

CITATION: *Queensland Council of Unions AND Local Government Association of Queensland Ltd and Others (B/2011/17) and The Australian Workers' Union of Employees, Queensland AND Local Government Association of Queensland Ltd and Others (B/2011/19) - Decision*
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QUEENSLAND INDUSTRIAL RELATIONS COMMISSION

Industrial Relations Act 1999 - s. 287 - application for declaration of a general ruling
s. 288 - application for statement of policy

Queensland Council of Unions AND Local Government Association of Queensland Ltd and Others (B/2011/17)

**The Australian Workers' Union of Employees, Queensland
AND Local Government Association of Queensland Ltd and Others (B/2011/19)**

DEPUTY PRESIDENT SWAN
DEPUTY PRESIDENT BLOOMFIELD
COMMISSIONER THOMPSON

31 August 2011

STATE WAGE CASE 2011

DECISION

THE CLAIMS

[1] On 29 June 2011 the Queensland Council of Unions (QCU) filed an application (B/2011/17) seeking a general ruling pursuant to s. 287 of the *Industrial Relations Act 1999* (the Act) and a statement of policy pursuant to s. 288 of the Act in regard to the principles of wage fixation. In doing so, QCU sought the following decision:

- a \$28 per week increase in Award wage rates for employees at Award classification rates equivalent to or below the C10 classification in the *Engineering Award - State 2002*;
- a 4.2% increase in Award wage rates for employees at Award classification rates equivalent to or above the C10 wage level in the *Engineering Award - State 2002*;
- an increase of 4.2% in existing Award allowances which relate to work or conditions which have not changed and service increments;
- an increase of \$28 per week in the level of the Queensland Minimum Wage (QMW) as it applies to all employees;
- a statement of policy in regard to a statement of principles that may be generated as a result of the abovementioned general rulings; and
- an operative date of 1 September 2011.

[2] On 30 June 2011 The Australian Workers' Union of Employees, Queensland (AWU) filed a similar application (B/2011/19). By consent of all of the parties the two applications were joined in the course of preliminary proceedings conducted on 4 July 2011.

SUBMISSIONS BY QCU IN SUPPORT OF ITS APPLICATION

General

[3] In support of its application QCU filed a 74 page submission, which, *inter alia*, covered the followed points:

- the legislative context in which the Queensland Industrial Relations Commission (the Commission) is to issue its decision;
- the size of the State jurisdiction;
- the current economic conditions and prospects (on both a national and Queensland basis);
- current labour market conditions and forecasts;
- movements in wage measures (especially the Wage Price Index (WPI));
- relevant social factors for consideration including Award dependency, gender-pay inequity and fair standards in the context of community living standards generally; and
- recent minimum wage case decisions in other jurisdictions.

[4] QCU asserted there is sufficient capacity for the Queensland economy to sustain the level of increases claimed. In QCU's submission, the present proceedings are taking place a time when Australia is at the forefront of economic recovery internationally. Conditions in the global economy have improved vastly, with annual growth forecasts being revised upwards (at the time of the submission), global Gross Domestic Product (GDP) growing at above trend pace and business confidence increasing.

- [5] Since the last State Wage Case Decision in August 2010, and notwithstanding recent natural disasters, substantial consolidation has occurred in the Queensland, national and international economies. Conditions in the Australian and Queensland labour markets have steadily improved and, consistent with continuing economic recovery, these conditions are forecast to strengthen.
- [6] In QCU's submission, the strengthening and consolidation of the economy indicates there is no impediment to the Commission awarding the full level of increases claimed.
- [7] Awarding the level of increases claimed would:
- help to maintain minimum wages relative to community standards, to ensure fair living standards for Queensland's low paid Award-reliant workers;
 - redress, to a certain extent, the wage differential for employees who do not benefit from bargaining; and
 - help to address gender-pay inequities within Queensland.

Legislative Context

- [8] QCU submitted that, in hearing the application, the Commission is required to have regard to s. 126 - Contents of Awards, which provide a framework for economic prosperity and social justice by ensuring that Awards:
- provide for secure, relevant and consistent wage and employment conditions;
 - provide fair standards for employees in the context of living standards prevailing in the community; and
 - take account of the efficiency and effectiveness of the economy, including productivity, inflation and the desirability of achieving a high level of employment.
- [9] QCU also referred to extracts from the 2007 State Wage Case Decision in which the Commission highlighted there was a need to consider both economic and social factors in general ruling applications of this type, as follows:

*"... there is a need to ensure that people are covered by fair and reasonable wages that allow them to participate in society and that those who do not benefit from bargaining are not left behind. These economic and social objectives are encapsulated in the Principal Object of the Act which is to provide a framework for industrial relations that supports economic prosperity and social justice."*¹.

Size of the State jurisdiction

- [10] Following the enactment of the *Workplace Relations Amendment (Work Choices) Act 2005* (Cth) (WorkChoices) and the subsequent referral of Queensland's private sector industrial relations powers to the Commonwealth from 1 January 2010 following the enactment of the *Fair Work (Commonwealth Powers) and Other Provisions Act 2009* (the Fair Work Referral Act), the State jurisdiction now consists of (approximately):
- 250,000 State Government employees (approximately 1,000 of whom are directly affected by this State Wage Case Decision);
 - 37,000 Local Government employees (of whom less than 2,000 are Award-reliant); and
 - 1,250 Parents and Citizens' Associations which employ 3,000 to 4,000 employees (all of whom are Award-reliant).
- [11] QCU said that granting the claimed increases will have a minor impact on employers of the affected employees because of the limited size of the State jurisdiction and the minimal extend of Award-dependence. Further, the increase will help to ensure a fair standard of living, relative to current economic conditions, for Queensland's lowest paid Award-reliant employees.

Economic Conditions - Australia

- [12] QCU referred to a range of economic and other statistical data which it said demonstrates the strong performance of the national and Queensland economies over the past 12 months. In summary form, the data referred to by QCU included references to increases in:
- GDP;
 - domestic final demand;
 - household final consumption expenditure;

¹ *State Wage Case* (2007) 185 QGIG 422 at 21.

- total private fixed capital formation expenditure; and
- consumer sentiment.

[13] Other data referred to by QCU, which recorded economic performance and business and consumer attitudes, showed the following:

- total inventories held by enterprises and governments increased significantly in the March 2011 quarter, which was said to reflect anticipated increases in demand;
- Australia's terms of trade increased by 4.5% over the year to the March quarter 2011 in seasonally adjusted terms. This indicated that Australia's export prices are increasing, relative to prices paid for imports. According to the Reserve Bank of Australia (RBA), in its May 2011 Statement on Monetary Policy, Australia's terms of trade are likely to rise further in the June quarter 2011, to be at their highest level in at least 140 years;
- for the year ending 31 March 2011 the wage share of total factor income increased slightly from 53.4% to 53.8%. This indicates that the proportion of money paid as wages has increased, relative to employers' business incomes;
- gross mixed income increased by 6.9% in trend terms and 5.4% in seasonally adjusted terms over the year ending 31 March 2011. This indicates that business profits are (also) increasing;
- non-farm rural unit labour costs increased by 1.9% in seasonally adjusted terms over the year ending 31 March 2011. Notwithstanding this slight increase, the costs incurred by employers employing labour continues to be amongst the lowest it has been at any time since 1997;
- in seasonally adjusted terms, industry gross value added increased by 1.4% for the year ending 31 March 2011. This indicates the value of goods and services has increased;
- the RBA's May 2011 Statement on Monetary Policy noted:
 - retail sales growth in Queensland was stronger than in the rest of the economy in the quarter ended 31 March 2011 driven by sales of household goods consistent with the replacement of flood-damaged consumer durables;
 - overall measures of business conditions are around, or modestly above, average levels, although there is significant variation across sectors; and
 - after floods disrupted production activities in Queensland in January, many businesses are now expecting that the reconstruction activity will boost demand over the months ahead;
- the Consumer Price Index (CPI) increased by 1.6% over the quarter ending 31 March 2011, having increased by 3.3% over the year; and
- while noting that underlying inflation was around 2.5% per year, the RBA in its May 2011 Statement on Monetary Policy also indicated its expectation that inflation was likely to increase gradually over the next few years.

[14] In relation to other data, QCU noted that household interest payments as a share of disposable income increased from 10.6% in the December quarter 2009 to 12.1% in the December quarter 2010. This increase reflected a modest increase in housing prices and increases in the official cash rate in the previous 12 months. The increase was also said to impact more significantly on Award-reliant employees, who depended on wage increases to maintain the real value of their wages.

Economic Conditions - Queensland

[15] QCU reproduced Table 4 - *State and National Economic Outcomes and Forecasts*, from the *State Budget 2011-12: Budget Strategy and Outlook - Budget Paper No. 2 (2011)* which recorded Queensland and national outcomes for a number of areas for 2009-10, estimates for 2010-11 and forecasts for the subsequent two financial years.

[16] In referring to the data contained in this table QCU highlighted the following points:

- the growth in Queensland's Gross State Product was 2.1% in 2009-10 but was estimated to remain stable during 2010-11 as a result of the impact of natural disasters in the early months of 2011. However, in the absence of the natural disasters, it is estimated that the economy would have expanded by 2.25% in 2010-11;
- a significant increase in Gross State Product was forecast in 2011-12 (5%) and 2012-13 (5.25%);
- the growth in Queensland Gross State Product has consistently been higher than the national average;
- household consumption is estimated to grow by 1.5% in 2010-11, representing the third consecutive year of growth at or below population growth;
- growth in household disposable income is expected to slow in 2010-11 due to rising interest rates and weaker real wage growth. Whilst non-discretionary spending rose, discretionary spending has fallen;
- Queensland's export growth will remain largely unchanged in 2010-11 due to the impact of natural disasters on the export sector. In the absence of the natural disasters, exports would have grown;

- Queensland's level of imports of goods and services is expected to increase 12.25% in 2011-12 and 11% in 2012-13, respectively. The increase is due to the high Australian dollar and business investment in domestic economic activity;
- public final demand is estimated to grow by 1% in 2010-11 and a further 0.75% in 2011-12;
- while private investment declined by 11% in 2009-10 it is expected to increase by 3% in 2010-11;
- building investment is estimated to rise by 13% in 2010-11, after a decline of 18.3% in 2009-10, with businesses taking advantage of the strong Australian dollar.
- inflation is estimated to rise to 3.75% in 2010-11, up from 2.7% in 2009-10;
- retail trade is expected to improve as economic growth becomes broader-based over the next two financial years.

The Economic Outlook

- [17] Relying on material contained in a number of publications, most particularly *World Economic Outlook: April 2011* published by the International Monetary Fund (IMF), QCU submitted that the global economy is continuing to grow at above-average pace, although conditions vary significantly across different regions of the world. Growth in Asia remains strong, with the exception of Japan where natural disaster is having significant impact on the economy.
- [18] The global economy is predicted to grow by 4.25% in 2011 and 4.5% in 2012. In its *World Economic Outlook*, the IMF stated "... (t)he recovery has become more self-sustaining, risks of a double-dip recession in advanced economies have receded, and global activity seems set to accelerate again."
- [19] In Australia, while recent natural disasters are having an impact on economic growth, that impact is expected to be temporary. Robust growth in emerging Asia has pushed Australia's terms of trade towards historical highs, underpinning an extremely strong outlook for resources, investment and exports.
- [20] The Australian economy is predicted to grow by 4% in 2011-12 and 3.75% in 2012-13, despite recent natural disasters. Other measures of activity (such as domestic final demand; household consumption; new business investment; terms of trade) are all expected to improve in 2011-12, and beyond. In particular, as a result of strong employment growth and a solid growth in wages, compensation of employees is expected to increase by 7.25% in 2011-12 and 6.5% in 2012-13.
- [21] Underlying inflation is expected to increase steadily to reach 2.5% by the June quarter 2011 and 3% by the June quarter 2012. However, headline inflation is also expected to increase in line with underlying inflation by 2013.
- [22] In line with the positive forecast for the Australian economy, Queensland's overall economic growth is expected to accelerate to 5% in 2011-12, to reach 5.25% in 2012-13 and 4% in 2013-14. QCU submitted that this forecast supports its wages claim, as the Queensland economy will have the capacity to absorb the increases sought.
- [23] Elsewhere, other forecasts indicated that the Queensland economy was expected to improve in line with national forecasts. In terms of inflation, the RBA had forecast inflation to increase to an average of 3% in 2011-12 and 3.25% in 2012-13. QCU said its claim seeks to increase Award rates of pay, which will help to maintain the real value of wages in light of the strong inflationary pressures.
- [24] In its reply submissions, QCU referred to another recent publication by the International Monetary Fund *Australia: 2011 Article IV Consultation Concluding Statement* issued on 1 August 2011, as follows, "*the economic outlook (for Australia) is favourable. After a temporary set back in the first quarter due to natural disasters, activity is expected to bounce back in the second quarter. We project real GDP growth of 2% for calendar year 2011 and 3.5% in 2012 on the back of strong demand for commodities and private investment in mining and liquefied natural gas.*"

The Labour Market

- [25] QCU referred to a range of labour market data said to demonstrate that labour market conditions have improved since the middle of 2010. Total employment in Australia reached a new high of 11,440,500 of employed persons in May 2011 while unemployed persons, in seasonally adjusted terms, decreased from 5.2% in May 2010 to 4.9% in May 2011.
- [26] The participation rate in May 2011 was 65.6% which matched its previous peak in April 2008. QCU said the stable participation rate indicates that there has not been a surge in discouraged workers leaving the labour force.
- [27] In Queensland, the number of employed persons increased by approximately 50,000, to 2,332,900, between May 2010 and May 2011. Over the same period the unemployment rate fell to 5.3% from 5.5%. This was well below

historical figures - especially during previous recessionary periods in the early 1980s and 1990s when it exceeded 10%.

- [28] In trend terms the participation rate in Queensland fell to 67.2% in May 2011 from 67.7% in May 2010. However, the fall in participation rates was due to a decline in the labour force, because total employment levels had risen.
- [29] QCU also said that employment growth within Australia is expected to increase by 1.75% over 2011-12 and by a further 2% over the following 12 months. Reflecting this expected growth, the unemployment rate was forecast to continue to decline to reach 4.75% at the end of 2011-12 and 4.5% in 2012-13.
- [30] In its 2011-12 Federal Budget², the Australian Government said:

"Employment has grown well above trend over the past year with over 300,000 jobs created. The unemployment rate has declined below 5 per cent and the participation rate has increased to around record levels. While employment growth slowed in the aftermath of the recent natural disasters, the impact is expected to be temporary, with labour demand indicators pointing to a rebound in coming months. Employment is expected to grow 1.75 per cent through the year to the June quarter of both 2012 and 2013.

Labour force participation has increased over the past year, notwithstanding the demographic drag associated with the first of the post-War baby boomers turning 65. This reflects the return of job seekers previously discouraged during the downturn and also the trend rise in the participation of females and older workers."

- [31] Consistent with ongoing economic recovery and significant growth in mining construction and business investment, Queensland's employment growth is expected to strengthen to 3% over 2011-12. Employment is expected to increase again in 2012-13, by 3.5%. Further, household consumption levels are expected to increase due to strengthening employment and overall wages growth.
- [32] In summary, QCU said that the statistics it had referred to demonstrated that both the Australian and Queensland labour markets will continue to improve over 2011-12 and further in 2012-13. These factors were said to support QCU's claim for an increase to the QMW and Award rates of pay.

Movements in Wage Measures

- [33] While QCU said there are four commonly used measures of wage growth, namely:

- Average Weekly Earnings (AWE);
- Average Weekly Ordinary Time Earnings (AWOTE);
- Average Compensation per Non-Farm Employee - referred to as Average Earnings on a National Accounts (AENA) Basis; and
- Wage Price Index (WPI),

the latter index had been accepted by the Commission (State Wage Case (2006)³) as the most useful indicator of wage trends, on the basis it was less subject to compositional changes in the workforce and therefore less volatile in comparison to other measures of wage movements. Further, the WPI is the RBA's preferred measure of wages growth.

- [34] QCU said that the latest Australian Bureau of Statistics (ABS) data showed the following quarterly and yearly movements in WPI to the March quarter 2011.

Table 1: *Quarterly and yearly change in WPI to March quarter 2011 (total hourly rates of pay excluding bonuses)*⁴

| | Private sector | Public sector | All sectors |
|---|----------------|---------------|-------------|
| Quarterly increase to March 2011 | 0.9% | 0.8% | 1% |
| Yearly increase to March 2011 | 4% | 3.7% | 4% |

² Australian Government, *Budget Strategy and Outlook: Budget Paper 1* (2011) <http://www.budget.gov.au/2011-12/content/bp1/htm/bp1_bst.htm> at 30 June 2011.

³ *State Wage Case* (2006) 182 QGIG 565.

⁴ Australian Bureau of Statistics, *6345.0 - Labour Price Index, Australia, March (2011)*.

- [35] QCU also referred to data showing movements in AWE and AWOTE between February 2010 and February 2011. One of QCU's tables (Table 2, below) showed that AWOTE grew by 3.9% over that period while AWE increased by 3.7%.

Table 2: *Quarterly and yearly change in average weekly earnings: AWOTE and AWE*⁵

| | Average weekly ordinary time earnings (AWOTE) full time adults | Average total earnings full time adults | Average total earnings all persons (AWE) |
|--|--|---|--|
| Quarterly change to February 2011 | \$15.60 | \$16.90 | \$11.60 |
| Quarterly change to February 2011 | 1.1% | 1.1% | 1% |
| Yearly change to February 2011 | \$45.00 | \$50.30 | \$34.70 |
| Yearly change to February 2011 | 3.9% | 4% | 3.7% |

- [36] Referring to another ABS publication (see Table 3) QCU submitted that the wages gap between AWOTE for men and women, in dollar terms, increased slightly between February 2010 and February 2011, to \$239 per week. Expressed as a percentage, the gap decreased from 17.7% to 17.3%.

Table 3: *AWOTE for full time adults by gender, ibid.*

| | AWOTE full-time male | AWOTE full-time females | Gender pay gap \$ | Gender pay gap % |
|----------------------|----------------------|-------------------------|-------------------|------------------|
| November 2009 | \$1,307.60 | \$1,078.80 | \$228.80 | 17.5% |
| February 2010 | \$1,331.40 | \$1,095.20 | \$236.20 | 17.7% |
| May 2010 | \$1,334.40 | \$1,104.50 | \$229.90 | 17.2% |
| August 2010 | \$1,343.00 | \$1,116.20 | \$226.80 | 16.9% |
| November 2010 | \$1,361.50 | \$1,130.90 | \$230.60 | 16.9% |
| February 2011 | \$1,380.80 | \$1,141.80 | \$239.00 | 17.3% |

- [37] Data produced by the Department of Employment and Workplace Relations recorded that enterprise bargaining agreements lodged in the December quarter of 2010 included an average annualised wage increase of 3.8%, a decrease of 0.4% from the September quarter. Nonetheless, all current wage agreements include, on average, increases of 4.0% per employee, a change of 0.1% from the September 2010 quarter, as reflected in the following Table.

Table 4: *Average annualised wage increases per employee*⁶

| | | June Quarter 2010 % p.a. | September Quarter 2010 % p.a. | December Quarter 2010 % p.a. | Change in AAWI % Points - September to December 2010 |
|---------------------------------------|----------------|--------------------------|-------------------------------|------------------------------|--|
| Wage agreements in the quarter | All sectors | 4.1 | 4.2 | 3.8 | -0.4 |
| | Private sector | 3.9 | 4.1 | 3.8 | -0.3 |
| | Public sector | 4.2 | 4.7 | 3.8 | -0.9 |
| All current wage agreements | All sectors | 4.1 | 4.1 | 4.0 | -0.1 |
| | Private sector | 4.0 | 4.0 | 4.0 | 0.0 |
| | Public sector | 4.2 | 4.2 | 4.1 | -0.1 |

- [38] In Queensland, the WPI showed an increase of 3.9% over the 12 months to 31 March 2011, the same as the national increase.

- [39] Referring to the State Budget⁷ QCU said growth in the Queensland WPI is estimated to rise from 3.3% in 2009-10 to 4% in 2010-11, with annual growth at that same level in 2011-12 and 2012-13, respectively. This was said to reflect an increase in labour demand and workforce participation as a result of economic growth.

⁵ Australian Bureau of Statistics, *6302.0 - Average Weekly Earnings, February (2011)*.

⁶ Department of Employment and Workplace Relations, *Trends in Federal Enterprise Bargaining - December Quarter (2010)* <<http://www.deewr.gov.au/WorkplaceRelations/Documents/TrendsD10.pdf>> at 30 June 2010.

Social Factors

[40] QCU stressed that the Commission had highlighted the relevance of social factors in previous State Wage Case Decisions, as follows:

- in 2007 the Full Bench stated:

*"[i]n economic terms, there is a need to ensure wage outcomes are consistent with strong economic performance. In social terms, there is a need to ensure that people are covered by fair and reasonable wages that allow them to participate in society and that those who do not benefit from bargaining are not left behind."*⁸.

- in 2008 the Full Bench stated:

*"[i]f the Commission is to establish a fair standard for wage adjustments then there must be a recognition, not only of the issue of wage disparity, but also of those in paid employment who have found themselves vulnerable to poverty in recent years."*⁹.

- in 2009 the Full Bench stated:

*"[i]n determining the applications, this Commission has a range of criteria which must be addressed. This includes the statutory obligation to provide secure, relevant and consistent wages for employees together with a requirement to ensure that fair standards 'in the context of living standards generally prevailing in the community' apply. [s. 126(f) of the Act]."*¹⁰.

[41] QCU asserted that when considering the social factors in this case, the Commission should have regard to:

- the challenges faced by Award or minimum wage earners who are unable to participate in, or benefit from, enterprise bargaining;
- the growing disparity between wage outcomes for Award-reliant or minimum wage earners and those who are able to bargain; and
- meeting the needs of award or minimum wage earners associated with the costs of living.

[42] QCU also said that the Commission recognised the growing wage disparity of Queensland's working population in 2009 when it stated that:

"[s]ince 2000/2001, the QMW has grown by 7% in real terms, however, Average Weekly Ordinary Time Earnings (AWOTE) has grown by 11.2%. This shows that the QMW has not kept pace with real wage growth." ibid.

[43] With respect to that element of the claim which seeks a flat rate increase, QCU said this method had been accepted by the Commission as a method of targeting lower-paid workers with a proportionally higher increase.

Award Dependence

[44] QCU said that in August 2008 approximately 19% of Queensland workers were dependent on an Award, a decrease of approximately 25% from December 2000. With the referral of the majority of the State industrial relations system to the Fair Work Australia (FWA) jurisdiction this number will have reduced even further.

[45] QCU asserted there is no evidence to suggest that increases in the Award or minimum rates of pay have slowed the growth in bargaining. There is, and will remain after the granting of the current application, a significant gap between Award wages and the outcomes from bargaining agreements. By awarding QCU's claim, the Commission will lessen the gap between Award rates of pay and bargained outcomes.

⁷ Queensland Government, *State Budget 2011-12: Budget Strategy and Outlook - Budget Paper Number 2* (2011) <<http://www.budget.qld.gov.au/budget-papers/2011-12/pb2-2-2011-12.pdf>> at 30 June 2011.

⁸ *State Wage Case* (2007) 185 QGIG 422.

⁹ *State Wage Case* (2008) 188 QGIG 375.

¹⁰ *State Wage Case* (2009) 192 QGIG 18.

[46] In support of this element of its submissions, QCU referred to the 2009 State Wage Case Decision in which the Full Bench stated:

*"[i]t is imperative that the gulf between award-reliant employees and the vast majority of employees who gain outcomes through collective bargaining is not widened to the point where a sub-group of disadvantaged employees emerge. The statutory requirements to provide relevant and consistent wages which provide for fair standards for employees in the context of living standards and outcomes which ensure 'social justice' demand a measured response from the Commission, after taking into consideration current and projected economic conditions."*¹¹.

Decisions of other Tribunals

[47] On 3 June 2011 FWA handed down its *Annual Wage Review 2010-11* Decision, in which it granted a 3.4% increase to minimum wages contained within modern Awards with effect from the first full pay-period on or after 1 July 2011. This Decision increased the Federal Minimum Wage from \$569.90 to \$589.30 per week (i.e. a \$19.40 increase).

[48] In reaching its decision FWA primarily had regard to Australia's economic climate and its economic outlook, with particular regard to the following factors:

- the WPI grew by 3.8% for the year ending 31 March 2011;
- the unemployment rate has fallen;
- employment and aggregate hours worked have continued to grow;
- the unemployment rate is forecast to decline;
- in relation to wages growth, AWOTE increased by 3.8% in the year to 28 February 2011;
- the average annualised wage increase in new Collective Agreements finalised in the December 2010 quarter was 4.2%;
- underlying inflation is within the RBA's medium-term target band; and
- the Australian economy has continued to perform strongly despite the impact of the recent natural disasters.

Nature of the claim

[49] QCU emphasised that its claim, on this occasion, had been designed to address the steady erosion of the relative gap, in percentage terms, between classification levels contained in Awards of the Commission because of a succession of flat rate increases which the Commission had awarded since 2004.

[50] In the *Engineering Award - State 2002* the impact of the Commission's flat rate increases is demonstrated in the following table which provides a comparison between classification C10 and C6.

Table 5: *Comparison between classification C10 and C6 in the Engineering Award - State 2002*

| Year | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|-----------------------|----------|----------|----------|----------|----------|----------|----------|
| SWC increase | \$20.00 | \$16.20 | \$23.60 | \$24.60 | \$19.40 | \$17.00 | \$19.00 |
| C10 | \$682.00 | \$662.00 | \$645.80 | \$622.20 | \$597.60 | \$578.20 | \$561.20 |
| C6 | \$784.30 | \$764.30 | \$748.10 | \$724.50 | \$699.90 | \$680.50 | \$663.50 |
| Gap in % terms | 13% | 13.4% | 13.7% | 14.1% | 14.6% | 15% | 15.4% |

[51] QCU said that in percentage terms there has been a reduction in the gap between the rates for C10 and C6, which has altered the relativity between the rates that existed in 2004 (as well as when the classifications were first inserted into the Award). This has led to an undervaluation of the work performed by Award-reliant workers employed on higher rates of pay and is a matter which needs to be addressed.

[52] QCU said the percentage difference between wage levels in various classifications will continue to worsen whilst flat-rate increases are awarded. As such, QCU submitted that it is imperative that the Commission take this factor into consideration when determining the nature and quantum of its claim.

[53] Awarding of percentage increases above the C10 level would, in part, redress this trend and will go some way to providing salary justice for Award-reliant workers, ensuring that their salary continues to increase in real terms as they progress through the salary scale of their chosen career.

¹¹ *State Wage Case* (2009) 192 QGIG 18.

Conclusions

- [54] QCU stated that it believes its claim to be modest and reasonable in the circumstances. The level of increases sought is to restore the real value of the minimum wage and to ensure fair wage standards so that Award-reliant workers do not fall behind. The time is right for a considered increase to maintain social justice and share the gains from a strong economy. By seeking the level of increases sought it was QCU's intention to benefit those in greatest need.
- [55] QCU also submitted that its claim is economically appropriate, sustainable and affordable. Its granting will increase the living standards of low paid workers and assist them to meet their needs in the current economic climate.
- [56] Finally, QCU called on the Commission to hand down a dual-pronged decision which grants the claim that has been tailored specifically to meet the needs of low-paid workers, by combining the dependability and certainty of a flat-rate increase with the consolidation and stabilisation of relativities within salary classification structures that flow from a percentage increase.

SUBMISSIONS OF THE QUEENSLAND GOVERNMENT

- [57] In response to the applications by QCU and AWU the Queensland Government proposed:
- a general ruling to provide an increase that maintains real wages for all Award-reliant workers in the State industrial relations system;
 - an increase to existing Award allowances which relate to work or conditions which have not changed and to service increments; and
 - an operative date of 1 September 2011.
- [58] The Queensland Government also stated:
- the Government supports the maintenance of real wages for all Award-reliant workers in the State industrial relations system;
 - Award wage increases serve an important social function by directly targeting and benefiting those employees who are not able to negotiate wage increases with their employer through enterprise bargaining. This helps to ensure that those workers with little or no bargaining power, who rely on Awards for their rate of pay, are not unduly disadvantaged;
 - the Commission is required to ensure that Awards provide fair standards for employees in the context of living standards generally prevailing in the community. As such, the Commission should award an increase that at least maintains the real value of the QMW so that the living standards of the lowest paid are not reduced;
 - Award-reliant employees in the State system are engaged in both State and Local Government. However, those employees most likely to be affected are concentrated in organisations such as remote and Indigenous Councils and Parents and Citizens' Associations.
- [59] The Queensland Government agreed with QCU's estimate (see paragraph [10] above) as to the number of employees remaining in the State jurisdiction as a consequence of the enactment of WorkChoices and the Fair Work Referral Legislation. Using a "worst case assumption", that **all** Council employees receive an increase of 3% in the QMW (i.e. \$17.60), the Queensland Government estimated total average weekly earnings across the State (i.e. across the total workforce) would be approximately 0.035%. This cost was considered to be a reasonable and affordable additional to wages growth. However, the Queensland Government has not conducted a comparable calculation to estimate the cost impact across the approximate 290,000 employees within the State system.
- [60] The Queensland Government submitted the Act has a strong focus on the importance of ensuring fair wages and conditions with reference to prevailing community standards. In addition to references to this effect in the objects of the Act (see s. 3(b), (d) and (g)), sections 126 (d) and (f), and 273(1) place obligations on the Commission to ensure fairness in wages. In addition, s. 273(2)(a) provides that the Commission must perform its functions in a way that furthers the objects of the Act while s. 320(5) provides for the Commission to consider the objects of the Act as well as the likely effects of the Commission's decision on the community, local community, economy, industry generally and the particular industry concerned.
- [61] In addition to referring to the FWA Annual Wage Review Decision of 3 June 2011, the Queensland Government's submission informed the Commission that the Western Australian Industrial Relations Commission (WAIRC) had released its State Wage Case Decision on 14 June 2011. The WAIRC Decision increased the minimum wage in that State by \$19.90 to \$607.10 per week and also ordered an increase to Award

wages of \$19.90 per week from the first pay period on or after 1 July 2011. This was said to be equivalent to a 3.4% increase in the WA Minimum Wage.

- [62] The Queensland Government said the WAIRC favoured a flat-dollar increase rather than the percentage-based increase awarded by FWA. The WA Full Bench said this was "*in large part*" due to the "*emphasis we wish to place upon those employees who are on the minimum wage or slightly above it rather than those on higher Award wages together with the absence of any evidence of issues having arisen from any compression of award relativities from flat-dollar increases.*"¹².
- [63] The Queensland Government submission also indicated that since the Act commenced operation on 1 July 1999, the Commission has determined twelve annual adjustments to Award rates of pay through State Wage Cases. The following table (Table 6) demonstrates that State Wage Case increases have provided the lowest paid workers in Queensland, who have not received increases through collective or individual bargaining, small real wage increases, with the C14 or QMW increasing by 7.7% in real terms since 1 September 2000. Award-reliant employees at the C9 level and above, however, have had their wages reduced in real terms over the period. By comparison, AWOTE has increased by 19.95% in real terms. This indicates that while the lowest paid workers have kept up with price inflation they have not necessarily kept up with community standards.

Table 6: *Real and nominal increases for award rates and AWOTE, 2000 - 2010*¹³

| Wage group | Weekly rate of pay | | \$ Increase | Nominal % Increase | Real % Increase |
|---------------|--------------------|-------------------|-----------------|--------------------|-----------------|
| | September 2000 | September 2010 | | | |
| C14 | \$400.40 | \$588.20 | \$187.80 | 46.90% | 7.70% |
| C13 | \$417.10 | \$604.90 | \$187.80 | 45.03% | 6.32% |
| C12 | \$439.60 | \$627.40 | \$187.80 | 42.72% | 4.63% |
| C11 | \$460.50 | \$648.30 | \$187.80 | 40.78% | 3.21% |
| C10 | \$492.20 | \$682.00 | \$189.80 | 38.56% | 1.58% |
| C9 | \$513.10 | \$702.90 | \$189.80 | 36.99% | 0.43% |
| C8 | \$533.90 | \$723.70 | \$189.80 | 35.55% | -0.63% |
| C7 | \$552.80 | \$742.60 | \$189.80 | 34.33% | -1.52% |
| C6 | \$592.50 | \$784.30 | \$191.80 | 32.37% | -2.96% |
| C5 | \$612.80 | \$804.60 | \$191.80 | 31.30% | -3.74% |
| C4 | \$634.20 | \$826.00 | \$191.80 | 30.24% | -4.52% |
| C3 | \$675.90 | \$867.70 | \$191.80 | 28.38% | -5.89% |
| C2(a) | \$696.80 | \$888.60 | \$191.80 | 27.53% | -6.51% |
| C2(b) | \$736.50 | \$926.30 | \$189.80 | 25.77% | -7.80% |
| AWOTE* | \$790.70 | \$1,259.40 | \$468.70 | 59.3% | 20.31% |

*AWOTE based on September 2000 and September 2010.

- [64] The Queensland Government's submission included extensive reference to current economic conditions and the forward outlook. In many instances, the nature of the material referred to was similar to, or the same as, that referred to by QCU in the course of its submissions (above). As such, we do not intend to canvas that material again. However, the Queensland Government's submission included the following additional information:
- after contracting in 2009 due to the financial crisis, the world economy expanded by 5.1% in 2010 driven by growth in emerging Asia in particular. However, world growth is forecast to ease to 4.3% in 2011 reflecting natural disasters in Japan and some slowing in growth in emerging Asia as monetary policy is tightened to curb inflation;
 - the prospects for European economies remains mixed. The global recovery is supporting export-led growth in the core economies of Germany and France, while sovereign debt concerns and fiscal consolidation continue to plague some of the smaller member countries of the European Economic Community. Any escalation in the sovereign debt crisis has the potential to weaken the region's prospects and destabilise global financial markets;
 - while the US economy continues to recover at a moderate pace, key challenges remain. Still facing a large oversupply, activity in the housing market is likely to remain very weak. Government spending is likely to detract from growth as all levels of government in the US (National, State and Municipal) attempt to improve their fiscal positions;
 - in contrast, developing Asia is forecast to grow by 8.4% in the year ahead, supported by increased inter-regional trade, continued capital inflows and robust consumption growth given favourable labour market conditions. Ongoing capital investment in China and India is expected to drive strong demand for resource imports (especially from Australia);

¹² WAIRC 2011 Wage Review.

¹³ ABS Average Weekly Earnings Catalogue No. 6302.0; Award rates: Engineering Award, 2002.

- more broadly, global inflation has accelerated with price rises being most significant in emerging economies where food and energy account for a higher share of household spending. Inflationary pressures in emerging Asia has necessitated more aggressive monetary tightening in the region;
- the Australian Treasury estimates growth in Australian GDP to have slowed to 2.25% in 2010-11, affected by natural disasters in Australia, Japan and New Zealand. However, growth is forecast to strengthen to an above trend 4% in 2011-12, before easing to 3.75% in 2012-13, driven by strong growth in business investment and non-rural commodity exports;
- while reconstruction efforts are expected to drive public final demand in 2010-11 and 2011-12, the public sector is forecast to detract from growth in 2012-13, reflecting fiscal consolidation at both Federal and State levels;
- the income boost from the high terms of trade and more favourable labour market conditions are expected to see growth in consumer spending improve relative to the position in 2010-11. However, growth is expected to remain in line with household incomes, suggesting consumers are maintaining elevated household saving rates; and
- tighter macro economic settings, consumer caution and the high Australian dollar are expected to weigh on sectors such as retail, manufacturing and tourism.

[65] In terms of the general economic performance in Queensland, the Queensland Government's submission included a range of data and comments, including:

- the level of Queensland's Gross State Product is expected to have been unchanged in 2010-11, following two years of low average growth since the global financial crisis;
- a further acceleration in business investment and recovery in exports are forecast to see overall economic outputs strengthen considerably to 5% growth in 2011-12, the highest in five years. However, as a result of natural disasters in certain areas of the State and high levels of investment in other parts of the State (such as in liquid natural gas (LNG) projects) the recovery is likely to be uneven;
- economic growth is forecast to strengthen to an above average 5.25% in 2012-13, driven by stronger business investment - leading to stronger migration and population growth;
- after providing principle support to the economy following the financial crisis (and expenditure to repair damage caused by natural disasters) public final demand is expected to fall in 2012-13, reflecting fiscal consolidation and the completion of the bulk of disaster reconstruction;
- political unrest in the Middle East and North Africa, a deepening of the sovereign debt crisis in Europe and concerns about the credit ratings of the US and Japan have led to a decrease in risk appetite by investors. Any escalation of these events will further heighten global risk aversion, which in turn will erode business and consumer confidence, tighten credit conditions and drive commodity prices lower; and
- on balance, the Queensland economy is set to strengthen further, reflecting a further acceleration in business investment and recovery in exports. Business investment should gather moment as LNG projects amp up construction, while a high Australian dollar and improved business confidence are expected to bolster machinery and equipment investment.

[66] The Queensland Government also submitted that "*the maintenance of real wages will help moderate a further increase in income inequality, and reduce the risk of growing the number poor and socially excluded. This relevant to the object of providing fair standards in relation to living standards prevailing in the community.*".

[66] In concluding its submissions the Queensland Government said the growth in earnings inequality in Queensland is a significant issue. Table 6 (above) shows that while the QMW has increased 7.7% in real terms over the last decade, average earnings have increased 20.3% in the same period. In the year 2000, the QMW was 50.6% of AWOTE, whereas in 2010 the QMW had deteriorated to 46.7% of AWOTE. Similarly, in 2000 the Award rate for a tradesperson (C10) was 62% of AWOTE whereas in 2010 the C10 rate had deteriorated to 54% of AWOTE. This data indicates the earnings inequality between those able to benefit from bargaining and those workers on Award wages has increased. A reasonable increase that maintains the value of real wages in accordance with the projected Brisbane Consumer Price Index will help maintain household incomes and have a positive impact on consumer confidence and consumption.

SUBMISSIONS OF LOCAL GOVERNMENT ASSOCIATION OF QUEENSLAND LTD (LGAQ)

[67] In response to the applications by QCU and AWU the Local Government Association of Queensland (LGAQ) proposed:

- a general ruling to provide an increase of \$20 per week to the QMW and/or Award rates of pay;
- a 2.9% increase in Award allowances which relate to work or conditions which have not changed and to service increments; and
- an operative date of 1 September 2011.

- [68] LGAQ argued that the flat-dollar increase it proposed maintains consistency with the accepted practice of the Commission as enunciated in its 2006 State Wage Case Decision where it said "*(a flat dollar increase) has the benefit of targeting lower paid workers with a proportionately higher increase.*"¹⁴. The increase proposed is consistent with the percentage increase to the national minimum wage recently awarded by FWA.
- [69] LGAQ said the quantum it proposed strikes an appropriate balance between social considerations and economic considerations and had to be viewed in the context of what was suggested to be Queensland's "*current sluggish and lagging economy*".
- [70] LGAQ challenged much of QCU's economic data on the basis that that data relied on national annualised aggregate figures and future Queensland Treasury forecasts, which at this time have not materialised. QCU's data was said to divert attention from the reality of the current state of the Queensland economy.
- [71] In support of its proposition that the Queensland economy is in fact lagging the national average, and is continuing to struggle, LGAQ referenced a variety of economic statistics, as follows:
- the official ABS 2011 March quarter GDP figures for the Australian economy displayed a contraction of -1.2% in seasonally adjusted terms, with the economy having only grown as a whole by "*a meagre*" 1% in seasonally adjusted terms (1.2% in trend terms);
 - this was to be compared with the comparable data at the end of December 2010 which displayed GDP growth of 2.7% in both trend and seasonally adjusted terms;
 - in its December quarter release of the Queensland State Accounts, the Office of Economic and Statistical Research noted that for Queensland "*in real terms, GSP rose by 1.5% over the year to the December quarter 2010 following revised growth of 2.3% over the year to the September quarter 2010. In comparison, GSP for the rest of Australia grew by 3.0% over the year to the December quarter 2010.*"; and
 - the Queensland State Accounts record that growth in the Queensland economy, as measured by GSP, has actually been slowing since the June 2010 quarter, well before the onset of the State's natural disasters.
- [72] LGAQ asserted that the size and scale of the negative impact on the Queensland economy resulting from the recent natural disasters, coming on top of what was already a slowing economy well prior to the December 2010 quarter, cannot be ignored.
- [73] Turning to indicators of future activity, LGAQ referred to the most recent Westpac-Melbourne Institute Survey of Consumer Sentiment which recorded a further significant fall in July 2011 to be at its lowest level for the index since May 2009. Citing a media release issued at the time the Survey was released, LGAQ said that Westpac's Chief Economist, Mr Bill Evans, commented that "*this is a surprisingly weak result ... (and) ... the lowest level for the index since May 2009.*".
- [74] LGAQ also referred to extracts from the above media release in which Mr Evans was quoted as saying:
- "The turning point in the labour market may have already been reached. A range of lead indicators, notably job ads and the Westpac Melbourne Institute Index of Unemployment Expectations, are now turning.*
- In the last two months Westpac's Index of Unemployment Expectations has surged by 24.9% - the last time we saw such a rise was immediately after the Lehman Brothers collapse in 2008. For now the level of the Index is still consistent with enough jobs growth to hold the unemployment rate steady but the sharp turn in trend, which is consistent with our priors, is a significant signal.*"¹⁵.
- [75] LGAQ said that it estimated that any decision by the Commission in the present proceedings would involve a direct flow-on of wages to approximately 25% of Queensland Councils. In the ultimate, it would nonetheless flow-on in one form or another - by way of either direct wage increases, adjustments to Certified Agreement wage rates linked to State Wage Case increases or by way of direct flow-on of allowances - to approximately 80% of Queensland Councils.
- [76] LGAQ submitted that Councils' capacity to absorb increases in wages costs that are not correspondingly met with productivity or cost offsets will likely contribute to a further weakening of Local Governments' financial positions. This weakness was said to be in large measure due to the significant reduction in State and Federal Government funding since 2009, and particularly so after 2010-11. Queensland Councils were estimated to be of the order of \$45 million worse off in 2009-10 as a result of State Government budget decisions in 2009, which included a \$31 million reduction in various subsidies, \$7 million from the abolition of the street lighting

¹⁴ *State Wage Case* (2006) 182 QGIG 565.

¹⁵ Bill Evans, Westpac Banking Corporation, '*Next rate move in Australia to be down - 100bp's of easing through 2012*', 15 July 2011, <<http://www.westpac.com.au/docs/pdf/aw/economics-research/er20110715BullInterestRateView.pdf>> 2 August 2011.

electricity subsidy and \$6 million from the abolition of the fuel subsidy. LGAQ estimated that from 2011-12 Councils will be worse off by up to a further \$100 million per annum since the water and sewerage subsidy to Councils was capped (in 2009) at \$45 million per annum.

[77] Further, following the outcome of the Flood Inquiry the recently announced initiatives for future flood risk mitigation will have significant additional unbudgeted cost implications for Queensland Councils over the next 12 months.

[78] In conclusion, LGAQ argued:

- that the Applicants have provided no justification why the Commission should depart from its historical practice of awarding flat dollar increases;
- that the Queensland economy is in worse shape at present than at the same time last year;
- that due to the deterioration in the Queensland economy the Commission should, in balancing its social and economic considerations, give greater weighting to economic considerations in comparison to its 2010 decision.
- that Councils' aggregate financial situation has worsened since last financial year; and
- that all things considered, a \$20 increase to the QMW and all State Awards, and a 2.9% increase to Award allowances, is a reasonable and appropriate figure.

CONCLUSIONS

Legislative Considerations

[79] The respective parties' submissions (above) acknowledge that in deciding QCU's and AWU's claims the Commission is required to have regard to a number of provisions in the Act, most particularly the following sections:

- **s. 3 - Principal object of this Act**, which relevantly provides:

"The principal object of this Act is to provide a framework for industrial relations that supports economic prosperity and social justice by -

...

(b) providing for an effective and efficient economy, with strong economic growth, high employment, employment security, improved living standards, low inflation and national and international competitiveness; and

...

(d) ensuring equal remuneration for men and women employees for work of equal or comparable value; and

...

(f) promoting the effective and efficient operation of enterprises and industries; and

(g) ensuring wages and employment conditions provide fair standards in relation to living standards prevailing in the community; and ...".

- **s. 126 - Content of Awards**, which relevantly provides:

"The commission must ensure an award -

...

(d) provides for secure, relevant and consistent wages and employment conditions; and

(e) provides for equal remuneration for men and women employees for work of equal or comparable value; and

(f) provides fair standards for employees in the context of living standards generally prevailing in the community; and

(g) is suited to the efficient performance of work according to the needs of particular enterprises, industries or workplaces; and

(h) takes account of the efficiency and effectiveness of the economy, including productivity, inflation and the desirability of achieving a high level of employment; and ...".

- **s. 320(5) - Basis of decisions of the commission and magistrates**, which relevantly provides:

"(1) ...

(5) In making a decision, the commission must consider the public interest, and to that end must consider:

(a) the objects of this Act; and

(b) *the likely effects of the commission's decision on the community, local community, economy, industry generally and the particular industry concerned.*"

[80] In line with the above provisions, each of the parties to the proceedings acknowledged that, in order to give effect to the above, the Commission is required to balance economic and social factors in making its decision in this matter. Indeed, as the parties observed, the Commission has commented on this point in previous State Wage Case Decisions, including its 2007 Decision where it stated:

*"In economic terms, there is a need to ensure wage outcomes are consistent with strong economic performance. In social terms, there is a need to ensure that people are covered by fair and reasonable wages that allow them to participate in society and that those who do not benefit from bargaining are not left behind."*¹⁶.

Economic Considerations

[81] Notwithstanding LGAQ's submission which portrayed the Queensland economy to be "*sluggish*" and lagging the national economy, we are satisfied as a result of our consideration of the economic data submitted by both QCU and the Queensland Government that the overall economic position of the State has improved over the past 12 months and that the forward outlook is *generally* positive. In arriving at that conclusion, we have noted of the significant impact that a variety of natural disasters had on the Queensland economy in the early part of 2011, including extensive expenditure by both the State Government and Local Councils in the aftermath of those disasters.

[82] Nonetheless, the available economic data seems to suggest that the economy has rebounded comparatively quickly from the disasters, and their immediate aftermath effects, with the pace of economic growth forecast to quicken during the remainder of 2011, into 2012 and beyond.

[83] The only caveat to those positive forward projections is that global trading conditions, and the economic circumstances elsewhere, do not deteriorate. In this respect, as was the case 12 months ago at the time of handing down the 2010 State Wage Case Decision, world financial markets continue to keep a "watch" on:

- sovereign debt concerns in a number of European countries;
- the continuing fragile state of the US economy - particularly its housing market;
- levels of inflation in Asia - most particularly China;
- a possible slowing-down in the Chinese economy as a result of attempts by its government to slow down inflationary pressures; and
- periodic volatility in international share markets.

[84] While any adverse developments in any of the above areas has the potential to adversely impact Australia's and Queensland's economic situation, the reality is that those possibilities remain on the horizon and are not matters which are *currently* affecting either the Australian or Queensland economies. As such, the Commission must assess the merits of the present claims based on the economic position as it now stands, taking into account the forward outlook, but without giving undue emphasis to matters which might, or might not, arise in the future. However, if any of the matters impact Australia at some point in the future that is a matter for consideration in a future State Wage Case(s), not this one.

Social Considerations

[85] The extracts from the various parties' submissions (above) highlight that the Commission has consistently recorded the importance of social considerations in its deliberations involving General Ruling applications to increase the QMW and Award rates of pay. In the course of its submissions, QCU (see paragraph [40] above) recorded extracts concerning this issue from each of the 2007, 2008, 2009 State Wage Case Decisions.

[86] Elsewhere in its submissions, QCU referred to the Commission's 2009 State Wage Case Decision where the Full Bench stated:

"[i]t is imperative that the gulf between award-reliant employees and the vast majority of employees who gain outcomes through collective bargaining is not widened to the point where a sub-group of disadvantaged employees emerge. The statutory requirements to provide relevant and consistent wages which provide for fair standards for employees in the context of living standards and outcomes which ensure 'social justice'

¹⁶ *State Wage Case* (2007) 185 QGIG 422.

demand a measured response from the Commission, after taking into consideration current and projected economic conditions."¹⁷.

[87] In a similar vein, QCU took a further extract from the Commission's 2009 State Wage Case Decision where the Commission identified the need to consider the issue of poverty as part of creating a fair and reasonable wage, as follows:

*"[r]ecognition must be given to the plight of those employees who rely only upon State Wage Case outcomes for any improvement in their wages. The National Centre for Social and Economic Modelling predicted that in 2005/2006 there were approximately 439,200 people characterised as 'working poor'. [AMP NATSEM Income and Wealth Report (2008)]. The Full Bench is of the view that a reasonable increase in minimum wages would help alleviate any further decline in standards of living and the cost of living expenses."*¹⁸.

[88] A feature of the proceedings on this occasion was the very forceful way that Mr B. Watson, who appeared for QCU, pressed that organisation's claim for a two-tier, or as he called it a "dual-pronged", increase to help to address the decline in relativities in Award-based classifications which had arisen as a result of a succession of flat-rate increases awarded in State Wage Case Decisions. In this respect, particular attention was drawn to Table 5 (above) which is a comparison of the Award differential between classifications C6 and C10 in the *Engineering Award - State 2002* since 2004.

[89] As is readily apparent from that Table, the Award differential between the two classifications in 2004 was 15.4%. As a result of a succession of flat-rate increases the differential had progressively reduced to the point at it stood at 13% in 2010. In Mr Watson's submissions it was "a trend" that the Commission could begin to progressively address if it awarded the dual-pronged increase QCU was seeking.

DECISION

Level of increase

[90] After considering all of the submissions of the parties, especially:

- the obligations on the Commission imposed by ss. 3, 126 and 320(5), respectively, of the Act;
- the current state of the Queensland and National economies;
- the outlook for the Queensland and National economies;
- the social considerations; and
- the nature and extend of the increases proposed by the various parties,

we have decided to award a two-tier level of increase, along the lines claimed by both QCU and AWU, of 3.4% or \$22.00 per week, whichever is the greater.

[91] In reaching our decision on this matter, we have taken particular note of the Decision of FWA to award an increase of 3.4% to Award-covered workers in its jurisdiction. We note that such form of increase will preserve present relativities between classifications in Awards in that jurisdiction, albeit that workers on higher classification rates will receive a dollar level increase above those workers classified at lower levels in the same Award. However, we think, in line with previous Full Benches of this Commission in recent years, that some special consideration should be afforded to workers who are classified at lower levels.

[92] In our considered view, workers on lower Award rates are comparatively more impacted by movements in prices and the general cost of living increases than are Award-reliant workers at higher classification levels. This is because Award-reliant workers enjoy weekly levels of income significantly lower than do workers earning average weekly earnings, as exemplified in Tables 2 and 3 (above). Accordingly, we believe it is appropriate, in both an economic sense and a social sense, to award a higher level of increase to lower paid Award-reliant workers than would otherwise flow to them if they were granted the same level of increase we have decided to award to other workers.

[93] We stress that the minimum level of increase (of \$22.00 per week) we have granted has coincidentally turned out to be the same level of increase as would be arrived at if 3.4% was applied to the wage rate previously applying at the C11 classification in the *Engineering Award - State 2002*. As such, none of the parties to these proceedings (or future proceedings) should seek to draw any particular conclusions as a result of this (coincidental) outcome.

¹⁷ *State Wage Case* (2009) 192 QGIG 18.

¹⁸ *State Wage Case* (2009) 192 QGIG 18.

Adjustment to allowances

[94] Existing Award allowances which relate to work or conditions which have not changed and service increments are to be increased by 3.4%.

Operative date

[95] The increase we have determined to the QMW, Award wages and allowance adjustments is to operate from 1 September 2011.

Declaration of General Ruling

[96] A formal Declaration of General Ruling will be issued at the same time as the release of these reasons for Decision, therefore giving effect to this Decision.

Wage fixation principles

[97] The parties were in agreement that the current statement of principles, through a Statement of Policy, should continue with the necessary amendments to reflect changes to the operative date, the quantum of wage and allowance adjustments awarded in this Decision, and other consequential amendments. A new Statement of Policy with respect to wage fixation principles will be issued concurrently with this Decision.

[98] The Commission determines and orders accordingly.

D.A. SWAN, Deputy President.

A.L. BLOOMFIELD, Deputy President.

J.M. THOMPSON, Commissioner.

Hearing Details:

2011 22 July (*QCU Written Submissions*)
 5 August (*Queensland Government Written Submissions*)
 5 August (*LGAQ Written Submissions*)
 10 August (*QCU Written Submissions in Reply*)
 12 August (*Hearing*)

Appearances:

Mr B. Watson for Queensland Council of Unions.
 Mr C. Donarty for The Australian Workers' Union of Employees, Queensland.
 Mr S. Blaney for the Local Government Association of Queensland Ltd.
 Ms S. Crook, with Mr P. Grieve, for the Queensland Government.
 Ms S. Singh for United Voice, Industrial Union of Employees, Queensland.

Released: 31 August 2011