Annual Wage Review 2017–18: Questions for consultations

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

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1.2 Question to all parties 2

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1.4 Question to all parties 2

* 1. Question to ACCI

In para 55 of its initial submission, in a discussion of the reasons why wage growth has been low, ACCI provided data to show that ‘as recently as late 2016, domestic demand growth was low at 1.5% year on year … Private demand growth was even weaker at 0.2% year on year…’[[1]](#endnote-2)

* Can ACCI confirm that by ‘domestic demand’ they mean public gross fixed capital formation and public final consumption expenditure plus private gross fixed capital formation and household final consumption expenditure; and by ‘private demand’ they mean private gross fixed capital formation plus household final consumption expenditure, as referred to in the National Accounts?
* Can ACCI explain the link that they appear to see between a low growth in domestic demand and low growth in wages?
* The most recent ABS data (for year to the December quarter 2017) show substantial growth in both domestic demand and domestic private demand—3.1 per cent and 2.8 per cent, respectively. Does ACCI expect wages to grow more rapidly in the light of the higher growth in domestic demand during 2017?
  1. Question to all parties

Since the Annual Wage Review 2016–17, there has been one substantial new piece of research for Australia on the impact of increases in minimum wages on employment: Bishop J (2017), *The effect of minimum wage increases on wages, hours worked and job loss*. The paper is available in the Research reference list for this Review.[[2]](#endnote-3)

In the synopsis, Bishop writes ‘I find that a one per cent rise in award wages leads to a 0.85–0.95 per cent rise in wages for award-reliant jobs. I find no evidence that increases in award wages have an adverse effect on hours worked or the job destruction rate.’

We would appreciate receiving any further comments on the significance of this paper.

* 1. Question to all parties

The three industries with the highest proportion of employees paid at the award rate in 2017 are (in order of award reliance) Accommodation and food services (43 per cent), Administrative and support services (42 per cent), and Retail trade (35 per cent). Chart 5.2 in the Statistical Report for this Review shows the growth in the WPI, by industry, over the year to the December quarter 2017. We note that on 1 July 2017, the NMW and all award rates of pay rose by 3.3 per cent.

The WPI grew by 2.0 per cent for Accommodation and food services; 1.8 per cent for Administrative and support services; and 1.6 per cent for Retail trade. Are any parties able to explain why the WPI for the most award-reliant industries rose by an amount that is substantially less than the growth in award rates?

* 1. Question to all parties

In past Reviews, the Expert Panel has taken into account changes to the tax-transfer system. How and to what extent, if any, should regard be had to the corporate tax rate reductions for ‘small business entities’ that took effect progressively from 1 July 2015 and for ‘base rate entities’ which took effect from 1 July 2017, and for the further future progressive reductions in corporate tax rates that have been legislated for?

1. ACCI submission, 13 March 2018 at para. 55. [↑](#endnote-ref-2)
2. Bishop J (2017), [*The effect of minimum wage increases on wages, hours worked and job loss*](https://aasle.conference-services.net/resources/2395/5355/pdf/AASLE2017_0255.pdf), paper presented at the Asian and Australasian Society of Labour Economics Inaugural Conference, December [↑](#endnote-ref-3)