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Queensland Council of Unions
Submission
State Wage Case 2019



**Queensland
Council of Unions**

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Introduction

In support of an application for a three per cent increase to all awards, this submission deals with a range of economic indicators, as has been the case in previous submissions. Economic growth is somewhat disappointing at a national level but the conditions in Queensland are beyond the national average driven by considerable exports. Inflation continues to be low both nationally and in Brisbane. Unemployment remains stubbornly high in Queensland and this has been the subject of previous submission before State Wage Cases. In this year's submission the current unemployment rate in Queensland is put into its historical perspective. Wage movements continue to bottom out which is the major thrust of this submission as it was for the ACTU submission to the National Wage Review. The various measures of wage movement are discussed as well as the reasons for low wage growth.

The 2017 State Wage Case decision raised a number of factors that emphasis the limited nature of the Queensland jurisdiction. Those matters raised by the 2017 State Wage Case are addressed in this submission. The nature of bargaining in local government is addressed in this submission. There is also discussion about the nature of the bargaining within the Queensland public sector and some of the challenges faced.

The submission concludes that there is no reason for the Commission to depart from its previous practice of awarding the same quantum as the Fair Work Commission has awarded in the National Wage Review.

Economic Growth

Gross Domestic Product increased by 0.4 per cent in the March 2019 quarter. This represents a fairly modest increase of 1.8 per cent for the year to March 2019 (ABS 2019A). This disappointing economic growth is in many ways related to the wage growth crisis that is discussed later in this submission (Stanford 2019A:2):

Consumer spending grew less than 2% in the year ending in the December quarter, the slowest in five years. Stagnant wages, falling housing prices, and record indebtedness (consumer debt now equals 200% of disposable income in Australia, one of the heaviest debt loads in the world) are all undermining consumer spending. Since household spending accounts for about half of all GDP, when consumers are in a bad mood the whole economy feels their misery.

Alternatively, Queensland leads mainland states territories for domestic economic growth. Gross State Product for Queensland was 3 per cent for 2019/20 (Queensland Treasury 2019:1). Forecast for economic growth in Queensland is 2 ¾ per cent which exceeds the forecast of 2 ¼ per cent for Australia (ACTU 2019:110). It is noteworthy that these forecast figures, in which Queensland would grow significantly more than the rest of Australia, would represent an easing in the case of Queensland and an improvement in the case of Australia.

Queensland Treasury (2019:1) attributes the economic growth in Queensland to 13 months of record exports, including metallurgical coal and LNG with Queensland exports topping \$85 billion for the 12 months to April 2019. To put this in perspective Queensland's exports exceed that of Australia's two most populated states, New South Wales and Victoria.

There is sufficient economic growth, particularly in Queensland to justify the increase sought by this application.

Inflation

One of the concerns often stated against general wage movements is their inflationary impact (Stanford, Hardy and Stewart 2018:5). As has been the subject of several recent submissions in State Wage Cases and National Wage Reviews, current inflationary statistics mean that there is no need for concern that any increase granted is likely to create an inflationary problem (ACTU 2019:95). In fact, it could be argued that the next-to-zero inflationary environment is a product of the wage growth crisis being faced by Australia and other OECD nations (Long 2019; Productivity Commission 2019:33). The following table is taken directly from the Australian Bureau of Statistics (ABS) publication for the Consumer Price Index (CPI) (ABS 2019B) and sets out the percentage change to the CPI in all capital cities and the weighted average.

Table 1 CPI June 2019

All Groups CPI, All groups index numbers and percentage changes

	Index number(a) Jun Qtr 2019	Percentage change	
		Mar Qtr 2019 to Jun Qtr 2019	Jun Qtr 2018 to Jun Qtr 2019
Sydney	115.9	0.7	1.7
Melbourne	115.3	0.5	1.3
Brisbane	114.8	0.6	1.7
Adelaide	113.7	0.5	1.4
Perth	112.0	0.7	1.6
Hobart	114.1	0.6	2.3
Darwin	111.0	0.8	0.8
Canberra	113.5	0.3	1.7
Weighted average of eight capital cities	114.8	0.6	1.6

(a) Index reference period: 2011-12 = 100.0.

Source 6401.0 - Consumer Price Index, Australia, June 2019 (emphasis added)

For the 12 months to the June quarter 2019, the percentage increase to the CPI has been slightly higher for Brisbane than the weighted average of the eight capital cities. Interestingly, for the index reference period that commenced in 2011-12, the CPI for Brisbane has increased by the same amount as the weighted average since the index was set at 100. To explain the slightly higher figure than the weighted average CPI figure for Brisbane, the ABS (2019B) provides the following explanation:

The main contributors to the rise in Brisbane are Automotive fuel (+10.7%); International holiday, travel and accommodation (+3.6%); Medical and hospital services (+2.4%) and Tobacco (+2.6%). The rise is partially offset by falls in Electricity (-5.1%); due to the Affordable Energy Plan with households receiving a \$50 electricity rebate, and Fruit (-4.7%).

Queensland Treasury (2019:8) forecasts and projections for inflation are as follows:

Table 2 Treasury Inflation Projections

2019-20	2020-21	2021-22	2022-2023
2	2 ¼	2 ½	2 ½

Source Queensland Treasury Budget Strategy and Outlook 2019-20

As can be seen from the above table, a low inflationary environment continues to be forecast.

Another measure of inflation is the Living Cost Index (LCI) which increased nationally by a slighter higher amount than the CPI. Over the twelve months to the March quarter 2019 the LCI (for employee households) rose 1.4 per cent while the CPI rose 1.3 per cent. The ABS (2019D) provided a similar explanation for increases and decreases in process as for the Brisbane CPI:

The LCI for employee households was flat in the March quarter 2019. The main positive contributor is Food and non-alcoholic beverages (+1.3%), as drought and adverse weather conditions continue to reduce the supply of a selection of fruits and vegetables. Education (+2.9%) was the next largest positive contributor following fee increases with the commencement of the new school year.

The main negative contributor is Transport (-2.0%), driven by automotive fuel. The fall in automotive fuel is due to falls in world oil prices flowing through to consumers. Recreation and culture (-1.5%) fell driven by domestic holiday travel and accommodation.

As stated above, current inflationary statistics mean that there is no need for concern that any increase granted is likely to create an inflationary problem.

Unemployment

Unemployment is an economic indicator that is traditionally taken into consideration for the purposes of awarding wage increases in various tribunals. The concern about the impact of modern wage increases on employment has its genesis in the orthodox economic theory that wages, like any other factor of production, will become too expensive for the purchaser if it set at a rate beyond market equilibrium (Lyons 2018:79; Stanford, Hardy and Stewart 2018:8). This over-emphasised consideration ignores other outcomes that might be associated with a wage increase such as the impact on aggregate demand. The argument concerning aggregate demand is particularly germane considering what has been described as the current wage growth crisis facing Australia. For example, an analysis undertaken by the Centre for Future Work demonstrated that the cuts to penalty rates in the retail and hospitality sectors did not contribute to any growth in employment, and both of these sectors' employment growth was significantly below average (Stanford 2019B). The argument surrounding wages and employment also is discussed later in this submission.

In previous submissions, the QCU has relied upon literature that would support the notion that moderate wage increases have no negative impact upon employment at an aggregate level. In fact, there is evidence in some circumstances an increase to minimum wage increases employment. Moreover, this proposition has been adopted by the Fair Work Commission in the handing down of the National Wage Review. The following quote best encapsulates the position adopted by the Fair Work Commission in relation to wage increases and employment:

Of particular interest for this Review is the broad conclusion that the extensive and increasingly sophisticated recent research continues to find, first, that increases in minimum wages which have been the subject of examination do increase the earnings of the low paid and second, that they do not, for the most part, cause job losses or increase unemployment.

Possible exceptions to this second point are that inexperienced workers might find it harder to get a job and low-paid women who work part time might see some job loss; as might those who work in jobs that are more easily automated or produce internationally tradeable goods.

To date, the evidence for the last point is not strong.

Likewise, previous QCU submissions have emphasised that the scope of the Queensland State Wage Case is considerably less than that contemplated by the National Wage Review that has application to an estimated 2.2 million workers (ACTU 2019). This proportion of the workforce that is reliant on award wages is also known to be growing (Pennington 2019). By contrast the State Wage Case has far smaller application than does the National Wage Review. Estimates of the proportion of workers not covered by a collective instrument in the Queensland jurisdiction have always been inaccurate, however the consensus is that the proportion of award-reliant workers is extremely low.

Nonetheless unemployment does remain stubbornly high in Queensland at around 6 per cent (Queensland Treasury 2019:8). This has been the subject of discourse in previous State Wage Cases as it perhaps the one economic indicator for which Queensland does not rate favourably with other jurisdictions. The following graph sets out the trend unemployment rate for Queensland and Australia for the last decade.

Chart 1 Unemployment Qld v Australia

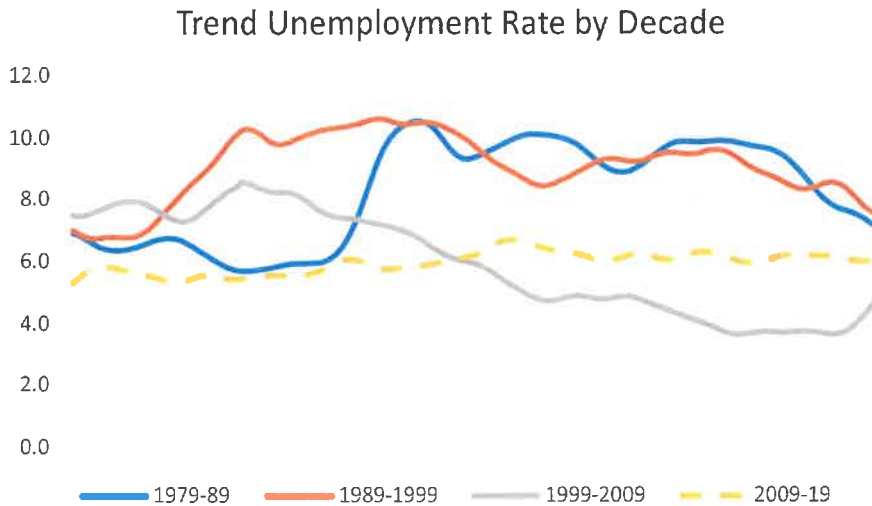


Source 6202.0 - Labour Force, Australia, May 2019

As can be seen from this graph. Aside from hitting a peak of 6.7 per cent in 2014, unemployment in Queensland has remained remarkably stable over this decade (2009 – 2019). To place that stability in context the following graph compares trend unemployment in Queensland for the past four decades.

The current level of unemployment does in no way detract the awarding of the increase sought.

Chart 2 Queensland Trend Unemployment by decade 1979 to 2019



Source 6202.0 - Labour Force, Australia, May 2019

The dotted yellow line represents the most recent decade which is remarkably stable by comparison to the other three decades. Moreover, there is only one period of time in the past 40 years in which the trend unemployment rate in Queensland was below the current rate and that was the second half of the 2000s in the period leading up the Global Financial Crisis (grey line). Queensland Treasury (2019:8) forecasts and projections are for the unemployment rate to remain at six per cent until declining to 5 ¾ per cent in 2022-23.

Wage Movements

Included in the 2018 QCU State wage Case submission was a table that set out the various measures of wage movements and compared the period from 2000 to 2013 with the period 2013 to 2017 (QCU 2018:9). The following table updates that comparison to include data from 2018 (Stanford 2018:32).

Table 3 Measures of Wage Stagnation

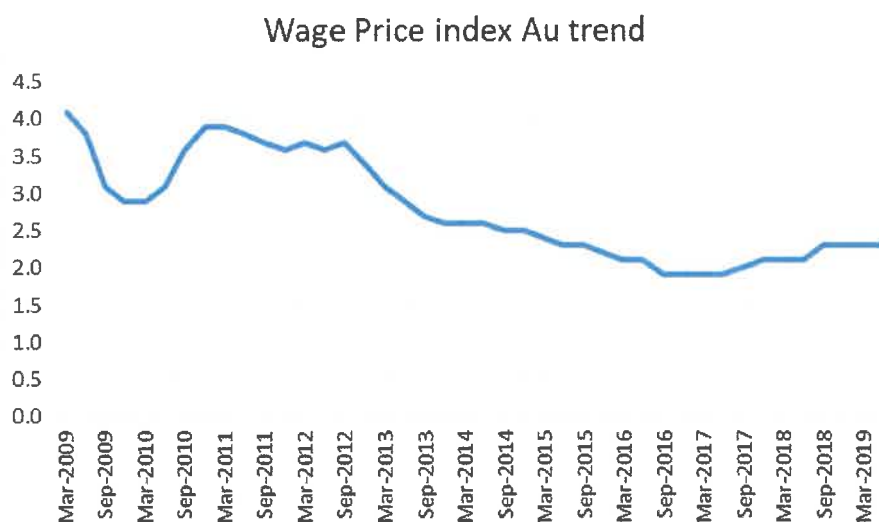
Measure of Wage Stagnation			
	Average Annual Growth		
	2000 - 13	2013 - 18	Change
Wage Outcome Measure			
Wage Price Index	3.7%	2.2%	- 1.5%
Average Weekly Earnings	4.5%	1.5%	-3.0%
New Enterprise Agreements	4.0%	3.1%	-0.9%
Average Hourly Compensation (National Accounts)	4.8%	1.8%	-3.0%
Unit Labour Cost	2.9%	0.6%	-2.2%
Other Relevant Variables			
CPI	2.8%	2.0%	-0.8%
Real Labour Productivity	1.4%	1.1%	-0.3%
<i>Source Stanford (2018) calculations from ABS and RBA data</i>			

By any objective measure the data above provides an illustration of what has been described as a wage growth crisis (Stanford, Hardy and Stewart 2018:3). Wage growth stagnation has been described as a crisis, not only by union officials and academics concerned with the labour market, but also by the Reserve Bank Governor. (Australian Institute 2019:2; Kyloh 2018:229). Wage growth in Australia is now at its slowest rate since the second world war (Australia Institute 2019:2).

The wage price index (WPI) is considered the most accurate reflection of the price of wages in Australia as it holds a range of variables constant which cannot be done for other measures such as Ordinary Time Earnings (Oliver and Yu 2018:305). The WPI has declined steadily since 2012 (Healy 2015:361) with some suggestion of a bottoming out below two per cent occurring between 2016 and 2017. The most recent figures demonstrate that the slight increase to the WPI that occurred during 2018 were not a general upturn as the WPI has remained below

2.5 per cent into 2019. The following graph tracks the trend WPI for Australia for the last decade.

Chart 3 Wage Price Index



6345.0 - Wage Price Index, Australia, Mar 2019

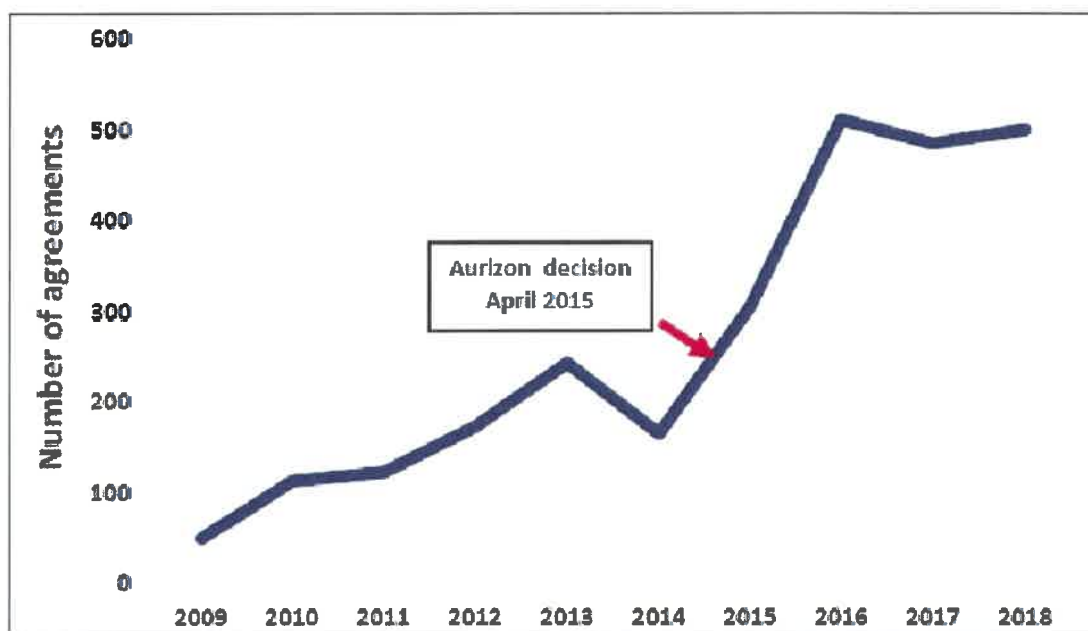
Another measure of wage movement is Average Weekly Earnings. As discussed above, range of variables will impact upon average weekly earnings as it merely seeks to divide total earnings by the number of employees. In the twelve months to November 2018, Full-Time Adult Average Weekly Ordinary Time Earnings increased by 2.4 per cent to \$1,604.90. The increase of 2.4 per cent remains consistent with the WPI discussed above.

Traditionally, wage growth has been considered a problem by orthodox economists and conservative commentators (Lyons 2018:79; Stanford, Hardy and Stewart 2018:5). Accordingly, from this perspective the consequences of low wage growth, such as weaker consumer spending, household indebtedness and financial stress and slowing government revenue, are not a problem (Lyons 2018:76; Long 2019; Stanford, Hardy and Stewart 2018:8). In fact, these consequences are symptomatic of the growing wage inequality that Australia is experiencing (Stanford, Hardy and Stewart 2018:12; Watson 2016).

The causes of low wage growth in Australia are now well documented. A shift in bargaining power from labour to capital is principal amongst these causes (Bishop and Rush 2017; Buchanan and Oliver 2016:791; Jacobs and Rush 2015; Kinsella and Howe 2018:43; Kyloh 2018:230; Oliver and Yu 2018; Pennington 2018; Queensland Government 2019). The

difficulties surrounding enterprise bargaining for workers and a subsequent dominance by employers coincide with a gradual erosion of workers' collective bargaining rights (Kinsella and Howe 2018:54; Peetz 2018:105; Pennington 2018; Stanford, Hardy and Stewart 2018:9). One of the most obvious manifestations of the shift in employer power has been the ability of employers to terminate collective agreements following the Aurizon decision¹ (Allen and Landau 2018:405; McCrystal 2018; Peetz 2018:105-6; Pennington 2018). The following graph sets out terminations of agreements and sign posts the point at which the Aurizon case occurred.

Chart 4 Termination of Agreements Timeline



Data: FWC, Terminated agreements. Report generated 2 October 2018; 2018 estimated total based on annualised data for first 9 months.

There is little doubt that Aurizon has emboldened employers in bargaining to the detriment of workers' bargaining power (McCrystal 2018:156). Not only has been the obvious use of termination of agreements by employers, so graphically demonstrated above, but it is also the shadow effect of this "bargaining chip" that is now held by employers that impacts upon the relative bargaining strength of employers and workers in the fair work system (McCrystal 2018; Peetz 2018:110; Pennington 2018:48). Moreover because of this shift in bargaining power there has been a continued decline in union density and now a rapid decline in collective bargaining coverage in the private sector (Peetz 2018:105/6; Pennington 2018). Peetz (2018:110) also argues that Australian workers' bargaining rights fall below International

¹ *Aurizon Operations Limited and Others* [2015] FWCFB 540

Labour Organisation standards. The implication is that Australian labour law has not kept pace with a changing environment (Bornstein 2018:169; Kyloh 2018:233; Pennington 2018).

A range of other explanations exist for low wage growth including what might euphemistically be described as labour market flexibility (Jacobs and Rush 2015; Bishop and Rush 2017). The Australian labour market has been impacted by what has been described as a fissuring of industry which includes practices such as outsourcing and franchising (Weil 2017). Closely connected with this fissuring has been an increase in regulatory evasion, known more colloquially as wage theft (Bornstein 2018:168; Hardy and Stewart 2018:61). Through fissuring industry, the shifting of work outwards (for example outsourcing) has led to the movement of gains upwards (from wages to profit) (Bornstein 2018:168; Hardy and Stewart 2018:66). The use of migrant workers has also said to have a related downward impact on wages (Hardy and Stewart 2018:64; Productivity Commission 2019:33). Sham contracting and other forms of precarious employment, which relevantly overlap with fissuring and wage theft, also contribute to the low wage environment being experienced by Australia (Hardy and Stewart 2018:68; Productivity Commission 2019:33).

At a macroeconomic level the change in the balance of power has led to negative shift in the labour share of national income (Kinsella and Howe 2018:45; Pennington 2019). The relationship between labour productivity and wages growth has said to be decoupled (Kyloh 2018:230; Productivity Commission 2019:27; Stanford 2018:33; Stanford 2019A:4) and this was one of the compelling arguments put to the Fair work Commission by the ACTU in previous National Wage Reviews. Labour productivity is important to wage growth as it enables real wages to increase without the associated cost-push inflation. Since 1981; real average income has increase by 22 per cent whereas labour productivity has increased by 70 per cent (Kinsella and Howe 2018:42). More recently (from 2000 to 2017) labour productivity has risen at twice the pace of real wages (26.2% v 13.7%) (Kinsella and Howe 2018:46).

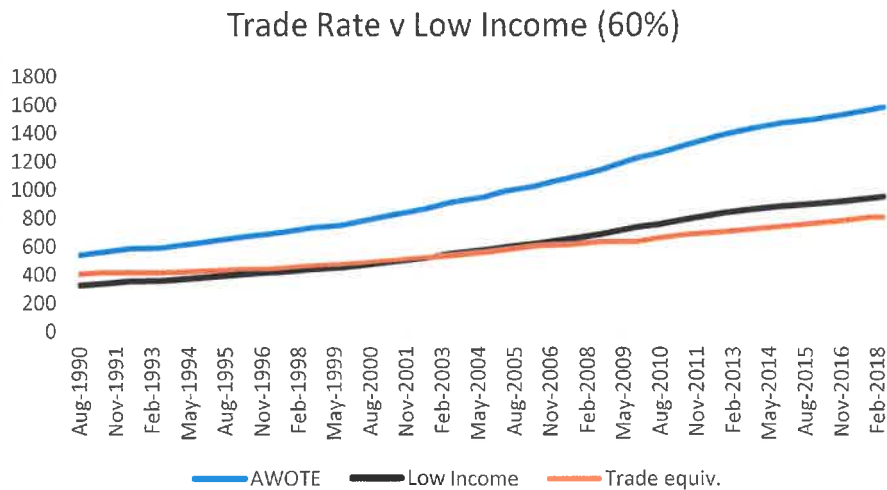
Slowing wage growth is not limited to Australia. However, Australia stands out from other OECD nations. By comparison, Australian wage growth was less than half the OECD average 2013 to 2017 which is particularly striking given that Australian wages were growing faster than the average up until 2013 (Stanford 2018:34).

One of the impacts of rising inequality is quite obviously a rise in the proportion of workers who could be considered as low paid. The use of average weekly earnings can also be useful to gauge low pay, and 2/3 of average earnings is an accepted measure of low pay used by the

OECD (Kinsella and Howe 2018; OECD 2018). By this definition of low pay, in 1975 10 per cent of Australian workers were low paid compared with 19 per cent in 2012 (Kinsella and Howe 2018:49). The National Minimum Wage has also lost ground to median wage, being 65 per cent of the median wage in 1990 and 55 per cent in 2016 (Hardy and Stewart 2018:61).

The following graph seeks to map the C10 (trade equivalent) rate since its establishment arising out of the 1989 National Wage Case and the Structural Efficiency Principle. This mapping compares the trade equivalent rate (orange line) to average earnings (blue line) and to 60 per cent of average earnings (black line) to provide a measure of how the award rate for a tradesperson compares to nominal low pay.

Chart 5 C10 v Low Income



The following table sets out the ratio of the trade equivalent to ordinary earnings at either end of the continuum graphically illustrated above.

Table 4 C10 v Low Income

	FT adult OTE
August 1990	541.00
Viz C10 (\$407.00)	75.2%
November 2018	1,604.90
Viz C10 (\$862.50)	53.7%

As can be seen from both the graph and table above, the trade equivalent has declined relative to the earnings being experienced in the broader community over the past three decades. A combination of minimal increases and flat dollar increases have meant that the rate of pay contained in awards for a skilled tradesperson has declined from around three quarters of ordinary earnings when the rate was set to little over half according to the most recent figures. These increases to award wages that were well below increases occurring in the broader community were intended to motivate the parties towards the adoption of enterprise bargaining as means of adjusting wages (Healy 2011; Peetz 1998). This policy objective was never fully realised, and it would now appear that enterprise bargaining is being rejected by employers rather than workers.

In previous submissions comparisons have been made between the Queensland Minimum Wage (QMW) and Average Weekly Earnings. That comparison has been criticised that very few workers are actually subject to the QMW. By using the trade equivalent, we are using an actual rate of pay that some skilled workers are presumably paid. In 1990 three quarters of ordinary earnings makes the award rate in some way relevant whereas a little over half makes the award rate of a skilled tradesperson equate to low pay.

The power resides with the Commission to award an increase consistent with that of the Fair Work Commission in the National Wage Review. Such a moderate increase is consistent with a policy of improving the level of wages and reducing the gap between award rates and average earnings.

2017 State Wage Case Decision

In the 2017 State Wage Case decision², the Full Bench asked a number of specific questions to supplement the usual economic data that have formed part of National Wage Review and State Wage Case submissions. This section of the submission discusses those matters raised in the 2017 State Wage Case.

The Queensland Budget estimates a net surplus of \$189 Million for the 2019/20 financial year. Estimates have been deliberately cautious and in the 2018/19 financial year the net operating surplus was \$841 Million some \$700 Million more than had been forecast. The forecast net operating budget surpluses for 2020/21; 2021/22 and 2022/23 are \$313 Million; \$483 Million and \$787 Million respectively (Queensland Treasury 2019:48).

The Queensland Government wages policy remains at 2.5 per cent per annum. It is worth noting that Reserve Bank Governor Dr. Phillip Lowe has recently stated to House of Representatives Economic Committee:

"Caps on wages growth in public sectors right across the country are another factor contributing to the subdued wage outcomes...my view is that a further pick-up in wages growth is both affordable and desirable" (Workplace Express 2019).

In 2018 Moody's rating of Queensland is Aa1, while Standard and Poor's was at AA+ (Caldwell 2018; QTC 2019). There has been no movement to those ratings following the 2019 Budget that was said to be well received by ratings agencies (Palaszczuk and Trad 2019).

A series of questions pertain to the financial position of local governments. This may form part of the Local Government Association's submissions and the QCU will respond to those submissions in due course. In the 2018 QCU submissions in reply, it was calculated (based on LGAQ submissions) that 6.2 per cent of the local government workforce were impacted directly or indirectly by the State Wage Case.

2

Declaration of General Ruling (State Wage Case 2017) [2017] QIRC 081 at [51]

The Queensland Industrial Relations Commission web site contains a link to all certified agreements in the local government sector. The following agreements are listed on that link:

- **Balonne Shire Council Certified Agreement 2018**
- **Banana Shire Council Certified Agreement 2018**
- **Barcaldine Regional Council Certified Agreement 2018**
- **Barcoo Shire Council Local Government Operational Employees' Certified Agreement 2018-2021**
- **Blackall-Tambo Regional Council Enterprise Bargaining Agreement 2018-2021**
- **Brisbane City Council Certified Agreement 2018 (EBA9)**
- **Bulloo Shire Council Operational Employees Certified Agreement 2018**
- **Bulloo Shire Council Officers Certified Agreement 2018**
- Bundaberg Regional Council Certified Agreement 2017
- **Burdekin Shire Council Certified Agreement 2018**
- Burke Shire Council Certified Agreement 2017
- Cairns Regional Council Certified Agreement 2012
- Carpentaria Shire Council – Certified Agreement 2011
- Cassowary Coast Regional Council - Certified Agreement 2011
- **Central Highlands Regional Council Certified Agreement 2018-2021**
- Charters Towers Regional Council Union Collective Certified Agreement 2012
- Cloncurry Shire Council Certified Agreement 2015
- **Cook Shire Council Indoor - Certified Agreement 2018**
- **Cook Shire - Outdoor Certified Agreement 2018**
- Etheridge Shire Council (ESC) Enterprise Bargaining Agreement 2012
- **Fraser Coast Regional Council Certified Agreement 2018**
- **Gladstone Regional Council Certified Agreement 2018**
- Gold Coast City Council Certified Agreement 2012
- Goondiwindi Regional Council Certified Agreement Number 1 - Indoor 2012
- Goondiwindi Regional Council Certified Agreement Number 2 - Outdoor 2012
- **Gympie Regional Council Certified Agreement 2018**
- Hinchinbrook Shire Council Certified Agreement 2017
- **Ipswich City Council Local Government Civic Centre Employees Certified Agreement 2018**

- **Ipswich City Council Local Government Employees Certified Agreement 2018**
- **Ipswich City Council Local Government Waste Service Employee' (Domestic and Commercial Drivers) Certified Agreement 2018**
- **Ipswich City Council Officers' Certified Agreement 2018**
- Isaac Regional Council Certified Agreement 2017
- **Lockyer Valley Regional Council Certified Agreement (Field) - 2018**
- **Lockyer Valley Regional Council Certified Agreement (Officers) 2018**
- **Logan City Council Certified Agreement 2018**
- **Longreach Regional Council Certified Agreement 2018-2022**
- Mackay Regional Council Certified Agreement 2017
- Maranoa Regional Council Officers Certified Agreement 2013
- Maranoa Regional Council Field Employees Certified Agreement 2012
- Mareeba Shire Council Certified Agreement 2014-2017
- **McKinlay Shire Council Certified Agreement 2018-2021**
- Moreton Bay Regional Council Certified Agreement 2014 EBA3
- Mornington Shire Council Certified Agreement 2015
- **Mount Isa City Council Certified Agreement 2018**
- **Murweh Shire Council Non-Operational Staff Certified Agreement 2018**
- **Murweh Shire Council Operational Staff Certified Agreement 2018**
- **North Burnett Regional Council Certified Agreement 2018**
- **Noosa Council Certified Agreement 2018**
- NPARC Certified Agreement, 2012-2014
- Palm Island Aboriginal Shire Council Certified Agreement 2010
- **Paroo Shire Council - Non-Operational Staff Certified Agreement 2018**
- **Paroo Shire Council - Operational Staff Certified Agreement 2018**
- **Quilpie Shire Council Certified Agreement 2018**
- **Redland City Council Officers' Certified Agreement 2019**
- Redland City Council Employees - Certified Agreement 2013
- **Richmond Shire Council – Certified Agreement 2018**
- Rockhampton Regional Council Certified Agreement 2012 - Internal Employees
- **Rockhampton Regional Council External Employees Certified Agreement 2018**
- Rockhampton Regional Council Treatment Plant Operators Certified Agreement 2012

- Rockhampton Regional Council Waste and Recycling Certified Agreement 2012
- Scenic Rim Regional Council Enterprise Bargaining Certified Agreement 2012-2014
- Somerset Regional Council Certified Agreement 2015
- Somerset Regional Council - Field Staff Certified Agreement 2017
- South Burnett Regional Council Certified Agreement - Field Staff - 2011
- South Burnett Regional Council Certified Agreement - Officers 2011
- **Southern Downs Regional Council Certified Agreement 2018 - Operational Employees**
- Southern Downs Regional Council Former Federal Award Employees Enterprise Bargaining Certified Agreement 2011-2014
- Sunshine Coast Council Field-Based Employees Certified Agreement 2017 [No. 3]
- Sunshine Coast Council Salaried Officers Certified Agreement 2017 (No. 3)
- **Tablelands Regional Council Certified Agreement 2018**
- **Toowoomba Regional Council Office Based Staff Certified Agreement 2018 (No3)**
- **Toowoomba Regional Council Field Based Staff Certified Agreement 2018 (No.3)**
- Torres Shire Council Certified Agreement 2010
- Torres Strait Island Regional Council Certified Agreement
- Townsville City Council (Field and Other Employees) Certified Agreement 2017
- Townsville City Council (Queensland Local Government Officers) Certified Agreement 2017
- Townsville City Council (Trades Employees) Certified Agreement 2017
- Western Downs Regional Council Enterprise Bargaining Certified Agreement - External 2012
- Western Downs Regional Council Enterprise Bargaining Certified Agreement - Internal 2012
- Western Downs Regional Council Nurses Certified Agreement 2011
- Western Downs Regional Council Personal Carers and Support Workers Certified Agreement 2012
- Whitsunday Regional Council Certified Agreement 2017
- Winton Shire Council Enterprise Bargaining Certified Agreement 2012

Of the 83 agreements that are listed above those that have been made in 2018 and 2019 are in bold. 39 Agreements (or 46.9 per cent) have been made since 2018 which tells us that

enterprise bargaining is alive and well in the local government sector. It is understood that recent surge in agreements being certified by the Commission in the local government sector is the result of a hiatus in bargaining that was caused by the award modernisation process, as agreements were unable to be made until such time as the award modernisation process was finalised.

This high proportion of agreements being made recently is significant for two reasons. Firstly, it would be unlikely that the calculations made in the QCU submissions in reply last year are in need of downward revision. Secondly, it would suggest that recent wage increases awarded by the Commission have not adversely impacted upon the inclination or ability of the parties to bargain.

The following councils are considered to be entirely award reliant (TSU 2019):

- Aurukun Shire Council
- Boulia Shire Council
- Cherbourg Aboriginal Shire Council
- Croydon Shire Council
- Diamantina Shire Council
- Doomadgee Aboriginal Shire Council
- Flinders Shire Council
- Hope Vale Aboriginal Shire Council
- Kowanyama Aboriginal Shire Council
- Lockhart River Aboriginal Shire Council
- Mapoon Aboriginal Shire Council
- Napranum Aboriginal Shire Council
- Pormpuraaw Aboriginal Shire Council
- Woorabinda Aboriginal Shire Council
- Wujal Wujal Aboriginal Shire Council
- Yarrabah Aboriginal Shire Council

Of all the Councils listed above, the majority fall into Category 1 (lowest paid category) for the purpose of setting the remuneration levels for Mayors and Councillors by the Local Government Remuneration Tribunal.

A series of questions also pertained to Parents and Citizens Associations. It is understood that there are no certified agreements covering employees of Parents and Citizens Associations. As the QCU has stated in previous State Wage Case submissions, the State of Queensland might be better placed to assist the Commission with relevant information about Parents and Citizens Associations.

In the 2018 QCU State Wage Case submission in reply, a table was prepared in response to the LGAQ submission. The local government area of Aurukun is useful for the purpose of comparison of rates as the local government area corresponds with a statistical region that is used for such purposes as Census collection.

Table 6 Aurukun Comparative Rates in the Community

	Per annum	Estimated Number
Median Income 2016	\$42,293	
Median Income (apply WPI*)	\$45,423	
Local Government (Stream A) Award	Proposed including 3.0%	57
Trade equivalent Level 1.4	\$44,514	
3-year degree qualified Level 2.3 (start)	\$44,723	
4-year degree qualified Level 3.1 (start)	\$48,893	
Queensland Government employees**		
Administrative Officer 2	\$47,743 (49,175)	16
Police Officer (2 nd year constable)	\$62,993	14
Registered Nurse (proposed rate***)	\$70,702	5
Teacher (1st year)	\$73,507	21
Private Sector Employees Modern Award		
CW 1	\$41,319	15
CW 3	\$44,850	
General Retail****	\$42,307	20

*1.9% to March 2017 and 2.1 March 2018 ABS 6345.0 - Wage Price Index, Australia, Mar 2018

**NB QG rates of pay do not include any form of allowance or loading but merely the base rate

*** this rate of pay is currently the subject of a ballot of employees for approval

**** annual rate used for point of comparison only

Source ABS 2016 Census, Wage Price Index, Queensland Regional Profiles Queensland Government Statistician's Office, Modern Awards FWC; agreements QIRC and proposed agreement to cover Nurses in Queensland Health; numbers of QG employees supplied by OIR

Further the 2017 State Wage Case decision included a range of questions that pertained to the relationship between awards and collective agreements. In particular the Commission was concerned with those awards which had been the subject of having wage rates from certified agreements included at some time. The consistent position of the QCU has been that this is a matter for the parties to the agreements in question as to how they deal with circumstances in which rates of pay contained in an award exceed that contained in a certified agreement.

The *Industrial Relations Act 2016* was drafted to deliberately reinstate the relevance of awards. As we have seen in the fair work system, the ability of employers to terminate agreements, or even to make the threat, has had a deleterious effect on the capacity of workers to bargain. The termination of agreements and the associated gap between rates of pay contained in collective agreements and awards manifests itself as the single most significant cause of the shift in bargaining power between employers and workers, thereby contributing to the current wage crisis.

There are crucial differences between the Queensland jurisdiction and the now named Fair Work system. The problems associated with the threat to terminate agreements does not loom large for employees in the Queensland jurisdiction as it does in the Fair Work system. There are three primary reasons that differentiate the Queensland jurisdiction and the Fair Work system with respect to the impact of termination of agreements on the respective bargaining position of the parties. Firstly, it is more difficult for the employer to unilaterally terminate an existing agreement³ which has become significant since the *Aurizon* decision. Secondly, the capacity to seek an arbitrated outcome in the event of failure to reach agreement during negotiations is far more able to be achieved in the Queensland jurisdiction⁴ than in the Fair Work system where the threshold for arbitration is considerably higher⁵. This access to arbitration is significant as for most negotiations in the Fair Work system, the only option for the Fair Work Commission is to terminate an agreement or not. This means there is no potential for an outcome that is some sort of compromise that would see employees retain some existing conditions (McCrystal 2018:156). Finally, the Queensland system enables the parties to include rates and conditions from previous agreements into an award⁶.

³ Section 228 Industrial Relations Act 2016

⁴ Section 180 Industrial Relations Act 2016

⁵ Sections 423 and 424 of the Fair Work Act 2009

⁶ Section 145 Industrial Relations Act 2016

It is this capacity to include provisions from certified agreements into awards that has led in some cases to rates of pay contained in awards overtaking the rates contained in collective agreements. A range of reasons exist for why this has occurred in some cases.

The following table sets out the increases in several public sector areas of employment that have been the subject of bargaining over the last decade. It sets an arbitrary index of 100 as at 1 January 2009 and then applies the increases that have been applied on an annual basis by virtue of the relevant certified agreements. It compares those increases with those which have been awarded under the State Wage Case at the C10 level. C10 level is used as the comparator as in the years to 1 January 2010, 2011, 2012 and 2013 the State Wage Case Outcomes were flat dollar increases and percentage applied to the index is that which was applied to allowances. This would have overstated the impact of the State Wage Case on a range of wages contained in state awards. In addition, there have been lump sum payments made to employees covered by the various agreements that would not be contemplated by the percentage increases contained in the following table.

Table 5 Percentage Increase base at 100 in 2009

Year to:	Core	Teachers	Nurses	Firefighters	Police	C10
1/01/2009	100	100	100	100	100	100
1/01/2010	104.5	104.5	104.5	104.5	105	102.5
1/01/2011	108.7	108.7	108.7	108.7	109	105.6
1/01/2012	113	113	113	113	113.1	109.2
1/01/2013	113	116.1	116.4	113	117.1	112.4
1/01/2014	113	119.2	119.9	115.5	119.6	115.3
1/01/2015	113	122.4	123.5	118	122.3	118.7
1/01/2016	115.8	125	124.5	120.1	125	121.7
1/01/2017	118.7	128.1	127.6	124	128.1	124.6
1/01/2018	121.7	131.3	130.8	127.1	131.3	128.7
1/01/2019	121.7	134.6	134.1	130.3	134.6	133.2

Source State Wage Case Decisions & Various Certified agreements

It is obvious that some areas have stayed above the quantum of the State Wage Case over the past decade despite the relatively higher increases being awarded in 2017 and 2018 by comparison to the more modest wage increases gained through bargaining.

The provisions that enable the inclusion of rates and conditions from certified agreements into an award have their genesis in the *Industrial Relations Act 1999*. Section 129 of the *Industrial Relations Act 1999* resulted from the Review of Industrial Relations Legislation in Queensland (Industrial Relations Taskforce 1998). The report that was adopted by Government enabled the inclusion of provision “won through agreements” in order to ensure that awards are “providing for fair minimum standards for employees in the context of living standards generally prevailing in the community and providing secure, relevant and consistent wages and employment conditions” (Industrial Relations Taskforce 1998:122). The report stopped short of recommending automatic flow-on of agreement conditions into awards lest that led to a “whipsaw” across common rule awards (Industrial Relations Taskforce 1998:123). Interestingly, the report also acknowledged that “it is worth noting that in the public sector there are special cases where such incorporation might not cause inappropriate enterprise related outcomes to be imposed across a larger sector” (Industrial Relations Taskforce 1998:123).

The report that lead to the adoption of the capacity to include provisions from an agreement into an award was written whilst the Queensland jurisdiction did have considerable private sector coverage, hence the reference to common rule awards. The report also noted that it was likely that the provisions of what eventuated as section 129 would most likely have application in the public sector. Reservations about the flow on of agreement provisions into awards was in the context of a broader flow on of such provisions in a common rule sense. Legislative change at both state and federal levels has meant that this concern for flow-on to common rule awards is no longer valid. The experience with the operation of section 129 was that it virtually operated by consent of the parties. The ability to include agreement conditions by consent was recognised by the Parliament and amendment to section 129 was made by including a subsection (2) that required the Commission include provisions from certified agreements into awards by consent.

The provisions of section 145 of the *Industrial Relations Act 2016* are identical to that of section 129 of the *Industrial Relations Act 1999* as amended. The dramatic changes to the Queensland jurisdiction resulting from the Commonwealth take-over and subsequent referral have been the subject of several submissions in State Wage Cases. As previously mentioned the removal of the non-Government sector from the jurisdiction means that there is a finite number of employers and awards that are well understood by the parties. The likelihood of flow-on of provisions from one agreement into other areas and award therefore virtually disappears. What

remains is the original intention of section 129 and subsequently section 145 that awards should not fall so far behind agreements that withdrawal of the agreement becomes a means by which the bargaining power between the parties is shifted monumentally in favour of employers.

This is precisely what has occurred in the Fair Work system and as discussed earlier is contributing to the low wage growth that plagues Australia. The *Aurizon* decision drastically changed the industrial landscape to provide employers with what amounts to a take it or leave it ultimatum to the workforce. *Aurizon* overturned the previous presumption in favour of retention of conditions contained in agreements. The huge gap between negotiated conditions and the safety net with the associated financial hardship was not considered to be relevant to the public interest. This precedent has been used by employers in a range of industries (McCrystal 2018:149):

All the cases have in common the fact that the employer has been unable to get agreement from employees to their proposed changes, the changes generally involve a reduction in existing terms and conditions of engagement or removal of perceived restrictions on managerial prerogative, the parties are at impasse and there appears little prospect of reaching agreement.

Conclusion

Economic conditions are largely the same as they were in 2018 when the Commission last considered the State Wage Case. Economic growth is sluggish at a national level but anticipated to continue to be forecast higher in Queensland than at a national level driven by record exports. Inflation remains remarkably low and is in fact below the RBA target range. Unemployment remains stable but stubbornly higher in Queensland. This submission addresses the issue of slightly higher than average unemployment in its historical context. Wage growth remains undesirably low by any objective measure. It is this key statistic above all others, in our submission, that justifies awarding an increase equivalent to that awarded by the Fair Work Commission in the National Wage Review. This submission, assisted by a considerable amount of contemporary research (Stewart, Stanford and Hardy eds 2018) addresses the low wage growth crisis in Australia.

A range of specific questions were asked in the 2017 State Wage Case and again have been answered in this submission. Table 6 illustrates, by a focus on the area of Aurukun, that the granting of the 3 per cent increase would not be excessive in the context of rates prevailing in the community. In that regard, little has changed since the last submission other than the Core Agreement being overtaken by the relevant award. The reasons for this occurring have been dealt with by Table 5 which demonstrates that the Core Agreement “flat-lined” between 2012 and 2015 where other instruments, including the relevant award did not. This is not the first time that this has occurred. The relationship between award rates and certified agreements is in our submission a matter for the parties to determine through bargaining.

There is no reason in our submission for the Commission to depart from its recent practice of granting the same increase has been awarded in the National Wage Review. To the contrary the low wage growth, in our submission, provides the justification for the reasonable increase of three percent.

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