**Annual Wage Review 2019–20: Questions on notice**

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

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1. Decision making process
   1. Question to all parties

The Federal and State governments have announced a number of initiatives to provide support for businesses, individuals and households affected by COVID-19. These are outlined in the Fair Work Commission’s note on [Government responses to COVID-19 pandemic](https://www.fwc.gov.au/documents/documents/resources/covid-19-information/information-note-government-responses-2020-04-03.pdf) and in the Australian Government submission.[[1]](#footnote-1)

Parties are invited to comment on the initiatives and discuss how the Expert Panel should take these into account.

* 1. Question to all parties

Since most submissions have not had an opportunity to address the effects of COVID-19, in the [Statement](https://www.fwc.gov.au/documents/wage-reviews/2019-20/decisions/2020-fwcfb-1804.pdf) published on 6 April 2020 on the timetable variation, the Expert Panel has provided a date for submissions and reply submission regarding data from the Australian Bureau of Statistics’ (ABS), Australian National Accounts data for the March quarter 2020. The Expert Panel has also noted that the ABS were publishing additional data measuring the impact of COVID-19 on individuals and businesses and that these products would be presented in the Statistical report.

Parties are invited to comment on other sources of data or research that provide more timely information on the effects on COVID-19 to be considered in this Review.

1. Economic and labour market considerations
   1. Question to ACCI and other parties

In the *Annual Wage Review 2018–19* (2018–19 Review), the Panel commented that ‘[i]t also remains difficult to explain why industry sectors with the highest levels of award reliance generally have nominal wage growth only at or below average in circumstances where modern award minimum wages were increased by 3.3 per cent in 2017 and 3.5 per cent in 2018.’[[2]](#footnote-2)

In its submission to this Review, ACCI submitted:

‘An explanation, which the Expert Panel does not appear to have considered, is that the increase in NMW and award minimum wages (which are typically applied to younger, inexperienced workers) has come at a cost to other (experienced, older, non-award) workers, with employers appearing to be holding back increases in the wages of these other employees to provide the mandated increases to NMW and award minimum wage reliant employees.

Overall, this is or was narrowing the wage base of employees and failing to recognise the value of loyal higher skilled employees. This will lead to an increase in discouraged workers, as these loyal higher skilled workers have seen their rates of pay fall in real terms, at a time when new inexperienced workers have seen their wages increase by around 10% in nominal terms and 6% in real terms. Again, this appears to have been occurring prior to the pandemic changing everything.’[[3]](#footnote-3)

In response to a question on notice for the 2018–19 Review, ACCI provided the following explanation for why the WPI increase in Retail trade was much less than the increase in the NMW and modern award minimum wages:

‘The key explanation for this is that award reliance/minimum wage reliance in these industries is less than 100% – and indeed in the retail industry, award reliance is at only 30.1%, meaning that almost 70% of workers in the retail industry have their pay set by means other than the modern award minimum wage. These are the managers, the professionals, those on enterprise agreements, those paid over-award, etc.

As the Australian Chamber has previously flagged, the only circumstance in which minimum wage decisions could be expected to translate perfectly into aggregate or average wages growth would be one in which the minimum wage bite was 100%, and there was neither any non-minimum wage employer, nor any labour market forces or skills considerations at play that favour higher or lower increases. It seems logical that with the majority of the workforce not having its wages set by the Expert Panel’s decision, that there will always be a lack of strict one-to-one correlation between WPI and the level of increase in a particular industry.

It is also logical that the system of 2019 is very different to that of 1979 or 1969. Only in a highly centralised system would there be a high direct correlation between a minimum wage increase and the WPI.

However, some additional reasons behind the discrepancy between the WPI increase in Retail trade and the increase in the NMW and modern award minimum wages may include the following:

a. Very low or no wage increase for some of the non-award agreement jobs in retail industry, reflecting the wider labour market. If for example, a portion of the 69.9% of those in the retail industry whose wages are not set by an award had their wages frozen, or capped only to inflation (1.8%), this would contribute to an aggregate WPI growth level below the last, over-inflation minimum wage increase of 3.5%.

b. There may also be scope for some absorption into the above-award remuneration of salaried roles that are nominally award covered (but not directly award wage reliant).

c. Average wage increases under agreements are also at comparatively lower levels, and are likely to be another factor weighing to some extent in favour of overall WPI growth at below minimum wage increase levels. The AAWI for Retail Trade agreements current in the December quarter was 2.4%, notably less than the 3.5% NMW increase. These agreements applied to 110,200 employees.

Further, and related to the above, there are labour market forces at play which may potentially favour a lower increase for those not on NMW or modern award minimum wages. These may include factors such as contracting profits in the retail sector, decline in the prices of retail goods, and weak consumer and business confidence.’[[4]](#footnote-4)

ACCI’s comment that the increase in the NMW and award minimum wages ‘has come at a cost to other (experience, older, non-award) workers with employers appearing to be holding back increases in the wages of these other employees to provide the mandated increases to NMW and award minimum wage reliant employees’ does not appear to be addressed in the response submitted to this question.

ACCI are invited to provide more detail and evidence supporting the proposition that employers are ‘holding back increases in the wages of these employees to provide the mandated increases to NMW and award minimum wage reliant employees’.

All other parties are invited to provide comments.

* 1. Question to the ACTU

The ACTU submitted that:

In the ACTU’s view the current situation and the uncertainty surrounding how it progresses should not be a deterrent to an increase in the minimum wage and awards. On the contrary the minimum wage increase would both provide a stimulus and offer some long term certainty in regard to income flows, especially for the low paid. The ACTU notes that the government model of offering stimulus tranches is a recognition that stimulus works. Offering a decent minimum wage increase is particularly efficient in this regard as it both serves the current circumstance and offers better security of income in future. It delivers income particularly to lower paid workers who will spend it all. It improves sales for business. It improves employment.

Given that many businesses have restrictions on opening, particularly businesses within Retail trade and Accommodation and food services (which are also award-reliant industries), how does increasing the minimum wage improve employment in these circumstances?

All other parties are invited to provide comments.

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

The Australian Catholic Bishops Conference (ACBC) discusses two ways that the budget standards could be updated from their original 2016 estimations. ACBC stated:

‘… this may be done: either by an increase in the budgets reflecting increases in the CPI or by an amount that reflects changes in household disposable income. The former reflects the cost of the budget and the latter reflects the setting of the budget in a social context.’[[5]](#footnote-5)

The ACBC and all parties are invited to provide comments on their preferred approach.

1. Australian Government submission, 3 April 2020 at paras 39–40, 64–65. [↑](#footnote-ref-1)
2. [2019] FWCFB 3500 at [87]. [↑](#footnote-ref-2)
3. ACCI submission, 29 March 2020, at paras 224–225. [↑](#footnote-ref-3)
4. ACCI supplementary submission, 12 April 2019 at paras. 99–103. [↑](#footnote-ref-4)
5. ACBC submission, 19 March 2020 at para. 67. [↑](#footnote-ref-5)