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STATE WAGE CASE 2017

SUBMISSIONS OF THE AUSTRALIAN WORKERS' UNION OF
EMPLOYEES, QUEENSLAND



Queensland Industrial Relations Commission

Industrial Relations Act 2016

S.458 and S. 461 - Application for a General Ruling and Statement of Policy

(Matter No. B/2017/19)

THE AUSTRALIAN WORKERS' UNION OF EMPLOYEES, QUEENSLAND

STATE WAGE CASE 2017

SUBMISSIONS

Introduction

1. It is the submission of the Australian Workers' Union of Employees, Queensland ('AWU') that Queensland's award-reliant employees should be granted a wage increase consistent with the principles of fairness, economic advancement and social justice. The AWU respectfully submits that the Queensland Industrial Relations Commission ('QIRC') must prevent a decline in the relative earnings of low-paid workers by awarding a fair increase in minimum wages consistent with the following submission.

The Claim

2. The AWU application seeks the following:

3. A \$43.60 wage adjustment for workers employed at award classification rates equivalent to or below the *Parents and Citizens Associations Award – State 2016* Level 3 classification;
4. A 5.7% percent wage adjustment for workers employed at award classification rates above the *Parents and Citizens Associations Award – State 2016* Level 3 classification.
5. Increase existing award allowances which relate to work or conditions which have not changed in service increments by 5.7%
6. Increase the Queensland Minimum Wage as it applies to all employees by \$43.60 and
7. Determine a,b,c and d above with an operative date of 1 September 2017.
8. For the purposes of this application, the wage adjustments outlined above will hereby be referred in these submissions as ‘the claim’.
9. The claim seeks to deliver a flat-dollar increase to workers who are employed at rates of pay equivalent to or lower than Level 3 classification of the *Parents and Citizens Associations Award – State 2016* and a percentage increase to workers employed at rates of pay higher than Level 3 classification of the *Parents and Citizens Associations Award – State 2016*.

10. The AWU submits that there is sufficient capacity for the Queensland economy to accommodate these wage increases for a number of reasons which are outlined in these submissions, but primarily due to its good standing compared to the rest of Australia
11. The AWU submits that should the QIRC award this wage increase, it will assist employees who are disadvantaged compared to employers subject to the enterprise agreement bargaining process, it will assist in addressing Queensland's gender-pay inequalities, and it will assist in maintaining wages so that low paid award-reliant workers are able to acquire fair and reasonable living standards.
12. The AWU submits that the claim for an increase to award rates and to the Queensland Minimum Wage is fair, reasonable and appropriate in light of the current state of the Queensland, and more broadly, the Australian economies.

Legislative Requirements

13. In determining this matter, the QIRC needs to be cognizant of s.3 of the Act (Main purpose of Act) and s.4 (How main purpose is primarily achieved) of the Act. Section 3 indicates the main purpose of the Act is to provide a framework for cooperative industrial relations that is fair and balanced and supports the delivery of high quality services, economic prosperity and social justice for Queenslanders. Section 4 sets out how the main purpose is primarily achieved, as outlined below:
 - (a) supporting a productive, competitive and inclusive economy, with strong economic growth, high employment, employment security, improved living standards and low inflation; and

- (b) promoting high-performing, apolitical State government and local government sectors that are responsive to democratically-decided priorities and focused on the delivery of public services in a professional and non-partisan way; and
- (c) promoting and facilitating security in employment and consultation about employment matters, technological change and organisational change; and
- (d) providing for a fair and equitable framework of employment standards, awards, determinations, orders and agreements; and
- (e) promoting productive and cooperative workplace relations including by recognising mutual obligations of trust and confidence in the employment relationship; and
- (f) providing for a guaranteed safety net of fair, relevant and enforceable minimum employment conditions through the Queensland Employment Standards; and
- (g) ensuring wages and employment conditions provide fair standards in relation to living standards prevailing in the community; and
- (h) promoting collective bargaining, including by—
 - (i) providing for good faith bargaining; and
 - (ii) establishing the primacy of collective agreements over individual agreements; and
- (j) preventing and eliminating discrimination, bullying and other unfair treatment in employment; and
- (k) ensuring equal remuneration for work of equal or comparable value; and

- (l) promoting diversity and inclusion in the workforce, including by providing a right for employees to request flexible working arrangements to help balance their work and family responsibilities; and
- (m) supporting employees experiencing domestic and family violence by conferring leave entitlements and protection from discrimination; and
- (n) encouraging fairness and representation at work, and the prevention of discrimination, by recognising the right to freedom of association, the right to organise and the right to be represented; and
- (o) encouraging representation of employees and employers by organisations that are registered under this Act; and
- (p) being responsive to emerging labour market trends and work patterns; and
- (q) providing for effective, responsive and accessible mechanisms to support negotiations and resolve industrial disputes; and
- (r) establishing an independent court and tribunal to facilitate fair, balanced and productive industrial relations; and
- (s) assisting in giving effect to Australia's international obligations in relation to labour standards.

14. Of particular note, s.4(g) provides that the main purpose of the Act can be achieved by ensuring wages and employment conditions provide fair standards in relation to living standards prevailing in the community. The granting of the application will assist in ensuring that s.4(g) is met and will provide that workers covered by awards do not receive a decrease in their real wages

2.1 General Ruling under the Act

15. Since 1997, the administrative process for awarding wage and allowance increases has taken place by way of General Ruling, pursuant to section 458 of the Act. Section 458 (2) states that the QIRC full bench must ensure a general ruling about a Queensland minimum wage for all employees is made at least once each year.¹

16. The operative date for such increases has generally been 1 September. The AWU seeks a continuation of this operative date.

Capacity of the Queensland Jurisdiction

17. The State jurisdiction consists of approximately:

- 250, 000 State Government employees

With approximately 1, 000 directly being affected by this State Wage Case decision

- 37, 000 local government employees

- Less than 2, 000 are award-reliant

- 1250 Parents and Citizen's Associations

- Which employ 3, 000 to 4, 000 employees which are covered by the State system and are award-reliant.

Economic Conditions

18. The Australian economy remains strong, entering its 26th consecutive year of economic growth. The Australian economy has grown by 1.7 percent, seasonally adjusted, over the year to the March quarter 2017, with 0.3 percent seasonally

¹ Industrial Relations Act 2016, s 458(2).

adjusted growth occurring in the March 2017 quarter.² Growth in the Australian economy over 2016 was stronger than earlier anticipated, and above estimates of potential growth.³

19. Real net national disposable income is a broader measure for national economic well-being, and during the March quarter 2017, trend real net national disposable income increased by 1.7 percent. This yielded a 1.2 percent increase in seasonally adjusted terms.⁴ Compensation of employees has increased 1.0% and total corporations gross operating surplus increased 6.2%.⁵
20. The Australian Bureau of Statistics recorded a 2.1 percent increase in the year to March 2017 as compared to a 1.6 percent increase in the previous year. Inflation increased 0.5 percent increase in the December quarter.⁶
21. With regard to interest rates, in 6 June 2017 the RBA left the cash rate unchanged at 1.5 percent.⁷ The RBA has forecast further stability to continue to encourage consumption while keeping inflation within the target band and to increase investment. This increase in inflation supports the need for low paid workers to receive a larger pay increase to assist them to retain their existing standard of living.

² Australian Bureau of Statistics, 5206.0 – Australian National Accounts: National Income, Expenditure and Product, March 2017

³ Reserve Bank of Australia, Statement of Monetary Policy – May 2017.

⁴ Australian Bureau of Statistics, 5206.0 – *Australian National Accounts: National Income, Expenditure and Product*, March 2017.

⁵ *ibid*

⁶ Australian Bureau of Statistics, 6401.0 – *Consumer Price Index, Australia, March 2017*.

⁷ Reserve Bank of Australia, Statement by Phillip Lowe, Governor: Monetary Policy Division, 4 April 2017 <http://www.rba.gov.au/media-releases/2015/mr-17-12.html>.

22. Growth in household borrowing, largely to purchase housing, continues to outpace growth in household income.⁸
23. Brisbane's CPI increase was 1.8 percent for the year March 2016 to March 2017.⁹ There was a 0.3 percent increase in the March quarter 2017. The main contributors to the rise in Brisbane this quarter are new dwelling purchase by owner-occupiers, automotive fuel and medical and hospital services.¹⁰
24. The Australian economy continues to improve from its position a year ago and Queensland's economic growth is expected to be the strongest of all states in the 2016-17 and 2017-18 periods.¹¹

4.1 Conclusion on economic conditions

25. Award-reliant employees depend on a wage increase to maintain the real value of wages to offset significant costs such as transport costs, government charges and inflationary increases. These costs can be a significant financial strain and increase pressure for many working families. The AWU submits that the Australian and Queensland economies are sufficiently robust and have the capacity to support the claim of the AWU. The AWU submits that it this claim is appropriate and reasonable in light of the prevailing economic conditions.
26. The AWU contends that the QIRC should be concerned with combatting the fall in real wages relative to economic growth. Aside from concerns of equity and legislative objectives to maintain a reasonable standard of living for workers and their families, a decline in real wages creates significant issues for consumer

⁸ Ibid

⁹ Australian Bureau of Statistics, *6401.0 – Consumer Price Index, Australia, March 2017*.

¹⁰ Australian Bureau of Statistics, *6401.0 – Consumer Price Index, Australia, March 2017/*

¹¹ Qld Budget 2016-17 Mid-Year Fiscal and Economic Review

spending. Real income growth drives household and consumer spending. Sustainable increases in household spending, and subsequent GDP growth, requires household income growth. Increasing household income reduces the likelihood of increasing levels of private debt which create systemic risk.

27. Public policy should be discouraging households from taking on burdensome levels of private debt. Increases in the quantum sought by the claim will go some way to ensuring that individuals can spend money they have earned instead of taking on more debt, and in the alternate, allow individuals to pay down existing debt.

Economic Outlook

5.1 Australia's Economic Outlook

28. The Australian economy grew by 2.5% over 2016 and is expected to grow by 2.75 – 3.75% in early 2018.¹² These growth figures indicate that the adjustment period following the end of the mining boom is well advanced. The lift in economic growth is expected to occur as growth in household consumption and non-mining business investment improves.¹³

29. Nominal GDP growth is expected to increase strongly in 2016/17 based upon the increase in coal and iron prices in the past year. The growth in liquefied natural gas (LNG) exports is expected to contribute 0.5 percentage point to growth in 2017 and 2018.¹⁴

30. The Australian economy is predicted is to grow by 2.75 percent in 2015-16, and then

¹² Reserve Bank of Australia, Statement on Monetary Policy – May 2017.

¹³ Australian Government, Budget Paper No. 1 (2017-2018), Economic Outlook, 1.8.\

¹⁴ Ibid

by 3.25 percent in 2016-17.¹⁵ The Reserve Bank has forecast similar year-average GDP growth of 2-3 percent for 2015/2016, 2.5 to 3.5 percent for 2016, and 2.5 to 4 percent for 2016/17.¹⁶ This goes some way to explaining the Fair Work Commission's decision to award a 3.3 percent increase to the national minimum wage.¹⁷ The Commission was clearly of the view that the Australian economy can sustain such an increase, and for the reasons set out below, the AWU submits that the Queensland economy has even more capacity to sustain a minimum wage increase.

5.2 Queensland's Economic Outlook

- 31.** In the 2016-17 financial year, Queensland is expected to remain the top state for economic growth, and in the 2017-18 financial Queensland is expected to record the second highest growth of any state.¹⁸
- 32.** The overarching prediction for Queensland's economic outlook seems to be increased economic growth. Growth in the Qld economy is forecast to strengthen from 2.75 percent in 2017-18 to 3 percent in 2018-19. The economic outlook for Queensland is economic growth greater than the national growth and as such, it is submitted that Queensland is more able to sustain an increase in the minimum wage than Australia as a whole.
- 33.** An increase to the Queensland minimum wage will assist in bolstering income growth and by extension household consumption. Household consumption has not been strong over the past 5 years, which is of great concern to the Queensland

¹⁵ Ibid.

¹⁶ Reserve Bank of Australia, Statement on Monetary Policy – May 2015, 65.

¹⁷ FWCFB [2017].

¹⁸ Queensland Treasury Corporation, *QTC Investor Booklet*, 21.

economy.¹⁹ The AWU submits that household consumption is the engine room of the economy and an increase to the minimum wage is appropriate in order to stimulate household consumption.

34. The economic indicators suggest that there is a positive economic outlook for Queensland. This outlook supports the AWU's claim, which is to ensure that a reasonable standard of living is maintained for Queenslanders' lowest paid award-reliant employees. As the Queensland Government is an employer within the jurisdiction, it is submitted that the increase sought by this claim will have little impact, as an increase in base wage rates will be absorbed by certified agreements which are in place. Increasing the relevant rates as envisaged by this claim will assist employees who are unable to bargain, to maintain a reasonable standard of living.

5.3 Conclusion on Economic Outlook

35. In light of the current position of both the Australian and the Queensland economies, the AWU submits that there is capacity to accommodate our claim. The AWU also encourages the Full Bench to consider the future economic prospects when considering this claim. The AWU submits that the economic outlook for the Australian economy is positive, particularly when considering the expected increase in the export of Queensland's natural resources. Furthermore, the strong forecast for Australia's economic growth and the fact that the fundamentals of the Australian economy remain strong, support this claim.

¹⁹ Queensland Treasury Corporation, *QTC Investor Booklet*, 22.

The Labour Market

6.1 National Employment

36. The national labour market remains steady with positive indicators for 2017 and beyond. The current national unemployment rate is at 5.9 percent. Indicators suggest that labour market conditions will improve in the year ahead, with employment forecast to grow by 1 percent through the year to June quarter 2017.²⁰ The unemployment rate is forecast to decline modestly, with labour force participation remaining stable.²¹

6.2 Queensland Employment

37. Queensland's employment prospects remain positive for the next financial year. In trend terms, employment increased by 15,900 persons in May 2017 being the seventh consecutive month of increased employment.²² This represents a 1.3 percent annual increase in trend employment since May 2016.²³ The trend unemployment rate remains stable, having remained unchanged in 2017. The trend participation rate is also steady at 64.7 percent.

6.3 Conclusion

38. The Australian and Queensland labour markets continue to show signs of improvements, maintaining employment even with increasing participation. Australia has continued to display ongoing growth in employment much higher than many other developed countries. The Queensland labour market has improved throughout the year, with slight movements in the unemployment rates. The healthy state of the

²⁰ Australian Government, Budget Paper No. 1 (2017-2018), Economic Outlook.

²¹ Ibid

²² Australian Bureau of Statistics, *6202.0 – Labour Force, Australia, June 2017*.

²³ Ibid.

labour market supports the AWU's claim, and furthermore it could be argued that an increase in the minimum wage may see other workers rejoin the labour market, increasing the participation rate. These factors support the AWU's claim for a moderate and reasonable increase to the Queensland minimum wage and award rates of pay.

8. Annual Wage Review 2016-2017

39. On 6 June 2017, the Fair Work Commission handed down the *Annual Wage Review* decision for 2016-2017.²⁴ The Fair Work Commission increased the national minimum wage (NMW) to \$694.90 per week, or \$18.29 per hour.²⁵ Modern award minimum wages are to be increased by 3.3 percent, with commensurate increases in hourly rates on the basis of a 38 hour week.²⁶

40. The FWC's increase supports the contention of the AWU that low-paid workers need to receive a pay increase that at least matches increases to cost of living. The Commission concluded that an increase of this amount "*will not lead to inflationary pressure and is highly unlikely to have any measurable negative impact on employment.*"²⁷

41. In reaching its decision, the Commission indicated that "*the Panel's past assessment of what constitutes a 'modest' increase may have been overly cautious, in terms of its assessed disemployment effects*".²⁸ In light of this conclusion, any argument that the claim is not reasonable due to its impact on disemployment is not sustainable.

²⁴ [2017] FWCFB 3501.

²⁵ Ibid [13].

²⁶ Ibid

²⁷ Ibid

²⁸ [2017] FWCFB.

42. By virtue of the fact that the QIRC does not have to take into the consideration the economies of poorer performing states in making its decision, and primarily has to consider the Queensland economy only, it is entirely appropriate that a greater minimum wage increase is handed down in this matter.

8.1 Conclusion

43. The Commission's *Annual Wage Review* 2016-17 decision indicated that the Australian economy is capable of sustaining an increase to \$18.29 bringing the wages up to \$694.90 per week. The Queensland economy is one of the better performing state economies in the Australian economy and on that basis is well placed to absorb the claim. Queensland has a positive economic outlook in line with the Australian national outlook, particularly in the medium term.

9. Nature of the Claim

44. The AWU seeks a percentage increase for workers employed at award classification rates above the *Parents and Citizens Associations Award – State 2016* Level 3 classification and a flat rate increase for workers employed at award classification below the C10 classification, similar to the outcome awarded by the QIRC in the 2011, 2012, 2013, 2014 and 2015 State Wage Case decisions.²⁹

45. Flat rate increases for employees engaged in lower classifications prevents greater levels of wage disparity between employees of differing classifications.. The decision

²⁹ Queensland Industrial Relations Commission, *State Wage Case 2014*; Queensland Industrial Relations Commission, *State Wage Case 2013*; Queensland Industrial Relations Commission, *State Wage Case 2012*; Queensland Industrial Relations Commission, *State Wage Case 2011*.

to award both a flat and relative increase in the, State Wage Cases over the period 2011-2015 has assisted in closing the gap between wages at the higher and lower ends of the classification spectrum. Awarding both a flat and percentage increase on the grounds as sought by the claim will assist in redressing existing disparities in wage classifications and will prevent a further widening in the gap. It will go some way to providing salary justice for workers, ensuring their salary continues to increase in real terms as they progress through the salary scale that is applicable to their employment.

9.1 Statement of Policy

46. Up until the 2013 State Wage Case, s.288 of the *Industrial Relations Act* (1999) allowed for a statement of policy to be made by the Qld Industrial Relations Commission. This policy was amended on a year to year basis as part of the State Wage Case determinations by the QIRC. The new *Industrial Relations Act* (2016) provides under s.461 that the QIRC again has the power to make a statement of policy. The AWU submits that the statement of policy issued as part of this application be consistent with the statement of policy issued by the QIRC in 2013.

10. Conclusion

47. The AWU application seeks a \$43.60 wage adjustment for workers employed at award classification rates equivalent to or below the *Parents and Citizens Associations Award – State 2016* Level 3 classification and a 5.7 percent adjustment for workers employed at award classification rates above this level. In addition, the application seeks a 5.7 percent increase of allowances. The increases sought will provide an increase for low paid workers and address the issue of wage relativities in

classification scales.

48. A decision to award the claim to Queensland's lowest paid, award-reliant employees is wholly justified and reasonable in the circumstances. The increase will help promote workforce participation and social inclusion. The best way to encourage people to work, we submit, is to provide decent work at decent rates of pay. The increase is sought to ensure an increase in the real value of the minimum wage so that award-reliant workers do not fall further behind other workers. The claim will go some way to redressing the persistent gender pay inequity that exists in Queensland where the majority of low-paid workers are women. By seeking the claim, the AWU application is designed to benefit those greatest in need.

49. This decision will have a minimal impact on Queensland's employers, given the limited size and the low degree of award dependency within this jurisdiction. The Queensland economy is able to accommodate this increase given its position as one of the better performing state economies in Australia. The claim is economically appropriate, sustainable and affordable and will increase the living standards of low paid workers.