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# QUEENSLAND GOVERNMENT SUBMISSION TO THE FAIR WORK COMMISSION Annual Wage Review 2022–23

March 2023

Queensland Government

# Contents

# Introduction

Queensland referred its remaining private sector industrial relations jurisdiction to the Commonwealth for inclusion under the *Fair Work Act 2009* (FW Act) in the national workplace relations system on 1 January 2010. Because of the referral, Queensland's private sector workforce is subject to the national Fair Work jurisdiction, while Queensland's public sector and local government sectors remain within the State's industrial relations jurisdiction.

The submission that follows provides Queensland's perspective on the current economic and social factors relevant to Queensland's award-reliant private sector workforce for the Panel's consideration in its review of the National Minimum Wage (NMW) and national modern award minimum wages.

The Queensland submission notes that the object of the FW Act (at Section 3) is to:

> *'…provide a balanced framework for cooperative and productive workplace relations that provide national prosperity and social inclusion by …(b) ensuring a guaranteed safety net of fair, relevant and enforceable minimum wages…; (f) achieving productivity and fairness through and emphasis on enterprise-level collective bargaining.'*

Queensland notes there has been an increase in the proportion of private sector employees who rely on national modern awards for their actual rate of pay. In 2010, 17.2%[1] of Queensland employees were national modern award reliant. By 2021, this had increased to 21.2%[2]. This submission also notes the concerning decline in the number of private sector agreements and employee coverage under collective bargaining over the past five years.

Noting the decline in private sector agreements, the Queensland submission considers that the 2022–23 Annual Wage Review (AWR) outcome must balance the provision of a safety net of fair wages for workers who have not benefited from collective bargaining, with not becoming a disincentive for collective bargaining at the enterprise-level.

In determining the level of increase, a broad range of indicators relevant to award-reliant private sector employment should be considered. These include inflation, employment, wage growth, business profits and conditions, productivity growth, relative living standards and the needs of the low paid.

Queensland submits that there are factors which distinguish the national and State industrial jurisdictions in relation to minimum wage determinations. Workers impacted by the AWR have

[1] Based on ABS Employee Earnings and Hours, reference period May 2010.
[2] Based on ABS Employee Earnings and Hours, reference period May 2021.

experienced low wage rate outcomes over the past decades. Until the recent *Fair Work Legislation Amendment (Secure Jobs, Better Pay) Bill 2022,* some workers have had no or extremely limited opportunity to secure wage increase through enterprise bargaining. When compared to the State jurisdiction where 98.2% of employees within the Queensland jurisdiction actively participate in collective bargaining, and with only 1.8% of all employees being award-reliant, the current situation places even greater emphasis on the Panel's consideration of minimum wage and national modern award increases that are fair in the context of improved living standards for all private sector award-reliant workers.

Additionally, as noted in previous AWR decisions of the Expert Panel, including last year's[3] decision, female workers continue to be more likely than male workers to be reliant upon the NMW and national modern award rates of pay, and those on these minimum rates are more likely to be low paid. On this basis, it is argued that raising the NMW and national modern award minimum wages will promote gender pay equity.

Consistent with the principles and considerations outlined in this submission and based on data available at the time of this submission, Queensland supports an increase to the NMW and minimum national modern award rates for private sector award-reliant workers that is fair and reasonable taking into consideration inflation and employment impacts on low-paid, award-reliant private sector workers.

## Legislative parameters

Queensland submits that the objects of the FW Act[4] and the objectives of national modern awards[5] and minimum wages[6] require the FWC to balance economic and social issues as well as to take account of the needs of low paid workers within the national fair work jurisdiction, amongst other factors to maintain a safety net of fair minimum wages. Queensland submits that this requirement signifies a focus on social factors being as important as economic factors in the creation of a fair safety net.

These objectives taken together imply that when determining the safety net of fair minimum wages, the Panel is bound to ensure a wage outcome consistent with strong economic performance, while at the same time providing a fair and relevant minimum wage safety net that ensures a decent standard of living for full-time adult employees and that those with

[3] FWC Decision Annual Wage Review 2021–22 (C2022/1) para 87.
[4] *Fair Work Act 2009* (Cth) s 3.
[5] *Fair Work Act 2009* (Cth) s 134.
[6] *Fair Work Act 2009* (Cth) s 284.

limited access to bargaining are not left behind. This is particularly important for low-paid workers who rely on the AWR for an annual wage increase.

In this context, Queensland notes that the minimum wages objective requires the FWC to consider relative living standards and the needs of the low paid within the national fair work jurisdiction, the principle of equal remuneration for equal work, the promotion of social inclusion through increased workforce participation, the provision of a comprehensive range of fair minimum wages for certain junior employees and those with a disability as well as the performance and competitiveness of the national economy.[7]

## Number of Queensland employees subject to the NMW and national modern award rates

The most recent figures of national modern award dependency are from May 2021[8]. At that time, of the 10,766,000 non-managerial employees in Australia, 2,657,900 or 24.7% were national modern award reliant. Queensland had a marginally lower proportion of private sector national modern award-reliant employees, i.e., of an estimated 2,081,700 non-managerial employees, 466,900 or 22.4% were national modern award reliant.

Significantly, Queensland's national modern award-reliant non-managerial employees were paid $753.00 per week on average compared to the national average at $848.30 per week. Furthermore, when average total hours worked over the month are considered, Queensland's modern award-reliant non-managerial employees received an average of $28.20 per hour, which is below the national average of $31.80.

Given Queensland's proportion of national modern award-reliant employees, and that Queensland's national modern award-reliant employees also have one of the lowest rates of pay on average in absolute and relative terms compared with other states, the relationship between national modern award reliance and low pay is particularly significant to Queensland employees and with regard to the setting of fair minimum rates of pay.

## Characteristics of Queensland employees subject to the NMW and national modern award rates

Of Queensland's national modern award-reliant employees, 129,200 are full-time (non-managerial) employees paid at the adult rate. This represents 11.1% of all full-time (non-managerial) employees in Queensland paid at the adult rate.[9]

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[7] *Fair Work Act 2009* (Cth) s 284(1).
[8] Based on ABS Employee Earnings and Hours, reference period May 2021.
[9] Ibid.

Queensland accepts the Panel's position 'that adult national modern award-reliant employees who receive a rate of pay that (as a full-time equivalent) is below two-thirds of median (adult) ordinary time earnings prove a suitable and operational benchmark for identifying who is low paid.'[10]

Queensland also accepts the Panel's view that 'the information as a whole suggests that a sizeable proportion—probably a majority—of employees who are national modern award-reliant are also low paid by reference to the two-thirds of median weekly earnings benchmark'.[11] Therefore the minimum wage and national modern award objectives pertaining to relative living standards and the needs of the low paid are particularly relevant to this group. It is important that such a significant group of full-time employees are provided with a living wage.

Table 1 below shows employment by industry and the proportion of employees who are female in each industry (as at November 2022) along with the proportion of national modern award-reliant non-managerial employees by industry (as at May 2021). The largest proportions of national modern award-reliant (non-managerial) workers are found in 'Accommodation and food services' (63.0%, 599,168 workers), 'Administrative and support services' (44.9%, 206,871 workers), 'Other services' (42.1%, 216,472 workers) and 'Health care and social assistance' (34.3%, 709,266 workers) industries. These industries are characterised by high levels of female participation: 54.1%, 53.4%, 44.7% and 76.9% respectively.[12]

These industries account for 28.9% of total employment. Given that these industries are disproportionately national modern award reliant, and therefore lower paid and highly feminised, an increase in minimum wages will promote gender pay equity.

**Table 1: Employees by Industry (Australia)**

| Industry | Number of Employees[a] (000s) | Proportion of female Employees[a] (%) | Proportion of National modern award-reliant Employees[b] (%) |
|---|---|---|---|
| Mining | 277.9 | 17.7 | 1.1 |
| Manufacturing | 878.1 | 27.7 | 21.1 |
| Electricity, gas, water and waste services | 167.6 | 23.0 | 6.1 |
| Construction | 1,294.3 | 14.5 | 15.8 |
| Wholesale trade | 342.4 | 32.1 | 11.1 |
| Retail trade | 1,347.3 | 54.5 | 30.8 |
| Accommodation and food services | 950.7 | 54.1 | 63.0 |
| Transport, postal and warehousing | 733.5 | 24.5 | 14.0 |

[10] FWC Decision Annual Wage Review 2015–16 (C2016/1) para 449.
[11] Ibid.
[12] ABS Labour Force, Detailed, reference period Nov 2021.

| | | | |
|---|---|---|---|
| Information media and telecommunications | 186.3 | 40.6 | 8.0 |
| Finance and insurance services | 559.3 | 48.5 | 5.5 |
| Rental, hiring and real estate services | 214.7 | 50.3 | 25.3 |
| Professional, scientific and technical services | 1,249.7 | 42.9 | 6.6 |
| Administrative and support services | 461.0 | 53.4 | 44.9 |
| Public administration and safety | 847.5 | 48.6 | 13.5 |
| Education and training | 1,165.4 | 72.3 | 8.0 |
| Health care and social assistance | 2,068.0 | 76.9 | 34.3 |
| Arts and recreation services | 247.2 | 45.2 | 28.3 |
| Other services | 514.6 | 44.7 | 42.1 |
| **Total** | 13,805.7 | 47.6 | 24.7 |

**Source**: a. ABS Labour Force, Detailed, reference period Nov 2022
b. ABS Employee Earnings and Hours, reference period May 2021

# Economic factors[13]

The Australian and Queensland economic forecasts outlined in this document are the latest available, current as of the RBA's February 2023 *Statement on Monetary Policy* (SoMP, released 10 February 2023) and Queensland 2022–23 Budget Update (State Budget Update, released 7 December 2022).

## National economic conditions and outlook

After moderating since the first half of 2022, the RBA expect economic growth in Australia to continue to slow over 2023 as rising interest rates, the higher cost of living and declining real wealth weigh on growth. Offsetting these impacts to some extent will be the boost to national income from the elevated terms of trade and the large pipeline of investment projects. Overall, real GDP growth is expected to have been 2.7% over 2022 but moderate to just 1.6% over both 2023 and 2024, broadly in line with expected population growth.

Global growth is expected to remain well below its historical average over the next few years, with real incomes having declined as the cost of living has increased (in part due to Europe's energy crisis). The synchronised global monetary policy tightening is expected to continue to weigh on demand, however China's decision to lift most COVID-19 restrictions in late-2022, inflation showing signs of peaking and lower global gas prices are providing some support to the outlook.

Household consumption growth moderated over the second half of 2022, but was still expected to have risen by 5.5% over 2022, with strong growth in labour income supporting growth in nominal household spending. Spending related to overseas travel rose sharply, but

[13] Forecasts are taken from the 2022-23 Budget, Commonwealth of Australia (released 29 March 2022).

other categories, including some discretionary goods, were softer as consumers rotated their spending towards services amidst the recovery from the pandemic. However, growth in this sector is forecast to moderate to 1.7% over both 2023 and 1.8% over 2024. While the strong labour market and increased population growth is expected to support household consumption growth in 2023, elevated consumer price inflation, higher net interest expenses and lower household net wealth (particularly due to lower house prices) will weigh on spending.

Dwelling investment is forecast to decline once the current backlog of dwelling construction is worked through, with the RBA forecasting a decline of 1.3% over 2023 and a further fall of 5.7% over 2024. While stronger immigration is expected to boost rental demand over the medium-term, this is expected to be partially offset by an increase in the average household size from current low levels.

The outlook for business investment remains positive, with a large pipeline of projects expected to support activity over 2023. While material shortages and related supply chain issues have eased somewhat, labour shortages remain a constraint on activity. Overall, business investment is expected to grow by 3.7% over 2023 and by 3.0% over 2024.

New public final demand is forecast to rise by just 0.1% over 2023, before strengthening to 2.4% over 2024. The moderation in growth over 2023 reflects a decline in pandemic-related spending. However, the existing pipeline of public engineering work is anticipated to support a high level of public capital expenditure for several years.

Exports are forecast to have grown by 10.2% over 2022, with growth forecast to moderate to 4.2% over 2023 and 2.3% over 2024. The strong growth over 2023 is expected to be driven by services exports, as travel recovers to be back around pre-pandemic levels by 2024. The RBA expects resources exports to remain broadly flat over 2023.

Imports are forecast to continue to grow strongly in part due to Australians increasing their overseas travel. Having been forecast to have grown by 14.0% over 2022, imports are forecast to grow a further 6.5% over 2023 and 2.4% over 2024.

The labour market has displayed resilience through the pandemic and a broad range of measures suggest that it remains tight. The unemployment rate has remained at around 3.5% in late-2022, around the lowest rate in almost 50 years, and other measures of underutilisation are also at multi-decade lows. Demand for labour remains strong, and, along with the recent increase in net arrivals following the re-opening of the international border, has supported strong employment growth. The RBA forecast the unemployment rate to remain at a decades low level of around 3.5% until mid-2023, before rising gradually rising to 4.1% by mid-2024 and 4.4% by mid-2025 reflecting the expected moderation in economic growth.

Consistent with the strong labour market, wages growth picked up in late-2022 (particularly in the private sector) and is expected to strengthen further in the near-term. The RBA's liaison program reports accelerating wage growth has been driven by strong labour demand, elevated staff turnover, high inflation outcomes and the pass-through to wages from the Fair Work Commission's decision June 2022. Annual growth in the wage price index is forecast to reach 4.2% over 2023 before moderating to 4.0% over 2024 and 3.8% by mid-2025 as the unemployment rate rises and labour market capacity constraints ease.

Annual headline consumer price inflation is expected to have peaked at the end of 2022 at 7.8%, while annual underlying (trimmed mean) inflation was stronger than expected at 6.9%. Both headline and underlying annual inflation are expected to moderate over 2023 and 2024 but remain above the RBA's 2-3% target band until at least mid-2025. The easing in global price pressures is already underway and expected to flow-through to Australia in the near-term. Additionally, slower forecast growth in domestic demand and easing labour market conditions are expected to reduce domestic inflationary pressures over time.

The outlook for household spending represents a considerable uncertainty to the national economic outlook. It is not clear how far households will be willing to reduce current savings rates or draw down on extra savings accumulated during the pandemic to support consumption from the effects of declining real incomes. Meanwhile, some households have little to no buffer, and will instead need to cut back on spending.

The forecast decline in inflation is also a source of uncertainty to the outlook. Although goods inflation is expected to ease in line with the easing of global cost pressures, the timing and pace of this could differ greatly from forecasts. If global goods prices reverse some of the recent rises, goods inflation in Australia could decline further and faster than expected. Working in the other direction, given the current tightness of the Australian labour market, there are upside risks to wages growth which could support domestically sourced inflation.

## The Queensland economy[14]

The Queensland economy has recovered strongly from the COVID-19 induced downturn, thanks to the effective health response and management of the pandemic across the state, combined with significant fiscal and monetary policy support flowing through to businesses

[14] Forecasts and data are obtained from the Queensland Government's 2020-21 Budget, December 2020.

and households during the crisis. As of September quarter 2022, Queensland's domestic economy, as measured by State Final Demand, was 10.7% larger than its pre-COVID level in March quarter 2020, compared with growth of 9.1% in the domestic economy across the rest of Australia. Further, there are now clear signs that the Queensland economy has been operating close to its capacity since early 2022, with the unemployment rate falling below 4% since July 2022 and annual consumer inflation surging to its highest level in more than 30 years.

Underpinned by the strength of the domestic economy, Queensland's overall Gross State Product rose by 4.4% in 2021–22, its strongest in a decade. Economic activity in Queensland is expected to grow by 2.5% in 2022–23, slightly lower than the 2.75% growth forecast at the time of the 2022–23 Budget. This modest downward revision has been primarily driven by higher inflation and interest rates dampening domestic economic activity, the deterioration of external conditions weakening demand for Queensland's coal exports and the re-opening of the international border being expected to see a gradual recovery in overseas services imports.

Real household consumption in Queensland has risen considerably (up 9.4%) between pre-COVID March quarter 2020 and September quarter 2022. The latest partial indicators show household spending has remained resilient in Queensland, with pressures from tightening financial conditions offset by strong labour market conditions and elevated savings. However, the substantial and abrupt increases in lending rates and declines across some asset prices are expected to put pressure on household budgets and constrain real consumption growth from the second half of 2022–23 onwards and take full effect in 2023–24.

Dwelling investment in Queensland rose 4.5% in 2021–22, building on the 11.7% increase in the previous year. Record low interest rates and substantial government stimulus drove strong increases in building approvals and lending indicators throughout 2020–21. A sharp increase in inflation and substantial interest rate hikes have tempered expectations of house price growth, with the median dwelling price in Brisbane in January 2023 down more than 10% from its peak in June 2022. Despite these headwinds in the housing market, dwelling approvals remain above their pre-pandemic level.

The outlook for this sector has weakened since the 2022–23 Budget. Dwelling investment in Queensland fell for four consecutive quarters before recording modest growth of 0.1% in September quarter 2022, but was still 14.1% lower over the year. Supply side constraints including material and labour (particularly due to COVID-19 illness) shortages and flooding events have severely impacted construction work done in recent quarters. However, a record amount of work in the pipeline is expected to support activity in the near-term.

Looking ahead, the elevated level of demand for new and used dwellings is expected to remain resilient, however a portion of demand for renovation activity is expected to be lost by the time supply side factors are resolved. Dwelling investment is expected to fall slightly in 2022–23, but to then rebound in 2023–24 as supply side issues are resolved.

Business investment recovered strongly in 2021–22 from the COVID-impacted 2020–21 financial year, rising 8.5%. However, the recovery slowed over the first half of 2022, with investment in machinery and equipment continuing to trend upwards but was offset by declining construction activity. However, the number and value of known investment projects has continued to trend upwards, with activity in recent quarters likely to have been constrained by a range of factors including the surge in Omicron cases in early 2022, ongoing pandemic-induced supply chain issues, the South East Queensland floods and the tight labour market. A renewed recovery in non-residential construction activity is expected going forward as weather returns to more normal conditions and business profitability strengthens. Firms are also expected to continue to be encouraged to invest in capital, including plant and equipment, in response to the prevailing high rates of capacity utilisation and supply chain challenges.

Queensland's overseas goods and services exports rose 1.6% in 2021–22, following a 16.7% decline in the previous year. This reflected the continued impact of travel restrictions on Queensland's overseas services exports, which fell 8.1% in 2021–22. Queensland's overseas goods exports rose 2.7% in the year, with higher agriculture and LNG exports more than offsetting lower coal and metals export volumes. Exports of goods and services are expected to grow by 7% in 2022–23 and 6.5% in 2023–24.

Despite subdued volumes, the nominal value of Queensland's overseas exports has benefited from elevated prices, particularly goods exports which more than doubled in 2021–22, from $57.9 billion to $120.0 billion. The value of Queensland's goods exports is expected to remain elevated in 2022–23.

Queensland's labour market remains exceptionally strong and historically tight, reflecting the state's strong recovery from COVID-19 and the impacts of international border closures restricting labour flows. In December quarter 2022, Queensland's unemployment rate fell to 3.5%, its lowest quarterly rate in 15 years, while the employment-to-population ratio was 64.1%, towards its highest rate in more than a decade. Further, the job vacancy rate (a key indicator of labour demand, which is the number of vacancies as a proportion of total labour force) reached 3.0%, its highest on record. In year-average terms, Queensland's employment rose 5.0% in 2021–22, the strongest annual result since 2004–05. On a monthly basis, employment in Queensland in December 2022 was 8.5% (or 219,100 persons) above its pre-COVID level of March 2020. This was the strongest growth in percentage terms of any state or territory over this period.

Queensland's labour market is expected to remain strong in the coming years and population growth is forecast to strengthen to 1.75% in both 2022–23 and 2023–24 as overseas migration rebounds. However, rising interest rates and a weaker global economic outlook are expected to weigh on Queensland's domestic economic growth, and therefore employment growth. In year-average terms, employment is now forecast to grow 2.75% in 2022–23, before moderating to 1.5% growth in 2023–24, broadly in line with population growth. The year-average unemployment rate is forecast to remain low, falling from 4.6% in 2021–22 to 4% on average across 2022–23, before rising marginally to 4.25% in 2023–24.

The COVID-19 pandemic resulted in Brisbane's CPI falling a record 2.2% in June quarter 2020, seeing an annual CPI decline of 1.0%. This result marked the first annual fall in Brisbane's CPI since the inception of the series in the 1940s. Since this period CPI growth has surged, rising 7.7% over the year to December quarter 2022. However, annual CPI growth in Brisbane is expected to have peaked in September quarter 2022 (7.9%), with growth expected to continue moderating throughout 2023, consistent with an easing in global supply disruptions and housing and fuel price growth cooling from elevated rates in 2022.

## Risks to the outlook

Despite the ongoing strong recovery and positive outlook for the Queensland economy, there remain significant risks to the outlook, at both the global and domestic levels. Rising global inflation is leading to a tightening of monetary policy across most major economies as central banks aim to reduce the level of excess demand. As a result, the balance of risks at the international level are clearly on the downside. At the same time, while there is evidence of an easing in global supply chain bottlenecks, significant supply-side risks remain in the form of the ongoing conflict in Ukraine and its impact on commodity prices. This is especially the case for European growth due to its dependence on energy imports from Russia.

At a national level, the RBA is, like other central banks, increasing interest rates. The RBA has indicated this needs to be sufficiently rapid to reduce inflation back to within the target range and before expectations of higher inflation become entrenched. At the same time, monetary policy decisions need to be balanced with the objective of avoiding a sharp downturn. As such, as is the case at the international level, the ongoing inflationary and higher interest rate environment poses some downside risks to growth.

Much of 2022 was dominated by unseasonably wet weather and flooding across most of eastern Australia. It is expected that more normal seasonal conditions will emerge over the forecast years. However, if unseasonable wet weather prevails for longer than expected, this could lead to ongoing delays in construction activity (and hence economic activity) and contribute to ongoing higher fruit and vegetable prices (therefore putting additional upward pressure on inflation).

## Economic implications of low wage growth

Australia recently experienced a sustained period of subdued wage growth, particularly in the private sector. Although wage growth picked up throughout 2022 due to labour supply shortages, it has not kept pace with high inflation. Seasonally adjusted wage growth was 3.3% through the year to December quarter 2022, while inflation rose by 7.8% over the same period.[15, 16]

Sustained periods of low wage growth or declining real wages have implications for the broader economy. Subdued wage growth constrains growth in household income, one of the key drivers of household consumption (which accounts for around 60% of total economic activity), with potential flow-on effects for businesses and government revenues. The Queensland submission notes that the AWR decision in recent years supported this view, observing the negative economic and social consequences of sustained low wages growth. As further explored below, the RBA has previously been vocal in its concerns about persistently low wages growth[17]and more recently indicated there is a low risk of a wage-price spiral occurring in the current high inflation environment should wages increase at a reasonable rate[18].

Additionally, the demand for government services (such as social housing) may rise if households' purchasing power is reduced by low wage growth conditions or declining real wages. Lower income households may seek to access a broader range of government services if wage growth falls behind the rate of increase in the cost of non-discretionary goods

[15] ABS Wage Price Index, Australia, reference period December quarter 2022
[16] ABS Consumer Price Index, reference period December quarter 2022
[17] Cassidy, N. (2019). Low Wages Growth in Australia – An Overview, Address to Low Wage Growth conference, Reserve Bank of Australia, Sydney, 4–5 April 2019
[18] Suthaharan, N and Bleakley, J (2022). Wage-price Dynamics in a High-inflation Environment: The International Evidence, Reserve Bank of Australia, Bulletin, September 2022

and services. This, combined with the flow-on effects for government revenues identified above, could adversely affect the government's fiscal position.

The RBA has suggested that the previous low level of wages growth reflected a number of factors including spare capacity in the labour market and low inflation expectations[19]. However, the situation has recently changed, with a confluence of events leading to high inflation and tight labour market conditions, sparking fears of a wage-price spiral. Despite this, there are several reasons why this is unlikely to occur[20]:

- the pricing power of workers and firms has fallen over the past decades as a result of institutional change and increased globalisation has raised competition;
- wage indexation is less prevalent than it once was; and
- recent monetary policy decisions have kept medium term inflation expectations anchored.

## The employment impact of increases to minimum wages

A perennial point of contention is with the impact of minimum wage movements on the employment of low-skilled workers. Arguments around the empirical evidence regarding the impact of wage adjustments on employment have been a constant feature of national wage cases but, while it has been argued that moderate increases in real wages in the absence of offsetting productivity improvements may lead to a negative impact on employment, this has not been borne out by the evidence. Factors such as employer efforts to increase workers' productivity to justify the wages paid and incentive effects on employees and through the broader effects of a fairer system on social and economic cohesion in society as a whole are effective in mitigating any potential dis-employment effects.

The employment impact of safety net adjustments to national modern award wages has been similarly well canvassed by the FWC and its predecessors. In previous wage case decisions, the Panel has noted that a general assessment of employment data, including in more heavily national modern award-reliant sectors, has not disclosed any basis to suggest that past safety net adjustments have had any significant adverse employment effects.

In its 2016 Decision, the Panel reaffirmed its view that 'modest and regular increases in minimum wages have a small or even zero impact on employment'.[21] This sentiment was reiterated in the Panel's 2017 decision along with the statement that 'the Panel's past assessment of what constitutes a 'modest' increase may have been overly cautious, in terms

[19] Cassidy, N (n 17).
[20] Suthaharan, N and Bleakley, J (n 18).
[21] FWC Decision Annual Wage Review 2015–16 (C2015/1) para 492.

of its assessed dis-employment effects'.[22] This view was confirmed by a landmark study published by the RBA in 2018 which found that there is no evidence that modest, incremental increases in national modern award wages have an adverse effect on hours worked or the job destruction rate.[23] Queensland submits there is no reason to depart from this consistent set of conclusions.

Queensland further submits that these findings regarding the employment effects of wage increases should be considered in tandem with the social and individual benefits of an increase in the minimum wage and national modern award wages.

## Social factors – The importance of fair wages

As mentioned previously, as at May 2021, approximately 466,900 (22.4%) of Queensland non-managerial employees relied on the national modern award system to determine their rate of pay.

Minimum and national modern award wage increases serve an important social function by directly targeting and benefiting those employees who are not able to negotiate wage increases with their employer through enterprise bargaining. This helps to ensure that those workers with little or no bargaining power are not left behind and that these workers can share in the benefits of economic prosperity, productivity growth and rising living standards through improvement to their real wages.

**Figure 1** shows real wage growth and productivity growth in the years since the 2001 downturn. As can be seen from the chart, real wage growth mirrored labour productivity growth until 2011–12 but has subsequently diverged, resulting in low wage growth and rising inequality.

[22] FWC Statement Annual Wage Review 2016–17 (C2017/1) para 9.
[23] Bishop J (2018), The Effect of Minimum Wage Increases on Wages, Hours Worked and Job Loss, Reserve Bank of Australia, Bulletin, September 2018


**Source**: ABS Wage Price Index, Australia and ABS Consumer Price Index, Australia - Australian National Accounts: National Income, Expenditure and Product

Queensland recognises that declining real wage growth has been widely identified as a significant problem in recent years and that rising income inequality has become an issue of significant social concern. The Governor of the RBA, Phillip Lowe, has previously argued this is a major problem, suggesting that flat real wages are diminishing our sense of shared prosperity and the lack of real wage growth is one of the reasons why some in our community question whether they are benefiting from our economic success.[24]

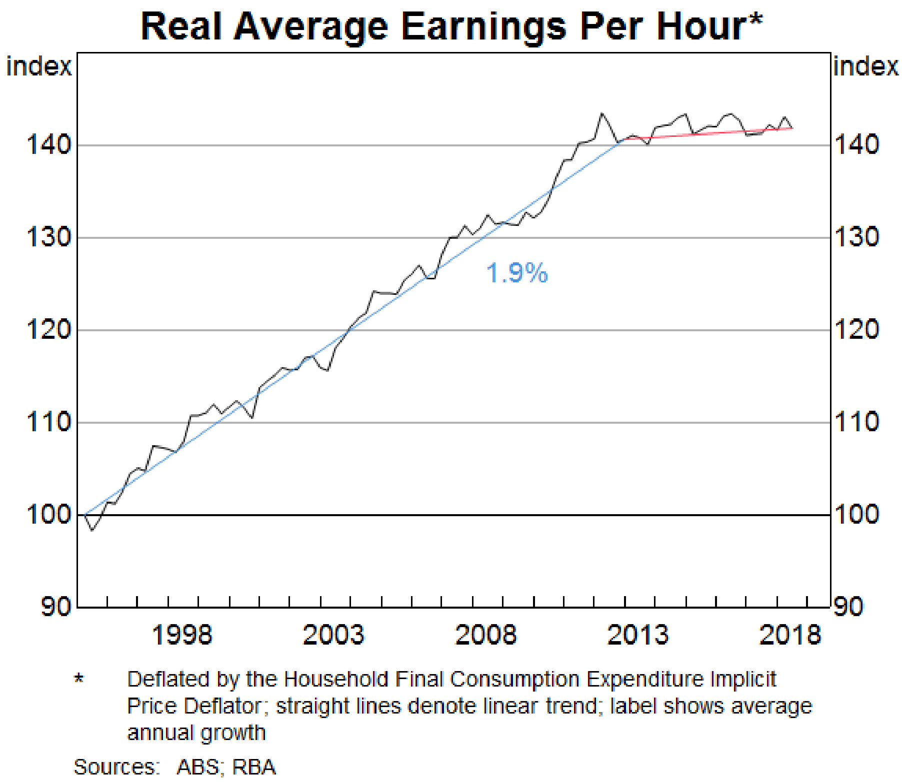
Governor Lowe used Figure 2 below to show that from 1995 to 2012, on average, real wages increased by almost 2% per year. This occurred while inflation averaged around the mid-point of the 2% to 3% target range. Between 2012 and 2018, there was little change in average real hourly earnings and wage increases broadly matched inflation; however, inflation has outstripped wage growth since 2021, exacerbated by COVID-19 related supply issues and the ongoing war in Ukraine.

In November 2022, Governor Lowe, in the recent Statement on Monetary Policy, stated that inflation is expected to start declining through 2023 as supply-side issues resolve, commodity prices cool and demand moderates. Wages are forecast to increase by between 3% and 4% over 2023, while underlying inflation is expected to slowly decline to around 3.75% over the

[24] Lowe, P. (2018). Trust and Prosperity, Address to CEDA Annual Dinner, Melbourne, 20 November 2018.

same period.[25]

**Figure 2:**




**Source**: Lowe, P. (2018). Trust and Prosperity, Address to CEDA Annual Dinner, Melbourne, 20 November.

While Figure 1 above shows the divergence between productivity growth and real wages overall, national modern award-reliant workers are even worse off. There is a marked disparity between the wage outcomes for those on national modern awards compared to employees covered by collective agreements. In Queensland, in May 2021, average weekly earnings for full-time non-managerial employees paid at the adult rate covered by industrial national modern awards were $1,176.00 per week, compared to $1,908.50 for those covered by collective agreements and $1,728.40 for those covered by individual agreements[26]. The ratio of national modern award-reliant wages to the average of all wages was marginally lower (67.3%) in Queensland than the national average of 76.6%.

As national modern award reliance increases and bargaining coverage has started to fall off, the AWR continues to perform a vital role in responding to this marked disparity between the wage outcomes for those workers on the NMW and national modern award-reliant employees compared to those workers who receive higher rates of pay under collectively bargained

[25] Lowe, P. (2022). Statement on Monetary Policy, Reserve Bank, Sydney, November 2022.
[26] Based on ABS Employee Earnings and Hours, reference period May 2021.

agreements.

**Table 2: Real and nominal increases for national modern award rates and AWOTE, 2011–2021**

| Wage group | Weekly rate of pay | | $ increase | Nominal % increase | Real % increase |
|---|---|---|---|---|---|
| | 2012 | 2022 | | | |
| C14 | $606.40 | $812.60 | $206.20 | 34.00% | 6.24% |
| C13 | $624.00 | $834.80 | $210.80 | 33.78% | 6.07% |
| C12 | $648.00 | $865.20 | $217.20 | 33.52% | 5.86% |
| C11 | $670.20 | $893.60 | $223.40 | 33.33% | 5.71% |
| C10 | $706.10 | $940.90 | $234.80 | 33.25% | 5.65% |
| C9 | $728.30 | $970.40 | $242.10 | 33.24% | 5.64% |
| C8 | $750.40 | $999.90 | $249.50 | 33.25% | 5.64% |
| C7 | $770.50 | $1,026.60 | $256.10 | 33.24% | 5.64% |
| C6 | $809.60 | $1,078.70 | $269.10 | 33.24% | 5.64% |
| C5 | $826.10 | $1,100.80 | $274.70 | 33.25% | 5.65% |
| C4 | $848.20 | $1,130.30 | $282.10 | 33.26% | 5.65% |
| C3 | $892.60 | $1,189.50 | $296.90 | 33.26% | 5.66% |
| C2(a) | $914.80 | $1,219.20 | $304.40 | 33.28% | 5.67% |
| C2(b)q1EA | $954.90 | $1,272.50 | $317.60 | 33.26% | 5.65% |
| **AWOTE*** | **$1,349.20** | **$1,769.80** | **$420.60** | **31.17%** | **4.00%** |
| **WPI**:**<br>**Australia**<br>**Queensland** | <br>**113.5**<br>**113.6** | <br>**142.0**<br>**142.1** | | <br>**25.11%**<br>**25.09%** | <br>**-0.81%**<br>**-2.39%** |

*AWOTE based on June 2012 and June 2022
** Wage-Price Index refers to Ordinary time hourly rates of pay excluding bonuses; September 2012 and September 2022.

**Sources**: ABS, *Average Weekly Earnings*; ABS, *Wage Price Index*; National modern award rates: Manufacturing and Associated Industries and Occupations National modern award 2010 and National modern award rates: Manufacturing and Associated Industries and Occupations National modern award 2020 (Effective 14/11/2022)

Moreover, the growth in the NMW and national modern award rates of pay has only this year begun to keep pace with the growth in earnings across the workforce generally. As Table 2 above shows, over the 10-year period June 2012 to June 2022, the Average Weekly Ordinary Time Earnings (AWOTE) increased by 31.17%, or 4.00% in real terms compared with an increase of 33.25%, or 5.56% in real terms, to the benchmark C10 tradesperson rate in the manufacturing national modern award[27]. Exceptionally high inflation has eroded the purchasing power of pay over the past 12 months, reinforcing the need to ensure those on the NMW and national modern award-reliant employees do not suffer a fall in living standards.

[27] Manufacturing and Associated Industries and Occupations Award 2010/2020.

Given the recent trend towards increased reliance on national modern award minimum wage rates, it is incumbent upon the Panel to set rates of pay through the AWR that are 'fair and relevant' in the context of living standards and the needs of the low paid.

## Enterprise Bargaining in the Private Sector

Queensland submits that there are factors which distinguish the national and State industrial jurisdictions in relation to minimum wage determinations. The Queensland industrial relations framework supports the primacy of collective bargaining as the means for determining wages and conditions for employers., with access to assistance, and ultimately arbitration form the Queensland Industrial Relations Commission should negotiations break down. In addition to agreed wage outcomes, collective bargaining delivers workers a united voice to secure improved working conditions such as job security provisions, flexible working arrangements, access to training and development opportunities and collectively address productivity enhancements without trading away previously negotiated terms and conditions of employment. 98.2% of employees within the Queensland industrial relations jurisdiction actively participate in collective bargaining with only 1.8% of all employees being award-reliant.

Queensland observes that over time, there has been an increase in the proportion of private sector employees who rely on national modern awards for their actual rate of pay. In 2010, 17.2% of Queensland employees were national modern award reliant, which increased to 22.4% by 2021.

A decline in the number of private sector agreements over the past five years and employee coverage under collective bargaining is identified in the most recent Trends in Federal Enterprise Bargaining September Quarter 2022 Report (published on 23 December 2022), which contains data about the number of enterprise agreements made in the federal workplace relations system.

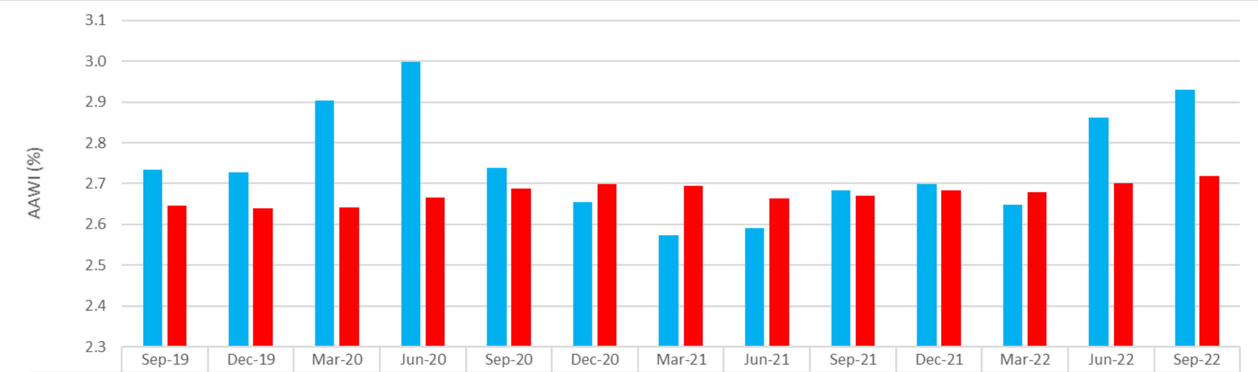
The Trends reports show a decline in the number of private sector agreements. There were 10,569 current (not expired or terminated) agreements covering 1.24 million employees in the private sector as at 30 September 2022. This is a significant reduction compared to five years ago when there were 13,933 private sector agreements (not expired or terminated) covering 1.36 million private sector employees as at 30 June 2017.

The most recent Trends in Federal Enterprise Bargaining September quarter 2022 report containing data about the number of enterprise agreements made in the federal workplace relations system was published on 23 December 2022. There were 1,088 (213,700 employees) agreements approved in the September quarter 2022, up from 943 (154,800 employees) agreements in the June quarter 2022 and down from 1,271 (180,500 employees) agreements in the September quarter 2021.

The Trends reports show a slight undulation in the number of private sector agreements. There were 10,569 current agreements (not expired or terminated) covering 1.24 million private sector employees current as at 30 September 2022. This is slightly less than the 10,608 agreements current as at 30 June 2022 and more than the 9,714 agreements current at 30 September 2021. This is a significant reduction compared to five years ago when there were 13,933 private sector current agreements (that had not expired or been terminated) covering 1.36 million private sector employees as at 30 June 2017.

The Average Annualised Wage Increases (AAWI) for current agreements current was 2.7% for the private sector in September 2022. The AAWI has not changed since the March 2020 quarter when it was 2.6%. The overall result for the private sector is that the AAWI has been tracking downward for the last five years when it was at 3.1% in September 2017.

**Chart 1: Private sector AAWI – Approved and current agreements – September 2019 to September 2022**

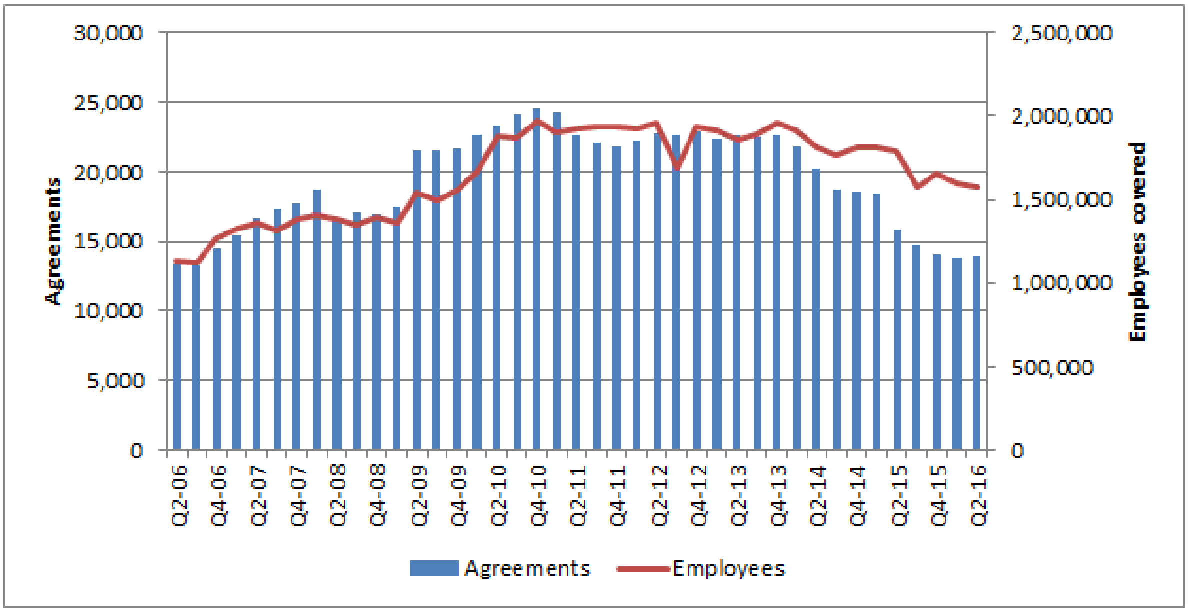



| | Sep-19 | Dec-19 | Mar-20 | Jun-20 | Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | Mar-22 | Jun-22 | Sep-22 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Approved | 2.7 | 2.7 | 2.9 | 3.0 | 2.7 | 2.7 | 2.6 | 2.6 | 2.7 | 2.7 | 2.6 | 2.9 | 2.9 |
| Current | 2.6 | 2.6 | 2.6 | 2.7 | 2.7 | 2.7 | 2.7 | 2.7 | 2.7 | 2.7 | 2.7 | 2.7 | 2.7 |

**Source:** Department of Employment and Workplace Relations, Workplace Agreements Database.

The September quarter 2022 total private sector employee coverage of 1.24 million is slightly lower than the 1.28 million employees covered at 30 June 2022, but is slightly higher than the 1.22 million employees at 30 September 2021.

**Chart 2: Current private sector agreements and employees covered by these agreements, 2006–2016**




As shown in Chart 2, the number of current (not expired or terminated) agreements peaked in Q4 2010 after the introduction of the FW Act and commencement of the Fair Work system on 1 January 2010. Between Q2-2014 and Q2-2016, the number of agreements declined by 30.8% to 13,955 agreements and the number of private sector employees covered by these agreements declined by 13.1% over the same period. The WAD data shows that the decline is skewed toward small and medium agreements (agreements covering from 0 to 99 employees).

Chart 2 also shows that at its peak in Q4, 2010, almost 2 million private sector employees were covered by agreements. The total number of private sector employees covered is 1.24 million, is a significant decline over almost two and a half decades.

## Equal remuneration

In previous AWR decisions, the Panel noted that a 'relatively high' proportion of women earn the NMW[28], that there continues to be more national modern award-reliant women than men and it is more likely that national modern award-reliant employees will be lower paid.[29]

Queensland notes the assessment in the 2018 AWR decision that, in the context of an AWR, the application of the principle of equal remuneration for work of equal or comparable value has 'limited relevance' and that to address 'systematic gender undervaluation of work' it would

[28] FWC Decision Annual Wage Review 2017–18 (C2018/1) para 267.
[29] FWC Decision Annual Wage Review 2017–18 (C2018/1) para 435.

be more appropriate to make an application to vary a national modern award for 'work value reasons'.[30] However, Queensland agrees that 'the broader issue of gender pay equity, and in particular the gender pay gap, is relevant' to the AWR[31] and that as '[w]omen are disproportionately represented among the low paid…an increase in minimum wages is likely to promote gender pay equity'.[32]

On this basis Queensland reiterates the position it put forward in previous submissions to the AWR that '[g]iven the relationship between national modern award reliance and low pay, an increase in minimum wages is likely to positively impact on pay equity. While such an increase may only have a minimal impact on the gender pay gap, the Queensland position is that this remains a worthwhile pursuit.'[33]

# Conclusion

This submission has examined the background and context for the FWC AWR and the key economic and social factors that are relevant to the determination of the Panel.

Queensland is committed to economically responsible pay increases for award-reliant private sector workers and the protection of low-paid workers within the national fair work jurisdiction.

### Queensland submits:

a) The object of the FW Act (at Section 3) is to:

> *'…provide a balanced framework for cooperative and productive workplace relations that provide national prosperity and social inclusion by …(b) ensuring a guaranteed safety net of fair, relevant and enforceable minimum wages…; (f) achieving productivity and fairness through and emphasis on enterprise-level collective bargaining.'*

b) Noting the decline in private sector agreements, the Queensland submission includes that the AWR outcome must balance the provision of a safety net of fair wages for award-reliant workers who have not benefited from collective bargaining, with not becoming a disincentive for collective bargaining at the enterprise-level;

c) the RBA's outlook for the national economy in the February 2023 SoMP remains broadly unchanged from the November 2022 SoMP. The economic growth forecast for 2022–23 is 3.5%, while growth in 2023–24 is 1.5% (both unchanged). National employment is forecast to grow by 2.4% through the year to June quarter 2023 (up from 1.4% in the

[30] FWC Decision Annual Wage Review 2017–18 (C2018/1) para 417.
[31] Ibid.
[32] FWC Decision Annual Wage Review 2017–18 (C2018/1) para 436.
[33] Queensland Government submission to AWR 2017–18.

November SoMP) and 1.0% through the year to June quarter 2024 (unchanged). The national unemployment rate is forecast to rise marginally to 3.6% in June quarter 2023 (revised up by 0.1 percentage point), before rising to 4.1% by June quarter 2024 (up 0.1 percentage point);

d) in determining the level of increase, a broad range of indicators relevant to award-reliant private sector employment should be considered. These include inflation, employment, wage growth, business profits and conditions, productivity growth, relative living standards and the needs of the award-reliant low paid within the national fair work jurisdiction;

e) there is little or no evidence to suggest that moderate increases for award-reliant workers in the NMW and national modern award wages have any significant dis-employment effects;

f) raising the NMW and national modern award wages will promote gender pay equity due to the greater reliance of female award-reliant workers on minimum and national modern award wage rates; and

g) consistent with the principles and considerations outlined in this submission and based on data available at the time of this submission, Queensland supports an increase to the NMW and the minimum wages for award-reliant private sector workers prescribed under national modern awards that is fair and reasonable taking into consideration inflation and employment impacts on low-paid, award-reliant private sector workers.