

Annual Wage Review 2018–19: Questions on notice

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

1	Decision-making process	2
1.1	Question to all parties	2
1.2	Question to ACCI	2
1.3	Question to CCIQ and other parties	2
2	Economic and labour market considerations	3
2.1	Question to all parties	3
2.2	Question to ACCI and other parties	3
2.3	Question to the Australian Government, ACCI, Ai Group and the ACTU	4
2.4	Questions to the Australian Government	4
2.5	Question to the ARA, MGA and NRA	4
3	Relative living standards and the needs of the low paid	5
3.1	Question to the Australian Government	5
3.2	Question to the ACTU	5
3.3	Question to ACCI	5
3.4	Question to all parties	5
3.6	Question to all parties	6
3.7	Question to all parties	6
4	Other relevant considerations	6
4.1	Question to ACCI	6
5	Transitional instruments and other matters	6
5.1	Question to all parties	6

1 Decision-making process

1.1 Question to all parties

ACBC proposed an inquiry to determine the appropriate margins for skills and responsibilities (or work value) of the C10 rate in the *Manufacturing and Associated Industries and Occupations Award 2010* and the Level 1 graduate employee rate under the *Professional Employees Award 2010*.¹

Does any other party support such an inquiry?

1.2 Question to ACCI

Clause 2.1 of the National Minimum Wage Order (NMW Order) 2018 states '[t]his order comes into operation on 1 July 2018 and takes effect in relation to a particular employee from the start of the employee's first full pay period that starts on or after 1 July 2018.'

ACCI submits that any increase should apply from the first full pay period 'commencing on or after 1 July 2019'.²

ACCI is asked to clarify what change in the existing formulation is sought and the reasons for such a change.³

1.3 Question to CCIQ and other parties

The CCIQ has sought a deferral of any increase in the NMW and modern award minimum wages on the basis of the January and February 2019 rainfall event in the Townsville region. The submission states that:

'The proposed mechanism to determine which employers should receive the minimum wage deferral is to be guided by the Disaster Recovery Funding Arrangements 2018 (DRFA) and specifically the DRFA event – North and Far North Queensland Monsoon Trough, 25 January – 14 February 2019'.⁴

The submission further identifies three forms of assistance, namely:

- Disaster Assistance (Essential Working Capital) Loans Scheme for Small Business
- Disaster Assistance (Small Business Loans)
- Special Disaster Assistance Recovery Grants for Small Business (hereinafter referred to as the Special Recovery Grant)

CCIQ is requested to provide the following additional information:

- Is it proposed that an employer in receipt of any one of the three forms of assistance would be subject to the deferral? If not, what scope is proposed and how will the relevant employers be formally identified in the NMW order and any determination concerning the modern awards?
- What are the criteria by which businesses that receive the relevant DRFA assistance are identified and assessed?

¹ ACBC submission, 15 March 2019 at paras 66; 105–111.

² ACCI submission, 15 March 2019 at para. 21(a).

³ ACCI submission, 15 March 2019 at para. 21(a).

⁴ CCIQ submission, 15 March 2019 at para. 44.

- Are any of the relevant forms of assistance directed to assisting businesses to pay employee wages and entitlements and/or support continuing employment?
- What forms of assistance are available to directly assist employees impacted by the relevant DRFA event?
- How would the proposed deferral impact upon the considerations in the modern awards objective (s.134) and the minimum wages Objective (s.289)?

Other parties are invited to comment on these matters.

2 Economic and labour market considerations

2.1 Question to all parties

The Reserve Bank of Australia recently published research on [The labour and capital shares of income in Australia](#) (included in the Research Reference List) which analysed the developments and causes of the declining labour share in Australia over the long term. The paper concluded that:

The aggregate labour share in Australia rose over the 1960s and early 1970s but has been on a gradual decline since then. In an accounting sense, the decline in the aggregate labour share over recent decades is largely because of a larger share of imputed income accruing to home owners, along with a lower labour share in the financial sector. The decline in the financial sector labour share, in turn, appears to be partly due to structural changes in the financial sector, such as financial deregulation, labour-saving technology adoption and high productivity growth. But it also may be affected by issues with measuring the output of the financial sector.

At the same time, the aggregate capital share has risen. This is largely explained by rising profits accruing to financial institutions and rising rents paid to land owners. In turn, higher housing rents over recent decades appear to reflect a combination of higher-quality owner-occupied housing, lower interest rates and rising housing prices. Across the rest of the economy, there have been varying trends in factor shares that are largely offsetting.⁵

All parties are invited to provide comments on the findings and implications of this research.

2.2 Question to ACCI and other parties

ACCI submitted that previous Review decisions ‘have placed very little weight on the rise and fall of unit labour costs, as it has followed changes in the terms of trade’ and suggested that the Panel again place little weight on unit labour costs in the current Review.⁶

In the 2017–18 Review, the Panel placed ‘little weight’ on the fall in real unit labour costs due to the RBA’s view that the high levels of the terms of trade were unlikely to be sustained.⁷ However, the terms of trade have remained at these elevated levels for two years.

ACCI are invited to expand on its submission that the Panel should disregard the fall in real unit labour costs. All other interested parties are invited to comment on this issue.

⁵ La Cava G (2019), *The labour and capital shares of income in Australia*, RBA Bulletin, March.

⁶ ACCI submission, 15 March 2019 at paras 62–63.

⁷ [2018] FWCFB 3500 at [133].

2.3 Question to the Australian Government, ACCI, Ai Group and the ACTU

GDP per capita has risen, over the past year, by 0.7 per cent, whereas RNNDI per capita has risen by 2.1 per cent. The difference appears to have arisen principally from improvements in the terms of trade. Further, mining profits have risen by 26.3 per cent while non-mining profits have risen only by 2.5 per cent in the year to December 2018 ; and the wages share of total factor income has fallen by 11.3 percentage points in mining and by 0.5 percentage points in non-mining over the past two years.

How should variations in the terms of trade, and the very different experiences of the mining sector and the rest of the economy, be taken into account in setting the NMW and modern award minimum wages?

2.4 Questions to the Australian Government

We request the assistance of the Australian Government to clarify some of the data that they have provided in their initial submission:

- Chart 2.1, column 4 shows that 1.7 per cent of all adult employees, i.e., those paid the ordinary adult rate, are paid up to the current NMW rate of \$18.93 per hour. Can the Commonwealth provide the equivalent number for adults who are paid the NMW rate—i.e., what percentage of all adult employees are paid \$18.93 per hour or less?
- At para. 29, the Australian Government states that '[u]sing a consistent methodology with that adopted by the UK, the NMW in Australia (currently at \$18.93 per hour) would be around 61 per cent of the median wage of both full-time and part-time employees (\$31.30 per hour) in 2018'. Does this estimate refer only to those aged 25 years or older, as it is in the UK estimate?
- At para. 76, the Australian Government states that '[i]n Australia, the slower recovery in wage growth might reflect adjustments associated with the unwinding of high commodity prices following the terms of trade boom.' Can the Australian Government provide an explanation of the mechanisms by which the 'adjustments' referred to would lead to lower wage growth?

2.5 Question to the ARA, MGA and NRA

Over the year to the December quarter 2018, the increase in the Wage Price Index (WPI) in Retail trade was 2.0 per cent. The increase in the NMW and modern award minimum wages in 2018 was 3.5 per cent.

Are ARA, MGA and NRA able to explain how the WPI increase in Retail trade was so much less than the increase in the NMW and modern award minimum wages?

All other interested parties are invited to comment.

This issue was also discussed at paragraph 162 of the 2017–18 Review [decision](#).⁸

⁸ [2018] FWCFB 3500 at [162].

3 Relative living standards and the needs of the low paid

3.1 Question to the Australian Government

The Australian Government submitted that changes to the methods used by the ABS for data between 1995–96 to 2015–16, showing that growth in equivalised real household disposable income for the (high income) 90th percentile was higher than that of the (low income) 10th percentile and median households, ‘are likely to have exaggerated high-income growth between 2003–04 and 2007–18’ and thus that ‘comparison of change over time should be interpreted with caution’.⁹

The Australian Government is asked to expand on its contention that the change of methods by the ABS is likely to exaggerate high-income growth between 2003–04 and 2007–08 and discuss whether any impact is likely to be substantial.

3.2 Question to the ACTU

The ACTU is asked to provide the data behind the charts in paragraphs 104, 409 and 410 of its submission.

3.3 Question to ACCI

ACCI contest the adoption of a relative poverty line measured as 60 per cent of median equivalised household disposable income, submitting that it considers this to be ‘arbitrary’ and while acknowledging it, do not agree that this is the ‘appropriate level for such measures’.¹⁰

How does ACCI propose that the relative poverty line should be defined and measured?

3.4 Question to all parties

The ACBC submission referred to the research report, ‘New Income for Healthy Living Budget Standards for Low-Paid and Unemployed Australians’.

Chapter 4.D.(5) is titled ‘Errors in the application of the budget standards research’ and states that ‘Table 5.17 contains significant errors in relation to the calculation of safety net income’ and comment that the research ‘gave a very misleading summary of the living standards of low income families with children.’¹¹

All parties are invited to provide comments on the observations of the ACBC.

3.5 Question to all parties

The ACTU submits that the record rate of Australians working a secondary job recorded by the ABS in December 2018 is an indicator of financial stress. They cite the fact that many of the secondary jobs are in low-paid sectors as evidence that this increase is a result of financial stress.

Does the ACTU have any further evidence that this trend is being caused by financial stress or deprivation? What is the response of the other parties to this submission?

⁹ Australian Government submission, 15 March 2019 at para. 266.

¹⁰ ACCI submission, 15 March 2019 at para. 282.

¹¹ ACBC submission, 15 March 2019 at para. 351.

3.6 Question to all parties

At pp. 56–58 of its submission, Ai Group sets out what it submits are the impacts of the Low and Middle Income Tax Offset announced in the 2018–19 Budget.

All parties are invited to comment on Ai Group’s analysis.

3.7 Question to all parties

Fair Work Commission staff has published as additional material an information note on legislated changes to the tax-transfer system that have taken effect, including the Low and Middle Income Tax Offset and changes to child care assistance.

All parties are invited to comment on this material.

4 Other relevant considerations

4.1 Question to ACCI

ACCI submitted that:

‘With the exception of mining, and accommodation and food services, all other industries are making less use of agreement making, not more across the past eight years.’¹²

Is this statement based on data on award reliance by industry (Table 7.1 of the Statistical report)? If not, can ACCI provide the appropriate data source?

5 Transitional instruments and other matters

5.1 Question to all parties

In its submission to this Review, the AWU draws the attention of the Panel to minimum wage rates for junior employees covered by the *Vehicle Manufacturing, Repair, Services and Retail Award 2010* which appear (in most cases) to be lower than the wage rates for award-free junior employees covered by the NMW order because:

- (a) the adult rate for entry-level employees in the *Vehicle Manufacturing, Repair, Services and Retail Award 2010* is equal to the adult NMW; and
- (b) the relevant junior rate percentages in the *Vehicle Manufacturing, Repair, Services and Retail Award 2010* are lower than those in the NMW Order.¹³

We also note that at paragraph 23 of its submission the Australian Government states:

‘Award minimum wages range from the national minimum wage rate of \$719.20 per week (\$37,398 per year) up to \$3,409.83 per week (\$177,311 per year, Air Pilots Award 2010). The national minimum wage rate of \$719.20 per week features in 45 of the 122 modern awards.⁵ In the remaining 77 modern awards, all wage rates are above the national minimum wage rate.’¹⁴

⁵Of the 45 awards, 26 express the lowest adult wage rate as both the hourly national minimum wage of \$18.93 and the weekly national minimum wage of \$719.20, a further 16 refer only to the weekly rate, two refer to the weekly and annual rate, and the remaining one states the lowest adult wage as an hourly

¹² ACCI submission, 15 March 2019 at para. 297.

¹³ AWU submission, 18 March 2019 at para. 4.

¹⁴ Australian Government submission, 15 March 2019 at para. 23.

amount. However, in one of these awards, workers may receive commission on top of the weekly national minimum wage, and in a further two awards, workers have shorter ordinary working hours resulting in a higher hourly wage than the hourly national minimum wage. Also, in several of the 45 awards, the lowest rate is paid as an introductory rate or a trainee rate.'

Do other parties agree with the submission of the AWU to the effect that the Panel should vary the junior rates in the *Vehicle Manufacturing, Repair, Services and Retail Award 2010* (and any other modern award where the same may issue arise)?