



Restaurant  
& Catering

**FAIR WORK COMMISSION  
2016-2017 ANNUAL WAGE REVIEW**

**12 MAY 2017**

**ABN: 73 080 269 905**

Level 3, 154 Pacific Highway, St Leonards

Restaurant and Catering Industrial make these submissions in response to the questions for consultation from the Commission issued on 3 May 2017.

## Increase in CPI

1. In response to question 2.3, as previously submitted by R&CA the increase in CPI results from an increase in alcohol and tobacco prices, due to increased tax imposed on these goods to reduce consumption. As such, the CPI would be proportionately less if not for these two price categories. The disproportionate increase in prices for these items is illustrated in Table 1 below. To use the CPI increase as a basis to increase the NMW would inevitably go against the public policy objective associated with the increase in taxes for these goods.

**Table 1**

	Dec Qtr 2016 to Mar Qtr 2017	Mar Qtr 2016 to Mar Qtr 2017
Weighted average of eight capital cities	% change	% change
<b>All groups CPI</b>	<b>0.5</b>	<b>2.1</b>
Food and non-alcoholic beverages	-0.2	1.8
<b>Alcohol and tobacco</b>	<b>1.1</b>	<b>6.1</b>
Clothing and footwear	-1.4	0.3
Housing	0.8	2.5
Furnishings, household equipment and services	-1	-0.1
Health	2	3.8
Transport	1.5	3.8
Communication	-0.3	-4.8
Recreation and culture	-0.7	-0.2
Education	3.1	3.3
Insurance and financial services	0.6	2.7

Source: Australian Bureau of Statistics (ABS) (2017) 6401.0 – Consumer Price Index, Australia Mar 2017

2. In relation to the proposal that increasing NMW would result in an increase in the standard of living, it is important to consider whether CPI, as a means of assessing the cost of living, accurately reflects the actual cost of living for affected groups, as

the items included in the CPI would not likely form part of the day to day expenditure of a proportionate number of the population, and would therefore not contribute to an increase in the standard of living. R&CA therefore submits that it would be short-sighted to primarily rely upon any increase in CPI as a basis to increase NMW.

### **ACCER submission**

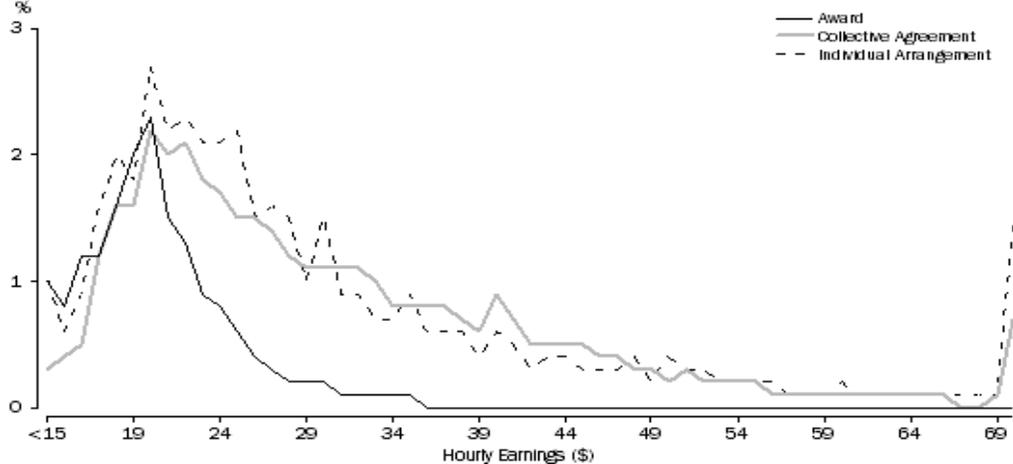
3. In response to question 4.12, R&CA agrees with this aspect of ACCER's submission, and considers that the Commission needs to be far more nuanced in the minimum wage decision. R&CA supports the view that the process of establishing the NMW and the award pay rates should be dealt with separately, to do otherwise would not comply with legislative requirements.
4. Further, there is a common misconception that low wage earners are award-reliant employees. This is simply not true. The Australian Bureau of Statistics (ABS) accurately identifies this misconception, as outlined below:

*'Award only employees are often viewed as minimum wage reliant. However, **not all award only employees are lower paid, and not all lower paid employees are paid by award only.** This section presents the distribution of employee earnings in the federal jurisdiction for those whose pay is set by award only with reference to other pay setting methods.*

#### ***Distribution of total hourly cash earnings***

*There were 7 million non-managerial adult employees (excluding OMIEs) in the federal jurisdiction in May 2010. The distribution of hourly total cash earnings shows that 45% of these employees who had their pay set by award only earned less than \$20 per hour, compared with 14% of those on a collective agreement and 19% of those who had an individual arrangement. At the higher end of the earnings distribution, less than 1% of award only employees earned more than \$50 per hour compared with 8% of employees covered by a collective agreement and 11% of employees on an individual arrangement.*

FEDERAL JURISDICTION - DISTRIBUTION OF ADULT NON-MANAGERIAL TOTAL HOURLY CASH EARNINGS, Proportion of employees (excluding OMIEs)—by Method of Setting Pay—May 2010



Excludes adult employees (excluding OMIEs) who earned less than \$1 per hour which may include those on the supported wage system, those paid by a piece rate, or commission based agreements.

Source: Employee Earnings and Hours, May 2010 (cat. no. 6306.0)

*While the hourly earnings of award only employees in the federal jurisdiction are more heavily concentrated in the lower pay ranges than with the other methods of setting pay, they do not account for all lower paid employees. Non-managerial adult employees (excluding OMIEs) who earned under \$20 an hour were just as likely to have their pay set through an individual arrangement (37%) as by award only (36%) compared to by collective agreement (27%). This suggests that not all lower paid employees receive a direct benefit from any increase in award wages from FWA, notwithstanding efforts by employers to increase over award wages in order to remain competitive.<sup>1</sup>*

5. Research conducted by the Commission for the purpose of this annual wage review similarly affirms this view:

*'Extending the analysis undertaken by Wooden (2010), the paper by Wilkins and Wooden is the most recent study to examine award reliance in the household income distribution. They applied the revised definition of award reliance to determine the location of award-reliant employees across the household disposable income distribution, adjusted by a modified OECD equivalence scale, for all households rather than employee households. The analysis found that most award-reliant employees were not located at the bottom of the household income distribution and were instead located*

<sup>1</sup> ABS 6105.0 - Australian Labour Market Statistics, July 2011.

throughout the distribution. Further analysis found that the majority of award-reliant employees in the bottom quintile worked part-time hours. An additional consideration by Wilkins and Wooden was that, as total income is measured across the financial year, total household income for employees may be influenced by periods of joblessness. This issue arises as each characteristic, including award reliance, is only measured at a point in time.<sup>2</sup>

## Award reliance

- In response to question 6.2, R&CA notes that job growth have in recent times been prominent in industries that are largely award-reliant, such as the restaurant and catering industry. Research conducted by the Commission for the purpose of this review<sup>3</sup> affirms this:

Award-reliant workers in the household income distribution

**Table 4: Award-reliant employees by industry**

Industry	Per cent of all employees	Per cent of all award-reliant employees	Per cent of industry award reliant
Retail trade	9.7	18.2	37.2
Accommodation and food services	6.8	19.5	57.6
Health care and social assistance	15.0	16.7	21.2
Manufacturing	7.7	8.2	22.6
All other industries	60.9	37.4	13.2
Total	100	100	

Note: All other industries comprise Administrative and support services; Agriculture, forestry and fishing; Arts and recreation services; Construction; Education and training; Electricity, gas, water and waste services; Financial and insurance services; Information media and telecommunications; Mining; Other services; Professional, scientific and technical services; Public administration and safety; Rental, hiring and real estate services; Transport, postal and warehousing and Wholesale trade. The award-reliant industries are different to those described in annual wage review decisions that are based on the EEH.

Source: HILDA Survey, wave 15.

- The data presented in the Fair Work Commission Research report 4/2017 indicates that there has been a decline in Collective Agreement (CA) coverage, which has

<sup>2</sup> Fair Work Commission Research Report 1/2017 – *Award-reliant workers in the household income distribution*, p. 3.

<sup>3</sup> *Ibid*, p. 14.

led to an increase in award reliance across all industries. As shown in the above table, more than half of award-reliant employees are employed in accommodation and food services.

8. As previously submitted by R&CA, it is important to bear in mind the identifiable link between the rate of wages growth in the restaurant and catering industry and the potential to achieve employment growth in this sector.<sup>4</sup>

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<sup>4</sup> FWC 2016-2017 Annual Wage Review-R&CA submission dated 29 March 2017.