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Fair Work Commission Minimum Wage Panel Annual Minimum Wage Review 2016-17

29 March 2017



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1 Introduction and recommendation

1. The Australian Chamber has long advocated for a policy and regulatory environment that helps make Australia a globally leading place to do business, invest and create jobs, and to thereby ensure Australians can enjoy the jobs, living standards and opportunities to which they aspire. Minimum wages are an important part of the parameters for doing business and employing in Australia, particularly so for smaller employers and award reliant industries.
2. Critical to achieving a job supportive operating this is ensuring all Australian businesses can be successful, productive, competitive and sustainable regardless of their size. This is vital for delivering higher earnings for employees and employers, and improving living standards for all Australians.

Recommendation

The Panel should award a 1.2% increase in the National Minimum Wage (\$8.10 per week) and a 1.2% increase to modern award wages

3. A number of factors weigh in favour of caution and restraint in increasing minimum award wages as the Fair Work Commission's Expert Panel (Panel) approaches the 2016-17 AWR. These include, but are not limited to:
 - a. **Persistently high levels of underemployment and youth unemployment**, which are amplified in particular states and regions.
 - b. **Increased long term unemployment**, with the number of long term unemployed Australians increasing from 168,100 to 180,800 (a 7.4% increase over the year to January).¹
 - c. **Declining apprenticeship and traineeship commencements and completions.**²
 - d. **Low private sector wage growth**³ which continues to decline and is at a record low (dropping to 1.8% in the December quarter, down from 1.9% in the September quarter and 2% in the March quarter).
 - i. This is a strong **indicator of ongoing spare capacity in our labour market.**
 - ii. Reserve Bank Governor Phillip Lowe noted that "spare capacity is likely to remain in the economy for some time yet".⁴

¹ ABS Cat.No.6291.0.55.001 - Labour Force, Australia, Detailed - Electronic Delivery, Feb 2017, Table 14a.

² NCVET, Australian vocational education and training statistics, September quarter 2016.

³ Excluding bonuses

- e. **Continuing low inflation** with underlying and headline inflation remaining low at or below 1.5% across 2016⁵, and forecast to remain low.
 - f. **Continued adjustment effects.** While non-mining investment has begun to pick up in NSW and Victoria, it remains very weak in Western Australia and Queensland, and there is little evidence of a pick-up in non-mining investment and mining investment is still trending lower.
 - g. **Recent volatility in domestic economic growth.** Recent growth outcomes have been volatile, and growth overall is below trend. In particular, the September quarter GDP figure is of concern. While the December figure showed a welcome bounce back, the unexpected weakness in the September quarter caught economists (and the government) off guard, declining 0.5% in the quarter. The minutes of the RBA's February meeting suggest that the 0.5% decline in real GDP in the September quarter was considerably weaker than expected.⁶
 - h. **A continued increase in award reliance** including in industries with higher levels of award reliance such as retail trade, where award reliance has increased from 28.5% to 34.5% over the last two years.⁷
4. Participation in paid work is critical to maintaining living standards and minimising poverty and social exclusion. Minimum wages should not be set at levels so high / or increased so sharply that they act as a barrier to the entry of low-skilled and young people into employment or otherwise damage job prospects for those most vulnerable in our labour market.
 5. The Australian economy is continuing to experience structural adjustment, and the impacts of this adjustment are particularly pronounced at state and regional levels. Whilst the impacts of structural adjustment on demand for labour are complex, for most they are currently likely to be negative. Many employees have been displaced and lack the skills needed to meet changing demand. Others move into employment in other sectors, competing for jobs and hours with existing award paid employees.
 6. Youth employment and longer term employability are a particularly acute and concerning challenge. The 2016-17 AWR comes at a time of persistent high youth unemployment, particularly in parts of regional and rural Australia.
 7. Our system of vocational education and training not only plays an important role transitioning people to higher paid employment later on in life but also plays an important role in ensuring that Australia has the pipeline of skills needed to support future productivity, sustainability and growth.

⁴ *Australia and Canada – Shared Experiences*, Speech by Philip Lowe, Governor, to the Australia-Canada Economic Leadership Forum, Sydney 22 February 2017

⁵ ABS Cat.No.6401.0 , December Quarter 2016, Table 2, All Groups CPI , Percentage changes

⁶ <https://www.rba.gov.au/monetary-policy/rba-board-minutes/2017/2017-02-07.html>

⁷ FWC Annual Wage Review *Statistical Report* – Annual Wage Review 2016-17, Table 7.1, p.30

8. Minimum wage settings need to actively facilitate and support employment and training opportunities for your people and those seeking to gain skills and qualifications.
9. Minimum wage setting must, in balance with other considerations / imperatives support employers in their efforts to provide training and employment for young people, including providing minimum wages and conditions for trainees and apprentices that properly reflect their age, work capability and education balance, and experience.
10. Caution and restraint in minimum wage setting is particularly important for employees, employers and communities in those States and regions that continue to experience the impacts of structural adjustment and where economic conditions are giving rise to high youth and long term unemployment and underemployment.
11. High unemployment creates economic, social and personal costs. Genuine caution and restraint need to be exercised in wage setting in 2017 to ensure that the vulnerable position of young people, the low skilled and first time job seekers is not compounded.
12. It is also important to consider any increase in the NMW wage and award wages in the context of the overall cost of employing. The quantum of minimum wages has a direct correlation to amounts paid for superannuation, payroll tax and workers' compensation. The practical effect is that the real increase in the costs of employing are not confined to any percentage increase award wages; non-wage labour on-costs further multiply the impact of wage increases.
13. At the time of this 2016-17 AWR, a number of data points suggest a continuation of soft labour market conditions and limitations on the capacity of employers, particularly smaller award-reliant employers, to sustain high labour costs (i.e. an increase in minimum wages in excess of that proposed in this submission; 1.2%). This includes underemployment and underutilisation which continue to trend up, and record low wage growth across the economy.
14. Minimum wage setting disproportionately impacts SMEs in those sectors most likely to create employment opportunities for vulnerable groups such as youth and those with low skill levels.
15. Considering the persistence of soft labour market conditions, the significant spare capacity in our labour market, and the particular challenges faced by small businesses, unemployment particularly for our young people, and underemployment, along with the economic considerations outlined throughout this submission, the Australian Chamber urges the Panel to exercise genuine caution and restraint in uprating minimum award rates of pay in 2017. This should see an uprating of minimum wages in 2017, but of not more than 1.2%.

2 Approach to the Annual Wage Review

16. Subsection 285 of the Fair Work Act 2009 (Cth) (the Act) requires the Panel to conduct and complete a review of the NMW and minimum wages in modern awards in each financial year.
17. As a result of this process, the Panel must make a national minimum wage order⁸ and may make one or more determinations varying modern awards to set, vary or revoke modern award minimum wages⁹ taking into account the rate of the NMW that it proposes to set.¹⁰
18. **Statutory framework:** The Panel is required to conduct its review within the framework prescribed by the Act, giving consideration to:
 - a. The Act's overarching objects¹¹ (section 3) being to "provide a balanced framework for cooperative and productive workplace relations that promotes national economic prosperity and social inclusion for all Australians by":
 - i. *providing workplace relations laws that are fair to working Australians, are flexible for businesses, promote productivity and economic growth for Australia's future economic prosperity and take into account Australia's international labour obligations; and*
 - ii. *ensure a guaranteed safety net of fair, relevant and enforceable minimum terms and conditions through the National Employment Standards, modern awards and national minimum wage orders; and*
 - iii. *ensuring that the guaranteed safety net of fair, relevant and enforceable minimum wages and conditions can no longer be undermined by the making of statutory individual employment agreements of any kind given that such agreements can never be part of a fair workplace relations system; and*
 - iv. *assisting employees to balance their work and family responsibilities by providing for flexible working arrangements; and*
 - v. *enabling fairness and representation at work and the preventing of discrimination by recognising the right to freedom of association and the right to be represented, protecting against unfair treatment and discrimination, providing accessible and effective procedures to resolve grievances and disputes and providing effective compliance mechanisms; and*
 - vi. *achieving productivity and fairness through an emphasis on enterprise-level collective bargaining underpinned by simple good faith bargaining obligations and clear rules governing industrial action; and*

⁸ Fair Work Act 2009 (Cth), s 285(2)(c).

⁹ Fair Work Act 2009 (Cth), s 285(2)(b).

¹⁰ Fair Work Act 2009 (Cth), s 285(3).

¹¹ Fair Work Act 2009 (Cth), s 578(a).

- vii. *acknowledging the special circumstances of small and medium sized businesses;*
- b. The modern awards objective in section 134(1) of the Act, being to “ensure that modern awards, together with the National Employment Standards, provide a fair and relevant minimum safety net of terms and conditions, taking into account:
 - i. *relative living standards and the needs of the low paid;*
 - ii. *the need to encourage collective bargaining; and*
 - iii. *the need to promote flexible modern work practices and the efficient and productive performance of work; and*
 - iv. *the need to provide additional remuneration for:*
 - 1. *employees working overtime or;*
 - 2. *employees working unsocial, irregular or unpredictable hours; or*
 - 3. *employees working on weekends or public holidays; or*
 - 4. *employees working shifts; and*
 - v. *the principle of equal remuneration for work of equal or comparable value; and*
 - vi. *the likely impact of any exercise of modern award powers on business, including on productivity, employment costs and the regulatory burden; and*
 - vii. *the likely impact of exercise of modern award powers on employment growth, inflation and the sustainability, performance and competitiveness of the national economy; and*
- c. The minimum wages objective in section 284(1) of the Act, being to “establish and maintain a safety net of fair minimum wages, taking into account:
 - i. *the performance and competitiveness of the national economy, including productivity, business competitiveness and viability, inflation and employment growth; and*
 - ii. *promoting social inclusion through increased workforce participation; and*
 - iii. *relative living standards and the needs of the low paid; and*
 - iv. *the principle of equal remuneration for work of equal or comparable value; and*
 - v. *providing a comprehensive range of fair minimum wages to junior employees, employees to whom training arrangements apply and employees with a disability.*

19. The Panel has described its task as “to consider relevant statutory matters in the context of the prevailing economic and social environment in order to make its decision in the Review”¹², noting that “differently constituted Panels should evaluate the evidence and submissions before them in accordance with a consistent and stable interpretation of the legislative framework.”¹³
20. The Panel describes its approach as one of assessing changes in economic and social data over the past year and considering longer-term trends in order to determine how they inform the statutory criteria.¹⁴
21. When regard is had to both economic and social data and to both immediate and longer term trends, this should favour:
 - a. The moderate, balanced uprating the Chamber network commends to the Panel.
 - b. A restrained, cautious approach to uprating minimum wages in the current context.
 - c. An increase of not more than 1.2%.
22. The Panel’s 2015-2016 Annual Wage Review Decision suggests that the following further principles underpin its approach:
 - a. While the Panel takes into account both actual data and forecasts, actual indicators are the primary considerations on the basis that they are more reliable.¹⁵
 - b. The Panel considers developments over the medium and long term, as well as to changes over the past year “to see how things have changed since the previous Review decision”.¹⁶ The Panel noted that this reduces reliance on contemporary data that can be volatile and subject to error as well as enabling the Panel to see the cumulative effects of annual changes, including its decisions.¹⁷
 - c. The Panel should disclose the factors which are most relevant in a particular year.¹⁸
23. The Panel broadly delineates the factors it is required to take into account into “economic considerations”, “social considerations” and the need to encourage collective bargaining. These are addressed in Chapters 3, 4 and 5 of this submission respectively.
24. There is some overlap of the types of considerations relevant under each of these headings. For example, a consideration of “promoting social inclusion through increased workforce participation” is a relevant social consideration yet measures of employment and participation are also relevant indicators in assessing the capacity of the economy and labour market to accommodate a particular level of minimum wage increase.

¹² [2016] FWCFB 3500 at [4].

¹³ [2016] FWCFB 3500 at [16].

¹⁴ [2016] FWCFB 3500 at [7].

¹⁵ [2016] FWCFB 3500 at [8].

¹⁶ [2016] FWCFB 3500 at [10].

¹⁷ [2016] FWCFB 3500 at [10].

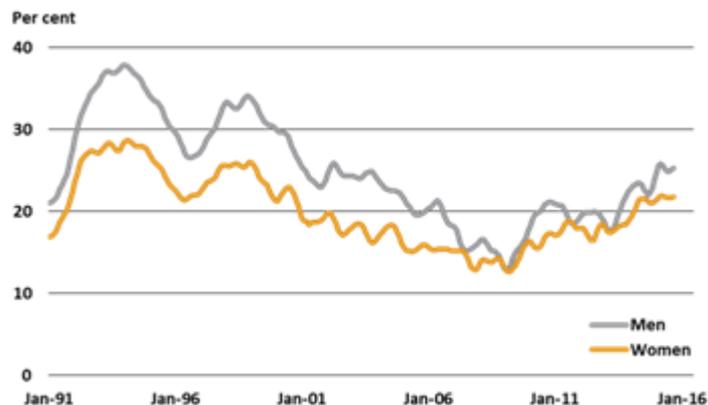
¹⁸ [2016] FWCFB 3500 at [28].

25. **Medium / Longer term trends favour caution and restraint:** Looking at medium to longer term trends, there is considerable basis for caution and restraint in uprating minimum wages in 2017, recalling for example the following data on long term unemployment and its sustained increase across the past a decade:

Long-term unemployed people – trend¹⁹



Long-term unemployment ratio – trend²⁰



26. **Circumstances of small business warrant caution and restraint:** The Australian Chamber encourages the Panel to take particular account of the special circumstances of small to medium sized businesses as required by the Act's general objects²¹, and also as a critical driver of potential jobs growth (and thereby the reduction of social exclusion).
27. Small businesses are more likely to have remuneration directly determined by awards / are more likely to pay minimum award rates of pay than other businesses.

¹⁹ Australian Parliamentary Library, [Long-term unemployment statistics: a quick guide](#), 9 December, Figure 1.

²⁰ Australian Parliamentary Library, [Long-term unemployment statistics: a quick guide](#), 9 December 2015, Figure 4.

²¹ Fair Work Act 2009 (Cth), s.3(g).

28. Small businesses typically operate pursuant to lower profit margins and thereby have less capacity to absorb increased operational costs of which labour is a major component in most award-reliant industries.
29. **Broad Judgement Favours Caution and Restraint:** The Australian Chamber acknowledges the Panel's consistent explanation that the Act's statutory considerations call for the exercise of broad judgement rather than a mechanistic approach to minimum wage fixation.²²
30. Breadth of judgement does not mean that any single isolated factor or factors should be elevated to warrant an inflated or damaging level of increase, and it should not mean that pre-eminent considerations favouring caution and restraint can be trumped by one partial consideration being overemphasised. The converse however is not true. A single substantial negative development or risk factor can favouring added caution in particular years, but this is not argued to be the case on this occasion.
31. The proper exercise of the broad judgement approach of the panel in 2017 favours caution and restraint, as the analysis of previously pertinent considerations in the remainder of this submission shows.
32. Employers say that on this occasion, and taking into account the economic, social and bargaining considerations set out in this submission, the broad judgement of the Panel should in 2017 see it adopt a cautious and restrained approach, and hand down an increase not exceeding 1.2%.

²² [2014] FWCFB 3500 at [9].

3 Economic considerations – lower growth and higher risk

3.1 Introduction

33. Among the general objects of the Act that the Panel is required to take into account is ensuring the operation of our workplace relations laws, in this instance for the uprating of minimum wages in awards, promotes productivity, sustainability and economic growth.²³
34. The minimum wages objective and modern awards objective also require the Panel to take into account a wide range of economic considerations including the “performance and competitiveness of the national economy, including productivity, business competitiveness and viability, inflation and employment growth” as well as “the likely impact of exercise of modern award powers on employment growth, inflation and the sustainability, performance and competitiveness of the national economy”.
35. The Panel considers a range of economic indicators in its assessment of these matters over a five and 10 year period, together with recent information, with the Panel explaining “the longer-term data better reflects trends in economic indicators, is less volatile and is less prone to revision. The short-term data provides more contemporary information”.²⁴
36. In undertaking its task the Panel should focus on the indicators that are most important in influencing the relationship between changes to minimum wages and economic prosperity/jobs. The Panel should also have regard to shorter run considerations where they point to concerns and weaknesses in the economy and labour market.
37. The Australian Chamber acknowledges that the nature of the impact of a statutory wage change on prosperity and the performance of the economy remains the subject of debate between parties in these Annual Wage Reviews. However if it is accepted that maximising participation in paid employment is of critical importance to a strong economy, the current state of the labour market and where Australia falls in the current business cycle should be considered amongst a range of current and forecast economic indicators.
38. Australia continues to transition out of the mining prices boom²⁵. As economic adjustment continues, the economy and labour market remain relatively susceptible and significant caution should be exercised to avoid any ‘distortions’ or ‘shocks’ that may impede employment and threaten business activity. Artificially inflated wages / any minimum wage inconsistent with the strength of the economy and, in particular, the strength and operational circumstances of enterprises that must pay minimum wage increases, would pose such risks. This is particularly important as comparatively lower overall wages growth has and will continue to, play an important part in the adjustment of the economy.
39. The recent rise in mining and resource prices and its temporary impact on economic growth should not to be confused with laggard growth more broadly.

²³ *Fair Work Act 2009* (Cth), s. 3(a).

²⁴ [2016] FWCFB 3500 at [188].

²⁵ <http://www.abc.net.au/news/2017-03-28/mining-boom-is-not-over,-says-rba-board-member/8394402>

40. The mining industry, in addition to recovering from a very difficult and sustained period of depressed incomes, is also not an award reliant industry and is not one of the industries that will experience the direct challenge of implementing the next uprating of minimum wages.
41. Among key economic considerations that suggest a need to observe caution in the 2016-2017 AWR are:
 - a. GDP growth below expectations with quarterly contraction observed in the September quarter of 2016 (the first since the height of the GFC).²⁶
 - b. Record low wage growth indicating continued spare capacity in the labour market.
 - c. Sub-optimal productivity growth.
 - d. Continued low inflation.
 - e. Subdued non-mining business investment.
 - f. Ongoing concerns regarding unemployment (particularly long term and youth unemployment) and underemployment.
42. These overarching concerns are amplified when considered at disaggregated levels. The Panel should give greatest consideration to those states, regions and industries most vulnerable to rising costs, falling demand and the impacts of structural adjustment, as this is where there is greatest risk of amplifying negative employment effects arising from increases to the NMW and award wages.

3.2 Growth, national income, output and investment

43. There are clear signs that the performance of the economy has declined since the 2015-16 AWR / last increase in award wage rates.
44. In its 2015-2016 Annual Wage Review Decision the Panel found:

Economic growth, while slightly below trend, has continued at a reasonable level, improving over the second half of 2015 and outstripping growth in each of the seven major Organisation for Economic Co-operation and Development (OECD) economies. Real gross domestic product (GDP) grew by 3.0 per cent over the year to the December quarter 2015, compared with 2.2 per cent over the year to the December quarter 2014.²⁷

45. The Panel found (in 2016) that the economy was in its 26th consecutive year of growth and that the transition to broader based growth following the mining boom was being supported in the short-term by household consumption, dwelling investment and exports.²⁸

²⁶ ABS, Cat. No. 5206.0 - Australian National Accounts: National Income, Expenditure and Product, Dec 2016

²⁷ [2016] FWCFB 3500 at [35] and [205].

²⁸ [2016] FWCFB 3500 at [50].

46. While data may technically suggest continued growth, as the Productivity Commission notes, it has been multi-factor productivity that has delivered Australia's long-run economic growth and since 2004, this has stalled in Australia and around the developed world.²⁹
47. While the Productivity Commission notes that this stall in productivity does not translate to an immediate threat to living standards³⁰, this is in part because we are continuing to draw down on our reserves including the benefits that flowed from a decade of commodity price growth.³¹ In this regard the Productivity Commission suggests that there is no "crisis" afoot but rather "an inexorable slowing towards reduced opportunity, greater dispute over shares of a smaller than expected pie, and selective protection".³² In response to this dynamic it suggests:

Complacency is not a sound policy option. Aside from the productivity collapse itself, the fiscal and labour market effects of population ageing, the potentially sweeping structural changes in labour markets following digital disruption and the climate change impacts are all challenges to a slow growing economy. If nothing changes, achieving people's expectations will provide increasingly difficult and the costs of this may be measured not just incomes, but in alterations to quality of life.³³

48. Any minimum wage increase beyond productivity gains contributed by award-reliant employees will increase labour costs and have broader consequences on firms, labour demand and economic competitiveness. This warrants consideration of the extent to which recent developments in wages growth and productivity are able to support an increase in the minimum wage at this time.

3.2.1 Growth in GDP

49. GDP growth is a relevant consideration in assessing the performance of the national economy. While GDP growth does not directly translate into a case for a higher or lower minimum wage increase, GDP and the economic outlook more broadly should be considered in assessing the risk that increases in minimum wages may exacerbate any underlying vulnerabilities or negatively impact on jobs, living standards and other indicators.
50. Growth in GDP has slowed since the 2015-2016 AWR Decision. Seasonally adjusted GDP growth stood at 2.4% over the year to the December quarter 2016, compared with 3.0% last year.³⁴ 2016 also saw the first quarterly contraction in GDP since the height of the GFC in 2008, down 0.5% from June to September 2016.³⁵
51. Importantly, award-reliant industries including retail trade experienced relatively lacklustre growth of 1.2% over the year to December 2016³⁶. Accommodation and food services was also relatively flat, growing by just 1.3% over the year to December 2016.³⁷

²⁹ Productivity Commission, 'Increasing Australia's future prosperity'. November 2016, p. 1.

³⁰ Emphasis added.

³¹ Productivity Commission, 'Increasing Australia's future prosperity'. November 2016, p. 1.

³² Productivity Commission, 'Increasing Australia's future prosperity'. November 2016, p. 1.

³³ Productivity Commission, 'Increasing Australia's future prosperity'. November 2016, p. 1.

³⁴ ABS, Cat. No. 5206.0 - Australian National Accounts: National Income, Expenditure and Product, Dec 2016.

³⁵ ABS, Cat. No. 5206.0 - Australian National Accounts: National Income, Expenditure and Product, Dec 2016

³⁶ ABS, Cat. No. 5206.0 - Australian National Accounts: National Income, Expenditure and Product, Dec 2016

³⁷ ABS, Cat. No. 5206.0 - Australian National Accounts: National Income, Expenditure and Product, Dec 2016

Table 1 - Growth by industries³⁸

Industry	% change Sept 16 to Dec 16	% change Dec 15 to Dec 16	% points contributions to growth in GDP Sep 16 to Dec 16
Agriculture, forestry and fishing	8.3	23.7	0.2
Mining	3.4	4.6	0.2
Manufacturing	-1.2	-1.9	-0.1
Electricity, gas, water and waste services	-0.2	-1.0	-
Construction	-1.2	-5.7	-0.1
Wholesale trade	3.0	7.5	0.1
Retail trade	0.6	1.2	-
Accommodation and food services	-2.0	1.3	-
Transport, postal and warehousing	0.4	1.1	-
Information media, and telecommunications	1.7	2.9	-
Financial and insurance services	0.7	4.3	0.1
Rental, hiring and real estate services	2.2	1.4	0.1
Professional, scientific and technical services	2.4	7.2	0.2
Administrative and support services	-2.5	-2.0	-0.1
Public administration and safety	1.2	3.9	0.1
Education and training	0.4	2.1	-
Health care and social assistance	1.0	4.5	0.1
Arts and recreation services	1.0	0.7	-
Other services	5.4	1.1	0.1
Gross domestic product	1.1	2.4	1.1

52. There has also been a shift in Australia's economic performance relative to our fellow OECD countries. Last year the Panel noted that Australian GDP in the second half of 2015 outstripped growth in each of the seven major OECD economies.³⁹

³⁸ ABS, Cat. No. 5206.0 - Australian National Accounts: National Income, Expenditure and Product, Dec 2016

³⁹ [2016] FWCFB 3500 at [206].

53. While data to December quarter suggests Australia's performance relative to the seven major OECD economies remains strong, trend data suggests that the gap is closing and we have recently seen volatility in Australia's GDP growth.⁴⁰ The minutes of the Reserve Bank's February meeting suggest that a 0.5% decline in real GDP in the September quarter was considerably weaker than expected.⁴¹ The Panel should be cautious in seeking to again proceed on the basis of Australia performing more strongly than our fellow OECD economies.

3.2.2 Profits and shares of them

54. Profits as a share of total factor income increased marginally from 24.4% to 26.5%, the wages share decreased marginally from 54.3% to 52.3%.⁴²

55. However, this result must be viewed in context. The ongoing trend from 2011 has been a decline in profits as a share of total factor income. This is further reflected in total corporation gross operating surplus which increased by 13.5% in the year to December 2016 and in company gross operating surplus which is approximately 20%, and the highest for over 10 years⁴³.

56. However the latest figures reflect the rapid reduction of inventories in the mining and resource sector, on the back of rising commodity prices.⁴⁴ This has boosted overall company profits while wages have remained largely stable. Non-mining industries show this is more subdued at approximately 8%.⁴⁵

57. Further disaggregation of the data, shows that such profitability is not present in award-reliant industries where the Commission should bear greatest consideration.

58. Seasonally adjusted gross operating profits in retail trade fell 2.9% in current prices and 0.4% in volume terms.⁴⁶ This was more pronounced in the accommodation and food services, where gross operating profits contracted by 14.4% in current prices and 10.2% in volume terms.⁴⁷

59. Gross operating profit in the three most award reliant industries (retail, accommodation and food services, and administrative and support services) contracted 0.14% from December 2015 to December 2016.⁴⁸

60. Substantial caution needs to be exercised, in particular to not overestimate the capacity of the non-mining economy, particularly small, award reliant businesses, to sustain any inflated increase in minimum wages.

⁴⁰ OECD Chart: Quarterly GDP, Total, Percentage change same period, previous year, Quarterly, Q1 2015 – Q4 2016 :<https://data.oecd.org/chart/4LJp>

⁴¹ Reserve Bank of Australia (2017), Statement on Monetary Policy, February

⁴² ABS Cat No. 5206.0 - Australian National Accounts: National Income, Expenditure and Product, Dec 2016

⁴³ ABS Cat No. 5206.0 - Australian National Accounts: National Income, Expenditure and Product, Dec 2016

⁴⁴ ABS Cat No. 5206.0 - Australian National Accounts: National Income, Expenditure and Product, Dec 2016

⁴⁵ ABS Cat No. 5206.0 - Australian National Accounts: National Income, Expenditure and Product, Dec 2016

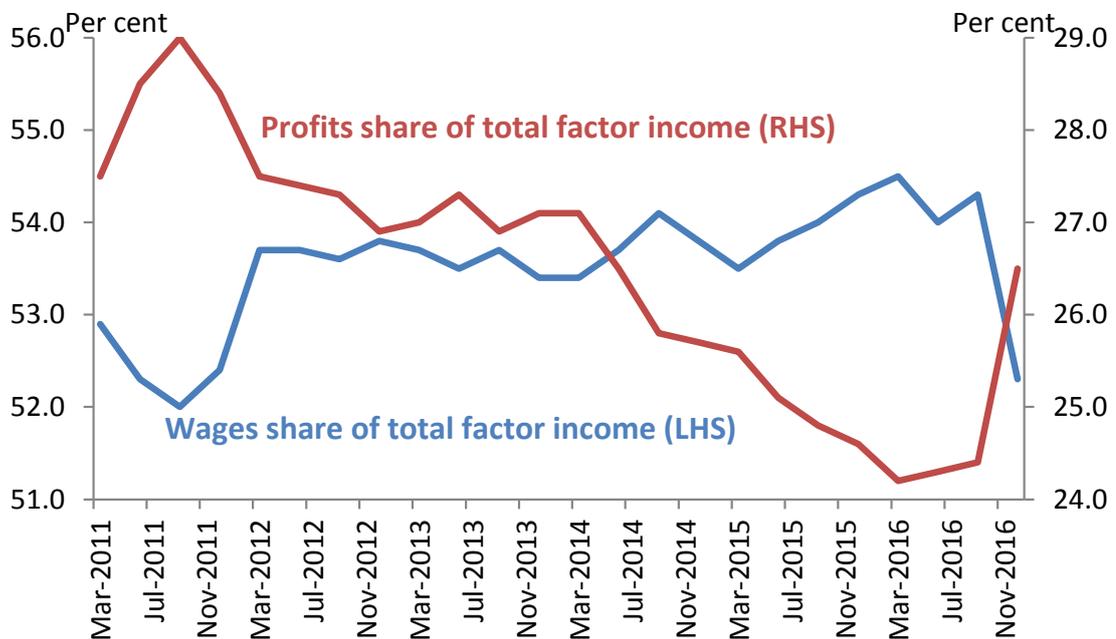
⁴⁶ ABS Cat No.5676.0 Business Indicators Dec 2016 p. 11

⁴⁷ ABS Cat No.5676.0 Business Indicators Dec 2016 p.12

⁴⁸ ABS Cat No. 5676.0 - Business Indicators, Australia, Dec 2016

61. It should also be noted that wages' share of income is not solely delivered through increasing wages but also through the extent to which any spare capacity in the labour force is utilised, in other words, making more hours available.
62. This is a particularly relevant consideration during the 2016-17 AWR as increasing levels of labour market underutilisation and underemployment suggest reduced capacity to increase labour's share of income through wage increases and that this is more likely to come through increased utilisation. Caution is needed in approaching the 2016-17 AWR so as not to exacerbate current levels of underutilisation, particularly in the context of an environment of low inflation and wages growth.

Chart 1 – Difference between WPI and minimum wage increases⁴⁹



3.2.3 Cost of labour

63. Cost of labour or the price of output is a relevant consideration to the Panel's decision as this impacts a firm's capacity to increase wages. However close analysis is required.
64. Nominal unit labour costs (NULCs) take into account changes in wages as well as changes in labour productivity, but still fail to account for changes in the price of output. To take into account changes in the price of output, real unit labour costs (RULCs) must be considered:
- NULC have grown steadily over the past decade, but growth has been more contained since 2012.⁵⁰
 - When more contemporary data is considered, RULC have experienced above average growth in 2015-16 with 0.8% increase, and 1% increase for non-farm RULC.⁵¹

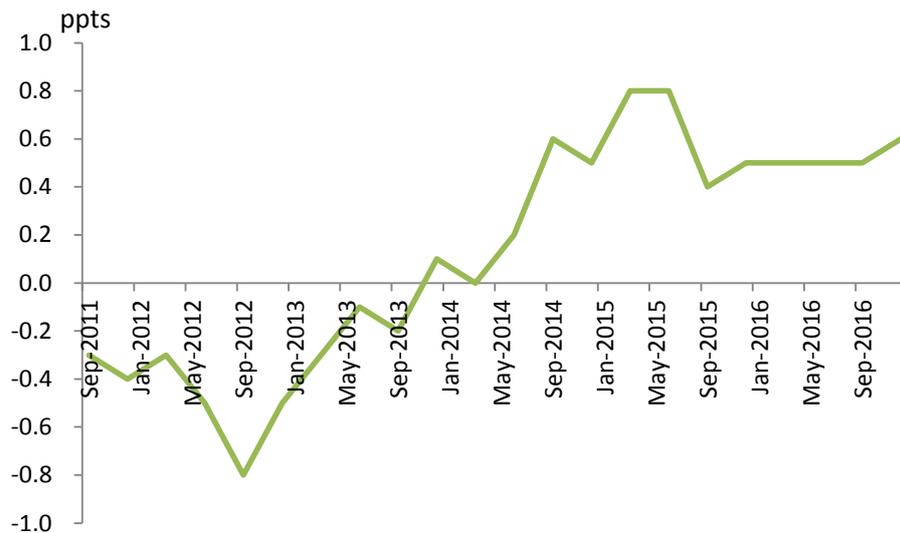
⁴⁹ ABS Cat No.5206.0 - Australian National Accounts: National Income, Expenditure and Product, Dec 2016

⁵⁰ ABS Cat No.5206.0 Australian National Accounts: National Income, expenditure and product Dec 2016, Table 42

⁵¹ ABS Cat No.5206.0 Australian National Accounts: National Income, expenditure and product Dec 2016, Table 42

65. The RBA noted in its February Statement on Monetary Policy that minimum wage increases have been higher than average WPI outcomes in recent years.⁵² The practical effect of this is that it is the lower wage outcomes of the non-award reliant workforce that primarily accounts for the fall in real unit labour costs.

Chart 2 – Difference between WPI and minimum wage increases⁵³



3.2.4 Investment

66. Despite signs of growth in the September quarter 2016, a weak and uncertain investment environment persists. Non-mining investment has remained relatively subdued for some years reflecting ongoing economic uncertainty. Private investment excluding dwellings grew by 1.6% in the December quarter, but remains down by 5.6% over the year.⁵⁴ Private business investment decreased by 0.8% over the year to December 2016⁵⁵.
67. New private business investment measured in chain volume terms decreased by 6.9% over the year to December 2016 and by 7.2% in current prices.⁵⁶ New private business investment measured in chain volume contracted 5.5% and 5.9% in current price terms.⁵⁷

⁵² Reserve Bank of Australia (2017), Statement on Monetary Policy, February, p34.

⁵³ ABS Cat.No. 6345.0 - Wage Price Index, Australia, Dec 2016 and <https://www.fwc.gov.au/awards-and-agreements/minimum-wages-conditions/national-minimum-wage-orders>

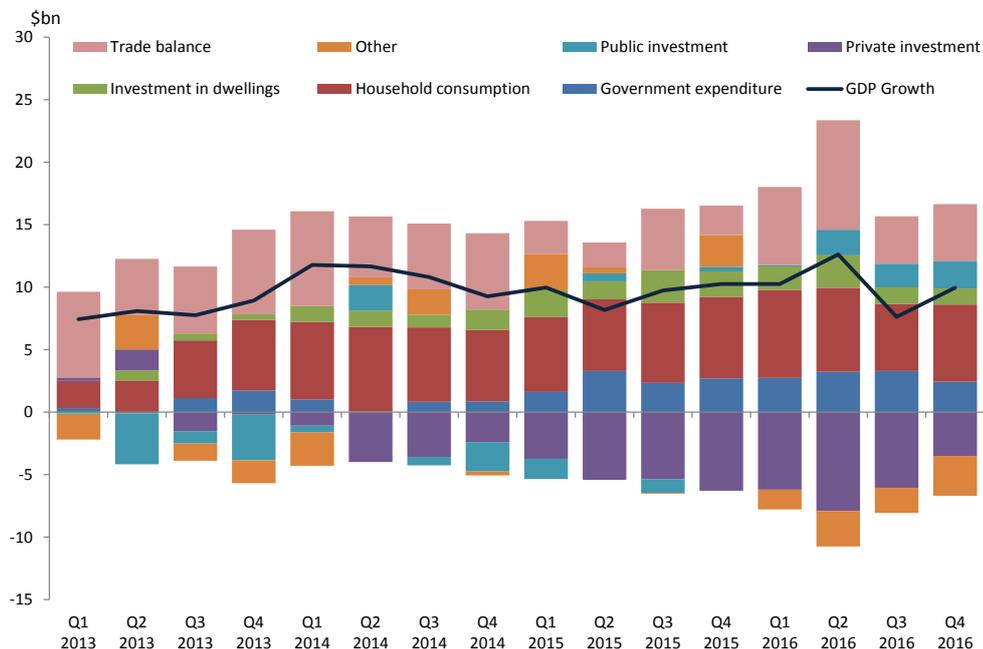
⁵⁴ ABS Cat No.5206.0 Australian National Accounts: National Income, expenditure and product Dec 2016

⁵⁵ ABS Cat No.5206.0 Australian National Accounts: National Income, expenditure and product Dec 2016

⁵⁶ ABS Cat No.5206.0 Australian National Accounts: National Income, expenditure and product Dec 2016

⁵⁷ ABS Cat No.5206.0 Australian National Accounts: National Income, expenditure and product Dec 2016

Chart 3 – Contributions to GDP growth (ttv)



68. Business investment – measured as private gross fixed capital formation – decreased by 2.6% over the year to December 2016.⁵⁸ This has improved slightly after a contraction of 5.5% in the year to December 2015.⁵⁹
69. Notably, public investment grew 7.7% significantly outpacing private sector investment which increased by only 1.5% over the year to December 2016.⁶⁰ Of course it is not the public sector that pays the increases in minimum wages that arise from these reviews.
70. Significant disparities also exist in gross fixed capital formation across states. Laggard growth of 0.8% was observed in the most populous state of NSW, while a contraction of 1.4% was observed in QLD.⁶¹
71. Whilst dwelling construction improved 5.6% over the year to December 2016 in seasonally adjusted terms total non-dwelling construction contracted by 15.7% over the same period.⁶²
72. Across the economy new private business investment measured in chain volume contracted 5.5%, and in current prices decreased 5.9%.⁶³ This also favours caution in uprating minimum award wages at this time.
73. The states least affected by the declines in the terms of trade and the end of the mining boom, that is NSW and Victoria, have experienced the highest growth in business investment although this is concentrated around capital cities and a number of regional areas in these states continue to face very difficult conditions.

⁵⁸ ABS Cat No.5206.0 Australian National Accounts: National Income, expenditure and product Dec 2016

⁵⁹ ABS Cat.No.5206.0 Australian National Accounts: National income, expenditure and product Dec 2015

⁶⁰ ABS Cat No.5206.0 Australian National Accounts: National Income, expenditure and product Dec 2016

⁶¹ ABS Cat No.5206.0 Australian National Accounts: National Income, expenditure and product Dec 2016

⁶² ABS 5206.0 Australian National Accounts: National income, expenditure and product Dec 2016 p 24

⁶³ ABS Cat No.5206.0 Australian National Accounts: National Income, expenditure and product Dec 2016

74. In contrast, non-mining investment in QLD and WA has been weak and continues to remain uncertain. There are broadening disparities in economic performance across states, cities, and regional areas and this is also reflected in labour market outcomes.
75. The Panel's decision should be sensitive to these economic realities and that the performance of capital cities in two states does not lead to a higher increase than what is reasonable when considering conditions elsewhere.

3.3 Wage growth

76. The Australian Chamber maintains that trends in non-statutory private sector wage growth remain a key indicator of the strength of the labour market.
77. Growth in non-statutory private sector wages also reflects the market's response to factors such as productivity and business performance and the environment in which business operates.
78. The Wage Price Index (WPI) is the most appropriate indicator of wage growth because it controls for changes in the composition of the workforce. In contrast, average weekly ordinary time earnings (AWOTE) is affected by changes in the jobs that people do rather than how much is paid to those holding those jobs. Similarly, the average annualised wage increase (AAWI) in collective agreements does not take into account changes in other conditions or work practices that may have been exchanged for wage increases.
79. Private sector WPI should be also preferred to over headline WPI because the capacity of the public sector to grant wages increases is divorced from the capacity of private firms.
80. In its 2015-16 Annual Wage Review Decision the Panel found:

Each of the measures of wages reflects continued historically low aggregate wages growth. Over the year to December quarter 2015, the Wage Price Index (WPI) increased by 2.2 per cent and the average weekly ordinary time earnings (AWOTE) by 1.6 per cent. Bargaining outcomes, reflected in average annual wage increases (AAWI), grew by 3.0 per cent in December quarter 2015. Over the year to the December quarter 2015, nominal unit labour costs rose by 0.3 per cent seasonally adjusted and real unit labour costs increased by 0.9 per cent.⁶⁴

81. Private sector WPI continues to record new lows, with sustained weakness over several years. The latest WPI figures show wage growth is weaker than it was prior to the Panel's decision last year, falling from 2.0% in the year to December 2015 to a record low 1.8% in the year to December 2016.⁶⁵
82. Across 2016 it was generally the case that industries with high levels of award reliance had wages growth equal to or above the all Industries WPI growth rate of 1.8%, with wage growth rates bolstered by the Panel's 2016 decision to increase minimum rates by 2.4%.⁶⁶
83. The exception is education and training, a sector with high levels of public funding.⁶⁷

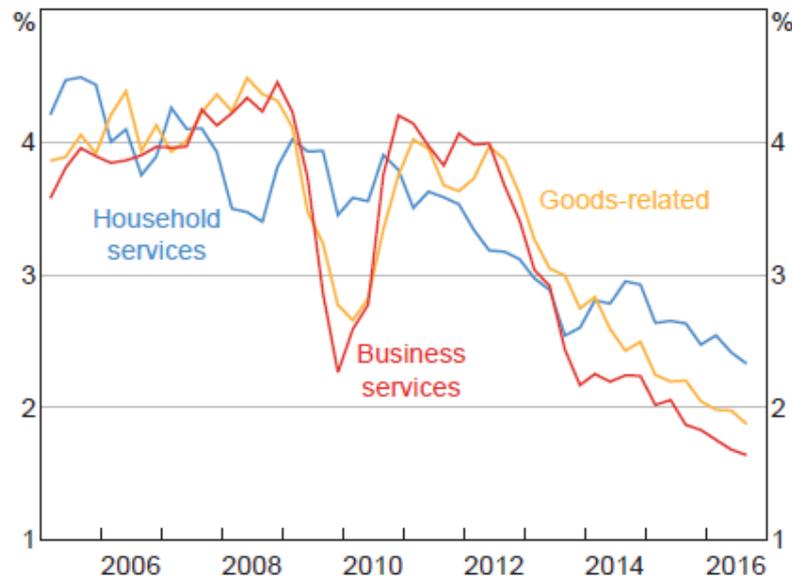
⁶⁴ [2016] FWCFB 3500 at [40].

⁶⁵ ABS Cat.No. 6345.0 - Wage Price Index, Australia, Dec 2016

⁶⁶ ABS Cat.No. 6345.0 - Wage Price Index, Australia, Dec 2016

84. This does not counter the Australian Chamber's submission that low private sector wage growth evidences a lack of capacity within the economy to significantly increase wage levels as increases in wages in award-reliant sectors would appear to have been a consequence of the Panel's decision as distinct from changes in the market. The higher than average WPI outcomes in minimum wage decisions and the connection between relatively higher wages growth in award reliant industries in the household services sector has also been noted by the RBA.⁶⁸ This trend stands in contrast the rate of wage growth in industries with low levels of award-reliance where wages growth has been comparatively slower for the past three years and where we are beginning to see very concerning increases in levels of award reliance.

**Chart 4 - Wage Price Index Growth
Goods related, Household and Business services⁶⁹**

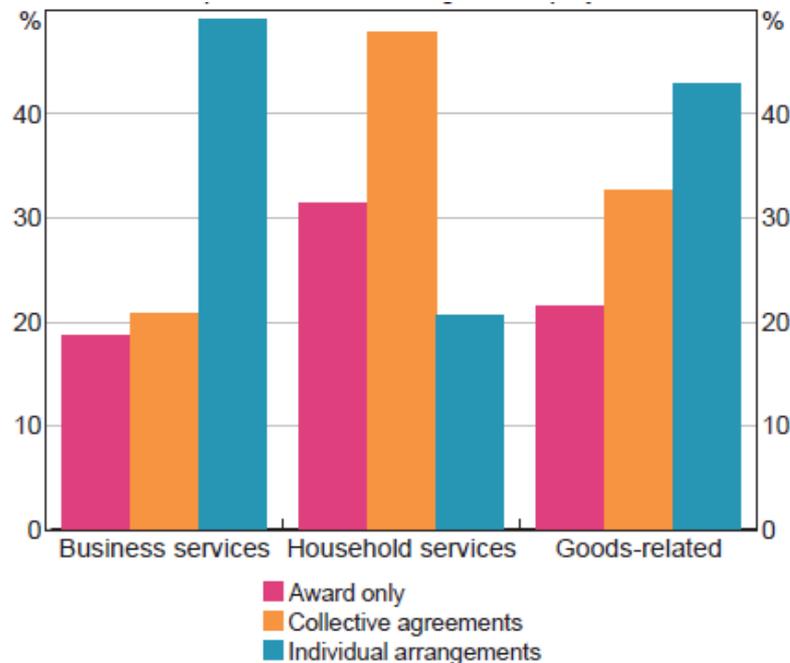


⁶⁷ ABS Cat.No. 6345.0 - Wage Price Index, Australia, Dec 2016

⁶⁸ RBA Statement February 2017 page 34

⁶⁹ RBA Statement February 2017

Chart 5 - Wage Setting Methods⁷⁰



85. Slower wages growth in comparison to the period of high wages growth during the mining boom is in part a consequence of the structural adjustment in the Australian economy.
86. Investment, productivity and growth is required across the broader economy if we are to create the economic gains needed to drive growth in wages (and jobs) into the future.
87. However this economic rebalancing is taking time and we are seeing uneven outcomes in sectors, states and regions in the economy.
88. This is reflected in labour market outcomes. While displaced employees move from jobs where demand in the economy was once strong and where their skills were in demand to roles in growth areas of the economy requiring lower skill levels but where they have an opportunity to be productive, these employees will experience a downward adjustment in their wages. This dynamic is also driving higher levels of unemployment among vulnerable groups reflecting increased competition for jobs in low skilled roles as explained earlier in this submission. While excess capacity remains, wage growth will be restrained.

3.4 Productivity and competitiveness

89. Productivity and unit labour costs can be an important consideration in determining the capacity of any firms to increase wages, but they need to be carefully interpreted.
90. In its 2015-2016 Annual Wage Review Decision the Panel found:

Over the five years to 2014-15, labour productivity growth in the market sector was higher than the five years prior.

⁷⁰ RBA Statement February 2017

Over the year to the December quarter 2015, GDP per hour worked fell by 0.4 per cent, following an unusually large increase in hours worked over that year. GDP per hour worked grew over each of the preceding four years. Gross value added (GVA) per hour worked for the market sector grew by 0.9 per cent over the past year.⁷¹

91. Labour productivity is often a core focus of some parties during the Annual Wage Review process. The implications of labour productivity for the capacity of firms to pay higher wages needs to be differentiated from the effect of statutory wage increases on productivity.
92. Labour productivity can only be meaningfully measured for the market sector of the economy because in industries dominated by the public sector there is no measurable output that can be compared against inputs.
93. Changes in the labour market influence labour productivity. When the labour market is strong and firms are keener to find new workers, they may employ less productive staff that they would not normally consider. On the other hand, when the labour market is weak, the least productive workers generally lose their jobs first. Increases in labour productivity because of such job losses are not supportive of higher wages, and may compound unemployment, particularly for vulnerable groups such as youth and the long term unemployed. This seems to be reflected in the current employment data.
94. Labour productivity is ultimately a ratio of output and hours worked. For labour productivity to improve, output needs to grow more quickly than hours worked. All the recent improvements in labour productivity have been accompanied by no or very weak growth in hours worked. For example, when labour productivity grew by 3.7% in 2012-13, hours worked fell 0.9%.⁷² This is not a sound foundation for a comparatively high level of minimum wage increase (i.e. exceeding those the Chamber commends in this submission).
95. Labour productivity can also be heavily affected by changes in capacity utilisation – for example, when a factory moves from producing at half capacity to producing at full capacity – or by major increases in investment. Labour productivity growth also does not control for the amount of capital used alongside an employee as part of the production process. Capital deepening (an increase in the amount of capital relative to labour) can occur through additional investment and it can also occur through reductions in hours worked. Productivity improvements for workers with a fixed stock of capital are however captured through multifactor productivity growth.
96. Growth in labour productivity has been substantially a function of capital deepening. Capital inputs have grown far more quickly than hours worked, with the capital labour ratio rising over 20% in the last 5 years and over 50% in the past 10 years.⁷³ Furthermore, capital inputs have grown far more quickly than hours worked.⁷⁴

⁷¹ [2016] FWCFB 3500 at [36].

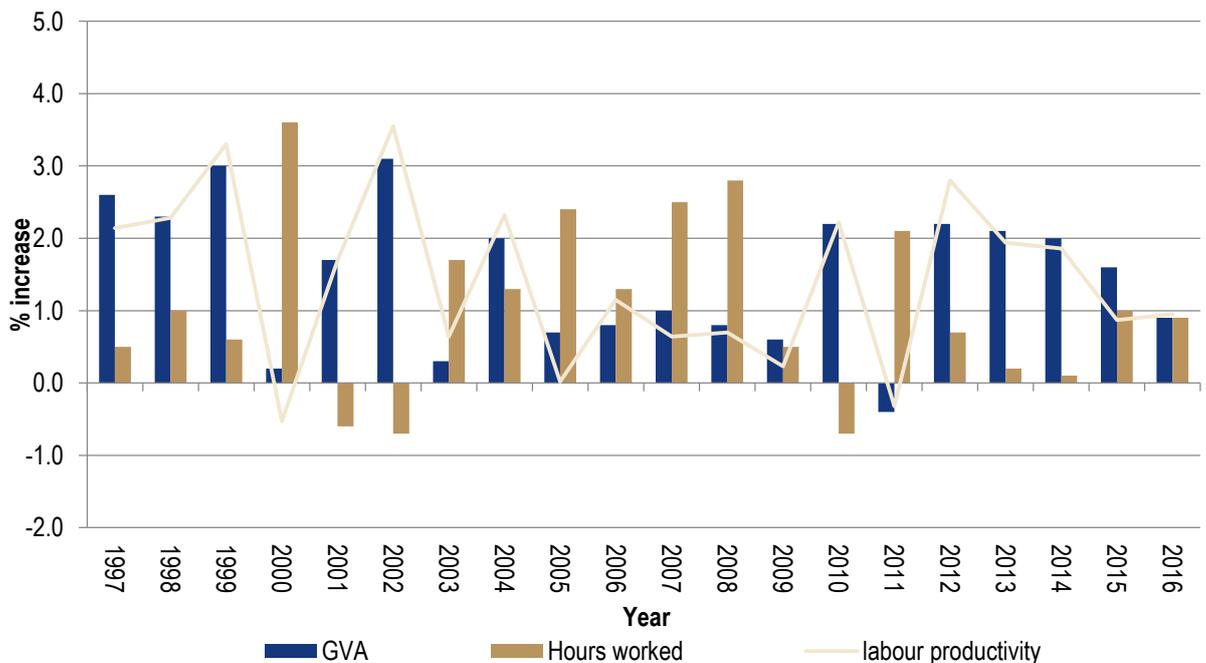
⁷² ABS Cat 5204.0 - Australian System of National Accounts, 2014-15

⁷³ ABS Cat 5260.0.55.002 - Estimates of Industry Multifactor Productivity

⁷⁴ ABS Cat 5204.0 - Australian System of National Accounts, 2015-16

97. Consumption of fixed capital increased by 2.96% from June 2015 to June 2016 while hours worked increased by 1.7% over the same period.⁷⁵ This trend is most pronounced over the past 5 years.⁷⁶ Fixed capital has increased by 18.6% while hours worked has increased by only 5.17%.⁷⁷ Capital productivity increased 0.1% to June 2016, the first annual increase recorded since June 2002.⁷⁸
98. While growth in labour productivity – measured as market sector gross value added per hour worked – was 1.6% in the year to December 2016 up from 0.9% in the year to December 2015,⁷⁹ for the reasons described above, it is important:
- To consider multifactor productivity as the more cogent measure of productivity.
 - For any analysis/consideration of productivity to focus on long-term trends rather than short-term movements.⁸⁰

Chart 6: Components of labour productivity



99. The Productivity Commission has also recently identified multifactor productivity, as distinct from labour productivity, as having delivered long-run economic growth.⁸¹
100. Yearly variation in multi-factor productivity can reflect changes in labour and capital (particularly improvements in the quality of capital and the skills of workers), as well as the application of new knowledge. In practice however, the residual is a function of a range of other factors and influences that are unrelated to quality improvement

⁷⁵ ABS Cat No 5260.0.55.002 - Estimates of Industry Multifactor Productivity, Australia

⁷⁶ ABS Cat No 5260.0.55.002 - Estimates of Industry Multifactor Productivity, Australia

⁷⁷ ABS Cat No 5204 - Australian System of National Accounts - 2015-16

⁷⁸ ABS Cat No 5260.0.55.002 - Estimates of Industry Multifactor Productivity, Australia

⁷⁹ ABS Cat No 5260.0.55.002 - Estimates of Industry Multifactor Productivity, Australia

⁸⁰ ABS Cat.No. 5204.0 - Australian System of National Accounts, 2015-16

⁸¹ Productivity Commission, 'Increasing Australia's future prosperity'. November 2016, p. 1.

101. In the short term, multi-factor productivity also reflects unexplained factors such as cyclical variations in labour and capital utilisation, economies of scale, and measurement error.⁸²
102. Multi-factor productivity growth grew 0.9% in 2015-16 marking the fifth consecutive year of un-interrupted MFP growth, and was the result of 2.4% increases in gross value added and a 1.5% increase in combined labour and capital inputs.⁸³ On the inputs side, capital services growth was stronger (+2.3%) than hours worked (+0.9%), while labour productivity recorded 1.5% growth for the year.⁸⁴
103. However Australia's current productivity growth still falls well short of the sustained, stronger productivity growth of previous decades. The Productivity Commission has also noted that since 2004 multi-factor productivity has stalled and that low wage growth and falling fixed capital investment suggest that a weak income outlook may persist past the decline in Australia's terms of trade.⁸⁵
104. Even returning to the much higher labour productivity growth of the 1990s would not be enough to maintain the per capita income growth Australia enjoyed in the 2000s given the drag from the declining terms of trade and ageing population over the next decade.
105. The Productivity Commission suggests that such circumstances indicate that "incentives to invest and so create the tools and training for the future are weak".⁸⁶ This is concerning for Australia's pipeline of skills and productive capacity and is reflected in continuing declines in apprenticeship commencements. While the Productivity Commission notes that there are still skills available for today's work environment that can be drawn down on for some time, "failure to develop polices most relevant to future productivity – and its outcome, higher income – will burden future generations with the eventual adjustment cost".⁸⁷ A regulatory and policy environment that does not incentivise investment in skills is something that the Panel should give careful consideration to in its assessment. A failure in skills investment now will have long run effects for Australia's prosperity.
106. Any over-inflated or adventurous uprating of minimum award wages threatens to negatively impact already depressed demand for apprentices and trainees.

3.5 Corporate stress

107. In its 2015-16 AWR Decision the Panel found:

There is no evidence of particular corporate stress. Business bankruptcy rates and business exit rates were at relatively low levels in 2014-15. Business bankruptcy rates in 2014-15 were at their lowest level for the past decade.⁸⁸

108. Business-related bankruptcies have increased since the time of the 2015-16 AWR Decision to 4,354 as at the year ending 2016, up from 4,043 as at December 2015.⁸⁹

⁸² (ABS, 2012)

⁸³ Productivity Commission, 'Increasing Australia's future prosperity'. November 2016, p. 1.

⁸⁴ Productivity Commission, 'Increasing Australia's future prosperity'. November 2016, p. 1.

⁸⁵ Productivity Commission, 'Increasing Australia's future prosperity'. November 2016, p. 1.

⁸⁶ Productivity Commission, 'Increasing Australia's future prosperity'. November 2016, p. 1.

⁸⁷ Productivity Commission, 'Increasing Australia's future prosperity'. November 2016, p. 1.

⁸⁸ [2016] FWCFB 3500 at [38].

109. From 2014-15 and 2015-16 there was a moderate increase in the business entry rate from 13.4% to 14.6% and a small change in business exit rate from 12.4% to 12.3%.⁹⁰
110. In its 2015-16 Annual Wage Review Decision the Panel acknowledged that small businesses are more award reliant than larger businesses and will be particularly affected by the changes in award rates of pay⁹¹. The Panel noted last year that “[b]usiness conditions for small businesses are harder than for large businesses, but this has been true for almost a decade and has not deteriorated recently”.⁹²
111. The Australian Chamber submits that the persistent difficulty in small business conditions provides even greater strength to the argument that constraint in wage setting is needed, in line with the requirement to acknowledge the special circumstances of small and medium sized businesses as required by the Act. This is particularly important given that small businesses are more acutely impacted by statutory wage increases and have higher levels of award reliance.
112. In its 2015-16 Annual Wage Review Decision the Panel also found that whilst there was a diversity of outcomes, award-reliant industries generally performed better than other industries and that the data did not suggest these industries faced a relatively difficult economic environment over 2015-2016.⁹³
113. However the survival rates of enterprises in award-reliant industries challenge this conclusion, and should not see it reached in 2017. While accommodation and food services had the highest entry rate at 19.2%, enterprises in this sector were also least likely to survive from June 2012 to June 2016, with a survival rate of just 53.3% across these years.⁹⁴
114. This finding is highly relevant as this is a predominantly award-reliant industry and a high exit rate suggests among other things, cost pressures are affecting the economic viability of businesses in this sector that pays award rates of pay. This favours a cautious uprating of minimum wages on this occasion, such as that recommended by the Australian Chamber.

3.6 Employment, participation and social inclusion

115. Section 284(1)(b) of the Act requires the Panel to take into account “promoting social inclusion through increased workforce participation”. In last year’s Annual Wage Review Decision, the Panel noted that in the 2012-13 Annual Wage Review Decision it had accepted the Australian Chamber’s submission that its consideration of “social inclusion” in the context of section 284(1)(b) of the Act was limited to workforce participation.⁹⁵
116. Despite low business investment, wage restraint is helping to prevent even higher levels of unemployment conditions as evidenced by the indicators below:

⁸⁹ Statistical Report – Annual Wage review 2016-17 ; Chart 3.4

⁹⁰ Statistical Report – Annual Wage review 2016-17 ; Chart 3.3

⁹¹ [2016] FWCFB 3500 at [47].

⁹² [2016] FWCFB 3500 at [47].

⁹³ [2016] FWCFB 3500 at [47].

⁹⁴ Statistical Report – Annual Wage review 2016-17 ; Chart 3.3

⁹⁵ [2016] FWCFB 3500 at [18], referring to [2013] FWCFB 4000 at [100]–[101].

Table 2 – Labour force indicators⁹⁶

Indicator	2016 decision	Contemporary
employment growth (%chg, tty) <small>April 2016 / February 2017</small>	2.1%	0.9%
growth in hours worked (%chg, tty) <small>April 2016 / February 2017</small>	-0.5%	-0.5%
unemployment rate <small>April 2016 / February 2017</small>	5.7%	5.9%
participation rate <small>April 2016 / February 2017</small>	64.8%	64.6%
youth unemployment rate <small>April 2016 / February 2017</small>	12.3%	13.3%
long-term unemployment ratio <small>April 2016 / February 2017</small>	23.5%	

117. In its 2015-16 Annual Wage Review Decision the Panel, stated that:

The increase in employment, the age adjusted participation rate and the employment to population ratio all point to improvements in the labour market. The absolute levels of these indicators are also quite favourable. The recent falls in unemployment, in long-term unemployment and in unemployment among youth are consistent with the picture of improved labour market conditions over the course of 2015 and into 2016. The award-reliant industries have had a mixed experience, with three of the five having healthy levels of increases in employment while the other two had falls.⁹⁷

118. The Panel did however note that:

In contrast to the generally strong labour market performance over the course of 2015...the reduction in hours worked recorded between December 2015 and April 2016 suggests some weakness in labour market conditions. The reduced hours worked in the first months of 2016 primarily reflects a decline in the average hours worked by full-time employees and, to a lesser degree, a continuing shift from full-time to part-time employment. This suggests that it is caused more by the ongoing changes in the structure of the economy and reduced pressures in the mining sector, rather than by some more general weakness in the demand for labour. Having regard to the reason for the decline in hours worked and the broader information about labour market conditions, we do not think that it seriously undermines the broader information about the labour market. Nonetheless, it is a relevant consideration we have taken into account in assessing labour market conditions and the broader economic circumstances.⁹⁸

⁹⁶ ABS Cat.No.6202.0 Labour Force, Feb 2017, Notes: Data listed under the column "2016 decision" references data that was available at the time of the 2015-16 decision and does not include any subsequent revisions made after 31 May 2016. Seasonally adjusted figures used where available.

⁹⁷ [2016] FWCFB 3500 at [41].

⁹⁸ [2016] FWCFB 3500 at [42].

119. Despite the Panel's optimism in the 2015-16 AWR regarding labour market conditions and outlook, in February 2017, the seasonally adjusted unemployment rate increased to 5.9%, with Queensland, South Australia, Western Australia and Victoria performing worse than the national average:

Table 3: Unemployment rate, states and territories⁹⁹

State	Seasonally adjusted	
	January	February
New South Wales	5.1%	5.2%
Victoria	5.8%	6.1%
Queensland	6.3%	6.7%
South Australia	6.4%	6.6%
Western Australia	6.4%	6.0%
Tasmania	5.6%	5.8%
Australia	5.7%	5.9%

120. This exceeds the 5.7% figure for April 2016 that was available to the Panel at the time of its previous decision.¹⁰⁰ Between January and February 2017 the unemployment rate increased in all states except Western Australia with the largest increases observed in Queensland (up 0.4%) and Victoria (up 0.3%).
121. The underemployment rate in seasonally adjusted terms has increased from 8.4% in February 2016 to 8.6% in February 2017.¹⁰¹ The participation rate remains at 64.6%.¹⁰²
122. Over the past year employment growth has stalled with the number of employed persons rising by only 0.8% over the year to February 2016, and most of this growth being in part-time employment which increased by 122 000 from February 2016 to February 2017, whilst full time employment fell by 21 200 persons over the same period in seasonally adjusted terms.¹⁰³ The largest decreases in employment were in Queensland (down 11,500 persons) and Western Australia (down 5,500 persons).¹⁰⁴
123. Since August 2016, the difference in employment growth between full-time and part-time employment has narrowed, with full-time and part-time employment increasing by 22 100 and 41 400 persons respectively.¹⁰⁵ 27 100 full time jobs were created in February 2017 while part-time employment decreased by 33 500 persons.¹⁰⁶

⁹⁹ ABS Cat.No.6202.0 Labour Force, Feb 2017

¹⁰⁰ ABS Cat.No.6202.0 Labour Force, Feb 2017

¹⁰¹ ABS Cat.No.6202.0 Labour Force, Feb 2017, Table 22

¹⁰² ABS Cat.No. 6202.0 Labour Force, Feb 2017

¹⁰³ ABS Cat.No. 6202.0 Labour Force, Feb 2017

¹⁰⁴ ABS Cat.No. 6202.0 Labour Force, Feb 2017.

¹⁰⁵ ABS Cat.No. 6202.0 Labour Force, Feb 2017

¹⁰⁶ ABS Cat.No. 6202.0 Labour Force, Feb 2017

124. Seasonally adjusted monthly hours worked in all jobs decreased by 20.5 million hours in February 2017, to 1 661.9 million hours.¹⁰⁷ Underlying compositional changes show a larger decrease in hours worked by full-time workers (19 million hours), than part-time workers (1.5 million).¹⁰⁸
125. The seasonally adjusted underemployment rate has increased from 8.3% in February 2016 to 8.7% in February 2017.¹⁰⁹ Underemployment is especially high in South Australia, Western Australia and Tasmania, all with rates above 10% in February 2017.¹¹⁰ Female underemployment in those states exceeds 12% in seasonally adjusted terms.¹¹¹
126. These labour market conditions indicate that there is ongoing and worsening spare capacity in our labour market, and that full time employment is becoming increasingly unaffordable. This is not a strong or acceptable labour market, and it should cause the Panel to constrain increases in statutory wages growth at this time to the reasonable level proposed by the Australian Chamber.
127. It is also important to take into account that some sections of the labour market are weaker than others, with long term unemployment and youth unemployment remaining a significant challenge (having failed to reverse the high levels of recent years). Of concern, youth unemployment has risen from 12.1% in February 2016 to 13.3% in February 2017.¹¹² The vulnerability of youth in the labour market can be better understood when data is further disaggregated to State and regional levels:

Table 4: Youth unemployment rate by state

	Unemployed Looked for full time work	Looked for part time work	Total	Unemployment rate %
State	'000	'000	'000	%
New South Wales	42.8	42.1	84.9	12.7
Victoria	41.1	34.5	75.6	13.9
Queensland	39.1	27.7	66.8	14.8
South Australia	14.7	9.3	24.0	16.1
Western Australia	23.8	13.0	36.8	15.6
Tasmania	4.1	2.4	6.5	14.4
Northern Territory	1.4	0.2	1.6	7.2
ACT	2.6	2.3	4.9	13.0
Australia	169.6	131.5	301.1	14.0

¹⁰⁷ ABS Cat.No. 6202.0 Labour Force, Feb 2017

¹⁰⁸ ABS Cat.No. 6202.0 Labour Force, Feb 2017

¹⁰⁹ ABS Cat.No. 6202.0 Labour Force, Feb 2017

¹¹⁰ ABS Cat.No. 6202.0 Labour Force, Feb 2017

¹¹¹ ABS Cat.No. 6202.0 Labour Force, Feb 2017

¹¹² ABS Cat.No. 6202.0 Labour Force, Feb 2017

Table 5: 20 Regions With Highest Youth Unemployment - February 2017¹¹³

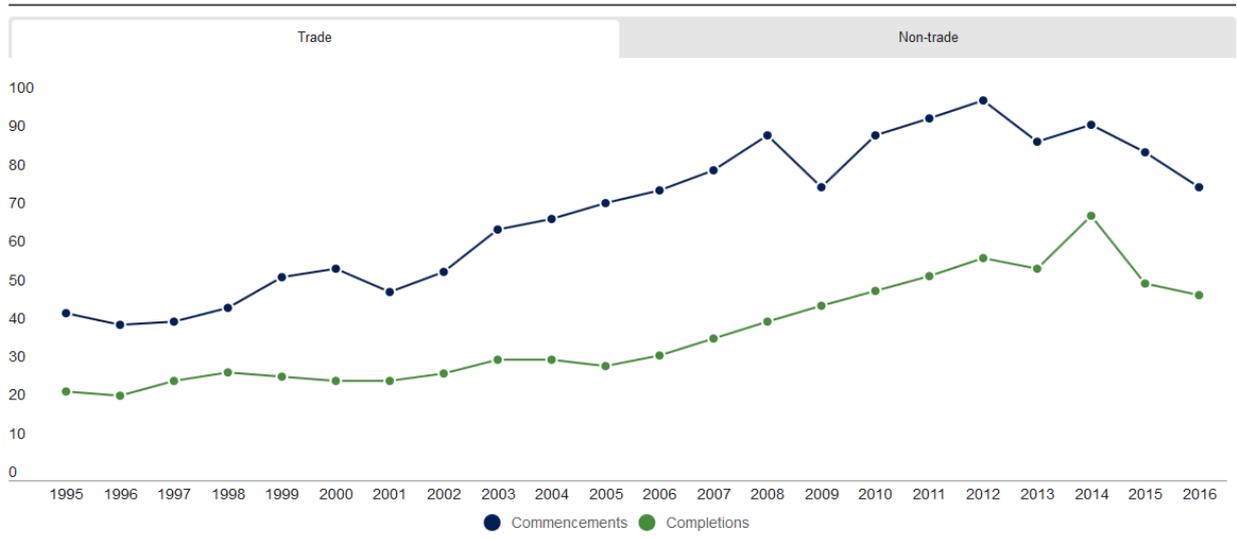
	Youth unemployment	Unemployment
QLD – Outback	33.9	2.3
QLD – Wide Bay	24.6	9.6
QLD – Cairns	23.4	9.6
NSW – Southerland Highlands and Shoalhaven	23.2	7.0
QLD – Townsville	21.9	10.6
QLD – Brisbane East	20.6	8.6
NSW – Mid North Coast	20.2	6.3
TAS – Launceston and North East	20.1	7.0
NSW – Far West and Orana	19.7	1.9
SA – Adelaide North	19.0	7.8
WA – Mandurah	18.8	7.7
NSW – Sydney Ryde	18.6	6.7
VIC - Melbourne South East	17.6	6.8
WA – Wheat Belt	17.3	7.0
VIC – Melbourne North West	17.3	8.5
TAS – South East	17.2	9.0
SA – Adelaide West	16.3	8.7
NSW – Sydney Parramatta	15.8	8.0
NSW – New England and North West	15.7	7.0
VIC – Melbourne North East	15.7	6.2

¹¹³ Source: Department of Employment 'Unemployment Rate by Labour Force Region' January 2017

128. Relatedly, NCVER data shows that the number of apprenticeship and traineeship commencements in the 12 months ending 30 September 2016 was 169,700 representing a decrease of 3.8% from the previous 12 month period.¹¹⁴ This decrease was seen across all states and territories except New South Wales (up 3.1%), Northern Territory (up 1.0%) and Australian Capital Territory (up 28.3%).¹¹⁵

Chart 7¹¹⁶

Commencements and completions in 12 months ending 30 June by occupation (trade and non-trade), 1995-2016 ('000)



129. The effects of Australia’s patchwork economy are being reflected in the labour market outcomes and exacerbated among groups vulnerable in the labour market.

130. In the year to December 2016, state final demand grew by 4.1% in NSW and 3.4% in Victoria.¹¹⁷ In contrast WA state final demand contracted by 7.8% as business investment activity decreased, while Queensland only grew by 1.8%.¹¹⁸ The difference is more clearly illustrated in terms of jobs growth. Victoria added over 95,000 jobs in the year to February 2017 (over the previous year), while NSW performed strongly also, adding a touch over 60,000 jobs.¹¹⁹

131. In contrast, South Australia, the ACT and NT produced minimal gains, while Tasmania, Queensland and Western Australia fell. Victoria and NSW are now attracting interstate residents, as people move from the more difficult employment conditions of Western Australia and South Australia, in particular.¹²⁰

¹¹⁴ NCVER, Australian vocational education and training statistics, September quarter 2016, Table 16.

¹¹⁵ NCVER, Australian vocational education and training statistics, September quarter 2016, Table 16.

¹¹⁶ Source: <https://www.ncver.edu.au/data/data/infographics/historical-time-series-of-apprenticeships-and-traineeships-in-australia>. Trade data pictured.

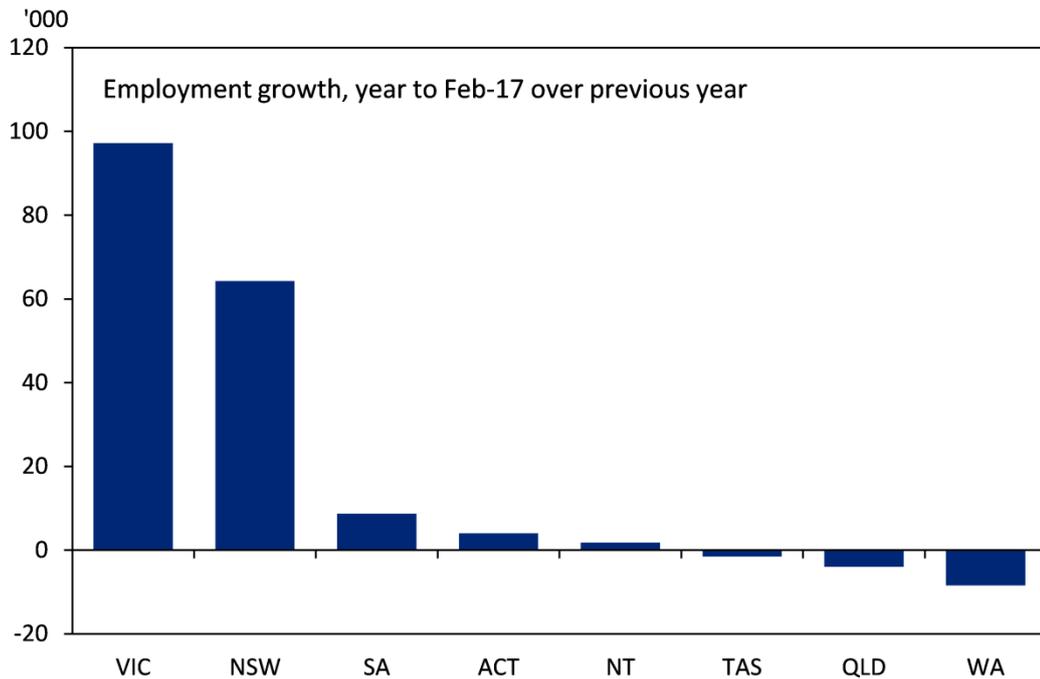
¹¹⁷ ABS Cat.No. 5206.0 - Australian National Accounts: National Income, Expenditure and Product, December 2016

¹¹⁸ ABS Cat.No. 5206.0 - Australian National Accounts: National Income, Expenditure and Product, December 2016

¹¹⁹ ABS Cat.No.6202.0 - Labour Force, Australia, Tables 5 and 6.

¹²⁰ ABS Cat.No.6202.0 - Labour Force, Australia, Tables 5 and 6.

Chart 8: Employment growth by state



132. These factors should be given significant weight by the Panel. Minimum wage increases beyond those which are affordable by firms or beyond a person's productive capacity will necessarily have a disproportionate impact on those most vulnerable in the labour market, and we see that a number of labour markets are already very difficult for those seeking work, those seeking to maintain work, and those seeking additional hours of work.
133. At the time of this AWR current labour market conditions, particularly slower employment growth and evidence of spare capacity in the labour market, provide a strong basis for moderation and restraint in uprating minimum wages.

3.7 Outlooks and Forecasts

134. GDP growth is expected to pick up over 2017 to 2.5%-3.5%, supported by low interest rates, the diminishing drag on growth from falling resource investment and rising resource exports (RBA, 2017).¹²¹
135. Increased demand for LNG exports are projected to add approximately 0.5% point to GDP growth in 2017, however, overall growth is not expected to be sufficient to generate a significant decline in the unemployment rate over the forecast period.¹²²
136. World economic growth is expected to increase slightly while growth in our major trading partners is expected to increase by 4% in 2017-18, down from 4.2% in 2015 and up slightly from last year.¹²³

¹²¹ RBA Statement on Monetary Policy, Overview, Feb 2017

¹²² RBA Statement on Monetary Policy, Overview, Feb 2017

¹²³ Australian Government, Mid-Year Economic and Fiscal Outlook 2016-2017,

Table 6: Mid-Year Economic and Fiscal outlook¹²⁴

	2015 Outcomes	2016 Forecasts	2017 Forecasts	2018 Forecasts
World	3.2	3	3.25	3.5
Major trading partners	4.2	3.75	4	4

Table 7: IMF World Economic Outlook¹²⁵

	2015 Estimates	2016 Forecasts	2017 Forecasts
Australia	2.4	2.9	2.7
Advanced Economies	2.1	1.6	1.8
World	3.2	3.1	3.4

137. It is worth noting that the Australian economy is falling short of expectations. The IMF forecast Australia to grow by 2.9% in 2016, however this fell short with 2.4% growth observed. Forward growth estimates also suggest Australia's economic growth will again be less than anticipated in 2017. Both Treasury and the RBA downgraded their medium term GDP growth forecasts.
138. This is significant, and points a weaker and more susceptible Australian economy, with significant spare capacity, than was assessed 12 months ago. The Panel should be mindful of this as a further factor warranting caution and moderation in uprating minimum wages.

¹²⁴ Australian Government, Mid-Year Economic and Fiscal Outlook 2016-2017, p.2-8

¹²⁵ IMF, World Economic Outlook, October 2016

**Table 8: Mid-year Economic and Fiscal Outlook 2016-17,
Domestic economy forecasts, disaggregated¹²⁶**

	Outcomes	Forecasts ¹²⁷	
	2015-16	2016-17	2017-18
Real gross domestic product	2.7	2	2.25
Household consumption	2.9	2.75	3
Dwelling investment	10.8	4.25	0.5
Total business investment	-10.4	-6	0
Mining investment	-27.5	-21	-12
Non-mining investment	1.2	1.5	4.5
Private final demand	0.8	1	2.5
Public final demand	3.4	3	2.25
Change in inventories	-0.1	0	0
Gross national expenditure	1.3	1.75	2.25
Exports of goods and services	6.7	5.5	5
Imports of goods and services	-0.3	2	3
Net exports	1.4	0.75	0.5
Nominal gross domestic product	2.3	5.75	3.75
Prices and wages			
Consumer price index	1.0	1.75	2
Wage price index	2.1	2.25	2.5
GDP deflator	-0.3	3.75	0.75
Labour market			
Participation rate (%)	64.8	64.5	64.5
Employment	1.9	1.25	1.5
Unemployment rate (%)	5.7	5.5	5.5
Balance of payments			
Terms of trade	-10.2	14	-3.75
Current account balance (per cent of GDP)	-4.5	-1.25	-2

139. The figures in Table 8 show that non-mining business investment increased by 1.2% in 2015-16 and is forecast to improve marginally to 1.5% over 2016-17.

140. The figures also suggest that the recent uptrend in the terms of trade will be short lived.

¹²⁶ Source: Australian Government, Mid-Year Economic and Fiscal outlook 2016-17, Canberra, p.2-11

¹²⁷ Note: The forecasts for the domestic economy are based on several technical assumptions. The exchange rate is assumed to remain around its recent average level – a trade-weighted index of around 65 and a US dollar exchange rate of around 75 US cents. Interest rates are assumed to move broadly in line with market expectations. World oil prices are assumed to remain around US\$49 per barrel.

- a) Percentage change on preceding year unless otherwise indicated
- b) Calculated using original data unless otherwise indicated
- c) Excluding second-hand asset sales from the public sector to the private sector
- d) Percentage point contribution to growth in GDP
- e) Through-the-year growth rate to the June quarter
- f) Seasonally adjusted, through-the-year growth rate to the June quarter
- g) Seasonally adjusted rate for the June quarter

Table 9: RBA economy forecasts, growth rates¹²⁸

	Dec-16	Jun-17	Dec-17	Jun-18	Dec-18	Jun-19
GDP growth	2	1.5-2.5	2.5-3.5	2.5-3.5	2.75-3.75	2.75-3.75
Unemployment	5.8	5.75	5-6	5-6	5-6	5-6
CPI inflation	1.5	2	1.5-2.5	1.5-2.5	1.5-2.5	2-3
Underlying inflation	1.6	1.75	1.5-2.5	1.5-2.5	1.5-2.5	2-3

141. The Panel has maintained over successive reviews that there is a primary focus on actual data rather than forecasts as it is considered more reliable”.¹²⁹ However, to the extent that forecasts are considered, the Panel does this in the context of the immediate future year.¹³⁰ Given ongoing uncertainty and recent volatility in GDP growth the Australian Chamber encourages the Panel to treat forecast data with caution, and as warranting caution, in approaching the 2016-17 AWR and the uprating of minimum wages.

¹²⁸ RBA, Statement on Monetary Policy, February 2017, table 6.1

¹²⁹ [2016] FWCFB 3500 at [190].

¹³⁰ [2016] FWCFB 3500 at [203].

4 Living standards and the needs of the low paid

142. The Australian Chamber maintains that minimum wage uprating should be approached as a 'safety net', as reflected in the modern awards and minimum wages objectives, and should not be approached as a tool for income redistribution.
143. As consistently noted by the Panel, its task involves a broad exercise of judgement weighing up economic as well as social and bargaining related considerations. The Australian Industrial Relations Commission (AIRC) previously firmly rejected submissions that award rates should somehow attempt to match or chase market rates, or bargaining outcomes, an approach we say should be maintained.
144. In the 2005 Safety Net Review Decision, the AIRC stated:

[384] The Commonwealth rejected the ACTU's submission that there should be an appropriate nexus between average award movements and average movements in the WPI. It reiterated the position it has put in other safety net reviews that market rates and movements in earnings should not be the basis for safety net adjustments. In the alternative it submitted that if movements in market rates are to be taken into account, comparison should be limited to the WPI.

[385] In relation to these submissions we accept that the statutory concept of an award safety net requires that there be a separation between minimum rates and agreement rates and that bargained wage outcomes should not be transmitted through the award system. The Commission has also previously accepted, as the Commonwealth also pointed out, that the WPI is the most useful indicator for our purposes.¹³¹

145. In its 2001 national wage case decision, the AIRC crucially articulated the limitations of its role in determining outcomes actually affecting the capacity of the low paid to meet their needs and expenditures:

[125] As noted in previous decisions the statutory scheme does not give to the Commission a supervening social welfare responsibility either for incomes generally or their distribution. The scheme regulates wages and conditions of employment and requires the adjustment of the minimum wages safety net contained in awards having regard to particular considerations. The information about income levels and distribution provided by the parties is informative of Australian living standards. However, it must be taken into account having regard to the limited nature of our task and statutory responsibilities.¹³²

146. While these decisions were made under a different statutory context, they remain relevant to the consideration of both the need to encourage collective bargaining and the relative living standards and the needs of the low paid.

¹³¹ [Safety Net Review – Wages June 2005 \[PR002005\] – 7 June 2005](#)

¹³² [Safety Net Review – Wages May 2001 \[PR002001\] – 2 May 2001](#)

147. The focus on the low paid in the contemporary minimum wage setting objectives further weighs against setting wages with reference to the wages of higher income earners.
148. In considering the most appropriate mechanisms to provide incomes to the lowest paid in the community, consideration also needs to be given to the interaction between minimum wages, taxes and social security transfers.
149. The Productivity Commission recently considered the position of low paid workers in Australia in the context of the longer term, observing that:

...unlike many OECD countries, income growth in Australia has still been strong for the lowest income households from the mid-1980s to the later 2000s (OECD 2011, p. 23). Indeed, the growth rate for the poorest households in Australia exceeded that of the highest-income households in most OECD countries (testimony to Australia's much higher income growth generally).¹³³

150. The Productivity Commission noted that the extent to which the dividends of economic growth are shared depends on structural changes in the economy.¹³⁴ It noted in this context that productivity growth was key in providing capacity for higher income and poverty alleviation, including through providing a 'bigger cake' through which transfers can be funded.¹³⁵ It also noted the role of policies related to the tax/transfer system, skill formation and labour market efficiency in managing labour market transitions and re-distributing incomes.¹³⁶
151. The complex interaction of policies in these areas should not be understated and importantly, minimum wage fixation should not be seen as a tool to achieve income redistribution. Approaching minimum wage uprating as a potential remedial measure for income disparity would have very damaging consequences for those minimum wages are designed to benefit, and their current and potential employers. Such an approach risks damaging the employment prospects of the most vulnerable in our labour market, particularly if minimum wage fixation results in a requirement to pay a minimum wage that exceeds their productive capacity.

4.1 The approach of the Panel

152. The Australian Chamber acknowledges that conceptual challenges and data gaps mean that relative living standards and the needs of the low paid are difficult criteria to interpret and apply. However, we say that such data gaps should cause the Panel to approach this consideration with particular caution, particularly where the data that is available relating to other considerations heavily favours moderation and caution in uprating minimum wages.
153. Furthermore, we recall that relative living standards should extend to consideration of the wellbeing and living standards of those in work, the underemployed and unemployed.

¹³³ Productivity Commission, 'Increasing Australia's future prosperity'. November 2016, p. 4.

¹³⁴ Productivity Commission, 'Increasing Australia's future prosperity'. November 2016, p. 4.

¹³⁵ Productivity Commission, 'Increasing Australia's future prosperity'. November 2016, p. 4.

¹³⁶ Productivity Commission, 'Increasing Australia's future prosperity'. November 2016, p. 4.

154. Thus, consideration of relative living standards should be recognised as a complex matter and to not simplistically weigh in favour of inflating minimum wage increases on each occasion.
155. The Australian Chamber appreciates the Panel's efforts to clarify its approach to this consideration in last year's decision. The 2015-16 Annual Wage Review Decision the Panel stated:

[55] The assessment of the needs of the low paid requires an examination of the extent to which low-paid workers are able to purchase the essentials for a "decent standard of living" and to engage in community life, assessed in the context of contemporary norms.

[56] We accept that adult award-reliant employees who receive a rate of pay that (as a full-time equivalent) is below two-thirds of median (adult) ordinary time earnings provide an appropriate and practical benchmark for identifying who is low paid. Whilst no specific conclusion is available, the information as a whole, suggests that a sizeable proportion—probably a majority—of employees who are award reliant are also low paid by reference to the two-thirds of median weekly earnings benchmark.¹³⁷

156. In its 2015-16 Annual Wage Review Decision the Panel also found:

[54] The assessment of relative living standards requires a comparison of the living standards of workers reliant on the NMW and modern award minimum wage rates with those of other groups deemed to be relevant.¹³⁸

157. In this regard, it is important to note that award and agreement covered employees are only one part of the Australian labour market. Executives, professionals, specialists, managerial and other non-award employees are remunerated via both wage and non-wage components. Labour markets for specialist and senior staff are increasingly competitive at both the domestic and global levels. This can create disparity between executive and non-executive salaries. While a debate continues in Australia regarding the appropriate levels of executive salaries, atypical, very high paying roles should not be the benchmark for assessing relative living standards.
158. In its consideration of which groups are considered relevant, the Panel found that this would include non-managerial employees but not pensioners or small business owners.¹³⁹

4.2 Recent considerations

159. In its 2015-16 Annual Wage Review Decision the Panel noted that relatively low growth in wages is a relevant consideration because of its bearing on living standards and the needs of the low paid.¹⁴⁰

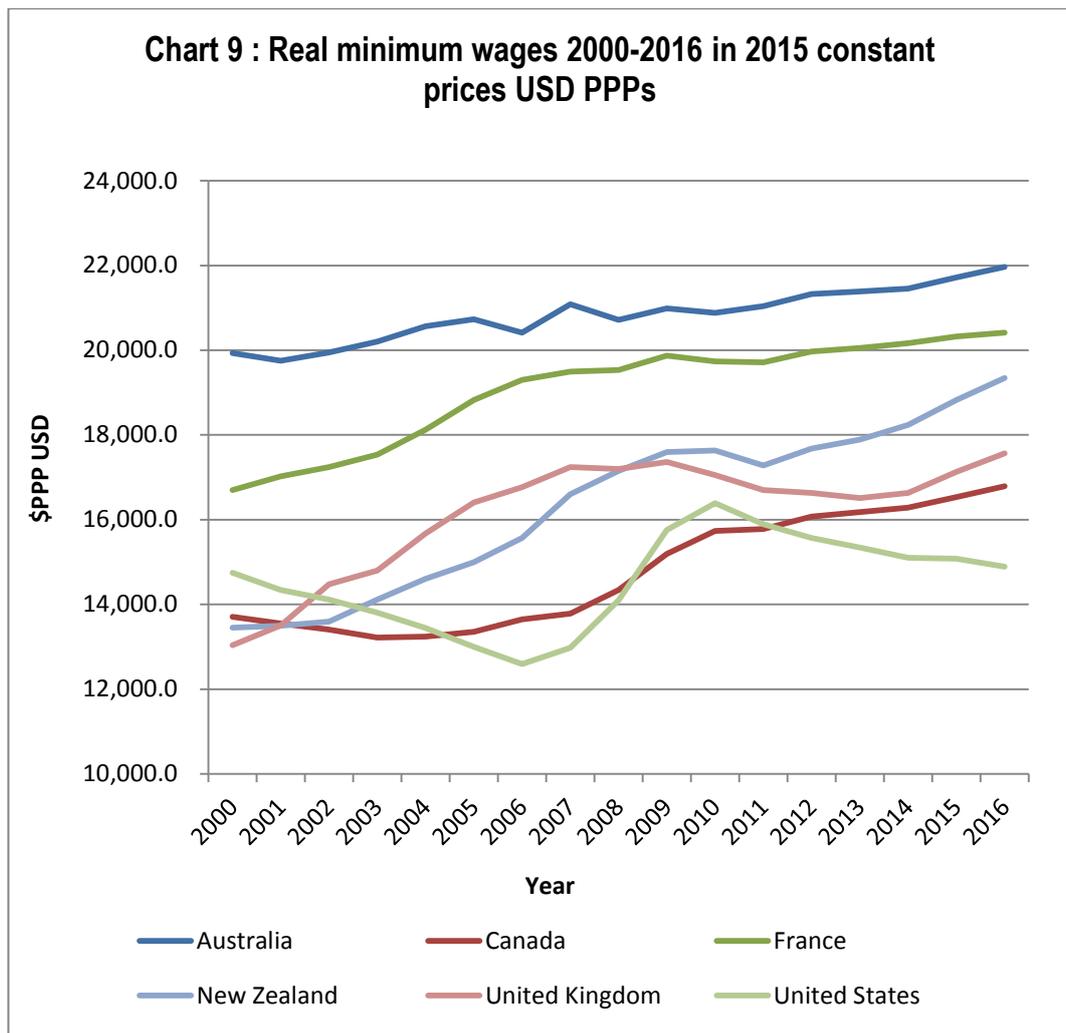
¹³⁷ [2016] FWCFB 3500 at [55] – [56].

¹³⁸ [2016] FWCFB 3500 at [54].

¹³⁹ [2016] FWCFB 3500 at [54].

¹⁴⁰ [2016] FWCFB 3500 at [52].

160. However the Panel noted the fall in aggregate wages growth to historically low levels and that this was contributing to the process of adjusting to the downturn in the terms of trade.¹⁴¹ The Australian Chamber therefore encourages the Panel to apply significant caution in its consideration of any arguments that increases to the NMW and award wages should be applied as a mechanism stimulate inflation, wages growth and consumption. This approach would not accord with the statutory considerations or economic logic, and it would cause considerable harm to employers (particularly smaller employers), employees, the unemployed and underemployed.

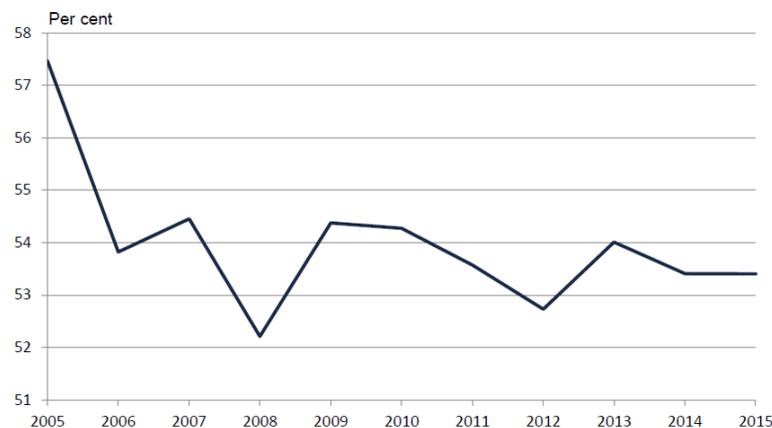


161. The Australian Chamber continues to urge the Panel to give greater weight to comparisons of Australia’s NMW with those in other developed nations as well considering the effect of the overarching system of modern award wages which in effect create a much floor of minimum wages than the NMW.

¹⁴¹ [2016] FWCFB 3500 at [51].

162. Australia continues to have one of the highest minimum wages in the world relative to the average worker, and the higher rates imposed by the award system further increase the disparity, and negatively impact Australia's competitiveness.¹⁴²
163. The minimum acceptable relative living standard is fundamentally subjective (albeit capable of being measured objectively in a comparative sense), so the choices made by comparable countries may be relevant benchmarks.
164. It is also worth noting that relative living standards of award-reliant employees and the capacity of the low paid to meet their needs have improved in recent years.
165. Over the last year, the 2.4% increase the Panel provided to those on award wages compares to 1.9% WPI growth and 1.6% growth in average weekly earnings against a backdrop of low inflation.
166. In its 2015-16 Annual Wage Review Decision the Panel noted that:
- [59] Award rates have grown more slowly over the decade than all other measures of average pay—AWOTE, average weekly earnings (AWE) and the WPI—although growth in the C14 rate has remained close to that of the WPI. Divergence between award rates and average wages has narrowed more recently, reflecting reduced growth in the AWOTE, AWE and the WPI and recent decisions of the Panel.¹⁴³*
167. The ratio of C14 to median earnings in main jobs has remained unchanged at 53.4%.¹⁴⁴ Average weekly earnings, which also takes into account compositional changes, increased 1.6%¹⁴⁵ over the year to November 2016.¹⁴⁶
168. Chart 10 shows that C14 rate relative to the median weekly earnings of full-time employees has remained relatively stable since 2006.

Chart 10: C14 rate relative to median weekly earnings of full-time employees in main job, 2005 to 2015¹⁴⁷



¹⁴² OECD Stat: <https://stats.oecd.org/Index.aspx?DataSetCode=RMW>

¹⁴³ [2016] FWCFB 3500 at [59].

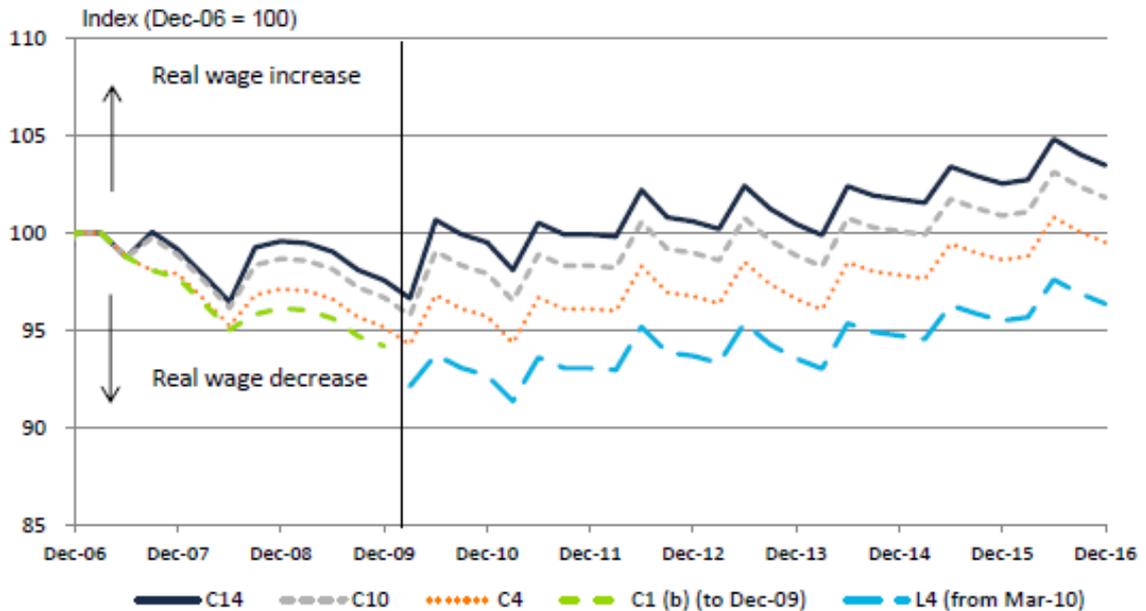
¹⁴⁴ Statistical Report – Annual Wage review 2016-17 'Relative living standards'

¹⁴⁵ All employees average weekly total earnings

¹⁴⁶ ABS Cat.No. 6302.0 Average Weekly earnings, Australia Nov 2016

¹⁴⁷ Statistical report—Annual Wage Review 2016–17, Chart 8.3, p.44

Chart 11: Real wages and the cost of living¹⁴⁸



169. Chart 11 shows that C14 has experienced a relative real wage increase since 2009 following a relative decline in the 2006-2009.
170. As noted above, both needs and living standards can only be measured at the household level, after taking into account household composition, other sources of income, and the tax and transfer system.
171. This is significant because when household circumstances are taken into account, the average living standards of low-paid and award-reliant workers are much closer to the average living standards for all households. The Panel has previously acknowledged the Australian Chamber's proposition that particular attention should be given to the actual circumstances of low paid and award-reliant households.

[409] We accept, as we have in the past, that the relative living standards of award-reliant employees are affected by the level of wages that they earn, the hours they work, tax-transfer payments and the circumstances of the households in which they live. We also accept that increases in minimum wages are a blunt instrument for addressing the needs of the low paid and other instruments are required to assist in the task of ensuring that every employed family, whatever their composition, has sufficient income to meet their material need.¹⁴⁹

172. Consistent with this, the Panel has acknowledged that many of those in low-income households are not facing financial stress.¹⁵⁰

¹⁴⁸ Statistical report – Annual Wage Review 2016-17 'Real wages and the cost of living'

¹⁴⁹ [2016]FWCFB 3500, p.93

¹⁵⁰ [2015] FWCFB 3500 para 396

173. Table 10 shows that as few as 1% of all households (award reliant and non) experience high financial stress. Also as few as 1% sought assistance from welfare/community organisations.
174. Table 10 also shows generally stable levels of relative financial stress in the community. Whilst they should be addressed, such low levels of acute financial stress befit a highly developed economy such as Australia's, and underscore the veracity of other measures, beyond minimum wages in addressing such concerns.

**Table 10: Financial stress experienced by employee households:
both partners, lone parent, or lone person reporting stress¹⁵¹**

Financial stress indicators	2011 (%)	2012 (%)	2013 (%)	2014 (%)	2015 (%)
Unable to raise \$3000 in a week for something important	5.9	5.3	4.5	5.0	5.1
Could not pay electricity, gas or telephone bills on time	9.0	8.5	7.8	8.2	8.1
Could not pay the mortgage or rent on time	4.7	3.8	3.6	3.5	3.4
Pawned or sold something	2.4	1.9	2.1	2.0	2.3
Went without meals	1.9	1.3	1.5	1.7	1.7
Could not afford to heat home	2.0	1.6	1.1	1.3	1.7
Sought assistance from welfare/community organisation	1.5	1.2	1.0	1.1	1.0
Sought financial help from friends or family	8.2	7.8	6.8	7.7	7.2
Any stress	17.5	16.4	14.9	15.9	15.8
Low stress (1–2)	12.4	12.5	11.3	12.0	12.4
Moderate stress (3–4)	3.8	3.0	2.7	3.1	2.4
High stress (5 or more incidences of financial stress)	1.2	0.9	0.8	0.8	1.0
Observations	4780	4732	4703	4795	4769

175. Table 11, overleaf, shows minor variation in the percentage of child care related costs between award-reliant employees and non-award-reliant employees
176. The total proportion of employees' weekly gross wages for award reliant employees was reported as 18.3 % while non-award employees was 17.5%.
177. The Australian Chamber urges the Panel to give explicit weight to the evidence presented by the Australian Government last year showing that most low paid workers are not in low-income households.¹⁵²

¹⁵¹Statistical report—Annual Wage Review 2016–17, p.47

¹⁵² Australian Government 2014-15 Annual Wage Review Submission, pg. 58-59

Table 11: Average weekly cost of work-related child care for employees reporting cost of work-related child care greater than zero, method of setting pay and caring responsibilities¹⁵³

	Average weekly cost of work-related child care	Average portion of employees' own weekly gross wages (%)
Award-reliant employees		
Sole carers	138.57	Np
Primary carers	127.19	20.8
Other carers	148.79	15.9
Total	138.29	18.3
Non award-reliant employees		
Sole carers	155.90	15.2
Primary carers	200.83	22.7
Other carers	194.76	15.9
Total	193.67	17.5

178. Genuine disadvantage is also multidimensional. Hahn and Wilkins argue that the genuinely disadvantaged must be low-income, low wealth and low consumption.¹⁵⁴
179. Using HILDA data from 2006 they find that only 6% of low paid workers are in households that meet all three of these criteria, where low-income, low wealth and low consumption is defined as less than 60% of the median, and low paid is defined as less than 120% of the minimum wage.¹⁵⁵
180. There is substantial data on the household characteristics of the lower paid, but data on the household characteristics of award-reliant workers is more limited.
181. The Australian Chamber commends the Panel for using the AWRS dataset to provide some information on the household characteristics of award-reliant workers.¹⁵⁶
182. We are not aware of any publicly available data on the distribution of employees between sole, main and secondary income earner status.

¹⁵³ Statistical report – Annual wage review 2016-17 Table 12.1

¹⁵⁴ Hahn and Wilkins, A Multidimensional Approach to Investigation of Living Standards of the Low-Paid: Income, Wealth, Financial Stress and Consumption Expenditure, November 2008

¹⁵⁵ Hahn and Wilkins, A Multidimensional Approach to Investigation of Living Standards of the Low-Paid: Income, Wealth, Financial Stress and Consumption Expenditure, November 2008

¹⁵⁶ 2015-16 Annual Wage Review Statistical Report, Table 8.4

183. However, if award-reliant workers tend to have lower incomes, all things being equal they are also more likely to be secondary income earners.
184. Splitting award-reliant workers into low and high-income workers would shed some light on this issue, but given the small size of the existing sample, further decomposition could also introduce significant error.
185. Absent further evidence, the overall conclusion should be that the typical households of award-reliant workers have higher living standards relative to other workers than the headline or nominal differences in pay would imply.
186. Rather than focusing on the living standards of all award-reliant workers, who may often live in relatively affluent households, the Panel should give greater emphasis to promoting social inclusion through workforce participation. As indicated unemployment and underemployment generate the most acute levels of relative disadvantage, and in 2017 they are at very concerning levels.
187. The award-reliant households with the lowest relative living standards are likely to be those who marginally attached to the labour market. Similarly, those who are not award-reliant because they are not currently employed should not be ignored in the Panel's analysis.

4.3 Inflation

188. Low levels of inflation are relevant to the consideration of the needs of the low paid as they are alleviating, at least to some extent, living cost pressures. This is because the needs of the low paid, in absolute terms, can be better met where there are lower rates of growth in living costs.
189. In the current environment, living costs are growing at a very low rate (1% in the December quarter *ttt*)¹⁵⁷ creating a context in which lower minimum wage increases are able to deliver improvements in the living standards of award reliant employees equivalent in magnitude to improvements effected when higher increases were awarded in previous years where inflation was higher. Again this favours caution and moderation in uprating minimum wages.
190. In its 2015-2016 Annual Wage Review Decision the Panel found:

*All measures of inflation remain at historically low levels. The headline Consumer Price Index (CPI) rose by 1.3% , underlying inflation increased by 1.5% (average of the trimmed and weighted mean) and the Living Cost Index (LCI) for employee households increased by 1.1% over the year to the March quarter 2016.*¹⁵⁸
191. In March 2016, CPI recorded negative growth of 0.2%.¹⁵⁹ This is the first time inflation went backwards since the height of the GFC in December 2008. A low inflationary environment has persisted over the year to the December quarter with:

¹⁵⁷ 2015-16 Annual Wage Review Statistical Report, Section 4.

¹⁵⁸ [2016] FWCFB 3500 at [39].

¹⁵⁹ ABS Cat No.6401.0 - Consumer Price Index, Australia, Dec 2016

- a. CPI increasing by 1.5%, down from 1.7 % across the same period last year and below the RBA's target range of 2-3%.¹⁶⁰
- b. Underlying inflation increasing by only 1.6% (down from 2% across the same period last year).¹⁶¹
- c. The LCI increasing by 1% (down from 1.1% across the same period last year). Quarterly changes have also remained low.¹⁶²

Table 12: Inflation (year-ended percentage change)¹⁶³

Consumer price index		
Date	All groups	Excluding volatile items
2014/15		
September	2.3	2.1
December	1.7	2.1
March	1.3	2.3
June	1.5	2.0
2015/16		
September	1.5	2.1
December	1.7	2.1
March	1.3	1.7
June	1.0	1.6
2016/17		
September	1.3	1.7
December	1.5	1.3

Table 13: Inflation (Quarterly percentage change)¹⁶⁴

Consumer price index		
Date	All groups	Excluding volatile items
2014/15		
September	0.5	0.4
December	0.2	0.6
March	0.2	0.7
June	0.7	0.4

¹⁶⁰ ABS Cat No.6401.0 - Consumer Price Index, Australia, Dec 2016

¹⁶¹ ABS Cat No.6401.0 - Consumer Price Index, Australia, Dec 2016

¹⁶² ABS Cat No.6401.0 - Consumer Price Index, Australia, Dec 2016

¹⁶³ ABS Cat No.6401.0 - Consumer Price Index, Australia, Dec 2016

¹⁶⁴ ABS Cat No 6401.0 Consumer Price Index

Consumer price index		
Date		
2015/16		
September	0.5	0.5
December	0.4	0.6
March	-0.2	0.2
June	0.4	0.3
2016/17		
September	0.7	0.5
December	0.5	0.3

Table 14: Living Cost Index¹⁶⁵

Living Cost index (Employees) (Year-ended price change)		Living Cost index (Employees) (Quarterly percentage change)
Date	All groups	All groups
2014/15		
September	1.9	0.4
December	1.6	0.1
March	0.9	0.0
June	0.9	0.4
2015/16		
September	0.7	0.2
December	1.1	0.5
March	1.1	0.0
June	1.0	0.3
2016/17		
September	1.2	0.5
December	1.0	0.3

192. Consumer Price Index (CPI) in the December quarter 2016 rose by 0.3%, following a rise of 0.5% in the September quarter.¹⁶⁶
193. Increases in measured average price inflation throughout the Australian economy were largely driven by increases in the prices of alcohol and tobacco (due, in part, to taxation policies), health, education and insurance and financial services.
194. The two underlying measures, the trimmed mean and the weighted mean both increased by 0.4% in the December quarter 2016, and increased by 1.6% and 1.5%, respectively, over the year.¹⁶⁷

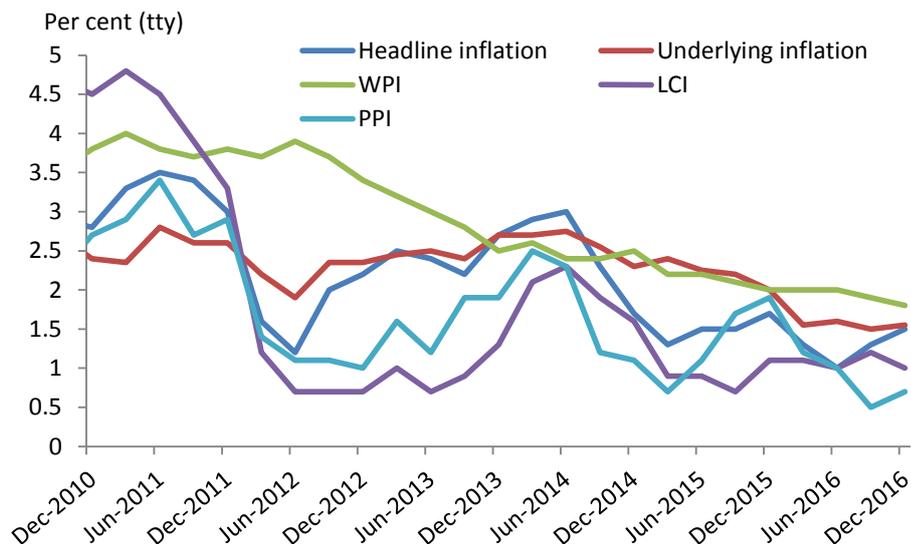
¹⁶⁵ ABS Cat No.6401.0 Consumer Price Index

¹⁶⁶ ABS Cat No. 6401.0 - Consumer Price Index, Australia, Dec 2016

¹⁶⁷ ABS Cat No.6401.0 Consumer Price Index

195. Excluding volatile items (including fruit, vegetables and automotive fuel) shows a more measured increase of 1.3% over the year to December 2016, and only 0.3% from the previous quarter.¹⁶⁸
196. The current low inflation environment also suggests that spending is subdued, that consumer confidence may be lagging and that competitive pressure in the market is impacting pricing. In a low inflationary environment the revenue of a business will not adjust as readily to fund wage increases through price increases passed on to the consumer.
197. The effect of this is that if labour costs increase at a faster pace than inflation such increased costs must be absorbed by the business and can lead to associated negative consequences for labour demand and employment, as well as business competitiveness and viability, particularly in industries where labour represents a high portion of operational costs.

Chart 12 – Measures of prices in the Australian economy (%chg, tty)¹⁶⁹



¹⁶⁸ ABS Cat No.6401.0 Consumer Price Index

¹⁶⁹ABS Cat No. 6467.0 - Selected Living Cost Indexes, Australia, Dec 2016; 6345.0 - Wage Price Index, Australia, Dec 2016; 6401.0 - Consumer Price Index, Australia, Dec 2016 CPI is used for headline inflation, the average between the trimmed mean and weighted median of CPI are used for underlying inflation, LCI is employee household series, WPI is private sector series..

5 Bargaining and agreement making

198. The Australian Chamber supports wages and wage increases being set by workplace bargaining for the overwhelming bulk of Australian employees, and such increases being linked to business conditions, productivity, performance and employee circumstances. This logically necessitates:
- a. A fall in the proportion of employees with their pay and conditions being set directly by awards.
 - b. The system, including minimum wage uprating, should deliver falling, or low and stable levels of award reliance.
199. This is supported by the Fair Work Act 2009, with achieving productivity and fairness through an emphasis on enterprise-level collective bargaining and the need to encourage collective bargaining reflected in the Act's general objects and modern awards objective.
200. Unfortunately, data on award reliance shows the opposite trend in contemporary Australia. Directly contrary to the aims of our system, and the role of awards and minimum wages, there has been a substantial and sustained uptick in award reliance after the commencement of the Fair Work Act 2009 (see Table 15, overleaf).
201. The data in Table 15 clearly shows that some discouraging factors are dampening incentives to bargain, contrary to the statutory schema of the Fair Work Act 2009. This is not a short term quirk, but the type of medium to longer term trend the panel has regard to in determining minimum wage increases.
202. In its 2015-2016 AWR Decision the Panel found that “the recent increase in award reliance does not support the contention that recent minimum wage increases have acted as a disincentive to collective bargaining”¹⁷⁰ because the accommodation and food services industry that has the highest level of award reliance has actually recorded a 2% fall in award reliance between 2012 and 2014.¹⁷¹
203. It instead suggested last year that the research “points to a complex mix of factors that may contribute to employee and employer decision making about whether or not to bargain”.¹⁷²
204. The Panel was correct that a complex set of problems increasingly plague our bargaining system, arising from flaws in the design of the bargaining architecture and impractical approaches in the application of the legislative mechanisms for bargaining.
205. Employers are very mindful of the difficulties of passing the BOOT test as it is being applied, and of problems with the NERR and they do make cost benefit assessments of whether there is any value in pursuing an enterprise agreement, particularly where there may be no trade union presence in their workplace.

¹⁷⁰ [2016] FWCFB 3500 at [78].

¹⁷¹ [2016] FWCFB 3500 at [78].

¹⁷² [2016] FWCFB 3500 at [79].

206. For many, the promised rewards of predictable forward labour costs and periods free of protected industrial action can be secured without the transactional costs, complications and risks of bargaining under the Fair Work Act 2009. Of course this Panel is not asked to fix all these problems, but it does control one very important lever determining propensity to enter into agreement making.
207. Where agreement making is under consideration, the level of the minimum wage floor does impact on employers' assessments of whether bargaining is worth pursuing.
208. If minimum wages are set at a level too close to the rates actually paid in workplaces they will fail to meet the objectives of encouraging agreement making, and will with other factors continue to discourage rather than encourage bargaining. An inflated or excessive minimum wage floor not only can do nothing to arrest the slide in bargaining shown in Table 15, but risks making it worse.
209. This Panel should be mindful in its decisions to ensure that the uprating of minimum wages is not having the effect of discouraging bargaining or perpetuating inflated levels of award reliance, and that minimum wage increases do not prolong the trend away from agreements to award reliance (clearly evident in Table 15).

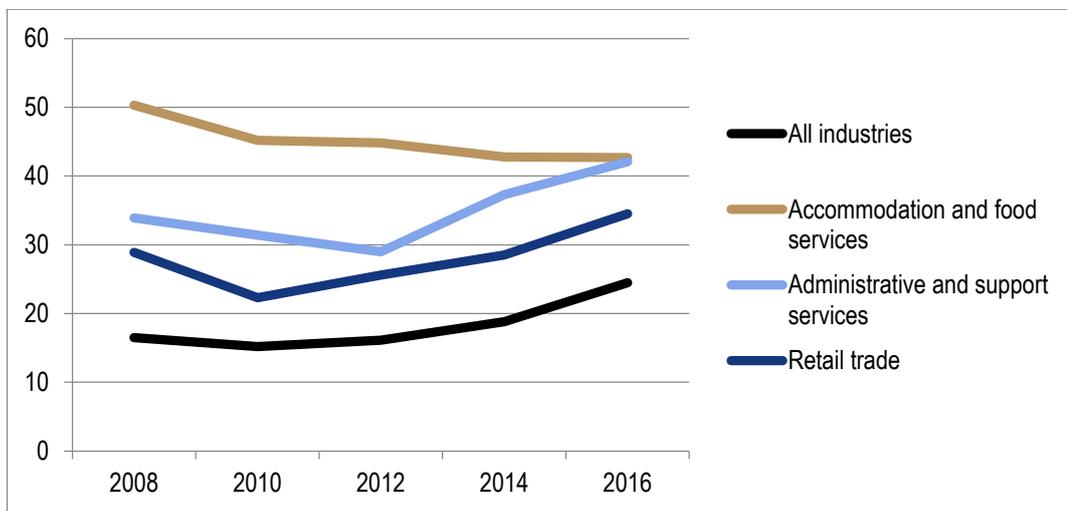
Table 15: Award reliance¹⁷³

	2008	2010	2012	2014	2016
All industries	16.5	15.2	16.1	18.8	24.5
Accommodation and food services	50.3	45.2	44.8	42.8	42.7
Administrative and support services	33.9	31.4	29	37.3	42.1
Retail trade	28.9	22.3	25.6	28.5	34.5
Health care and social assistance	17.2	17.1	19	22.3	28.8
Rental, hiring and real estate services	20.2	22.8	20.9	22.1	27.2
Arts and recreation services	14.2	15.1	19.7	22	26.2
Education and training	8.4	5.1	6.8	5.1	26
Construction	9.1	10	10.6	13.7	19.7
Public administration and safety	3.6	1.9	6.9	12.8	18.1
Manufacturing	12.2	14.6	11.3	15.7	17.7
Wholesale trade	9	10.9	8.1	11.9	16.8
Transport, postal and warehousing	8.3	8	7.3	10.9	13.4
Professional, scientific and technical services	5.4	4.2	6	9.9	9.3
Electricity, gas, water and waste services	5.4	3.1	4.3	6.9	6.5
Information media and telecommunications	5.6	5.7	5.7	5.2	5.5
Mining	1.2	1.9	0.6	0.8	n/a
Financial and insurance services	2.2	2.1	4.7	5	n/a
Other services	25.4	27.2	24.6	25.1	34.3

¹⁷³ FWC Annual Wage Review [Statistical Report](#) – Annual Wage Review 2016-17, Table 7.1, p.30

210. While levels of award reliance in the accommodation and food services industry have remained relatively stable when compared to 2014 data, when aggregate data across all industries is considered, there has been a considerable increase in award reliance to 24.5% in 2016 up from 18.8% in 2014.¹⁷⁴
211. The stability in levels of award reliance in the accommodation and food services sector is indeed more the exception than the norm when compared to other sectors characterised by high levels of award reliance including administrative and support services, retail trade and health care and social assistance (Chart 13).

Chart 13: Award reliance – three most award-reliant industries¹⁷⁵



212. As noted earlier, recent years' increases to the NMW and award wages have been at rates higher than private sector wage growth across the economy.
213. The Australian Chamber posits that:
- This is, in part, contributing to increased award reliance and discouraging bargaining.
 - This cannot be redressed by an increase in 2017 that is not cautious and restrained and that may exceed the 1.2% recommended by the Australian Chamber.

¹⁷⁴ FWC Annual Wage Review [Statistical Report](#) – Annual Wage Review 2016-17, Table 7.1, p.30

¹⁷⁵ FWC Annual Wage Review [Statistical Report](#) – Annual Wage Review 2016-17, Table 7.1, p.30

6 Additional considerations and concluding comments

214. Australian remains an economy in transition and the adjustment effects are contributing to significant spare capacity in our labour market, uncertainty and patchy growth. As we transition to broader based growth to offset the end of the mining boom, we have seen the emergence of a two speed economy, with performance strongest in New South Wales and Victoria (and in particular, Sydney and Melbourne), and weak performance elsewhere.
215. To highlight the varying outcomes in the year to December 2016, state final demand grew by 4.1% in NSW and 3.4% in Victoria.
216. In contrast, WA state final demand contracted by 7.8% as business investment activity decreased, while Queensland only grew by 1.8%.¹⁷⁶
217. It is likely that favourable conditions owing to a low Australian dollar and low interest rates have supported the modest growth that has been experienced, although their effectiveness in continuing to do so has been reduced, and cannot be relied upon in determining the quantum of uprating of minimum award wages in this matter.
218. With banks showing an increasing propensity to tighten lending standards and increase interest rates independently of movements made to the official cash rate by the RBA, lending conditions will further constrain capacity to invest with the practical effect that cost of capital has increased. Tightened lending conditions will disproportionately affect small businesses, including those represented in award reliant-industries.
219. It also appears we are seeing people move to NSW and Victoria in pursuit of jobs, finding their skills and experience to be surplus to the needs of the mining and industrial sectors and regions in which they once worked. While some may secure employment in growth industries such as services sectors that do not have high skill barriers to entry (e.g. accommodation and food services), they are longer enjoying the inflated wages associated with their previous higher skilled and more highly demanded work.
220. This is reflected in low wage growth and concerning and worsening levels of youth unemployment, underutilisation and underemployment and long term unemployment.
221. For example, it is highly concerning that across South Australia more than one in six people under the age of 25 are unemployed, and that industries that are best able to offer entry to the labour market are not growing at a rate sufficient to remedy this in the foreseeable term.
222. While there has never been a more important time for increasing Australia's skills base to boost our productivity as a prerequisite to generating higher incomes and wages, we are continuing to see concerning declines in apprenticeship and trainee commencements and completions, and mounting evidence that the business operating environment is providing limited incentive to invest and grow.

¹⁷⁶ ABS Cat.No. 5206.0 - Australian National Accounts: National Income, Expenditure and Product, December 2016

223. These are very concerning trends for our future prosperity and sit against a backdrop of persistent low inflation, low wages growth, weaker labour market conditions with slower rates of employment growth, increased unemployment and underutilisation, elevated levels of youth and long term unemployment and softer conditions in award-reliant industries.
224. These are not short run or isolated events. They are precisely the type of medium to longer term trends that the Panel has previously signalled it has regard to. They favour restraint and caution in setting minimum wages in 2017.
225. As noted by the Productivity Commission:
- The wage regulator should systematically consider the risks of variations in economic circumstances on employment and on the living standards of the low-paid.*
- To safeguard and expand job opportunities, it should moderate the growth in minimum wages whenever the employment outlook is weakening. In improved circumstances, minimum wages could rise at a faster pace.¹⁷⁷*
226. The Productivity Commission also found that:
- During periods of heightened unemployment and underemployment, there is less doubt that restraining minimum wage growth would yield material benefits through promoting employment.¹⁷⁸*
227. The Australian Chamber urges the Panel to have regard to this approach, and both data and foreseeable risks, and to exercise caution and restraint in the 2016-17 AWR. 2017 is an occasion in which caution and restraint is warranted, and in particular, the circumstances appear right for more moderate minimum wage growth to yield genuine benefits, by way of more jobs, and job retention.
228. While structural changes in the economy and competitive pressures impact Australia's productivity, competitiveness and growth, other factors present in the domestic operational environment are also impeding business performance.
229. For example various factors are driving up wholesale electricity and gas prices including the closure of some baseload electricity generators, strains on both the gas market and the cost and availability of gas-fired electricity generators, record electricity demand related to the pumping of LNG gas, the recovery of global coal prices, and the restriction on the development of additional on-shore gas supplies.¹⁷⁹
230. While businesses are disproportionately impacted by this dynamic generally, companies in metal manufacturing, food manufacturing, basic chemicals and non-metallic mineral products (including building products) are particularly exposed to a double hit to their profitability from steep electricity and gas price increases.

¹⁷⁷ Productivity Commission 2015, *Workplace Relations Framework*, Final Report, Canberra, p. 177 – emphasis added

¹⁷⁸ Productivity Commission 2015, *Workplace Relations Framework*, Final Report, Canberra, p. 227.

¹⁷⁹ Ai Group, *Energy Shock: No Gas, No Power, No Future?* February 2017

231. The latest Australian Chamber-Westpac industrial trends survey shows that input costs are the highest they have been in 8 years.¹⁸⁰
232. Political developments (such as redefining of trade relationships and the associated architecture) also create uncertainty for Australia's medium to longer term economic position. There is increasing political polarisation both domestically and internationally. Political instability both domestically and abroad has the potential to inflict risk-averse attitudes both within the financial and non-financial sectors, leading to laggard investment and consumption growth.
233. International geopolitical and economic tensions gained traction in 2016. China is growing more slowly and there is no market game changer on the horizon. In what some have described as the “fourth industrial revolution” we are seeing adjustment effects across the globe. The Productivity Commission recently stated that:
- There is a justified global anxiety that growth in productivity — and the growth in national income that is inextricably linked to it over the longer term — has slowed or stopped. Across the OECD, growth in GDP per hour worked was lower in the decade to 2016 than in any decade from 1950.*¹⁸¹
234. The combination of such factors giving rise to uncertainty adds to the argument for a cautious and restrained approach to uprating Australian minimum wages in 2017, and favours the quantum of increase advanced by the Australian Chamber, (a 1.2% increase).

6.1 Multi-year programme of increases / median wage target

235. The Panel convened in Sydney on 24 October 2016 for a “Preliminary Hearing”, which amongst other things addressed a proposal from United Voice that the Panel set a target range or multi-year programme for minimum wage increases.
236. The Australian Chamber lodged a submission and appeared on 24 October 2016¹⁸². The Panel received a wide range of submissions opposing / questioning scope for any target band or multi-year approach.
237. We maintain that such a target should not be adopted, and we have seen no further basis advanced which should persuade the Panel to adopt such a course.
238. Employers maintain that multi-year programme of increases / median wage target proposal does not warrant further consideration. The United Voice proposal should be rejected / not progressed.
239. Any 2017 uprating should be based on the information presently before the Panel, and should be handed down on the same basis as those of preceding years (i.e. cognisant that there will be a further review the following year, and fresh information on the considerations the Panel has regard to, updated for 2018).

¹⁸⁰ Australian Chamber-Westpac Industrial Trends Survey, March 2017

¹⁸¹ Productivity Commission, 'Increasing Australia's future prosperity'. November 2016, p. 1 with reference to data from the 2016 Conference Board Total Economy Database for the 26 OECD countries where there is a full record of data from 1950 to 2016.

¹⁸² Section 285 Annual Wage Review, Transcript, 24 October 2017, PN304-PN320.

240. Were the Panel attracted to the multi-year target proposal it would have been appropriate that an interim decision or statement was issued to that effect, well prior to the lodgement of these initial 2017 submissions, which would have allowed this round of submissions to address multi-year targeting.
241. This did not occur, and submissions have quite properly been prepared on a single year basis.

7 About the Australian Chamber

The Australian Chamber of Commerce and Industry is the largest and most representative business advocacy network in Australia. We speak on behalf of Australian business at home and abroad.

Our membership comprises all state and territory chambers of commerce and dozens of national industry associations. Individual businesses are also able to be members of our Business Leaders Council.

We represent more than 300,000 businesses of all sizes, across all industries and all parts of the country, employing over 4 million Australian workers.

The Australian Chamber strives to make Australia a great place to do business in order to improve everyone's standard of living.

We seek to create an environment in which businesspeople, employees and independent contractors can achieve their potential as part of a dynamic private sector. We encourage entrepreneurship and innovation to achieve prosperity, economic growth and jobs.

We focus on issues that impact on business, including economics, trade, workplace relations, work health and safety, and employment, education and training.

We advocate for Australian business in public debate and to policy decision-makers, including ministers, shadow ministers, other members of parliament, ministerial policy advisors, public servants, regulators and other national agencies. We represent Australian business in international forums.

We represent the broad interests of the private sector rather than individual clients or a narrow sectional interest.

Australian Chamber Members

AUSTRALIAN CHAMBER MEMBERS: BUSINESS SA CANBERRA BUSINESS CHAMBER CHAMBER OF COMMERCE NORTHERN TERRITORY CHAMBER OF COMMERCE & INDUSTRY QUEENSLAND CHAMBER OF COMMERCE & INDUSTRY WESTERN AUSTRALIA NEW SOUTH WALES BUSINESS CHAMBER TASMANIAN CHAMBER OF COMMERCE & INDUSTRY VICTORIAN CHAMBER OF COMMERCE & INDUSTRY **MEMBER NATIONAL INDUSTRY ASSOCIATIONS:** ACCORD – HYGIENE, COSMETIC & SPECIALTY PRODUCTS INDUSTRY AGED AND COMMUNITY SERVICES AUSTRALIA ARAB CHAMBER OF COMMERCE AND INDUSTRY AUSTRALIA AIR CONDITIONING & MECHANICAL CONTRACTORS' ASSOCIATION ASSOCIATION OF FINANCIAL ADVISERS ASSOCIATION OF INDEPENDENT SCHOOLS OF NSW AUSTRALIAN SUBSCRIPTION TELEVISION AND RADIO ASSOCIATION AUSTRALIAN BEVERAGES COUNCIL LIMITED AUSTRALIAN DENTAL ASSOCIATION AUSTRALIAN DENTAL INDUSTRY ASSOCIATION AUSTRALIAN FEDERATION OF EMPLOYERS & INDUSTRIES AUSTRALIAN FEDERATION OF TRAVEL AGENTS AUSTRALIAN HOTELS ASSOCIATION AUSTRALIAN INTERNATIONAL AIRLINES OPERATIONS GROUP AUSTRALIAN MADE CAMPAIGN LIMITED AUSTRALIAN MINES & METALS ASSOCIATION AUSTRALIAN PAINT MANUFACTURERS' FEDERATION AUSTRALIAN RECORDING INDUSTRY ASSOCIATION AUSTRALIAN RETAILERS' ASSOCIATION AUSTRALIAN SELF MEDICATION INDUSTRY AUSTRALIAN STEEL INSTITUTE AUSTRALIAN TOURISM INDUSTRY COUNCIL AUSTRALIAN VETERINARY ASSOCIATION BUS INDUSTRY CONFEDERATION BUSINESS COUNCIL OF CO-OPERATIVES AND MUTUALS CARAVAN INDUSTRY ASSOCIATION OF AUSTRALIA CEMENT CONCRETE AND AGGREGATES AUSTRALIA CHIROPRACTORS' ASSOCIATION OF AUSTRALIA CONSULT AUSTRALIA CUSTOMER OWNED BANKING ASSOCIATION CRUISE LINES INTERNATIONAL ASSOCIATION DIRECT SELLING ASSOCIATION OF AUSTRALIA EXHIBITION AND EVENT ASSOCIATION OF AUSTRALASIA FITNESS AUSTRALIA HOUSING INDUSTRY ASSOCIATION HIRE AND RENTAL INDUSTRY ASSOCIATION LTD LARGE FORMAT RETAIL ASSOCIATION LIVE PERFORMANCE AUSTRALIA MASTER BUILDERS AUSTRALIA MASTER PLUMBERS' & MECHANICAL SERVICES ASSOCIATION OF AUSTRALIA MEDICAL TECHNOLOGY ASSOCIATION OF AUSTRALIA MEDICINES AUSTRALIA NATIONAL DISABILITY SERVICES NATIONAL ELECTRICAL & COMMUNICATIONS ASSOCIATION NATIONAL EMPLOYMENT SERVICES ASSOCIATION NATIONAL FIRE INDUSTRY ASSOCIATION NATIONAL RETAIL ASSOCIATION NATIONAL ROAD AND MOTORISTS' ASSOCIATION NSW TAXI COUNCIL NATIONAL ONLINE RETAIL ASSOCIATION OIL INDUSTRY INDUSTRIAL ASSOCIATION OUTDOOR MEDIA ASSOCIATION PHARMACY GUILD OF AUSTRALIA PHONOGRAPHIC PERFORMANCE COMPANY OF AUSTRALIA PLASTICS & CHEMICALS INDUSTRIES ASSOCIATION PRINTING INDUSTRIES ASSOCIATION OF AUSTRALIA RESTAURANT & CATERING AUSTRALIA RECRUITMENT & CONSULTING SERVICES ASSOCIATION OF AUSTRALIA AND NEW ZEALAND SCREEN PRODUCERS AUSTRALIA THE TAX INSTITUTE VICTORIAN AUTOMOBILE CHAMBER OF COMMERCE