



Fair Work
Commission

Annual Wage Review 2023–24: Questions on notice

6 May 2024

All interested parties are invited to comment.

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Economic and labour market considerations

Question to all parties

There was some consensus among parties that conditions were diverse or volatile across industries.¹ However, parties did not agree on the capacity of business to pay an increase awarded in this Review.

The Australian Council of Trade Unions (ACTU) submitted:

On-going investment, robust business balance sheets and solid investment intentions ... point to a business sector in good health, as well as grounds for an optimistic outlook for productivity growth.²

...

The combination of robust income growth, driven by price increases, and strong profit growth post-COVID is not inconsistent with an increased capacity to pay across a range of firms in the business sector.

...

The suggestion of businesses capacity to pay for the wage increase put forward by the ACTU is supported by the increase in the non-mining business profit to income ratio.³

However, the ACCI submitted:

With rising labour costs, falling profits and declining productivity, most of the businesses are finding themselves operating below full capacity. This gives little room for businesses to negotiate an increase above the award rates. It needs to be recognised that further

¹ ACTU initial submission, 29 March 2024 at para. 50; ACCI initial submission, 29 March 2024 at p. 2; Ai Group initial submission, 29 March 2024 at pp. 15, 27.

² ACTU initial submission, 29 March 2024 at para. 48.

³ ACTU initial submission, 29 March 2024 at paras 56–57.



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*increases in the minimum and modern award wages above the rate of average wage growth will disincentive enterprise bargaining, and continue to weigh on productivity.*⁴

The Ai Group submitted:

*Several factors – falling profitability in several industries and small businesses, high wage pressures, the impact of previous minimum wage increases, weak productivity performance and the increase in the SG – will all weigh on business' capacity to pay minimum wage increases.*⁵

What should the Expert Panel conclude as to how the business sector is performing given the divergent conditions experienced and any recent improvement in business investment?

Question to the Australian Chamber of Commerce and Industry

The Australian Chamber of Commerce and Industry (ACCI) made multiple comparisons between past increases in the minimum and modern award wages and past rates of inflation. For example:

*Over the past decade, the Panel has consistently awarded increases in the minimum and modern award wages that exceeded the growth in inflation and the wage price index.*⁶

And:

*The Annual Wage Review decisions of the past two years overcompensated minimum and modern award-wage employees, with wage increases above inflation in a high inflation environment.*⁷

Chart 9.1 and Table 9.1 of the Statistical report do not align with these statements. Could ACCI please clarify these claims, providing the appropriate data if necessary?

⁴ ACCI initial submission, 29 March 2024 at p. 2.

⁵ Ai Group initial submission, 28 March 2024 at p. 27.

⁶ Australian Chamber of Commerce and Industry initial submission, 28 March 2024 at p. 28.

⁷ Ibid, p. 31.



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Question to all parties

There is much debate among parties on the Australian economy's productivity performance and the extent to which increases in the NMW and modern award minimum wages are supportable having regard to that productivity performance. To avoid the use of different time periods or a particular data series being used by parties, can parties provide their positions on Australia's productivity performance by reference to the charts and tables presented in the [Statistical Report](#) at Section 2 on Productivity and the [information note on productivity growth published on 6 May 2024](#).

Question to the Australian Government

The ACCI referred to analysis undertaken by Treasury (obtained by The Australian Financial Review under FOI) that pay rises would become the main driver of CPI but note that this was for June 2023.⁸ The ACCI states that 'since then wages have continued to rise, with the wage price index increasing from 3.7 per cent to 4.2 per cent in December 2023, while the impact of supply chain disruptions (affecting imports) has lessened. Therefore, it can be expected that wages pressure on inflation would be greater in the first quarter 2024 than June 2023.'⁹ Can the Australian Government comment upon or provide an update to this analysis?

Relative living standards and the needs of the low paid

Question to the Victorian Government

The Victorian Government recommended 'a comprehensive increase of apprentice pay rates to align them more closely with the current cost of living'.¹⁰ What specific levels of increase (assuming no additional Commonwealth Government subsidy for apprentice pay) does the Victorian Government suggest for the representative industry awards¹¹ highlighted in its submission?

⁸ ACCI initial submission, 28 March 2024 at paras 114–115; ACCI submission in reply, 29 April 2024 at paras 17–22.

⁹ ACCI submission in reply, 29 April 2024 at para. 22.

¹⁰ Victorian Government initial submission, 29 April 2024 at p. 26.

¹¹ The *Hair & Beauty Industry Award 2020*, *Electrical, Electronic & Communications Contracting Award 2020*, *Vehicle Repair, Services & Retail Award 2020*, and *Restaurant Industry Award 2020* (pp. 23–24).



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Questions to all parties

As part of the Research program for the Annual Wage Review 2023–24, a research paper on the [Characteristics of employees on the National Minimum Wage](#) (Research Paper) undertaken by Commission staff was published.

The research was a descriptive study that provided an updated understanding of the characteristics of employees said to be reliant on the NMW and their employers. Based on data from the ABS Survey of Employee Earnings and Hours (EEH May 2021), which was available at the time the research was conducted, the proportion of employees identified by the Australian Government in the 2022-23 Review as being reliant on the NMW was 0.7 per cent. Drawing on recent data published in the ABS EEH (May 2023), the Australian Government submission identified that this proportion reduced to 0.3 per cent.

Having regard to the industry and occupational characteristics in Table 4 and Appendix C of the Research Paper, is it likely that a large proportion of the employees said to be reliant on the NMW are in fact covered by modern awards? Does it follow that the Australian Government's estimates of the proportion of the workforce which is NMW-reliant are significant overestimates?

The need to encourage collective bargaining

Questions to the Australian Chamber of Commerce and Industry

The ACCI submitted that: 'It needs to be recognised that further increases in the minimum and modern award wages above the rate of average wage growth will disincentiv[ise] enterprise bargaining...'.¹²

How should the Expert Panel set minimum award wages for those workers who have less or no practical access to enterprise bargaining? Does ACCI have evidence to show that keeping modern award wage growth lower than average wage growth provides an incentive for enterprise bargaining?

¹² Australian Chamber of Commerce and Industry initial submission, 28 March 2024 at p. 2.