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2019-20 Annual Wage Review

Supplementary Submission / Answers to Further Questions

Australian Chamber of Commerce and Industry

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1. INTRODUCTION

1. The Australian Chamber of Commerce and Industry (ACCI) appreciates the opportunity to make these further submissions to the 2019-20 Annual Wage Review.

1.1 Outcome of this Review / Position

2. The economic and jobs impact of COVID-19 has run in parallel with this review and disrupted not only the usual processes, but also economic knowledge and certainty, both in Australia and globally. More importantly it has interrupted, damaged or ended jobs, businesses, lives and livelihoods, notwithstanding Australia's massive efforts to flatten health, economics and unemployment curves.

3. As the review has progressed, it has become increasingly clear that the negative impact of the pandemic is truly massive, and unparalleled in living memory. Australia and the world are facing the worst economic and labour market crisis since the Great Depression, a crisis that has come on far more rapidly, and a crisis without any relationship to Australian economic or labour market decision making, or to the actions of employers, employees, governments or oppositions, or industrial tribunals. All Australians are suffering the impacts of a genuinely exogenous, genuinely global economic shock, and will be for likely some years to come.

4. The shock period / immediate economic damage phase is not over. At the time of writing, restrictions remain in place, mass community infection remains a risk, and there is no cure or vaccine. Notwithstanding some glimpses of light, and some relaxation of control measures, there is no certainty on the duration of the crisis and its negative impacts.

5. The pandemic has hit employers and employees in many of the industries most exposed to these decisions (the award reliant industries) — with restaurants and pubs forced to close outright, and smaller retail shops closing due to difficulty in meeting the social distancing restrictions and/or a lack of trade. Even with limited reopening, the future prospects of award reliant employers and employees, particularly in smaller businesses, remain highly uncertain with a clear downside risk.

6. On this basis, the employer position in this case has been determined for the ACCI network, and we say the outcome of the case has been determined for the Expert Panel.

7. With what is clearly carnage for jobs and small businesses, with an additional million or more of our fellow Australians looking for work, and with a massive task of restart, repair, and recovery in front of all of us **this is simply not a year in which there can be any increase in minimum wages.**

8. ACCI calls on the Expert Panel to determine that there be no increase to the NMW or award minimum wage rates from 1 July 2020, with the next consideration of minimum wages in the 2020-21 review to commence later this year. The rates of pay in awards following the decision in the 2018-19 review, which commenced on 1 July 2019 should remain in place, without increase to 30 June 2021.

9. If this requires the issuing of a National Minimum Wage Order for 2020, this should be issued in the same terms as the 2019 order, which provided that:

> *The national minimum wage is $740.80 per week, calculated on the basis of a week*

of 38 ordinary hours, or $19.49 per hour.

10. If ever there was ever a case of extremis justifying no increase in minimum wages, it is in 2020.

11. In making this submission we emphasise to the Panel that:

    a. Its past 9 decisions have delivered real increases, in excess of inflation, meaning that an effective minimum wage pause in 2020-21 will not leave employees worse off. 16/20 decisions since 2000 have awarded real increases.

    b. The past three decisions have been well in excess of subdued inflation resulting in a significant buffer between wages and living costs.

	Nominal Increase in Minimum Wage	Inflation[1]	Real Increase in Minimum Wage
2017	3.3%	2.1%	1.1%
2018	3.5%	1.9%	1.6%
2019	3.0%	1.3%	1.7%

    c. There is uncertainty on prices during the pandemic and its aftermath, but one very real possibility is wage deflation. We have during recent weeks seen a massive fall in the price of petrol for example.

    d. The Panel can make the no increase decision in 2020 we propose safe in the knowledge that employees will not be worse off, as the strong growth in purchasing power over the past three years has created a buffer that should allow a 12 month period with no increase balanced on the weight of considerations to be taken into account.

12. We thank the FWC for the Discussion Paper '*What can and can't be done in the Annual Wage Review 2019-20,* which we address in Section 2'.

    a. ACCI's position in this review is that no increase should be awarded in the extraordinary circumstances facing Australia and the World in 2020, and which will extend beyond 2020. The matters canvassed in the Discussion Paper do not change that for the reasons set out in Section 2.

    b. Any minimum wage increase in the next 12-month period will place jobs and businesses at risk and do so inconsistently with the parameters for this review.

    c. That said, if the choice is between a damaging increase being paid from 1 July for a full 12 months, or a damaging increase being payable from some later date for less of the 2020-21 financial year, the later would be preferable.

13. This hopefully addresses Question 1.2 of the Supplementary Questions on Notice, of 13 May.

[1] Inflation based on percentage change from March quarter to March quarter.

1.2 Why the Panel can and should adopt this approach

14. In respect of this year's decision, ACCI wishes to make clear that the Act permits the Commission to issue an order in the same terms as the 2019 order. There is no requirement that the order must contain an increase. Section 285(1) simply provides that the Commission 'must conduct and complete an annual wage review in each financial year'. Section 285(2) provides that in conducting and completing an annual wage review, the Commission:

> *(a) must review:*
>
> > *(i) modern award minimum wages; and*
> >
> > *(ii) the national minimum wage order; and*
>
> *(b) may make one or more determinations varying modern awards to set, vary or revoke modern award minimum wages; and*
>
> *(c) must make a national minimum wage order.*

15. The approach as advocated by ACCI is both available to the Expert Panel under the provisions of the Fair Work Act and appropriate in the circumstances.

16. The Act requires the Panel to take into account a number of considerations as part of its review of modern award minimum wages and the NMW, including the minimum wages objective, the modern awards objective, and the overall objectives of the Act.[2] ACCI set these out in our initial submission, however revisit them here to highlight how the balance of considerations supports minimum wages remaining at their current levels.

17. The minimum wages objective, as contained in s. 3 of the Act, requires the Panel to take into account the following matters in establishing and maintaining 'a safety net of fair minimum wages':

> (a) the performance and competitiveness of the national economy, including productivity, business competitiveness and viability, inflation and employment growth; and
>
> (b) promoting social inclusion through increased workforce participation; and
>
> (c) relative living standards and the needs of the low paid; and
>
> (d) the principle of equal remuneration for work of equal or comparable value; and
>
> (e) providing a comprehensive range of fair minimum wages to junior employees, employees to whom training arrangements apply and employees with a disability.[3]

18. In pursuing a 'fair and relevant minimum safety net of terms and conditions', the following matters must also be taken into account by the Panel, as required by the modern awards objective:

> (a) relative living standards and the needs of the low paid; and

[2] See ss.3, 284 and 134.
[3] s.284(1).

(b) the need to encourage collective bargaining; and

(c) the need to promote social inclusion through increased workforce participation; and

(d) the need to promote flexible modern work practices and the efficient and productive performance of work; and

(da) the need to provide additional remuneration for:

(i) employees working overtime; or

(ii) employees working unsocial, irregular or unpredictable hours; or

(iii) employees working on weekends or public holidays; or

(iv) employees working shifts; and

(e) the principle of equal remuneration for work of equal or comparable value; and

(f) the likely impact of any exercise of modern award powers on business, including on productivity, employment costs and the regulatory burden; and

(g) the need to ensure a simple, easy to understand, stable and sustainable modern award system for Australia that avoids unnecessary overlap of modern awards; and

(h) the likely impact of any exercise of modern award powers on employment growth, inflation and the sustainability, performance and competitiveness of the national economy.[4]

19. The Panel attempts to balance these objectives applying broad judgment rather than a mechanistic approach.[5] The Panel has consistently noted that while it identifies the issues that have impacted its decisions, it does not quantify the weight given to particular considerations.[6]

20. In undertaking this exercise of broad judgment, the Panel considers the relevant statutory criteria in the context of the prevailing economic and social environment.[7] It has described its approach as assessing changes over the past year and to consider longer term trends.[8] In explaining the reason for this approach the Panel has said:[9]

> *We pay particular attention to trends, because of the volatility in some of the economic indicators and routinely look to developments over the medium and longer term, as well as to changes over the past year. The longer-term perspective reduces our reliance on contemporary data that can be volatile and subject to revision. It also enables us to see the cumulative effects of the annual changes that we focus on, including our own decisions.*

[4] s.134(1).
[5] [2014] FWCFB 3500, endnotes 8-10.
[6] See, for example, [2019] FWCFB 3500 at [8] and [2017] FWCFB 3500 at paras 15-17.
[7] [2017] FWCFB 3500 at para. 7.
[8] [2017] FWCFB 3500 at para. 7.
[9] [2019] FWCFB 3500 at [25].

21. The Panel has also acknowledged the need to periodically assess the medium- and long-term consequences of successive decisions, recognising that its decisions have both an immediate and cumulative impact.[10]

22. When regard is had to all of the factors the Expert Panel is to take into account, the balance of considerations favours a particularly restrained, cautious approach to minimum wage setting in the current context, and that minimum wages be retained at their current level:

    a. **Economic Considerations:** The current state of the economy is bleak, with the most recent updates on the current economic conditions painting a very stark picture of the impact of the COVID-19 pandemic on economic activity. While the economy has been devastated by the extensive social distancing, shut-down of non-essential services and trading restrictions required to contain the COVID-19 pandemic, it is not clear that we have reached the bottom of the downturn / infection risks or how the economy will perform in the months ahead, and all indications are pointing to a worsening of the economy. What is becoming clearer is that there will not be the sharp bounce-back in the economy that many had hoped. It is more likely to be a slow transition over the next year or more, as people and businesses adapt to the new normal of social distancing and hygiene requirements of the COVID-19 era.

       Wages growth is expected to be lower over the next year as businesses make adjustment to labour costs, through both hours worked and the number of employees. However, inflation is also expected to be lower, predicted to remain at below 2% over the next couple of years. The RBA has predicted that headline inflation will be negative in the June quarter, largely due to lower fuel prices and free childcare.

    b. **Labour Market:** The effect of the extensive social distancing, shut-down of non-essential services and trading restrictions on employment is starting to become clear, with the ABS Labour Force data for April 2020 presenting a devastating picture of the impact of the COVID-19 pandemic on the workforce. Employment is down, full-time employment and part-time employment are both down, while unemployment and underemployment are both up. The participation rate has fallen to the lowest level since September 2004 – all indicative of a weak labour market. High unemployment creates economic, social and personal costs. Genuine caution and restraint need to be exercised in wage setting to ensure that the vulnerable position of young people, the low skilled and first time job seekers is not compounded.

    c. **Relative Living Standards and the Needs of the Low Paid:** Relative living standards and the needs of the low paid are shaped by a wide range of factors, however a key consideration must be those whose jobs are precarious. We need to think about the living standards of those potentially on the brink of having their hours reduced if an increase in wages cost will impact the sustainability of the business otherwise (in addition to other costs which are increasing due to social distancing and hygiene requirements, for example).

    d. **Other Relevant Considerations:** On this occasion, taking into account the economic, social and other considerations set out in this submission and ACCI's two previous submissions to this review, the broad judgement of the Panel should see it adopt a very cautious and restrained approach, and determine to keep minimum wages at their current rate.

[10] [2019] FWCFB 3500 at [25].

1.3 Supplementary Questions on Notice – 13 May 2020

23. On 13 May 2020, the Expert Panel published a series of three further Supplementary Questions on Notice to be addressed by various submitting parties, and some to all parties.

24. They are addressed at various points throughout this supplementary submission.

2. 'WHAT CAN AND CAN'T BE DONE'

2.1 Introduction

25. We thank the FWC for the staff paper *'What can and can't be done in the Annual Wage Review 2019-20'.*

26. We also thank the Panel for the supplementary questions on notice, grouped under Question 1.1.

27. ACCI's position is that there should be no increase in the NMW and award minimum wages in this 2019/20 review.

    a. The impact of COVID-19 and associated measures is so extreme and pervasive that the extremis of 2020 justifies this being one of those years in which an increase should not be awarded.

    b. If the conclusion is that the statute does not allow a general finding of exceptional circumstances for the purposes of Part 2-6 of the FW Act, then this strengthens the case for no increase generally. The precariousness of jobs and small businesses in the current circumstances is such that the statutory considerations favour such an outcome.

28. We note the following from the 2011-12 Decision, cited at [18] of the Staff Paper:

    > *[283] The current legislative restrictions effectively mean that employers wishing to seek relief from a variation determination are obliged to run their case before the outcome of the Review is known. This creates obvious practical difficulties. It also means that employers who face significant financial adversity as a result of circumstances which arise after the Review decision is completed have no means of seeking relief on the basis of economic incapacity. This is because s.157(2) limits Fair Work Australia's jurisdiction to vary modern award minimum wages outside the context of an annual wage review or the 4 yearly review of modern awards.*

29. If this is the Panel's view, it strengthens the case for an overall finding that on the balance of considerations under the Act, no increase should be awarded. The Panel has ample basis to conclude that most Australian businesses, particularly smaller enterprises in award reliant industries are facing existential threat and a massive risk of needing to lay off workers. That risk has not yet abated, and all indications are that it will not abate until further into the next financial year, and that even that is not guaranteed. If the Panel cannot re-examine these difficulties based on the experience in (for example) September, December or March, then it must at this point conclude that in all probability the adversity and risks justify a zero increase in 2020. That is what can be known at present.

30. If the Panel cannot address incapacity after handing down a decision, it should conclude that it must moderate the decision at the general level as per our position and the statutory considerations.

2.2 Delay / deferral

31. At 1.2 the Staff Paper addresses the *Capacity for the Commission to delay the effect of variation determinations and NMWO adjustments*.

32. We agree that there is no express limit on how much later a date of effect can be[11], however we are concerned if [29] of the Staff Paper is indicating that the NMW must vary from 1 July, even if award rates could vary later (perhaps 1 January).

33. This is confusing. Fundamentally this strengthens an argument for no increase generally, or for as clear a position on minimum wages as possible.

34. If however it were possible to have a NMWO increase the NMW from some date after 1 July, and variations to award rates at the same time that may have some clarity. However, synchronisation is important.

35. ACCI's position is clearly that there be no increase in the NMW or award rates, but if there were – contrary to our arguments and position - to be an increase:

    a. Employers would want to see as common an approach to the NMW and award rates as possible, and ideally the same increases from the same dates.

        i. There is a substantial risk of confusion and non-compliance if the system sets a different NMW increase and award wage increase, and they are not synchronised in their commencements. This is a recipe for non-compliance, overpayment and underpayment.

        ii. This may be inconsistent with s.134(1)(g) and the need for an easy to understand safety net.

    b. Any increase would need to be genuinely moderate and far more moderate that the 3% rises of recent years, that were well in excess of inflation.

    c. Any increase would need to not take effect from 1 July. Given the damage and risk to the economy and jobs, and what we know we don't know, any increase which could be awarded (contrary to our primary approach) should not take effect until 1 January 2021.

36. We wish to be clear that in advancing this submission we are in no way differing in substance, legality or merit from the position of Ai Group on scope for a short deferral to facilitate the flow of information in 2020. Ai Group's initial submission proposed the following:

    > *"Exceptional circumstances" for the purposes of ss.286(2) and 287(4) of the Fair Work Act 2009 (FW Act) justify an operative date of 15 July 2020 this year (i.e. a delayed operative date of two weeks)*

[11] What can and can't be done in the Annual Wage Review 2019–20, FWC Staff Paper, p.4

> *A 15 July 2020 operative date will enable the Expert Panel to consider the Q1 2020 National Accounts statistics and consider the submissions of employer groups, unions and Governments on those statistics.*[12]

37. ACCI views this as a sensible approach, and our wider point on delay and deferral are not intended to detract from its utility to the extraordinary circumstances of 2020 and COVID-19.

2.3 Contingent variations and adjustments

38. ACCI notes Section 1.4 of the Staff Paper.[13]

39. ACCI does not propose variations which are contingent or reviewable based on change in any indicator. Furthermore, given ongoing pandemic-based uncertainty we cannot conceive of an improvement in indicators within the 2020-21 financial year that would justify a reviewable or contingent approach.

2.4 Differential outcomes

40. ACCI notes Section 1.5 of the Staff Paper.[14]

41. Again from the 2011-12 Review Decision, the Staff Paper cites the following:

> ***[249]*** *It follows that the Panel has a discretion to vary some or all modern award minimum wages in the context of an annual wage review. The question then becomes the basis upon which the Panel should exercise that discretion.*

42. ACCI is not arguing economic capacity under any dedicated section of the FW Act providing for that term, rather we say the generalised case is made out for a decision awarding a zero increase overall, and we are arguing that rates remain at 1 July 2019 levels until 30 June 2021.

43. We do not concede the constructions arising from the 2011-12 Decision at pp.8 to 10 of the Staff Paper, however we do not need to. ACCI is not arguing for differential outcomes, but for a universal / all-awards plus the NMWO approach, which would see no increase awarded, consistently across the award system.

44. We welcome the approaches canvassed at [51], however ACCI is not prosecuting a case for specific exemption.

45. We appreciate the Staff Paper trying to chart previous exemption experience from [52] to [57], but the extent and magnitude of the COVID-19 pandemic is something completely different, and we say readily distinguishable. Without being insensitive we see COVID-19's pervasive impact across the community as more analogous to a world war, than a localised natural disaster.

46. Section 286(2) is as follows:

> *(2) If the FWC is satisfied that there are exceptional circumstances justifying why a variation determination should not come into operation until a later day, the FWC*

[12] Ai Group (Initial) Submission, Annual Wage Review 2019-20, 13 March 2020, p.4
[13] What can and can't be done in the Annual Wage Review 2019–20, FWC Staff Paper, pp.7-8
[14] What can and can't be done in the Annual Wage Review 2019–20, FWC Staff Paper, pp.8-11

> *may specify that later day as the day on which it comes into operation. However, the determination must be limited just to the particular situation to which the exceptional circumstances relate.*

47. At issue is the final sentence. In ACCI's view this does not preclude a finding that a crisis or exceptional circumstances are of such far reaching breadth that all industries and all workplaces are impacted, or that the differential nature of the impact is so minor and isolated that it cannot be usefully be differentiated.

48. Think about the world wars, all the country was at war, and all workplaces were losing employees to service. Some small minority of workplaces have been may be prospering, but most were subject to rationing, wartime controls, and a massive loss of staff and custom. It was safe to find exceptional circumstances (in the common rather than specific use of that term) existed across the economy.

49. There must be some scope to assess 'exceptional circumstances' in the broad without the proof points and particularisation charted in the preceding decisions. There must at some point be a scale of disaster or challenge that is of such magnitude that particularisation and localised evidence is not required.

2.5 Supplementary Questions 1.1 (1) to (3)

50. We thank the Panel for the various questions on the observations and whether we contest them.

51. Respectfully our answer doesn't neatly fit the presumed dichotomy. ACCI is not asking the Panel for deferral, delay, exemption differential outcomes, staged outcomes, or contingent outcomes. Rather our position is at the level of the review as a whole, based on the balance of your statutory considerations in these reviews, this is one of those extraordinary years in which no increase should be awarded overall. What was 3.5% or 3.0%, should in 2020 be 0.0%

52. So the more applied questions raised in the Staff Paper do not arise in view, and thus we do not need to concede, accede or contest the observations in the paper, and we specifically do not concede the constructions and conclusions in the Staff Paper.

53. Our firm position is that no increase should result, but if some other approach is under consideration and we are given the opportunity, we will engage with it, not in the broad but in the specific.

2.6 A JobKeeper Contingent Deferral - Supplementary Question 1.1 (4)

54. ACCI maintains there should be no increase in minimum wages arising from this review, and that to attempt to do so risks jobs and businesses, inconsistent with the statutory parameters for reviewing minimum wages.

55. We do not call for any form of deferral, but a general minimum wage pause, which the breadth of economic harm and jobs risk warrants. This is where merit lies.

56. We strongly caution against any assumption or conclusion that

    a. A general level of increase could be inflated if there was some temporary exclusion of JobKeeper employers.

b. All award reliant employers who do not qualify for JobKeeper are prospering and substantially free from harm and impact from COVID-19 and associated measures, and can sustainably be made subject to (i) an increase in minimum wages and (ii) another substantial increase in excess of inflation.

57. There are a number of reasons why employers may not be eligible or apply for JobKeeper which should disqualify it from being a point of differentiation in the application of minimum wage increases in 2020.

58. These include for example those who have had a significant downturn in turnover, but who do not reach the required 30% or 50% reduction in turnover (dependent on business size). There are a range of other businesses who may have suffered an extreme loss of turnover but do not qualify due to the nature of their business. For example, businesses in the on-hire and staffing sector, which offer a valuable pathway for new employment for those who have found themselves out of work. The inclusion of large volumes of wages and on-costs for on-hire employees in a staffing business's turnover means that many have not been able to qualify for JobKeeper because of their gross turnover despite in many cases having a large number of long-term casuals and having a part of their industry decimated by COVID-19. In some cases, businesses have suffered net revenue falls of up to 70% but have not been able to qualify for any government support including JK due to the nature of their business.

2.7 Deferral Date - Supplementary Question 1.1 (4.3)

59. JobKeeper is currently due to expire on 27 September, but we may end up with a tapered approach rather than a hard stop, and we understand Government is currently receiving proposals for extensions of the JobKeeper payments in whole or part.

60. It would be nonsensical to tie a deferral to JobKeeper and to then have the minimum wage deferral end while the JobKeeper payments were still in place to keep the business afloat. Any deferral based on JobKeeper would need to last at least while JobKeeper is being paid to an enterprise, and then for some period afterwards as a business discerns its capability to retain staff (and putting the price up at the same point a subsidy stops seems a good recipe for redundancies).

61. If the Panel were to go down the course outlined, which ACCI neither calls for, nor supports, the commencement date could not be prior to 1 January 2021.

2.8 Deferral Term - Supplementary Question 1.1 (4.4)

62. ACCI maintains there should be no increase in minimum wages arising from this review, and that to attempt to do so risks jobs and businesses, inconsistent with the statutory parameters for reviewing minimum wages.

a. ACCI does not advance a draft term in the terms outlined in Q1.1(4).

b. We will examine proposed clauses from others and respond to the Panel as appropriate.

3. NEW DOMESTIC ECONOMIC MATERIAL

3.1 Economic Conditions

63. On 12 May 2020, the Treasurer delivered a statement to Parliament on the state of the economy.[15] This painted a very stark picture of the impact of the COVID-19 lockdown on economic activity.

64. Treasury's preliminary estimates indicate a severe economic downturn in the June quarter, with:

- GDP to fall by over 10 per cent, equivalent to $50 billion
- The unemployment rate to double to around 10 per cent, with around 1.4 million people unemployed
- Household consumption to be around 16 per cent lower
- Business investment to be around 18 per cent lower with falls concentrated in the non-mining sector
- Dwelling investment to be around 18 per cent lower.

65. While the Treasurer's speech provided high level view, we can look to the Reserve Bank *Statement on Monetary Policy*, released 8 May 2020, for greater detail on expectations for the June quarter. [16]

66. Overall, the RBA's projections are roughly in line with that of Treasury, with:

- GDP to contract by around 10% in the first half of 2020. Most of this contraction was expected to occur in the June quarter, although a decline in travel service exports and some domestic spending had weighed on activity in the March quarter.
- Household consumption to decline 15%
- Dwelling investment and business investment will contract sharply
- Service exports have dropped sharply, but there has been little impact on resource exports
- Imports will fall sharply due to a large drop in domestic demand
- Wages growth will slow to less than 2%, due to weak labour market conditions.
- The decline in wages will weigh on household income, but this is likely to be offset by increased social assistance payments
- JobKeeper payments will reduce the number of job losses, but employment is still expected to fall 8%
- Total hours worked will decline around 20% peak-to-trough. This is expected to be larger than the decline in employment, as businesses are reducing hours to keep staff on their books in order to maintain a connection with their employees so they can bring them back on as conditions improve. It is also higher than the decline in output, partly because many of the most-affected activities were labour-intensive service industries.
- Unemployment forecast to reach around 10% in the June quarter.
- Headline inflation will be negative in the June quarter, largely due to lower fuel prices and free childcare.

67. The above presents a bleak view of the current state of economy. While the economy has been devastated by the extensive social distancing, shut-down of non-essential services and trading

[15] https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/speeches/ministerial-statement-economy-parliament-house-canberra
[16] Reserve Bank of Australia 2020, *Statement on Monetary Policy*, RBA May 2020 https://www.rba.gov.au/publications/smp/2020/may/

restrictions required to contain the COVID-19 pandemic, it is not clear that we have reached the bottom of the downturn or how the economy will perform in the months ahead.

68. The Treasurer, in his speech, indicated that he will be providing an updated economic and fiscal outlook in June, following the release of the March quarter National Accounts, with the Budget to be delivered in October. [17] We recognise the Act does not allow the Panel to wait for the Budget in October. However, to ensure the Annual Wage Review is based on the most up-to-date information on the state of the economy and the likely rate of the economic recovery, it is important that the Panel wait for this more detailed update on the fiscal and economic outlook in June 2020, before releasing its decision.

3.2 Employment

69. As noted in ACCI's 1st Reply Submission, the ABS Labour Force data for March showed little change in employment and unemployment rates in March. This was due to the data being collected in the first two weeks of March, before the first phase of the social distancing and trading restrictions began on 12 March.

70. However, the effect of the extensive social distancing, shut-down of non-essential services and trading restrictions on employment became very clear in the ABS Labour Force data for April 2020.[18] This presented a devastating picture of the impact of the COVID-19 restriction on the workforce, with:

- Employment down 3.1% or 594,300 people
- Full time employment down 2.5% and part-time employment was down 9.0%
- Monthly hours worked in all jobs for the month of April decreased by 9.2% or 163.9 million hours
- The number of unemployed workers increase 14.5% for the month or an additional 104,500 people became unemployed
- The unemployment rate up 1.0% to 6.2%
- Underemployment up 4.9% to 13.7% — the highest rate on record, with an additional 603,300 people or 1.82 million people in total working less hours than they would like
- The participation rate falling 2.4% to 63.5%, the lowest level since September 2004.

71. Similarly, the most recent update of the ABS Weekly Payroll Jobs and Wages in Australia for the week ending 2 May 2020,[19] indicates that the total number of payroll jobs fell 7.3% between mid-March and early-May. Over the same period, employee wages were down 5.4%, with wages sustained high than job losses mainly as a result of the JobKeeper program. This report uses data from the ATO's Single Touch Payroll system, thus represents real time data of jobs and wages.

72. The largest declines in jobs were experienced in the accommodation and food (27.1%) and the arts and recreation services (19%) sectors, with marked declines also in the rental hiring and real estate services (12.8%), professional, science and technical services (11.1%), other services (10.3%), and administrative and support services (9.2%) sectors.

[17] https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/speeches/ministerial-statement-economy-parliament-house-canberra
[18] ABS 6202.0 - Labour Force, Australia, Apr 2020, 14 May 2020.
[19] ABS 6160.0.55.001 - Weekly Payroll Jobs and Wages in Australia, Week ending 2 May 2020, 19 May 2020

73. Most of these sectors with the highest rates of job losses are also sectors with a very high award reliance, particularly accommodation and food services (44.9%), administration and support services (41.3%), rental hiring and real estate services (29.4%) and arts and recreation services (22.5%).[20] Any increase in the NMW and award minimum wages in the current environment is likely to weigh heavily on the ability of employers in these sectors to rehire workers and return these workers to employment, slowing the rate of the economic recovery in the year ahead.

3.3 Gradual reopening of the economy

74. While the reopening has begun, a high level of uncertainty remains over the state of the economy and the likely rate of the recovery.

75. On 8 May, the Federal Government has announced its 3-step plan for the removal of restrictions and the reopening of the economy.[21] Stage 1 is underway in most states, with Victoria the last to begin at midnight 12 May 2020. Step one is summarised as enabling greater connection with friends and family (gatherings of 10 people in businesses and public places), step two as allowing for larger sized gatherings of up to 20 people, with step three looking to allow gatherings of up to 100 people. The Government will review progress every 3-weeks. All going well the Government expects to be moving to the third stage of easing restrictions in July 2020.

76. However, even if we do move to the third stage in July 2020, restrictions on large gatherings and border restrictions are likely to remain in place for some time. Queensland has recently announced it is unlikely to relax its border restrictions with NSW and other states until September 2020.[22] WA has also indicated that its hard border closure will remain in place for "months to come".[23] Further, for international travel, it is unlikely that restriction will be removed before the end 2020, with the Acting Immigration Minister recently commenting that borders will remain closed to non-Australian citizens and residents for the foreseeable future.[24] This will have ramifications for the rate of recovery of the tourism and educations sectors in particular, which are highly reliant on overseas visitors and students.

77. Businesses will also be constrained by the social distancing requirements and the introduction of new health protocols, which are currently being developed for many sectors. For many businesses, particularly those that are customer-facing, the social distancing requirements will limit the number of customers that can be served on premises. This will impact on sales, revenue and slow the rate of return to profitability of many businesses. Similarly, the new health protocols will significantly increase the cost of doing business, due to the need for formal cleaning procedures, regular training of employees, adequate PPE for customers, signage and other communication of the social distancing requirements, and changes to workplaces to limit contact between employees and/or customers. Even for sectors that are not customer facing, social distancing and higher hygiene standards are likely to slow the return to employees to the workplace due to the need to change office layouts, limit access to lifts, ability to use public transport to commute to work, etc. Ultimately, this will weigh heavily on business on balance sheets and influence their decisions, and ability, to rehire or take on new workers.

[20] Statistical Report – Annual Wage Review 2019-20 – 21 May 2020
[21] https://www.health.gov.au/resources/publications/3-step-framework-for-a-covidsafe-australia
[22] https://www.abc.net.au/news/2020-05-18/coronavirus-queensland-borders-closed-to-september-palaszczuk/12253442
[23] https://www.abc.net.au/news/2020-05-19/coronavirus-wa-border-closure-for-months-premier-mark-mcgowan/12262386
[24] https://www.sbs.com.au/language/english/coronavirus-travel-restrictions-when-will-australia-open-its-borders-to-temporary-visa-holders

78. What is becoming clearer is that there will not be the sharp bounce-back in the economy that many had hoped. It is more likely to be a slow transition over the next year or more, as people and businesses adapt to the new normal of social distancing and hygiene requirements of the COVID-19 era.

79. For the time being, the economy remains very fragile. Any increase in the NMW and award minimum wages at this point in time is likely to weigh heavily on the economic activity and further slow the rate of recovery, reducing the capacity to get Australians back into work (which is contrary to social inclusion).

3.4 Economic Outlook

80. Beyond the first half of 2020, the outlook for the economy will depend on how long the social distancing remains in place and its effect on economic activity, as well as how long the uncertainty and lack of confidence weigh on household and business spending, employment and investment plans. This is a known unknown, and it compels the cautious approach we argue for in this review.

81. While the pace of the recovery remains highly uncertain, the Reserve Bank *Statement on Monetary Policy*, provides some indication of the economic outlook, outlining 3 possible scenarios for the economy over the second half of 2020 and 2021.[25]

82. The RBA's baseline scenario sees all restrictions, with the exception of international travel released by September. Under this scenario, the economy will begin to turn around in the September quarter and the recovery will build from there. [26]

- A return to positive GDP growth is expected in the second half of the year led by consumption, although the overall there is expected to be a year-end decline in GDP of 6%
- GDP growth will gain momentum through 2021 as business and dwelling investment begin to recover, with year-end growth of 6% for 2021. Although, overall GDP will still be below its level going into the COVID-19 crisis (February 2020).
- The housing sector is expected to be in for a prolonged decline in investment, with the trough in investment activity projected for early 2021, before a slow rate of recovery thereafter
- Mining investment is expected to remain resilient, but non-mining business investment is expected to lag the recovery and is not expected to return to pre-crisis levels until well into 2022 or beyond
- Unemployment will steady decline from its peak of 10% in June quarter 2020, to 9% by December 2020 and 7.5% by year-end 2021. Thus, unemployment will continue at a highly elevated level beyond 2021 – almost 50% higher than its level going into the crisis (5.1% in March 2020)
- Wages growth is expected to be lower over the next year as businesses make adjustment to labour costs, through both hours worked and the number of employees. To keep jobs, it is expected that businesses and employees in many sectors are likely to agree to a wage freeze in 2020-21, and wage cuts possible in some of the worst affected sectors.
- Inflation is expected to remain below 2% over the next couple of years.

83. The alternative scenarios are for a stronger recovery if further gains can be achieved in controlling COVID-19 in the near term. This enables most containment measures to be phased out in the coming

[25] Reserve Bank of Australia 2020, *Statement on Monetary Policy*, RBA May 2020 https://www.rba.gov.au/publications/smp/2020/may/
[26] Reserve Bank of Australia 2020, *Statement on Monetary Policy*, RBA May 2020 https://www.rba.gov.au/publications/smp/2020/may/

months, with more limited damage to business and household confidence and the economy overall. In this scenario the decline in GDP growth is less and the peak in unemployment will be reversed quicker. However, it is still expected to take a few years for the decline in GDP growth and rise in unemployment to be reversed, with economic growth to remain below its level going into the crisis and unemployment to remain above 7% beyond June 2021.

84. On the other hand, if COVID-19 takes longer to control or it flares up again, requiring the restrictions to be eased more gradually, then the recovery of GDP will be delayed and have a more lasting impact on households and businesses, with unemployment remaining higher for longer.

4. NEW INTERNATIONAL ECONOMIC MATERIAL

4.1 IMF

85. The IMF's World Economic Outlook is directly focussed on the impact of the Great Lockdown, which it forecasts will be much worse than the preceding GFC.

> *The COVID-19 pandemic is inflicting high and rising human costs worldwide, and the necessary protection measures are severely impacting economic activity. As a result of the pandemic, the global economy is projected to contract sharply by –3 percent in 2020, much worse than during the 2008–09 financial crisis. In a baseline scenario--which assumes that the pandemic fades in the second half of 2020 and containment efforts can be gradually unwound—the global economy is projected to grow by 5.8 percent in 2021 as economic activity normalizes, helped by policy support.*
>
> *The risks for even more severe outcomes, however, are substantial.*
>
> *Effective policies are essential to forestall the possibility of worse outcomes, and the necessary measures to reduce contagion and protect lives are an important investment in long-term human and economic health. Because the economic fallout is acute in specific sectors, policymakers will need to implement substantial targeted fiscal, monetary, and financial market measures to support affected households and businesses domestically.*[27]

86. The IMF emphasises negative outlooks and uncertainty.

> *There is extreme uncertainty around the global growth forecast.*
>
> *The economic fallout depends on factors that interact in ways that are hard to predict, including the pathway of the pandemic, the intensity and efficacy of containment efforts, the extent of supply disruptions, the repercussions of the dramatic tightening in global financial market conditions, shifts in spending patterns, behavioural changes (such as people avoiding shopping malls and public transportation), confidence effects, and volatile commodity prices.*
>
> *Many countries face a multi-layered crisis comprising a health shock, domestic economic disruptions, plummeting external demand, capital flow reversals, and a collapse in commodity prices.*
>
> *Risks of a worse outcome predominate.*[28]

87. The IMF has rapidly revised its forecasts downwards, towards a contraction in global output, and in the output of advanced countries in particular.

[27] World Economic Outlook, April 2020: The Great Lockdown, Chapter 1.
[28] World Economic Outlook, April 2020: The Great Lockdown, Executive Summary.

Table 1.1. Overview of the *World Economic Outlook* Projections
(Percent change, unless noted otherwise)

		Projections		Difference from January 2020 WEO *Update*[1]	
	2019	2020	2021	2020	2021
World Output	**2.9**	**–3.0**	**5.8**	**–6.3**	**2.4**
Advanced Economies	**1.7**	**–6.1**	**4.5**	**–7.7**	**2.9**
United States	2.3	–5.9	4.7	–7.9	3.0
Euro Area	1.2	–7.5	4.7	–8.8	3.3
Germany	0.6	–7.0	5.2	–8.1	3.8
France	1.3	–7.2	4.5	–8.5	3.2
Italy	0.3	–9.1	4.8	–9.6	4.1
Spain	2.0	–8.0	4.3	–9.6	2.7
Japan	0.7	–5.2	3.0	–5.9	2.5
United Kingdom	1.4	–6.5	4.0	–7.9	2.5
Canada	1.6	–6.2	4.2	–8.0	2.4
Other Advanced Economies[2]	1.7	–4.6	4.5	–6.5	2.1

88. The IMF Economic Counsellor Gita Gopinath, has observed:

> *This crisis is like no other.*
>
> *First, the shock is large. The output loss associated with this health emergency and related containment measures likely dwarfs the losses that triggered the global financial crisis.*
>
> *Second, like in a war or a political crisis, there is continued severe uncertainty about the duration and intensity of the shock.*
>
> *Third, under current circumstances there is a very different role for economic policy. In normal crises, policymakers try to encourage economic activity by stimulating aggregate demand as quickly as possible.*
>
> *This time, the crisis is to a large extent the consequence of needed containment measures. This makes stimulating activity more challenging and, at least for the most affected sectors, undesirable.*

4.2 OECD

89. The OECD publishes its CLI (Composite Leading Indicators) for its 33 member states and various subgroupings and non-members.[29]

90. The OECD reports that "(CLIs) in most major economies collapsed by unprecedented levels in April as containment measures for Covid-19 continued to have a severe impact on production, consumption and confidence".

91. The latest data for April 2020[30] shows the sharpness of the economic slowdown nearly universally in the world's key economies (India having a slightly slower slowdown and some 'tentative signs of positive change in momentum' in China).

[29] The OECD Methodology is outlined here.
[30] Unprecedented collapse in CLIs in most major economies (12 May 2020)

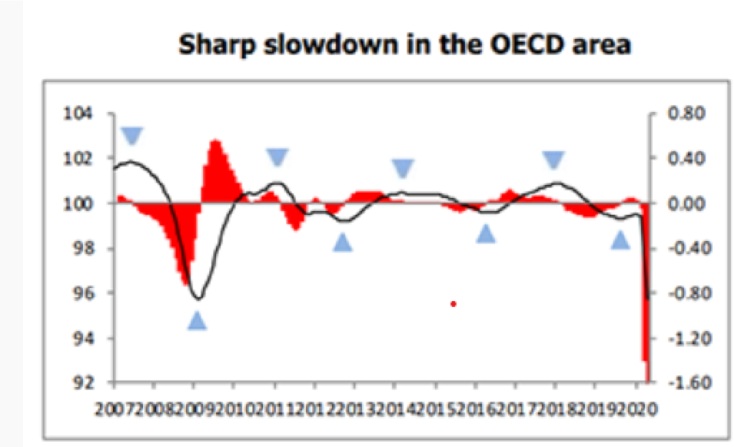


Table 1: Composite Leading Indicators*

	Ratio to trend, amplitude adjusted (long term average =100)					Month on Month change (%)					Year on Year change (%)	Growth cycle outlook
	2019	2020				2019	2020				Latest month	
	Dec	Jan	Feb	Mar	Apr	Dec	Jan	Feb	Mar	Apr		
OECD Area	99.5	99.5	99.4	98.0	95.8	0.04	0.01	-0.05	-1.41	-2.34	-3.76	Sharp slowdown
Euro Area	99.4	99.3	99.3	97.2	94.4	-0.02	-0.04	-0.07	-2.03	-2.87	-5.25	Sharp slowdown
Major Five Asia**	98.8	98.7	91.6	95.7	95.4	-0.09	-0.07	-7.17	4.49	-0.35	-4.18	Sharp slowdown
Major Seven	99.3	99.4	99.4	97.8	96.3	0.06	0.04	0.00	-1.57	-1.52	-3.16	Sharp slowdown
Canada	99.2	99.4	99.6	98.0	96.9	0.11	0.16	0.19	-1.60	-1.04	-2.24	Sharp slowdown
France	99.5	99.4	99.3	96.8	94.1	-0.07	-0.09	-0.10	-2.57	-2.72	-5.33	Sharp slowdown
Japan	99.3	99.2	99.1	98.8	98.4	-0.09	-0.10	-0.12	-0.31	-0.46	-1.65	Sharp slowdown
Germany	99.2	99.3	99.4	96.8	93.7	0.11	0.11	0.09	-2.62	-3.21	-5.88	Sharp slowdown
Italy	99.4	99.4	99.4	97.8	95.6	0.00	-0.01	-0.03	-1.53	-2.25	-3.96	Sharp slowdown
United Kingdom	99.7	99.9	100.1	98.2	91.1	0.20	0.19	0.17	-1.83	-7.21	-7.93	Sharp slowdown
United States	99.3	99.3	99.3	97.8	97.4	0.08	0.04	-0.02	-1.51	-0.41	-1.98	Sharp slowdown
Brazil	102.5	102.2	101.8	100.4	93.9	-0.09	-0.28	-0.46	-1.37	-6.44	-7.82	Sharp slowdown
China***	97.8	97.7	84.9	93.5	93.7	-0.13	-0.09	-13.14	10.18	0.20	-5.43	Tentative signs of positive change in momentum
India	100.0	100.0	100.0	97.4	95.9	-0.01	0.00	0.00	-2.55	-1.60	-4.37	Slowdown
Russia	100.1	99.6	98.9	98.3	91.3	-0.31	-0.51	-0.67	-0.70	-7.07	-9.17	Sharp slowdown

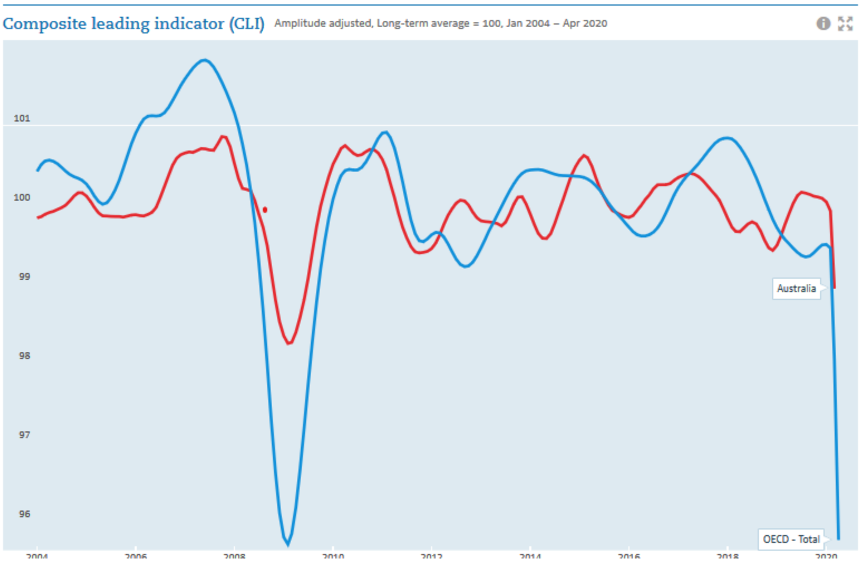
* CLI data for 33 OECD member countries and 6 OECD non-member economies are available at:
http://stats.oecd.org/default.aspx?datasetcode=MEI_CLI
Please note that CLI estimates for New Zealand and South Africa could not be updated this month.
** China, India, Indonesia, Japan and Korea.
*** The reference series for China is the value added of industry, at 1995 constant prices,100 million Yuan.

92. For the OECD as a whole, the slowdown is stark, and deeper and sharper than the GFC.

93. Germany, France and Italy are in recession.[31]

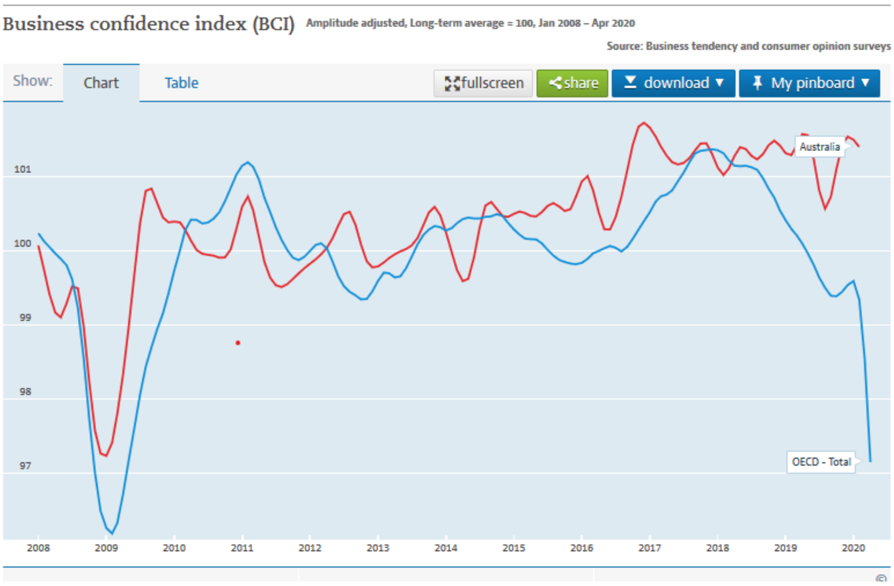
94. In terms of how Australia compares to the OECD as a whole on the composite leading indicator, we generated the following figure from the OECD data portal for 2004 to 2020[32]:

[31] https://www.theguardian.com/business/2020/may/15/germany-tips-into-recession-as-coronavirus-blights-eurozone-economies
[32] OECD (2020), Composite leading indicator (CLI) (indicator). doi: 10.1787/4a174487-en (Accessed on 25 May 2020)

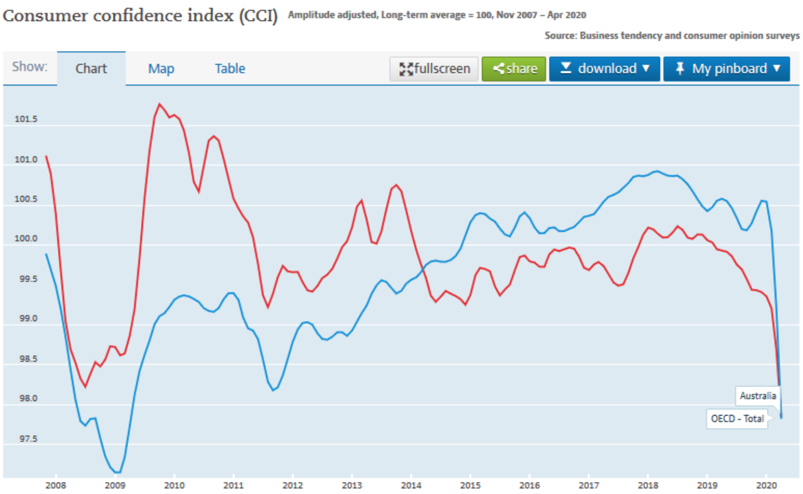


95. There may well be some lag in this data.

96. In terms of Business Confidence, the OECD's Business Confidence Index shows a sharp decline in the world's major economies, albeit slightly slower in Australia (although there may be some lag to this data).

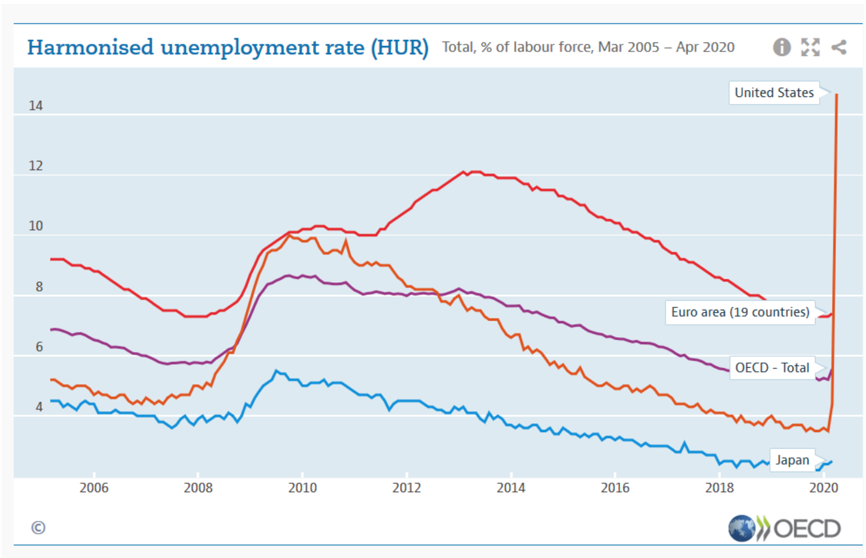


97. In terms of consumer confidence, Australia is more closely mapping the OECD data



98. This adds up to situation in which the key global economies that determine the global economy are in dire straights.

99. There also seems a dramatic impact on jobs, particularly in the US:



100. On 10 June (Paris time) the OECD will launch its Economic Outlook for 2020. ACCI will examine this document and if appropriate provide any updated information that may assist the panel.

4.3 RBA International Analysis

101. Australia's RBA examines International Economic Conditions in its May 2020 Statement on Monetary Policy[33] . The most recent analysis shows:

Social distancing is driving a significant contraction in global economic activity

[33] https://www.rba.gov.au/publications/smp/2020/may/international-economic-conditions.html

The public health response to the pandemic necessarily involves significant constraints on economic activity. In the United States, the euro area and the United Kingdom, around one-third of economic activity has been affected by the lockdowns; the level of quarterly GDP is estimated to be around 2 to 3 per cent lower for every week these lockdowns are in place. Elsewhere, the economic effect is estimated to be smaller because containment measures have been more targeted. The effects of local lockdowns will be compounded by:

- *general economic uncertainty and expectations of future income loss*
- *weak global demand given the synchronised nature of this downturn*
- *widespread supply chain disruptions*
- *tighter financial conditions*
- *the sharp fall in commodity prices, especially for oil, weighing on business investment in some sectors; lower oil prices are unlikely to support near-term economic activity in net oil-importing economies because of the restrictions on activity.*

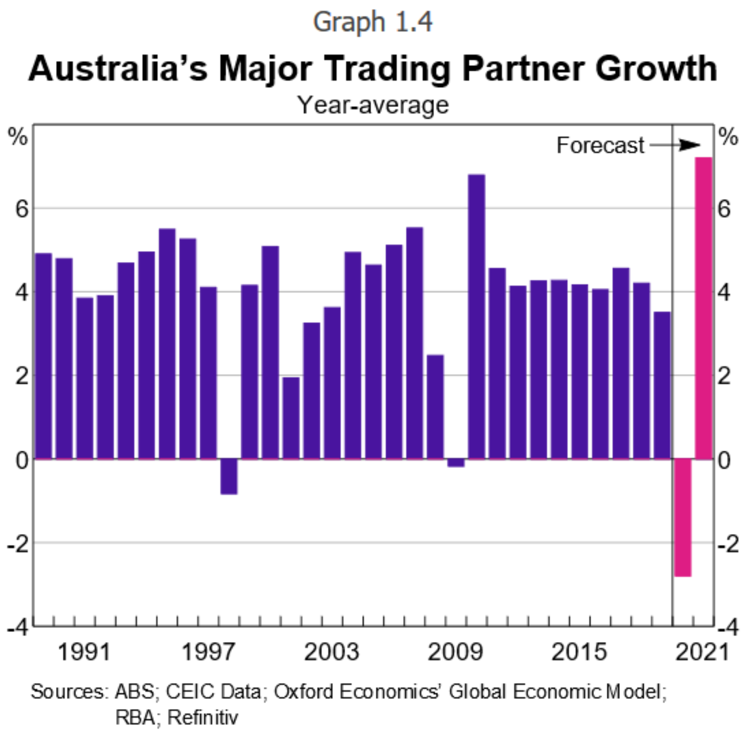
102. The RBA forecasts a major contraction in growth amongst Australia's trading partners:

The duration of the lockdowns and how quickly they are eased will affect the size of the economic contraction and the speed of the subsequent recovery. Most lockdowns were initially for less than a month but have been extended in many cases to around six to eight weeks. Many restrictions, including border controls, may remain for an extended period. Containment measures have started to be gradually relaxed in many countries.

Apart from China, where the recovery is already underway, the contraction in activity is expected to be concentrated in the June quarter. In the major advanced economies, GDP is expected to contract in 2020 by 3 to 7 per cent in year-average terms with peak-to-trough declines in GDP of 10 to 15 per cent. For economies in the Asian region that have so far used targeted containment measures, the decline in domestic activity is expected to be smaller, but weaker external demand will slow growth in the region. In year-average terms, the GDP of Australia's major trading partners is expected to contract by around 3 per cent in 2020 (Graph 1.4).

103. Critical to this is the ongoing uncertainty, and what we know we don't know. At the time of writing there is no vaccine and only tentative plans to reopen in key OECD economies, and more new cases and fatalities daily in some cases than Australia has had to date. There is no basis to conclude that globally, or in Australia we can yet know where the bottom of this crisis may lie.

104. The RBA is forecasting the GDP of Australia's major trading partners to contract by around 3 per cent in 2020.



105. The forecast recovery in the second half of 2021 is far from certain in ACCI's view, or in particular its magnitude will be determined by the further course of the pandemic.

106. The RBA is very clear on downside international risk:

> *The risks to the global outlook are skewed to the downside. In some countries, limited testing, less extensive containment measures or premature relaxation of restrictions could lead to another surge in new cases and a reintroduction of restrictions, which will lead to a more protracted contraction. The negative effects of such a scenario would have longer lasting effects as more businesses close, people experience longer spells of unemployment and lower investment lowers future productive capacity.*[34]

107. The RBA concludes that we have already seen an unprecedented contraction:

> *It is already clear that there was a simultaneous contraction in economic activity in the advanced economies in March and April that was unprecedented in terms of its speed and combined size. Some of the contraction appears to have begun before the government-mandated lockdowns as households took health precautions and reduced discretionary consumption. The deterioration in labour market conditions has been extremely swift and will have exacerbated the direct effects of the public health measures on spending.*

[34] https://www.rba.gov.au/publications/smp/2020/may/international-economic-conditions.html

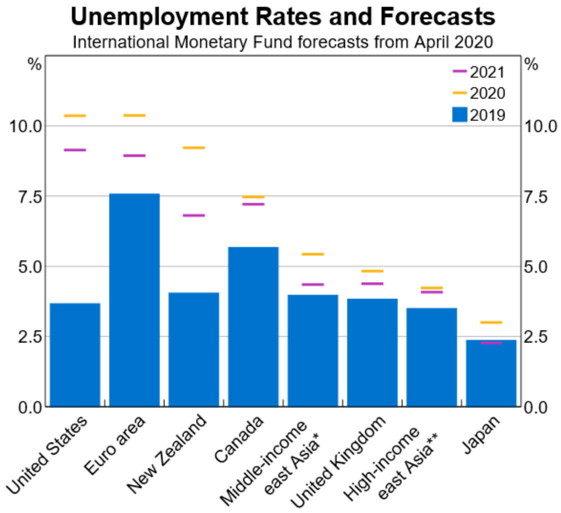
4.4 Unemployment

108. The RBA analyses unemployment projections for the global economy, and forecasts that:

a. Unemployment rates in advanced economies are expected to increase significantly and are likely to take longer than GDP to return to their pre-COVID-19 levels.

b. The International Monetary Fund (IMF) expects the increase in the US unemployment rate to be the largest of the advanced economies and the increase in unemployment in economies with wage subsidies to be smaller but still sizeable.

c. The data published to date does not yet reveal the full employment impact of the pandemic and measures to curtail its spread.



d. Note that in each case these major trading partners are expected to have unemployment in excess of 2019 levels in both 2020 and 2021.

4.5 Inflation

109. Predictions for inflation are of significant concern. The RBA observe that:

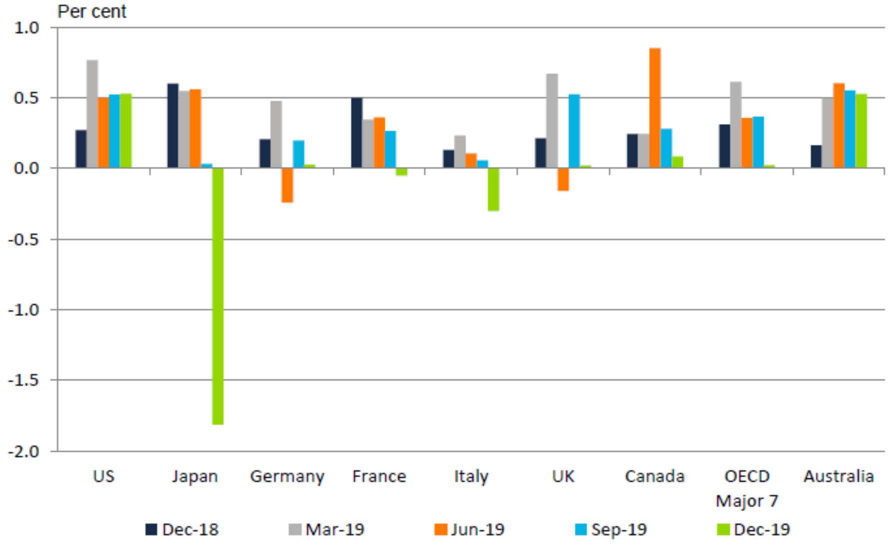
Global inflation is expected to be subdued. In the short term, weaker demand and very low oil prices will reduce inflation despite the disruptions to global supply chains and the temporary upward price pressures on staple goods. In the medium term, spare capacity in the labour market will lead to ongoing downward pressure on inflation. Inflation is likely to remain below most central bank targets for an extended period.

110. Others go further, predicting deflation in key global economies

4.6 Statistical Report

111. We note Chart 1.3 of the Statistical Report, the most recent version of which (Issue 9) is as follows.

Chart 1.3: International comparisons of quarterly GDP growth rates



Source: OECD (2020), *Quarterly GDP (indicator)*, <http://data.oecd.org/gdp/quarterly-gdp.htm>.

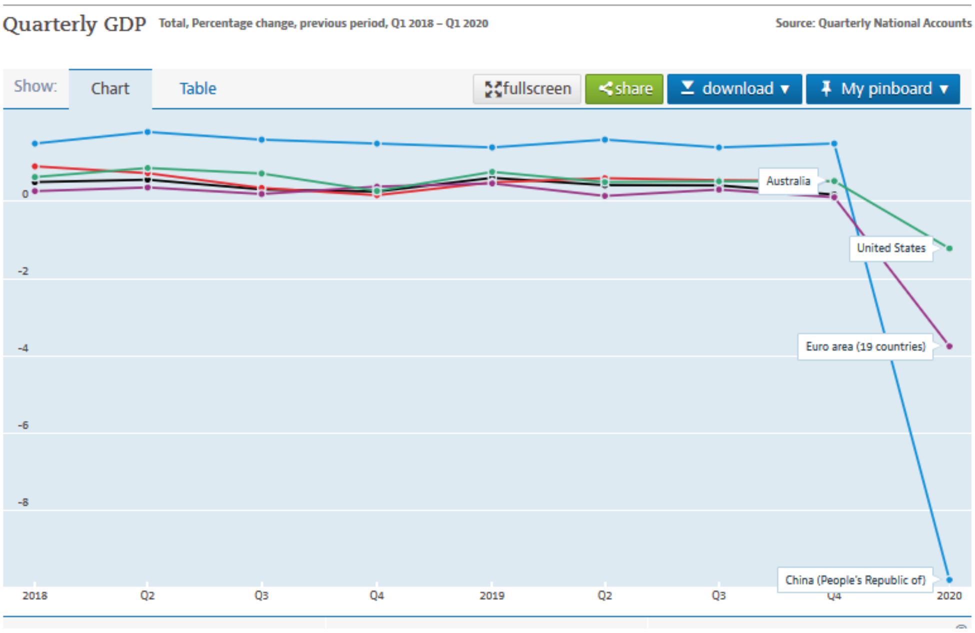
112. The RBA provides a more recent picture:

> *In the major advanced economies, GDP is expected to contract in 2020 by 3 to 7 per cent in year-average terms with peak-to-trough declines in GDP of 10 to 15 per cent.*[35]

113. That means all the columns in Chart 1.3 will shortly be below the 0.0 line, to a dramatic extent, indicative of a likely global recession. ACCI understands that only China and India are in anything other than a 'sharp' economic slowdown.

114. We have looked at the OECD from which this was drawn and extracted the following chart on quarterly GDP.

[35] https://www.rba.gov.au/publications/smp/2020/may/international-economic-conditions.html



115. The cliff Australia's GDP is likely to go off seems fairly clear, even with the substantial and welcome JobKeeper initiative. What we would be looking for is a shallower fall and steeper recovery than competing economies.

4.7 Statistical Report – Previous Approach

116. ACCI Notes the difference between Chart 1.3 of the 2020 Statistical Reports, and the preceding Section 13 of the 2019 Reports on Global Economic Forecasts. With respect, we preferred the former approach of focussing on what is forecast to occur than the backwards looking data presented in 2020.

117. We appreciate and accept that there are no 2020 budget papers to extract the equivalent of last year's Table 13.1.

Statistical report—Annual Wage Review 2018–19

13 Forecasts

Table 13.1: 2019–20 Budget, international GDP growth forecasts

	2018 (estimates)	2019 (forecasts)	2020 (forecasts)	2021 (forecasts)
World	3.7	3½	3½	3½
Major trading partners	4.2	4	4	4

Note: World growth rates are calculated using GDP weights based on purchasing power parity (PPP), while growth rates for major trading partners are calculated using export trade weights.

Source: Australian Government, *Budget Paper No. 1: Budget Strategy and Outlook 2019–20*, Canberra, p. 2-7.

118. However, it should still have been possible to extract an updated version of Table 13.2, and to track how these forecasts might change across the review period. We have attempted to do so below:

Table 13.2: IMF real GDP growth projections[36]

	2019	2020 (projections)	2021 (projections)
Australia[37]	**1.8**	**-6.7**	**6.1**
Advanced economies	**1.7**	**- 6.1**	**4.5**
World	**2.9**	**- 3.0**	**5.8**

4.8 Minimum Wage Developments in Other Developed Economies

119. Some other participants in these reviews seem to want to find persuasive that other developed countries are increasing minimum wages in 2020 in real terms, and may argue that this Expert Panel should follow a similar approach.

120. For example:


Jim Stanford @JimboStanford · May 23

Hey Australia: This is a 5.4% increase in the minimum wage in BC, Canada. UK increased their min wage by 6.2%. Tough economic times make min wage increases more important than ever: they boost purchasing power and fuel recovery. Don't stall, #FWC! @unionsaustralia @CntrFutureWork

IntegrityBC @INTEGRITYBC · May 22

B.C.'s minimum wage increase of 75 cents will go ahead as planned, minister says | CBC News cbc.ca/news/canada/br... #bcpoli #vanpoli #bclp #bcndp #bcgreens

Show this thread

3 68 119

121. This development was cited from Canada.[38]

122. ACCI has examined the examples cited, and asks the Expert Panel to take into account the following to the extent such developments are cited in support of an increase, or a substantial increase arising from this review:

a. These increases are not a case of looking COVID-19 in the eye and adopting an increase in response, particularly as a misguided stimulatory measure, as some propose for Australia.

b. Rather, these are the continuation of pursuit of multi-year minimum wage targets, which the Expert Panel has specifically rejected as not possible under Australia's Fair Work Act, and which would have run head on into COVID-19 coming the other way.

36

37 https://www.imf.org/~/media/Files/Publications/WEO/2020/April/English/StatsAppendixA.ashx?la=en, Table A2

38 https://www.cbc.ca/news/canada/british-columbia/coronavirus-covid-19-1.5579246?__vfz=medium%3Dsharebar

c. These minimum wage setters were also avoiding a flow on implication which is not relevant in Australia, that being what to do with a multi-year target if you depart from it in 2020 due to COVID-19. That is not relevant in Australia in which such targets have been specifically rejected. For example in British Colombia, minimum wages are to rise as follows:

> The minimum wage in B.C. is $13.85 per hour (as of June 1, 2019).
>
> September 15, 2017 – $11.35 per hour
>
> June 1, 2018 – $12.65 per hour
>
> June 1, 2019 – $13.85 per hour
>
> June 1, 2020 – $14.60 per hour
>
> June 1, 2021 – $15.20 per hour

d. Often significant periods of minimum wage stasis has preceded such increases, which are seen as catch up or correction for changes in prices. That is not the case in Australia in which minimum wages have been increased every year for two decades, save during the GFC, and have on a vast majority of occasions risen by more than inflation.

e. These are also not always the actions of the minimum wage reviewer (although there may have been a recommendation from such a body), rather at least some are political determinations, above that level. A Minister had to take into consideration specifically reversing an already determined increase on a multi-year program of rises, which is a very different scenario than choosing such an approach in the worst possible circumstances for the economy, small businesses and jobs.

f. The political fall out from not delivering a previously scheduled / announced increase is a concern for political minimum wage determination, not independent determination as we have in Australia.

g. The minimum wages of the UK and Canada are not the world's highest, nor are they prescribed at multiple points through the wages distribution as we do in Australia. Their bite on the median is also different to Australia, and these are the effective minimum wage rather the nominal rate which is inapplicable to most work (as we have in Australia).

h. $15.00 CAD per hour equates to $16.40 AUD per hour, which is vastly less than our existing minimum wage of $19.49. Like is not being compared with like by those looking internationally to claim we should increase minimum wages here.

i. In the UK, consultations for the recommended 2020 minimum wage raises were held in mid 2019, at least 7 or 8 months prior to the emergence of COVID-19 to the extent it (and health measures) started to have a real impact on the UK economy and jobs.

j. The formal remit from the UK Government to the Low Pay Commission for the 2019 review, which gave rise to the 2020 increase, was issued in March 2019, a full 12 months prior to the massive change in circumstances in 2020. Thus, the UK increase arises from a pre-COVID-19 set of riding instructions, is based on evidence and consultations preceding

COVID-19, and was issued pre-COVID-19. There is again a clear difference between seeking to interrupt or overturn an already announced approach, and decision making which in Australia is far more proximate to current circumstances and the current real economy than decision making in comparable countries (which we maintain are not really comparable, and are in fact readily distinguishable).

k. The UK Government announced it would accept the Low Pay Commission recommendation on 31 December 2019[39], three months prior to the impact of COVID-19 becoming clear. This is entirely different to the situation in Australia in which the reviewer makes the decision, and in which the decision is being made in the thick of the impact of COVID-19, rather than prior to it.

l. This is a massive advantage for Australia and provides the Panel with an opportunity to get minimum wage setting right for the times which is denied your counterparts in our fellow OECD / Anglosphere developed economies.

m. We can add to this again that the UK sets a single minimum wage / a very small number of rates compared to the massive stratification up the wage distribution we have in Australia, the Low Pay Commission also comes to its task without the background and impact of a century of minimum wage setting at market rates for a sizeable proportion of their workforce.

[39] https://www.gov.uk/government/news/government-announces-pay-rise-for-28-million-people

5. OTHER MATTERS / SUBMISSIONS

123. The ACTU in its reply submission commented that ACCI's submission *"seems to be blind to the impact that [the COVID-19 pandemic] might be having on employees"* and suggests *"the only rational explanation for ACCI's ignorance of the plight of those workers facing the worst of conditions is their apparent view that if (and it's a big if) only small number of workers dependent on the Panel's decisions have poor living standards, then they don't matter enough to influence the Panel's decision in any meaningful way."*

124. ACCI addressed the relative living standards and the needs of the low paid in our previous submissions to this review, noting that they are shaped by a wide range of factors.

125. We maintain our argument as set out in previous submissions that it cannot be assumed that lower paid employees necessarily reside in lower income households. Further, ACCI has consistently argued that comparisons of 'relative living standards' should extend to those out of work, and to those in our community not participating in the labour market / not in employment. The effects of the COVID-19 pandemic will only seek to increase the gap between those in employment and those not in employment. A key consideration must be those whose jobs are precarious – we need to think about the living standards of those potentially on the brink of having their hours reduced if an increase in wages cost will impact the sustainability of the business otherwise.

126. We also emphasize that the Panel has also clarified that the needs of the low paid and relative living standards cannot be the sole or determining considerations under the current legislation.

127. The ACTU also stated in its reply submission that it *"contest[s] arguments that freezing or reducing labour costs could somehow restore business confidence and preserve employment levels (even as entire sections of the economy effectively shut down)"*.

128. The Expert Panel has previously found (emphasis added):[40]

> *Higher minimum wages can also provide incentives to those not in the labour market to seek paid work, which <u>needs to be balanced against potential negative impacts of increases in minimum wages on the supply of jobs for low-paid workers</u>.*

129. Feedback from employers is overwhelmingly that cost of employment is a key factor in business confidence including their decision of whether or not to hire, and indeed whether or not they can maintain current levels of employment.

130. Of course increasing the minimum amount paid does not in every case mean that businesses have to cut workers' hours or rethink decisions to maintain employment or to hire, but it does put pressure on them in other ways if the increase affects cash flow, which is amplified if, as many businesses are, already experiencing cash flow issues.

131. This is magnified significantly in times of crisis, including in the current COVID-19 pandemic where many businesses are particularly struggling. This includes for example those who have significantly reduced profit margins due to government enforced closures and strict social distancing

[40] [2019] FWCFB 3500 at [13].

requirements. For example, in the restaurant industry, some restaurants are reporting profits of between only 2-4%, with many just breaking even.[41] So indeed some businesses will be in a position where they will likely need to rethink hours or levels of employment where the minimum wage, that is, the minimum price of retaining jobs and rehiring, is increased. This will particularly play a major factor if the higher wages bill, which forms the largest portion of expenditure for many businesses, affects confidence about the sustainability of the business.

132. While some may be receiving assistance via the JobKeeper scheme, other employers whose turnover has significantly decreased, but not to the required level of 30% or 50% will still be in distress and their confidence to employ or maintain employment levels will no doubt be impacted. For those businesses who are on JobKeeper, bear in mind this support, and the related Fair Work Act changes supporting the scheme, ends on 27 September, meaning these businesses will then be free of additional support for the remainder of the 2020-21 financial year.

133. It is nonsensical to think that an increase of minimum wages – particularly an increase of 4% as the ACTU is seeking, would not have an impact on the decision of a business, particularly during this critical restart and recovery phase of the COVID-19 pandemic.

134. The ACTU has also put forward its view that the comparison with decision of wage fixing institutions during the Great Depression, the 1982 recession and the GFC as set out in ACCI's initial submission is a *"false equivalence"* and should not be *"in any way instructive as to the response required in Australia in the present circumstances."*

135. ACCI's submission canvassed how minimum wage setters have set minimum wages in this country when exceptional and very grave circumstances have confronted our community, placing our economy, jobs and businesses at risk. While there are of course differences in the circumstances of the Great Depression, 1982 recession and the GFC to today's COVID-19 pandemic, is entirely appropriate to make comparisons to these significant and unprecedented events in Australia's history and to reflect on the response of the minimum wage setter.

136. We reminded that Panel that the statutory considerations the AFPC had regard to were not substantially different to those in the Fair Work Act, and that both minimum wage setting frameworks complied with Australia's ILO treaty obligations under Convention 131. We have also, however, set out how the Expert Panel can arrive at a similar decision in this year's annual wage review taking into consideration the relevant legislative and other present day circumstances of this period in the introduction section of this submission.

137. The ACTU has again stated that it *"remain[s] of the view that the stimulatory effect of a minimum wage increase, particularly during a recovery phase, is a matter that the Panel should take into account"* which it states is a relevant consideration because *"it relates to the employment impacts of minimum wages and the requirement of the Panel to take into account the likely effects of its decisions".*

138. ACCI maintains that the ACTU has in its reply submission still failed to demonstrate how the stimulatory approach it seeks should be balanced with the factors for consideration as part of the statutory task and parameters for these reviews. It is far from clear that such a stimulus would work

[41] https://www.heraldsun.com.au/rendezview/somethings-gotta-give-in-the-hospitality-industry/news-story/6e93816be1b6eef458451fc2aeae8562

or that the negative impacts of such an approach will not outweigh its purposed benefits, particularly in the present day circumstances.

139. ACCI reiterates that no increase should arise from this review.

6. ABOUT ACCI

The Australian Chamber of Commerce and Industry (ACCI) 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 the best place in the world to do business – so that Australians have the jobs, living standards and opportunities to which they aspire.

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.

OUR MEMBERS

Australian Chamber of Commerce and Industry

CHAMBER

Business SA Chamber of Commerce and Industry South Australia

Canberra Business Chamber

Chamber of Commerce Northern Territory

CCIQ Powering business potential

Chamber of Commerce and Industry WA

NSW Business Chamber

TCCI Invigorating Business

Victorian Chamber of Commerce and Industry

INDUSTRY ASSOCIATION

accord

AMCA

Animal Medicines Australia

afa Great advice for more Australians

ais nsw

Australia Arab Chamber of Commerce & Industry

AADA

Australian Beverages

ADA Australian Dental Association

ADIA Australian Dental Industry Association

AFEI Australian Federation of Employers & Industries

Australian Gift & Homewares Association

AHA

aicm Australian Institute of Credit Management

Australian Made

AMPC

AMMA Australian Resources & Energy Group

AMTA Australian Mobile Telecommunications Association

apmf

ARIA Australian Recording Industry Association

ARITA

Australian Retailers Association

ARTA

ASMI Australian Self Medication Industry

Australian Steel Institute

ATEC Australian Tourism Export Council

ATIC Australian Tourism Industry Council

ATA Australian Trucking Association

AVA Australian Veterinary Association

BIC Bus Industry Confederation moving people

Business Council of Co-operatives and Mutuals

Caravan Industry Association of Australia

Cement Concrete & Aggregates Australia

Chemistry Australia

CAA

CMAA

Consult Australia

COPHE Council Of Private Higher Education

CPA Australia

CLIA Australasia

Customer Owned Banking Association

Direct Selling Australia

Exhibition & Event Association of Australasia

Fitness Australia

Franchisee Federation

HIA

LFRA Large Format Retail Association

Live Performance Australia

Master Builders Australia

master plumbers Expert. Committed. Professional.

MTAA Medical Technology Association of Australia

Medicines Australia

NALSPA

NDS National Disability Services

neca national electrical and communications association

nesa national employment services association

National Fire Industry Association

NRA National Retail Association

NRMA MYNRMA.COM.AU

NSW HCA The voice of the Hire Car Industry

NSW Taxi Council

Outdoor Media Association

The Pharmacy Guild of Australia

ppca

Primerus The World's Finest Law Firms

Printing Industries Association of Australia

rcsa Leading in the world of work

Restaurant & Catering

S P

The Tax Institute

Think Brick Australia

VACC You're in good hands