Working for business.
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2018-19 Annual Wage Review

Response to Questions for Consultations
10 May 2019

Australian Chamber of Commerce and Industry

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Working for Australia

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1. DATA PUBLISHED AFTER 12 APRIL 2019

Inflation and living costs

1. March quarter CPI was released on 24 April 2019, indicating a 0.0% change in the March quarter 2019 and 1.3% increase for the year to March 2019. This is a notable change from the 1.8% increase in the CPI recorded for the year to December 2018.

2. The ABS updated the Living Cost Index (LCI) on 1 May 2019. This also showed a 0% change in the living costs of employee households in the March quarter 2019 and an increase of 1.6% in the LCI for the year to March 2019.

3. As the Statistical Report shows (Table 4.1, Chart 4.2) the employee LCI has tracked well below underlying inflation and the CPI since 2012. A 1.8% increase in the minimum wage proposed by the Australian Chamber will ensure that the minimum and award wage remains above the cost of living.

Labour force

4. Updated Labour Force data was released on 18 April 2019.

5. This shows that long-term unemployed continues its steady rate of decline, down to 155,000 in March 2019 from 159,500 in February and 161,000 in January 2019. The long-term unemployment ratio has fallen to 22.9% in March 2019 (from 24.1% in January 2018).

6. 304,667 jobs were created in the year to March 2019, of these 95% (289,797 jobs) were full time and only 5% (14,880 jobs) were part-time. This is a significant improvement from the year to January 2019, where 275,028 jobs were created, with 87% full time and 13% part-time.

RBA - 1

7. On 7 May 2019, RBA Governor Philip Lowe released a statement (media release) on the RBA Board's decision on monetary policy earlier that day.

8. Whilst the full analysis is not released until next month, the media statement did contain pertinent new information on matters under consideration in this review.

9. The media statement is reproduced below, with emphasis on some analysis / commentary on considerations pertinent to this review. We intend to address these matters further in our verbal submission on 14 May 2019:

> *At its meeting today, the Board decided to leave the cash rate unchanged at 1.50 per cent.*

The outlook for the global economy remains reasonable, although the risks are tilted to the downside. Growth in international trade has declined and investment intentions have softened in a number of countries. In China, the authorities have taken steps to support the economy, while addressing risks in the financial system.

In most advanced economies, inflation remains subdued, unemployment rates are low and wages growth has picked up.

Global financial conditions remain accommodative. Long-term bond yields are low, consistent with the subdued outlook for inflation, and equity markets have strengthened. Risk premiums also remain low. In Australia, long-term bond yields are at historically low levels and short-term bank funding costs have declined further. Some lending rates have declined recently, although the average mortgage rate paid is unchanged. The Australian dollar is at the low end of its narrow range of recent times.

The central scenario is for the Australian economy to grow by around 2¾ per cent in 2019 and 2020. This outlook is supported by increased investment in infrastructure and a pick-up in activity in the resources sector, partly in response to an increase in the prices of Australia's exports.

The main domestic uncertainty continues to be the outlook for household consumption, which is being affected by a protracted period of low income growth and declining housing prices.

Some pick-up in growth in household disposable income is expected and this should support consumption.

The Australian labour market remains strong. There has been a significant increase in employment, the vacancy rate remains high and there are reports of skills shortages in some areas.

Despite these positive developments, there has been little further progress in reducing unemployment over the past six months. The unemployment rate has been broadly steady at around 5 per cent over this time and is expected to remain around this level over the next year or so, before declining a little to 4¾ per cent in 2021. The strong employment growth over the past year or so has led to some pick-up in wages growth, which is a welcome development. Some further lift in wages growth is expected, although this is likely to be a gradual process.

The adjustment in established housing markets is continuing, after the earlier large run-up in prices in some cities. Conditions remain soft and rent inflation remains low. Credit conditions for some borrowers have tightened over the past year or so. At the same time, the demand for credit by investors in the housing market has slowed noticeably as the dynamics of the housing market have changed.

Growth in credit extended to owner-occupiers has eased over the past year. Mortgage rates remain low and there is strong competition for borrowers of high credit quality.

The inflation data for the March quarter were noticeably lower than expected and suggest subdued inflationary pressures across much of the economy. Over the year, inflation was 1.3 per cent and, in underlying terms, was 1.6 per cent.

Lower housing-related costs and a range of policy decisions affecting administered prices both contributed to this outcome. Looking forward, inflation is expected to pick up, but to do so only gradually. The central scenario is for underlying inflation to be 1¾ per cent this year, 2 per cent in 2020 and a little higher after that. In headline terms, inflation is expected to be around 2 per cent this year, boosted by the recent increase in petrol prices.

The Board judged that it was appropriate to hold the stance of policy unchanged at this meeting. In doing so, it recognised that there was still spare capacity in the economy and that a further improvement in the labour market was likely to be needed for inflation to be consistent with the target. Given this assessment, the Board will be paying close attention to developments in the labour market at its upcoming meetings.

RBA - 2

10. At 11.30am on the day of finalising and lodging this submission, the RBA released its Quarterly Statement on Monetary Policy for May 2019[1].

11. The Australian Chamber will need time to properly analyse and consider this statement, and it could not be addressed in this submission.

12. However we can foreshadow that it is new material and may well contain analysis, commentary and data which is pertinent to this case, which we may seek to rely on in addressing the Panel in Melbourne on 14 May. Thus for the purposes of the timetable this is new data / material released after 12 April that we, and others, may seek to rely on.

[1] https://www.rba.gov.au/publications/smp/2019/may/?utm_source=rbanews&utm_medium=email&utm_campaign=smp-2019-may

2. QUESTIONS FOR CONSULTATIONS

13. On 3 May 2019 the Expert Panel issued a number of further questions for response by 10 May 2019.

Question 1.1 Decision making process

To what extent do the eligibility criteria for the relevant Special Recovery Grants actually inform the Panel about exceptional circumstances that might warrant a deferral of NMW and modern award minimum wages?

Should the Panel be satisfied that relevant exceptional circumstances exist, how would it ensure that the Determination (the deferral) is limited just to the particular situation to which the exceptional circumstances relate—s.286(2) and s.287(4) of the Fair Work Act 2009 (Cth)?

What factors (if any) differentiate the relevant DRFA event – North and Far North Queensland Monsoon Trough, 25 January – 14 February 2019 from other DRFA events and other declared natural disasters and is this relevant to assessment of exceptional circumstances and/or the exercise of any discretion by the Panel to defer increases?

14. As set out in our previous submissions, the Australian Chamber supports the proposal from our member CCIQ. We understand CCIQ is addressing Q1.1.

Question 2.1 Terms of trade data

In response to a question on notice, ACCI stated that 'given the private non-mining sector is more heavily reliant on the NMW decision, more weight should be placed on non-mining terms of trade data.'

Is ACCI able to provide such data to the Panel, or direct us as to where to find it?

15. While it is theoretically possible to calculate the terms of trade for the non-mining sector from ABS Cat.6457, this data is not readily available and would need to calculated. However, the use of non-mining terms of trade data in the FWC assessment of factors relevant to the minimum and award wage decision was not the point the Australian Chamber was seeking to make in paragraphs 90 and 91 of our Supplementary Submission.

16. The point of raising this consideration is to encourage the Panel to focus on indicators that are not influenced by the terms of trade, as in Australia the terms of trade fluctuates widely due to the price of mining exports.

17. In particular, we are concerned that the influence of the mining industry on the terms of trade, is likely to inflate or otherwise distort considerations such as profitability, and to a lesser extent GDP and WPI, and misrepresent how the businesses, who will actually pay any minimum and award wage increases, are travelling and their capacity to deliver a pay rise to their employees.

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18. As illustrated in Table 7.1 of the Statistical Report, numbers of minimum and award wage reliant employees are insignificant in the mining sector, 0.9%, compared to the all industries average of 22.5%.

19. Roughly 220,000 people work in the Australian Mining Industry,[2] with 0.9% equating to just 18,000. For the purposes of setting minimum and award wages that apply to roughly 2.4 million people, the Panel can and should focus on non-mining sector data.

20. Therefore, as noted in the Supplementary (2nd) Submission (paras 90 & 91), the Australian Chamber submits the Panel should narrow its focus to examine changes in non-mining sectors, and/or sectors where minimum and award wage employees are more prevalent.

21. This will provide a more accurate indication of the influence and/or relevance of these factors to the minimum wage decision than economy wide data that may be disproportionately influenced by the mining sector.

22. Many ABS data series, from which much of the data presented in the FWC statistical report are sourced, are disaggregated by industry sectors. For example, the ABS data series on company gross operating profits (cat. 5676) presents the data at a total industry level, as well as at a sector level (mining, manufacturing, construction, wholesale trade, etc). It is common in economics / statistics domestically, globally and through the OECD and comparable bodies, to focus statistics to exclude sectors that may distort overall data those areas of an economy where a particular policy decision may actually apply. For example, the following series are produced for the labour force:

Australian Bureau of Statistics

Time Series Workbook

6202.0 Labour Force, Australia
Table 21. Quarter measure of aggregate monthly hours worked by Industry Sector - Seasonally adjusted

Related Information: Summary Publication Explanatory Notes Inquiries

Data Item Description	Series Type	Series ID	Series Start	Series End	No. Obs.	Unit	Data Type	Freq.
Aggregate Monthly Hours Worked ; Agriculture ;	Seasonally	A3539308V	Dec-1984	Dec-2014	121	000 Hours	FLOW	Quarter
Aggregate Monthly Hours Worked ; Market excluding Agriculture (Rest of Market) ;	Seasonally	A3539305L	Dec-1984	Dec-2014	121	000 Hours	FLOW	Quarter
Aggregate Monthly Hours Worked ; Market ;	Seasonally	A3539309W	Dec-1984	Dec-2014	121	000 Hours	FLOW	Quarter
Aggregate Monthly Hours Worked ; Education ;	Seasonally	A3539306R	Dec-1984	Dec-2014	121	000 Hours	FLOW	Quarter
Aggregate Monthly Hours Worked ; Non Market excluding Education (Rest of Non Market) ;	Seasonally	A3539307T	Dec-1984	Dec-2014	121	000 Hours	FLOW	Quarter
Aggregate Monthly Hours Worked ; Non Market ;	Seasonally	A3539310F	Dec-1984	Dec-2014	121	000 Hours	FLOW	Quarter
Aggregate Monthly Hours Worked ; Total (Industry ANZSIC06) ;	Seasonally	A3539311J	Dec-1984	Dec-2014	121	000 Hours	FLOW	Quarter

23. In compiling the statistical report, the FWC has presented the growth rates of company gross operating profits (Table 3.3) separately for the mining and non-mining sectors, as well as total industry level. The impact the mining sector has on gross operating profits should be noted. The industry wide growth rate of gross operating profit, 10.5%, was heavily influenced by the mining sector profits (26.3%), whereas, the rate of growth of gross operating profit for the non-mining sector was relatively low at 2.5%.

24. Similarly, real net disposable income growth (the ABS data series for the wage price index (ABS cat. 6345)) is presented for total industry and by industry sectors.

[2] Employment by industry statistics: a quick guide, APH Parliamentary Library, 2018.

25. This could also be disaggregated by mining and non-mining sectors, so that in its analysis of how minimum and award wages have grown in recent years relative to wages in the broader economy, the FWC could focus on the WPI in the non-mining sectors. It is the data, excluding the mining sector that should be considered in increasing minimum and award wages.

Question 2.2 Costs of retail goods

In the introduction to its submission in reply, the NRA says '(i) The majority of goods of the kind subject to retail sale continue to experience minimal increases, or further decreases, in real price, as a result of continuing price competition in the retail industry.' Can the NRA provide any information on the extent to which the wholesale costs of goods 'of the kind subject to retail sale' have fallen?

26. The Australian Chamber understands our member, the NRA is addressing Q2.2.

Question 3.1 Living standards and the needs of the low paid

27. Question 3.1 to all parties is lengthy and multi-faceted. We have therefore taken the approach of analysing and engaging with not only the two nominated questions but also the preceding explanation, paragraph by paragraph, as follows.

The submissions about the relative living standards and the needs of the low paid tend to focus on the level of the NMW, yet 95.8 per cent award-reliant workers paid the adult rate are paid above the level of the NMW.

28. Hence the need to not over-focus on the living standards and needs of the 4.2% in setting set labour costs for the 95.8%, and to take into account that, for example:

a. Persons at lower wage levels / the NMW are in receipt of significant non-wage support through the social security and tax systems.

b. For some (we suspect large) proportion of the 4.2%, payment at the NMW level will be temporary and transitional, and they will rise to higher classifications or additional payments.

c. Not all persons on the NMW live in lower income households.

The available data suggest that 25 per cent of award-reliant workers live in households that are in the 2nd lowest quintile of the distribution of equivalised household disposable income, and a further 30 per cent are found in the 3rd (middle) quintile. These data are shown in Chart 1 below.

29. We cannot derive the figures cited in this paragraph from Chart 1 or from Figure 1 of the Jiminez and Rozenbes paper[3] from which it is drawn.

[3] Research Report 1/2017, Award-reliant workers in the household income distribution, Carlos Jimenez and David Rozenbes (February 2017)

30. We read the 25% and 30% figures as corresponding to the lighter, grey columns, not the black/blue columns. We understand these grey columns illustrate the distribution of households across income deciles (which is as you would expect a normal shaped distribution). It shows households, not people.

31. We have tried to engage with what we think is the concern / possible conclusion being raised by the Panel, and have proceeded on the basis that the intended question may have been:

> *The available data suggest that ~~25~~ **27** per cent of award-reliant workers live in households that are in the 2nd lowest quintile of the distribution of equivalised household disposable income, and a further **21** ~~30~~ per cent are found in the 3rd (middle) quintile. These data are shown in Chart 1 below.*

32. We don't see anything remarkable in Chart 1 on that basis.

a. It is logical that those households in which comparatively lower paid persons reside would be concentrated towards the lower end of the household income distribution.

b. This would be the expected distribution in low minimum wage countries, medium minimum wage countries, and high minimum wage countries. Such a distribution can tell you nothing about the adequacy of a minimum wage or wages. Chart 1, cannot be indicative of any inadequacy in a minimum wage, nor could lead a wage setter to a particular level of increase.

c. Household incomes follow a roughly normal distribution in Chart 1. Award reliant employees by contrast have a downwards sloping distribution with a larger concentration at the lower ends of household income distribution, and fewer award reliant employees in the highest earning households. Such a downwards sloping distribution seems to be what one would expect in any economy.

d. If looking at quintiles, one would be looking at how far a given cohort or indicator differs from either the 20% that would naturally fall into a quintile under a flat curve, or from the level of a normal distribution (from the shape of the grey columns).

e. Looking at the adjusted blue/black column data in Chart 1:

i. That 21% of award reliant earners live in the 'middle' 20% of households doesn't seem surprising.

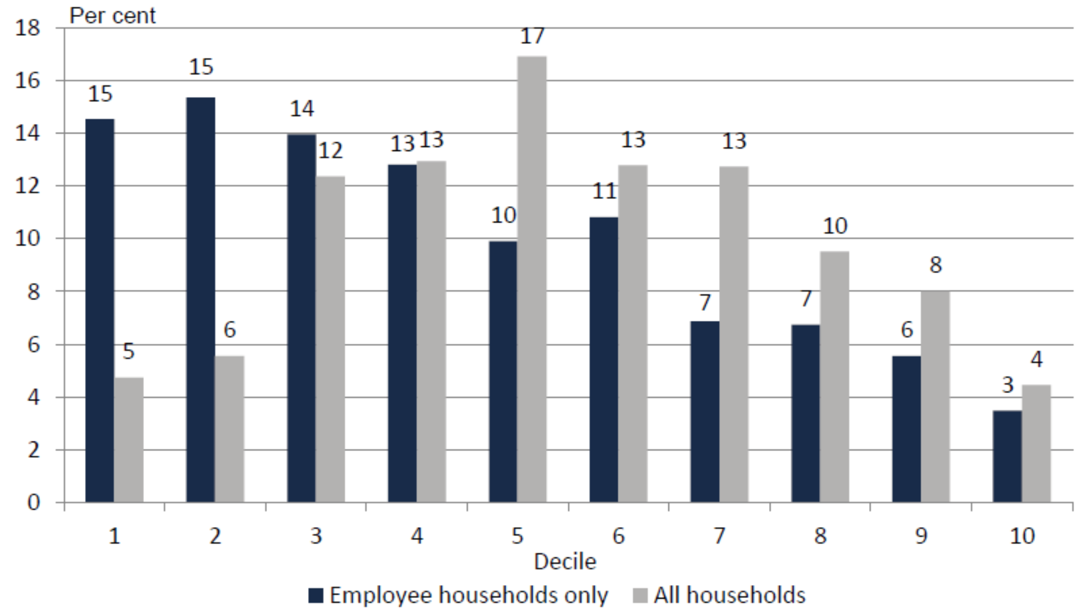
ii. That 27% of award reliant earners live in the 'second lowest' 20% of households also doesn't seem surprising or relevant to uprating the minimum wage.

33. If anything, it is surprising that so many award reliant employees reside in households at the upper end of the income distribution. Given award wages are minimum wages, which should have declining application as you proceed up the occupational and income scale, you would logically expect to see an even steeper downwards slope to the 'curve' of the blue/black columns in Chart 1.

34. However, in Australia (according to Chart 1), 34% of award wage reliant employees live in the 'richest' 50% of households, and 16% live in the top 30% of households.

Analysis of award-reliant workers across the equivalised household disposable income distribution is presented in Chart 1 from Research report 1/2017, using data from the Household, Income and Labour Dynamics in Australia Survey for 2015.6

Chart 1: Distribution of award-reliant workers across household income for all households and employee households



Source: HILDA Survey, wave 15; Jimenez C & Rozenbes D (2017), *Award-reliant workers in the household income distribution*, Fair Work Commission Research Report 1/2017, February, Figure 1.

Chart 8.6 in the Statistical report also shows that over the period 2011–12 to 2015–16 (the latest data available) living standards fell for households in the middle (3rd) quintile, and rose only slightly for households in the 2nd (lowest) quintile.

35. **Disposable income is not the same as living standards**: The definition of disposable income in the series behind Chart 8.6 (ABS Cat.6523.0) is as follows:

> *Gross income is the sum of the income from all (…) sources before income tax, the Medicare levy and the Medicare levy surcharge are deducted. Disposable income is the net income after these deductions.*

36. So, in essence Chart 8.6 shows household incomes after tax, but before spending.

37. Incomes coming in are clearly not exactly the same as living standards, which must also be driven by spending coming out, and are analysed using other more directed analysis / combinations of data such as the Living Cost Index.

38. We see a necessary modification to the premise of the conclusion being posited:

> *Chart 8.6 in the Statistical report also shows that over the period 2011–12 to 2015–16 (the latest data available) ~~living standards~~ real weekly disposable income fell for households in the middle (3rd) quintile, and rose only slightly for households in the 2nd (lowest) quintile.*

39. **Minimum wages are clearly a poor tool**: In each of the years cited, there was a real minimum wage increase, and in roughly half of the decisions real minimum increases were substantial (with minimum wages being increased by a full percentage point more than inflation).

	NMW Increase %	Inflation	Real Increase
2011	**3.40%**	**3.30%**	**0.10%**
2012	**2.90%**	**1.60%**	**1.30%**
2013	**2.60%**	**2.50%**	**0.10%**
2014	**3.00%**	**2.90%**	**0.10%**
2015	**2.50%**	**1.30%**	**1.20%**
2016	**2.40%**	**1.30%**	**1.10%**
2017	**3.30%**	**2.10%**	**1.20%**
2018	**3.50%**	**1.90%**	**1.60%**

40. If the Panel has put up minimum wages (both the NMW and higher award rates) consistently by more than increases in prices across a five year period, and during this period 'living standards' fell in one comparatively lower paid one quintile and rose only slightly in another…

41. The logical conclusions should be:

a. Minimum wages are a very poor tool for positively impacting on household living standards.

b. Above inflation minimum wage increases do not improve household living standards, or do not do so significantly.

c. Any positive return on above inflation minimum wage increases for household incomes involves a great deal of loss or leakage, and minimum wages are not an efficacious measure to increase household incomes or living standards.

d. In stark contrast there is no loss or diminution of the labour cost impacts on employers, particularly small businesses. The full cost of above inflation minimum wage increases must be met by businesses each year, even where such increases are not benefitting household incomes (i.e. the impression drawn from Chart 8.6).

e. So, employers pay 100% of the additional costs, but only some small percentage of this flows through to households. Once again the logical conclusion should be that minimum wages seem a very poor tool for addressing household incomes.

42. **What about hours worked**: A possible explanation for any falls or for only moderate rises in living standards could be changes in hours worked, and we do know there has been an increase in underemployment. If the falls or flatness in household incomes stemmed from decreasing hours worked (by either the primary or secondary income earner, or both) no conclusion could be drawn on the adequacy or otherwise of the minimum wage. At very least the Panel would need to see data disaggregated to address such a thesis.

43. **Wages income is not all NMW / award based**: We understand that the 2nd and 3rd quintiles of the overall household income distribution includes wage earners who are in receipt of over-award payments, including those simply paid above an award rate, those on in-term enterprise agreements, and those on expired but still operative enterprise agreements.

44. We know that the period cited coincides with the decline in new enterprise agreement making, and with the growth in those who formerly worked on in term agreements, logically now working on expired agreements.

45. It may be that some of the observed household effects are in part a function of non-minimum wage, wage earners (who are higher paid) receiving comparatively 'lower' wage increases, wage increases decoupled from inflation or decoupled from the outcomes of these reviews across that period. It is also widely argued that Newstart (for example) is not a sufficient minimum payment and that it has failed to keep pace with changes in prices (relevant to non-wage/non-employment income earners).

46. Such developments may prompt concerns in other forums, but they are not germane to any uprating of minimum wages in this review.

Two propositions seem to follow from these data:

> ***1. A substantial proportion of award-reliant workers paid above the level of the NMW live in households in the second and third quintiles of the distribution of equivalised household disposable income.***

47. 21% and 27% are not significant variations from the proportions of anything one would expect to find in the quintiles of any distribution. Logically, one would expect to see roughly 20% of any measured variable allocated to a quintile of a distribution. 21% and 27% are not markedly inconsistent with this expectation.

48. If anything it is surprising that minimum wage income earners are not even more strongly concentrated in the lowest four deciles of households by income. Given these are minimum wages, and a safety net, we may have expected to see even higher blue/black columns of award wage earners concentrated in comparatively lower income households.

49. In particular, we would expect to see award wage earners concentrated in precisely the second and middle quintiles.

    a. The lowest end of the distribution could perhaps be more populated by households reliant on non-wage incomes (e.g. Newstart and other social payments, pensions, social payments, self-funded retirees).

b. Some proportion of the upper half of households by income should logically be in comparatively greater part be driven by 'higher' non-award wages, and by non-wage incomes from investments and running businesses.

c. It is precisely the second and third quintiles that should see the greatest concentrations of employees receiving award wages, but that can tell us nothing about the level of those wages.

50. What this shows is that (a) Australia has high minimum wages with a significant bite on market rates, and (b) Australia regulates multiple minimum wages up the income / occupational / skills scale which extend the application of minimum wages out of the lower end of the distribution further up the household income distribution. These are known knowns, there is nothing new in this and nothing germane to the determination at hand.

2. These award-reliant workers have received little growth in their real equivalised household disposable income in the period 2011-12 to 2015-16.

51. This reference appears to be drawn from to Chart 8.6 of the Statistical Report.

52. **Award rates went up each year in real terms**: During the period cited (2011 to 2016) the Panel increased minimum wages in each year and did so in real terms. In 3 of the 6 years, there was a significant real increase.

	NMW Increase %	Inflation	Real Increase
2011	**3.40%**	**3.30%**	**0.10%**
2012	**2.90%**	**1.60%**	**1.30%**
2013	**2.60%**	**2.50%**	**0.10%**
2014	**3.00%**	**2.90%**	**0.10%**
2015	**2.50%**	**1.30%**	**1.20%**
2016	**2.40%**	**1.30%**	**1.10%**
2017	**3.30%**	**2.10%**	**1.20%**
2018	**3.50%**	**1.90%**	**1.60%**

53. Clearly, minimum wages are not determinative of the changes in household disposable income shown in Chart 8.6. If they were, then the black and grey columns in Chart 8.6 would vary by far less, or would go up more observably in the years in which minimum wages rose significantly in excess of prices.

54. **The NMW and award increases didn't change:** In further support of our contention that minimum wages cannot be behind the changes in household disposable income shown in Table 8.6 (and that this is not a relevant consideration for minimum wage setting), there is a clear congruence and continuity to minimum wage increases across the two periods (2007 to 2011[4]) and (2012 to 2015).

[4] Flat dollar increases were applied prior to 2011, and the percentage is a calculation based on the minimum wage.

	NMW Increase %		NMW Increase %
2007	2.0%	2012	2.9%
2008	4.1%	2013	2.6%
2009	0	2014	3.0%
2010	4.8%	2015	2.5%
2011	3.4%		
Av 07-11	2.86%	Av 12-15	2.75%

55. The average annual increases in minimum wages were virtually identical in the two periods cited in the question, save perhaps for the decision from 2011 onwards to move to percentage rather than flat dollar increases.

56. Put more simply, the Panel / AIRC / AFPC awarded roughly the same levels of increase across this period. If minimum wages drove or determined household incomes, Chart 8.6 would be flat for the cohorts most subject to minimum wages (which it is not).

57. **Chart 8.6 is all households, not disaggregated to award reliance**: If minimum wages have gone up each year, and various household incomes have risen by less, logically it is other sources of income (wage and non-wage) that must have slowed or gone backwards. The series cited (ABS Cat.6523.0) includes in household incomes the following:

    a. Employee income (whether from an employer or own incorporated enterprise), including wages and salaries, salary sacrificed income, non-cash benefits, bonuses and termination payments;

    b. Government pensions and allowances (includes pensions and allowances from Commonwealth and State and Territory governments as well as pensions from overseas);

    c. Profit/loss from own unincorporated business (including partnerships);

    d. Net investment income (interest earned, rent, dividends, royalties); and

    e. Private transfers (e.g. superannuation, workers' compensation, income from annuities, child support, and financial support received from family members not living in the same household).

58. Surely in trying to explain the second and third quintiles of Chart 8.6 consideration needs to focus on non-minimum wage incomes from wages (a subset of (a)), and the non-employee incomes (b) to (e).

59. This seems analogous to one of the Panels other questions on why minimum wage increases did not sufficiently / fully increase average wages in particular industries. The answer in both cases is that the regulated minimum wages in play in these reviews are not the only determinants of wider averages / and are not the only sources of income.

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60. It would be interesting to examine this data in more detail, and to consider for example if the incomes of small business people and the self-employed fell and how significant this may have been for the overall changes shown in Chart 8.6. However, it cannot be concluded that wages income, particularly minimum wage income, is necessary the cause of changes in disposable incomes for households.

61. **Slow wages growth generally**: The later part of the period 2011-2016 also starts to correspond with the slowing of wage growth across the economy generally. Given minimum wage rises have continued to outstrip inflation, this slowing must have been concentrated in the non-minimum wage components of employment (the white collar, non-award, EBA covered etc). We know that wages growth under EBAs started to slow, which is a concern, but not one germane to minimum wage setting in this review. Comparatively lower wages growth, beyond minimum wage employment, may be part of the explanation for Chart 8.6 of the Statistical Report, however wages growth has never stopped or deflated, which makes it hard to apply such explanation to the change in the third quintile of Chart 8.6.

62. **Look at Table 8.6, not Chart 8.6**: In seeking to understand changes in household disposable income, the Panel might look to Table 8.6 of the Statistical Report, rather than Chart 8.6. It shows the "Ratio of disposable income of selected households earning various wage rates to a 60 per cent median income poverty line".

63. We have reproduced this below, marking cells in green where the ratio has increased between 2013 and 2017, and between 2017 and 2018. In each and every case the ratio or value of the minimum wage against one analytical measure (which we do not concede should be called a "poverty line") has increased, and has increased consistently across the period. From the perspective of the various household types, rather than quartiles or quintiles, the 'value' or 'impact' of the various minimum wages is increasing (i.e. at the NMW/C14, C10 and C4 levels).

	Dec-13					Dec-17					Dec-18				
	($ pw)	C14	C10	C4	AWOTE	($ pw)	C14	C10	C4	AWOTE	($ pw)	C14	C10	C4	AWOTE
Single adult	506.40	1.13	1.28	1.47	2.19	520.32	1.20	1.34	1.54	2.29	526.34	1.23	1.38	1.59	2.33
Single parent working FT, 1 child	658.32	1.25	1.37	1.50	1.91	676.41	1.31	1.42	1.55	1.94	684.24	1.33	1.44	1.58	1.96
Single parent working PT, 1 child	658.32	0.85	0.92	1.02	1.36	676.41	0.88	0.96	1.05	1.40	684.24	0.89	0.97	1.07	1.41
Single parent working FT, 2 children	810.24	1.15	1.25	1.36	1.69	832.51	1.19	1.28	1.39	1.68	842.14	1.20	1.30	1.42	1.70
Single parent working PT, 2 children	810.24	0.82	0.88	0.96	1.24	832.51	0.84	0.90	0.98	1.26	842.14	0.85	0.92	1.00	1.27
Single-earner couple (with NSA)	759.60	0.98	1.00	1.01	1.46	780.48	1.04	1.04	1.05	1.53	789.51	1.05	1.05	1.06	1.55
Single-earner couple	759.60	0.77	0.87	0.98	1.46	780.48	0.82	0.90	1.03	1.53	789.51	0.84	0.92	1.06	1.55
Single-earner couple, 1 child (with NSA)	911.52	1.02	1.04	1.08	1.38	936.57	1.06	1.07	1.12	1.40	947.41	1.07	1.08	1.14	1.42
Single-earner couple, 1 child	911.52	0.90	0.99	1.08	1.38	936.57	0.94	1.02	1.12	1.40	947.41	0.96	1.04	1.14	1.42
Single-earner couple, 2 children (with NSA)	1063.44	0.98	1.00	1.03	1.28	1092.67	1.01	1.02	1.06	1.28	1105.31	1.02	1.03	1.08	1.30
Single-earner couple, 2 children	1063.44	0.87	0.95	1.03	1.28	1092.67	0.90	0.98	1.06	1.28	1105.31	0.92	0.99	1.08	1.30
Dual-earner couple	759.60	1.16	1.33	1.54	2.31	780.48	1.24	1.41	1.62	2.40	789.51	1.27	1.45	1.66	2.44
Dual-earner couple, 1 child	911.52	1.18	1.28	1.40	1.93	936.57	1.24	1.33	1.45	2.00	947.41	1.26	1.36	1.48	2.03
Dual-earner couple, 2 children	1063.44	1.12	1.20	1.30	1.70	1092.67	1.16	1.24	1.34	1.72	1105.31	1.18	1.26	1.37	1.74

Australian Chamber of Commerce and Industry

This HILDA research is becoming dated

64. The Jiminez and Rozenbes paper[5] from which Question 3.1 is drawn is from Wave 15 of HILDA from 2015. This is now four years old and precedes at least the past three increases which total 9.2% points, and have been significant real increases.

	NMW Increase %	Inflation	Real Increase
2016	**2.40%**	**1.30%**	**1.10%**
2017	**3.30%**	**2.10%**	**1.20%**
2018	**3.50%**	**1.90%**	**1.60%**

65. In particular it precedes the previous two increases of more than over 3% in a low inflation environment.

66. A great deal of caution needs to be exercised in applying data of this vintage to the determination of an increase that will take effect 4 years after it was collected/reported.

RBA Comments

67. Finally, linking back to the start of this submission, we wish to draw the Panel's attention to the most recent analysis and forecasting of household disposable incomes from the RBA, in very recent days:

> *Some pick-up in growth in household disposable income is expected and this should support consumption.*

What to make of this

68. The Panel should not make anything of the data in Chart 1, the additional questions for these consultations, or from Chart 8.6 of the statistical report for its conclusions on the quantum of a 2019 minimum wage increase. This material does not ultimately seem useful or relevant to the determination at hand.

69. Given the substantial uncertainties, lack of clear causation and plausible alternative explanations, it cannot validly be concluded that:

    a. "*A substantial proportion of award-reliant workers paid above the level of the NMW live in households in the second and third quintiles of the distribution of equivalised household disposable income*".

    b. "*These award-reliant workers have received little growth in their real equivalised household disposable income in the period 2011-12 to 2015-16*".

[5] Research Report 1/2017, Award-reliant workers in the household income distribution, Carlos Jimenez and David Rozenbes (February 2017)

70. The one clear conclusion that should be drawn is that minimum wage increases are a very poor tool to increase household incomes, which it seems obvious as wages are only one input to total household incomes (particularly into lower income households), and minimum wage incomes are only a subset of the wider range of employee incomes (including over award payments, non-award, EBAs in term, EBAs expired etc).

3. ABOUT THE AUSTRALIAN CHAMBER

The Australian Chamber of Commerce and Industry is the largest and most representative business advocacy network in Australia. We speak on behalf of Australian business at home and abroad.

Our membership comprises all state and territory chambers of commerce and dozens of national industry associations. Individual businesses are also able to be members of our Business Leaders Council.

We represent more than 300,000 businesses of all sizes, across all industries and all parts of the country, employing over 4 million Australian workers.

The Australian Chamber strives to make Australia the best place in the world to do business – so that Australians have the jobs, living standards and opportunities to which they aspire.

We seek to create an environment in which businesspeople, employees and independent contractors can achieve their potential as part of a dynamic private sector. We encourage entrepreneurship and innovation to achieve prosperity, economic growth and jobs.

We focus on issues that impact on business, including economics, trade, workplace relations, work health and safety, and employment, education and training.

We advocate for Australian business in public debate and to policy decision-makers, including ministers, shadow ministers, other members of parliament, ministerial policy advisors, public servants, regulators and other national agencies. We represent Australian business in international forums.

We represent the broad interests of the private sector rather than individual clients or a narrow sectional interest.

OUR MEMBERS

Australian Chamber of Commerce and Industry

CHAMBER

Business SA Chamber of Commerce and Industry South Australia

Canberra Business Chamber

Chamber of Commerce Northern Territory

CCIQ Powering business potential

Chamber of Commerce and Industry WA

NSW Business Chamber

TCCI Invigorating Business

Victorian Chamber of Commerce and Industry

INDUSTRY ASSOCIATION

accord

AMCA

Animal Medicines Australia

afa Great advice for more Australians

ais nsw

Australia Arab Chamber of Commerce & Industry

AADA

Australian Beverages

ADA Australian Dental Association

ADIA Australian Dental Industry Association

AFEI Australian Federation of Employers & Industries

Australian Gift & Homewares Association

AHA

aicm Australian Institute of Credit Management

Australian Made

AMPC

AMMA Australian Resources & Energy Group

AMTA Australian Mobile Telecommunications Association

apmf

ARIA Australian Recording Industry Association

ARITA

Australian Retailers Association

ARTA

ASMI Australian Self Medication Industry

Australian Steel Institute

ATEC Australian Tourism Export Council

ATIC Australian Tourism Industry Council

ATA Australian Trucking Association

AVA Australian Veterinary Association

BIC Bus Industry Confederation moving people

Business Council of Co-operatives and Mutuals

Caravan Industry Association of Australia

CCAA Cement Concrete & Aggregates Australia

Chemistry Australia

CAA

CMAA

Consult Australia

COPHE Council Of Private Higher Education

CPA Australia

CLIA Australasia

Customer Owned Banking Association

Direct Selling Australia

Exhibition & Event Association of Australasia

Fitness Australia

Franchise Federation

HIA

LFRA Large Format Retail Association

Live Performance Australia

Master Builders Australia

master plumbers Expert. Committed. Professional.

MTAA Medical Technology Association of Australia

Medicines Australia

NALSPA

NDS National Disability Services

neca national electrical and communications association

nesa national employment services association

National Fire Industry Association

NRA National Retail Association

NRMA MYNRMA.COM.AU

NSW HCA The voice of the Hire Car Industry

NSW Taxi Council

Outdoor Media Association

The Pharmacy Guild of Australia

ppca

Primerus The World's Finest Law Firms

Printing Industries Association of Australia

rcsa Leading in the world of work

Restaurant & Catering

SAP

The Tax Institute

Think Brick Australia

VACC You're in good hands