

B/2020/40
Queensland Council of Unions
Submission in Response
State Wage Case 2020



**Queensland
Council of Unions**

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Introduction

This submission in reply responds to the Queensland Government and Local Government Association of Queensland (LGAQ) submissions. Specific headings are set out for those responses.

This submission in reply will also address some recent developments in aggregate economic data concerning wages and prices. As might be expected, there has been some developments in relation to wages and prices in the time since the QCU submissions-in-chief were prepared. The following headings of Prices and Wages deal with those developments.

This submission in response concludes, based on earlier submissions and response from employers to the State Wage Case, that there is no justification for any increase to award wages by a lesser amount than that granted by the Fair Work Commission in the most recent Annual Wage Review. All of the parties to these proceedings consent to the increase sought in the Queensland Minimum Wage and the LGAQ seeks to not increase allowances which relate to work or conditions. In our submission, there is no cogent reason advanced for the departure of long-standing policy to adjust allowances as part of the State Wage Case.

Prices

The Brisbane CPI decreased by 1.0 per cent for the 12 months to June 2020 and by 2.2 per cent in the June 2020 quarter¹. The ABS attributes this decline to:

- Automotive fuel (-19.2%)
- Electricity (-14.8%); due to the Queensland Government's \$200 utility rebate,
- Preschool and primary education (-11.7%), which included free preschool in term 2.

It is noteworthy that two of the three major reasons for the decline in the CPI in Queensland can be attributed to government intervention (utility rebate and free preschool). Not all spending went into reverse in Brisbane in the June quarter and the following Table 1 sets out groups and percentage movement for the June quarter.

¹ ABS Catalogue 6401.0 - Consumer Price Index, Australia, June 2020

Table 1 Brisbane CPI by group June Quarter 2020

All groups	-2.2
Food & non-alcoholic beverages	0.2
Alcohol & tobacco	1.9
Clothing & footwear	0.7
Housing	-1.3
Furn. hhold equip & serv.	-11.9
Health	-0.2
Transport	-7.7
Communication	-1.3
Recreation & culture	-1.2
Education	-3.3
Insurance & financial serv.	0.4

Source 6401.0 - Consumer Price Index, Australia, June 2020

The reductions to spending on automotive fuel; electricity and preschool and primary education mentioned above are reflected in Table 1. In addition, the reduction (-11.9 per cent) in spending on furnishings, household equipment and services (Furn. hhold equip & serv.) reflects weakening consumer sentiment and a reduction in discretionary spending. As was discussed in the QCU submissions-in-chief, falling prices are symptomatic of deflation. The QCU reiterates its position that policy makers should avoid turning the current recession into a depression. One way in which this can be done is by granting at least the same increase as was applied by the Fair Work Commission in the most recent Annual Wage Review.

Wages

Australian Bureau of Statistics catalogues concerning average weekly earnings and the Wage Price Index (WPI) were both released between the QCU submissions-in-chief. In combination the most recent results demonstrate widening income inequality as average weekly earnings increased and the WPI continues its long-term decline. The most extraordinary result was the increase in the average weekly earnings by 5.4 per cent.² Ordinarily, an increase in the average weekly earnings would reflect strong economic growth and demand for labour. In this case however the 5.4 per cent increase

²ABS Catalogue 6302.0 - Average Weekly Earnings, Australia, May 2020

demonstrates a distortion in the average that can be explained by job losses at lower income levels³. The following table sets out the average weekly earnings (seasonally adjusted) and the percentage increase over the 12 months to the June Quarter 2020.

Table 2 Average Weekly Earnings Queensland

	Male	Female	All
June 2019	1,424.80	972.70	1,91.10
June 2020	1,480.10	1,036.20	1,255.90
% Increase	3.9%	6.5%	5.4%

Source 6302.0 - Average Weekly Earnings, Australia, May 2020

5.4 per cent for Queensland is the same headline figure as for Australia which demonstrates the causes of the increase to average weekly earnings in Queensland could roughly be considered the same as for the rest of Australia. The substantial increase in average weekly earnings for women reflects the QCU's earlier submission that women are disproportionately impacted by the current economic conditions. That is if we accept that the increase in the average is caused by the removal of lower incomes from calculations, then it follows that the loss of these lower paid incomes has disproportionately impacted women in the workforce as women have the greater share of precarious and low paid jobs.

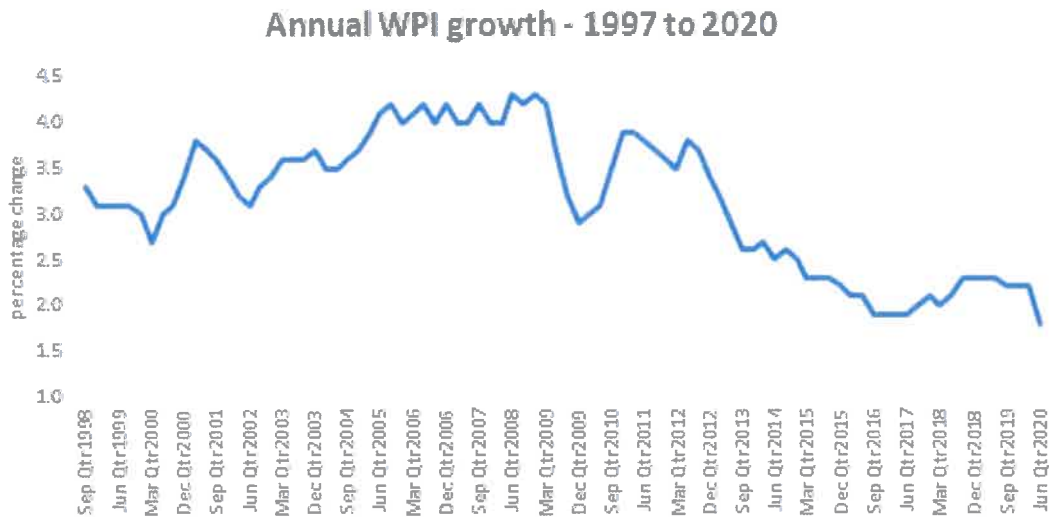
The more accurate measure of how wages are moving is the WPI as it holds a range of variables constant⁴. By contrast to average weekly earnings, the WPI increased by 1.8 per cent for the 12 months to June 2020⁵. This is the lowest annual growth rate in the WPI's 22-year history. Figure 1 sets out that history of annual WPI increases.

³ Jarvis, B *Average earnings rose in May as low paid jobs lost* ABS media release 13 August 2020

⁴ Oliver, D and S Yu (2018) "The Australian labour market in 2017" *Journal of Industrial Relations* Vol 60 (3)

⁵ ABS Catalogue 6345.0 - Wage Price Index, Australia, Jun 2020

Figure 1 WPI annual increases



Source 6345.0 - Wage Price Index, Australia, Jun 2020

The long downward trend of the WPI since 2012 has continued and now worsened. This is despite the slight rebound experienced in the period from the middle of last decade. As was discussed in the QCU submissions-in-chief, the slight rebound can be explained by the more substantial increases awarded by the Fair Work Commission in recent years. Had the Fair Work Commission decided to not pass on any increases as was suggested by Professor Wooden, as referenced in the Queensland Government and LGAQ submissions, there is a strong likelihood that the WPI would be going into negative growth. Negative wage growth and the associated deflationary pressure of prices runs the risk of turning the current recession into a depression. To avoid further deflationary pressure, the QCU advocates wage increases to awards, by at least the amount contained in the various applications in the State Wage Case.

Queensland Government Submission

The Queensland Government submission consents to granting of the application in so far as the Queensland Minimum Wage is concerned, but falls short of consenting to the granting increases to awards. The Queensland government does not oppose the increase sought but urges the Commission to take a cautious approach.

The QCU would rely upon its submissions-in-chief to establish that the increase sought is well described as being cautious. The current economic conditions have been taken into account by the Fair Work Commission in the awarding of the very moderate increase of 1.75 per cent. The extent of how cautious this approach adopted by the Fair Work Commission was demonstrated by Figure 1 of QCU submissions-in-chief. It is noteworthy that the Queensland Government submissions do not take issue with this aspect of the QCU submission.

It is also noteworthy that the Australian Government did not propose a wage increase in the Annual Wage Review. Rather, the Australian Government urged the Fair Work Commission to take a cautious approach. As has been stated above, and not disputed by the Queensland Government submissions, 1.75 per cent is demonstrably a cautious approach.

The Queensland Government submission does not oppose the increase being applied to awards, but does however mention the reasons for decision from Professor Wooden. That submission advises that Professor Wooden “opined” that the FWC should prioritise jobs over a wage increase. Such an opinion is not instructive and reminiscent of when the Australian Fair Pay Commission (AFPC) had the responsibility for setting wage increases at a national level, particularly when the AFPC refused to grant any increase in 2009.

Professor Wooden’s opinion is that any wage increase will be at the expense of employment. It is edifying to consider the 2009 State Wage Case⁶ at [114] when the State Wage Bench dealt with similar view expressed by the AFPC:

There is no requirement on the AFPC to conduct its proceedings in a public and transparent manner.

An example of the difference between the Queensland legislation and the AFPC legislative requirements is that there is a requirement for "fair standards" to apply to wage outcomes within the Queensland jurisdiction.

There is no comparable reference to that requirement within the AFPC. The AFPC has a requirement to provide a safety net for the low paid however, most of its commentary in its recent decision centred upon the issue of unemployment. It said that its "chief concern is that an increase in minimum wages may exacerbate the forecast increase in unemployment." guidelines.

⁶ *Queensland Council of Unions AND Queensland Chamber of Commerce and Industry Limited, Industrial Organisation of Employers and Others (B/2009/41)*; and *The Australian Workers' Union of Employees, Queensland AND Queensland Chamber of Commerce and Industry Limited, Industrial Organisation of Employers and Others (B/2009/42)*

Other State Tribunals, as well as this Full Bench, question the AFPC's view that even small increases to the minimum wage have a negative effect on employment. Our view, together with that of the other State Tribunals, is that **there has been no clear evidence to show that is the case.** (emphasis added)

In the 2013 State Wage Case submission the QCU was required to defend the difference between the Queensland Minimum wage and National Minimum Wage which was caused by not following decisions of the AFPC. It is relevant to consider that aspect of the 2013 QCU submission:

At best, the outcomes of the FPC's decision might be described as erratic and can be explained by the lack of experience in setting wage increases by that tribunal (Gardiner 2007⁷:159; Lewis 2008:46⁸).

It appears that Queensland Government submissions have returned to the contention that any increase in wages will lead to an increase in unemployment. This was a feature of Queensland Government submissions in the early part of last decade. Such submissions did not rely upon rationale for coming to this conclusion and did not cite any references. As has been noted, this reliance on classical economic theory has been repeatedly rejected by the Fair Work Commission and Queensland Industrial Relations Commission. At best, such policies are adopted by those with no experience in setting minimum wages who lack an understanding of the obligations placed on tribunals by the respective legislation in each jurisdiction.

Moreover, the limited nature of the Queensland jurisdiction has been a feature of State Wage Case since the takeover of incorporated employers by the Commonwealth in 2005. The limited nature of the Queensland jurisdiction makes such deliberations irrelevant. That is, so few workers are impacted, either directly or indirectly, by the State Wage Case that is unlikely to have any impact on employment at an aggregate level.

Local Government Association of Queensland Submission

The submission of the LGAQ set out some of the impacts COVID 19 has had on the local government sector. As has been noted in previous State Wage Cases, employment in local government in Queensland has been most greatly impacted by reductions to funding from the Queensland Government

⁷ Gardiner, M (2007) "Come Spring: The Australian Fair Pay System as Legal Transplant" *Australian Journal of Labour Law* Vol 20

⁸ Lewis, P (2008) "The First Two Decisions of the Australian Fair pay Commission: A Critique" *Agenda* Vol 16 No 2

as is evidenced in Graph 1 in the LGAQ submissions. The LGAQ submission also points to a range of functions and revenue sources that were directly impacted by COVID 19.

The LGAQ submission advises of the delaying of some capital expenditure by councils and that various other strategies will be adopted such as drawing down on cash reserves. It is also noted in the LGAQ submissions that local government will be the recipient of substantial stimulus spending from both Commonwealth and Queensland Governments.

This State Wage Bench is in the unusual situation of an employer organisation arguing for a higher wage increase than that applied for by the QCU and other applicants. The QCU is willing to accept the higher wage being sought by the LGAQ.

Insofar as the remainder of the LGAQ submission is concerned, we do not find any justification for not increasing allowances or delaying the operative date of the increase from 1 September 2020 to 7 September 2020. In order to justify not increasing allowances, the LGAQ refers to Professor Wooden's statement in the Annual Wage Review. The same argument as has been applied to the occasion when the Fair Pay Commission refused to increase wages can be applied to this aspect of the LGAQ submission.

As has been the subject of several QCU submissions, there is no evidence that moderate increases to wages adversely impacts upon employment. The Fair Work Commission and Queensland Industrial Relations Commission, as mentioned above in relation to the Queensland Government submissions, have regularly accepted submissions to the effect that in the absence of any evidence of adverse impacts to employment, moderate increases to minimum wages are consistent with these jurisdictions' various other statutory obligations. That is, we know that not increasing wages and allowances will further contribute to growing income inequality; whereas it is mere speculation that moderate wage increases will adversely impact upon employment. Moreover, the limited nature of the Queensland jurisdiction means that there is unlikely to be any impact of the State Wage Cases on aggregate levels of employment. To apply this logic to allowances that account for such small proportion of overall labour costs, means that there can be absolutely no justification to not pass on the increase to allowances.

Conclusion

There is a concerning economic outlook because of the impact of COVID 19. As discussed in the QCU submissions-in-chief those impacts have not been as severe in Queensland as in other jurisdictions, most notably Victoria. The Australian economy is in recession and is likely to face three quarters of negative growth for the first time in several decades. These circumstances have justified the relatively

smaller increase awarded by the Fair Work Commission in the 2020 Annual Wage Review and applied for by the applicants in the State Wage Case. These same circumstances also provide for the very real possibility of recession turning into depression.

The QCU submission-in-chief was able contrast the policy response following the Global Financial Crisis with that of the Great Depression. In the case of the latter, the now discredited supply side motivated austerity measures ensured Australia suffered the depression longer and harder than was necessary. It is this counterproductive austerity that is hinted at, if not advocated, in the submission of the Queensland Government and the LGAQ. The QCU urges the Commission to reject any consideration of a zero result for the State Wage Case as the Fair Work Commission again rejected it in the most recent Annual Wage Review.

The QCU asks the Commission to return to the long-held principle in State Wage Cases that there needs to be extraordinary circumstances for the Queensland Industrial Relations Commission to depart from the outcome of the Annual Wage Review. As was demonstrated in the QCU submission-in-chief and not disputed by either of the respondents' submissions, Queensland is in a better situation than most other jurisdictions (both Australian and particularly international) with regards to its response to the COVID 19 pandemic. The QCU submissions-in-chief also relied upon the views of the Reserve Bank Governor and other economic commentators that recovery will be best achieved by containment of COVID 19, another aspect of the QCU submission not contradicted by either respondent.

It follows that there are no circumstances before the Commission that would justify not increasing award wages by at least the same quantum as the Fair Work Commission. To illustrate this contention, the Commission is faced with the unusual circumstances of the LGAQ advocating a wage increase in advance of that being applied for by the various applicants. The QCU, as stated earlier offers no objection to the greater amount sought by the LGAQ but does not agree with the proposition to not increase allowances in this case.