

**CCIQ SUBMISSION
FAIR WORK COMMISSION –
2012/13 ANNUAL WAGE REVIEW**

CHAMBER OF COMMERCE AND INDUSTRY QUEENSLAND

28 MARCH 2013

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1.0 INTRODUCTION

1. The Chamber of Commerce and Industry Queensland (CCIQ) welcomes the opportunity to make a submission to the Fair Work Commission (FWC) as part of the Minimum Wage Panel's (the Panel) statutory responsibilities to conduct an Annual Wage Review (AWR) under the *Fair Work Act 2009* for 2012-2013.
 - a. The Panel's main function is to make a national minimum wage (NMW) order and is therefore of significant importance to CCIQ's membership of small and medium enterprises (SMEs).¹
2. We note that the Australian Chamber of Commerce and Industry (ACCI) have made a more broad-ranging submission, which we support. This submission will focus on issues specifically relating to the Queensland economy, its industries and businesses to provide the Panel with a clear view of how they may be affected by any potential AWR decision.
3. CCIQ is Queensland's peak organisation for SMEs. These are the workplaces that are most affected by minimum wage increases as they generally have a high proportion of award-reliant employees.
 - a. This submission therefore concentrates on the impact of AWR decisions on award-reliant employees and their employers, as it is they who are required to pay award rates and conditions.
 - b. Accordingly, a central consideration of the Panel in its decision-making process should be how any decision may affect the ability of SMEs to create employment opportunities, retain existing staff, offer additional hours of work and maintain profit margins.
4. This submission will also draw on data collected through the *Westpac/CCIQ Survey of Business Conditions* (the Pulse Survey).
 - a. The Pulse Survey is conducted on a quarterly basis and is the largest survey of Queensland businesses. Its function is to provide insights into the sentiment of business owners and managers across the state on a number of indicators, including employment levels, profitability and wage levels.

"We want to look after and maintain a solid workforce but with the ability to quickly respond to necessary economic changes without being scared to do so."

Brisbane Business Operator in the Construction industry

¹ *Fair Work Act 2009* (Cth), s617.

5. CCIQ supports a sustainable and affordable NMW that accords with its role as part of a safety net of conditions for employees. It is important to emphasise this point at the outset, and that the NMW is *not* intended to constitute a 'market rate'.
6. In light of significant increases to the NMW since 2010, CCIQ considers that there is a strong case for the Panel to make a determination not to increase to the NMW in 2012-2013. However, if the Panel does make a decision to increase the NMW, CCIQ urges the Panel to ensure that it is modest and genuinely takes account of the contentions and information put forward in this submission on the current position of Queensland employers and their capacity to pay an increase.
7. CCIQ's submission will focus on the following issues:
 - a. *The state of the Queensland economy:* The reasoning provided for previous AWR decisions indicate that they were based on macro-economic assessments of the economy, focusing on aggregate employment growth, productivity and inflation. CCIQ does not consider that using this data to gauge the extent of job opportunities for the low paid is as useful as indicators at the state, industry and firm level.
 - i. This is particularly the case given that the strength of the resources boom has positively impacted on high-level economic data while working to obfuscate the situation confronted by businesses outside of the resources sector.
 - b. *Greater impact on certain industries:* AWR decisions continue to disproportionately impact certain sectors of the economy and the services sector, which encompasses hospitality, retail and tourism, is a prime example of this. These industries are heavily award-reliant, and the significant proportion of CCIQ's membership that operate in the services sector are directly affected each year by the cost of wage increases granted by the Panel in the AWR.
 - c. *Key pressures that may be exacerbated by an increase to the NMW:* Global economic uncertainty, continuing increases in electricity costs, the ongoing recovery for many businesses from natural disaster, the high Australian dollar, the two-speed economy and compliance with the *Fair Act 2009* (FW Act) have all conflated to increase operational costs and erode profitability. As such, businesses have little capacity to take on additional costs in the form of a wage rise.
 - d. *Increasing costs of employment:* The cost of wages must be contextualised. For employers in award-reliant industries, wages are only now a 'base cost' of employment. On top of the NMW, or the award rate, employers must also pay a

number of additional costs including the increased Superannuation Guarantee Levy (SGL), penalty rates and overtime, and additional expenses associated with changes to conditions for apprentices and trainees.

- e. *The AWR decision-making process:* It is crucial that the AWR's decision-making process is able to take account of relevant factors that could affect their determination on the NMW.

2.0 PREVIOUS DECISIONS

2.1 Fair Work Australia/Fair Work Commission decisions

8. In 2012, the AWR resulted in a decision to increase the NMW by 2.9 per cent. This saw the NMW rise to \$606.40 per week or \$15.96 per hour.
9. In 2011, the AWR resulted in a decision to increase the NMW by 3.4 per cent. Following this, the NMW became \$589.30 per week or \$15.51 per hour.
10. In the inaugural decision of Fair Work Australia (now the Fair Work Commission), the Panel increased all adult award rates by \$26.00 per hour.

2.2 Australian Fair Pay Commission decisions

11. Prior to the introduction of the FW Act and the establishment of the-then Fair Work Australia, wages were set by the Australian Fair Pay Commission.
12. The 2009 decision did not increase the NMW because of concerns that it would adversely affect employment levels.
13. The 2008 decision awarded a single increase of \$21.66 in all pay scales.

Figure 1: The National Minimum Weekly Wage



Source: Fair Work Australia Annual Wage Reviews and Australian Fair Pay Commission wage-setting reviews – 2005-2012 ²²

“We had to factor this (increases to the minimum wage) into my accommodation prices - guests do not understand this, and when inquiring about our prices, say that it is too expensive to stay.”

Sunshine Coast Business Operator in the Accommodation, Cafes and Restaurants industry

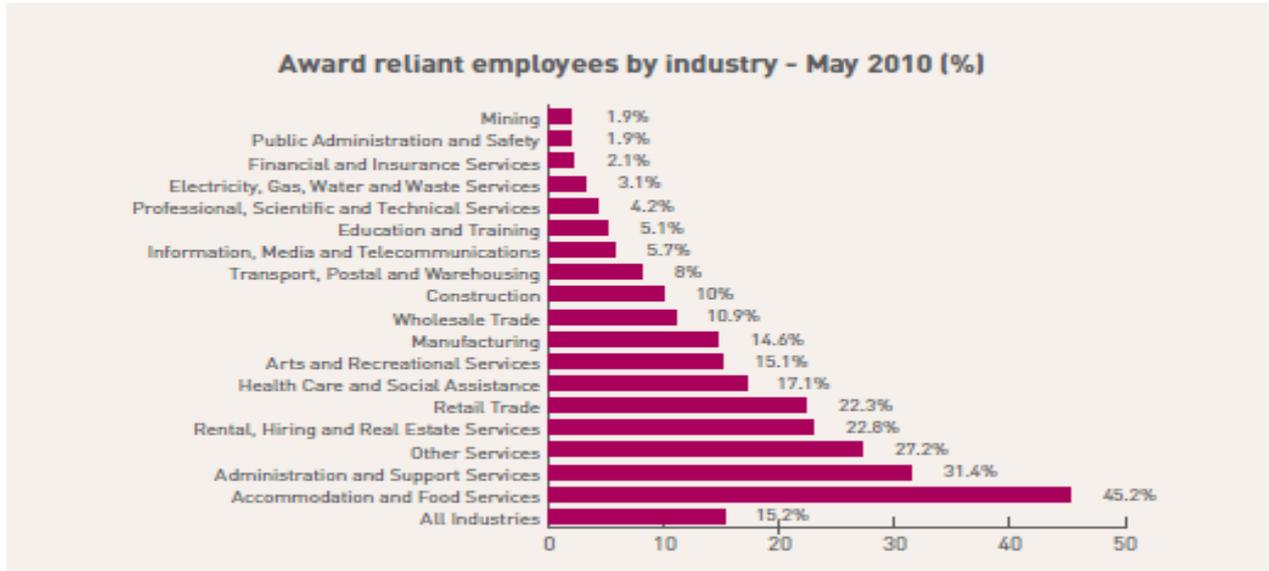
3.0 CCIQ POSITION ON THE 2012-13 ANNUAL WAGE REVIEW

14. CCIQ notes that there is no requirement under the FW Act that the Panel must adjust wage rates in all modern awards at each AWR (through either an increase or a decrease) but that it must make a 'determination' in accordance with the minimum wage objectives set out in the FW Act.²
15. However, if the Panel does choose to increase the NMW, CCIQ's position is as follows:
- a. The Panel should consider any increase on an award-by-award basis and grant an increase of no more than \$5.80 per week to modern award minimum wage classifications and to the NMW.
 - i. This proposed increase to the NMW would maintain the level of the real wage since the September 2011 decision. The position compensates for the expected increase in the cost of living since this period after taking into consideration the above CPI increase in the NMW last year and the increase in household incomes from the 0.25 per cent increase in the SGL on 1 July 2013. Households would still be better off in after-tax terms relative to September 2011 given the changes to tax and transfer payments introduced to compensate for the impact of the carbon tax.
 - b. Particular industry specific employers should be exempt from any increase where they are determined to be facing significant challenges, or failing an exemption, the Panel should establish a supplementary hearing process to determine whether part or all of an increase should flow-on to those industry specific modern awards.
 - i. It is within the statutory discretion of the Panel to differentiate its decisions based on the 122 modern awards that now exist and to grant a differential increase (or no increase) for one or more modern awards where it is warranted. This would allow the Panel to provide an exemption from any increase for modern awards in designated industry sectors which are in significant difficulty and would be most affected by an increase to minimum wage. These include: tourism, manufacturing, retail, hospitality and residential building and construction.
 - ii. Figure 2 below shows those industries that have the greatest proportion of award-reliant employees.
 - c. Ensure that there is a flow-on of a proportionate or pro-rata increase to relevant subsidiary minimum rates.

² Ibid.

- d. Continue to allow any increase to be absorbed into any existing over award rates of pay.

FIGURE 2: Award-reliant employees by industry – May 2010 (%)



Source: ABS Catalogue 6306.0 – Employee Earnings and Hours – May 2010

4.0 OVERVIEW OF QUEENSLAND'S ECONOMIC CLIMATE

16. Queensland's economy has fluctuated significantly in recent years and accordingly, so has underlying business sentiment. While the state has been able to exploit its wealth of natural resources, resulting in a strong resources industry and positive headline data, belying the good news is a different story, in which key Queensland industries, such as tourism, hospitality, resources and manufacturing, are struggling to remain viable. This view of Queensland's economy is manifest both in a range of data sources, and in the anecdotal reports CCIQ frequently receives from member businesses.
17. Low consumer demand and business confidence, diminished investment, shrunken revenues and increasing operational costs have worked to weaken or erode business profitability outside of the resources sector, leading to or exacerbating the impact of the two-speed economy. In addition to the factors already mentioned, Queensland has been affected by natural disasters in both 2011 and to a lesser extent in 2013 that have, in some cases, had a devastating impact on businesses, industries and regions across the state.
18. The patchwork nature of Queensland's economy is particularly evident in its regions. Regional data show a very different picture of how SMEs are tracking, with key indicators showing that even for those firms operating in regions with significant resource wealth, business is far from booming.
19. Nevertheless, Queensland economy is showing tentative signs of recovery: data collected through the *Westpac/CCIQ Pulse Survey* and from the Australian Bureau of Statistics (ABS) show improvement or stabilisation against a range of key economic indicators. However, it is important to emphasise that this recovery remains latent, and that many of Queensland's SMEs remain extremely vulnerable to any worsening of the business operating environment.

"The Christmas period generally slows out business, however we have received a good return in this period compared to the same time last year." – Survey Respondent, Far North Queensland

4.1 Westpac/CCIQ Pulse Survey of Business Conditions

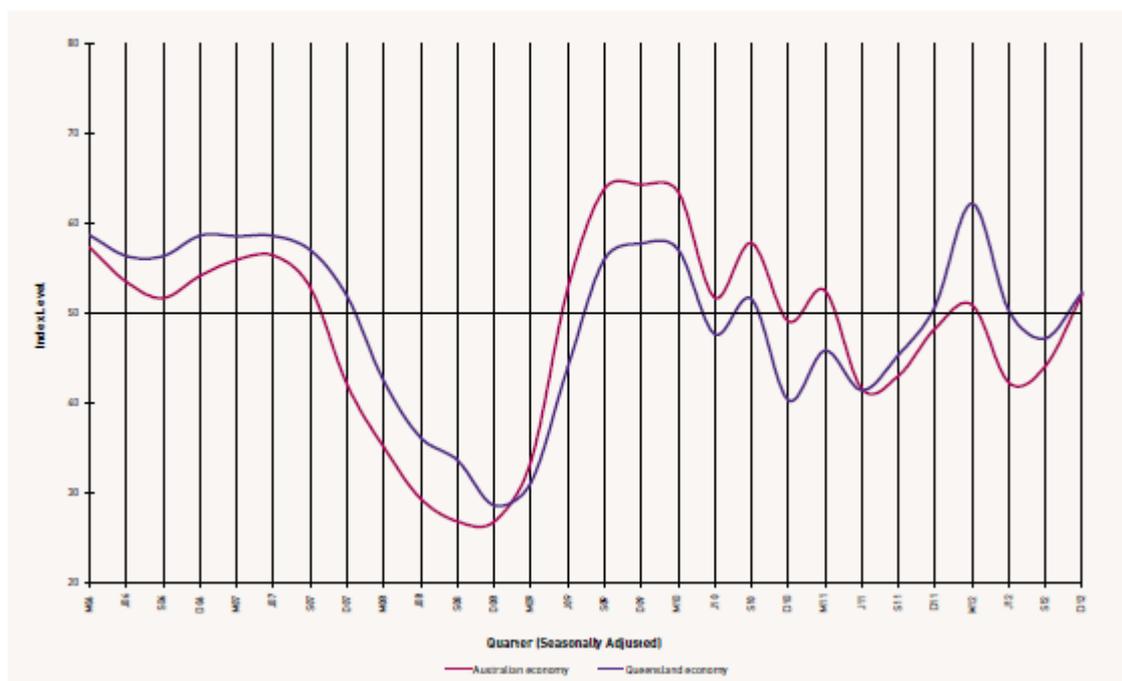
20. The Pulse Survey goes behind high-level economic data to provide insights on the business sentiment of Queensland's SMEs that may otherwise be overshadowed.
21. The data referred to is from the December Quarter 2012, and was released in February 2013.

12 Month Outlook

22. Figure 3 shows the twelve-month outlook on the Australian and Queensland economies. Queensland's economic outlook appears to be on a positive trajectory as of the December Quarter of 2012, with the index sitting at 52.1 (note: 50 or above shows a strengthened resulted, while below 50 indicates a weakening). This is up by over eight points from 44.0 in the September Quarter of 2012, which supports the view of respondents that the economy would be stable or stronger in 2013. Indeed, 35 per cent of survey respondents indicated that their expectations for the Queensland economy over the coming twelve months had strengthened, while 38 per cent held stable expectations.

Figure 3: 12 month outlook: Australian and Queensland economies

12 MONTH OUTLOOK: AUSTRALIAN AND QUEENSLAND ECONOMIES



Scale - An Index level above 50 indicates that growth prospects are strengthening, while an index level below 50 indicates that growth prospects are weakening. *Seasonally adjusted

Source: Westpac/CCIQ Survey of Business Conditions – December Quarter 2012

23. Of course, it should be noted that with the exception of a major spike in confidence following the Queensland state election in March 2012, the twelve-month outlook has been weak since the June Quarter of 2010. While the outlook in the December Quarter of 2012 shows an improvement, it is consistent only with a recovery in business confidence, rather than a surge.

24. Therefore, it is instructive to consider this small improvement in the outlook in conjunction with other measures of business confidence included in the Pulse Survey.

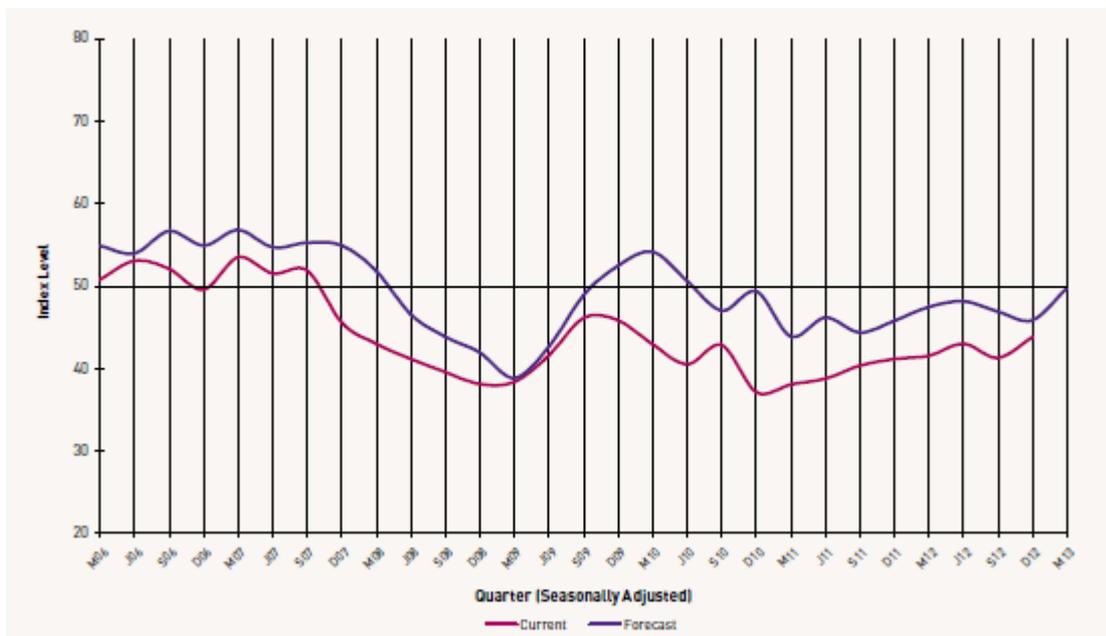
Profitability

25. Businesses continue to report weak profitability results in respect of both current and forecasted levels. The Pulse Survey profitability index (at Figure 4) remained relatively weak at 43.8, with over a third of Queensland businesses (36 per cent) indicating weaker profitability over the December quarter, while 40 per cent reported no change in profitability levels during that period.

- a. This is somewhat concerning given that the December Quarter encompasses the Christmas trading period, which is a peak trading period for many businesses and generally yields greater profits.

Figure 4: Pulse Survey profitability index

PROFITABILITY



Source: Westpac/CCIQ Survey of Business Conditions – December Quarter 2012

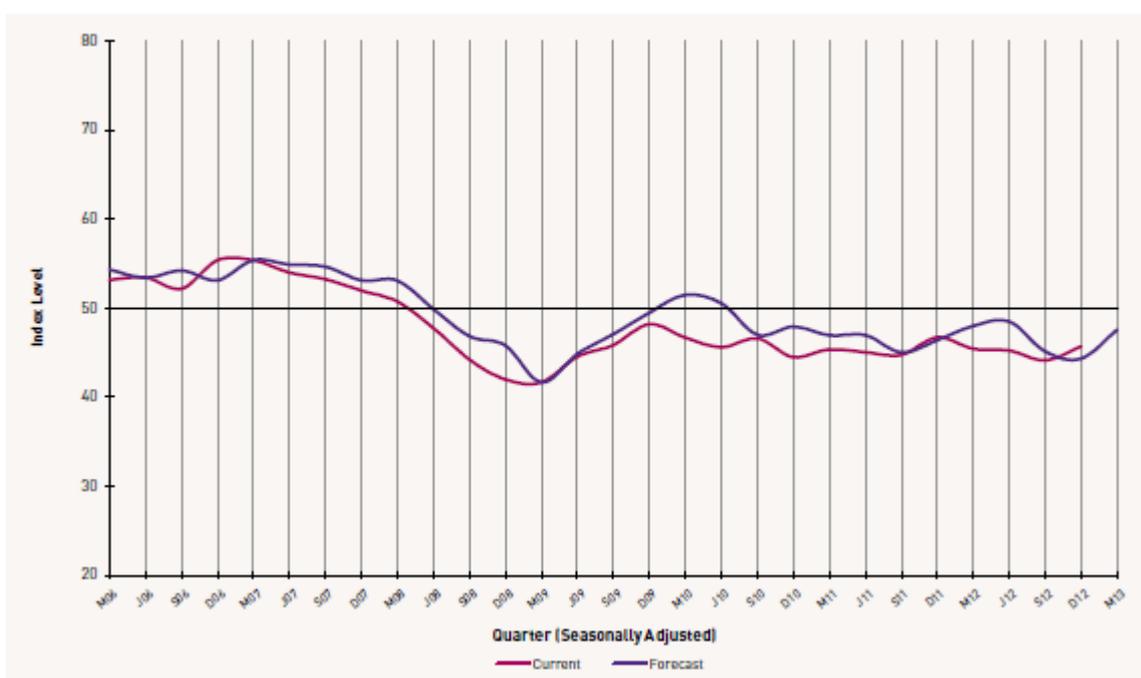
26. However, businesses anticipate a slight improvement in profitability levels in the first quarter of 2013, with the majority of businesses expecting stable (41 per cent) or stronger (39 per cent) levels of profitability.

Employment Levels

27. The Pulse Survey index of employment levels (at Figure 5) indicates that the majority of businesses (59 per cent) believe that their employment levels will remain stable in the first quarter of this year.
28. While this has remained fairly consistent, employment levels still remain at less than optimal levels at 47.6. Only sixteen per cent of respondents indicated that their employment levels had increased in the December Quarter of 2012, while seventeen per cent thought that this would be the case in the March Quarter of 2013.

Figure 5: Pulse Survey employment levels index

EMPLOYMENT LEVELS



Source: Westpac/CCIQ Survey of Business Conditions – December Quarter 2012

Average Wages

29. The Pulse Survey index of average wages (at Figure 6) indicates that most respondents (74 per cent) believed that average wages would remain stable in the March Quarter of 2013. The seasonally adjusted Pulse index increased slightly in the December Quarter from 49.9 to 51.7, although this is forecast to fall back to 49.9 in the March Quarter of 2013.

Figure 6: Pulse Survey average wages index

AVERAGE WAGES



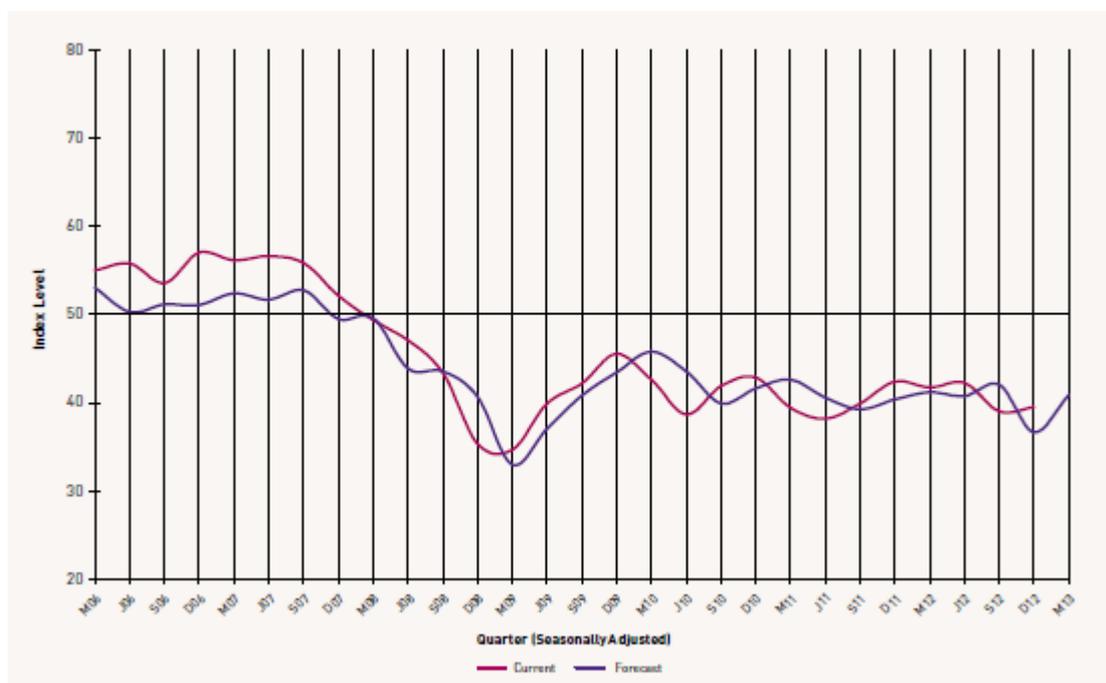
Source: Westpac/CCIQ Survey of Business Conditions – December Quarter 2012

Capital expenditure

30. Figure 7 sets out the Pulse Survey capital expenditure index. The index has remained weak since the global financial crisis as businesses sought to reduce costs and cut expenditures. This trend appears to be continuing, with the index sitting at 39.5 in the December Quarter of 2012 and increasing slightly to 40.9 for the March Quarter of 2013.
31. The continued weakness of the capital expenditure index is significant: the fact that for some time now, businesses have been unable or unwilling to invest in technology and infrastructure that would potentially enable staff to become more productive, allow for greater innovation in the workplace, and ultimately improve profitability, illustrates that employers are instead more focused on the very basic goal of remaining in business.
32. Arguably, the Pulse Survey capital expenditure index helps to validate employer claims that they are experiencing genuine financial difficulties, and that their capacity to pay additional wage costs is extremely limited.

Figure 7: Pulse Survey capital expenditure index

CAPITAL EXPENDITURE



Source: Westpac/CCIQ Survey of Business Conditions – December Quarter 2012

Regional analysis

33. The Pulse Survey also breaks down data on a regional basis to provide a resulting indicator for Queensland regions (see Figure 8). The results are clearly mixed:
- The majority of regions showed strong (above 50) results with respect to the twelve month economic outlook and for general business conditions. Other than Far North Queensland, all regions experienced an increase in profitability in the December Quarter of 2012.
 - However, key lead indicators such as capital expenditure continued to lag. Every region other than North Queensland recorded results of less than 50, while capital expenditure levels in Brisbane, the Gold Coast, Central Queensland, the Central Coast and Far North Queensland weakened to below 50. This is important to emphasise, given the importance of capital expenditure levels as a lead indicator of business confidence.
 - Employment levels fell to 33.8 and 33.6 in Central Queensland and the Central Coast respectively, well below the Queensland average of 47.6. Indeed, some regions yielded particularly negative results: Central Queensland, despite having a number

of resources projects located within the region, reported a weakened twelve-month outlook, a worsening in general business conditions and total sales revenue, and a decrease in capital expenditure levels.

Figure 8: Pulse Survey regional analysis

REGIONAL ANALYSIS

Current Dec 2012	Brisbane	Sunshine Coast	Gold Coast	SW Qld	Central Qld	Central Coast	North Qld	Far North Qld
12 Month Outlook - Queensland	↑ 52.7	↑ 53.4	↑ 52.7	↓ 49.1	↓ 40.0	↑ 54.3	↑ 53.8	↑ 53.2
General Business Conditions	↑ 51.8	↑ 54.0	↑ 55.2	↓ 55.3	↓ 34.7	↑ 42.4	↑ 52.6	↑ 54.0
Total Sales/Revenue	↑ 50.9	= 54.1	↑ 54.2	↓ 55.7	↓ 39.7	↑ 44.6	↑ 50.0	↑ 50.5
Profitability	↑ 44.4	↑ 52.4	↑ 45.3	↑ 51.8	↑ 38.2	↑ 40.9	↑ 45.8	↓ 43.0
Average Wages	↓ 50.4	↑ 51.5	↑ 45.3	↓ 52.4	↓ 48.5	↓ 48.9	↓ 54.2	↑ 52.7
Employment Levels	↓ 44.2	↑ 49.5	↑ 50.6	↑ 52.4	↓ 33.8	↓ 38.6	↑ 43.8	↑ 48.9
Capital Expenditure	↓ 37.7	↑ 44.6	↓ 39.8	↓ 46.7	↓ 28.6	↑ 35.1	↑ 50.4	↓ 35.3

↑ Index increased from previous Qtr; ↓ Index decreased from previous Qtr; = Index unchanged from previous Qtr.

Source: Westpac/CCIQ Survey of Business Conditions – December Quarter 2012

5.0 QUEENSLAND'S UNEMPLOYMENT FIGURES

34. The latest ABS data on Queensland's unemployment figures correlates closely with the depiction the Pulse Survey data presents of a latent economic recovery that remains vulnerable to additional changes or pressures.
35. The employment rate in Queensland has remained over 5.5 per cent since February 2012 and is above the national unemployment rate of 5.4 per cent (Figure 9 compares the unemployment rate on a jurisdictional basis in February 2012 and February 2013). Since February 2012, every state in the country except Tasmania experienced a year-on-year increase in unemployment in both trend and seasonally adjusted terms.

Figure 9: Unemployment data: year-on-year change – February 2012/February 2013

UNEMPLOYMENT DATA: YEAR-ON-YEAR CHANGE				
Jurisdiction	TREND		SEASONALLY ADJUSTED	
	Unemployment rate February 2013 (%)	Change from February 2013 (%)	Unemployment rate February 2013 (%)	Change from January 2013 (%)
Queensland	5.8	0.3	5.8	0
New South Wales	5.2	0.1	5.2	0.1
Victoria	5.7	0.3	5.5	0
South Australia	5.9	0.7	5.8	0.5
Western Australia	4.4	0.4	4.5	0.7
Tasmania	7.1	0	6.6	-0.5
Australia	5.4	0.3	5.4	0.2

Source: ABS Catalogue 6202.0 – Labour Force, Australia – February 2013

36. While Queensland's unemployment levels have fallen this year after exceeding six per cent in the second half of 2012, the available data suggests that this is not uniform across the state when unemployment or changes to employment are considered on a regional or industry basis.
37. Figure 10 below sets out the change in full-time employment in Queensland by industry between February 2012 and February 2013. The mining industry recorded the largest

increase, with the number of full-time employees rising by over seventeen per cent. This was followed closely by:

- a. the professional, scientific and technical services industry, which saw full-time employment grow by 12.27 per cent; and
- b. the construction industry, in which full-time employment increased by just under 11 per cent. As a mining-adjacent industry, non-residential construction is still experiencing growth; however, the decrease in residential dwelling approvals has fallen, suggesting that the construction industry (and the jobs that come with it) is reliant on the continuation of the resources boom in Queensland.

38. By contrast, full-time employment fell most significantly in:

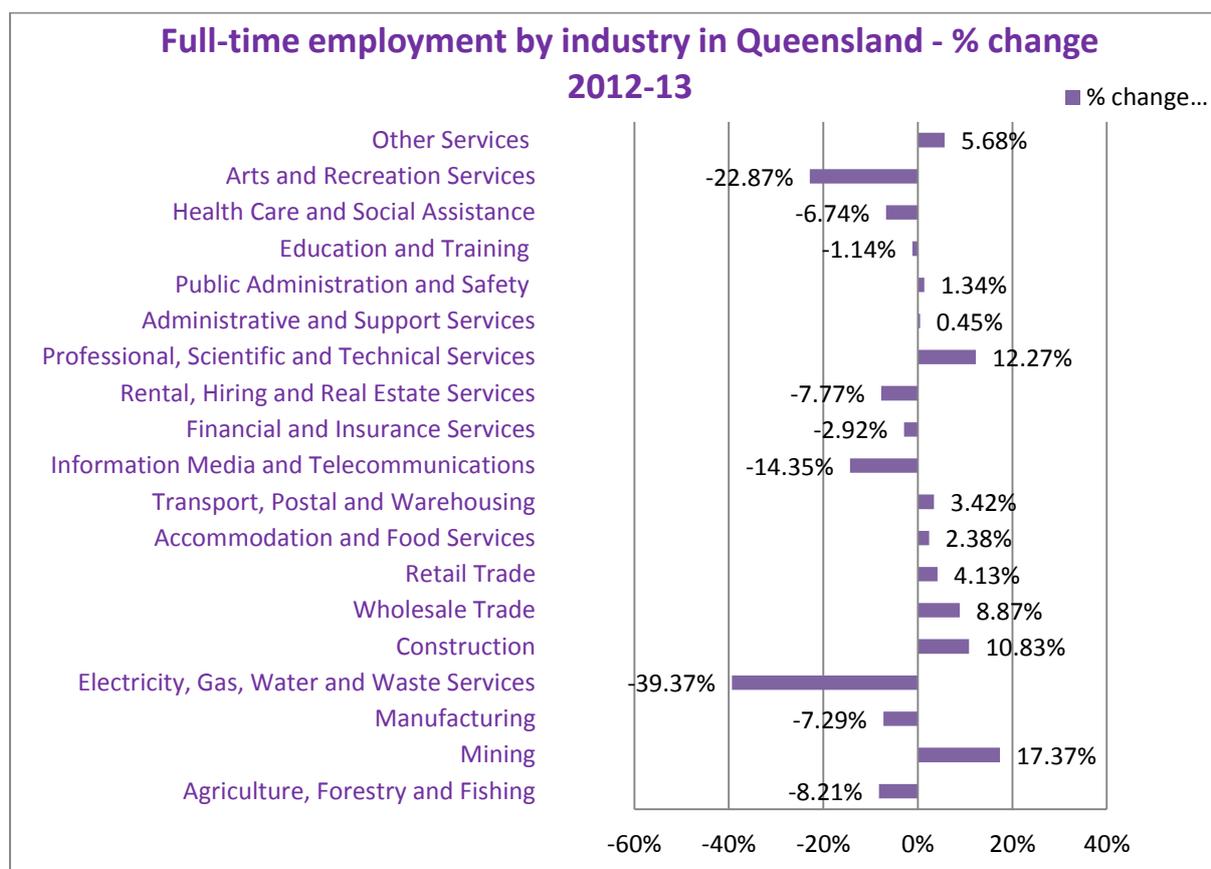
- a. the electricity, gas, water and waste services industry (-39.37 per cent). This significant fall came as a result of efficiency measures imposed on Queensland's energy providers;
- b. the arts and recreation services industry (-22.87 per cent); and
- c. information, media and telecommunications (-14.35 per cent).

39. Accommodation and food services, retail trade and the transport, postal and warehousing industries all experienced only modest year-on-year growth in employment of below five per cent.

40. Both the manufacturing and transport, postal and warehousing services industries fell by over seven per cent. This is notable given that both are considered to be mining-adjacent industries, but unlike construction (or indeed the mining industry itself), full-time employment fell between 2012 and 2013. Section 6.2 will explore the pressures that the manufacturing industry in particular is experiencing.

"I know that all of the regulation surrounding employing people is a big disincentive to employ. Inexperienced unskilled workers do not get employed if the minimum wage is too high for these kind of people and if it is too difficult to remove a worker who is not performing. This means that people with potential do not get an opportunity to prove themselves. "
– Survey Respondent, Sunshine Coast

Figure 10: Full-time employment by industry in Queensland - % change 2012-13



Source: ABS Catalogue 6291.0.55.003 – Labour Force, Australia, Detailed – February 2013

41. Figure 11 breaks down the Queensland unemployment rate to a regional level. It demonstrates that nearly every Queensland region except the Gold Coast, Gold Coast South and the Northern-North West saw an increase in the regional unemployment rate.
42. Moreover, a number of regions showed particularly high levels of unemployment: in the Wide-Bay Burnett, unemployment was at 8.8 per cent as of November 2012; the Far North’s unemployment rate was 8.1 per cent; South and East Brisbane had unemployment of 7.2 per cent; and both West Moreton and Ipswich City had unemployment of 7.0 per cent.
 - a. This lower level data may be contrasted to the national unemployment rate of 5.4 per cent and even the Queensland average of 5.8 per cent. It should also be considered in conjunction with the Pulse Survey data and industry specific changes in full-time employment.
 - b. It should also be noted that given that the representation of Queensland Government departments and staff are generally limited in regional areas outside of South-East Queensland to social and essential services, it may be observed the hike in regional unemployment rates is unlikely to be a result of efficiency measures that

reduced Queensland public service numbers in the second half of 2012. Rather, the decrease in employment is more likely to be attributable to a decline in the private sector and its capacity to maintain existing employees or take on new employees.

Figure 11: Unemployment Data: Queensland Regions

UNEMPLOYMENT DATA: QUEENSLAND REGIONS			
	Unemployment rate November 2011 (%)	Unemployment rate November 2012 (%)	% Change Nov 2011- Nov 2013
Brisbane	4.3	5.5	1.2
Brisbane City – Inner ring	2.2	3.5	1.2
Brisbane City – Outer Ring	5.3	6.3	1.0
South and East Brisbane	5.0	7.2	2.2
North Brisbane	4.4	4.9	0.5
Ipswich City	5.4	7.0	1.6
Gold Coast	6.3	4.4	-1.9
Gold Coast North	8.3	Unknown	-
Gold Coast South	6.0	4.8	-1.2
Sunshine Coast	5.5	6.4	0.9
West Moreton	5.7	7.0	1.3
Wide Bay-Burnett	5.3	8.8	3.5
Mackay-Fitzroy-Central West	4.3	4.6	0.3
Darling Downs-Central West	3.8	4.6	0.8
Northern-North West	7.9	3.5	-4.4
Far North	9.2	8.1	1.1

Source: ABS Catalogue 6291.0.55.001 – Labour Force, Australia, Detailed – November 2012

6.0 KEY ISSUES REQUIRING CONSIDERATION DURING THE AWR

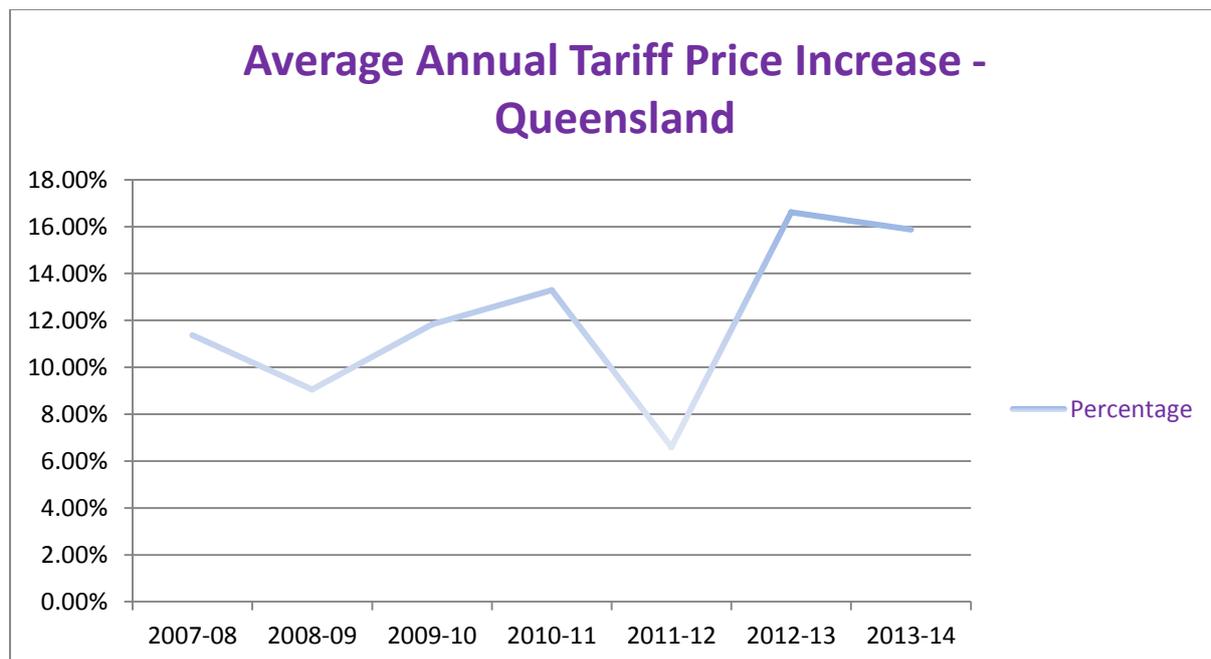
43. There are a number of key issues that CCIQ believes must be considered during the 2012-13 AWR that support our contention that a number of Queensland industries do not have the capacity to pay any increase to the NMW above \$5.80 per week.

6.1 Energy costs

44. Not only does electricity in Queensland constitute a significant proportion of the operating costs of Queensland businesses. The continuing increase in the average annual tariff price for electricity in Queensland affects not only the profitability of many businesses, but ultimately, their overall viability.

45. Indeed, the Figure 12 shows the significant fluctuations in annual tariff prices in Queensland each year since 2007: in 2012-13, average price will increase by just under 16.61 per cent, and by 15.87 per cent in 2013-14.

Figure 12: Average Annual Tariff Price Increase – Queensland



Source: *Regulated Retail Electricity Prices 2013-14: CCIQ Submission to the Queensland Competition Authority.*

46. These increases obviously impact businesses that have high energy needs: these include businesses in the manufacturing, retail, tourism and hospitality industries. While many businesses have indicated that they have investigated options for improving energy efficiency as a way to reduce costs and remain sustainable, a CCIQ survey of Queensland

businesses conducted in March 2013 found that the majority have already taken all action possible and/or cannot further reduce their electricity any further. Moreover, 100 per cent of businesses with energy costs in excess of 20 per cent of overall operating costs have taken all possible action to reduce their energy costs, and have indicated that they are unable to reduce these costs any further.³

47. It should also be noted that the industries listed above face significant competition, both domestically and internationally, and therefore the capacity of businesses to pass on these additional energy costs is limited.

6.2 Two speed economy

48. The resources industry continues to be a strong force for growth in Queensland, and to an extent has also kept adjacent industries such as construction and manufacturing fairly resilient. However, it is clear that the remainder of the Queensland economy is experiencing flat or negative growth. Part of this can be attributed to an unfortunate combination of factors (discussed below) that have worked to undermine profitability as well as to add to day to day business costs.

Industries experiencing difficulties

49. Key Queensland industries that are struggling in the two-speed economy include:
- a. *Tourism industry*: the Queensland tourism industry continues to be afflicted by a conflation of factors, including a high Australian dollar, continuing economic turmoil globally, a lack of investment, infrastructure issues and high employment costs. The value of domestic tourism has remained relatively stable, with domestic visitor expenditure in Queensland increasing by eight per cent in 2012.⁴ However, overseas visitor numbers have declined sharply in recent years and are only recently beginning to improve.⁵ Given the fact that the tourism industry is one that faces global competition, it is extremely sensitive to any increases in employment costs that may potentially need to be passed on to customers.

³ CCIQ (2013) *Regulated Retail Electricity Prices 2013-14: CCIQ Submission to the Queensland Competition Authority*.

⁴ Tourism and Events Queensland (2013) *Domestic Tourism Snapshot Year ended December 2012*. Available from:

http://www.tq.com.au/fms/tq_corporate/research%20%28NEW%29/Summary%20Visitor%20Statistics/Domestic%20Tourism%20Snapshot/12%20December%20Domestic%20Automation%20Snapshot%20Master.pdf.

⁵ Tourism and Events Queensland (2013) *International Tourism Snapshot Year ended December 2012*. Available from:

http://www.tq.com.au/fms/tq_corporate/research%20%28NEW%29/International%20Visitor%20Data/12%20December%20International%20Automation%20Snapshot%20Master.pdf.

- b. *Retail:* Queensland retailers continue to report difficult trading conditions, with consumers reluctant to spend and ongoing challenges surrounding online trading and the high Australian dollar. Retailers have also raised concerns regarding the impact of rising employment expenses on their businesses due to increased costs associated with the FW Act, such as penalty rates and overtime, a lack of flexibility and expenses associated with the implementation of transitional arrangements. Both the tourism and retail industries have been affected by the current penalty rates regime, which push up costs outside of 'standard, 9-5' trading hours in industries characterised by seven-day trading periods.

"Weekend penalties are unfair to an industry trading seven days per week and an impediment to full time employment. They resulted in no productivity gain and are generally bad for the economy."

Central Coast Business Operator in the Accommodation, Cafes and Restaurants industry

- c. *Manufacturing industry:* While the manufacturing industry continues to maintain a fairly strong presence in areas of Queensland, including in Central and Central West Queensland, it remains under pressure from the high dollar, global competition, cheap imports, increasing electricity prices and ongoing skill shortages. CCIQ continues to hear stories of Queensland manufacturers being unable to remain profitable, and either shutting their doors or shifting their operations overseas.
- d. *Construction industry:* The construction industry continues to face depressed conditions in many Queensland regions. While construction businesses that undertake non-residential building remain fairly strong, those relying on residential construction work are experiencing difficulties: most recently, the total number of private dwelling units approved in Queensland fell on a seasonally adjusted basis by 5.8 per cent per cent in January 2013.⁶ While the trend estimate for the total number of dwelling units approved in Queensland rose 1.2 per cent in January 2013, it had fallen for five months prior.⁷ Other issues being faced by the construction industry include uncertainty around interest rates, a lack of investment and workplace health and safety laws (including workers' compensation premiums).

⁶ ABS (2013) *Catalogue 8731.0 - Building Approvals, Australia, January 2013*. Accessed from: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/8731.0January%202013?OpenDocument>.

⁷ *Ibid.*

6.3 Business insolvencies

50. CCIQ remains concerned about the large number of Queensland businesses becoming insolvent. Figure 13 show that Queensland had the highest number of business failures in the country between 2007 and 2011, with 41.4 per cent of businesses that were in operation as of June 2007 becoming insolvent by June 2011.

Figure 13: Survival of businesses by State between June 2007 and June 2011

Survival of businesses by State between June 2007 and June 2011			
	Business operating in June 2007	Businesses survived to June 2011	Failure rate
QLD	421,060	246,770	41.4%
NSW	697,304	421,244	39.6%
VIC	517,794	317,470	38.7%
SA	146,823	92,647	36.9%
WA	211,745	126,716	40.2%
TAS	39,075	24,961	36.1%
AUS	2,073,793	1,252,626	39.6%

Source: ABS Catalogue 8165.0

51. SMEs are extremely sensitive to cost pressures and often operate on very low profit margins. It is important that minimum wages are maintained at a level that allows businesses to remain viable, rather than adding additional costs to an already expensive business operating environment. The Panel, in making its decision, has the capacity to reduce or control cost pressures on SMEs.

“The current labour laws disadvantage us to the point where there is hardly any point trying to continue. As a builder of patios - small custom designed projects in client homes - sales are by contract where labour costs have to be estimated months before work commences. Overtime, wages and allowances can't be accurately estimated at the time of sale. Site work needs to be carried out in small teams. Contractors can't work continuously for us. The system is an impossible mess.”

Brisbane Business Operator in the Construction industry

6.4 Recovery from natural disasters

52. Just as many businesses had largely recovered from the widespread flooding that caused significant damage and economic loss around Queensland in early 2011, the state was again hit by flooding in January and February of this year. While the impact was less in many areas than that caused by the 2011 flooding, some regions, including the (South Burnett) were again devastated.

53. The impact of the 2013 floods have contributed to a downturn in holiday bookings during what are typically peak holiday periods for the tourism and accommodation industries.

Anecdotal evidence suggests that bookings for major tourism destinations, such as the Gold and Sunshine Coasts, are down by as much as fifteen per cent, with potential visitors seemingly deterred by images of the devastation sustained to some of Queensland's tourist beaches earlier in the year.⁸

6.5 Increased cost of running a business

54. The increased cost of running a business is a major cause of concern for many businesses, and this submission has already highlighted some of the causes of these increased costs and the consequences that this can have for SMEs.
55. The key issues raised by businesses in relation to increased business costs include:
- a. The rising of cost regulatory compliance, particularly in respect of workplace relations and workplace health and safety legislation;
 - b. Continual increases to electricity prices, as noted above;
 - c. The legislated increase to the SGL from nine per cent to twelve per cent;
 - d. Ongoing increases to other input costs including insurance, transport/freight, workers' compensation and other overheads; and
 - e. Insurance premiums, which in some areas of Queensland have increased by 100-150 per cent following the natural disasters of 2011 and 2013.
56. CCIQ's member businesses have overwhelmingly reported that compliance with the FW Act has increased their costs of operation. Specific examples include:
- a. A lack of flexibility associated with restraints on the use of individual flexibility arrangements;
 - b. An extension in the applicability and level of penalty rates and overtime for work performed outside of 'standard, 9-5' hours;
 - c. Costs associated with dealing with unfair dismissal and adverse action claims that often result in a need to pay 'go-away money' to former employees;
 - d. The complexity associated with ensuring compliance with awards, including award rates;
 - e. The applicability of minimum engagement periods in a number of awards that restrict the capacity of employers to employ junior staff; and
 - f. Additional and increase work and expense-related allowances, including for apprentices and trainees, around costs associated with training.

⁸ Courier Mail (28 March, 2013) 'Beach erosion puts off tourists from top Queensland holiday spots on Gold and Sunshine Coasts'. Available from: <http://www.couriermail.com.au/news/queensland/beach-erosion-puts-off-tourists-from-top-queensland-holiday-spots-on-gold-and-sunshine-coasts/story-e6freoof-1226603741692>.

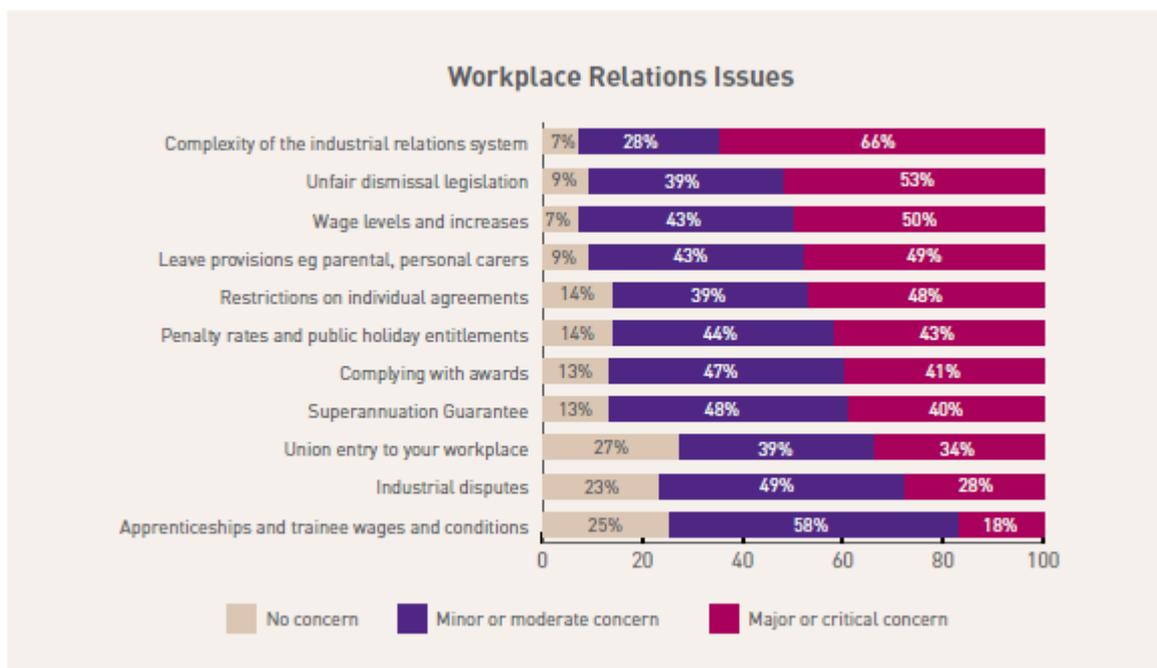
“There does not seem to be any flexibility to work out informal mutually beneficial arrangements with staff. eg a staff member would prefer to work weekends due to family or other commitments. We would be required to pay penalty rates instead of treating the arrangement as normal working hours.”

South West Queensland Business Operator in the Health Care and Social Assistance industry

57. Figure 14 sets out those workplace relations issues in order of their importance to business. Notably, the overall complexity of the Fair Work system was of greatest concern to employers (66 per cent), while unfair dismissal laws (53 per cent) and wage levels and increases (50 per cent) were also a source of critical concern.

- a. The concerns set out in Figure 13 reflect growing frustration from employers over the lack of balance that they perceive in the FW Act, particularly with respect to those legislative measures that impose significant costs on their business or restrict their capacity to reduce or control expenses.

Figure 14: Workplace Relations Issues



Source: CCIQ – 2012 Big 3 for Business Election Survey – January 2012

58. In addition to current difficulties employers are experiencing under the FW Act, proposed changes to the Act have been introduced into the Parliament and are currently being considered by the Senate Standing Committee for Education, Employment and Workplace Relations. These proposed amendments include:

- a. An expansion of the right to request flexible work arrangements that would expand that right to other classes of employees, allow pregnant women to request a transfer to a safe job and provide further flexibility in relation to concurrent unpaid parental leave;
- b. Require employers to consult with employees about the impacts of changes to regular rosters or hours of work, particularly in relation to family and caring responsibilities; and
- c. Amend the modern awards objective to entrench penalty rates in law for employees working casual and shift work.

6.6 Capacity of business to absorb an increase in 2012-13

59. This submission has shown that Queensland businesses, and in particular SMEs, are operating in a difficult business environment. Given that the cumulative result of the past three AWR decisions has been to increase Australia's NMW to the highest in the OECD community, CCIQ submits that the Panel exercise its discretion under the FW Act in a manner that takes account of the contentions made in this submission.

60. The potential consequences of an increase above \$5.80 per week include:

- a. Employers needing to decrease the number of full-time employees in their business;
- b. Employers needing to make increased use of junior or casual employees;
- c. Employers may hire fewer employees and be required to spend more hours working in their business;
- d. Reducing the number of hours on offer to employees;
- e. A decrease in the level of investment, overall profitability and the level of cash flow in the business; and
- f. Employers may need to increase the price of goods and/or services.

7.0 CHANGES TO THE AWR DECISION-MAKING PROCESS

61. CCIQ considers that changes must be made to the AWR process so that the Panel is able to take into account a broader range of considerations when making a determination with respect to the NMW.
62. Changes to this process should include:
- a. An amendment to the FW Act requiring that the Panel must take into account economic and business conditions on an industry specific basis to ensure that AWR decisions do not disproportionately impact businesses that can least afford to pay an increased NMW;
 - b. An amendment to require that increases to the NMW and minimum award rates be linked to productivity improvements;
 - c. An amendment to require that the phased annual instalment increases to the mandatory superannuation guarantee levy are offset in any future increase to the NMW; and
 - d. The implementation of a six-month transition period following the announcement of a change to the NMW to allow businesses to make arrangements in light of changes to employment costs.

8.0 CONCLUSION

63. CCIQ does not support a race to the bottom on wages, and has long supported the maintenance of an appropriate safety net for Queensland (and Australian employees). Queensland employers value their staff and consider them to be an integral part of their business.
64. It is therefore in the interests of both employers and employees that wages in Australia remain at sustainable levels to ensure the ongoing viability of businesses. It is not in the interest of Queensland's lower paid workers for employers to offer them less hours, hire fewer employees, or to ultimately go out of business. This is not hyperbole, but the real potential consequences that many Queensland businesses, already under significant pressure from a range of sources, currently face.
65. This submission has demonstrated that Queensland businesses are operating in an increasingly expensive environment and under the burden of regulatory, economic and structural factors. CCIQ urges the Panel to take into consideration the fact that wages in Australia, including the NMW, remain amongst the highest in the world. In light of that, if the Panel were to determine that there be no increase, or only a modest increase, to the NMW in 2012-13, it would be demonstrating its recognition of the importance of the role of SMEs in the Queensland and Australian economies and that it is critical that they remain viable into the future.