

Ai GROUP SUBMISSION

Fair Work Commission

Annual Wage Review 2020-21

**Reply Submission on National
Accounts data for the March
quarter**

8 June 2021

The logo for Ai GROUP, featuring the letters 'Ai' in a stylized, bold font above the word 'GROUP' in a smaller, bold, sans-serif font. The logo is white and is positioned in the bottom left corner of the page, which is partially covered by a large, dark purple triangular graphic.

1. Introduction

On 26 March 2021, we filed our Initial Submission in the Annual Wage Review, on 23 April 2021 we filed our Reply Submission, on 14 May 2021 we filed our Post-Budget submission, and on 4 June 2021 we filed our submission on the *National Accounts* data for the March 2021 quarter.

This submission makes some brief supplementary points on the timing of any minimum wage increases.

2. Reply submission on National Accounts Data

Ai Group has considered the submissions of other parties on the March Quarter National Accounts data. None of the submissions have led us to question or change the views that we expressed in our submission of 4 June 2021.

3. Quantum and timing of any minimum wage increases

As set out in our Post-Budget Submission, Ai Group has proposed an increase of 1.1% in the National Minimum Wage and to award wage rates. This would contribute to a significant overall increase in living standards for award-reliant employees and their families. When added to the 0.5% Superannuation Guarantee (SG) increase that is operative from 1 July and the equivalent of a 1.6% increase in pre-tax income that an employee on the National Minimum Wage will receive in coming months as a result of the personal income tax changes introduced in the 2020-21 Budget, our proposal would result in the equivalent of a 3.2% increase in remuneration for low paid employees. Consistent with longstanding past practice, it is appropriate for the Commission to take into account the increase in the SG and the decrease in personal taxation, when determining the quantum of any minimum wage increase in the Annual Wage Review.

With regard to the timing of any minimum wage increase, we have proposed that the same industry groups be adopted by the Commission as in last year's Annual Wage Review decision, with the following operative dates:

- An operative date of 1 July 2021 for any increase in the National Minimum Wage and any wage increase in Group 1 awards.
- An operative date of 1 September 2021 for any wage increase in Group 2 awards.
- An operative date of 1 January 2022 for any wage increase in Group 3 awards.

The ‘exceptional circumstances’ that exist this year justifying a delayed operative date for any wage increase in Group 2 and Group 3 awards are two-fold:

1. These industry sectors, including various sub-sectors, have been adversely impacted by the pandemic and have not yet recovered to pre-pandemic levels.
2. The delayed operative dates last year for award wage increases in these awards has resulted in the ‘exceptional circumstance’ that employers would be required to pay two wage increases in close succession, unless a delayed increase is granted again this year. The Panel alluded to this in the *Annual Wage Review 2019-20 Decision*:

[192] Finally, we also acknowledge that the different operative dates we have determined for the 3 award clusters may have implications for the timing of any variation in modern award minimum wages in the 2020–21 Review.

In *Research Report 5/2021 – An assessment of the economic effects of COVID-19 – Version 5*, Professor Borland states:

New data on the number of jobs and economic activity by industry, and the progress of recovery since mid-2020, suggest the need for adjusting the classification of industries according to the impact of COVID-19 that I had recommended in Borland (2021a). Hence, I propose a new nomenclature and associated definitions for classifying industries:

- **Fully recovered:** Industries where the number of jobs and activity has recovered to now be at or above the level prior to the onset of COVID-19;
- **Almost recovered:** Industries where the number of jobs and economic activity remain marginally below the level prior to the onset of COVID (in the case of jobs, 1 to 2 per cent below the level prior to COVID); and
- **Lagging recovery:** Industries where the number of jobs and economic activity has not fully recovered or has progressively decreased to now be below the level prior to the onset of COVID-19 by a significant amount (in the case of jobs, 5 to 10 per cent below the level prior to COVID-19).

My recommended classification is:

<p>Lagging recovery Accommodation and food services Transport, postal and warehousing Information, media and telecommunications</p> <p>Almost recovered Manufacturing Construction Wholesale trade Education and training Arts and recreation services</p>	<p>Fully recovered Agriculture, forestry and fishing Mining Electricity, gas, water and waste services Retail trade Financial and insurance services Rental, hiring and real estate services Professional, scientific and technical services Administrative support services Public administration and safety Health care and social assistance Other services</p>
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Ai Group does not support the above groupings replacing those used in the Annual Wage Review 2020-21 decision for the determination of operative dates, for the following reasons:

1. The recovery has been very uneven in some sectors (e.g. retail) and Professor Borland's analysis does not take this into account. Some sectors in some industries are clearly struggling due to the effects of the pandemic and this is disguised when only the overall data for entire industries are considered.
2. Determining operative dates in accordance with Professor Borland's classifications would fail to take into account the fact that some employers only paid the last Annual Wage Review increase in February 2021 (e.g. employers in the retail industry).
3. Professor Borland's analysis only uses data up to 8 May 2021 and therefore does not take into account the latest Victorian lockdown which will have a major impact on businesses in that State, nor does the analysis take into account the latest economic data. (See sections 2 and 3 of Ai Group's submission of 4 June 2021).



ABOUT THE AUSTRALIAN INDUSTRY GROUP

The Australian Industry Group (Ai Group®) is a peak employer organisation representing traditional, innovative and emerging industry sectors. We are a truly national organisation which has been supporting businesses across Australia for nearly 150 years.

Ai Group is genuinely representative of Australian industry. Together with partner organisations we represent the interests of more than 60,000 businesses employing more than 1 million staff. Our members are small and large businesses in sectors including manufacturing, construction, engineering, transport & logistics, labour hire, mining services, the defence industry, civil airlines and ICT.

Our vision is for thriving industries and a prosperous community. We offer our membership strong advocacy and an effective voice at all levels of government underpinned by our respected position of policy leadership and political non-partisanship.

With more than 250 staff and networks of relationships that extend beyond borders (domestic and international) we have the resources and the expertise to meet the changing needs of our membership. We provide the practical information, advice and assistance businesses need. Our deep experience of industrial relations and workplace law positions Ai Group as Australia's leading industrial advocate.

We listen and we support our members in facing their challenges by remaining at the cutting edge of policy debate and legislative change. We provide solution-driven advice to address business opportunities and risks.

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