

QUEENSLAND INDUSTRIAL RELATIONS COMMISSION

Industrial Relations Act 2016  
s.458

(No. B/2022/52, B/2022/53 and B/2022/54)

APPLICATION FOR A DECLARATION OF GENERAL RULING AND  
STATEMENT OF POLICY  
STATE WAGE CASE 2022

SUBMISSION OF THE LOCAL GOVERNMENT ASSOCIATION OF  
QUEENSLAND

AUGUST 2022

## **Introduction**

1. The 2022 State Wage case is being conducted against the backdrop of difficult times for Local Governments in Queensland.
2. Queensland councils remain challenged by broad issues of financial sustainability. The Queensland Audit Office (QAO) Report 15 for the financial year 2021-22 highlighted that Queensland councils are continuing to recover from the financial impacts of the COVID-19 pandemic. The QAO report identified that 45 councils (60%) were still at high or moderate risk of not being financially sustainable.
3. In further recognition of the financial sustainability issues facing the sector the Department of Local Government, Racing and Multicultural Affairs has initiated a review of the 'Financial Sustainability Indicators' which reflects the importance placed by the State Government on the long-term sustainability of the sector.
4. The local government sector in Queensland is more immediately being impacted by significantly higher operational and input costs. The Australian Bureau of Statistics (ABS) in their Producer Price Index published on the 29<sup>th</sup> July 2022 indicated an annualised increase of 5.6% which represents the strongest increase in the index since December 2008. Councils have consequently been required to recently absorb significant cost increases to cover their operational activities, maintenance and construction efforts.

## **Application**

5. The Queensland Council of Unions (QCU), the Australian Workers' Union (AWU) and the Together Queensland, Industrial Union of Employees (Together Union) have filed applications in the Queensland Industrial Relations Commission (the Commission) seeking a general ruling to provide:
  - an amendment to all state awards by an increase of \$40 per week or 4.6% ~~which is greater~~.
  - an amendment to all state awards by increasing existing allowances which relate to work conditions which have not changed by 4.6%.
  - an increase to the Queensland Minimum Wage (QMW) of 5.2 % and
  - an operative date of 1 September 2022.
6. In response to these applications the State of Queensland (the State) has indicated it:
  - supports a 5.2 % increase to the QMW
  - supports a fair and reasonable increase to state awards and award allowances but not greater than the 2022 AWR decision in relation to Federal modern awards
  - supports an operative date of 1 September 2022 for any increases awarded

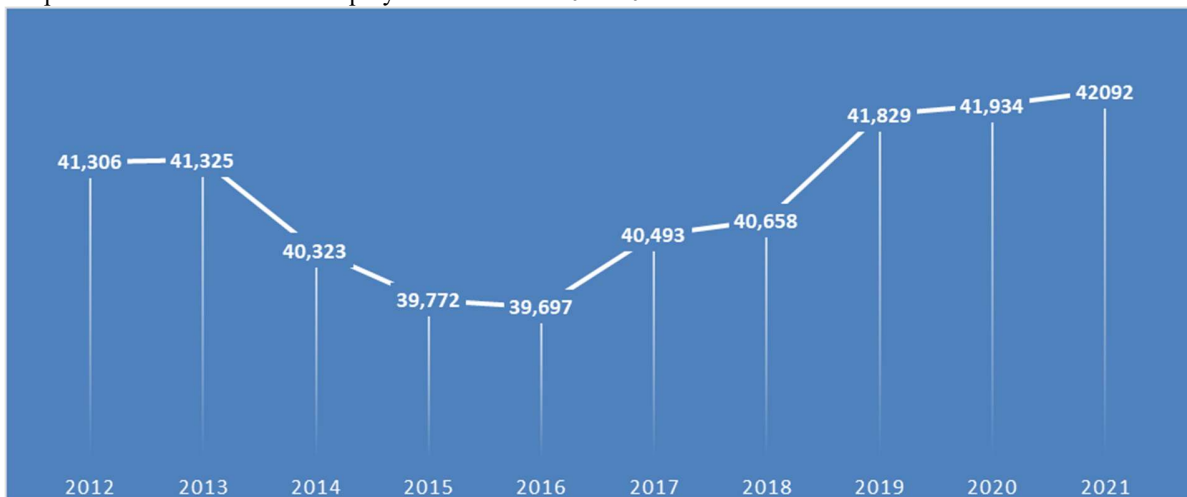
## **The Local Government Association of Queensland (LGAQ)**

7. The LGAQ supports:
  - a 5.2% increase to the QMW.
  - a 3 % increase to award wages.
  - a 3 % increase to existing and applicable award allowances in awards which relate to work or conditions which have not changed nor have mechanisms in the award for varying the amounts; and
  - an operative date of 1 September 2022.

### The Local Government Context

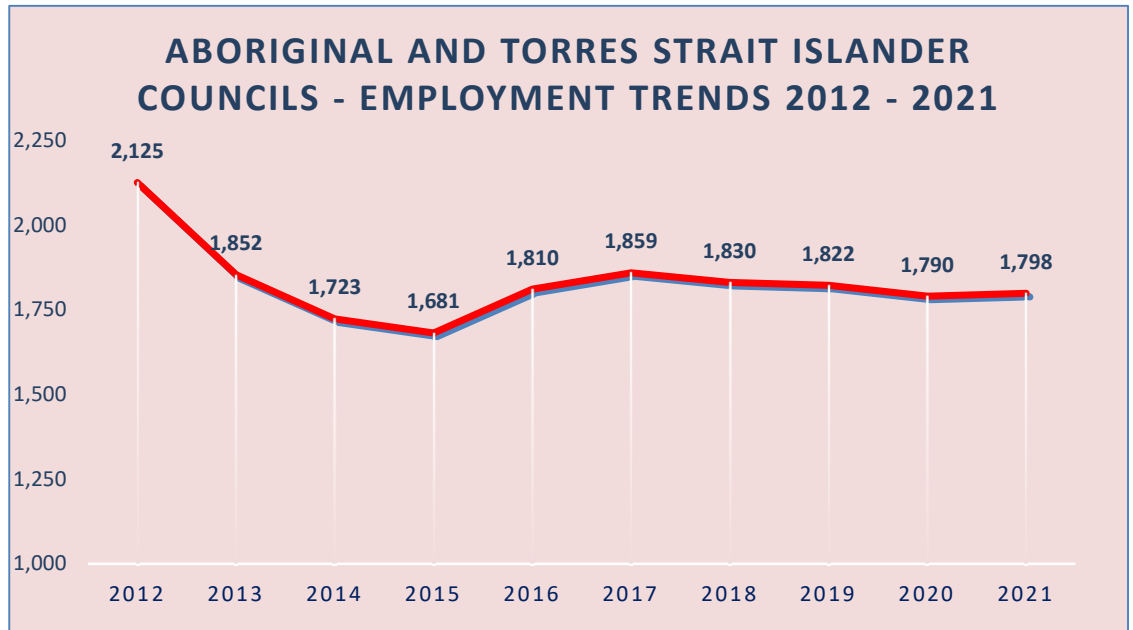
8. As the State points out in its submission, the 2022 State Wage Case is being conducted amid Queensland's ongoing recovery from the social and economic dislocation and uncertainty caused by the novel coronavirus (COVID-19) as well as uncertain economic and social circumstances both locally and abroad.
9. As outlined in paragraphs 2, 3 and 4, the challenges have threatened the financial security of some Queensland councils.
10. Local governments by their very nature strive to employ as large a local workforce as possible to conduct their business. Councils prefer to expend their resources locally in order to sustain and stimulate their local economy rather than see their investments in labour leave their council areas through outsourcing and external contracting.
11. Local Government's capacity to pay understandably correlates with the size of its workforce. In recent years, the workforce of councils collectively has risen due to increased availability of funds through recent grants from state and federal governments along with increases in own source revenues in some select locations. It is recognised that due to COVID-19 own source revenues have, in many local government areas, been negatively impacted. Councils have however through their efforts to maintain their workers in employment sought to capitalize on stimulus packages offered by the state and federal governments which has resulted in a small overall increase in employment numbers across the state in 2021 (graph 1).
12. However, while across the sector Local government numbers have risen post 2016, First Nations councils overall recorded a reduction in staffing numbers over the same period. This reduction correlates with State Wage Case increases whose quantum has exceeded general increases in grant monies allocated to these councils. (graph 2)

Graph 1 - Local Government Employment Numbers 2012-2021



Source: LGAQ 2021 Workforce census

Graph 2 – Local Government Employment numbers - First Nations Councils



Source: LGAQ 2021 Workforce census

13. Effectively, the capacity of First Nations councils to pay has not matched the increasing cost of labour over this time. These councils do not have the local capacity to raise money through rates and the grants available to these councils in lieu of their rate-raising capacity is capped at 2.5%. First Nations Councils have been active in seeking additional revenues and driving efficiencies in their operations to keep people working and remunerated fairly.
14. Roughly just over 1750 local government employees are directly reliant on an award for wage levels while there are councils with certified agreements which call up state award rises. Accordingly, in excess of 1750 employees may be directly impacted by a state wage award increase, with the majority of these being engaged within First Nations councils.
15. LGAQ Annual Workforce Census data also confirms that the average salary levels of employees in First Nations Councils remains lower than that of employees in other council segment categories, the majority of which are paid pursuant to enterprise agreements. First Nations councils actively work to better remunerate their employees which underpinned the rationale for the 2020 position of the LGAQ which called for a greater award increase than that awarded in the 2020 NWC and consequently in the 2020 state wage case. The reality is that the continued lower salary levels for employees in First Nations Councils reflects an incapacity of those councils to pay more.

#### Effect of the Pandemic on local government

16. As outlined in the LGAQ 2021 State Wage Case submission, information collected by the LGAQ from councils confirmed that Queensland's Councils could expect a challenging and uncertain period, as the various spheres of government recovered from the impacts of COVID-19. At that time, councils did not anticipate the level of uncertainty and on-going pandemic outbreaks that would continue to plague council operations. Councils reported that:
  - Cash positions were reducing as Councils drew down on available cash holdings to support ongoing operations during the peak of the outbreaks.

- Councils had to defer more than \$330 million in planned capital expenditure out of 2019-20 into future years.
- Many Councils required new or increased borrowings or working capital facilities in 2020-21.
- Councils were able to maintain their workforces in employment despite the decrease in revenue, lockdowns and lack of access to federal funding programs such as job-keeper.

17. As expected, the financial impact of COVID-19 has continued. The QAO report identified that 45 councils (60%) were still at high or moderate risk of not being financially sustainable.

### **Capacity to Pay**

18. The majority of Local Government employees are covered by a certified agreement which pay in excess of award rates.
19. Those councils affected by the increases sought in the applications are those whose employees are award reliant or those covered by a certified agreement where the rates of pay may be subject to the outcome of the State Wage Case (Affected Local Governments).
20. The Affected Local Governments are primarily First Nations Councils. These are some of Queensland's most disadvantaged communities where it is important that additional labor costs do not impede the efforts of councils to protect local employment and build resilience into local economies.
21. There are significant pressures on First Nations Councils including:
- a) Increase in services provided - Additional services like aged care, family support programs, local justice initiatives, public housing, connectivity, post offices and federal services continue to be delivered by First Nations Councils. The cost of delivering these continues to grow as does the level of consultation and input on government policy sought by government agencies
  - b) Increase in people - The resident population serviced by the State's First Nations Councils has increased by 28% over the last 20 years
  - c) Lower staff pay: The wage levels in First Nations Councils are significantly lower than those in similar positions in other council areas – reflecting the capacity of councils to pay
  - d) Financial Viability: The QAO identify First Nations Councils as having a high risk of being financially unsustainable. The lack of an adequate funding base has also been recognised in several reviews – including one in 2008 that identified a revenue gap of \$15 million
  - e) Constraints in increase to revenue: capacity to increase revenue to absorb wage increases is limited as they do not collect rates
  - f) Revenue – funding to First Nations Councils comes from the State Government Financial Aid, which will increase by no more than 2.5% which is insufficient to support costs
  - g) When faced with increased costs, the only options open to First Nations Councils are to reduce services or reduce the size of the workforce.
22. The increases sought in the applications would put unreasonable financial pressure on the Affected Local Governments, primarily First Nations Councils, who are least equipped to absorb such wage increases.
23. An increase as sought by LGAQ poses less of a risk to the financial sustainability of the Affect Local Governments and their employees' job security.

### **Legislative Framework**

24. Section 3 of the Industrial Relations Act prescribes the main purpose of the Act *is to provide a framework for co-operative industrial relations that is fair and balanced and supports the delivery of high-quality services, economic prosperity and social justice for Queenslanders.*
25. Section 4 of the Industrial Relations Act 2016 Act provides:  
*How main purpose is primarily achieved*  
  
*The main purpose of this Act is to be achieved primarily by-*
  - (a) *supporting a productive, competitive and inclusive economy, with strong economic growth, high employment, employment security, improved living standards and low inflation; and*
  - (b) *ensuring wages and employment conditions provide fair standards in relation to living standards prevailing in the community; and*
  - (c) *ensuring equal remuneration for work of equal or comparable value; and*
  - (d) *promoting collective bargaining,*
26. The IR Act requires the Commission to balance ensuring fair wages and employment conditions and supporting high employment and job security. The LGAQ considers its position aligns with these objectives.

### **Queensland Minimum Wage**

27. While an argument could be made for a lesser amount, the LGAQ does not oppose a 5.2% increase to the QMW given its minimal implications for local government.

### **Awards and Allowances**

28. For the reasons previously outlined any additional costs for councils add further constraints on their efforts to retain staff. The LGAQ submits that, within the current economic environment and the significant and continuing level of uncertainty for councils as employers, an increase of the level supported by the LGAQ is reasonable and recognises and acknowledges the challenges confronting local governments as employers, prioritises jobs and job retention during difficult times and acknowledges employer efforts to retain staff.

### **The Economic Case**

29. The LGAQ does not intend to submit detailed submissions on the state of the economy and relies on the information provided by the State and a commonsense appreciation of the challenges faced by all businesses, private and public sector.
30. The LGAQ also notes the recent report of the QAO confirming the continuing high risk of unsustainability of 60% of councils. The increases proposed by the LGAQ for the local government awards will minimize any additional risk of unsustainability to councils. Councils have confirmed a desire to pay their staff fair wages and a need to balance that desire with the risk of having to further downsize staff to accommodate increased costs.

### **Enterprise Bargaining**

31. The reference in the State's submission that higher state award pay rises might serve to disincentivise employers and workers from participating in enterprise bargaining has merit. In fact, the LGAQ has raised this argument in previous state wage cases and believes the argument to be no less valid today.

**Conclusion**

32. The State Wage Case decision will directly impact those councils who least have the capacity to manage increases in costs.
33. Increases aligned with those sought in the applications pose a threat to the financial viability of those councils affected by the increases as well as the job security of the employees of those councils.
34. The LGAQ considers that they have a history of taking a fair and reasonable approach in relation to State Wage Case submissions and that its 2022 submission is consistent with that approach.

**Operative Date**

35. The LGAQ would prefer the appropriate operative date to be the first Monday of September to allow for greater ease in administration but accepts the custom of awarding the increase from the 1<sup>st</sup> of September.

Dated: August 2022