



# Reply Submission to the Annual Wage Review 2019-20

ACTU Submission, 4 May 2020

D. No.: 21/2020



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## 1. INTRODUCTION

1. In our initial submission, we advanced our claim in this Review that an increase to minimum wages of 4% was necessary and appropriate having regard to the factors which the Panel must take into account.
2. As with our reply submissions in previous Reviews, in this submission, we:
  - a. provide our responses to the Questions on Notice published by the Panel; and
  - b. respond to a range of arguments and claims made in other parties' initial submissions.

We do not respond to all of the arguments with which we disagree. We rely on our previous submissions in respect of arguments that have been adequately addressed in earlier Reviews, particularly where the Panel has expressed firm views about such arguments. We include commentary on data released since our initial submission was prepared, where relevant.

3. A departure from our approach in previous reply submissions is that we have not seen fit to apply the same degree of scrutiny to some matters in other parties' submissions as we have in previous Reviews. The reason for adopting this approach is that we see there is little utility in being critical of parties' projections about the near to mid-term economic outlook, or the submissions made about how the Panel ought to react to those projections, or in making fine distinctions between the significance of minor movements in particular measures over the first half of the 2019/20 financial year. We adopt that view because we consider that the ultimate outcome in this Review is likely to turn heavily on the Panel's estimate of the depth and duration of the COVID-19 pandemic, the impact of the various means of government support (for employers and employees) made available in response to that pandemic, and what the "new normal" is likely to look like once social and trading restrictions are lifted and government support is withdrawn. In our view, it is too soon to adopt concluded views about those issues, however we contribute what we can in this submission and will continue to do so in future submissions made to this Review.
4. We express our interest in participating in the consultations that the Panel has foreshadowed will occur on 10 June.

## 2. REPLY TO THE AUSTRALIAN GOVERNMENT

5. The submission of the Australian Government understandably urges the Panel to give due consideration to what is known about the impact of the COVID-19 pandemic as more information becomes available. We concur with this approach and we note the acknowledgements by the Australian Government that both the economic impacts of the recent bushfires will have passed by the time the Panel’s decision takes effect<sup>1</sup> and that the Australian labour market entered the COVID-19 pandemic in a strong position.<sup>2</sup> This is consistent with the position of the Treasurer and the Minister for Finance that “Australia entered the coronavirus crisis from a position of economic strength.”<sup>3</sup> The submission goes on to identify that certain groups “continued to experience poorer outcomes in the labour market”<sup>4</sup>, including youth and the long term unemployed. We would describe that disparity of outcomes as unfortunate, but also entirely unexceptional.
6. We are concerned that the Australian Government is urging upon the Panel an approach which is inconsistent with the balancing of factors which are required to be taken into account in the Review. For example, the Australian Government submission opines that:
- “...the Panel should take a cautious approach, prioritising the need to keep Australians in jobs and to maintain the viability of the businesses, particularly small businesses, that provide those jobs”<sup>5</sup>
- and
- “...it is of paramount importance that that the Panel’s decision is focussed on keeping Australians in work and enabling the businesses which employ them to remain viable”<sup>6</sup>
- (emphasis in underline is added).

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<sup>1</sup> At paragraph 35

<sup>2</sup> At paragraphs 47-48 & 50.

<sup>3</sup> Joint press release, 28/4/2020: <https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/media-releases/update-economic-impacts-coronavirus>

<sup>4</sup> At paragraph 51

<sup>5</sup> At paragraph 5

<sup>6</sup> At paragraph 54

7. For the reasons given at paragraph 13 of our initial submission, the approach of elevating one statutory consideration above all others, which the Australian Government urges the Panel to take, is not one which available to the Panel. The Panel must not take the view that all businesses must be kept viable at all costs and accordingly implement that view through wage suppression to a level that permits that goal being achieved. Doing so would run counter to the many competing considerations, including the sustainability of the national economy and relative living standards and the needs of the low paid. It might also fail to distinguish between the availability (or need to promote) employment generally versus the availability (or need to promote) employment in marginal businesses.
8. In the ACTU's view, there also needs to be some interrogation of what a "cautious" approach actually entails. The Panel's ability to perform its tasks can only be based on whatever information is available to it. It cannot defer a decision according to an argument that less (or more) information is available to it in any year. A particular level of increase in the minimum wage and awards cannot be determined according to whether information is deemed to be sufficient; it ought to be based on whatever information is available. A decision for a lower increase or no increase (i.e. a negative real increase) in the minimum wage and awards based on an argument of insufficient information implies that the less information is available or the more uncertainty surrounding it, the lower the minimum wage and awards should be. In the ACTU's view this carries with a bias or assumption that is not evident from the terms of the legislation.
9. Any proper assessment of the weight to be given to the matters the Government raises needs also to appreciate that the Government has taken unusual measures itself to support employment and business during the Pandemic<sup>7</sup> and indeed into the September Quarter, including wage subsidies. The duration of these measures is significant because (aside from any extension which may be announced), they extend into what might reasonably be expected to be a recovery period. It is clear that the economic conditions brought about by the pandemic are the product of health policy initiatives, rather than market failures or structural changes, with most predictions of recovery being linked to a

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<sup>7</sup> See paragraphs 8, 26 and 41

lifting of social distancing and related restrictions. For example, Treasury Secretary Dr Kennedy recently gave the following evidence to the Senate:

**“Senator DAVEY:** I will take Senator Paterson's time and we can come back— sorry about that. I'm just looking a bit forward. I note that the International Monetary Fund has forecast that the Australian economy may rebound quicker than other economies such as the US, Germany and Japan. In your opinion is this a reflection of our successful health response and economic response, or is it based on the fact that we may have had stronger economic foundations going into this?

Dr Kennedy : I think it would be both. We need not to get too far ahead of ourselves. No doubt the Chief Medical Officer has briefed you on the uncertainties that are still to unfold on the transmission of the virus. In trying to predict how the economy will unfold we very much have to take into account how much social distancing or health measures in the broad will be continuing to restrict the economy. But, yes, in my view, it's been both. Fortunately, to date, states and the Commonwealth government have been quite successful in suppressing the virus, which gives us the opportunity, according to the health advice, to begin to release restrictions and that will be very important for our recovery.

I mentioned one thing in my opening statement which was, through this period, our capacity to have left more economic activity running than other countries. For example, Western Australia, I think, deemed mining an essential service in the sense in which they were imposing their restrictions. These were important, carefully calibrated decisions. Mining represents 10 per cent of gross value added of the Australian economy and three per cent of employment. As long as the health risks are well managed in what's a reasonably low employment environment that's a very important economic flow. Agriculture is important, manufacturing is important— they're all important of course. There's no sector that doesn't give us considerable value, but our capacity for the national cabinet to allow those activities to continue while putting in place the social-distancing arrangements has been very helpful in putting a floor under what would otherwise be a much larger fall.

The OECD has provided analysis that the committee may be interested in about the extent to which full lockdowns reduce output in any given period. It's a very interesting note. It's anywhere between 25 to 35 per cent falls in output for what one would call a full lockdown. For example, if you were locked down for a quarter, that's how much output you would use. That type of shock is unparalleled. There's just no precedent for that. I feel quite confident we've avoided anything of that order. As you said, there's quite a way to go but we're well placed.<sup>8</sup>

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<sup>8</sup> [Proof Hansard](#) of Public Hearing of the Senate Select Committee on COVID-19, 28 April 2020, at Page 5 See also the [opening statement](#) by Dr Stephen to the Committee on that day; and the [speech](#) given by the Reserve Bank Governor, “An Economic and Financial Update” on 21 April 2020.

10. It is important for the Panel to bear in mind that some restrictions are already beginning to be lifted in some parts of Australia, with further announcements expected to be made on 8 May.
  
11. We would also note there is a lack of balance in the Government's discussion of the employment impacts of minimum wage increases. In particular, the discussion commencing at page 9 of the submission suggests that positive responses to minimum wages are the result of interaction with external variables whereas negative responses are linked to the wage movement itself. Furthermore, whilst the Government appropriately acknowledges that research on the labour market responses to minimum wage increases in a pandemic is lacking, it fails to appreciate that another divergence between the current context and the literature it refers to is that the wage increase being contemplated in the current context is expected to take effect in a recovery rather a downturn, and that the downturn which preceded that anticipated recovery was neither cyclical or structural in origin. In any event, as referred to in Chapter 2 of our initial submission, there are a range of contemporary findings on the issue of the employment effects of minimum wage increases which, taken together, provide no basis for the panel to depart from its established approach to this issue.



### 3. REPLY TO THE AUSTRALIAN CHAMBER OF COMMERCE AND INDUSTRY

12. We are concerned by the approach urged upon the Panel by the Australian Chamber of Commerce and Industry ('ACCI').
13. Whilst ACCI highlight that the COVID-19 pandemic is negatively affecting business (which we don't dispute), their submission seems to be blind to the impact that this might be having on employees. Whilst ACCI refer to Government support programs for employees, they neglect to mention the exclusions from those packages. For example, those members of the temporary visa workforce who manage to remain in Australia during the pandemic are excluded from most sources of Government assistance. Data from the 2016 Census indicates that 42% of the employed temporary residents in Australia at that time were employed in the four most award dependent sectors identified in our initial submission.<sup>9</sup> In addition, as referred to in the Wilkins and Zilio (2020) paper provided for this Review<sup>10</sup>, 66.5% of low paid award reliant workers are engaged in casual employment. Those workers, or at least a not insignificant share of them, are also excluded from important supports otherwise available. More broadly, the ABS measure of the Household Impacts of COVID-19 show that that 31% of households reported worsening finances in the period mid-March to mid-April.<sup>11</sup> The only rational explanation for ACCI's ignorance of the plight of those workers facing the worst of conditions is their apparent view<sup>12</sup> that if (and it's a big if) only small number of workers dependent on the Panel's decisions have poor living standards, then they don't matter enough to influence the Panel's decision in any meaningful way. This is a counter-intuitive approach to determining a "safety net", to say the very least.

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<sup>9</sup> ABS 3419.0 (Data Cube 1, Table 17) & ACTU Calculations.

<sup>10</sup> Wilkins R & Zilio F (2020), *Prevalence and persistence of low-paid award-reliant employment*, Melbourne Institute of Applied Economic and Social Research, Fair Work Commission Research Report 1/2020, February.

<sup>11</sup> <https://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/4940.0Media%20Release3214-17%20Apr%202020?opendocument&tabname=Summary&prodno=4940.0&issue=14-17%20Apr%202020&num=&view=>

<sup>12</sup> Expressed at paragraphs 295, 318, 364-365.

14. ACCI also seem to fall into the same error as the Government in urging that a “cautious” approach should be taken where data limitations exist, and that caution that necessarily involves the exercise of the Panel’s function in a way to make minimal (if any) adjustments to minimum wages.<sup>13</sup> Indeed, ACCI seems to envisage that the ceiling on the decision in this Review is real wage maintenance at best.<sup>14</sup> Further, there is an inherent inconsistency in describing the situation as “rapidly changing”<sup>15</sup>, highlighting the need to take into account up to date information<sup>16</sup> while that same time holding a fixed view about the limits on the range of outcomes of the Review.

15. In our view, ACCI is wrong at paragraph 32(b) of its submission to point to the decisions of wage fixing institutions during the Great Depression, the 1982 recession and the GFC as being in any way instructive as to the response required in Australia in the present circumstances. This would be false equivalence, for the following reasons:

- a. Each had very different and more complex economic causes than those we are presently concerned with. Australia’s entry into the Great Depression was associated with currency shocks, a collapse in primary industry exports and international instability in the banking sector and a stock market crash. The 1982 recession was associated with high inflation, prolonged high wages growth and a collapse in mineral exports. The Global Financial Crises was associated with the complexity of financialisation, poor risk oversight and wilful blindness. The current situation is the product of Governments restricting social and economic activity in the interests of public health.
- b. The wage fixing institutions during the Great Depression and the 1982 Recession were intervening more directly in paid rates than is the case presently, as the regulatory frameworks in place at the time essentially made no distinction between industrial agreements and awards.
- c. Neither of those historical events were characterised by Australian Governments intervening to pay 50% or more of an employee’s wages on the employer’s behalf;

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<sup>13</sup> At paragraphs 12, 18.

<sup>14</sup> At paragraph 17.

<sup>15</sup> At paragraphs 7, 11, 32, 70, 73.

<sup>16</sup> At paragraphs 12, 19.

- d. Less was known, and more was assumed, about the employment impacts of minimum wage fixation when those decisions were made; and
- e. Whilst clearly lost on ACCI, the decision in the inaugural Annual Wage Review did see some significance in the addition of the legislative criterion that minimum wages be “fair”, relative to the criteria which guided the Australian Fair Pay Commission to provide no increase in its decision leading out of the GFC to which ACCI refers.<sup>17</sup>

16. Whilst ACCI is prepared to acknowledge that the fundamentals of the Australian economy compare favourably overall to others in paragraph 3 of their submission, they ultimately fail to appreciate that some of that underlying strength might be because of, rather than despite, its strong institutions. The Panel is one of those important decisions. The Panel should not be persuaded by the thrust of ACCI’s argument that the appropriate response for the Panel is to do nothing. Nor should it take the view that a decision to do nothing does not amount to a decision.

17. We remain of the view that the stimulatory effect of a minimum wage increase, particularly during a recovery phase, is a matter that the Panel should take into account. Consistent with what the Panel said in 2018<sup>18</sup>, this is a relevant consideration because it relates to the employment impacts of minimum wages and the requirement of the Panel to take into account the likely effects of its decisions. It is contradictory for ACCI to assert that its own views about the employment impacts of minimum wage decisions be taken into account to the exclusion of all others.

18. We contest arguments that freezing or reducing labour costs could somehow restore business confidence and preserve employment levels (even as entire sections of the economy effectively shut down); they are reminiscent of similar arguments made by market fundamentalists at the beginning of the 1930s. This has important implications for decisions around the minimum wage and award wages. Without the minimum wage increases which have been implemented since 2017, overall wage growth in the Australian labour market would still be tracking at below 2%. Without these recent decisions,

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<sup>17</sup> At [12]-[16], [148]-[160]

<sup>18</sup> [2018] FWCFB 3500 at [248].

overall wage growth would have been even lower than the record-low increases recorded in 2016 and early 2017.

19. If there is no increase in the minimum wage, overall wage growth this year will sink below 1%. At a moment when Australia's overall economy is already teetering on the edge of widespread deflation (with devastating consequences for aggregate demand and financial stability), accentuating deflationary pressures would be counterproductive to any economic recovery.

## 4. REPLY TO THE AI GROUP

20. Consistent with the approach we have taken to this submission, we see little value in dissecting the Ai Group's analysis of developments over the last year. The differences between our interpretations of the various measures is any event obvious. We have nothing to add to our response to the more salient issues in the current circumstances to that which we provided in our submission in response to the preliminary issue.

## 5. REPLY TO AUSTRALIAN BUSINESS INDUSTRIAL AND THE NSW BUSINESS CHAMBER

21. The submission of Australian Business Industrial and the New South Wales Business Chamber commences with the bold assertion that the recent decisions of the Panel from 2016-17 onwards were erroneous, in that they were “.. beyond the magnitude of what could be viewed as modest” and “sub-optimally balanced statutory considerations”.<sup>19</sup> ABI is critical of the cumulative impact of those decisions, on the basis that “significant increases in real minimum wages, particularly where they rise much faster than broader wages growth or improvements in productivity, will almost certainly contribute to reduced demand for the labour of impacted workers”. The material advanced by ABI in support of that claim is not sufficient to render it an arguable proposition, let alone rising to the “almost certain” threshold it has set for itself.

22. ABI’s observation that the “..NMW has increased at a faster pace than broader wage growth at the same time as there have been few underlying wage pressures in the most award-reliant industries” merely underscores the necessity for the market intervention which the Review provides. The Review sets and maintains a safety net because policymakers understand that employers of labour in some sectors simply will not do so, a point that has previously been accepted by the Panel.<sup>20</sup> A case in point is the wage arrangements and degree of award reliance during and after the GFC. As at May 2008, around the mid-point of the GFC, 16.5% of employees were award reliant<sup>21</sup>. In the following year, the Australian Fair Pay Commission awarded no increase to minimum wages. However, the inaugural Review by Fair Work Australia (as it then was) in June of 2010 showed that the recovery was well underway, and had been for some time<sup>22</sup>. In such circumstances, the black box model might well have predicted a sharp decline in award dependence on the basis that scores of employers could afford to pay more than the

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<sup>19</sup> At page 6

<sup>20</sup> [2017] FWCFB 3500 at [143]-[145]

<sup>21</sup> ABS 6306

<sup>22</sup> [2010] FWAFA 4000

regulated minimums that had been held firm (and declined in real terms) over the previous two years, and needed to pay those premiums to retain their workforces. In reality, they didn't: in May of 2010 the degree of award reliance decreased only 1.3% to 15.2%.<sup>23</sup>

23. A similar detachment permeates the ABI's discussion of productivity. There is little merit in an argument that low paid workers in award reliant industries, particularly low skilled workers, need to "justify" the maintenance of the safety net wage on the basis of labour productivity improvements, given that the workers themselves have next to no control over the work process and investment required to generate that productivity. As we have observed on numerous occasions, the impost of a regulated wage increase should incentivise employers to strive for productivity improvements, rather than take no interest in cultivating productivity as the discussion at page 27 of the ABI submission suggests. In any event, as is evident from Table 2.2 and Chart 2.2. in the *Statistical Report*, lower productivity measures which result from respectable growth in hours worked ought not be viewed too dimly, particularly when labour productivity and multifactor productivity in the most recent cycle has improved on the last.

24. The surface level analysis undertaken by ABI of underemployment, form of employment and hours worked ignores the characteristics of employment in service related sectors which tend to be award dependent which has been addressed in previous reviews<sup>24</sup> and in detail in Chapter 2 of our initial submission. Moreover, it is unedifying for an employer association to bemoan the declining growth in full time employment as evidence of weakness when the "on demand labour" model which has taken a foothold in the labour market in Australia is a transition that occurred at the urging of employer advocates seeking "greater flexibility". It ought not be open for employer advocates to point to that transition as both failure and success. The reality is that, for employers, there are short term cost advantages in low skilled and non-innovative industries in buying "chunks" of labour as and when it suits them. The question of whether it is *affordable* for businesses in those sectors to do otherwise (rather than simply less profitable) was never seriously examined when the shift began decades ago and has been overtaken by the critical mass

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<sup>23</sup> ABS 6302

<sup>24</sup> See [2017] FWCFB 3500 at [355], [553]-[563], at [2018] FWCFB 3500 [178]-[181]

and the policy intent to maintain “business competitiveness and viability” in that status quo, including as referenced in the statutory criteria which govern the Review.<sup>25</sup> On the employee side, as we explain in Chapters 2 and 4 of our initial submission, there are winners and losers in this more flexible environment. Once the dust settles post COVID-19, there is an opportunity to re-assess the merits of an economic model that elevates an uninformed analysis of risk in establishing a small business in low margin, highly competitive industries above the national interest in sustainable and secure incomes.

25. Whilst ABI and ourselves likely have irreconcilable differences in our views on the degree of spare capacity in the labour market prior to any measurable impacts of COVID-19 being evident in the data, we recognise that the capacity issue will need to be examined once contemporary data is available. We merely suggest at this stage that the lack of work and income support for workers on temporary visas may lead a proportion of those persons to exit Australia prematurely, which would have some moderating effect on size of the labour force and potentially the unemployment rate leading into the recovery. As at December 2019, there were 64,590 temporary skilled visa holders in Australia<sup>26</sup>, 480,453 student visa holders<sup>27</sup> and 141,142 working holiday or work and holiday visa holders.<sup>28</sup>

26. We have co-operated with employer associations (including ABI) during the COVID-19 pandemic to deliver further short term flexibility (including working hours flexibility) in award reliant sectors, with appropriate protections. This has been part of a genuine effort to fairly address the impacts of the pandemic. That co-operation came on the basis that workers’ hourly rates of pay would not be reduced. Whilst the ABI has not as yet put a position on what the outcome of this Review should be, it would exceedingly disappointing if its ultimate position was one of a nominal or real wage cut.

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<sup>25</sup> S. 284(1)(a)

<sup>26</sup> Department of Home Affairs Data: <https://www.homeaffairs.gov.au/research-and-stats/files/temp-res-skilled-rpt-summary-31122019.pdf>

<sup>27</sup> Department of Home Affairs Data: <https://www.homeaffairs.gov.au/research-and-stats/files/student-temporary-grad-program-report-december-2019.pdf> (at Chart 6.04),

<sup>28</sup> Department of Home Affairs Data: <https://www.homeaffairs.gov.au/research-and-stats/files/working-holiday-report-dec-19.pdf> (at table 4.03).



27. A final observation on the ABI submission is that makes no substantive comment on the social considerations relevant to the Review. Worryingly, it seems to assert, at page 6, that the Panel must consider the economic criteria referred to in sections 134 and 284 individually and in isolation, but consider each of the social factors as each importing some unexpressed “economic” constraint. We consider that if the Panel were to adopt that approach, it would depart from the established approach<sup>29</sup> and would fall into error.

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<sup>29</sup> See [2019] FWCFB 3500 at [4] to [11]

## 6. REPLY TO THE HOUSING INDUSTRY ASSOCIATION

28. The submission of the Housing Industry Association (HIA) naturally focusses on the residential building sector, rather the construction industry as a whole. In previous submissions, we have noted that this sector is largely impacted by cyclical factors. The HIA is commendably candid about the current and expected new building commencements and the current status of the trough in this sector relative to previous troughs. Clearly, the decrease in activity is coming off a very high base, with the HIA observing:

“While the forecasted trough is still expected to be high by historical standards, the market is only just on the cusp of returning to a new growth phase. The anticipated recovery (and the next upcycle) will be a far more modest affair and will not see a return to the hive activity of the boom years, 2014 to 2018. These years set a record that will not be eclipsed in the foreseeable future”

29. Concern is understandably expressed by the HIA about the extent to which COVID-19 will affect its projections for new home building in the next 6 months. However, as the HIA has identified in its submission, there is lag between the initial contracting for new build, through to finance and then commencement and completion of works for a new build. This was more fully explained in the HIA’s publicly available submission to the recent matter before the Commission in which 99 modern awards were varied to provide annual leave at half pay and unpaid pandemic leave (AM2020/12), as follows:

“The construction industry is quite unique with respect to the lagged nature in which it responds to economic shocks. The industry’s work extends over such a long time between sale and completion that a major economic shock not translated into reduced activity on the ground for number of months.

Australia’s last recession in the early 90s - ‘the recession we have to have’ – was such an occasion. The ‘Black Monday’ Wall Street crash that occurred in October 1987 didn’t translate into a sharp drop in Australian home building activity for around two years.

Similarly, the global financial crisis began to collapse of the US sub-prime market in the second half of 2007, while Australian detached home building didn’t drop until the September quarter 2008, the following year - multi-units not until the December quarter.

Even the Asian Financial Crisis, beginning in July 1997, didn’t appear to reach Australia’s detached home building market until the September quarter the following year, multi-units not until the December quarter.

The reason for the lag in previous shocks is due to factors: Firstly, the volume of work in the pipeline and second nature of these previous shocks.

There is typically a 3-4 month lag between the time when a contract is signed and finance is gained to build a new home, and when a building approval (permission from local council) is granted. There is then typically another 3-12 month lag before work commences on site. This lag varies depending on the volume of work entering the pipeline and the volume of work being completed.

The pipeline for home building across Australia at present is highly variable. Melbourne entered 2020 with a significant volume of building work yet to be undertaken while the Northern Territory and Western Australia are in sustained troughs with little or no work in the pipeline.”<sup>30</sup>

30. The submission elsewhere notes that “Homes that commence construction in April 2020 will not be completed until December 2020”<sup>31</sup>. Taken together, this suggests that residential building projects may have a lag of up to 2 years between contracts being signed and building work concluding. This suggests that demand-based COVID-19 impacts are less likely to be felt in this sector prior to the next annual wage review, compared to other sectors (such as retail and hospitality). It also suggests that the current weaker conditions in the new building cycle and pipeline of future work are fuelled by events of the last 2 years or so. This, we submit, may be referable in part to the change in foreign investment dynamic in new housing which has shown a definite downward trend since 2016-17. This is demonstrated in Figure 1 below, which is reproduced from an article in the New Daily.<sup>32</sup> Figure 1 shows the dramatic decrease both in the level of foreign investment in new housing approved by the Foreign Investment Review Board and the share of new building approvals that are accounted for by such investment.

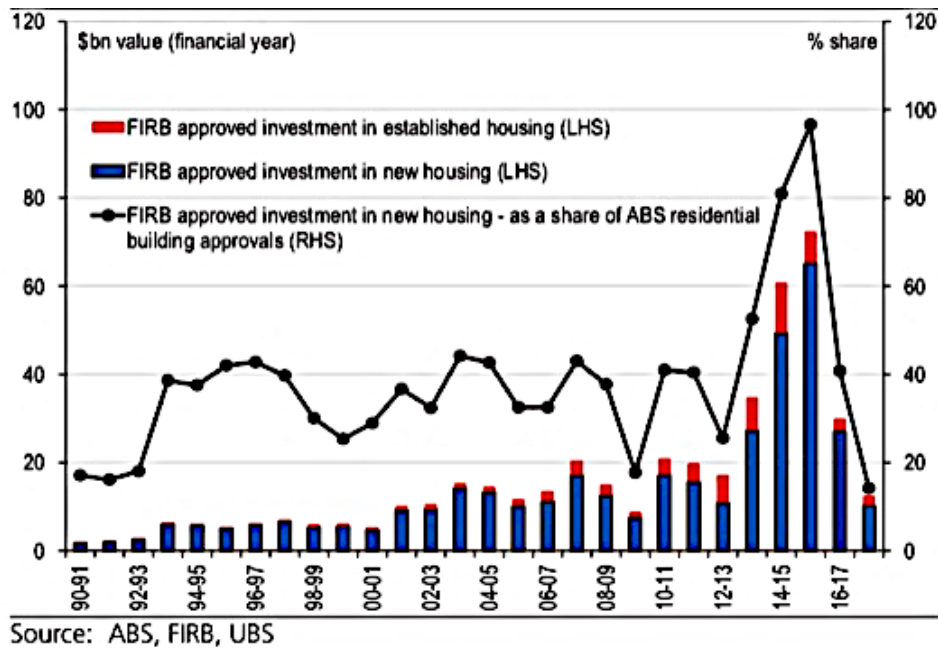
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<sup>30</sup> <https://www.fwc.gov.au/documents/awardmod/variations/2020/am202012-sub-hia-060420.pdf> at 3.2-3.9

<sup>31</sup> At paragraph 3.14

<sup>32</sup> <https://thenewdaily.com.au/finance/property/2019/02/19/foreign-investment-in-real-estate-collapses/>

Figure 1: Foreign Investment Review Board approved investments in housing, 1990/91 – 2017/18



31. The Panel should also note that, compounding the effects of reduced foreign investment, the Treasurer has announced that the time for processing applications to the Foreign Investment Review Board, for both existing and new applicants, will be increased from 30 days to up to 6 months<sup>33</sup>.
32. This tends to give credence to the view expressed in the HIA’s submission to the Review that domestic investors and owner occupiers will need to be the source of the sector’s rebound pipeline of work. However, the suppression of wages, as HIA contends for, is not a sound basis for encouraging the development of that pipeline.
33. Insofar as the HIA submission refers to the engagement of apprentices in residential construction, it is contradictory insofar as it is critical of the costs of employing apprentices yet at the same time argues that the Government’s recent announcement of subsidy for

<sup>33</sup> <https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/media-releases/changes-foreign-investment-framework>

up to 50% of apprentice wages<sup>34</sup>, which reduces those costs, is a positive reason not to increase their wages. We would also add that the Government has recently clarified (after the HIA initial submission was filed) that an employer who is eligible for the JobKeeper payment can pay the JobKeeper payment rather than the apprentice subsidy.<sup>35</sup>

34. In any event, would note that there is a relatively large number of businesses in the construction sector where the employed persons are owner managers rather than employees, and a relatively large share of owner managers to employees, as shown in Table 1 below. We suspect, anecdotally, that this is particularly the case for business operating in residential construction rather than commercial construction (which has a relatively high density of enterprise agreements). These observations tend to indicate a lesser impact of the Review in this sector than on other sectors.

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<sup>34</sup> Capped at \$21,000 per apprentice and for the period 1/1/2020 to 20/9/2020, applies to business employing less than 20 employees: [https://treasury.gov.au/sites/default/files/2020-04/fact\\_sheet-supporting\\_apprentices\\_and\\_trainees\\_0.pdf](https://treasury.gov.au/sites/default/files/2020-04/fact_sheet-supporting_apprentices_and_trainees_0.pdf)

Note also page 8 of the HIA submission states that “The majority of employees in the residential building industry are employed by small businesses”.

<sup>35</sup> [https://docs.employment.gov.au/system/files/doc/other/qa\\_supporting\\_apprentices\\_and\\_trainees\\_and\\_the\\_jobkeeper\\_payment\\_01042020\\_dese.pdf](https://docs.employment.gov.au/system/files/doc/other/qa_supporting_apprentices_and_trainees_and_the_jobkeeper_payment_01042020_dese.pdf)

Table 1: Form of Employment in the Construction Industry, November 2019

	Number ('000)	Share of workforce in industry (%)
<b>Construction Industry:</b>		
Employees	767	64.77
Owner Managers	411.9	34.78
Owner Mangers with Employees	151.2	6.39
Owner Mangers without employees	260.7	22.01
<b>All Industries:</b>		
Employees	10903.1	83.51
Owner Managers	2125.9	16.28
Owner Mangers with Employees	775.8	5.94
Owner Mangers without employees	1350	10.34

Source: ABS 6302

## 7. REPLY TO RESTAURANT AND CATERING AUSTRALIA

35. The Restaurant and Catering Industry Association (RCA) has advocated for a wage freeze in this Review. We oppose this call.
36. We do not dispute that the employers whom the RCA represent are facing very difficult conditions at the present time as a result of restrictions which have prevented in-premises dining since 23 March, some days after the RCA filed its submission. It would be reasonable to assume that in-premises dining had declined owing to consumer concern prior to that restriction being introduced.
37. RCA's submission makes the following important observations:
- a. That around 92% of business in the café, restaurant and catering industry employ 19 people or less;
  - b. That there is limited supported and financial assistance provided by government to those businesses;
  - c. That labour costs are significant component of operating costs; and
  - d. That the fees associated with online food delivery are too high, and it is impossible to make a profit using those platforms.
38. The RCA submission was made on 19 March and there have been some developments since then that ought to be taken into account.
- a. Firstly, a number of business in the sector have ceased trading. The ABS special measure of Business Indicators for the week commencing 30 March<sup>36</sup> showed that 69% of business in the Accommodation and Food Services Sector were (?) trading at all in that week, relative to an all industries (and small business) average of 90% and of those that were trading, around 90% had experienced a reduction in demand. It is unclear whether those business that did not trade in that week will resume trading or not, but it would be fanciful to suggest that in the current climate a decision about whether to resume trading would be significantly

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<sup>36</sup> [ABS 5676.0.55.003](#)

governed by speculation as the likely extent of any regulated minimum wage increase on or after 1 July 2020. Should a significant number of businesses not resume trading, there should be some decline in the competitive pressures facing the industry once the pandemic and its related restrictions pass.

- b. Secondly, variations made to the *Restaurant Industry Award* and the *Hospitality Industry Award* in [\[2020\] FWCFB 1741](#) and [\[2020\] FWCFB 1574](#) have provided short term measures to assist those businesses that are surviving to adjust to providing take-away and/or delivery services. These include the capacity to reduce hours of work (and therefore labour costs), to flexibly deploy existing labour across their operations and to fund labour costs through existing balance sheet provisions for leave rather relying on cashflow. Whilst establishments that do not provide in house delivery services must rely on external providers, competition is emerging in the sector with at least one major provider, Menulog, reducing its commissions in response to COVID-19 and partnering with RCA to provide other forms of support, including allowing restaurant staff to perform deliveries secured through the Menulog online platform<sup>37</sup> (which presumably has some nexus to the “Operational Flexibility” clause inserted into the *Restaurant Industry Award*). These initiatives, together with those below, may improve the profitability of reliance on delivery platforms, at least in the short-medium term.
- c. Thirdly, there are support measures which have been announced by the Commonwealth Government which will assist the employers the RCA represents, particularly those that continue trading:
- i. Most of the RCA members that have continued to trade will have received between \$10,000 and \$50,000 cashflow boost by the time this submission is received and will be eligible for further support until September 2020<sup>38</sup>;
  - ii. A 50% subsidy for apprentice and trainee wages, which is particularly relevant to the back of house food preparation staff who remain employed in the take-away and delivery service model; and

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<sup>37</sup> See Menulog press releases: [23 March 2020](#) and [21 April 2020](#)

<sup>38</sup> [https://treasury.gov.au/sites/default/files/2020-04/fact\\_sheet-boosting\\_cash\\_flow\\_for\\_employers.pdf](https://treasury.gov.au/sites/default/files/2020-04/fact_sheet-boosting_cash_flow_for_employers.pdf)



- iii. The \$1500 per fortnight JobKeeper subsidy, which may result in zero net labour costs in many instances given the average weekly total earnings in the accommodation and food services sector as at November 2019 was \$574.50.<sup>39</sup>

In addition, a range of short term support measures, including cash grants and fee and charge relief, will be available to these business through State and Territory government initiatives.

39. It is reasonable to anticipate that the many of the award dependent businesses that have survived the pandemic will enter the end phase of what many are predicting to be a “V shaped” recovery in stronger position than the RCA initially anticipated in light of this support, and will be in a position to re-establish themselves in a less competitive environment. The demand side of that new environment of course depends on consumer incomes and this is an important consideration in favour of increasing minimum wages.

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<sup>39</sup> ABS 6302.0 at Table 10I

## 8. REPLY TO MASTER GROCERS AUSTRALIA

40. The submission by Master Grocers Australia (MGA) seeks to de-couple wage movements in the General Retail Industry Award from the minimum wage and modern award minimum wages. This would have the effect of giving its members a cost based competitive advantage against other players in the industry, particularly Coles Supermarkets who have an Enterprise Agreement which provides no wage increase beyond July 2019.<sup>40</sup>
41. We would strongly urge the Panel not to de-couple the General Retail Industry Award from the movements it otherwise determines for the National Minimum Wage and modern award minimum wages. The Panel has repeatedly recognised the difficulties and risks associated with singling out a particular modern award for different treatment:
- a. Although there is no explicit compulsion in the Act to vary the wages in *all* modern awards in a review, considerations of fairness and stability tell against an award-by award approach;<sup>41</sup>
  - b. Minimum wage fixation decisions by the Panel’s predecessors have a legacy of being underpinned by concepts of uniformity and consistency of treatment and this has persisted through multiple legislative regimes (including award modernisation). Parliament should be taken to have known of that approach when legislating the provisions which govern the Review;<sup>42</sup>
  - c. The legislative requirements to establish and maintain a “as safety net of fair minimum wages” and provide “a fair and relevant safety net” of minimum terms and conditions taking into account the need to ensure a stable and sustainable modern award system, tell against an award by award approach. Affording differential treatment to particular industries would distort award relativities and lead to disparate wage outcomes for award-reliant employees with similar or comparable levels of skill;<sup>43</sup>

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<sup>40</sup> Coles Supermarkets Enterprise Agreement 2017 at clause 5.6

<sup>41</sup> [2017] FWCFB 3500 at [172]

<sup>42</sup> [2013] FWCFB 4000 at [76]

<sup>43</sup> [2013] FWCFB 4000 at [77]

- d. The principle of equal remuneration for work of equal or comparable value, which the Panel must take into account, supports the determination of consistent minimum rates for work of equal or comparable value;<sup>44</sup>
- e. The maintenance of consistent minimum wages in modern awards and the need to ensure a stable and sustainable modern award system would be undermined if the Panel too readily acceded to requests for differential treatment;<sup>45</sup>
- f. The award-by-award approach to minimum wage fixation, based on sectoral considerations, is inimical to the safety net nature of modern award minimum wages. Enterprise bargaining is the primary means by which the statutory framework envisages differential treatment based on circumstances in particular enterprise, which would be influenced by relevant sectoral considerations. That the system functions in this way is evidenced by the sectoral variation in actual wage outcomes; and<sup>46</sup>
- g. There is little practical difference between the range of considerations the Panel is obliged to take into account in making an NMW order and in reviewing and varying modern award minimum wages. In such circumstances, it is hardly surprising that those separate functions have yielded the same results.<sup>47</sup>

The MGA offers no compelling reasons to depart from these established principles.

42. Both the body of the MGA's submission and its annexed survey results and commentary reveal that the difficulties faced by its members are largely the products of decreased demand and increased competition from larger businesses, particularly in regional areas. It paints a picture that the only costs its members can influence are labour costs and effectively argues that the Panel should not fulfil the function that it exists to perform, which is to set a fair price for labour for employers who, left to their own devices, would exert their influence to keep the cost of labour fixed. Whilst much of the argument is based on the opportunities for employment for persons who are currently or may in future be employed by its members, it largely assumes that if those persons are not employed by its

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<sup>44</sup> *Ibid.*

<sup>45</sup> *Ibid.*

<sup>46</sup> [2013] FWCFB 4000 at [79]

<sup>47</sup> [2017] FWCFB 3500 at 149]

members they will not be employed at all. This is at odds with the natural effects of competition. To its credit, the MGA does faintly acknowledge this in reciting the complaints of some of its members<sup>48</sup> that:

“There tends to be a considerable turnover of staff in smaller business as they are enticed away by the offer of over award rates. This leads to a shortage of experienced skilled staff in small business as they succumb to the attractions of special over award deals and incentives”.

43. We do not dispute that independent grocers make a contribution to their communities and to local producers and that they have some differentials in their manner of service provision. However, it is not the case that goods and services that independent grocers provide are not available to any extent elsewhere, as acknowledged in particular, at page 19 of their submission.

44. Ultimately, the Panel will make an assessment of the health of the retail sector and the needs of its workers, including in the independent grocery sector, as part of its overall assessment of the social and economic criteria that govern the review, on the basis of contemporary information. The most pertinent observations that we can offer at this point for that assessment are as follows:

- a. Firstly, what marks the MGA’s members out as special in the current climate is that they are among the small cluster of essential business that have been permitted to carry on business as usual, or near to it, throughout the pandemic;
- b. Secondly, non-major supermarkets have reportedly experienced a 6.1% increase in market share in the first three weeks of March, associated with market share falls for Aldi, Coles and Woolworths.<sup>49</sup> This was accompanied by Metcash, a major supplier to independent grocers, experiencing growth in food sales of 4.3% over the November-March period.<sup>50</sup> The shift in market share was thought to be prompted by availability restrictions in major chains, leading to consumers looking for other options.<sup>51</sup> Whether or not consumers will retain the habit of shopping at

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<sup>48</sup> At page 23-24

<sup>49</sup> Powell, D., [“Independent supermarkets the big winners from virus panic buying”](#), The Age, 23/4/2020.

<sup>50</sup> *Ibid.*

<sup>51</sup> *Ibid.*

independent grocers remains to be seen, but it is certainly a positive development for the MGA's members;

- c. Thirdly, the ABS analysis of supermarket and grocery store scanner data shows an increase in monthly turnover between February and March of between 21 and 50%, depending on product category;<sup>52</sup>
- d. Fourthly, whilst the MGA expresses pessimism at page 18 of its submissions regarding the financial ability of its members to invest in online service provision, it appears that the COVID-19 pandemic has created an opportunity to reassess this, as IGA has launched an online offering in response to the pandemic<sup>53</sup> and Foodworks also has an online shopping service.<sup>54</sup> Both brands are listed on page 3 of the MGA's submission as being sources of its membership.

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<sup>52</sup> <https://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/8501.0.55.008Main+Features1March%202020?OpenDocument>

<sup>53</sup> <https://igashop.com.au>

<sup>54</sup> <https://foodworks.com.au/shop-online>

## 9. REPLY TO THE AUSTRALIAN RETAILERS ASSOCIATION

45. We make no comment on the Australian Retailers Association other than to highlight its contradictory approach in urging the Panel not to make any decision until after the GDP and Retail Trade figures are released in June “to allow better informed judgements of Australia’s economic circumstances to be made”<sup>55</sup>, while simultaneously insisting that, whatever those figures may say, the maximum increase available is an adjustment linked to CPI.

46. We would also like to draw the Panel’s attention to the 8.2% rise in retail turnover (seasonally adjusted) recorded by the ABS in the preliminary March figures, which the ABS described as “..the strongest seasonally adjusted month-on-month rise in the history of the series”.<sup>56</sup>

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<sup>55</sup> At page 14.

<sup>56</sup> <https://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/8501.0.55.008Main+Features1March%202020?OpenDocument>

## 10. REPLY TO THE NATIONAL FARMERS FEDERATION

47. The National Farmers Federation calls for a wage freeze, or real wage cut. We oppose this course.
48. It is to be noted that the National Farmers Federation expected, at the time of its submission, to be confronted both with labour shortages, reduced means of production and disruption to international markets. Labour shortages are generally surmountable by paying higher wages. In any event, we noted that the agricultural sector is somewhat less exposed to the Panel's decision than others owing to employees being a smaller proportion of the workforce, as shown in Figure 130 of our initial submission. As for export markets, we note that the Government is investing \$110 million in an air freight scheme to shift agricultural exports (including meat, fruit, vegetables, seafood and dairy products) to countries that supply medical supplies for the COVID-19 response on return flights.<sup>57</sup>
49. Further, while the NFF's submission did not address domestic demand for agricultural products, we suspect that the 21.6% rise in the turnover of perishable groceries measured by the ABS between February and March<sup>58</sup> would be significant for many of the NFF's members, notwithstanding that it is inconsistent with some of the NFF's predictions in its submission.

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<sup>57</sup> <https://www.agriculture.gov.au/coronavirus/export/air-freight>

<sup>58</sup> <https://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/8501.0.55.008Main+Features1March%202020?OpenDocument>

## 11. RESPONSES TO QUESTIONS ON NOTICE

### Response to Question 1.1

“The Federal and State governments have announced a number of initiatives to provide support for businesses, individuals and households affected by COVID-19. These are outlined in the Fair Work Commission’s note on Government responses to COVID-19 pandemic and in the Australian Government submission.

Parties are invited to comment on the initiatives and discuss how the Expert Panel should take these into account.”

#### Response:

50. On 30 March 2020 a third stimulus package was announced by the Federal Government, requiring legislation to take effect, that included the introduction of the JobKeeper Payment. This is a flat \$1500 payment (before tax) per eligible employee, paid directly to businesses who then use it to subsidise the payment of their employee’s wage and pay directly to eligible employees. It is designed to maintain the employment relationship between employers and employees.
  
51. The Jobkeeper payment amounted to an additional \$130 billion stimulus package. The JobKeeper payment brought the Government’s total economic support for the economy to \$320 billion or 16.4 per cent of GDP. This is expected to have a significant effect on keeping employees liked to their employer, preventing a number of workers from becoming unemployed and providing an injection of spending into the economy. This will have positive effects on aggregate demand and economic growth. Treasury estimates suggest unemployment may be up to 5 percentage points lower because of this stimulus measure<sup>59</sup>.
  
52. However, there are just over 1 million casual workers who have been employed for less than 12 months that are not eligible for the JobKeeper payment. As we can see from Figure one below, a significant proportion of these casual workers work in industries that are

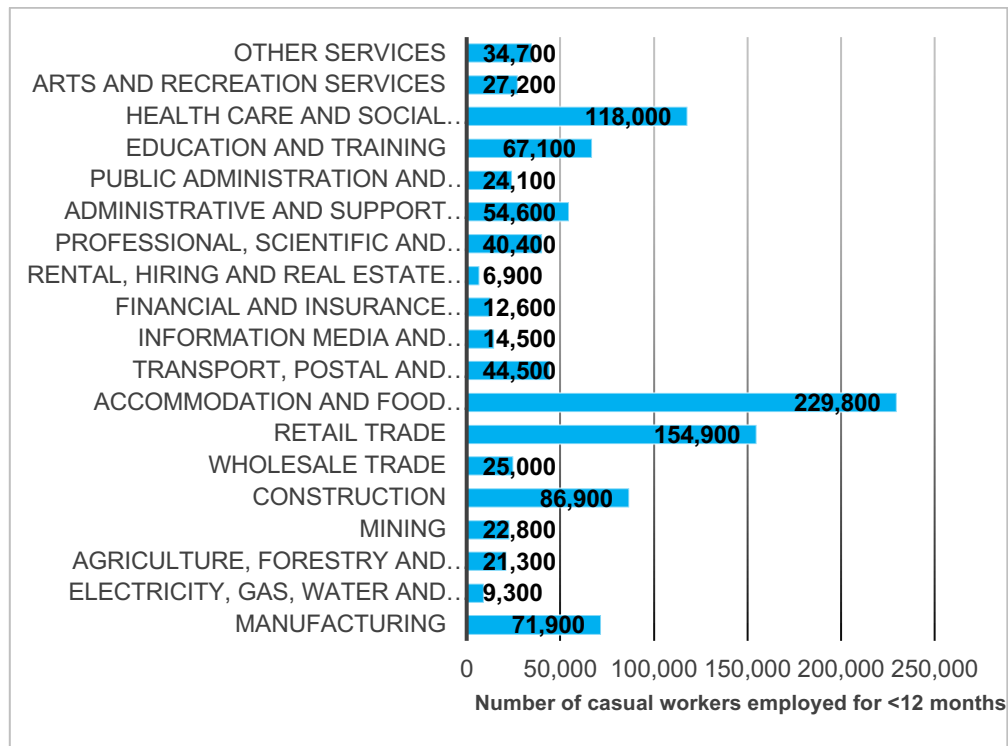
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<sup>59</sup> <https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/media-releases/jobkeeper-payment-supporting-millions-jobs>



award reliant and hard hit by the crisis such as hospitality and retail. Unfortunately, this eligibility rule will diminish the potential benefits of the scheme.

Figure 2: Number of casuals employed for less than 12 months



Source: ACTU analysis using ABS Table builder, Characteristics of Employment August 2019

53. More broadly, we would ask the Panel to take note that many of the supports made available will remain in place after 1 July. This is of significance in estimating the speed of the recovery once social distancing restrictions are lifted.

54. The Panel should also take into account that a cohort of award reliant workers who simultaneously receive wages and government benefits are likely to experience a fall in living standards when the enhanced benefits revert to their normal levels.

### Response to Question 1.2

Since most submissions have not had an opportunity to address the effects of COVID-19, in the Statement published on 6 April 2020 on the timetable variation, the Expert Panel has provided a date for submissions and reply submission regarding data from the Australian Bureau of Statistics' (ABS), Australian National Accounts data for the March quarter 2020. The Expert Panel has also noted that the ABS were publishing additional data measuring the impact of COVID-19 on individuals and businesses and that these products would be presented in the Statistical report.

Parties are invited to comment on other sources of data or research that provide more timely information on the effects on COVID-19 to be considered in this Review.

Response:

55. On 16 April 2020 the ABS released Labour Force data for March 2020. This is the most recent data of the Labour Force survey that is currently available. The trend monthly hours worked remained unchanged between February and March 2020. This followed slowing growth in hours worked in recent months, with the annual growth rate down to 0.8 per cent, around half the rate over the past 20 years. The trend unemployment rate remained steady at 5.2 per cent in early March, from a revised February figure. The seasonally adjusted unemployment rate increased 0.1 pts to 5.2% and remained low by historical standards.

56. The Labour Force Survey collects data from around 50,000 people to measure the labour market in the first two weeks of each month. It should be noted that the March data describes the labour market shortly before the major restrictions in Australia to contain the spread of the coronavirus (COVID-19).

57. A speech by the Governor of the RBA on 21 April 2020 highlights a possible scenario where various restrictions begin to be progressively lessened and the economy begins to bounce back in the September quarter. The RBA Governor also expects the economy to grow very strongly next year with a possible 6-7 per cent growth rate.

‘One plausible scenario is that the various restrictions begin to be progressively lessened as we get closer to the middle of the year, and are mostly removed by late in the year, except perhaps the restrictions on international travel. Under this scenario we could expect the economy to begin its bounce-back in the September quarter and for that bounce-back to strengthen from there. If this is how things play out, the economy could be expected to grow very strongly next year, with GDP growth of perhaps 6–7 per cent, after a fall of around 6 per cent this year. There is though quite a lot of uncertainty around the numbers, with the exact profile of the recovery depending not only upon when the restrictions are lifted but also on the resolution of the uncertainty that people feel about the future.’<sup>60</sup>

58. This is because the RBA believe Australia’s economic fundamentals are strong and this is a health crisis with economic implications rather than a direct economic crisis. Once the virus

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<sup>60</sup> ‘An Economic and Financial Update’ Philip Lowe, Governor Reserve Bank of Australia, Sydney – 21 April 2020

has been contained the economy should be able to return to levels of economic activity that we saw before the crisis. The RBA noted that;

‘We can be confident that our economy will bounce back and that we will see it recover. We need to remember that once the virus is satisfactorily contained, all those factors that have made Australia such a successful and prosperous country will still be there<sup>61</sup>’

59. Similarly, recent forecasts in the IMF World Economic outlook for Australia's GDP suggest a ‘V’ shape recession with a strong comeback next year. The IMF forecast a contraction of real GDP of -6.7% in 2020 before a partial rebound of 6.1% growth in 2021<sup>62</sup>.

60. However, there can no hiding the fact that Australia's economy is currently contracting. Recent ABS data that was released in response to COVID 19 suggests there has been a significant drop in employment.

61. On 21 April the ABS released a first issue of ‘Weekly Payroll Jobs and Wages in Australia, Week ending 4 April 2020<sup>63</sup>. The ABS give the following commentary:

Between the week ending 14 March 2020 (the week Australia recorded its 100th confirmed COVID-19 case) and the week ending 4 April 2020, the largest changes were:

- Employee jobs: Accommodation and food services decrease by 25.6% and Arts and recreation services decreased by 18.7%
- Total wages: Accommodation and food services decreased by 30.1% and Arts and recreation services decreased by 15.7%

Between the week ending 28 March 2020 and the week ending 4 April 2020, the largest changes were:

- Employee jobs: Accommodation and food services decreased by 18.9% and Arts and recreation services decreased by 13.1%
- Total wages: Accommodation and food services decreased by 17.7% and Professional, scientific and technical services decreased by 9.7%

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<sup>61</sup> ibid

<sup>62</sup> International Monetary Fund ‘World Economic Outlook’, Washington, April 2020

<sup>63</sup> ABS Cat 6160.0.55.001 - Weekly Payroll Jobs and Wages in Australia, Week ending, 4 April 2020

<https://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/6160.0.55.001Main%20Features1Week%20ending%204%20April%202020?op=endocument&tabname=Summary&prodno=6160.0.55.001&issue=Week%20ending%204%20April%202020&num=&view=>

62. This weekly payroll data included the following changes in jobs and wages by industry:

Table 2: Changes in jobs and wages by industry, March-April 2020

	Change in employee jobs between 28 March and 4 April	Change in employee jobs between 14 March and 4 April	Change in total wages between 28 March and 4 April	Change in total wages between 14 March and 4 April
Agriculture, forestry and fishing	-5.6%	-4.8%	-6.4%	-3.5%
Mining	-8.1%	-8.4%	-8.1%	-9.5%
Manufacturing	-3.3%	-4.3%	-1.1%	-5.9%
Electricity, gas, water and waste services	-1.3%	-1.1%	0.1%	-1.9%
Construction	-4.0%	-5.3%	-4.3%	-3.6%
Wholesale trade	-4.4%	-4.6%	0.5%	-0.2%
Retail trade	-4.1%	-2.7%	-3.5%	-7.6%
Accommodation and food services	-18.9%	-25.6%	-17.7%	-30.1%
Transport, postal and warehousing	-2.2%	-3.0%	-3.4%	-5.2%
Information media and telecommunications	-5.9%	-6.8%	-6.6%	-7.3%
Financial and insurance services	-3.2%	-3.2%	-8.9%	-7.8%
Rental, hiring and real estate services	-6.9%	-8.0%	-7.7%	-8.5%
Professional, scientific and technical services	-7.1%	-7.9%	-9.7%	-8.4%
Administrative and support services	-7.0%	-7.5%	-5.9%	-5.8%
Public administration and safety	-2.6%	-3.0%	-2.2%	-4.9%
Education and training	-1.7%	-0.1%	-3.6%	-0.7%
Health care and social assistance	-4.7%	-2.5%	-4.7%	-8.0%
Arts and recreation services	-13.1%	-18.7%	-9.1%	-15.7%
Other services	-7.0%	-7.6%	-3.7%	-4.5%
<b>All industries</b>	<b>-5.5%</b>	<b>-6.0%</b>	<b>-5.1%</b>	<b>-6.7%</b>

Source: ABS 6160.0.55.001

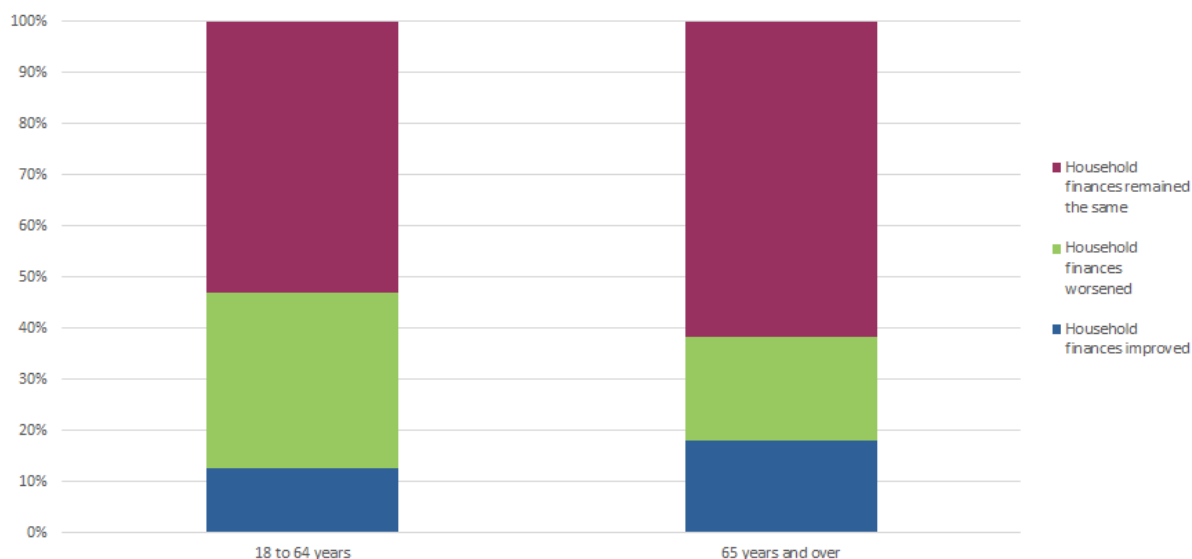
63. Estimating the unemployment rate from this data would mainly be guesswork at this stage.

It is extremely hard to make accurate estimations as this data does not directly translate into a rise in unemployment. Nevertheless, it is reasonable to expect a significant rise in unemployment has occurred.

64. On 1 May 2020 the ABS released results from the second Household Impacts of COVID-19 Survey, which collected information from 1,028 people, via telephone, throughout Australia between the 14th and 17th of April 2020. This data showed that nearly a third of Australians (31%) aged 18 years and over reported that their household finances had worsened over the period mid-March to mid-April due to COVID-19. The ABS reports that

persons aged 65 years and over were less likely than persons aged 18 to 64 to have reported that their household finances had worsened (20% compared with 35%).

Figure 3: Change to household finances due to COVID-19 by age



Source: ABS Cat 4940.0 - Household Impacts of COVID-19 Survey, 14-17 Apr 2020

65. This dataset also provided information on the ability of households to raise money for something important within a week, the ability to pay bills on time and financial actions to support basic living expenses:

- The ABS reported that 12% of Australian (approximately one in eight) reported that their household could raise \$500 but not \$2,000 for something important within a week, and one in twenty (5%) reported that their household could not raise \$500.
- 8% of Australians aged 18 years and over reported that their household was unable to pay one or more selected bills on time over the period mid-March to mid-April due to a shortage of money.
- And staggeringly 17% of Australians (one in six Australians) reported that their household took one or more financial actions to support basic living expenses during the period mid-March to mid-April. The most common financial actions taken were drawing on accumulated savings or term deposits (10%); and reducing home loan payments (3%).

## Response to Question 2.2

“The ACTU submitted that:

In the ACTU’s view the current situation and the uncertainty surrounding how it progresses should not be a deterrent to an increase in the minimum wage and awards. On the contrary the minimum wage increase would both provide a stimulus and offer some long term certainty in regard to income flows, especially for the low paid. The ACTU notes that the government model of offering stimulus tranches is a recognition that stimulus works. Offering a decent minimum wage increase is particularly efficient in this regard as it both serves the current circumstance and offers better security of income in future. It delivers income particularly to lower paid workers who will spend it all. It improves sales for business. It improves employment.

Given that many businesses have restrictions on opening, particularly businesses within Retail trade and Accommodation and food services (which are also award-reliant industries), how does increasing the minimum wage improve employment in these circumstances?

All other parties are invited to provide comments.”

### Response:

66. When the Government first announced plans to tackle the global health crisis they rightly stated that the measures being implemented to restrict movement and enforce social distancing would be required for 6 months. Those policy decisions were based on modelling available to the Government in February 2020. On the basis of the evidence available at that time It would have been reasonable to expect restrictions would be lifted in August or September.
67. The evidence available today on the health crisis and the recent indications from both Federal and State Governments suggest that the time frame for lifting restrictions may be brought forward.
68. It thus seems reasonable to assume that by early July or shortly thereafter restrictions on movement and business closures may be substantial less onerous than those that apply today. On the other hand, general economic and consumer confidence is likely to be at extremely low levels in the second half of 2020 given the dramatic declines in output and employment taking place at the moment. Other things being equal, corporations, consumers and other private economic actors will be looking to restore their own economic balance sheets in the later part of this year. In particular, consumption expenditure is likely to be dramatically constrained. In these circumstances a modest increase in the wages of those workers who have the largest marginal propensity to consume and who unfortunately do not have the luxury to save increase in their income

will provide the most economical efficient and fairest way to drag our country out of recession.

### **Response to Question 3.1**

“The Australian Catholic Bishops Conference (ACBC) discusses two ways that the budget standards could be updated from their original 2016 estimations. ACBC stated:

‘... this may be done: either by an increase in the budgets reflecting increases in the CPI or by an amount that reflects changes in household disposable income. The former reflects the cost of the budget and the latter reflects the setting of the budget in a social context.’

The ACBC and all parties are invited to provide comments on their preferred approach.”

#### **Response:**

69. We are not prepared to endorse either approach, because we do not regard the budget standards as having been appropriately set to begin with. Any adjustment will retain, if not compound, the limitations referred to section 4.4.5 of our initial submission.





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