

Victorian Government Supplementary Submission – Annual Wage Review 2019-20

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Summary


- 1.1 Over two million Australian workers are currently reliant on award minimum rates of pay and therefore dependent on the outcomes of the Annual Wage Reviews directly. Many more workers are indirectly affected, through flow-on wages broadly based on the National Minimum Wage (NMW).
- 1.2 Award wages remain a crucial safety net for low paid and vulnerable workers, particularly during an economic downturn. For the foreseeable future, the economy will be driven by domestic demand. The Victorian Government's \$1.7 billion economic survival and jobs package is driven by this imperative. The Government has also announced a \$2.7 billion Building Works package to support economic recovery through investment in school infrastructure and other projects.
- 1.3 The Victorian Government confirms its submission that in its 2019-20 Annual Wage Review (AWR), the Fair Work Commission (FWC) should increase the NMW by at least three per cent and award a fair and reasonable increase to all other award minimum wages in the 2019-20 AWR decision.
- 1.4 However, it is not just other *workers* who directly or indirectly benefit from the flow-on of an equitable and reasonable NMW and award minima.
- 1.5 The JobSeeker payment, with the COVID-19 supplement, at \$1,115.70 per fortnight equates to just over 75 per cent of the current NMW of \$1,481.6 per fortnight. The response of the Commonwealth Government to the current coronavirus (COVID-19) environment was to provide these new JobSeeker payments at almost double the amount of the previous NewStart payment, and to create a new program JobKeeper at comparable, in fact slightly higher payment levels. This can be seen as an acknowledgment that the previous levels of NewStart, particularly when compared to the NMW and award minimum wages, were unsustainable to support those seeking work and base consumer behaviour such as purchase of groceries, necessary travel and housing. Without the Commonwealth JobKeeper program, many more workers would be now counted in the lists of the unemployed.
- 1.6 The Commonwealth Government's JobKeeper support package is a tacit acknowledgement by the Commonwealth that \$1,500 per fortnight represents a 'living wage'. The JobKeeper payment has been set at approximately 70 per cent of median wages and is close to the current NMW of \$1,481.6 per fortnight. However, the JobKeeper program is unique in that it is a specific and time-limited response to Australian businesses affected by the COVID-19 pandemic.
- 1.7 More significantly, the JobSeeker payment, with the COVID-19 supplement, at \$1,115.70 per fortnight equates to just over 75 per of the current NMW of \$1,481.6 per fortnight. The supplemented JobSeeker payment, despite it also being time limited, is a


tacit acknowledgement of the minimum income benchmark for a single person without dependants.

- 1.8 Flow-on effects from the Commission's decision will therefore also assist those *who are seeking work*. This is relevant to the factors the FWC is required to consider 'In establishing and maintaining a safety net of fair minimum wages, including:
- the performance and competitiveness of the national economy, including productivity, business competitiveness and viability, inflation and employment growth;
 - promoting social inclusion through increased workforce participation; and
 - relative living standards and the needs of the low paid.
- 1.9 By setting the new payment levels, the Commonwealth Government has tacitly acknowledged that approximately \$1,200 per fortnight is the minimum income required by a single person without dependents.
- 1.10 The Victorian Government submits that the FWC should take these broad social and economic impacts into account when finalising this year's AWR decision.
- 1.11 This Victorian Government supplementary submission includes some updated economic analysis, more detail on the broad propositions outlined above, and some specific detail on the impacts on particular cohorts of workers, such as women.

2 Economic update

- 2.1 The Victorian economy started the year on a solid footing, with strong employment growth, low unemployment and high levels of infrastructure investment. Victoria's final state demand expanded by 1.3 per cent over the year to December 2019, down from 2.1 per cent over the year to September.
- 2.2 The economic outlook has changed significantly since the start of 2020. Early in the year, bushfires had affected economic activity and is estimated to have subtracted roughly 0.1 per cent from Victorian GSP in 2019-20 (equivalent to around \$500 million of economic activity).
- 2.3 The coronavirus pandemic poses unprecedented challenges for the Victorian economy. While it is too early to see the full impact in the latest economic data, it is clear that coronavirus is restricting economic activity and resulting in reduced employment. Although the stimulatory interventions from the Victorian and Commonwealth Governments, and the Reserve Bank of Australia, will support the economy, the negative economic effects of coronavirus will still be substantial.
- 2.4 The economic shock from coronavirus includes a fall in domestic and global demand due to lower incomes and loss of consumer and business confidence, disruptions to global supply chains, and the broader impact of coronavirus on the economy. Based on restrictions that were in place as of the end of April, Victorian real gross state product (GSP) has been estimated to be about 14 per cent lower in the June and September

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- quarters relative to forecasts underlying those in the 2019-20 Budget Update. These estimates are equivalent to a fall of 6.75 per cent in real GSP in calendar year 2020, which is comparable to the International Monetary Fund's recent forecast of a 6.7 per cent decline for Australia.
- 2.5 Declining economic activity, weak labour market conditions and elevated uncertainty will weigh on the housing market. Victorian property prices could decline by up to 9 per cent from March to December 2020.
- 2.6 Consistent with declining economic activity, Victorian labour market conditions are likely to deteriorate significantly. There is expected to be a significant increase in the unemployment rate, as well as a higher number of people working reduced hours due to containment measures. Based on restrictions as at the end of April, the unemployment rate had been estimated to rise to about 11 per cent and job losses could peak at around 270,000 in the September quarter. The participation rate could decline by around 2 percentage points, from 66.4 per cent to 64.5 per cent, consistent with previous periods of high unemployment.
- 2.7 Recent labour market data show deteriorating labour market conditions in Victoria. Employment fell by 127,100 people in April, the largest fall on record, driven by declines in both full-time and part-time employment. The unemployment rate rose to 6.0 per cent and would have risen a lot further except for a 2 percentage points fall in the labour force participation rate. Victoria's underutilisation rate (which includes both unemployed and under-employed workers) increased to over 20 per cent, which is higher than during the 1990s recession. In line with this, Victoria's hours worked measure – the indicator most closely aligned with economic activity – dropped by over 10 per cent in the month. Victoria's labour force participation rate decreased by 2.0 percentage points to 64.5 per cent in April, the largest fall on record. This partly reflects the impact of coronavirus restrictions, with workers choosing to exit the labour force rather than look for work. Victoria's youth (15-24 years) unemployment rate increased by a modest 0.2 percentage points to 10.8 per cent in April, although the 3.1 percentage points fall in the youth participation rate indicates much weaker conditions for these young workers.
- 2.8 The Australian Bureau of Statistics (ABS) weekly payroll data suggests, between March 14 and 2 May 2020, there have been net Victorian job losses in most industries, but especially in industries directly affected by social distancing restrictions, including accommodation and food services (-28.4%), and arts and recreation services (-20.0%). Employment outcomes have been weakest among younger workers (under 30 years old) and older workers (over 70). The impact on females has been slightly higher than males, which is consistent with a large decline in part-time female jobs in the April labour force survey. Jobs have declined more in Regional Victoria and the Inner, and Northern and Western areas of Melbourne – regions dependent on the hospitality and tourism sectors.
- 2.9 Leading indicators suggest that employment growth will remain weak in the near term. The Department of Social Services data on Australian JobSeeker recipients suggests that the unemployment rate will continue to rise next month. Job advertisements have also declined by more than 50 per cent in recent months.

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- 2.10 The Victorian Government has responded with a range of measures to support Victorian households, workers and businesses, complementing support from the Commonwealth Government. Support so far includes tax relief, grants for businesses, rent relief for tenants, support for public sector workers and opportunities for affected workers to find new jobs. The Government has announced a \$2.7 billion Building Works package to support economic recovery through investment in school infrastructure and other projects.
- 2.11 The Government's \$1.7 billion economic survival and jobs package announced on 21 March included \$500 million to establish the Working for Victoria Fund that is helping workers who have lost their jobs find new opportunities, including work cleaning public infrastructure and delivering food. It also provided \$500 million to establish the Business Support Fund to assist businesses in the most affected sectors. Other measures in the package include full payroll tax refunds for the 2019-20 financial year to some small and medium-sized businesses worth up to \$550 million, rent relief for commercial tenants in Government buildings, accelerated payment of Government invoices, and waiver of liquor licensing fees for 2020 for affected venues and small businesses.
- 2.12 Through the \$500 million Tenancies Package announced on 15 April 2020 the Government is also providing an estimated \$420 million in land tax relief for residential and commercial landlords who reduce rents for eligible tenants impacted by coronavirus and has allocated \$80 million to a rental assistance fund to help renters facing hardship due to coronavirus.
- 2.13 On 5 May 2020, the Victorian Government announced a further \$491 million in tax relief, and a freeze on a host of fees, charges and levies. The new measures exempt businesses participating in the JobKeeper scheme in Victoria from payroll tax and the WorkCover premium on payments to their employees if their staff are currently stood down. The Fire Services Property Levy paid by all Victorian households will also be frozen at this year's collection level.
- 2.14 A range of other measures have also been announced to support the Victorian economy and vulnerable members of the Victorian community. This includes the recent announcements about the provision of payments for public sector casual workers ineligible for Commonwealth JobKeeper payments, and the extension of various public service fixed term contracts until 30 September 2020. It is anticipated this program will be reviewed before it expires.
- 2.15 With international borders largely closed, and likely to remain that way for the foreseeable future, the economy will be driven by domestic demand. Boosting consumer confidence and spending power will be an important contribution to economic recovery. A fair and reasonable increase to the NMW and award minima is vital to support consumer spending, which will encourage business activity as health restrictions are progressively relaxed. It will also assist in stabilising general wage and inflation expectations.

3 Women's economic security

- 3.1 Financial stress can compound the gendered drivers of violence and exacerbate the conditions that lead to violence.¹
- 3.2 Our proposed increase to the NMW of at least three per cent and a fair and reasonable increase to award minima, will improve the position of women in low paid industries, who are also more likely to be employed on a part-time and casual basis. This increase and maintenance of the NMW and reforms to JobSeeker are likely to support greater economic security for women and to assist in recognising the disproportionate economic impact for women of the COVID-19 pandemic.
- 3.3 Women, who are often in a more precarious economic position, have a more limited capacity to withstand the impacts of an economic downturn. Women have lower employment and participation rates in comparison to men and are more likely to be employed in part-time and casual work. Part-time and casual workers tend to work a higher share of unpaid overtime per week as compared to full-time workers.²
- 3.4 Following the COVID-19 crisis, four of the five hardest hit industries are women-dominated:³
- Education and training (63.4% of the workforce)
 - Retail and trade (57.7%)
 - Accommodation and food services (52.9%)
 - Arts and recreation services (50.6%)
- 3.5 Not only do women work in the most affected industries, they are also much more likely than men to have lost their jobs across all industries. Across the 19 industries classified by the ABS, around 15 industries will see more women lose their jobs as compared to men.

4 Conclusion

- 4.1 The Victorian Government submits that an increase of at least three per cent to the NMW and a fair and reasonable increase to all award minima will serve as a fundamental and necessary stimulus to the recovery of the national and state economies from the COVID-19 induced recession.

¹ According to a study conducted by the NSW Bureau of Crime Statistics and Research, the risk of actual or threatened violence was significantly higher for women who lack social support or who in the last 12 months have experienced financial stress or other personal stressors:
<https://www.bocsar.nsw.gov.au/Documents/CJB/cjb151.pdf>.

² According to the Labour Force Survey conducted by the Australian Bureau of Statistics, in February 2020: women comprised 47.4 per cent of all employed persons in Australia; women constituted 37.7 per cent of all full-time and 68.2 per cent of all part-time employees; the workforce participation rate was 61.4 per cent for women and 70.9 per cent for men.

³ Grattan Institute (2020) *Shutdown: estimating the COVID-19 employment shock* (19 April 2020). Accessed from: <https://grattan.edu.au/report/shutdown-estimating-the-covid-19-employment-shock/>. Workplace Gender Equality Agency: <https://data.wgea.gov.au/industries/>.