

QUEENSLAND INDUSTRIAL RELATIONS COMMISSION

Industrial Relations Act 1999 - s. 287 - application for declaration of a general ruling
- s. 288 - application for statement of policy

Queensland Council of Unions AND Queensland Chamber of Commerce and Industry Limited, Industrial Organisation of Employers and Others (B/2008/45);

The Australian Workers' Union of Employees, Queensland AND Queensland Chamber of Commerce and Industry Limited, Industrial Organisation of Employers and Others (B/2008/50)

VICE PRESIDENT LINNANE
DEPUTY PRESIDENT SWAN
COMMISSIONER FISHER

7 August 2008

STATE WAGE CASE 2008

DECISION

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1. THE CLAIMS

- [1] On 5 June 2008 the Queensland Council of Unions (QCU) filed an application (B/2008/45) seeking a general ruling pursuant to s. 287 of the *Industrial Relations Act 1999* (Act) and a statement of policy pursuant to s. 288 of the Act in regard to the principles of wage fixation. The QCU amended that application on 13 June 2008 to seek the following:
- a \$29.00 increase in award wage rates;
 - an increase in existing award allowances which relate to work or conditions which have not changed and service increments by the equivalent percentage increase to that which the \$29.00 wage adjustment bears to the C10 wage rate as it appears in the *Engineering Award - State 2002* i.e. a 4.7% increase;
 - a \$29.00 increase in the level of the Queensland Minimum Wage as it applies to all employees; and
 - an operative date for the respective increases of 1 September 2008.
- [2] The QCU submits, relying upon the *Employee Earnings and Hours Survey by States and Australia - May 2004*, that the Queensland Industrial Relations Commission (Commission) continues to maintain a relevant and sustaining role in determining wages and employment conditions for around 40% of Queensland workers. Since 1997, the manner in which award wage and allowance increases have been processed is by way of General Ruling with an operative date of 1 September in each year.
- [3] Further, the QCU contends that s. 287(2) of the Act imposes an obligation on the Commission to ensure, at least once in each calendar year, a General Ruling about the Queensland Minimum Wage for all employees.
- [4] The QCU submits that the increases sought in its amended application are consistent with maintaining the real value of wages and would ensure that the parity created in the *State Wage Case 2007* (2007) 185 QGIG 422 between the Western Australian and Queensland minimum award wage rates is retained.
- [5] In arguing for the increases sought in the amended application, the QCU places reliance upon the cost of wages in comparison to prices and then applies that percentage figure to determine the average increase using the *Engineering Award - State 2002*. Adopting this rationale would, in the QCU's submission, meet the Commission's legislative responsibility found in s. 3(f) of the Act of ensuring fair standards in relation to living standards prevailing in the community. In arriving at our decision, the Full Bench is mindful that the intent behind the current legislation is that awards are no longer to reflect a mere safety net of wages and conditions.

- [6] In contending for the increases sought in its application, the QCU has referred the Full Bench to a number of matters including recent decisions in other jurisdictions, the national and Queensland economies, the wage environment, social factors and legislative provisions all of which have been considered by the Full Bench and are matters which are dealt with in some detail in later sections of this decision.
- [7] On 24 June 2008 The Australian Workers' Union of Employees, Queensland (AWU) filed a similar application (B/2008/50) to the QCU's amended application. By consent of all parties, the two applications were joined in preliminary proceedings held on 4 July 2008. The AWU supports and adopts the arguments advanced by the QCU in support of its claim.

2. OUTLINE OF RESPONSES TO THE CLAIMS

(i) Queensland Government

- [8] In response to the QCU and AWU applications, the Queensland Government proposes the following:
- a general ruling to provide a \$23.00 a week increase to all State award rates of pay and the Queensland Minimum Wage;
 - an increase of 3.7% to existing award allowances which relate to work or conditions which have not changed and to service increments; and
 - an operative date of 1 September 2008.
- [9] The Queensland Government in supporting a \$23.00 per week increase indicates that this amount is somewhat less than the amount supported by the Government in the 2007 State Wage Case. It contends that the \$23.00 is considered appropriate because while economic conditions in Queensland are still healthy and ahead of the rest of Australia by most indicators, the Queensland economy has slowed to some extent. The Queensland Government is also concerned about the inflationary risk of wage increases. The cost impact of \$23.00 per week is considered to be responsible and affordable increasing total average earnings growth by between 0.10% and 0.14%. The impact on the private sector unincorporated businesses is estimated to be between 0.48% and 0.77%. This is the area where any decision of this Full Bench would apply.
- [10] A \$23.00 per week increase would result in a 4.35% increase to the Queensland Minimum Wage and it is submitted this is comparable to increases in all other jurisdictions except for Western Australia where a 5.5% increase was granted.
- [11] The Queensland Government supports the QCU position that economic growth in Queensland has outperformed the Australian economy for the twelfth consecutive year and it is expected to expand over the next twelve months. The Wage Price Index (WPI) remains steady at 4.5% for the year. The Queensland economy and the labour market remain very strong and can easily absorb an increase to minimum wages of \$23.00 per week.
- [12] The Full Bench was referred by the Queensland Government to the legislative provision which require us to ensure that awards provide fair standards in relation to living standards of the community generally and it contends that we should therefore award a fair wage increase this year. We are reminded that awards are the primary source of income for low income earners and how the cost of petrol and housing has increased substantially in the last twelve months. These increases have impacted more heavily on low income earners who spend a greater proportion of their incomes on essential goods and services.
- [13] The Queensland Government also points to the fact that female employees outnumber male employees in unincorporated private sector businesses in Queensland and that they are far more reliant on award wages than males. Any reasonable wage increase will thus have a disproportionate effect on women, helping in some way to close the gender pay gap.
- [14] It is further submitted that a \$23.00 per week increase should have no quantifiable negative impact on employment or unemployment in Queensland. Unemployment in Queensland has continued to decrease and is currently the lowest it has been in 34 years. Employment in the most award reliant industries has similarly not been adversely affected by increases granted by this Commission in the past decade and the Queensland Government is confident that the situation would be no different this year.
- [15] Inflation is said to be the major economic risk factor facing the Queensland economy in 2008, however, the Queensland Government submits that a \$23.00 per week increase to the Queensland Minimum Wage and award rates will not contribute to an increase in inflation. It is expected that continued high productivity and profitability across the State, including the award reliant industries, will militate against it.

(ii) **Queensland Chamber of Commerce and Industry**

- [16] The response of the Queensland Chamber of Commerce and Industry Ltd, Industrial Organisation of Employers (QCCI) to the QCU and AWU claims is as follows:
- the QCCI does not object to a General Ruling being made;
 - it does not support a \$29.00 per week wage adjustment for award employees, a \$29.00 adjustment to the Queensland Minimum Wage or a 4.7% adjustment to existing award allowances which relate to work or conditions which have not changed and to service increments;
 - instead, the QCCI supports an increase of \$15.00 per week for the Queensland Minimum Wage and award employees and a 2.5% increase to work related allowances and service increments; and
 - support for an operative date of 1 September 2008.
- [17] In support of its proposal, the QCCI submits that the Act requires the Commission to consider a number of factors when undertaking its functions including:
- ensuring economic advancement and social justice for all employers and employees: see s. 3(a) of the Act;
 - strong economic growth, high employment, employment security, improved living standards, low inflation and national and international competitiveness: see s. 3(b) of the Act;
 - promoting the effective and efficient operation of enterprises and industries: see s. 3(f) of the Act;
 - ensuring wages and employment conditions provide fair standards in relation to living standards prevailing in the community; and
 - s. 320(3) of the Act requiring the Commission to be governed in its decision by equity, good conscience and the substantial merits of the case having regard to the interests of the persons immediately concerned and the community as a whole.
- [18] It is the QCCI's position that the Commission is obligated to examine both the social and economic environment as a whole in determining an appropriate wage increase which is fair and reasonable for employees and equally for employers. The QCCI submits that the legislation is directed to ensuring wages and living conditions represent fair standards for employees and fairness to employers.
- [19] Whilst the Commission should consider increases arising out of enterprise bargaining, it should be remembered that any increase resulting from this decision is granted without the trade-off to productivity and efficiency unlike the position with enterprise bargaining. Thus increases arising out of enterprise bargaining should not be considered as a determining factor in establishing fair wages.
- [20] The QCCI submits that the result of these applications will not just flow to the low paid workers. Rather, they will apply to all workers covered by industrial instruments. The Commission is required to support economic prosperity with respect to all workers and employers.
- [21] The Full Bench was referred to the following factors, favoured by the Full Bench in *State Wage Case 2007*, as factors to be considered when assessing these claims:
- the interests of employees;
 - the interests of employers;
 - economic factors (such as strong economic growth, high unemployment etc);
 - improving living standards;
 - ensuring wages provide fair standards in relation to living standards prevailing in the community; and
 - ensuring equal remuneration for men and women employees for work of equal or comparable value.
- [22] The QCU and AWU are seeking a flat \$29.00 wage increase which, based on the C10 rate, equates to a 4.7% increase. Prior to the decision in Western Australia the QCU was seeking only \$27.00 per week increase. The application was only amended after the Western Australian decision. The QCCI submits that the Queensland economy did not improve in the period 5 June 2008 and 9 June 2008 i.e. the date of release of the Western Australian decision, thus the claim is not one based on what is fair and reasonable for Queenslanders but rather the claim is based on what was determined in Western Australia.
- [23] Based on the *Engineering Award – State 2002*, the QCCI provides the following table to highlight the impact should the minimum weekly wages sought by the QCU and AWU be granted:

Level	Current weekly \$	Plus \$29	% increase
C14	528.40	557.40	5.5%
C13	545.10	574.10	5.3%
C12	567.60	596.60	5.1%
C11	588.50	617.50	4.9%
C10	622.20	651.20	4.7%
C9	643.10	672.10	4.5%
C8	663.80	692.80	4.4%
C7	682.80	711.80	4.2%
C6	724.50	753.50	4.0%
C5	740.80	769.80	3.9%
C4	766.20	795.20	3.8%
C3	807.90	836.90	3.6%
C2 (a)	828.80	857.80	3.5%
C2 (b)	866.50	895.50	3.4%

- [24] According to the QCCI, percentage wage increases of more than 4% are not sustainable under the current economic conditions. The QCCI supports the Queensland Government's position that the Queensland economy is not as strong as in previous years. The fact that the QCU and AWU are seeking an increase greater than the increase granted in 2007 shows that their claims are unreasonable and not sustainable under the current economic environment.
- [25] The claims fail to take into account the recent tax relief introduced by the Australian Government which became operative from 1 July 2008. The QCCI submits that this issue was reviewed in the Australian Fair Pay Commission (AFPC) 2008 decision where it was stated:
- "As a result of these changes, the majority of employees receiving wages at or around the standard Federal Minimum Wage (FMW) will receive a tax cut equivalent to \$8.65 per week. Pensioner single parents on the standard FMW (those with a youngest child under the age of 8) will receive a larger tax cut of almost \$15 per week because their taxable income is higher due to their eligibility for a part-rate pension. At the level of 150 per cent of the standard FMW, the tax reduction will be just over \$20 per week."
- [26] This followed the Australian Government's submission to the AFPC regarding tax relief:
- "The Australian Government submission also highlights the continuing effect of current and future planned tax cuts on the disposable incomes of low wage earners. Over the three years from 2007-08 to 2010-11, the Low Income Tax Offset (LITO) will double from \$750 to \$1500. This change means that workers who earn less than \$16 000 will pay no tax in 2010-11, compared with the current effective tax-free threshold of \$11 000."
- [27] The QCCI also raises the point that as from 1 July 2008 higher superannuation contributions will be made by the employer on behalf of employees given that there has been a change in the definition of 'ordinary time earnings' under the Superannuation Guarantee legislation.
- [28] The QCCI submits that the Full Bench must consider both the tax relief and the changes in superannuation laws when considering these applications.
- [29] According to the QCCI, recruitment and retention of suitably qualified staff is currently the number one constraint on business growth in Queensland. The second largest constraint is interest rates. The level of demand and economic activity has increased to the fifth largest constraint on business. These, the QCCI submits, show the strong relationship between rising interest rates and its negative impact on the level of economic activity and demand. Businesses rank direct and indirect wage costs as the next largest constraints on growth. This, it is submitted, is of direct relevance in these applications.
- [30] The QCCI strongly opposes the two applications on the basis that it would fuel inflation and inhibit economic growth. Instead, the QCCI proposes that incomes of the lower paid be increased by a combination of the July 2008 tax cuts and a moderate wage increase of only \$15.00 per week for low pay workers. This, it is said, would be the best way to minimise the risk of small and medium businesses funding wage increases by rising prices while still delivering a real income boost to the lower paid.
- [31] The QCCI position on these two applications was developed after an in-depth survey of the impact of wage increases on Queensland employment, average selling prices, profitability, investment and training expenditure. Based on that

survey, the QCCI submits that they know that employers are comfortable with an increase of between \$5.00 and \$10.00 per week and are willing to absorb an increase of up to \$15.00 per week before any negative impacts start to emerge. It is submitted that any increase in excess of \$15.00 per week will cause Queensland businesses to significantly decrease their employment, investment and training expenditure levels and profitability will be eroded.

- [32] It is, according to the QCCI, imperative that any wage increase not be at a level that would have an impact on inflation.
- [33] The QCCI submits that granting an increase of \$29.00 per week would result in an outcome that went beyond what was fair and reasonable. Section 3(g) of the Act does not require the Commission to grant an increase which is in excess of community standards. Section 3 requires the Commission to provide 'fair standards', not award increases that will go beyond fair standards. The QCCI submits that it is not the role of this Commission to try to resolve the 'poverty' issue. That is a matter for governments.
- [34] The QCCI supports:
- the continuation of the current wage fixation principles subject to the necessary amendments to reflect this decision;
 - the issuing of a General Ruling;
 - an operative date of 1 September 2008.

(iii) Restaurant and Caterers' Employers Association of Queensland

- [35] The Restaurant and Caterers' Employers Association of Queensland, Industrial Organisation of Employers (RCEAQ) submits that there should be no increase to minimum wage levels at all. The RCEAQ submits that the restaurant and catering industry employs approximately 50,000 people in Queensland and is 7% underemployed. It is one of the larger employing industries in Queensland. The submission that no increase should be awarded is said to be based on the following:
- wages will grow irrespective of this decision;
 - the tax cuts that will take effect on 1 July 2008 are sufficient to keep take-home pay at the same level as cost increases;
 - the capacity of employers to meet increases in the minimum wage level has not changed;
 - there is a concern that if wages continue to forge ahead this will affect how households spend their money and will lead to further interest rate increases, rental increases as well as the already recognised impact on inflation. Inflation is already outside the Reserve Bank of Australia's target zone and is set to stay there at least for the next twelve months;
 - there is a possibility that any increase to minimum and award wages will flow on in higher wages in other industries;
 - employers in the restaurant and catering industry do not have the capacity to pay higher increases; and
 - in March 2008 the retail trade data showed the turnover growth for restaurants, cafes and caterers was the lowest it had been for two years at 2%.
- [36] It is projected that food, hospitality and tourism will provide 8% of new jobs to 2011-12 with the Department of Workplace Relations Job Outlook (June 2004) identifying the hospitality industry as the third strongest industry for projected employment growth to 2011-12 at 2.2% per annum. Despite strong job growth projections, the hospitality industry also has the highest rate of job turnover per annum at approximately 24% according to the RCEAQ submission. One of the immediate challenges for the industry is addressing the need for skilled staff in order to realise the full economic potential of the industry.
- [37] The RCEAQ contends that with very small margins and a highly labour intensive business model, the restaurant and catering industry has no capacity to absorb increases in wages. The industry operates on 41% of turnover being the cost of labour and therefore any increase in the hourly/weekly rate very quickly appears in the 'bottom line'.
- [38] The labour market in the industry is, according to the RCEAQ submission, very tight. Whilst the greatest demand for new employees is in the skilled and semi-skilled occupations, it is expected that wage pressure will be felt at all levels of employment. An adjustment to award wages is not required to facilitate this wage movement, as it will happen as a result of competition for employees.
- [39] The RCEAQ submits that the levels of profitability in the industry remain very small. The industry has a very large non full-time component in its workforce and such workers receive some form of payment over and above the full-time rate of pay. This, according to the RCEAQ, magnifies any increase in minimum wages.

[40] According to the RCEAQ, increases granted in minimum and award wages over many years have stopped businesses in the industry from taking on additional staff to service additional demand which in turn has led to businesses closing their doors.

(iv) Queensland Cane Growers' Association

[41] The Queensland Cane Growers' Association, Union of Employers (QCGA) is opposed to the quantum sought in the applications. It supports an increase to award wages and the Queensland Minimum Wage of \$15.00 per week and an increase of 2.4% to existing allowances with effect from 1 September 2008. The QCGA supports the submission of the QCCI.

(v) Queensland Retail Traders and Shopkeepers Association

[42] The Queensland Retail Traders and Shopkeepers Association (QRTSA) opposes the increases sought in the applications. Instead, the QRTSA supports an increase in line with the Queensland current rate of inflation i.e. 4%. This equates to an increase of approximately \$21.14 per week.

(vi) Queensland Council of Social Service

[43] The Queensland Council of Social Service Inc (QCOSS) also provided a submission on behalf of Queenslanders affected by poverty and inequality. QCOSS is the peak body for almost 700 welfare and community sector organisations in Queensland with membership drawn from throughout Queensland including rural, regional and remote areas. QCOSS considers wage levels that keep pace with the increasing cost of living play an important part in a plan to end poverty. QCOSS, like the Australian Council of Social Service, takes the position that minimum wages should be based on benchmarks for an adequate living standard well above poverty levels. Whilst Queensland is a rapidly growing and generally wealthy State not everyone is able to participate equally in this wealth.

[44] According to QCOSS, it is important that Queensland residents on the lowest working wages are taken into consideration given that:

- over a ten year period Queensland's average annual rate of growth of gross state product per capital was 2.4% as compared with 1.8% for the rest of Australia; and
- Queensland's economic growth is estimated to strengthen to an above-average rate of 5.5% in 2006-07, more than double estimated national growth of 2.5%.

[45] QCOSS further submits that whilst unemployment has generally been identified as the price cause of poverty for people of working age, this does not mean that the employed are exempt from poverty. With most employment growth in Australia being in casual and part-time jobs, the process of moving out of poverty is rendered more difficult given that employment is only sufficient in reducing poverty if it is full-time.

[46] For members and stakeholders of QCOSS, it seems that housing affordability is a primary issue and therefore QCOSS describes housing affordability as a core element in a plan to end poverty. Areas where strong economic growth has taken place are, according to QCOSS, particularly vulnerable. The ABS definition of people in housing stress "... are those with household incomes between the bottom 10% and the bottom 40% of the distribution of equivalised disposable household income, and living in households where housing costs are more than 30% of the household's gross income". The Australian Housing and Urban Research Institute reports that in 2002-03 "over 11% of Australian households and 28% of lower income households were experiencing housing affordability problems (with) more than 40% of all lower income households" in housing stress being working households. Over half of all the households with affordability problems are in the private rental market. It is estimated that 20% of households with affordability problems live in Queensland i.e. 176,000 households.

[47] In Queensland, poverty also has a spatial dimension. Queensland workers are also affected by Queensland's unique geography and will incur greater costs due to distance in the process of actually travelling to and from employment and other essential services. The combined effects of mortgage ownership and car dependence make some households particularly vulnerable to rising fuel costs.

[48] QCOSS recognises that the increase in the underlying rate of inflation over the past year is of concern. A reduction in the rate of inflation, however, will not be achieved by restraining growth in minimum wages. QCOSS submits that it would be unfair for low paid employees to bear the burden of restraint. They have less capacity to absorb any decline in their real incomes without cutting expenditure on essentials. They are also disproportionately affected by recent increases in the cost of essentials such as rents and fuel.

- [49] In supporting the QCU claim, QCOSS submits that a modest increase in wages will benefit lower income workers who struggle to make ends meet.

3. RECENT DECISIONS IN OTHER JURISDICTIONS

- [50] The Full Bench has been referred to a number of recent decisions in other jurisdictions dealing with adjustments to minimum wages and award wage rates. Briefly, the submissions by parties on those decisions are summarised as follows:

Western Australia

- [51] The Western Australian Industrial Relations Commission (WAIRC) released its decision on the *2008 State Wage Order* (2008 WAIRC 00347) on 9 June 2008 granting an increase of \$29.00 per week. This was the amount sought by the Western Australian Government and represented approximately a 5.5% increase in the minimum wage and 4.7% to the C10 rate. It brought the Western Australian minimum wage to \$557.40 per week. The WPI for Perth is 5.9% to the December quarter 2007. With the Consumer Price Index (CPI) at 4.3% in Perth, the \$29.00 per week will result in a real increase in most, if not all, award levels.
- [52] The Trades and Labour Council of Western Australia sought an increase of \$31.20 per week, the Chamber of Commerce and Industry of Western Australia sought an increase of \$17.00 per week with the Australian Mines and Metals Association supporting a 'modest' increase not greater than the CPI movement for Perth or the Western Australia CPI.
- [53] In granting the \$29.00 per week increase, the Full Bench said at paragraph 34:

"We are satisfied too that an increase to the minimum wage which not only maintains its real value, which is the common position of all persons who appeared or made submissions to us, but gives a modest increase to its real value, which is the position of the Minister, TLCWA and WACOSS and will not on this occasion contribute to inflation. Neither is it likely to have an adverse effect on the level of employment in WA or on productivity. This is because:

- (1) 98% of Western Australia's workforce are already receiving a wage above the minimum wage. Our decision will only directly increase the wages being paid to approximately 2% of the State's workforce.
- (2) The wage increase from these proceedings for employees on the minimum wage whose wages have not increased since July 2007 merely follows the rest of the workforce who have already received wage increases.
- (3) The increase to both the minimum wage and award wage rates will be absorbable into any wage paid above the minimum wage and award wage rates.
- (4) There is no evidence, and no-one has suggested, that the increases to the minimum wage and award wage rates awarded by this Commission since the demise of National Wage Cases after the Work Choices amendments to the *Workplace Relations Act 1996* (Cth) have had any measurable effect on the level of employment, inflation and productivity in Western Australia.
- (5) Rather, the evidence suggests that increases awarded by us to the minimum wage and to award wage rates have followed community wage movements and price increases rather than the reverse. This was the conclusion reached in 2006 by Professor David Plowman, from the Graduate School of Management, University of WA, in a Report on the effects of past statutory minimum wage adjustments in WA (see (2006) 86 WAIG 1631 at 1639), a conclusion with which we respectfully concur."

- [54] The Western Australian Full Bench also referred to pay equity implications stating at paragraph 41:

"We are conscious too, of the unchallenged information before us that the majority of employees receiving the minimum wage are female and that an increase in the real value of the minimum wage will assist in redressing the gender pay gap in this State. The information supplied to us by WACOSS in particular has also been helpful to us in reaching this conclusion."

- [55] The QCCI submits that the Western Australian decision was based on the submission of the Western Australian Government's proposal of a \$29.00 per week increase. This Full Bench was referred to the following submissions of the Western Australian Government:

"... this increase to both adult minimum wage and adult award wage rates is balanced and sustainable in the context of the current labour market wages, the State's buoyant economic conditions and the needs of WA employees, including the low paid."

and further, the conclusion of the Western Australian Industrial Relations Commission that:

"We conclude that in 2007/08:

- (a) the WA economy is forecast to grow by 7.5%;
- (b) employment growth is expected to remain strong at 3.75%;
- (c) unemployment is expected to remain low at 3%;
- (d) annual inflation in Perth is expected to average 3.25%; and
- (e) wages are expected to increase by 5.75%.

The economic factors forecast for WA for the future shows that employment will continue to increase, with the rate of growth in employment slowing to 2.5% in 2008/09 and 2.25% in 2009/10. Unemployment is expected to increase slightly over the same period to 3.25%.

The WPI for WA is indeed high at 5.7% percent however it is expected to moderate to increases of 5.25% in 2008/09 and 4.5% in 2009/10. Similarly, the CPI for Perth is expected to moderate to 3.25% and 3% over the same time frame.

We conclude that it is quite likely that strong economic conditions will continue in Western Australia for the next three years and this therefore creates a favourable environment for an increase in the minimum wage...".

[56] The QCCI submits that when compared to the Western Australian economy there are significant differences in the forecast of that economy and the Queensland economy. The Western Australian situation should not be taken to be the benchmark for awarding wage increases.

[57] The QCCI provided the following table which deals with a comparison between the Western Australian and Queensland economies for the period 2006-07 and 2007-08:

Economic Growth Rates: Annual Percentage Change:

	2006-07	2007-08	2008-09	2009-10 to 2011-12
Queensland				
Gross State Product	5.70	3.75	4.25	4.50
Employment	4.60	2.75	2.50	2.50
Inflation	3.30	4.00	3.50	2.50
Wage Price Index	4.50	4.50	4.50	4.00
Population	2.20	2.25	2.25	2.25
Western Australia				
Gross State Product	6.30	7.50	6.25	4.90
Employment	2.50	3.75	2.50	2.50
Inflation	3.90	3.25	3.25	2.80
Wage Price Index	4.70	5.75	5.25	3.80
Population				
Australia				
Gross State Product	3.20	3.50	2.75	3.00
Employment	2.70	2.50	1.25	1.25
Inflation	2.90	3.25	3.50	2.50
Wage Price Index	4.00	4.25	4.25	4.00
Population	1.50	1.50	1.50	1.50

Source: Queensland and Western Australian State Budget Papers 2008-09.

[58] The QCCI submits that in the 2006-07 financial year, the Queensland economy either matched or outperformed the Western Australian economy in terms of economic and employment growth. However, in the 2007-08 financial year, Queensland economic growth of 3.75% is significantly less than Western Australia's 7.5% with the trend to continue for the 2008-09 financial year i.e. the year that the outcome of this decision will impact on. Thus Queensland's ability to absorb the same level of wage increase that occurred in Western Australia is considerably less.

Tasmania

- [59] The Tasmanian Trades and Labor Council, the Tasmanian Chamber of Commerce and Industry Limited and the Tasmanian Government reached an agreement to seek an increase of \$19.00 per week to all minimum award rates before the Tasmanian Industrial Commission (TIC). The figure was based on approximately 3.5% of the C14 award rate which was equivalent to the WPI in Tasmania. The TIC released its decision on 18 July 2008 (T13142 and T13143) and approved the terms of the agreement granting a \$19.00 per week increase, similar to the Tasmanian WPI of 3.6%. The TIC further increased work related allowances by 3.1%.

New South Wales

- [60] The New South Wales Industrial Relations Commission (NSWIRC) released its decision in the *State Wage Case 2008* [2008] NSWIRComm 122 on 27 June 2008. The Full Bench of the NSWIRC awarded an increase of 4.0% in the Award Review Classification Rate (ARCR) and minimum award rates in response to an application seeking a 4.5% increase. This amounted to an increase of \$21.30 per week at the equivalent C14, a \$24.72 increase at the C10 award level and a \$34.50 increase to the highest level of the NSW Metal, Engineering and Industries (State) Award i.e. the C2(b) rate.
- [61] The NSW Government and Local Government Association supported a \$20.00 per week increase, the Australian Federation of Employers and Industries and its affiliates supported a \$10.00 per week increase and the Australian Industry Group and other employers supported an approximate 2.5% increase or \$13.00 per week.
- [62] The NSW economic data before the NSWIRC showed employment levels in NSW were at 2%, unemployment at 4.75%, Sydney CPI at 2.25% and the WPI at 4%. As the QCU submits, the NSW economy does not have the level of robustness that the Queensland economy is showing in regard to the key indicators. In its decision the Full Bench stated at [86]:

"Undoubtedly, the New South Wales economy continues to lag behind the faster growing resource-driven economies and although there has been some degree of catch-up in recent months, we do note what Mr Bennett said, that it is too early to be sure this momentum would be maintained."

Australian Fair Pay Commission

- [63] The AFPC released its wage decision on 8 July 2008 in *Australian Fair Pay Commission Wage-Setting Decision July 2008* and awarded an increase to all minimum rates in the Australian Pay and Classification Scale of \$21.66 per week and a similar increase to the Federal Minimum Wage. This resulted in a federal minimum wage of \$543.78 per week. The Queensland Government sought a reasonable increase but did not nominate a specific quantum, the Australian Government sought a moderate increase without nominating a quantum, the Australian Council of Trade Unions sought an increase of \$26.00 per week and the Australian Chamber of Commerce and Industry supported a 'genuinely moderate' increase without nominating a quantum.
- [64] The QCU submits that this increase equates at the minimum pay level to a 4.15% increase. The operative date is the first pay period on or after 1 October 2008. The AFPC believed that the impact of the increase on inflation, employment and unemployment would be 'relatively minor' in the current economic circumstances. At p. 9 of its decision, the AFPC said:

"The Commission agrees that low-income households have been adversely affected by recent movements in consumer prices. It considers that the quantum of the increase awarded reflects the Commission's focus on the circumstances of the low-paid Australians."

- [65] Further, the AFPC said that it believed the impact of its decision on employment and unemployment would be relatively minor in the context of current economic circumstances.
- [66] The QCCI in commenting on the AFPC's decision submitted that the AFPC took into account the following factors:

- economic activity and employment growth are forecast to slow in the near term, while unemployment is expected to rise;
- inflation accelerated through 2007-08 prompting the Australian Government and the Reserve Bank of Australia to act to restrain aggregate demand;
- the WPI increased by 4.1% over the year to March 2008;
- wage growth in collective bargaining reached in each quarter over the past three years has been steady. The average annualised wage increase in all wage agreements current in March quarter 2008 was 4% while the average annualised wage increase for new agreements was 3.7%;
- the CPI increased by an average of 4.3%, well above the Reserve Bank of Australia's medium term inflation target band of 2 to 3% per annum; and
- 2008-09 taxation changes.

South Australia

- [67] SA Unions is seeking a \$26.00 per week increase. At the time of release of this decision the South Australian Industrial Relations Commission has not released its decision.
- [68] The Queensland Government has summarised the outcomes of the other jurisdictions' wage decisions and the percentage increases to the minimum wage (we have inserted the Queensland figure on the QCU and AWU claims) in the table below:

Jurisdiction	Increase per week	New Minimum wage	Percentage increase to minimum wage
Federal	\$21.66	\$543.78	4.15
NSW	\$21.26	\$552.70	4.0
WA	\$29	\$557.40	5.5
Tasmania	\$19	\$546.10	3.6
Queensland	\$23 sought by Qld Govt \$29 sought by QCU	\$551.40 (if granted) \$557.40 (if granted)	4.35 5.5

4. INTERNATIONAL ECONOMY

- [69] The world economic outlook has been clouded by uncertainty over the extent of the slowing in the United States economy, as well as tighter credit conditions triggered by the sub-prime mortgage fallout. Further, rising inflationary pressures may limit the extent of any accommodative easing in monetary policy around the globe. As a consequence, economic growth in Queensland's major trading partners is estimated to ease from 4.4% in 2006-07 to 4% in 2007-08 and moderate further to 3.5% in 2008-09 (its lowest rate in 6 years).
- [70] Global credit conditions remain tight and this has exacerbated the housing downturn in the United States where the number of housing starts has fallen almost 60% from its peak. The United States economic downturn is expected to not only spill over to other advanced economies such as Japan and Europe, but also to emerging economies such as China and India, through trade and financial linkages. Those emerging economies which have become overly reliant on foreign capital may be left vulnerable to restrictive credit conditions.
- [71] Another concern is the possibility of high global inflation. Prices for petroleum and thermal coal have risen more than 75% and 100% respectively since July 2007. Steel prices are expected to rise significantly in 2008-09. Global food prices have also surged. With elevated global inflation, major central banks may have to limit the extent of their monetary easing despite the weaker economic outlook.

5. AUSTRALIAN ECONOMY

QCU

- [72] In terms of the Australia economy, the QCU relies upon the following economic indicators in support of their claim:
- [73] Gross Domestic Product for the Australian economy grew by 3.9% for the year to December 2007 i.e. the 27th consecutive quarter of growth. Domestic final demand, consumption and investment (actual and expected) are, according to the QCU, higher. The Australian economy is forecast to grow by 4.25% in 2007-08 and 3.5% in 2008-09. Investment and demand are also forecast to grow. Treasury forecasts the terms of trade to increase by 1.25% in 2007-08.
- [74] Employment is forecast to grow by a further 2.25% during 2007-08 whilst unemployment is also forecast to increase slightly. The Australian Bureau of Statistics (ABS) Labour Force data for February 2008 records a 2.7% increase in employed persons in trend terms and 2.9%, seasonally adjusted, over the year to February 2008. Labour Force data recorded the unemployment rate in trend terms at 4.1% and seasonally adjusted terms 4.0%. Figures from April 2008 show the unemployment rate at 4.2%. The participation rate remained at 65.2% in February 2008 having increased by 0.3% to 65.2% over the year to February 2008.
- [75] ABS data on underemployed workers for September 2007 indicate that the labour force underutilisation rate has declined from 12.6% in September 2001 to 8.9% in September 2007 with the underemployment rate declining from 5.7% to 4.7% over the same period.
- [76] Employment growth has been Australia wide with all States and Territories contributing to, or participating in, that growth. Whilst the New South Wales, Queensland, Western Australia and Tasmania industrial relations jurisdictions have awarded higher minimum wages than those set by the AFPC there has been no negative effect on employment growth in those States.

- [77] The retail industry, with almost a quarter of minimum wage workers, had the largest numbers of persons employed in the period November 2006 to November 2007. Other industries with large numbers of minimum wage workers which experienced growth in the number of persons employed in that period include health and community services, manufacturing and property and business services.
- [78] Wages are also forecast to grow by 4.25% in 2008-09. The WPI is steady at 4.2% for the year to December 2007 with full-time adult Average Weekly Earnings increasing to 4.8% for the year to November 2007. The measure of bargaining outcomes, the Average Annualised Wage Increase per employee was 3.9% to September 2007. The WPI increased by 1.1% in the December quarter 2007 and by 4.2% over the twelve months to the December quarter 2007 i.e. the same rate of growth over the year to December quarter 2005 and only slightly higher than the 4% growth to December quarter 2006. According to the QCU, the WPI is stable.
- [79] The WPI for the private sector increased by 1.1% in the December quarter 2007 i.e. the same rate of increase as in the September quarter. The WPI for the private sector increased by 4.3% over the twelve months to the December quarter 2007.
- [80] Inflation (CPI) is forecast by the Reserve Bank of Australia to be 3.5% to December 2008, however, the March quarter 2008 was 4.2%. Private business investment expenditure increased by 0.4% in the December quarter 2007, increasing by 11.9% over the year in seasonally adjusted terms. The two major components of business investment in the December quarter 2007 were machinery and equipment investment which increased by 3.8% to be up 12.3% over the year, and non-dwelling construction which decreased by 3.6% to be 9.4% higher over the year.
- [81] The QCU submits that the official forecasts paint a positive picture of the Australian economy over the near future. The Treasury's key domestic forecasts for 2007-08 are provided in the following table:

Domestic Economic Forecasts (a)

	Outcomes(b)		Estimates		Forecasts	
	2006-07 Year average	2007-08 Year average	2007-08 Year average	2008-09 Year average	Four quarters to June 2009	
Demand and Output(c)						
Household consumption	3.6	4 ½		2 ¾		2 ½
Private investment						
Dwellings			2 ½	2		1
Total business investment(d)	2.4	9 ½		8 ½		4 ½
Non-dwelling construction(d)	6.7	12.4	8 ½	5 ½		3
Machinery and equipment(d)	2.9	9 ½		11		4 ½
Private final demand(d)	4.0	5 ¼		4		3
Public final demand(d)	4.3	4 ¾		3		2 ¾
Total final demand	4.1	5 ¼		3 ¾		2 ¾
Change in inventories(e)	0.1	¼		- ¼		0
Gross national expenditure	4.2	5 ½		3 ½		2 ¾
Exports of goods and services	3.8	3		6		7 ½
Imports of goods and services	8.9	11		9		7
Net exports(e)	-1.2	-2		-1		- ¼
Real gross domestic product	3.2	3 ½		2 ¾		2 ¾
Non-farm product	3.9	3 ¾		2 ¼		2
Farm product	-22.8	2		20		36
Nominal gross domestic product	8.2	7 ¾		9 ¼		6 ½
Other selected economic measures						
External accounts						
Terms of trade	6.7	4 ¾		16		3 ¼
Current account balance (per cent of GDP)(f)	-5.6	-6 ¼		-5		-5 ¾
Labour market						
Employment (labour force survey basis)	2.7	2 ½		1 ¼		¾
Unemployment rate (per cent)(f)	4.5	4 ¼		4 ½		4 ¾
Participation rate (per cent)(f)	64.8	65 ¼		65 ¼		65
Prices and wages						
Consumer Price Index(g)	2.1	4		3 ½		3 ¼
Gross non-farm product deflator	4.8	4		6 ¼		4 ¼
Wage Price Index	4.0	4 ¼		4 ¼		4 ¼

(a) The forecasts are based on several technical assumptions. The exchange rate is assumed to be around 93 US cents, with a trade weighted index of around 71. Domestic interest rates are assumed to remain unchanged. World oil prices (West Texas Intermediate) are assumed to be around US\$115 per barrel. Farm sector forecasts assume average seasonal conditions, but for low water storage level.

(b) Calculated using original data.

(c) Chain volume measures except for nominal gross domestic product which is in current prices.

(d) Excluding second-hand asset sales from the public sector to the private sector and including the impact of the privatisation of Telstra.

(e) Percentage point contribution to growth in GDP.

(f) The estimate in the final column is the forecast rate in the June quarter 2009.

(g) Through the year growth rate to the June quarter for 2006-07 and 2007-08.

Source: Australian Bureau of Statistics (ABS) cat. no. 5206.0, 5302.0, 6202.0, 6345.0, 6401.0, unpublished ABS data and Treasury.

- [82] The Australian economy is forecast to grow by 4.25% in 2007-08 and 3.5% in 2008-09. The forecast for dwelling investment in 2007-08 is revised upwards by 3.0% from a Budget forecast of 2.5%. Business investment is expected to grow by 9.5%, revised upwards from a Budget forecast of 7.5%. Employment is forecast to grow by 2.25% during 2007-08 revised up from 1.5% forecast at Budget. The unemployment rate is expected to be around 4.5% and the participation rate 65.25%. Wages are forecast to grow by 4.25% in 2007-08 and 2008-09. This remains at 0.05% above the current rate of growth in WPI to the December quarter 2007. The CPI is predicted to be 2.75% in both financial years 2007-08 and 2008-09. The Reserve Bank of Australia forecasts on inflation are higher at 3.5% over the year to June 2008 and over the year to December 2008.
- [83] The Australian Government has forecast that a moderation in world economic growth, tighter credit conditions and significantly higher interest rates will adversely affect the household sector and slow growth in the national economy from 3.5% in 2007-08 to 2.75% in 2008-09.
- [84] With households becoming more indebted, higher interest rates are expected to have a greater impact on consumption than in previous tightening cycles. Falls in share prices have suppressed growth in household wealth and are anticipated to induce saving for precautionary purposes. Higher mortgage rates are also forecast to suppress dwelling investment growth. However, business investment and exports are forecast to support economic growth in 2008-09. Investment should benefit from a large amount of work under construction, a strong Australian dollar and high levels of capacity utilisation. An increase in the terms of trade flowing from a surge in coal and iron ore prices is expected to support mining investment. Exports growth is forecast to strengthen significantly as a result of increases in mining and agricultural production.
- [85] National employment growth is forecast to moderate from 2.5% in 2007-08 to 1.25% in 2008-09 causing the annual-average unemployment rate to rise 0.25 of a percentage point to 4.5% in 2008-09.
- [86] Despite a forecast moderation in domestic demand, inflation is expected to stay above the Reserve Bank of Australia's target band of 2-3%, at 3.5% in 2008-09. This reflects the fact that the Australian economy has been running at close to full capacity for some time, as well as higher energy and food prices and further rises in housing costs.

Queensland Government

- [87] In its submission, the Queensland Government draws the Full Bench's attention to the following forecasts with respect to the national economy:
- the Australian Government has forecast that a moderation in world economic growth, tighter credit conditions and significantly higher interest rates will adversely affect the household sector and slow growth in the national economy from 3.5% in 2007-08 to 2.75% in 2008-09;
 - with households becoming more indebted, higher interest rates are expected to have a greater impact on consumption than in previous tightening cycles. Falls in share prices have suppressed growth in household wealth and are anticipated to induce saving for precautionary purposes. Higher mortgage rates are also forecast to suppress dwelling investment growth. However, business investment and exports are forecast to support economic growth in 2008-09. Investment should benefit from a large amount of work under construction, a strong Australian dollar and high levels of capacity utilisation. An increase in the terms of trade flowing from a surge in coal and iron ore prices is expected to support mining investment. Exports growth is forecast to strengthen significantly as a result of increases in mining and agricultural production;
 - national employment growth is forecast to moderate from 2.5% in 2007-08 to 1.25% in 2008-09 causing the annual-average unemployment rate to rise 0.25 of a percentage point to 4.5% in 2008-09; and
 - despite a forecast moderation in domestic demand, inflation is expected to stay above the Reserve Bank of Australia's target band of 2-3%, at 3.5% in 2008-09. This reflects the fact that the Australian economy has been running at close to full capacity for some time, as well as higher energy and food prices and further rises in housing costs.

6. QUEENSLAND ECONOMY

- [88] Predominately it was the QCU, the Queensland Government and the QCCI that provided data on the Queensland economy. Whilst the data used by each of these organisations is generally consistent, the interpretation of that data differed. In that regard we will briefly outline the submissions of the QCU, the Queensland Government and the QCCI on the Queensland economy.

QCU

[89] The QCU submits that the Queensland economy is strong and is forecast to remain positive and it has the capacity to absorb and sustain a reasonable wage increase for state award reliant employees. The Queensland economy is estimated to expand by 3.75% in 2007-08 and exceed growth nationally for the twelfth consecutive year.

[90] In this regard the QCU relies upon the following economic measures:

- household consumption growth is estimated to strengthen by 5.25% in 2007-08. The limited spare capacity in the economy is estimated to drive further growth in private and public investment, *albeit* at more modest rates than in recent years;
- economic growth in Queensland is forecast to strengthen to 4.25% in 2008-09 compared with an anticipated moderation in growth for the nation as a whole to 2.75%. Economic growth in Queensland has been stronger than the national average since 2000-01 with economic growth in Queensland in 2006-07 being 5.6% as compared to 2.6% in the rest of Australia;
- jobs growth is forecast to ease to 2.75% in 2007-08 and 2.5% in 2008-09. This growth represents an increase in employment of more than 105,000 persons over the two years. In the period December 1999 to December 2007 the total number of employed persons in Queensland grew by 28% whilst employment nationally grew 17% over the same period. Whilst employment growth has slowed to 0.2% per month in late 2007, Queensland's employment growth over the year to November 2007 was 3.1% as compared to the national average over the same period of 2.5%. Jobs growth is forecast to moderate to 2.5% in 2008-09. The rate of employment growth in 2008-09 is expected to be limited by available supply, with unemployment reaching very low levels and the participation rate expected to remain largely unchanged in the short term. As a result, jobs growth is forecast to match civilian population and labour force growth of 2.5%;
- Queensland's year-average unemployment rate is estimated to fall to a 34 year low of 3.75% in 2007-08 and remain there in 2008-09 representing a rate well below that nationally for the fifth consecutive year. The unemployment rate has fallen from 7.7% in December 2000 to 3.4% in 2007. The year-average unemployment rate is forecast to remain unchanged at 3.75%. Such positive employment trends, it is submitted, challenges the assumption that wage increases at the bottom end of the market undermine employment growth and destabilise overall economic health. The QCU submits that the analysis of employment growth data indicates that increases awarded in previous years have not had adverse implications and have been associated with strong macro-economic performance, including strong employment growth and falling unemployment;
- an easing in growth in consumer demand;
- investment in machinery and equipment is estimated to rise 12.5% in 2007-08, however, investment in other building and structures is estimated to grow only at 0.05% in 2007-08;
- in 2006-07 the Queensland population grew at 2.2% compared to 1.4% for the rest of Australia with the high growth rate being attributable largely to interstate migration; and
- inflation has been higher in Queensland than the national average since mid-2006 reflecting high levels of economic activity and scarcity in some resource markets. In annual terms, the CPI strengthened to 4.2% in the March quarter from 3% in the December quarter. The Labour Price Index (LPI) of total hours excluding bonuses in Queensland was 4.5% as of May 2008 compared to 4.2% for Australia as a whole. The LPI has remained constant over the previous five quarters. Queensland and Western Australia, the States with above average economic growth, have also experienced above average wage cost growth.

[91] **Domestic Forecast:** Another strong indicator that reasonable award wage increases are consistent with strong employment performance is the evidence from industries that have a high proportion of award-reliant employees that are the recipients of minimum wage increases. ABS data indicate that the most pay scale reliant industries in Queensland are accommodation, cafés and restaurants (53.1%), retail trade (22.9%), health and community services (27.7%) and property and business services (27.2%). Employment has grown in all five of the top award-reliant industries with three showing employment growth at near or in excess of the Queensland average. Only accommodation, cafes and restaurants recorded low employment growth.

[92] In looking at the forecasts for the Queensland economy, the QCU relies on the Mid Year Fiscal and Economic Review produced by the Queensland Treasury in late 2007, the Queensland Economic Review of May 2008 and the Budget Strategy and Outlook Papers from the 2008 State Budget. The Mid Year Review reported a positive

economic outlook for Queensland with continued export growth and strong private and public sector investment. Growth of 4.75% is projected for the financial year 2008-09. Economic growth in Queensland has been higher than the national average for twelve consecutive years.

- [93] Business investment increased to be 9.8% higher to December 2007. There has, however, been a moderation in growth in recent times which the QCU submits reflects the completion of several major mining projects. Investment in 'other buildings and structure' and 'machinery and equipment' was up 50%. Business investment is expected to be buttressed by strong population growth and rising incomes leading to growing domestic demand.

Queensland Government

- [94] According to the submission of the Queensland Government, the Queensland economy is estimated to expand by 3.75% in 2007-08 and exceed growth nationally, forecast at 3.5%, for the twelfth consecutive year. Growth in domestic demand in Queensland is estimated to remain strong at 6% in 2007-08 but is expected to be partly offset by an ongoing detraction from economic growth by the trade sector.
- [95] Consumer spending and investment are estimated to drive growth in domestic demand in 2007-08. Growth in household consumption is estimated to strengthen to 5.25% in 2007-08. Business investment is estimated to rise further, however, the pace of growth is expected to slow noticeably from earlier in the cycle due to the completion of a number of significant projects. The public sector is estimated to make the largest contribution to growth in the infrastructure base in 2007-08.
- [96] A significant increase in lending rates is estimated to negatively affect other sectors of the domestic economy. While their adverse effect on disposable incomes and consumer spending has been partially offset by income tax cuts in 2007-08, the rise in mortgage interest rates is estimated to cause dwelling investment to decline for the first time since 2000-01 (when the GST was introduced).
- [97] The Queensland economy, and the trade sector in particular, has also absorbed a range of adverse external and domestic shocks since late 2007. Coal and base metal exports were disrupted in 2007-08 by flooding, port and rail capacity upgrades, as well as mine maintenance and expansions. Improved rainfall encouraged herd rebuilding with a resulting decline in beef exports. Tourism and other services exports in 2007-08 have been adversely affected by the appreciation in the A\$ together with a deterioration in global economic and financial conditions. Thus the detraction from economic growth by the trade sector is estimated to widen in 2007-08.
- [98] Growth in the Queensland economy is forecast to accelerate slightly to 4.25% in 2008-09 in contrast to an anticipated easing in national growth to 2.75%. Additional income tax cuts and continued growth in wages are anticipated to support growth in disposable incomes. Growth in consumption, however, is forecast to ease. Business investment is forecast to rise further in 2008-09 reflecting ongoing high levels of capacity utilisation. A surge in the terms of trade is forecast to drive an additional wave of investment in mining and metals processing.
- [99] A significant recovery in exports is forecast with overall exports growth forecast to strengthen to a four-year high of 4.25% in 2008-09.
- [100] In its submission, the Queensland Government outlined the following economic indicators:
- [101] **Household consumption and retail turnover:** Household consumption growth is estimated to strengthen to 5.25% in 2007-08 after easing for three consecutive years from a peak in 2003-04. A strengthening in house price growth in 2007 has seen spending on other retail goods and consumer durables recover. In addition to solid growth in employment and wages, tax cuts partially offset the impact of higher interest rates on disposable incomes in 2007-08. Income tax cuts and solid labour market conditions are forecast to continue to support disposable incomes in 2008-09 while an increase in the terms of trade should also benefit wages in trade-related industries. Despite this growth, private consumption is forecast to ease to 4.5% in 2008-09.
- [102] A rise in mortgage interest rates is estimated to cause a decline in dwelling investment in 2007-08 which in turn will bring slower growth in housing-related expenditure the following year. Growth in spending on consumer durables such as motor vehicles is predicted to dampen in 2008-09.
- [103] **Dwelling Investment:** Dwelling investment is estimated to decline 5.5% in 2007-08 after an increase of more than 90% between 2000-01 and 2006-07. This represents the first fall since the introduction of the GST. Dwelling investment is, however, expected to rise by a marginal 0.5% in 2008-09. New housing construction activity declined sharply in the first half of 2007-08 and leading indicators such as dwelling approvals and housing finance suggest further declines through 2008. Lower net rental returns have also discouraged investor activity. Renovation activity has also declined sharply in the first half of 2007-08 in response to higher interest rates.

- [104] A recovery in new construction late in 2008-09 is anticipated assuming interest rate stabilisation. Renovation activity is anticipated to rebound more strongly.
- [105] **Business Investment:** Business investment is expected to continue to increase, *albeit* at a slower rate than the very strong growth recorded in recent years. The volume of business investment is estimated to increase 7.25% in 2007-08. Investment in machinery and equipment is estimated to rise 12.5% in 2007-08. Investment in other buildings and structures is estimated to grow 0.5% in 2007-08. Growth in business investment is forecast to strengthen slightly to 9.25% in 2008-09, with the level of investment totalling \$36 billion, representing a doubling in real terms over the past six years. Growth in investment in other buildings and structures is forecast to pick up to 10.5% in 2008-09. Machinery and equipment investment is forecast to grow 8.25%.
- [106] **Net Exports:** Exports in 2007-08 were suppressed. Import growth has also moderated during the year. Net exports are estimated to detract 2.75 percentage points from overall economic growth in 2007-08. This is larger than the 2.2 percentage point deduction recorded in 2006-07. The total volume of exports of goods and services is forecast to rise only 0.5% in 2007-08. In contrast, the total volume of imports of goods and services is estimated to rise by 8% in 2007-08. Exports are forecast to improve substantially in 2008-09. The volume of goods and services exports is forecast to grow by 4.25% in 2008-09 representing the highest rate of growth in four years.
- [107] Export returns are expected to rise significantly next year with contract prices for hard coking and thermal coal for the 2008 Japanese fiscal year tripling and doubling respectively. As a result, Queensland's terms of trade are projected to resume a strong upward trend in 2008-09 after edging lower in the past two years. An easing in growth in private consumption and machinery and equipment investment is forecast to moderate growth in total imports to 6.75% in 2008-09. It is anticipated that net exports will detract 1.25 percentage points from overall growth in 2008-09.
- [108] **Employment:** Following five years of above average growth, jobs growth is estimated to ease to 2.75% in 2007-08, representing an increase in employment of more than 55,000 persons. The easing in jobs growth reflects a moderation of growth in domestic demand, particularly in the labour-intensive construction sector. The participation rate is expected to level out at 67% in 2007-08. Jobs growth is estimated to surpass labour force growth thus reducing the State's unemployment rate for the sixth consecutive year, to 3.75% in 2007-08. Jobs growth is forecast to moderate further, *albeit* marginally, to 2.5% in 2008-09.
- [109] The rate of employment growth in 2008-09 is expected to be limited by available supply with unemployment reaching very low levels and the participation rate expected to remain largely unchanged in the short term. As a result jobs growth is forecast to match civilian population and labour force growth of 2.5% leaving the year-average unemployment rate unchanged at a generational low of 3.75%.
- [110] **Prices and wages:** Inflation, measured by movements in the Brisbane CPI, is estimated to strengthen to 4% in 2007-08 following an outcome of 3.3% in 2006-07. The housing sector has been the key contributor to inflation so far in 2007-08. A significant rise in petrol prices has also driven higher transportation costs while food prices have also increased. Partly offsetting these pressures has been the higher Australian dollar and subdued prices for retail and household goods in 2007-08.
- [111] Inflation is forecast to ease to 3.5% in 2008-09. Growth in the WPI in Queensland is forecast to remain steady at 4.5% in 2007-08 and 2008-09. Tight labour market conditions are expected to underpin growth in wages across a variety of service industries, in addition to strong wage gains in recent years in the mining sector.
- [112] **Population:** Queensland's population is forecast to continue to grow at its long run rate of 2.25% in 2007-08 and 2008-09, translating into an additional 190,000 persons, or more than 1,800 persons per week. The State's population is expected to continue to grow at well above the national rate.
- [113] **Potential Risks to Economic Activity:** Domestic inflation pressures represent the key risk to the Queensland and national economy in 2008-09. The Reserve Bank of Australia forecasts underlying inflation to remain above its 2-3% target band until 2010, when a moderation in the pace of national domestic demand is expected to eventually ease capacity pressures. Risks to inflation include:
- a boost to incomes and spending from a higher terms of trade;
 - further increases in global energy prices; and
 - faster growth in world food prices.

If any of these trends eventuate or intensify, inflation outcomes may be higher than expected.

- [114] As households have been carrying a larger amount of debt and using a larger share of income for interest payments, any further increase in lending rates may exert a greater impact on household consumption and dwelling investment than in previous tightening cycles.
- [115] The possibility of a United States (US)-led global economic downturn represents a key risk to the Queensland economy. The US remains a major export market for Queensland, and Asia has become increasingly exposed to global financial markets linked to the US. As a result, Consensus Economics downgraded forecasts for economic growth in Queensland's major trading partners in Asia from 4.75% to 4% for 2008-09 between December 2007 and April 2008. Any further deterioration in Asian growth prospects would adversely affect the State's exports in 2008-09 as Asia represents the largest destination for Queensland's goods and education exports as well as being the second largest source of tourism.
- [116] Closely related to the weaker US economic conditions has been the financial market fallout from the US sub-prime mortgage crisis. Any further rise in corporate borrowing costs, or decline in equity prices, may dampen business investment in 2008-09.
- [117] Queensland's agricultural and mining production in 2007-08 was adversely affected by disruptions due to heavy rainfall and floods. However, a significant rebound in crop production is expected in 2008-09. Any reoccurrence of adverse weather conditions has the potential to delay any such recovery in agricultural and mining exports.
- [118] With the differential between economic growth in Queensland and the rest of Australia expected to widen in 2008-09, Queensland may benefit from a greater inflow of interstate and overseas migrants than currently anticipated. As a result, population growth may be stronger than expected, which may benefit labour force and employment outcomes given current tight conditions in the labour market.
- [119] **Medium-term outlook:** Economic growth in Queensland is projected to remain around its average growth rate over the longer-term. Economic growth of around 4.5% per annum is projected for the period 2009-10 to 2011-12.

QCCI

[120] In the QCCI's submission the economic considerations that should be considered are as follows:

- skills shortages, interest rates, direct and indirect wages costs and the level of demand/economic activity are the largest constraints on business growth;
- growth for Queensland's major trading partners is estimated to ease from 4.4% in 2006-07 to 4.0% in 2007-08 and moderate further to 3.5% in 2008-09. The continued appreciation of the Australian dollar has suppressed exports in 2007-08 while strong growth in domestic demand has supported imports growth;
- a moderation in world economic growth, tighter credit conditions and significantly higher interest rates will significantly slow growth in the national economy from 3.5% in 2007-08 to 2.75% in 2008-09;
- the Queensland economy grew by 3.75% in 2007-08 (5.7% in 2006-07) with growth forecast to accelerate slightly to 4.25% in 2008-09;
- business investment increased by 7.25% in 2007-08 (17.9% in 2006-07) and will strengthen slightly to 9.25% in 2008-09;
- CPI is estimated to increase to 4% in 2007-08 (4.6% in 2006-07) with the unemployment rate at a 34 year low of 3.75%;
- Business confidence has fallen to an historic low and is attributable to higher interest rates, reduced consumer confidence and rising fuel and energy prices;
- Queensland's population is forecast to continue to grow at its long run rate of 2.5%;
- Growth in the Labour Cost Index is forecast to remain steady at 4.5% in 2007-08 and 2008-09;
- Economic growth is projected to remain at its average growth rate of 4.5% over the longer-term;
- Queensland's business community has indicated that they are willing to absorb an increase in wages up to \$15.00 per week. Any increase above this amount will impact negatively on profitability, investment, employment and force business to raise average selling prices; and
- Queensland's economic ability to absorb the same level of wage increase that occurred under the Western Australian decision is considerably less.

7. WAGE ENVIRONMENT

QCU

[121] The QCU submits that minimum wages play a crucial role in achieving wage justice for those unable to collectively bargain and are particularly important in narrowing the gender pay gap. The Australian labour market performance

provides no impediment to a decent real wage increase for minimum wages workers. The QCU submits that the July 2007 *Wage Setting Decision* of the AFPC reduced the real value of minimum wages, with 62% of minimum wage workers suffering a decrease in their real wages as a result of the decision. The recent AFPC decision increased weekly wages in real terms by 6 cents for 4% of minimum wage workers and reduced the wage of 96% of minimum wage workers by between 28 cents and \$15.67 per week.

[122] The QCU submits that minimum wages workers are paid significantly less than the remainder of the workforce. Based on the latest available data (May 2006), minimum wage earners earn on average \$491.10 per week whilst the average weekly wage for all methods of pay setting was \$852.30 per week. Thus minimum wage workers earn just over half the wages of other employees. Women are disproportionately represented amongst the ranks of minimum wage workers. The majority of minimum wage earners are employed in lower skilled non-managerial positions. Nearly 60% of employees in the accommodation, cafés and restaurant industry are minimum wage earners. They are more likely to be employed on a casual basis. Nearly 48% of women who are minimum wage earners are employed as casuals whilst 38.5% of male minimum wage workers are employed as casuals.

[123] Minimum wage earners received on average 58% of average weekly earnings or approximately \$348.60 per week less than Average Weekly Ordinary Time Earnings which for the workforce as a whole is \$818.90 rather than the \$470.30 for minimum wage workers. The gap continues to widen between minimum wage earners and other workers.

[124] In its submission, the QCU referred the Full Bench to the four most commonly used measures of wages growth:

- the Average Weekly Earnings (AWE) of non-farm wage and salary earners which nationally for the year to November 2006 for all employees increased by 4.4% and for full-time adult employees increased by 2.6% for the same period;
- the Average Weekly Ordinary Time Earnings (AWOTE) which nationally for the year to November 2006 increased by 3.0%;
- average compensation per non-farm employee of Average Earnings on a National Accounts basis (AENA) which for the year to December 2006 grew nationally by 4.2% seasonally adjusted or 4.0% trend; and
- WPI which forms part of the expanded LPI Survey. Nationally the WPI is at 4.0% for the period 2006-07 and is forecast and projected to remain at the same level. The QCU has relied upon the WPI in calculating the level of wage adjustment sought in its application, contending that the WPI is the best measure to assess the economic impact of wage changes to the employer as it is not affected by compositional change.

[125] The QCU application seeks a flat monetary adjustment of \$29.00. The QCU has used an averaging exercise in applying the WPI as a flat monetary amount whilst seeking to benefit those workers most in need viz. those at the C9/C10 trade level in the *Engineering Award - State 2002* to arrive at its claim of \$29.00. If the WPI of 4.5% was applied to the wage rates as they currently appear in the *Engineering Award - State 2002*, then the average increase to those classifications would be almost \$30.00 per week overall with the trade level of C9 receiving an adjustment of no more than \$29.00 per week. This would ensure the benefit of the flat adjustment at those classifications of trade level and below.

[126] The Full Bench was also referred to the *Trends in Enterprise Bargaining* series published quarterly by the Department of Employment and Workplace Relations which reports that average annualized wage increase "per employee" for agreements certified in the December quarter 2007 was 3.7%. There are no comparable public Queensland data.

Queensland Government

[127] In terms of the wage environment, the Queensland Government in its submission deals with the following aspects:

[128] **Fair Wages for Minimum Wage and Award Reliant Employees:** The Queensland Government submits that there should be an effort by the Commission to address the disparity between award rates and enterprise bargaining rates in the State Wage Case. The Full Bench was referred to paragraph [274] of the *State Wage Case 2006* (2006) 182 QGIG 16 which acknowledged the statutory requirement that awards are not intended to be mere safety nets of wages and conditions:

"We accept that the legislative obligations placed on us mean that award rates should be adjusted with some reference to general movements in wages across the community. One of the major indicators of general movements across the community are the wage increases that have been achieved through

enterprise bargaining and in the community generally. As we have said previously the legislation does not require us to establish a safety net of wages and conditions. In that regard we are required to address the disparity between award rates and enterprise bargaining rates, as well as general wage movements across the community."

[129] The Full Bench was also referred to an acknowledgment by the Full Bench in *State Wage Case 2007 (2007)* 185 QGIG 422 of differences between minimum award wages and community standards and the role of the Commission in reducing the gap:

"In any event, we have reached the conclusion that the economic environment is such that, on this occasion, we can take the step of providing real wage increases to most award-reliant wage earners and, in doing so, taking a small step towards addressing the increasing difference between minimum wage movements compared with AWOTE... The increase we have granted should also impact positively on the gender pay gap."

[130] As the Government submits, almost one-quarter of employees rely on the award system to provide wage increases and there continues to be a considerable wage disparity between this group of workers and those who benefit from enterprise bargaining. In 2006 in Queensland, average weekly ordinary time earnings for adult permanent full-time employees who relied on award rates was \$739.40 per week, compared to \$1,056.60 for those on State registered certified agreements i.e. a difference of almost 30%.

[131] The reality is that, for a variety of reasons, not all employees are able to bargain with their employers for wage increases. Like in 2006 when the Full Bench noted that "[t]here is no evidence that recent increases in award wage rates of pay have slowed the growth in bargaining", s. 3(o) of the Act (the requirement to promote collective bargaining) poses no impediment to the Commission granting the increase proposed by the Queensland Government.

[132] An increased level of earnings inequality is evident in both the Queensland and Australian economies. Reasonable wage increases can make a contribution to alleviating income inequality and this is relevant to the object of providing fair standards in relation to living standards prevailing in the community.

[133] The extent of award reliance by industry of the low paid is illustrated in the following table provided by the Queensland Government.

Characteristics of Australian Low Paid Workers (Percentage)

Industry	All Low Paid Employees
Agriculture, Forestry and Fishing	7.0
Mining	0.1
Manufacturing	8.4
Electricity, Gas and Water Supply	0.4
Construction	3.7
Wholesale Trade	4.6
Retail Trade	17.8
Accommodation, Cafes and Restaurants	9.8
Transport and Storage	3.7
Communication Services	0.7
Finance and Insurance	1.5
Property and Business Service	9.9
Government Administration and Defence	2.3
Education	7.4
Health and Community Services	15.8
Cultural, Recreational Services, Personal and Other Services	7.1

Source: Household Income and Labour Dynamics in Australia Survey Release 5.0 February 2007

[134] The highlighted industries show the high incidence of low paid workers in the most award reliant industries.

[135] The Queensland Workplace Industrial Relations Survey 2005 shows that awards are also the primary source of determining pay for almost a third of all part time female employees. Thus women are more likely to be affected by minimum award standards by industry, employment status and occupation. The evidence is that female employees dominate industries which are highly award reliant and often low paid.

[136] 56% of low paid employees work for businesses that employ less than 20 staff in the private sector. Such businesses are overwhelmingly award reliant and are often found in non metropolitan areas. The Queensland Workplace

Industrial Relations Survey 2005 found that these businesses are almost always found under the Queensland industrial relations jurisdiction.

- [137] The Queensland Government submits that a reasonable increase in award rates of pay for these disadvantaged workers will help ameliorate their low income status.
- [138] Based on the ABS Household Expenditure Survey 2006, the mean gross household income per week for those in the lowest and second lowest quintiles is \$724.00 and \$995.00 respectively compared to \$1,036.00 for all households. The average weekly expenditure of households in the lowest income quintile is \$396.18 and \$619.26 for households in the second lowest income quintile. Expenditure across all households is \$830.13.
- [139] For households included in the bottom 40% of wage earners, meeting the costs of food and non-alcoholic beverages, housing and transport represents more than half of these households' total expenditure on all goods and services. The most disadvantaged families are families in the bottom income quintile who do not possess a home and are forced to rent. Of those in the lowest quintiles, 89.7% are in that category whereas it is 30.8% for all families. In Queensland, individuals who did not own a house comprise 30.8%, second only to the Northern Territory.
- [140] Raising the minimum wage can help to improve the conditions of low income earners. The evidence is that workers in the bottom quintile of households spend over 50% of their income on housing, food and transport.
- [141] **Recent Developments for the Costs of Living:** The Queensland Government submits that the most recent published ABS data do not take into account recent increases to the basic costs of living such as food, fuel and housing which have increased dramatically in the past few years. The price of basic commodities such as food, fuel, health and education has been rising sharply in recent years in Queensland. In Brisbane the cost of basic commodities has risen on average by 8.1% over the past twelve months. Low wage earners spend a high proportion of their income on basic commodities. Without a reasonable increase in award and minimum rates, many low income earners will experience a decline in their standard of living as the cost of living increases.
- [142] The level of affordability of home purchase has also decreased rapidly over the last five financial years. The cost of renting a property has also dramatically increased in Australia with the average cost of a three bedroom apartment increasing by 82% since 1996.
- [143] The Queensland Government submits that a reasonable increase in minimum and award wages can, and should, be awarded to assist to stem the financial stress of low income earners.
- [144] **Minimum Wages and Employment:** The Queensland Government referred the Full Bench to s. 3(b) of the Act which requires the Commission to have regard to providing for an effective and efficient economy, including high employment. It submits that there is no empirical evidence that reasonable, predictable increases in minimum award rates of pay and the Queensland Minimum Wage will adversely impact on employment or price award-reliant workers out of work. In this regard the most relevant evidence for the Commission to consider is that, at least since 1999, whilst the Commission has awarded a series of reasonable wage increases there has been strong employment growth and record levels of unemployment.
- [145] Strong employment growth has led to significant reductions in unemployment with the unemployment rate falling from 7.5% in 2000 to 3.7% in 2007. Thus minimum and award wage adjustments have not significantly hampered recent strong employment growth. The Queensland Government referred the Full Bench to the following comments in paragraph [272] of the *State Wage Case 2006* (2006) 182 QGIG 565:

"In many of its safety net decisions, the AIRC has considered the argument that increases in minimum wage standards creates unemployment and has been unable to find any credible link between reasonable minimum wage adjustments and employment. There is nothing in the material before this Full Bench which would cause us to conclude that such a link exists. After almost a decade of safety net adjustments, the analysis of employment data in Queensland shows that reasonable increases have not had adverse implications and have in fact been associated with strong macro-economic performance in the Queensland economy, including strong employment growth and lower unemployment."

and further at [271]:

"We have not been provided with any evidence that would support the proposition that a reasonable increase in the Queensland Minimum Wage and award rates of pay will adversely impact on employment in Queensland or award-reliant workers or any other persons out of work in Queensland."

and to the comments of the Full Bench in *State Wage Case 2007* (2007) 185 QGIG 422:

"A \$24.60 increase can be awarded without adverse employment impacts. There is no credible evidence to suggest that past state, or national, wage cases have had any significant measurable impact, either to employment in the State generally or to the specific industries which are most award-reliant. A \$24.60 increase this year would be compatible with continuing strong employment growth and historically low levels of unemployment."

- [146] The Queensland Government also relies upon the evidence that there is strong growth in industries that have a high proportion of award-reliant employees (those receiving minimum wages increases) to support its contention that reasonable award wage increases are consistent with strong employment. Employment has grown in all four of the top award-reliant industries. In health and community services, property and business services and retail trade, employment growth was near or in excess of the Queensland average. Only accommodation, cafés and restaurants recorded lower employment growth. All of these industries in Queensland, however, outperformed Australia as a whole.
- [147] In relying upon figures from the Reserve Bank of Australia's Bulletin May 2008, the Queensland Government submits that Queensland, with Western Australia, is far outstripping the other States in its labour market performance.
- [148] **Minimum Wages and Inflation:** Queensland Treasury noted that inflation pressures represent a risk to the Queensland and national economies and the Queensland Government submits, this must be taken into account in deliberations on the state wage case. The increase in inflation in Queensland from a forecast 2.5% to an estimated actual increase of 4.0% over the year to June 2008 has contributed to the Queensland Government seeking a lower increase this year than it did in 2007. The Queensland Government does not want any decision in these applications to contribute to a rise in inflation.
- [149] The Queensland Government is, however, confident that a \$23.00 per week increase to award and minimum wages would not affect the rate of inflation to any significant degree with the estimate being that such an increase would only increase average weekly earnings growth for the State by between 0.10% and 0.14% and average weekly ordinary time earnings growth of private sector unincorporated businesses by 0.48% and 0.77%.
- [150] The Queensland Government referred the Full Bench to the following comments by the Full Bench of the Western Australian Industrial Relations Commission in paragraph 35 of the 2008 *State Wage Orders* (2008 WAIRC 00347) in awarding a \$29.00 per week increase:
- "We have had regard in this decision to the information placed before us regarding the national economy but we note in particular, and agree with, the comment contained in the information supplied to us by the Minister that the direct aggregate wages impact of a \$29.00 increase to the minimum wage proposed by the Minister on inflation and employment at a national level is likely to be quite small and the likelihood of the increase precipitating a wage price spiral is very low."
- [151] Despite receiving substantial submissions which warned against an increase of a quantum of the magnitude of \$21.66 per week on the basis that it would have an inflationary effect, the AFPC in the *Australian Fair Pay Commission Wage Decision* July 2008 at p. 12:
- "The Commission acknowledges that minimum wage increase may affect wider wage growth in the economy and therefore inflation. However, it considers that the direct effect of a moderate increase in minimum wages on aggregate inflation is likely to be minor. Wages paid to employees who are directly reliant on the Commission's decision comprise only a small percentage of the economy's total wage bill."
- [152] The Queensland Government submits that overall wage outcomes in Queensland have moderated over recent years, particularly in the private sector. The WPI increased from 2001 to the end of 2005. Since then the all sector WPI and the private sector WPI have stabilised at over 4%. This stabilisation of wage inflation has occurred against a background of declining unemployment and strong output and employment growth.
- [153] It is further submitted that one of the consequences of increases in minimum wages can be reduced business profits. In Australia at least, there has been little evidence of declining profitability with the profit share of GDP, at 31%, at its highest level in 30 years. Reasonable minimum wage increases, according to the Queensland Government submission, can moderate these 'excess' profits and channel them as wages to the poorest paid in the community.
- [154] Protecting the low paid is an essential element of wages policy and it is inherent in the legislative requirements for the Commission to promote fair wages. In Queensland the price of basic commodities such as food, housing, health and education has been rising sharply in recent years and much more steeply than the CPI overall. As mentioned previously, low wage earners spend a high proportion of their income on basic commodities.

- [155] **Productivity:** The Queensland Government submits that the moderate increase in minimum wages awarded over the past decade have not contributed significantly to inflation and nor will an increase of \$23.00 per week this year. One measure of productivity is output performance. Overall, Queensland's output performance has been relatively strong with total gross value added increasing by 34% over the period 2000-01 to 2006-07. Total Queensland output growth was particularly strong over 2005-06 to 2006-07, particularly in construction, finance and insurance services and communication services. Output has been growing more strongly in Queensland than for the Australian economy as a whole each year since 2000-01.
- [156] Output performance in the most award reliant industries has been reasonably strong in Queensland over the period 2000-01 to 2006-07, particularly in property and business services. The performance of retail trade and health and community services has been close to the State average. These two industries account for a quarter of total employment in Queensland. Accommodation, cafes and restaurants recorded slightly below average output over the period. The Queensland Government submits that overall, the data indicates that minimum wage increases over recent years does not appear to have impeded industry output in Queensland, particularly in industries with a high concentration of award reliant employees.
- [157] **Profit and Compensation of Employees:** Most Queensland industries have experienced strong profit growth over the period 2005-06 and 2006-07. Of the four most pay scale-reliant industries three have experienced above average profit growth i.e. retail trade, health and community services and property and business services. Accommodation, cafés and restaurants have experienced near average profit growth. The data suggests that recent adjustments to minimum wages do not appear to have reduced business profitability in Queensland.
- [158] According to the Queensland Government submissions, the data also shows that the share of total factor income paid to Queensland employees remained relatively constant. In focusing on the four industries with the highest concentration of award reliant employees, employee compensation as a share of total factor income remained relatively constant for retail trade and health and community services. Employee compensation declined by five percentage points in accommodation, cafes and restaurants over this period, increasing the profit share of factor income. In property and business services, strong employment and output growth has been accompanied by a redistribution of factor incomes from profits to wages. Thus, despite increases in the minimum wages in recent years, employee compensation and profits in the award reliant industries have remained relatively constant in most industries in Queensland.

8. SOCIAL FACTORS

- [159] The QCU application seeks the maintenance of fair wages i.e. by maintaining the real and the relative value of award wages. The claim is particularly directed to those award reliant workers who are not in a position to bargain either through their own capacity or the reticence of their employer. The QCU submits that even with the granting of the increase sought in the application there will remain a significant gap between award wages and the outcomes from bargaining agreements.
- [160] The QCU contends that recent increases in award wage rates have not slowed growth in bargaining as the numbers of award reliant employees has reduced. There has been a decline from 20.5% of the workforce in 2002 to 20% in 2004 to 19% in 2006. Awarding the claim will, according to the QCU, ensure that the wages of award dependent workers will increase in a way that is comparable to increase for others in the community. By using the WPI and averaging it across the wage rates appearing in the *Engineering Award - State 2002* to arrive at a flat monetary amount the claim is designed to benefit those workers most in need.
- [161] The Full Bench was referred to the following comments of the Full Bench in *State Wage Case 2006* (2006) 182 QGIG 565 at [269]

"...We agree that the WPI is the most useful indicator of wage trends for the purposes of determining this application..."

and further at [282] that

"...we intend to continue the practice of award flat dollar increases as this has the benefit of targeting lower paid workers with a proportionately higher increase."

We concur with those comments.

- [162] In establishing a fair standard for wage adjustment, the QCU submits that the issues of wage disparity and poverty should be considered. The pattern of wages growth means that there is a continuing issue of wage disparity that needs to be addressed in the interests of ensuring fair wages in line with standards generally prevailing in the

community e.g. the disparity between those workers who rely on pay scales to provide wage increases and those who benefit from collective and individual bargaining. The reality is that not all employees are able to bargain with employers for wage increases. The Full Bench was referred to the following comments of the Full Bench in *State Wage Case 2006* (2006) 182 QGIG 565 at paragraph [273]:

"The rate of increase in income levels generally is something that should be taken into account in deciding what adjustment is necessary to ensure that wages and employment conditions provide fair standards in relation to living standards prevailing in the community. There is no evidence that recent increases in award wage rates of pay have slowed the growth in bargaining."

[163] We endorse those comments.

[164] We also recognise that there is a range of people who are vulnerable to poverty and that this includes an increasing number of 'working poor', where individuals or households fall below the poverty line, even where they are in paid employment.

[165] Another social factor raised by the QCU in its submission is the fact that housing affordability (buying and renting) has decreased significantly for many Australians in recent years and that it is particularly marked for employees reliant on minimum wages and pay scales.

[166] This submission by the QCU on social factors has received support from both the Queensland Government and QCOSS. Both organisations dealt extensively with these social factors in their respective submissions. The views expressed by both the Queensland Government and QCOSS on social factors have been outlined in other sections of this decision.

9. LEGISLATION

[167] Whilst we have been referred to various provisions of the Act during the course of submissions by the respective parties and have dealt with them throughout this decision, the QCU particularly referred the Full Bench to the following legislative requirements:

- s. 3 of the Act that provides for a framework for industrial relations that supports economic prosperity and social justice. This framework is promoted through ensuring wages and employment conditions that provide fair standards in relation to living standards prevailing in the community (see s. 3(f)) and by promoting and facilitating the regulation of employment by awards and agreements (see s. 3(i)); and
- s. 126 of the Act provides that the Commission must ensure that an award, amongst other things, provides for secure, relevant and consistent wages and employment conditions (see s. 126(d)) and provides fair standards for employees in the context of living standards generally prevailing in the community (see s. 126(f)).

10. CONCLUSION

Conclusion on the Matters to be considered

[168] **Legislative Parameters:** In determining these two applications the Full Bench has a discretion, however, the discretion must be exercised within the general legislative requirements of the Act. The Act requires this Commission to balance economic and social factors in deciding state wage cases. Section 3(g) and s. 126(f) of the Act focus on the importance of ensuring fair wages and conditions in that this Commission is required to ensure that wages and employment conditions provide fair standards in relation to living standards prevailing in the community. As noted previously, the Commission is not restricted to providing a safety net for wages and conditions.

[169] The Full Bench is also required by s. 3(b) of the Act to concern ourselves with an effective and efficient economy, with strong economic growth, high employment, employment security, improved living standards, low inflation and national and international competitiveness and by s. 3(f) of the Act to promote the effective and efficient operation of enterprises and industries.

[170] **International Economy:** The world economic outlook is clouded by uncertainty over the extent of the slowing in the United States economy, the tighter credit conditions triggered by the sub-prime mortgage fallout and rising inflationary pressures tending to limit the extent of any accommodative easing in monetary policy around the globe. Additionally, economic growth in Queensland's major overseas trading partners is also expected to moderate. Despite the condition of the international economy, the state of the Queensland economy leads us to the view that it can support a reasonable and fair wage increase to the Queensland Minimum Wage and award rates of pay.

- [171] **Australian Economy:** Growth in the national economy is expected to slow from 3.5% in 2007-08 to 2.75% in 2008-09. Higher interest rates are expected to have a greater impact on consumption than in previous cycles. Business investment and exports are forecast to support economic growth in 2008-09. Export growth is forecast to strengthen significantly as a result of increases in mining and agricultural production. National employment growth is forecast to moderate from 2.5% in 2007-08 to 1.25% in 2008-09 causing the annual-average unemployment rate to rise to 4.5%. Inflation is expected to stay about the Reserve Bank of Australia's target band of 2-3%, at 3.5% in 2008-09.
- [172] There is nothing, however, in the condition of the Australia economy which would lead us to the view that the Queensland economy could not support a reasonable and fair wage increase to the Queensland Minimum Wage and award rates of pay.
- [173] **Queensland Economy:** All parties providing a position on the Queensland economy generally agreed that it continued to deliver a solid performance and that the forecast was for positive economic prospects over the next twelve months although there is a moderation in some segments of the economy. Those parties, other than the RCEAQ, submit that the Queensland economy can support a reasonable and fair wage increase.
- [174] The Queensland economy is estimated to expand by 3.75% in 2007-08. Growth in domestic demand is estimated to remain strong at 6% in 2007-08. Growth in household consumption is estimated to strengthen to 5.25% in 2007-08. Business investment is expected to rise. Other sectors of the domestic economy are forecast to be negatively affected because of the significant increase in lending rates with the mortgage interest rate rise estimated to cause dwelling investment to decline for the first time since 2000-01.
- [175] Growth in the Queensland economy is forecast to rise to 4.25% in 2008-09 whereas the national economy is anticipated to ease to 2.75%. A significant increase in exports is forecast with overall export growth forecast to be at 4.25% in 2008-09.
- [176] Jobs growth is estimated to ease to 2.75% in 2007-08 with the participation rate expected to level out at 67% in the same period. The unemployment rate is expected to decline to 3.75% in 2007-08. The rate of employment growth in 2008-09 is expected to be limited by the available supply.
- [177] Inflation, measured by movements in the Brisbane CPI, is estimated to strengthen to 4% in 2007-08 following an outcome of 3.3% in 2006-07. The CPI is expected to ease to 3.5% in 2008-09. The Queensland WPI is forecast to remain steady at 4.5% in 2007-08 and 2008-09.
- [178] Queensland's population is expected to continue to grow at its long run rate of 2.25% in 2007-08 and 2008-09.
- [179] We have also taken note of the following risks associated with forecasts to both the national and Queensland economies, raised in the Queensland Government submission:
- the key risk being domestic inflation pressures which may result in a higher than expected inflation outcome;
 - increased interest rates;
 - the possibility of a US-led global economic downturn;
 - any future rise in corporate borrowing costs, or decline in equity prices, resulting from the US sub-prime mortgage crises; and
 - should adverse weather conditions like those experienced in 2007-08, occur in 2008-09, then this would have the potential to delay recovery in the agricultural and mining sectors.
- [180] **Wages:** Employees who rely upon state wage cases to obtain increases in wages should receive the benefit of real wages growth. Real wage growth would give effect to s. 3(b) and (g) of the Act. Growth in the minimum wage and award rates of pay has not kept pace with the growth in average weekly earnings for full-time adults.
- [181] The Queensland Government urges the Full Bench to address the disparity between award rates and enterprise bargaining rates in this decision. We agree that the issue of wage disparity continues to exist and should be addressed in the interests of ensuring fair wages in line with standards generally prevailing in the community. The reality is that, for a variety of reasons, not all employees are able to bargain with employers for wage increases. No evidence or material has been adduced that shows that recent increases in the Queensland Minimum Wage and award rates have slowed the rate in bargaining. In those circumstances we find that s. 3(o) of the Act is no impediment to us granting a reasonable and fair increase in award wage rates.
- [182] We were also referred to the statistics that show that women are more likely to be affected by minimum award standards by industry, employment status and occupation. Female employees dominate industries which are highly award reliant and often low paid. Awards are, in fact, the primary source of determining pay for almost a third of all

part-time female employees. There is also the evidence that 56% of low paid employees work for businesses that employ less than 20 staff in the private sector and that these employees are overwhelmingly award reliant. One way of improving the conditions of such low income earners is by raising award wages and the minimum wage. We agree with the submission that a reasonable increase in award rates of pay for these disadvantaged workers will help ameliorate their low income status.

- [183] As low income earners spend a high proportion of their incomes on basic commodities, many will experience a decline in their standard of living as the cost of living increases in the absence of a reasonable increase in award and minimum rates. We note the Queensland Government submission that some of the ABS data do not take into account recent increases to the basic costs of living e.g. food, fuel and housing which have dramatically increased in the past few years. Low income earners are experiencing financial stress as a result of these costs of living increases particularly with the level of affordability of home purchase decreasing rapidly and the cost of renting properties dramatically increasing. A reasonable increase in minimum and award wages will assist such low income earners in dealing with their financial stress.
- [184] We note the submission that in light of the income tax cuts provided this financial year, no increase or a lesser increase in the Queensland Minimum Wage and award wages should be granted. Rates of taxation are a matter of government policy and various adjustments have been made in recent years. These adjustments have not just benefited the low paid. In our view it would be unfair to deny wage rises to the most vulnerable employees on the basis that some taxation relief flowed to them when it has also flowed to the broader workforce.
- [185] We also note the QCCI submission that recent changes to the Superannuation Guarantee legislation have added a cost impost on employers while providing a benefit to some employees. We consider that the cost impost to be a factor to be taken into account in balancing the needs of employers and those of employees. However, we repeat the comment made in respect of tax cuts, that one group of employees, in this case the low paid, should not be expected to bear the brunt of the cost impost by being awarded a lesser increase to award wages and the Queensland Minimum Wage as a result.
- [186] We agree with the Queensland Government submission that minimum and award wage adjustments over recent years have not significantly hampered recent strong employment growth. The most relevant evidence is that since 1999, this Commission has awarded a series of reasonable wage increases and yet this has been matched with a period of strong employment growth and record levels of unemployment. The evidence before the Full Bench also shows that there is strong growth in industries that have a high proportion of award-reliant employees i.e. those receiving minimum wage increases. Employment has grown in all four of the top award-reliant industries.
- [187] The QCU continues to support the use of the WPI as the best measure for assessing wage trends. The WPI is the Reserve Bank of Australia's preferred measure of wages growth. The WPI for 2007-08 for Queensland is 4.5%. We agree that the WPI is a useful indicator of wage trends for the purpose of determining this application as the AWOTE and the AAWI are not adjusted for compositional change. However, we consider that any decision should not be based on one indicator alone but take into account the range of economic data that is presented.
- [188] Another indicator to be considered is the average annualised wage increase per employee for agreements certified in the federal jurisdiction. In the December quarter 2007 this was 3.7%
- [189] There is some concern about the level of inflation in Queensland. The forecast for inflation in 2007-08 was 2.5% whereas the estimated actual increase is now 4%. The Queensland Government is most concerned that any decision of this Commission does not contribute to a rise in inflation. The Queensland Government is, however, confident that a \$23.00 per week increase to award and minimum wages will not affect the rate of inflation to any significant degree. It is estimated that such an increase would only increase average weekly earnings growth for the State by between 0.10% and 0.14% and average weekly ordinary time earnings growth of private sector unincorporated businesses by 0.48% and 0.77%. Any decision of this Commission will only affect this latter group.
- [190] There is no reliable evidence before the Full Bench that a reasonable increase in award and minimum rates will result in reducing business profits. In fact, the profit share of Gross Domestic Product is at 31% which is the highest level in 30 years. Of the four most pay scale-reliant industries in Queensland, three have experienced above average profit growth (retail trade, health and community services and property and business services) whilst the accommodation, cafés and restaurants industry has experienced near average profit growth. Such data would suggest that recent adjustments to minimum wages do not appear to have reduced business profitability in Queensland.
- [191] **Social Factors:** Whilst we have dealt with the issue of wage disparity earlier in this conclusion, we are also mindful that those experiencing poverty should also be considered. We recognise that there is a range of people who are vulnerable to poverty and that this includes an increasing number of the 'working poor' where individuals or households fall below the poverty line, even when they are in paid employment. We accept that, in recent years,

housing affordability has decreased significantly for many Australians and that it is particularly marked for those employees reliant on minimum wages and pay scales. Housing affordability affects not only those living with mortgage stress after purchasing a home, but also those who are facing substantially increased rents.

[192] If the Commission is to establish a fair standard for wage adjustments then there must be a recognition, not only of the issue of wage disparity, but also of those in paid employment who have found themselves vulnerable to poverty in recent years.

[193] **Costings:** The Queensland Government estimates that the granting of its proposal of a \$23.00 per week increase would:

- increase average weekly earnings growth for Queensland by between 0.10% and 0.14%; and
- increase average weekly ordinary time earnings growth of private sector unincorporated businesses by 0.48% and 0.77%.

[194] It is the latter figure that is relevant given that any increase granted by this Full Bench will only impact on private sector unincorporated businesses. In estimating the cost impact of its proposal to the 2007 State Wage Case, the Queensland Government estimated that the granting of \$24.60 per week would increase average weekly earnings growth for Queensland by 0.16% and that it would increase average weekly earnings growth of private unincorporated businesses by between 0.68% and 0.74%.

[195] There has been no costing provided to the Full Bench of the QCU's claim for \$29.00 per week increase.

Conclusion on the QCU and AWU Claims

[196] **Queensland Minimum Wage and Award Wages:** The applications before the Full Bench seek a flat dollar increase in award wages and the Queensland Minimum Wage of \$29.00 per week. The increases sought by the QCU and AWU are supported by QCOSS.

[197] The QCU originally claimed \$27.00 per week and amended this figure following the decision of the Western Australian Industrial Relations Commission to grant a \$29.00 per week increase. The QCU has submitted that we should maintain the nexus established in the *State Wage Case 2007* decision and grant the same increase in Queensland as the Western Australian Industrial Relations Commission granted. The QCU contends that the Queensland economy is as robust as the Western Australian economy. This is a contention which cannot be supported by the economic data and one that we have already rejected.

[198] We dispute the position of the QCU that the Queensland economy "is as robust as the WA economy which is running at 7.5% for 2007-08". The following economic data for 2007-08 show that the Queensland economy is somewhat different to that of Western Australia:

	Queensland	Western Australia
Economic Growth	3.75%	7.5%
Wage Price Index	4.5%	5.75%
Inflation	4.0%	3.25%

[199] In the *State Wage Case 2007* the same economic data on the Queensland and Western Australian economies for 2006-07 were as follows:

	Queensland	Western Australia
Economic Growth	5.6%	6.3%
Wage Price Index	4.5%	4.7%
Inflation	3.3%	3.9%

[200] Any analysis of the abovementioned data would reveal that there are substantial differences in 2008 between the state of the Western Australian economy and that of Queensland. We prefer the Queensland Government's contention that while economic growth rates for the two States have been above the national average in recent years, these rates will diverge according to projections in Budget Papers from the respective State Treasuries.

[201] In particular, estimated economic growth for 2006-07 was 5.6% for Queensland and 6.3% for Western Australia. However, in 2007-08 projected growth will be around 3.75% for Queensland and 7.5% for Western Australia. In 2008-09, projected growth will be 4.5% for Queensland and 5.75% for Western Australia. Based on current data and projections it is thus not possible to say that the Queensland economy will perform as strongly as the Western Australian economy into the future.

- [202] Economic conditions in Queensland, whilst still healthy and ahead of the rest of Australia by most indicators, do to some extent, show signs of slowing. Any increase to the level of inflation arising from wage increases granted in these applications is also of concern.
- [203] The Queensland Government proposes a \$23.00 per week increase which it considers is responsible and affordable. The impact of a \$23.00 per week increase on the private sector unincorporated businesses, where it would apply, is estimated to be between 0.48% and 0.77%.
- [204] The QRTSA supports an increase in line with the Queensland current rate of inflation of 4% which equates to approximately \$21.14 per week. The QRTSA's proposal does provide the basis for a reasonable increase in award rates and the Queensland Minimum Wage. The QCCI submits that only a \$15.00 per week increase in warranted and this position is supported by the QCGA with the RCEAQ submitting that no increase should be granted.
- [205] We have already indicated that we intend to continue the practice of awarding flat dollar increases. In all of the circumstances we have decided to increase the Queensland Minimum Wage and award rates of pay by \$23.60 per week i.e. an increase of 4.45% on the Queensland Minimum Wage and an increase of approximately 3.8% on the C10 rate. Based on the Queensland Government's estimation of its proposal on the private sector unincorporated businesses, we are of the view that the Queensland economy can afford an increase of \$23.60 per week. The amount we have determined will assist in delivering fair wages to low paid, award reliant employees, in particular, to women employees who comprise the majority of award reliant workers and those on the Queensland Minimum Wage. Moreover, such an amount is not inconsistent with enterprise bargaining outcomes and accordingly, should help to prevent any widening of the gender pay gap.
- [206] **Allowances:** The QCU and AWU applications seek a 4.7% increase in award allowances which relate to work or conditions which have not changed and service increments. The Queensland Government proposes a 3.7% increase, the QRTSA a 4% increase, the QCCI and the QCGA support a 2.4% increase whilst the RCEAQ does not support any increase.
- [207] We have decided to increase award allowances which relate to work or conditions which have not changed and service increments by 3.8%.
- [208] **Operative Date:** The parties appearing in this application, except for the RCEAQ, have supported an operative date of 1 September 2008. The operative date of this decision will be 1 September 2008.
- [209] **Wage Fixing Principles:** The parties were in agreement that the current statement of principles, through a statement of policy, should remain with the necessary amendments to reflect the changes to the operative date, the quantum of wage and allowance adjustments awarded in this decision and any other consequential amendments to be made. We will issue a new statement of policy with respect to the wage fixing principles with this decision.
- [210] Also released at the same time as this decision is a declaration of general ruling to reflect the outcome of this decision.

D.M. LINNANE, Vice President.

D.A. SWAN, Deputy President.

G.K. FISHER, Commissioner.

Hearing Details:

2008 23 June
 4, 31 July

Appearances:

Ms D. Ralston for the Queensland Council of Unions.

Mr D. Broanda for The Australian Workers' Union of Employees, Queensland. And the Federated Ironworkers Association of Australia (Queensland Branch) Union of Employees.

Ms V. Semple and Mr J. Hartley for the Queensland Government.

Mr S. Nance for Queensland Chamber of Commerce and Industry Limited, Industrial Organisation of Employers.

Mr G. Trost for the Queensland Cane Growers' Association Union of Employers.

Mr K. Law for The Restaurant and Caterers' Employers Association of Queensland Industrial Organisation of Employers.

Ms C. Dowling for the National Retail Association Limited, Union of Employers.

Mr J. Goos for the Queensland Hotels Association, Union of Employers.

Ms J. Kay for the Queensland Retail Traders and Shopkeepers Association (Industrial Organization of Employers).

Released: 7 August 2008