

CHAMBER OF COMMERCE AND INDUSTRY QUEENSLAND SUBMISSION

▸ *Annual Wage Review 2018 - 2019*

Fair Work Commission

March 2019

Introduction

1. The Chamber of Commerce and Industry Queensland (CCIQ) welcomes the opportunity to provide this submission to the Fair Work Commission (the Commission) on the Annual Wage Review 2018-2019 as part of the Minimum Wage Panel's (the Panel) statutory responsibilities to conduct an Annual Wage Review (AWR) each financial year under Part 2-6 Fair Work Act 2009 (Cth) (FWA).
 - 1.1 As part of these responsibilities, the Panel must review both modern award minimum wages, and the national minimum wage (NMW). The Panel is required to make a new NMW order and may also vary modern award wages as part of this process.
 - 1.2 The Panel is not required to increase either the NMW or modern award wages as part of the AWR process; rather, it is required to ensure the NMW and modern award wages continue to provide a fair and relevant safety net.
2. CCIQ is Queensland's peak industry representative organisation for small and medium businesses. We represent over 448,000 Queensland businesses on local, state, and federal issues that matter to them. Our guiding focus is to develop and advocate policies that are in the best interests of Queensland businesses, the Queensland economy and the Queensland community.

Overall Position

3. CCIQ supports an increase to the NMW and modern award rates of not more than 1.8% or \$12.95 per week to a rate of \$732.15 per week or \$19.72 per hour. This is consistent with the position being taken by other employer organisations, in support of the Australian Chamber of Commerce and Industry (ACCI) submission and represents a fair and sensible increase based upon consumer price index (CPI).
4. Along with the various considerations that the Panel must take into account, we ask the Panel to ensure it gives weight to the recovering labour market, unemployment levels, youth unemployment, rising operational costs for small business and a decline in non-mining investment.

5. This submission focusses on issues specifically relating to the Queensland economy, its industries, and businesses to provide the Panel with a clear view of how their businesses experience the minimum wage adjustment process, and what impact it has on their operations.

Recommendation: With respect to broader economic conditions, such as low wages growth and high youth unemployment, CCIQ supports an increase to the NMW and modern awards of not more than 1.8% or \$12.95 per week, totaling \$732.15 per week.

Queensland's Economy and Labour Market

6. Any increase above CPI will have flow on impacts on small and medium enterprises (SMEs) in Queensland employing award reliant employees. Small and medium businesses are major employers in Queensland and Australia and small business with less than 20 employees represent 97.7% of total private sector businesses in Queensland¹. The private sector in Queensland employed a total of 2,104,000 persons in June 2017, including 933,000 persons employed in a small business (44.3%), 484,000 persons employed in a medium business (23.0%) and 687,000 persons employed in a large business (32.7%)².
7. While the national labour market is performing strongly, consecutive State of the States reports produced by CommSec have rated Queensland poorly. Queensland was ranked 6th place overall between states and territories in January 2019 and the report identified a weak job market and low business investment in terms of decade averages³. This is despite being by far the second largest merchandise exporting state, contributing around \$80.490 billion (23.7% of total exports) to the national economy during 2018⁴.
8. Queensland's GSP grew at an annual rate of 3.37 per cent over 2018, which is above the 5-year and 10-year average annual growth rates, but below the longer-term average since 1990.

¹ Australian Bureau of Statistics, 2019. Catalogue 8165.0 - Counts of Australian Businesses, including Entries and Exits, June 2014 to June 2018. Retrieved from

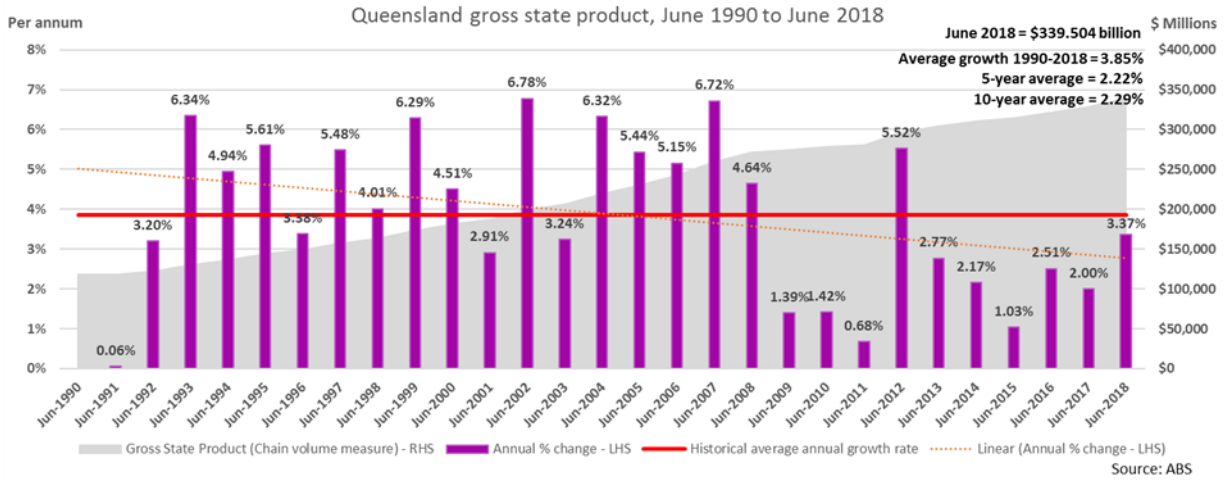
<http://www.abs.gov.au/ausstats/abs@.nsf/latestProducts/8165.0Media%20Release1June%202014%20to%20June%202018>.

² Queensland Government Statisticians Office, 2019. Small business in Queensland, June 2017. Retrieved from <http://www.qgso.qld.gov.au/products/reports/small-business-qld/small-business-qld-201706.pdf>.

³ CommSec, 2019. State of the States, January 2019. Retrieved from <https://www.commsec.com.au/stateofstates>

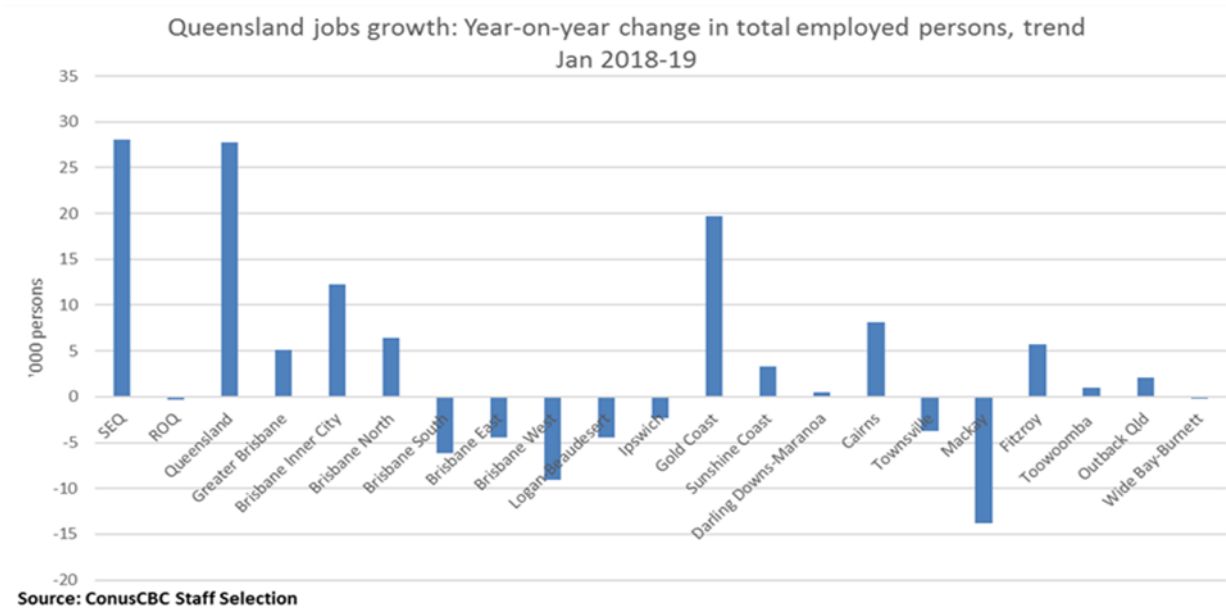
⁴ Australian Bureau of Statistics, 2019. Catalogue 5368.0 - International Trade in Goods and Services, Australia, Jan 2019. Retrieved from <http://www.abs.gov.au/ausstats/abs@.nsf/0/A5FB33BD2E3CC68FCA257496001547A1?Opendocument>.

Queensland gross state product (GSP) is growing relatively slowly during the past decade and remains below its historical average.



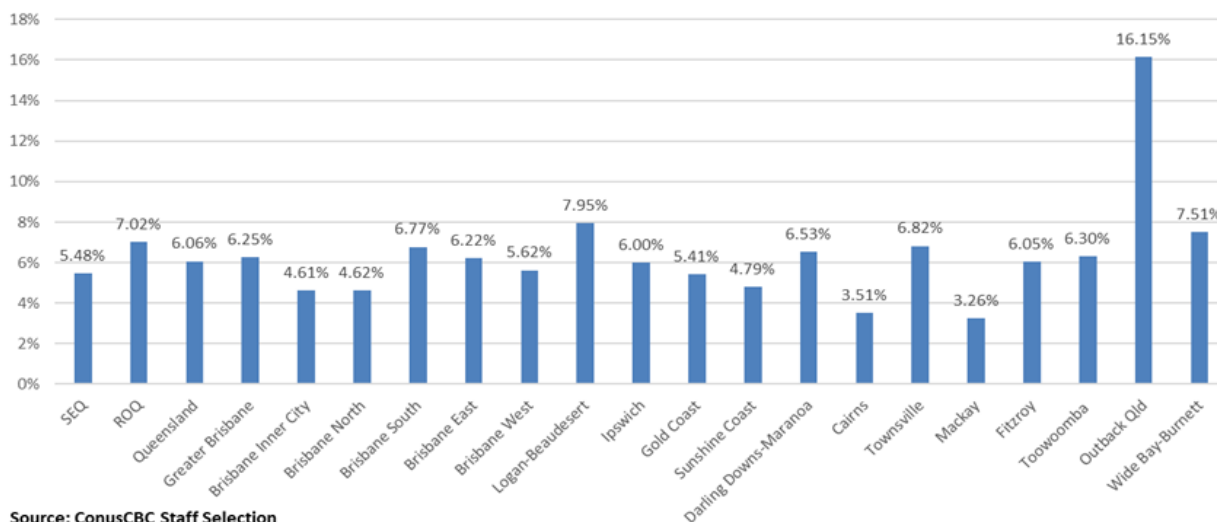
9. Job creation in Queensland is not consistent across regions. Some parts of the state are doing well, some are performing about their historical averages, while others are performing poorly.

10. Trend regional employment data from ConusCBC Staff Selection shows that year-on-year to January most of the state’s employment growth occurred in South East Queensland, which added about 27,750 jobs of which 19,700 were on the Gold Coast. On the other hand, regional Queensland saw no growth in aggregate.



11. Labour force data for January 2019 further shows that trend unemployment in Queensland remains one of the highest in the country at 6.06%. Jobless figures vary across the state and Outback Queensland remains the region with the highest unemployment in the state at 16.15%.

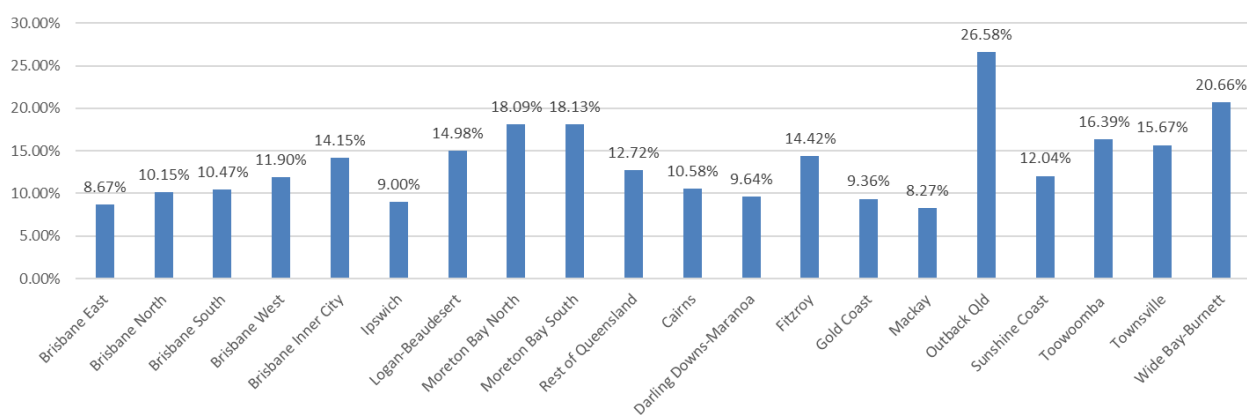
Queensland trend unemployment rates by region, January 2019



Source: ConusCBC Staff Selection

12. Youth unemployment is a major concern with workers aged 15-24 struggling to find work. The youth unemployment rate for Greater Brisbane was 12.6% and similar for regional Queensland at 12.72%. Concerningly, youth unemployment remains persistently high in drought-ridden outback Queensland currently at 27%.

Trend youth unemployment rates (15-24 years), January 2019



Source: ConusCBC Staff Selection

13. The most recent Suncorp-CCI IQ Pulse Business confidence survey shows that sentiment across Queensland’s small and medium sized businesses fell rather significantly during the December quarter 2018. 47 per cent of respondents indicated that profitability had decreased

over the quarter and more reported that they had reduced their employment levels and capital expenditure than those that increased it. Businesses in SEQ reported greater decreases in their profitability than regional Queensland, however, SEQ indicated a small increase to employment while regional Queensland reported decreasing it.

14. Keeping wage restraint to within reason will serve to facilitate recovery in labour market conditions. This reflects CCIQ's concern that minimum wage decisions disproportionately impact particular sectors of the economy more so than others.
15. Current economic conditions, as well as decreased levels of business investment, specifically in non-mining sectors, plus increases in electricity prices highlights employers' inability to sustain or absorb wage increases in the current climate.
16. It is with these general business conditions in mind that CCIQ encourages the Panel to resist any disproportionate increases to the NMW or modern award minimum wage. Decisions regarding rises to the NMW and modern award wage should be modest and in line with projected inflation, whilst also considering the over-compensation provided in past decisions. This will ensure that any increase is in line with pay rises that individual employers can realistically offer employees.
17. Minimum wages have been growing at a substantial pace in Australia. The NMW has progressively increased each year since 2009-10. CCIQ was pleased to see the Commission implement a modest increase of 2.5% or \$656.90 per week and again a 2.4% to 672.70 in the 2014/15 and 2015/16 review years, heeding calls from employers to approach rises in the NMW with caution due to broader trends in the economy.
18. This submission has outlined the reasons why such an increase cannot be sustained by Queensland small businesses again.

NMW Review Process

19. The NMW review process must not be considered in a vacuum. CCIQ is calling for a sensible acknowledgement that the minimum wage setting process must be appropriately geared to ensure that wages are set at a level that is affordable, does not erode profitability, and not impact on the long-term sustainability of businesses while not compromising workers' entitlements. To that end CCIQ urges the Panel to not view this submission as a 'race to the bottom' but a genuine comment on external economic factors which will further impact the decision they make.
20. With respect to the competitiveness of minimum wages on a global scale, Australia currently has one of the most regulated and highest real minimum wages (converted in \$US) in the Organisation for Economic Cooperation and Development (OECD). The minimum wage in Australia is well above other OECD countries including Japan, the United Kingdom, the United States and New Zealand. Australian employees are afforded one of the highest social safety net and demand for increase should be based on actual need not expectation.
21. CCIQ also urges the Panel to acknowledge that the minimum wage only represents the base wage cost of employees. Small businesses must also be able to afford additional on-costs including penalty rates, allowances, loadings, workers' compensation premiums, payroll tax, and superannuation and associated administration costs.

Minimum Wage Increase Deferral

General

22. Sections 286 and 287 of the FWA provide that any determination varying the minimum wage order resulting from an annual wage review, are to operate from 1 July unless the Panel is satisfied that exceptional circumstances justify a later date of operation. The later date of operation must be confined to the particular situation to which the exceptional circumstances relate.
23. Based on analysis of previous findings from the Panel regarding requests for a minimum wage deferral, it appears that the following are factors in the determination:

- 23.1 There must be exceptional circumstances to justify a later date of operation.⁵
- 23.2 The deferral must be temporary and a specified time over which the deferral will apply should be specified.
- 23.3 The deferral must be confined to a particular situation to which the exceptional circumstances relate.⁶
- 23.4 The deferral must be related to individual employees or a specific industry.⁷
- 23.5 There should be a mechanism to properly identify the employers to whom the deferral should apply.⁸
- 23.6 When seeking a deferral on the basis of a natural disaster as an exceptional circumstance, the following are elements in the determination⁹:
- 23.6.1 the effect of the disaster event on different classes of employers and enterprises;
 - 23.6.2 the assistance provided by government; and
 - 23.6.3 the impact upon employees who would bear the cost of a deferral.

Flooding in Townsville

24. In the last week of January and first week of February 2019, the Townsville region saw its wettest week on record with more than a year's worth of rainfall in a few days. This caused unprecedented flooding resulting in devastating impacts to the community and its economy.
25. Not only is the flood itself unprecedented and exceptional, but the impacts to the Townsville region are too. While the long-term economic impacts as a result of the floods are still unknown, there are figures available that give an idea of the immediate impacts:
- 25.1 An estimated five hundred thousand cattle have died. The economic impact of the loss of cattle will be around \$500 million to \$1 billion this calendar year and with Queensland's gross state product (GSP) to be in the \$370 - \$380 billion range for 2019, the loss of cattle could shave 0.1 to 0.3 % off the GSP.

⁵ Section 286 and 287 Fair Work Act 2009 (Cth) http://classic.austlii.edu.au/au/legis/cth/consol_act/fwa2009114/s286.html

⁶ As above

⁷ Annual Wage Review 2013 – 2014, Fair Work Commission Decision, https://www.fwc.gov.au/documents/decisionssigned/html/2014fwcfb3500.htm#P3505_367737

⁸ Annual Wage Review 2010-2011, Fair Work Commission Decision, paragraph 316, <https://www.fwc.gov.au/documents/sites/wagereview2011/decisions/2011fwafb3400.htm#ch9>.

⁹ Annual Wage Review 2011-2012, Fair Work Commission Decision paragraph 266 and 267, <https://www.fwc.gov.au/documents/decisionssigned/html/2012fwafb5000.htm#ch9>.

25.2 An estimate of \$606 million has been made in insurance claims. 90% of the claims have been domestic with the other 10% commercial.

26. Figures aside, many businesses have been unable to realize their insurance claims due to a lack of flood cover, fine print definitions of storm versus floodwater and policies limiting business flood cover. Additionally, businesses face the high possibility of a rise in insurance premiums.

27. There have been numerous acknowledgments by the Federal and Queensland government as to why this flood and severity of the impact of the flood in the Townsville region are exceptional such as:

27.1 The Premier of Queensland, Anastacia Palaszczuk, stated that stock losses would be immense with some farmers in Queensland reporting 100 per cent of their herds lost.

27.2 Shannon Fentiman, the Minister for Employment and Small Business and Minister for Training and Skills Development stated that: “Small businesses are the lifeblood of these regional and rural communities, they employ locals, serve local customers and clients and engage other suppliers, and it is important they can access additional support to overcome a blow like this. Even businesses that weren’t directly damaged may face cash-flow problems from forced closures, cancelled bookings, issues with transporting their supplies or products or find their trading is down as their community focuses on their other priorities.”

27.3 Prime Minister Scott Morrison has stated that: “If we don’t rebuild the Queensland cattle industry, there won’t be jobs in North Queensland.”

28. The above sentiments are reflected by cattle farmer Nigel Simmons, who advised in a Courier Mail article that with the loss of livestock, farmers have lost their income for the next three years.

29. Not only farmers but other industries could encounter a slump due to perceived risks of travelling to the city during the rebuild. Townsville Chamber of Commerce chief executive Marie-Claud Brown expressed concern that industries like retail and hospitality will take a hit

and economic lobby group Townsville Enterprise has encouraged tourists not to cancel their Easter booking in the region.

30. It can therefore be seen that Townsville is in an urgent need of reprieve as this isn't merely a case of recovering from a natural disaster but saving the economy of the region.

31. Without relief businesses will struggle, and in some instances be unable, to stay open and this will result in job losses.

32. Even before the 2019 flooding in Townsville, the economic prosperity of the region was not looking positive. At the end of last year, ABS data showed the Townsville region to hold around 12,000 businesses, of which construction made up the largest share (20.6%), followed by Rental, Hiring and Real Estate (11.2%), Professional, Technical and Scientific Services (9.6%), and then Health Care and Social Assistance (8.2%).

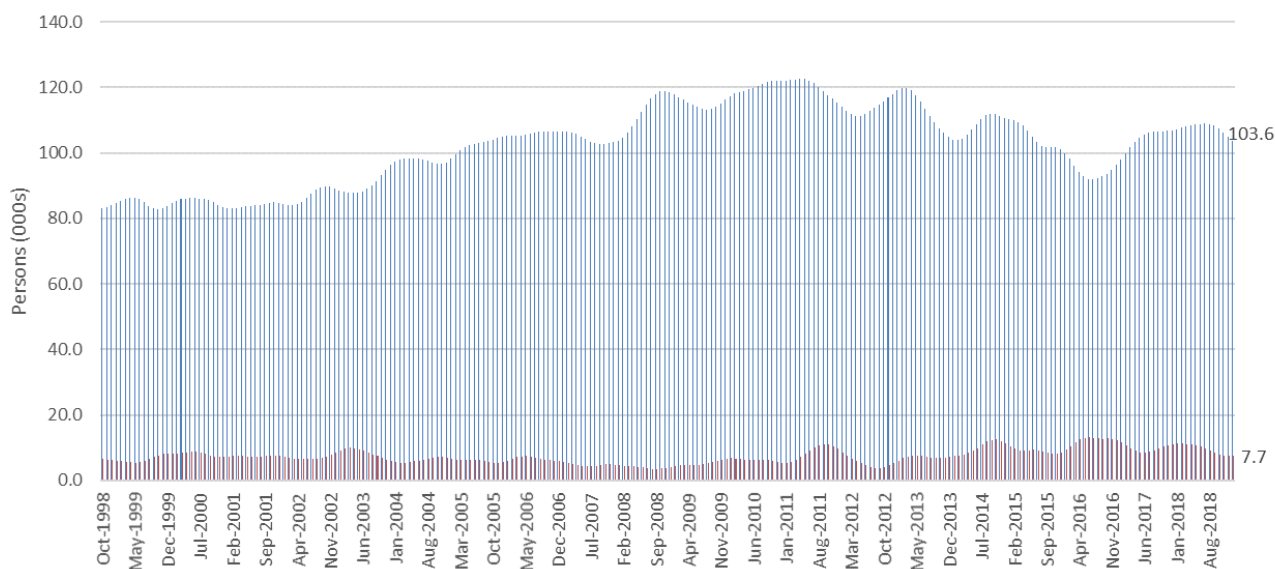
LGA Label	Industry Code	Industry Label	Business numbers by employee size				Total no.	% share
			Non employing no.	1-19 Employees no.	20-199 Employees no.	200+ Employees no.		
Townsville (C)	A	Agriculture, Forestry and Fishing	358	106	8	0	472	3.93%
Townsville (C)	B	Mining	45	23	3	0	71	0.59%
Townsville (C)	C	Manufacturing	169	208	22	0	399	3.33%
Townsville (C)	D	Electricity, Gas, Water and Waste Services	19	16	0	0	35	0.29%
Townsville (C)	E	Construction	1290	1135	44	0	2469	20.58%
Townsville (C)	F	Wholesale Trade	112	144	13	0	269	2.24%
Townsville (C)	G	Retail Trade	267	419	43	0	729	6.08%
Townsville (C)	H	Accommodation and Food Services	152	372	65	3	592	4.93%
Townsville (C)	I	Transport, Postal and Warehousing	613	228	19	0	860	7.17%
Townsville (C)	J	Information Media and Telecommunications	48	22	0	0	70	0.58%
Townsville (C)	K	Financial and Insurance Services	639	149	4	3	795	6.63%
Townsville (C)	L	Rental, Hiring and Real Estate Services	1104	225	10	0	1339	11.16%
Townsville (C)	M	Professional, Scientific and Technical Services	614	514	29	0	1157	9.64%
Townsville (C)	N	Administrative and Support Services	268	180	17	0	465	3.88%
Townsville (C)	O	Public Administration and Safety	9	22	5	0	36	0.30%
Townsville (C)	P	Education and Training	92	80	6	0	178	1.48%
Townsville (C)	Q	Health Care and Social Assistance	550	412	24	3	989	8.24%
Townsville (C)	R	Arts and Recreation Services	61	43	11	3	118	0.98%
Townsville (C)	S	Other Services	321	474	14	0	809	6.74%
Townsville (C)	X	Currently Unknown	107	35	3	0	145	1.21%
Total Townsville (C)			6839	4815	346	6	11997	100%

33. Economic statistics compiled by the National Institute of Economic and Industry Research estimate that largest employment division in the Townsville region in 2017-18 was Health Care and Social Assistance (16.4%), followed by Public Administration (14.2%), Education and Training (11.2%), Retail Trade (10%) and Construction (8.1%).

Industry Label	Employment share
Agriculture, Forestry and Fishing	0.6%
Mining	0.9%
Manufacturing	4.8%
Electricity, Gas, Water and Waste Services	1.3%
Construction	8.5%
Wholesale Trade	2.1%
Retail Trade	10.0%
Accommodation and Food Services	8.1%
Transport, Postal and Warehousing	5.0%
Information Media and Telecommunications	1.3%
Financial and Insurance Services	1.4%
Rental, Hiring and Real Estate Services	1.5%
Professional, Scientific and Technical Services	4.3%
Administrative and Support Services	3.1%
Public Administration and Safety	14.2%
Education and Training	11.2%
Health Care and Social Assistance	16.4%
Arts and Recreation Services	1.4%
Other Services	4.0%

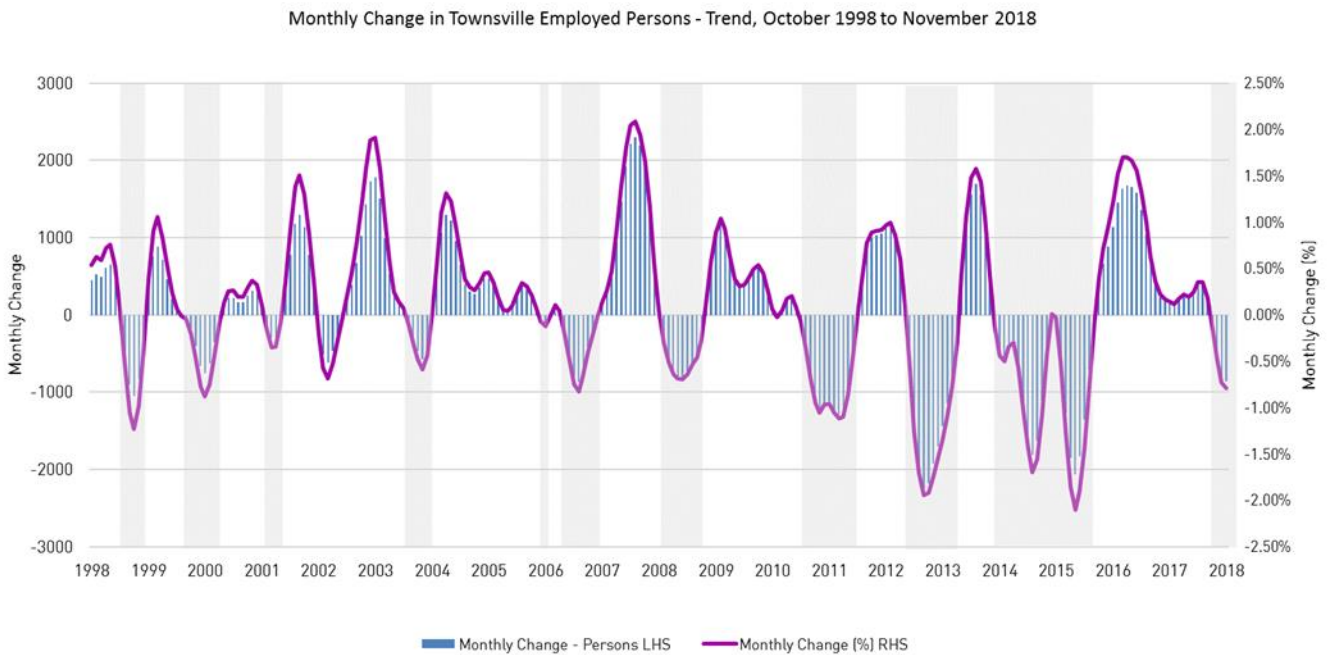
34. ABS employment data compiled by Mission Beach-based Economic Analyst Pete Faulkner and Conus/CBC Staff Selection estimates the total Townsville labour force as at January 2019 (the number of employed and unemployed persons) was at around 111,300 persons.

Townsville Labour Force, Trend Oct 1998 to January 2019



35. The January figures estimate that there are around 103,600 total employed persons in Townsville on a trend basis, which is 19,000 persons less than it was at its historical peak in April 2011. Over the past 12 months to January, the Townsville economy has lost about 3,700 jobs (-3.5% decrease). This decrease consists of a loss of 3,800 full-time positions (-5.2%) and a modest gain in part-time employment of around 100 jobs (0.23%).

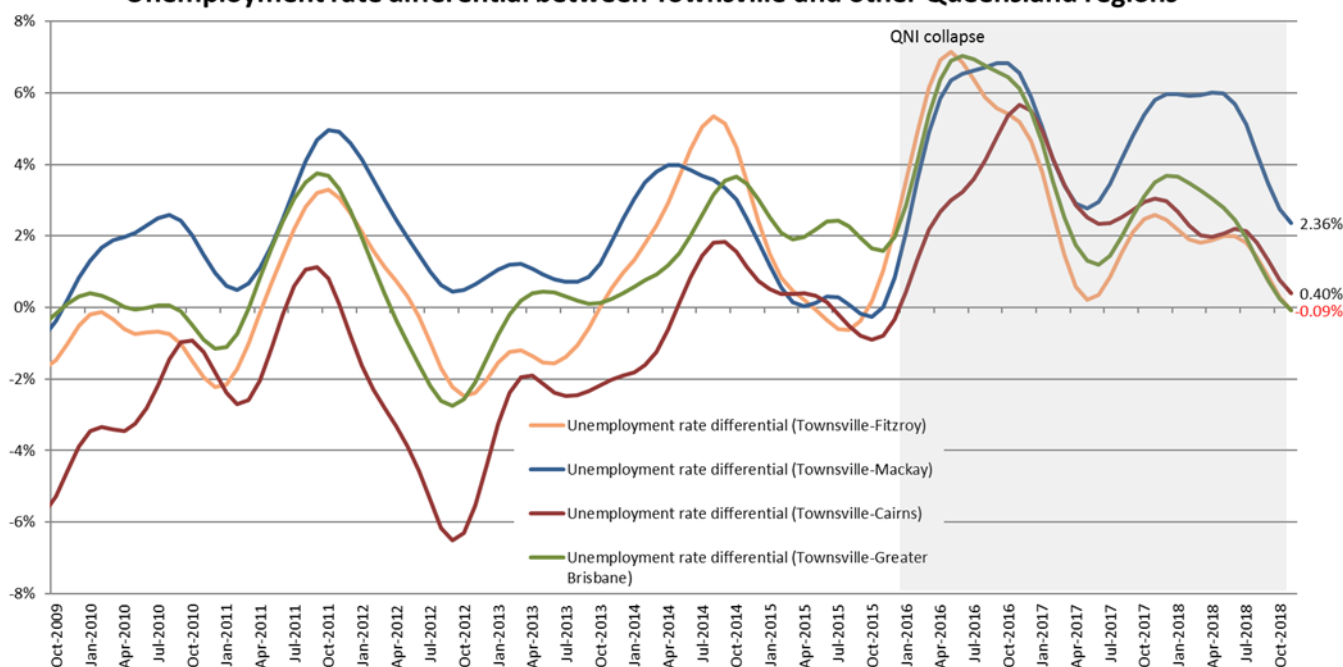
36. The following graph shows the region’s monthly jobs growth figures and clearly highlights the tough times in the employment market, especially over the last decade. The data shows that over the last two decades, the employment market only managed an average monthly growth rate of 0.11% per month (about 1.3% per year) from October 1998-2018.



Source: Conus/CBC Staff Selection Regional Employment Trend, 2019

37. The next graph highlights how the unemployment rate has been substantially higher than in other Queensland regions for many years. More importantly, youth unemployment in Townsville currently sits at 15.67%.

Unemployment rate differential between Townsville and other Queensland regions



Source: Conus/CBC Staff Selection Regional Employment Trend, 2019

38. The quarterly Suncorp Group CCIQ Pulse Survey of Business Conditions (Pulse survey) provides an opportunity for Queensland businesses to voice concerns over business conditions. In the December 2018 Pulse survey regional analysis, businesses reported increased operational and labour costs but decreased sales and revenue and thus decreased profitability.

39. The statistics produced reflect that the Townsville business community has faced some incredibly difficult economic circumstances over the past couple of decades.

40. CCIQ respectfully requests the Panel to consider that they are not only assessing a region that has suffered from a natural disaster and that needs to recover. The Panel is assessing a region that has been in economic strain for a number of years, that has an extremely high youth unemployment rate and that has been dealt an exceptional blow by the floods such that relief is needed to prevent job loss.

Impact on employees who would bear the cost of the deferral

41. CCIQ acknowledges that a deferral may be detrimental to workers who are also affected by the floods.

42. However, if a deferral is not given then workers may not have a job going forward.
43. Research recently conducted by Conus, a Business Consultancy Service, indicates that when wages go up, the hours worked go down as businesses are forced to off-set the increase of wages.¹⁰ If disaster struck Townsville regions are forced to increase their minimum wage, the result may be more severe than a decrease in hours but job loss altogether.

Mechanism to identify to whom the deferral should apply

44. 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 (the DRFA event).
45. The DRFA is a jointly funded program between the Australian Government and state and territory governments, through which the Australian Government provides financial assistance to support state governments with disaster recovery costs.
46. The DRFA event specifically provides for assistance relating to the 2019 flooding that took place in the Townsville region¹¹. The DRFA event identifies businesses in certain regions and provides assistance such as:
- 46.1 Disaster Assistance (Essential Working Capital) Loans Scheme for Small Business
 - 46.2 Disaster Assistance (Small Business Loans)
 - 46.3 Special Disaster Assistance Recovery Grants for Small Business (hereinafter referred to as the Special Recovery Grant)
47. The Special Recovery Grant is an exceptional circumstance grant that assists with cleaning and reinstatement costs for small businesses.

¹⁰ Conus Business Consultancy Service *Labour Account is a treasure trove of labour data*, 12 March 2019 <https://www.conus.com.au/blog/>

¹¹ Disaster Recovery Funding Arrangement event – North and Far North Queensland Monsoon Trough, 25 January – 14 February 2019 https://www.qra.qld.gov.au/sites/default/files/2019-02/v17_drfa_activation_summary_-_fnq_monsoon_trough_25_jan-_14_feb_2019_0.pdf

48. There are five local government areas that qualify for the Special Recovery Grant and CCIQ submits that it is the businesses who qualify for this grant that should receive a minimum wage deferral. The local government areas are:

48.1 Cloncurry Shire Council

48.2 Flinders Shire Council

48.3 McKinlay Shire Council

48.4 Richmond Shire Council

48.5 Townsville City Council

Duration of the deferral

49. CCIQ submits that the deferral should take effect from 1 July 2019 and should apply for a period of six months to the NMW and modern award wages.

50. The relief that this will provide businesses in the identified regions should assist in securing the survival of those businesses and thus retain its employment rate.

Conclusion

Recommendations:

1. Any increase in the minimum wage should reflect the key considerations of productivity, economic growth and business conditions and thus the annual minimum wage and modern award increase should be no more than 1.8%.
2. Regions who qualify for the DRFA event Special Recovery Grant for Small Business should be given a minimum wage deferral to the NMW and modern awards for a period of six months effective from 1 July 2019.

Further enquiries

47 If you wish to discuss any of the contents contained herein in further detail, please contact Olivia Van der Wagen, Policy Advisor, at ovanderwagen@cciq.com.au