase in the NMW that has been used in the calculations?
2. The sources of the tax-transfer contribution in column 2 as they apply to each household?
3. What is meant by ‘net impact of real NMW increase’?
4. We assume that the net impact of real increases in the NMW would have been greater if the real increases in the NMW had been larger. In order to illustrate the sensitivity of its findings to this point, can the Government show how the data would change if the real increase in the NMW had been significantly lower (e.g., 0) or higher (e.g., twice as large) over the period?
5. Social inclusion through increased workforce participation
   1. Question to the Australian Government

The Australian Government submitted that ‘excessive increases in minimum wages are likely to have deleterious effects on employment’[[56]](#endnote-57) and provided a discussion of some of the international research on minimum wages and employment.[[57]](#endnote-58)

In the research cited, can the Australian Government provide information on what constitutes ‘excessive’ and whether it is quantified in any way?

* 1. Question to the ACTU

The ACTU submitted that its proposal would lead to an estimated increase in employment of 35 000 to 80 000 jobs.[[58]](#endnote-59)

All parties are invited to comment on the estimates derived by the ACTU.

1. Encouraging collective bargaining
   1. Question to the Australian Government

Can the Australian Government identify what share of the increase in award reliance arises from the changes to the Method of Setting Pay conceptual framework in the 2016 Survey of Employer Earnings and Hours?[[59]](#endnote-60)

* 1. Question to all parties

All interested parties are invited to provide more detailed consideration of the reasons for the increase in award reliance, including the findings from Fair Work Commission Research Report 4/2017—[*Explaining recent trends in collective bargaining*](https://www.fwc.gov.au/documents/sites/wagereview2017/research/peetztrendsbargaining.pdf).[[60]](#endnote-61)

1. [2017] FWCFB 1001. [↑](#endnote-ref-2)
2. South Australian Government submission, 28 March 2017 at paras 37, 64. [↑](#endnote-ref-3)
3. Ai Group submission in reply, 13 April 2017 at p. 29. [↑](#endnote-ref-4)
4. ARA submission, 29 March 2017 at p. 10. [↑](#endnote-ref-5)
5. ARA submission, 29 March 2017 at p. 10. [↑](#endnote-ref-6)
6. [2016] FWCFB 3500 at paras 135–140; [2014] FWCFB 3500 at paras 515–516. [↑](#endnote-ref-7)
7. ABS, *Consumer Price Index, Australia, Mar 2017*, Catalogue No. 6401.0. [↑](#endnote-ref-8)
8. ACTU submission, 29 March 2017 at paras 22(b); 306–307. [↑](#endnote-ref-9)
9. Ai Group submission in reply, 13 April 2017 at pp. 14–15. [↑](#endnote-ref-10)
10. Belot H & Doran M (2017), *Low wage growth Australian economy's biggest challenge, Treasurer Scott Morrison says*, ABC News, 13 March, available at: <http://www.abc.net.au/news/2017-03-13/scott-morrison-low-wage-growth-biggest-challenge-economy/8350032>. [↑](#endnote-ref-11)
11. Fair Work Commission, *Statistical report—Annual Wage Review 2016–17*, p. 16, Chart 5.3. [↑](#endnote-ref-12)
12. Australian Government submission, 29 March 2017 at para. 87. [↑](#endnote-ref-13)
13. NSW Government submission, 12 April 2017 at para. 31. [↑](#endnote-ref-14)
14. ACTU submission, 29 March 2017 at para. 302. [↑](#endnote-ref-15)
15. ACTU submission, 29 March 2017 at para. 192. [↑](#endnote-ref-16)
16. ACTU submission, 29 March 2017 at para. 177. [↑](#endnote-ref-17)
17. ACTU submission, 29 March 2017 at para. 199. [↑](#endnote-ref-18)
18. Fair Work Commission, *Statistical report—Annual Wage Review 2016–17*, p. 16, Chart 5.3. [↑](#endnote-ref-19)
19. ACTU submission, 29 March 2017 at para. 200. [↑](#endnote-ref-20)
20. ACTU submission, 29 March 2017 at para. 247. [↑](#endnote-ref-21)
21. Ai Group submission in reply, 13 April 2017 at p. 15. [↑](#endnote-ref-22)
22. Ai Group submission, 29 March 2017 at p. 5. [↑](#endnote-ref-23)
23. Ai Group submission, 29 March 2017 at p. 9. [↑](#endnote-ref-24)
24. Ai Group submission, 29 March 2017 at p. 15. [↑](#endnote-ref-25)
25. Ai Group submission, 29 March 2017 at p. 17. [↑](#endnote-ref-26)
26. Fair Work Commission, *Statistical report—Annual Wage Review 2016–17*, p. 25, Table 6.8; p. 27, Table 6.11. [↑](#endnote-ref-27)
27. ABI and NSWBC submission, 29 March 2017 at pp. 20–23. [↑](#endnote-ref-28)
28. AFEI submission, 29 March 2017 at para. 35. [↑](#endnote-ref-29)
29. [2016] FWCFB 3500 at para. 410. [↑](#endnote-ref-30)
30. Australian Government submission, 29 March 2017 at paras 281–284. [↑](#endnote-ref-31)
31. ACOSS submission, 29 March 2017 at p. 29. [↑](#endnote-ref-32)
32. ACTU submission, 29 March 2017 at para. 435; ACOSS submission, 29 March 2017 at pp. 8–9; ACCER submission, 29 March 2017 at paras 84–93; ACCER submission in reply, 13 April 2017 at paras 3–6 [↑](#endnote-ref-33)
33. Australian Government submission, 29 March 2017 at para. 48. [↑](#endnote-ref-34)
34. Australian Government submission, 29 March 2017 at para. 250. [↑](#endnote-ref-35)
35. Australian Government submission, 29 March 2017 at para. 286. [↑](#endnote-ref-36)
36. ACTU submission, 29 March 2017 at para. 429. [↑](#endnote-ref-37)
37. Federal opposition submission, 29 March 2017 at para. 20. [↑](#endnote-ref-38)
38. Social Policy Research Centre & ACOSS (2016), *Poverty in Australia*, ACOSS. [↑](#endnote-ref-39)
39. [2016] FWCFB 3500 at para. 410. [↑](#endnote-ref-40)
40. Jimenez C & Rozenbes D (2017), *Award-reliant workers in the household income distribution*, Fair Work Commission Research Report 1/2017, February. [↑](#endnote-ref-41)
41. ACTU submission, 29 March 2017 at paras 94; 168. [↑](#endnote-ref-42)
42. ACTU submission, 29 March 2017 at para. 22(d). [↑](#endnote-ref-43)
43. Fair Work Commission, *Statistical report—Annual Wage Review 2016–17*, p. 14, Table 5.1. [↑](#endnote-ref-44)
44. ACTU submission, 29 March 2017 at para. 83. [↑](#endnote-ref-45)
45. ACTU submission, 29 March 2017 at paras 317–320. [↑](#endnote-ref-46)
46. ACTU submission, 29 March 2017 at para. 319. [↑](#endnote-ref-47)
47. ACTU submission, 29 March 2017 at para. 336. [↑](#endnote-ref-48)
48. O’Neill M & McGuiness F (2016), [*National Minimum Wage Statistics UK House of Commons Library*](http://researchbriefings.files.parliament.uk/documents/CBP-7735/CBP-7735.pdf), Briefing Paper 7735, 13 October. [↑](#endnote-ref-49)
49. ACTU submission, 29 March 2017 at para. 349. [↑](#endnote-ref-50)
50. ACTU submission, 29 March 2017 at paras 357–358. [↑](#endnote-ref-51)
51. ACCER submission, 29 March 2017 at para. 70. [↑](#endnote-ref-52)
52. ACCER submission, 29 March 2017 at para. 70. [↑](#endnote-ref-53)
53. ACCER submission, 29 March 2017 at para. 485. [↑](#endnote-ref-54)
54. Australian Government submission, 29 March 2017 at para. 284. [↑](#endnote-ref-55)
55. Australian Government submission, 29 March 2017 at p. 62, Table 8.6. [↑](#endnote-ref-56)
56. Australian Government submission, 29 March 2017 at para. 20. [↑](#endnote-ref-57)
57. Australian Government submission, 29 March 2017 at paras 227–234. [↑](#endnote-ref-58)
58. ACTU submission, 29 March 2017 at para. 315. [↑](#endnote-ref-59)
59. Australian Government submission, 29 March 2017 at para. 37. [↑](#endnote-ref-60)
60. Peetz D & Yu S (2017), *Explaining recent trends in collective bargaining*, Fair Work Commission Research Report 4/2017, February. [↑](#endnote-ref-61)