

Annual Wage Review 2024-25

Fair Work Commission

ACCI Submission

4 April 2025



**Working for business.
Working for Australia.**

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Executive Summary

ACCI proposes a fair, reasonable responsible and sustainable **increase in the National Minimum Wage (NMW) and Modern Award Wages (MAW) of 2.5 per cent.**

Over the past two AWRs, the Fair Work Commission (FWC) has played down the minimum and modern award wages' contribution to total wages growth. Strong wages growth and resilience in the labour market continue to drive up business costs. This has exacerbated economic challenges by keeping interest rates higher for longer.

The FWC should avoid an excessive increase in minimum and modern award wages to prevent exacerbating these cost pressures. In this context, ACCI argue that it is important that the wage increase awarded in 2024-25 takes account of these factors and realigns broader wages growth with inflation expectations.

In making its decision for the 2024-25 Annual Wage Review, there are several factors that the Expert Panel of the FWC need to consider, including:

- Economic growth is expected to remain weak over the next year, with Treasury downgrading its GDP forecast from 1¾ per cent in the MYEFO for 2024-25 to a further 1½ per cent for 2024-25 in the budget 2025-26. Over the past year, growth was driven mainly by a surge in immigration and public spending. While GDP per capita was weakly positive in December quarter 2024 at 0.1 per cent, this follows seven consecutive quarters of contraction (negative growth). Although the 2025-26 Budget is forecasting economic growth will turn around and gather some momentum in 2025-26, with GDP growth lifting to 2¼ per cent in 2025-26, there is much uncertainty in this forecast due to emerging geopolitical tensions.
- The Trump administration's threat to impose reciprocal tariffs on all countries exporting to the United States is expected to slow global economic growth, impacting heavily on our major trading partners, such as China, Japan, South Korea. The OECD's recent Economic Outlook has downrated its earlier forecasts for global economic growth by 0.2 percent to 3.1 per cent in 2025 and 0.3 per cent to 3.0 per cent in 2026. For Australia, the OECD has maintained its forecast for 2025 at 1.9 per cent, but has downgraded its forecast for 2026 by 0.7 per cent, to 1.8 per cent.
- Headline inflation has moved down to 2.4 per cent year-on-year in the December quarter, while underlying inflation remains higher at 3.2 per cent. Headline inflation has been artificially lowered by the Government's cost-of-living relief measures (including energy bill relief and increased rental assistance). Although the energy bill relief was extended to December 2025 in the 2025-26 Budget, a jump in inflation is expected in January 2026, with energy prices surging by 30 per cent. The Reserve Bank of Australia (RBA) is expecting headline inflation to jump to 3.7 per cent when the energy bill relief ends, while the Budget is forecasting inflation to be 3 per cent in June 2026, before returning to the target range in 2027. With a rebound in inflation expected in 2025-26, the Expert Panel must consider the risk of high wages contributing to higher inflation over the period the wage increase applies.

- Productivity is contracting, with labour productivity at negative 1.2 per cent for the year-on-year in the December quarter 2024. This diminishing productivity is expected to persist through 2025 and into 2026. Any increase in wages must be linked to productivity growth. Therefore, the Expert Panel should consider applying a discount to the wage increase to account for waning productivity.
- The wage price index (WPI) has eased back from its peak of 4.2 per cent in December 2023 to 3.2 per cent for the year, following an increase of 0.7 per cent in the December quarter 2024. The main drivers of wages growth over the past year have been the retail trade, administrative and support services, education and training and health care sectors. This level of wages growth is unsustainable without a substantial productivity improvement.
- The labour market remains strong and resilient, with employment at a record high of 14.51 million and participation rate remain close to its peak at 66.8 per cent. With unemployment at 4.1 per cent in February 2025, the labour market remains tight and continues to put pressure on inflation. This is making it more challenging for the Reserve Bank to lower interest rates in the near term. While the rate of employment growth is expected to ease to around 1 per cent over the next few years, unemployment is expected to remain stable around 4¼ per cent.
- Businesses are facing ongoing cost pressures from rising material input costs and strong wage growth. With limited opportunity to pass on these cost increases through higher prices, profit growth has been contracting over the past 18 months. Declining profits are particularly acute in award-reliant sectors such as accommodation and food services, transport postal and warehousing, information media and telecommunications, and administrative and support services. The Expert Panel must factor in that wages growth has been outpacing profit growth and consider businesses' capacity to cope with further increases in wages.
- Weak business profits have contributed to a strong rise in business insolvencies over the past year, with a record 14,670 businesses failing in 2023-24 — a 41 per cent rise compared to the previous year. The current year is shaping up to be even worse, with over 13,000 businesses entering administration in the 8 months to February. The FWC must consider the impact of further wage rises on the ongoing viability of businesses.
- The Superannuation Guarantee will increase superannuation contributions a further 0.5 per cent to 12 per cent in 2024-25. The FWC has previously discounted the annual wage increase for this and it should again be factored into the 2024-25 decision.

Introduction

1. In preparing our position for the current Annual Wage Review (AWR), ACCI has consulted widely with our extensive and diverse network. While reaching an agreed position across the broad range of industries in our network is not easy, we have sought to establish a position that takes into account differing economic considerations and the risks posed to those considerations.
2. In reaching a view on the national minimum wage and modern award wages, ACCI has also grappled with the various social considerations required through the objects of the Fair Work Act (the Act), the modern awards objectives and the minimum wages objectives.
3. Some employers advance differing perspectives and positions based on the experiences of their members, so we urge the Panel to also take this into account.
4. In advancing ACCI's position, we have attempted to balance the full range of considerations - the economic environment, the needs of workers, cost of living pressures, as well as the high cost of doing businesses.
5. ACCI considers an increase in minimum and modern award wages of **no more than 2.5 per cent** (plus the legislated 0.5 per cent Superannuation Guarantee increase from 1 July 2026) to be **fair, reasonable, responsible and sustainable**, taking into account the full range of economic considerations before us.
6. The proposed increase is focused on keeping inflation in check and holding it to the middle of Reserve Bank's target range of 2 to 3 per cent. Therefore, it is important that any increase in the minimum and modern award wages doesn't place pressure on inflation and 'push out the curve' so that inflation rises back above the target range or weighs on economic activity any more than is necessary. An increase in minimum and modern award wages above 2.5 per cent will make it very challenging to maintain inflation in the target range.
7. It is important to recognise that Australian workers have gained the benefit of exceptionally high employment and participation rates and low unemployment over the past two years - there has never been more Australians in work, the participation rate has hovered around a historic high of 67 per cent, and unemployment remains within the range of what the Reserve Bank and Treasury consider to be 'full-employment' (Non-accelerating Inflation Rate of Unemployment – NAIRU). The focus of the Panel must be on maintaining full employment and must avoid wage increases that risk putting upward pressure on unemployment or downward pressure on the participation rate.
8. To be sustainable, any increase in wages must be linked to productivity. ACCI agrees that workers should share in the benefits of productivity gains. Yet, labour productivity has been contracting, down 1.2 per cent in 2024 calendar year and this is expected to persist in 2025. Failure to align wages growth with genuine productivity improvements risks will only add to inflationary pressure, exacerbating economic challenges.

9. It is important that the Panel recognises the cumulative impact of its previous decisions and not just look at the current period in isolation. Despite exceptionally high inflation over the past three years, the Annual Wage Review decisions have delivered real wage growth to minimum and modern award wage earners, with increases that were considerably greater than average wages growth across the broader economy.
10. Overall, the Panel must hand down an increase to minimum and modern award wages that is fair and reasonable for both employees and employers and is responsible in terms of the potential to contribute to inflation and risk to the overall economy.

Statutory Considerations

11. In its review of the NMW and the modern awards minimum wages, the Expert Panel must take into account several statutory considerations provided in the Act. Namely, the objects of the Act in section 3, the minimum wages objective in section 284(1), and the modern awards objective in section 134(1).
12. The objects of the Act are as follows (emphasis added):

The object of this Act is to provide a balanced framework for cooperative and productive workplace relations that promotes national economic prosperity and social inclusion for all Australians by:

- (a) providing workplace relations laws that are fair to working Australians, promote job security and gender equality, are flexible for businesses, promote productivity and economic growth for Australia's future economic prosperity and take into account Australia's international labour obligations; and*
- (b) ensuring a guaranteed safety net of fair, relevant and enforceable minimum terms and conditions through the National Employment Standards, modern awards, and national minimum wage orders; and*
- (c) ensuring that the guaranteed safety net of fair, relevant and enforceable minimum wages and conditions can no longer be undermined by the making of statutory individual employment agreements of any kind given that such agreements can never be part of a fair workplace relations system; and*
- (d) assisting employees to balance their work and family responsibilities by providing for flexible working arrangements; and*
- (e) enabling fairness and representation at work and the prevention of discrimination by recognising the right to freedom of association and the right to be represented, protecting against unfair treatment and discrimination, providing accessible and effective procedures to resolve grievances and disputes, and providing effective compliance mechanisms; and*
- (f) achieving productivity and fairness through an emphasis on enterprise-level collective bargaining underpinned by simple good faith bargaining obligations and clear rules governing industrial action; and*

(g) acknowledging the special circumstances of small and medium-sized businesses.

13. ACCI would here emphasise that all activities carried out under the Act must be consistent with its object and purpose and urges the Panel to conduct the AWR with particular regard to the special circumstances of small and medium-sized businesses and the mandate of a fair workplace relations system that achieves flexibility for business and promotes productivity and economic growth.
14. This of course requires a deep consideration, not only of social factors, but of the prevailing economic circumstances. The objectives of modern awards and minimum wages also clearly outline this balance and will be explored below and throughout the submission.
15. The minimum wages objective is as follows:

What is the minimum wages objective?

- (1) The FWC must establish and maintain a safety net of fair minimum wages, taking into account:
 - (a) the performance and competitiveness of the national economy, including productivity, business competitiveness and viability, inflation, and employment growth; and*
 - (aa) the need to achieve gender equality, including by ensuring equal remuneration for work of equal or comparable value, eliminating gender-based undervaluation of work and addressing gender pay gaps; and*
 - (b) promoting social inclusion through increased workforce participation; and*
 - (c) relative living standards and the needs of the low paid; and*
 - (e) providing a comprehensive range of fair minimum wages to junior employees, employees to whom training arrangements apply and employees with a disability.**

16. The modern awards objective is as follows:

What is the modern awards objective?

- (1) The FWC must ensure that modern awards, together with the National Employment Standards, provide a fair and relevant minimum safety net of terms and conditions, taking into account:
 - (a) relative living standards and the needs of the low paid; and*
 - (aa) the need to improve access to secure work across the economy; and*
 - (ab) the need to achieve gender equality in the workplace by ensuring equal remuneration for work of equal or comparable value, eliminating gender-based undervaluation of work and providing workplace conditions that facilitate women's full economic participation; and*
 - (b) the need to encourage collective bargaining; and*
 - (c) the need to promote social inclusion through increased workforce participation; and**

(d) the need to promote flexible modern work practices and the efficient and productive performance of work; and

(da) the need to provide additional remuneration for:

- (i) employees working overtime; or*
- (ii) employees working unsocial, irregular, or unpredictable hours; or*
- (iii) employees working on weekends or public holidays; or*
- (iv) employees working shifts; and*

(f) the likely impact of any exercise of modern award powers on business, including on productivity, employment costs and the regulatory burden; and

(g) the need to ensure a simple, easy to understand, stable and sustainable modern award system for Australia that avoids unnecessary overlap of modern awards; and

(h) the likely impact of any exercise of modern award powers on employment growth, inflation and the sustainability, performance, and competitiveness of the national economy.

17. The minimum wages objective is self-evidently relevant to the AWR, and its relevance is specifically contained in section 284(2) of the Act. The modern awards objectives should be contemplated in the context of the review of modern award minimum wages, pursuant to section 134(2)(b) of the Act.

Fair and Relevant Safety Net

18. The consideration of ‘fairness’, as outlined both in the modern awards and minimum wages objectives, must balance the perspectives of employers and employees fairly.¹ The reference to ‘relevant’ has been interpreted by the Commission to mean that the safety net is to be suited to the prevailing circumstances.²
19. At the outset, ACCI would also draw attention to the Panel of its previous observation that significant wage increases could inhibit the ability of employers to continue to employ workers on the NMW.³
20. It is only natural then that, in the context of the minimum wage, a significant wage increase could be innately incompatible with the aforementioned objectives. This is due to the ability of substantial wage increases to undermine the capacity of employers to employ thereby disproportionately negatively impacting upon needs the low paid, producing higher unemployment, reducing social inclusion through decreased workforce participation, detrimentally impacting women’s employment who are more likely to be award reliant, and as a result undermine broader economic growth.
21. To this end, and in the context of the AWR, the Panel is tasked with providing a fair and relevant safety net to employees which is fair to employers as well as employees and which is guided by the prevailing circumstances within which this review takes place.

¹ [2022] FWCFB 3500 at [18].

² [2017] FWCFB 1001 at [37].

³ [2022] FWCFB 3500 at [161];

22. In ACCI's view fairness and relevance warrant the Panel, on this occasion, taking a far more reserved approach than it has in recent reviews.
23. In assessing the prevailing circumstances, ACCI submits that a necessary and critical consideration for the Commission is the cumulative impact of the substantial, successive increases to the NMW and modern award minimum wages as a result of its decisions in [2024] FWCFB 3500, [2023] FWCFB 3500, and [2022] FWCFB 3500.
24. Not only do those decisions provide relevant context to the review at hand, but they convey the importance of the Panel having a view to fairness and provide significant weight to the needs of employers on this particular occasion.
25. These have been detailed in the sections below and will be further developed in later submissions; however, it highlights the necessity of the Panel to thoroughly explore the prevailing economic circumstances within which this review is to be conducted.
26. Indeed, the purpose of the economic considerations listed throughout the modern awards and the minimum wages objectives is to ensure that the Panel, in the exercise of its powers, concerns itself with the growth and prosperity of the Australian economy. The Commission has previously observed that this provides a particular emphasis to the economic indicators mentioned in the statutory considerations.⁴
27. There are common considerations, in one form or another, across the varying objectives, which ACCI intends to address. Naturally, all considerations within the minimum wages objective will be dealt with as they are central to the AWR process, however, the broader set of considerations which will be addressed are:
 - The national economy
 - Productivity;
 - Business competitiveness and viability;
 - Inflation;
 - Employment growth;
 - Secure work;
 - Gender equality;
 - Social inclusion;
 - Junior, trainee, and disabled employees;
 - Flexible work;
 - Additional remuneration;
 - A stable and sustainable modern award system; and
 - The need to encourage collective bargaining.
28. It should be noted that the Panel is not limited to the statutory considerations in sections 134 and 284, the Panel may in fact consider other matters which it considers to be relevant.⁵
29. It is in this regard that ACCI also intends to bring additional economic and fiscal considerations to the attention of the Panel in its submission.

⁴ [2018] FWCFB 3500 at [10].

⁵ [2022] FWCFB 3500 at [5]

Economic Considerations

Domestic Economic Outlook

Economic activity

30. Australian economy appears to have turned a corner at the end of 2024, following a year of sluggish growth throughout the year. In the December quarter 2024, GDP grew by 0.6 per cent, bringing annual growth to 1.3 per cent⁶. Notably, GDP per capita increased 0.1 per cent in the December quarter, ending an unprecedented streak of negative growth, with declining living standards, over seven consecutive quarters.
31. Economic growth is expected to remain weak over the remainder of 2024-25, with Treasury further downgrading its GDP growth forecast from 1¾ per cent in the MYEFO for 2024-25⁷ to a 1½ per cent for 2024–25 in the Budget. Over the past year, GDP growth was driven mainly by population growth and public spending, with very weak growth in private demand as household consumption remained flat. However, GDP growth is expected to improve in 2025-26, lifting 2¼ per cent on the back of an improvement in consumer spending, while the immigration rate is expected to fall and government spending slow.
32. However, increasing geopolitical risks will weigh on the domestic economy, with the outlook increasingly uncertain. The US tariffs are expected to impact directly on some Australian sectors, such as steel and aluminium, and may be expanded to agricultural products, such as beef. The potential for reciprocal tariffs may have a broader impact across all goods and services exported to the United States. The tariffs will also impact on our Asian trading partners, particularly China, which is already experiencing weaker economic growth. This is likely to flow through to demand of Australian goods from these countries, as well as adding to inflationary pressures in Australia.
33. With economic growth remaining sluggish and the labour market still tight, conditions remain uncertain. While the Reserve Bank delivered a rate cut in February 2025, it is expected to be a one-off adjustment rather than a broader easing cycle.
34. Michelle Bullock noted in her opening statement to the House of Representatives Standing Committee of Economics that the upside risks to inflation remain, saying:

“the central projection suggests that if monetary policy is eased too quickly or by too much, disinflation could stall and inflation would settle above the midpoint of the target range. So, the Board remains cautious about prospects for further policy easing”⁸.
35. Major banks maintain a soft outlook for the year ahead, though much depends on how global uncertainty unfolds. There is also uncertainty around the timing and scale of a consumer spending

⁶ ABS 2025, Australian National Accounts, December 2024

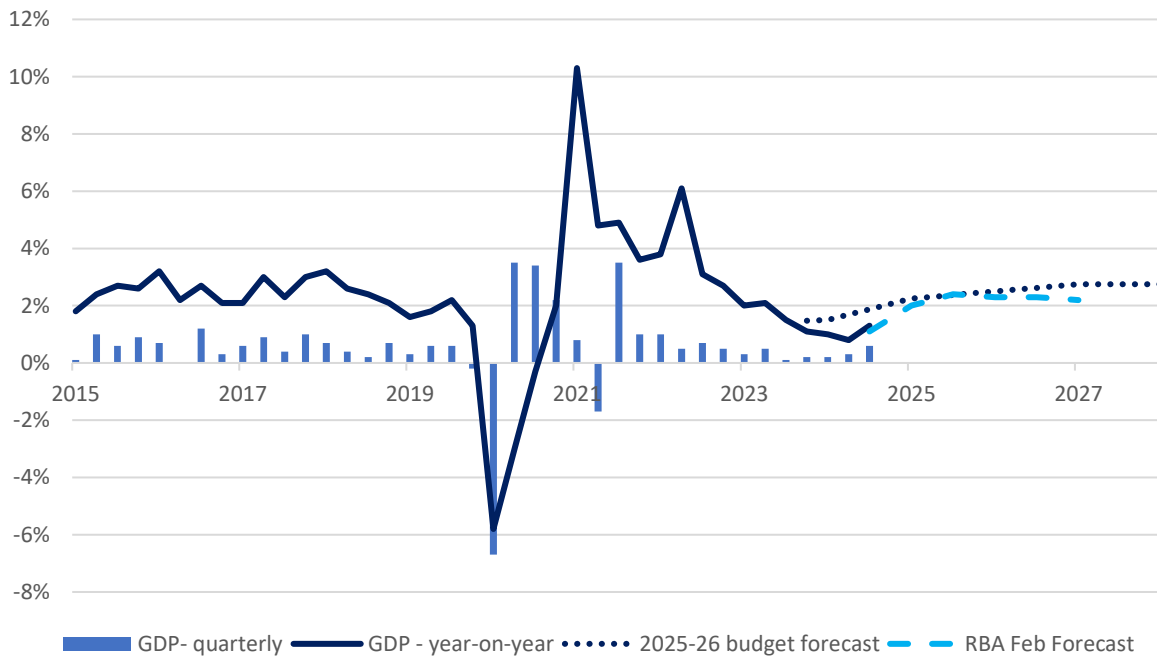
⁷ Mid-Year Economic and Fiscal Outlook, 2024-25 <https://budget.gov.au/content/myefo/download/myefo2024-25.pdf>

⁸ Michele Bullock, Opening Statement to the House of Representatives Standing Committee of Economics, <https://www.rba.gov.au/speeches/2025/pdf/sp-gov-2025-02-21.pdf>

recovery. If global events lead household to be more cautious and consumption is muted, it could weigh on Australia’s growth prospects.

- 36. The key risk that remains is the potential for a re-tightening of the labour market later in 2025 as economic growth picks up, which could introduce a new wave of inflationary wage pressures. Given this backdrop, caution is needed when considering wage increases to avoid adding to inflationary risks at a time when economic growth remains fragile.
- 37. The latest NAB Business Survey in January shows that the business conditions deteriorated to +3 index points⁹, below the long run average of +7 index points, driven down by weaker trading and profitability conditions. Cost pressures remain elevated, with businesses limited in their ability to pass these increasing costs onto consumers through higher prices, which is weighing on profitability and therefore overall business conditions.

Figure 1: Gross Domestic Product, Australia including RBA forecasts



Source: ABS 2025, Australian National Accounts: National Income, Expenditure and Product |RBA, Statement of Monetary Policy, February 2025| Budget 2025-26

International Economic Outlook

- 38. The IMF’s global growth projections highlight the impact of heightened trade policy uncertainty, in form of new wave of tariffs. As a result, the IMF forecasts global economic growth at 3.3 per cent for both 2025 and 2026, remaining below the historical average of 3.7 per cent¹⁰. It also warns that the: *“Balance of risks to the outlook is tilted to the downside.”*

⁹ NAB Monthly Business Survey, January 2025
¹⁰ IMF, World Economic Outlook Update, January 2025

39. The OECD's recent interim economic outlook presents an even grimmer picture, forecasting a slowdown in global growth from 3.2 per cent in 2024 to 3.1 per cent in 2025, and further to 3 per cent in 2026. The OECD attributes this decline to increasing trade barriers and geopolitical uncertainties, which are weighing on investment and household spending¹¹.
40. Of particular concern is the uncertainty faced by the three largest economies, China, the US and EU, which are also Australia's major trading partners.
41. Growth in China, is slowing, with the IMF projecting GDP growth of 4.7 per cent year-on-year in 2025, down from 5.2 per cent in 2023.¹² The Chinese economy is falling short of expectations due to a faster-than-anticipated slowdown in consumption and delayed stabilization in the property market.
42. This situation is further complicated by the US shifting its trade policy to prioritise domestic manufacturing, imposing higher tariffs on imports from China and Hong Kong. Around a third of Australia's goods exports, worth \$212.7 billion in 2024, go to China. Therefore, any slowdown in economic activity in China associated with higher tariffs in the US could have ripple effects on the Australian economy.
43. The IMF warns that:
*"Compared to previous trade disputes, current tariff hikes could pose greater risks to inflation, potentially forcing central banks to raise interest rates and increasing financial instability."*¹³
44. Economic activity is expected to remain subdued in the EU, with Germany lagging behind other euro area economies. The IMF, in its October 2024 outlook, revised its 2025 growth forecast for the region down by 0.2 percentage points to 1 per cent.¹⁴
45. A near-term boost in the US economy is expected, but the negative effects of tariffs and supply chain disruptions could weigh on medium-term growth. The IMF forecasts U.S. growth to reach 2.7 per cent in 2025 before slowing to 2.1 per cent in 2026.¹⁵
46. The IMF's economic report underscores the Australia's vulnerability to geoeconomic fragmentation risks, cautioning:
*"Monetary policy should remain restrictive due to persistent inflation and upside risks, with a readiness to tighten further if disinflation stalls."*¹⁶
47. Additionally, the IMF notes that aggregate wage growth is accelerating in service-related sectors. It warns that:
*"Wage pressures in certain service and non-market sectors could contribute to persistent inflation, potentially requiring the RBA to maintain higher interest rates for longer. This, in turn, could dampen aggregate demand and negatively impact other segments of the labour market."*¹⁷

¹¹ OECD Economic Outlook, Interim Report March 2025

¹² IMF World Economic Outlook Update, January 2025

¹³ IMF World Economic Outlook Update, January 2025

¹⁴ IMF World Economic Outlook Update, January 2025

¹⁵ IMF World Economic Outlook Update, January 2025

¹⁶ IMF, Australia Report, December 2024

¹⁷ IMF, Australia Report, December 2024

48. The OECD raises similar concerns, warning that significant risks remain due to the ongoing fragmentation of the global economy. It highlights that rising trade barriers could weaken global growth and exacerbate inflationary pressures. Higher-than-expected inflation would force central banks to adopt even more restrictive monetary policies, increasing the risk of financial market disruptions.

The OECD warns that:

“Central banks should remain vigilant given heightened uncertainty and the potential for higher trade costs to push up wage and price pressures.”¹⁸

49. With the IMF and OECD advice in mind, it would be reckless to presume that our economy will remain resilient in the face of strong wages growth. It is important that the RBA’s actions to return inflation to 2 to 3 per cent is not impeded by an excessive increase to minimum and modern award wages.

Household spending

50. Household consumption was subdued throughout most of 2024 as consumers faced high cost of living pressures, particularly mortgage holders. However, it has shown signs of a modest improvement in the December quarter rising to 0.4 per cent and 0.7 per cent for the year to December 2024.¹⁹ The Budget is forecasting an improvement in real household consumption over the forward estimates, lifting from just ¾ per cent in 2024-25 to 2¼ per cent in 2025-26 and 2026-27²⁰.

51. While economic conditions remain sluggish, consumer confidence is recovering as inflationary pressures subside, disposable incomes rise, and households look forward to the prospect of further interest rate cuts in mid-2025. The CommBank Household Spending Insights (HSI) survey shows consumer spending picking up considerably over the last three months of 2024, due to heavy discounting and promotional activity by retailers, before flatlining in January. Six of the 12 spending categories recorded gains in January, led by insurance, health, food and beverages and education. The annual rate of increase in the HSI index rose to 6.3 per cent for the year to December, before moderating to 5.7 per cent in January²¹. The CBA forecasts that the rate cut will lift consumer spending growth higher.

52. According to Australia's Westpac-Melbourne Institute Consumer Sentiment Index most consumers expect their finances to improve over 2025. The RBA’s decision to cut interest rates in February and a further easing in cost-of-living pressures has lifted the consumer sentiment to three-year high of 95.9 per cent in March from 92.2 per cent in February. The sub index on the family finances for the next 12 months rose a further 3.2 per cent to 108.3, its highest level since January 2018.²²

53. The evidence suggests that the financial stress faced by households last year is moderating, lessening the need for a wage increase to maintain living standards.

¹⁸ OECD Economic Outlook, Interim Report March 2025

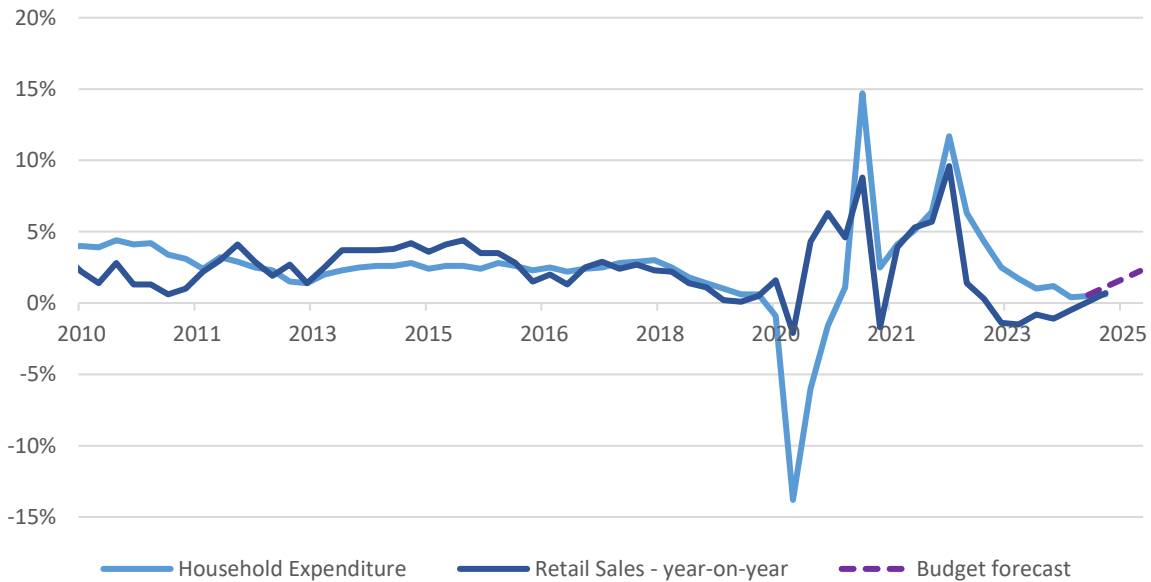
¹⁹ ABS 2025, Australian National Accounts, December 2024

²⁰ Budget 2025-26, budget.gov.au

²¹ CommBank Household Spending Insights, January 2025

²² Westpac-MI Consumer Sentiment Bulletin, March 2025

Figure 2: Household Consumption



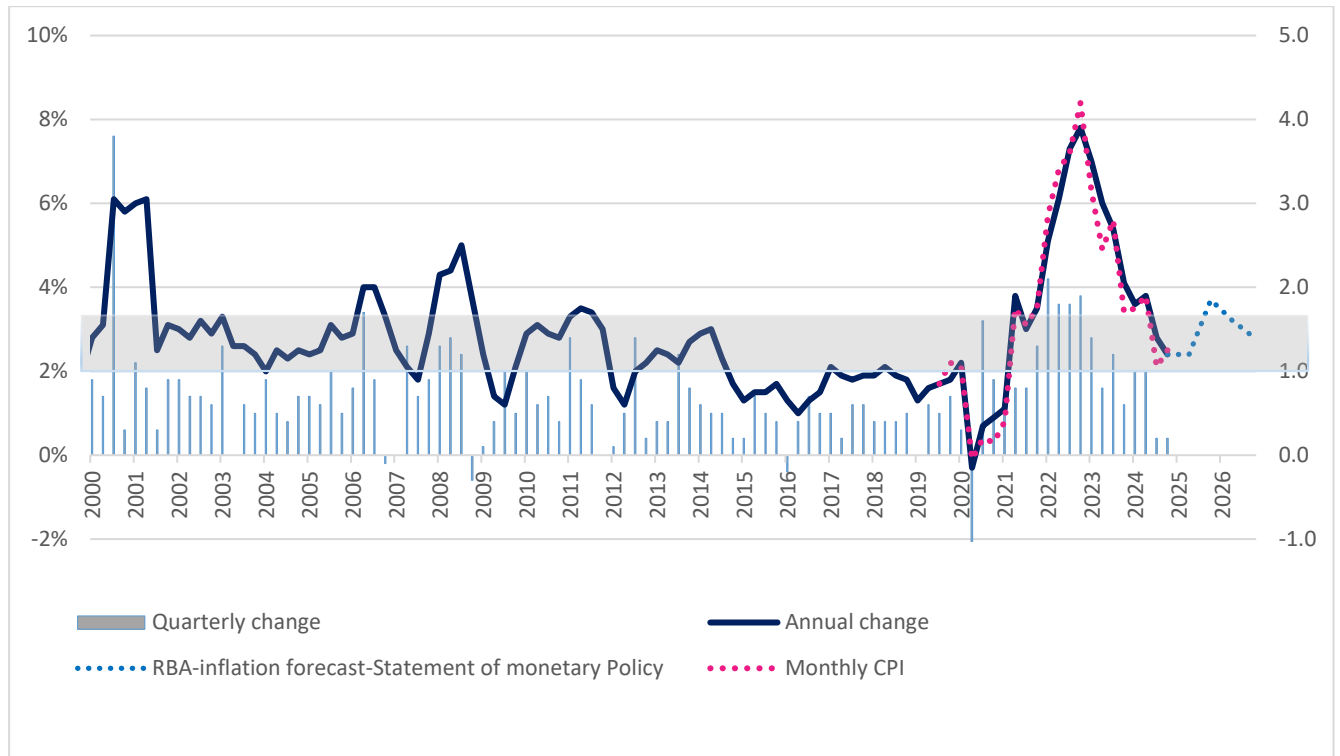
Source: ABS 2025, Australian National Accounts, December 2024| Retail Trade, February 2025

Inflation

54. Headline inflation declined from 2.8 per cent in September to 2.4 per cent²³ year-on-year in the December quarter. However, underlying inflation remains elevated at 3.2 per cent for the December quarter, despite a modest decline from 3.6 per cent in September 2024.
55. A key factor keeping headline inflation lower has been government cost-of-living relief measures, including energy bill relief and increased rental assistance. These temporary interventions have artificially suppressed inflation.
56. While the energy bill relief was extended a further 6 months in the Budget, it will end in December 2025. In January 2026, energy prices are expected to surge by 30 per cent, with a commensurate jump in inflation expected. The Reserve Bank of Australia (RBA) is forecasting headline inflation to jump to 3.7 per cent when the energy bill relief ends. Similarly, the Budget is forecasting inflation to rise from 2½ per cent in June 2025 to 3 per cent in June 2026, before returning to the target range in 2027.

²³ ABS 2025, Consumer price Index, December 2024

Figure 3: Consumer Price Index, Australia, including Budget forecast 2025-26



Source: ABS 2025, Consumer Price Index, Australia | ABS 2025 , Monthly Consumer Price Index Indicator Inflation Forecast| Budget forecast 2025-26

57. In this year’s AWR decision, the Expert Panel must consider the risk of excessive wage growth adding to inflationary pressures over the period in which the wage increase applies.

58. The RBA has made clear:

“if inflation proves more persistent than expected, it will maintain a restrictive policy stance, holding the cash rate at 4.1 per cent for an extended period”²⁴.

59. The expert panel needs to be cautious of putting any unnecessary pressures on inflation, with a wage increase out of step with inflation and productivity growth.

Productivity

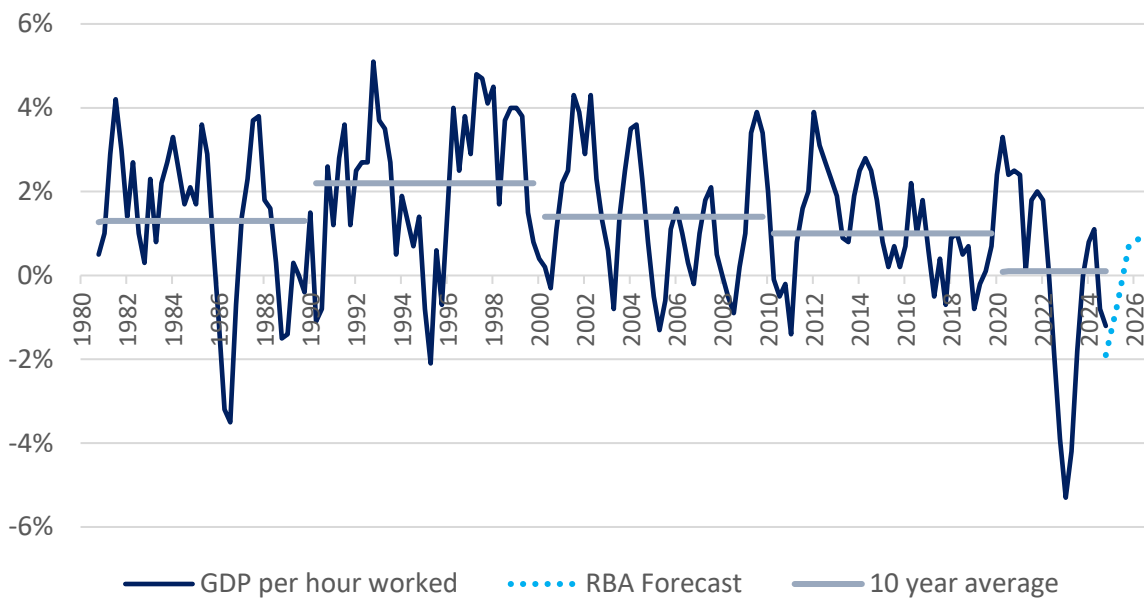
60. Australia’s productivity growth has slowed significantly since the turn of the century. The Productivity Commission’s Five-Year Productivity Inquiry found that over the past decade, productivity growth has been at its slowest pace in 60 years, averaging just 1 per cent per year in the decade to 2019²⁵.

²⁴ Minutes of the Monetary Policy Meeting of the Reserve Board, RBA, February 2025

²⁵Productivity Commission 2023 5-Year Productivity Inquiry Report. Volume 1: Advancing Prosperity. <https://www.pc.gov.au/inquiries/completed/productivity/report/productivity-volume1-advancing-prosperity.pdf>

61. The situation has deteriorated even further, with productivity contracting by 1.2 per cent in the year to December 2024 and averaging near zero growth over the past five years. The Reserve Bank is forecasting productivity to remain negative in 2024-25, at -0.7 per cent²⁶ in the year to June 2025, before a moderate improvement to 0.9 per cent by the end of 2026.
62. Concerns about low productivity are also reflected in the 2025–26 Budget, which warns:
“If productivity does not pick up as expected, price pressures may be more persistent, with potential implications for unemployment and the real economy.”

Figure 4: Productivity Growth and 10-year averages



Source: Australian Bureau of Statistics 2025 National Accounts: National Income, Expenditure and Product, March 2025, RBA, Statement of Monetary Policy, February 2025

63. This trend is expected to deteriorate over the next decade, with RBA Head of Economic Analysis, Michael Plumb²⁷, noting that:
“the non-market share of the economy has expanded in recent years. This expansion is particularly evident in government-funded and regulated non-market services, such as schools, aged care, childcare, and disability support services, where a lack of competition and contestability masks underperformance. As a result, these sectors have contributed to weaker overall economic productivity.”
64. Despite these sectors being heavily subsidised, the Fair Work Commission (FWC) has continued to implement substantial increases in award wages. Following a 2023 review, the draft decision granted a 15 per cent increase in the award wages of aged care workers under the Aged Care Award 2010, Social, Community, Home Care and Disability Services Industry Award 2010 and Nurses Award 2020. The final decision, released in early 2024, increased wages further, to between 23 per cent and 28 per cent, dependent on the award. Such increases are unsustainable and can

²⁶ RBA, Statement of Monetary Policy, February 2025

²⁷ Why Productivity matters, Michael Plumb, Head of Economic Analysis department, RBA

only be supported by continued government subsidies to the sector, contributing further to the mounting structural deficit in the Federal budget.

65. Australia's weak productivity growth is a significant economic risk. Former RBA Governor Philip Lowe has acknowledged that the country's stagnating productivity—rather than high interest rates—is a major driver of cost-of-living challenges. He stated:
- “Interest rates have probably suppressed aggregate demand by 1 per cent this year; the lack of productivity growth over that time has suppressed demand now by 9 per cent²⁸”.*
66. Multifactor labour productivity has also contracted sharply over the past year, increasing by a sluggish 0.1 per cent between 2022-23 and 2023-24, which is well below both the 20-year average and the 1.6 per cent annual growth recorded between 1994-95 and 2003-04²⁹. Some of the worst-performing sectors include utilities and construction, both of which have high numbers of small businesses reliant on award wages.
67. It is evident that the weak labour productivity is weighing heavily on economic activity and business growth. In this Annual Wage Review, the Panel must acknowledge this trend and ensure that wage increase remains aligned with genuine productivity improvements. Given the persistent weakness in labour productivity and that the downward trajectory is forecast to continue, a substantial increase in minimum and modern award wages would be unjustified.

Business profitability

68. It is important to note that business profits, particularly in sectors with a higher share of award-reliant employees, are in decline.
69. Business profits have contracted by 39 percent over the 18 months leading to December 2024³⁰. Businesses have faced very strong growth in material input costs and rising wages in recent years but had limited opportunity to pass on these costs to consumers through higher prices.
70. Supply chain disruptions and high demand for key commodities, led to surging input costs in some industries in recent years. In the construction sector, building material costs increased by an average of over 17 per cent year-or-year in mid-2022.³¹ While the rate of growth has since slowed, input costs for house construction are over 60 per cent higher than at the beginning of 2020. Similarly in the manufacturing sector, input costs increased by almost 19 per cent in early 2022. While the rate of increase in input costs has slowed recently, they remain over 50 per cent higher than the beginning of 2020. In service sectors, input costs continue to rise at a rate much higher than inflation, with the

²⁸ [Ex-RBA boss Philip Lowe's vision for a richer Australia | The Australian](#)

²⁹ Annual Productivity Bulletin 2025, Productivity Commission

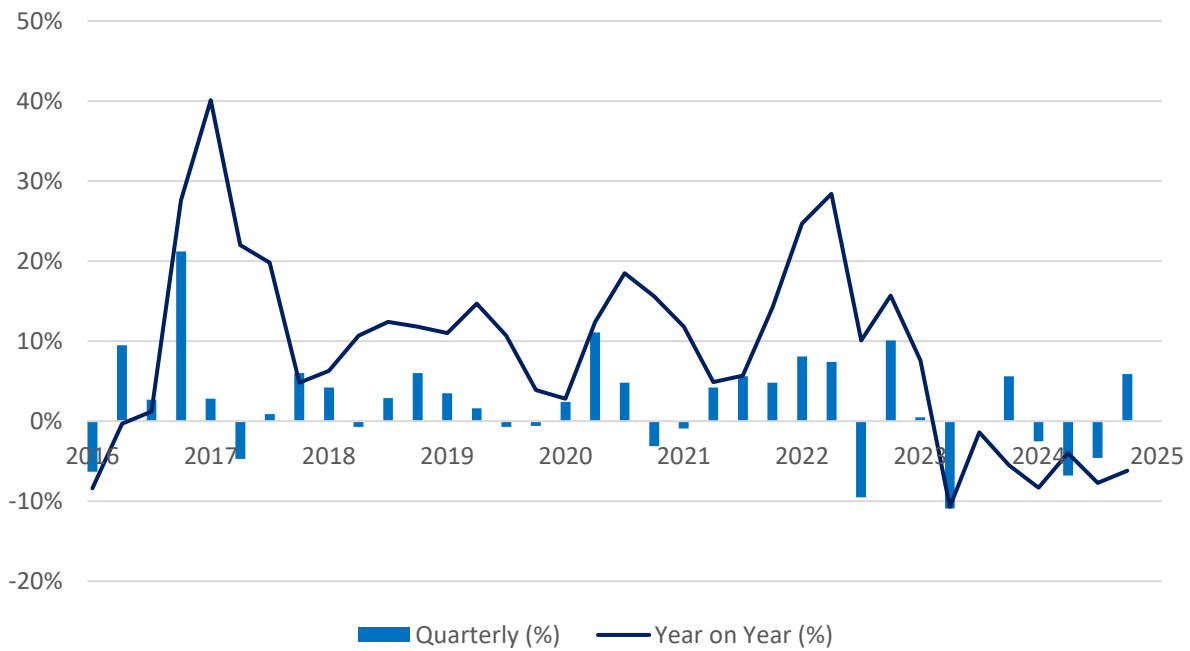
³⁰ ABS, Business Indicators, December 2024

³¹ ABS 2025, Producer Price Index, December 2024.

cost of accommodation services increasing 9.8 per cent in the December quarter 2024 and 5.8 per cent for the year.

71. At the same time, compensation of employees has also been growing strongly, increasing by 6.1 percent in the year to December³². This growth is driven by new enterprise agreements with higher wages, larger bonuses and expanding headcounts.

Figure 5: Company Gross Operating Profit



Source: ABS, Business Indicators, December 2024

72. The industries with the largest proportion of their employees being modern award reliant were accommodation and food services (59.5 per cent), administrative and support services (38.1 per cent) and retail trade (33.9 per cent)³³ which are also the industries which have experienced a larger decline in their profits.

73. In the retail sector, gross operating profits declined by 8.45 per cent for the calendar year ending December 2024, following a 3.68 per cent increase in the year to December 2023. On a quarterly basis, profits trended downward throughout 2024, except for a modest rebound of 1.81 per cent in the September quarter. However, this rebound was short-lived, as profits declined again in the December quarter by the same percentage.

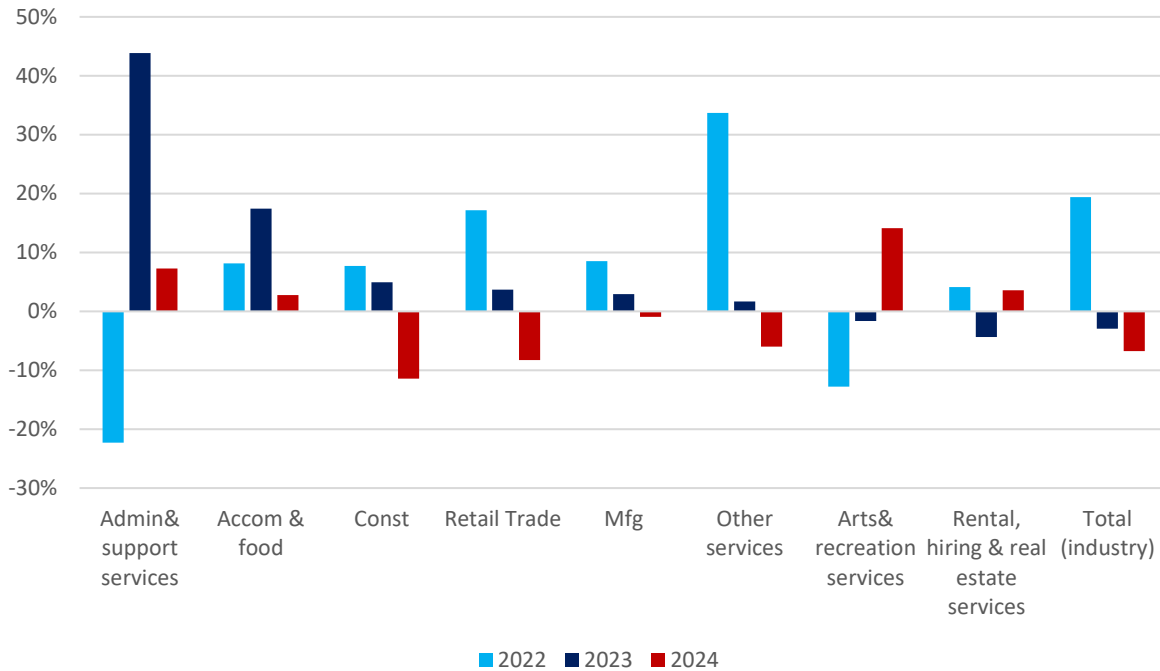
74. After enduring consecutive quarters of negative profits in 2024, the accommodation sector’s gross operating profits in the year to December 2024 plummeted by 2.78 per cent, a sharp drop from the

³² ABS 2025, Business Indicators, December 2024

³³ A profile of employee characteristics modern awards- 2023, Fair Work Commission

17.43 per cent growth recorded in the year to December 2023. On a quarterly basis, profits in the December 2024 quarter remain 24.56 per cent below the levels seen in December 2020.

Figure 6: Gross operating Profit of sectors with the highest share of award reliant employees



Source: ABS, Business Indicators, December 2024

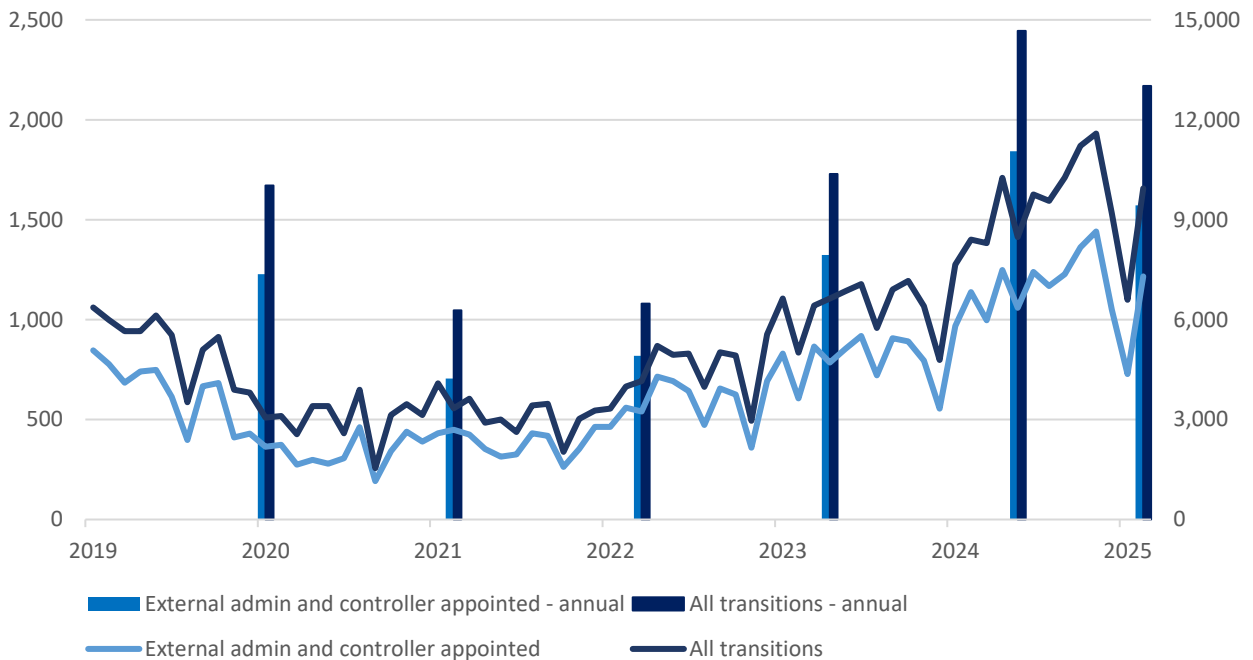
- 75. The forecast economic headwinds will limit profits in most industries, particularly service industries such as retail trade, and accommodation and food services. Similarly, profit margins in the construction sector continue to face pressures from rising costs and labour shortages.
- 76. The latest NAB Business Confidence Survey indicates that business conditions declined by 3 points to +3 index points, falling below the long-run average of +7. Business cost pressures persist, with labour cost growth rising to 1.8 per cent in January 2025³⁴. The survey showed businesses have limited capacity to pass on these costs, as product price growth remained unchanged at 0.8 per cent.
- 77. This trend aligns with Westpac's Business Conditions and Confidence Survey, which shows that business sentiment remains subdued, signalling a weaker investment outlook. The business conditions index saw minimal change, rising by just one point to +4—well below its peak of +24 in 2022 and the 2024 average of +7³⁵. Businesses also reported higher purchasing costs in the latest month, suggesting they are absorbing these cost pressures, which can be seen through their lower profitability levels.
- 78. Limited opportunity to pass on these cost increases through higher prices and falling operating profits has contributed to strong growth in the number of business insolvencies, with 14,670

³⁴ NAB Monthly Business Survey, January 25

³⁵ Australian Business Conditions and Confidence, February 2025

business in administration in 2023-24. The number of insolvencies will be even greater in 2024-25, with 13,019 businesses in administration in the first 8 months to February 2025. This level of insolvencies is far greater than the pre-COVID 10-year average of 10,713. Sectors most affected include construction (24 per cent of insolvencies), accommodation and food services (16 per cent), and administrative support services (5 per cent), all of which have high reliance on award wages.

Figure 7: Insolvency Statistics



Source: ASIC, Insolvency statistics

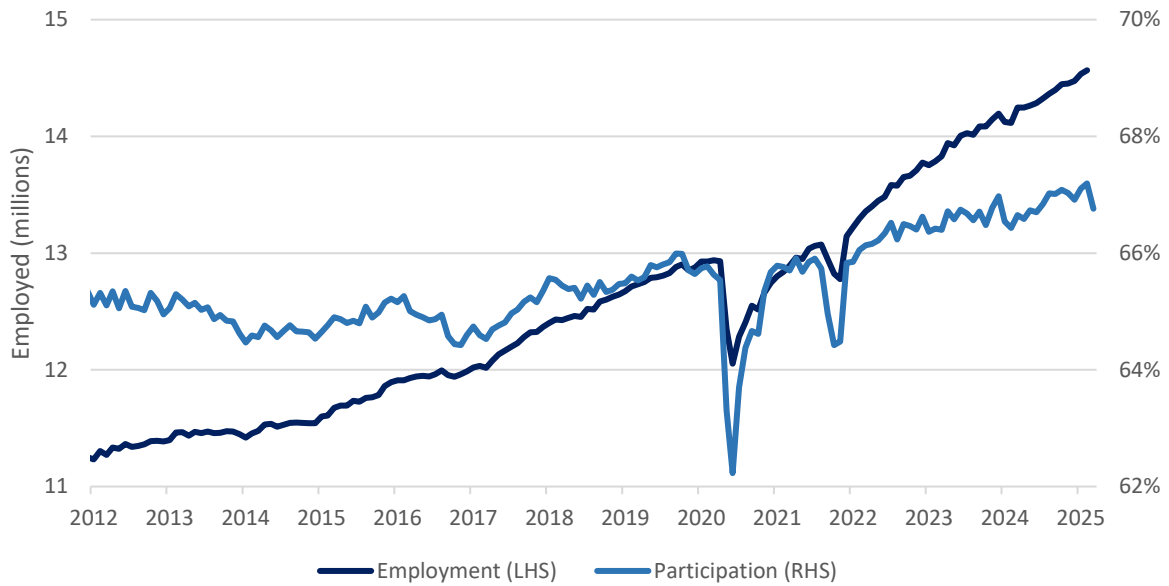
79. It is evident from a range of economic indicators that many industries are struggling. The uncertainty surrounding US trade policy is likely to create supply chain constraints, while domestic labour market shortages and high energy prices will further erode the competitiveness of businesses. With many companies anticipating a weak economic outlook, it would be unreasonable for the Panel to grant an excessive wage increase to minimum and modern award wage employees. This is particularly concerning for sectors reliant on awards, which are experiencing a steep decline in profits.

Labour Market Considerations

80. Australia’s labour market continues to demonstrate resilience and stability, with employment levels reaching a new high of 14.5 million in February 2025. The unemployment rate has remained relatively stable at 4.1 per cent since August 2024, with a temporary decline to 3.9 per cent in November, before returning to 4.1 per cent in January 2025. Concurrently, the participation rate remains at an unprecedented high of 66.8 per cent³⁶. This indicates a tight labour market, despite some signs of moderation in recent months.

³⁶ ABS, Labour Force, January 2025

Figure 7: Employment



Source: ABS, Labour Force, February 2025

81. Australia’s unemployment rate remains historically low, largely due to a surge in public sector employment, which has grown at more than double the pace of private sector employment. Looking ahead, the unemployment rate is expected to rise modestly to 4.25 per cent by June 2025 and remain at that level through to 2027-28³⁷.

Figure 8: Unemployment

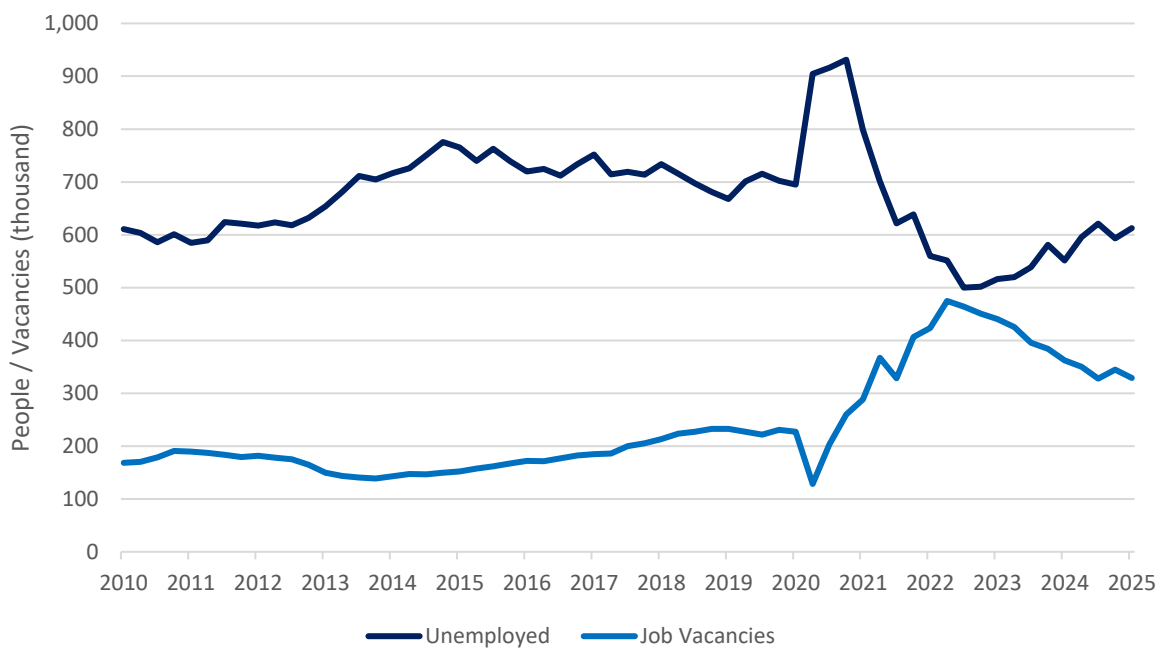


Source: ABS, Labour Force, February 2025; Budget 2025-26

³⁷ Budget forecast 2025-26

82. Despite the low unemployment rate, the productivity of the labour force remains a key concern, with real output per worker declining by 1.2 per cent over the past year. This deterioration is also reflected in real unit labour costs, which have increased by 2.3 per cent over the year.³⁸
83. The strength in the demand for workers has passed its peak amidst a weaker economic outlook, particularly within the private sector. However, the job vacancies, though falling by 4.5 per cent (15,600 vacancies) in the three months to February 2025, were still 44.5 per cent higher than they were in February 2020, prior to the start of the pandemic.
84. The tightness of the labour market has left many businesses struggling to find suitable staff. Thousands of businesses are operating below full capacity and resorting to measures such as reduced opening hours or are compromising on service quality. These results align with the ACCI-Westpac Survey of Industrial Trends, which shows that for the first quarter of 2025, 22.4 per cent³⁹ of employers are finding it more difficult to find labour than it was 3 months ago.

Figure 9: Job Vacancies



Source: ABS, Job Vacancies, November 2024

85. Recent employment growth has been largely driven by the non-market sector, particularly the care economy – healthcare, aged-care, childcare and disability care (NDIS). As both the market and non-market sectors compete for the same labour pool, the strong growth in care employment has tightened broader labour market conditions, drawing workers away from other industries and putting upward pressure on wages as shortage of skilled labour continue to loom exacerbating hiring challenges.

³⁸ ABS, National Accounts, December 2024

³⁹ ACCI-Westpac Survey of Industrial Trends, Q1 2025

86. Additionally, some skilled labour occupations are highly sensitive to wage cost pressures, with high labour costs leading to reduced hiring, lower apprentice intake, and disruptions to workforce development. Higher wages alone will not resolve workforce shortages in these occupations. Addressing these labour market challenges requires investment in training, apprenticeships, and incentives for upskilling, rather than relying solely on extraordinary wage increases.
87. Job vacancies remain especially high in award reliant sectors which continue to experience more than double their pre-pandemic level of job vacancies. These industries were arts & recreation (+127.8 per cent), accommodation and food services (+162.5 per cent), rental, hiring and real estate (+103.1 per cent), health care and social assistance (+98.5 per cent) as well as retail trade (35.3 per cent⁴⁰).

Wages

88. Nominal wages growth peaked at 4.2 per cent in the December quarter 2023 and has subsequently eased to 3.2 per cent⁴¹. The RBA's February 2025 Statement of Monetary Policy had the WPI increasing to 3.4 per cent by June 2025 before easing to 3.1 per cent by 2027. However, the Commonwealth's Budget 2024-25 expects the WPI to remain high at 3.5 per cent for 2026-27.⁴²

89. The RBA further noted that:

announced administered decisions for several large awards⁴³ are expected to contribute around ¼ of a percentage point to total annual wages growth, on average over the next two years.

These increases will continue to contribute to increased quarterly volatility in the Wage Price Index.

90. Annual wages growth remained robust in the private sector, reaching 3.3 per cent over the 12 months to the December quarter of 2024. Notably, jobs covered by the individual arrangements (33 per cent) contributed significantly to the growth, followed by the enterprise agreements (26 per cent)⁴⁴. Although wages growth has eased from the September quarter, the stage 3 decision of the Aged Care Work Value case will come into force from 1 January 2025, as well as labour market pressures and inflation adjustments in some enterprise agreements will also contribute to increased wage pressures in the private sector.
91. This current pace of wages growth is not consistent with sustaining inflation at the mid-point of the target band. The growth in wages will be sustainable only if the labour productivity improves. However, productivity continued to contract in the December quarter. It is important that the Panel recognises the cumulative impact of its previous decision and not just look at the current period in isolation. The cumulative wage increases in the past have ensured workers experience an increase in real wages over the decade.

⁴⁰ ABS, Job Vacancies, February 2024

⁴¹ ABS, Wage Price Index, December 2024

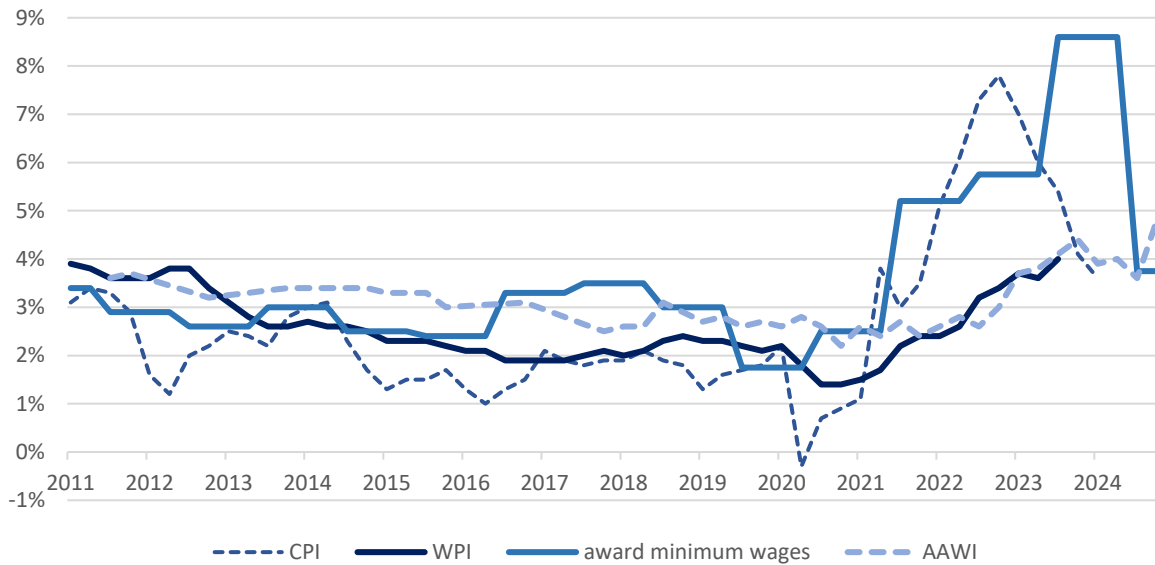
⁴² Budget Paper No.1 - https://archive.budget.gov.au/2024-25/bp1/download/bp1_2024-25.pdf

⁴³ Aged care award 2010, social, community, Home care and Disability Services Industry Award 2010, Nurses Award 2020

⁴⁴ ABS, Wage Price Index, December 2024

92. Over the past decade, the Panel has consistently awarded increases in the minimum and modern award wages that exceeded the growth in inflation and the wage price index (WPI). Overall, the minimum and modern award wages have moved out of step with average wages, increasing by an average of around 3.9 per cent per year (39 per cent in total) over the past decade compared to 2.5 per cent per year (25 per cent in total) for the WPI. Similarly, although inflation has been high in the past year, over the past decade inflation has averaged 2.7 per cent per year (27 per cent in total), somewhat below the rate of increase in the minimum and modern award wage.

Figure 10: Comparison of Consumer Price Index, Wage Price Index, Award Minimum Wage and Average Annualised Wage Increase(AAWI)



Source: ABS 2024, Consumer Price Index ,December 2043 |ABS 2024, Wage Price Index ,December 2024| Statistical Report, Annual Wage Review 2024-25 | Department of Employment and Workplace Relations, *Trends in Federal Enterprise Bargaining*, September quarter 2024

Effect of minimum wages increases on employment

93. In the last year’s decision, the Expert Panel noted that:

....direct effect of AWR decisions on aggregate national labour costs and wages growth is limited.

94. While the direct effects of AWR decisions on wages are limited to award-reliant workforces, there are spillover effects through Enterprise Bargaining Agreements (EBAs) that are directly linked to the AWR. Over 2.62 million employees are now on federally registered EBAs, up from 2.21 million workers in the September quarter last year. The December quarter showed that the workers covered under the EBA received a wage rise of 4.8 per cent for the December quarter, the highest quarterly result since the 1997. The highest wage rises were in industries such as administrative and support services (6.4 per cent), construction (5.8 per cent) and healthcare and social assistance (5.6 per cent), where EBA’s are often linked to AWR.

95. These EBAs often involve annual wage increases calculated as a percentage at or above the relevant award rate. If the AWR decision increases the award rate, employees covered by these

EBA's gain a similar or greater wage increase. As a result, wage growth in enterprise agreements has continued to outpace inflation for the past five consecutive quarters.

96. The AWR decision also have spillover effects on non-award reliant employees. If the AWR decision is higher than expected, it can create expectations of higher wages across the broader workforce, including for employees not directly linked to an award. This can lead to higher wage changes for non-award employees to maintain a wage differential between award and non-award workers. For example, if the AWR decision results in a significant increase, employers may raise non-award employees' wages accordingly, to maintain the difference between the two groups.
97. Australia has one of the highest monthly minimum wages globally, standing at US\$2,635 in 2024, trailing only Switzerland, Luxembourg and Germany⁴⁵.
98. While ensuring fair wages is critical, excessive increases in minimum and modern award wages can have unintended negative consequences. The Fair Work Commission (FWC) must consider the risks and harm to the economy of continuing to approve large wage increases.
99. Research by Neumark and Wascher reveals that workers initially earning near the minimum wage are adversely affected by minimum wage increases. While the wages of low-wage workers do increase, their hours tend to decline, and the combined effect of these changes results in a decline in earned income. Typically, the impact of the minimum wage increase is offset by the reduction in the number of hours workers, leading to many workers ending up with lower total earnings than before the minimum wage increase⁴⁶.
100. If the Expert Panel were to increase minimum wages and modern award wages beyond 2.5 per cent, this decision will weigh heavily on businesses, particularly businesses with a high proportion of award reliant workers. The Panel's decision will not only lead to labour cost increases for employers of minimum wage workers, but may lead to reduced hours and/or opportunities for overtime for both award reliant employees and those not on awards. With the economic environment expected to remain subdued over the next year, an excessive increase in minimum and modern award wages may exacerbate the disemployment and income redistribution effects.

Transitional role of the minimum wages

101. As previously noted by ACCI, in determining any increase in minimum wages, the Panel must take into consideration the important role of the minimum wage as a stepping-stone to higher paid employment. Maintaining the minimum wage at an affordable level enables young and inexperienced workers to access the workforce and gain the experience necessary to build a career.

⁴⁵ ILOSTAT, Wages and Working Time Statistics Database

⁴⁶ "The effects of minimum wages throughout the wage distribution", David Neumark, Mark Schweitzer, William Wascher https://www.nber.org/system/files/working_papers/w7519/w7519.pdf

102. If the panel were to award wages more than 2.5 per cent, it is likely to distort the labour market. As highlighted by Gregory and Zierahn⁴⁷, when the minimum wage increases, employers tend to hire more skilled workers at the expense of low-skilled workers. The shift in relative input costs makes hiring skilled workers more attractive, leading to fewer opportunities for lower-skilled individuals. This trend contributes to workforce polarisation and exacerbates employment challenges for those who are most reliant on minimum wage.

103. Additionally, an excessive increase in minimum and modern award wages reduces the real wages of high-skilled workers, lowering returns to skills and reducing incentives for workers invest time (and money) in reining to improve their skills. This may explain why the industry faces increasing problems attracting high-skilled workers. Gregory and Zierahn's findings highlight:

*“Our results suggest that the minimum wage has worsened the selection of workers entering the industry....Deteriorating returns to observable skills are also reflected by the fact that our observed upper-tail wage-compression effect is solely driven by a reduction in between-group inequality. **The results may explain reports by industry insiders who state that the industry is facing increasing problems in attracting high-skilled workers**”⁴⁸.*

104. These effects contribute to making the Australian labour market tighter. When many businesses are struggling with workforce shortages, it is not the time to be putting additional upward pressure on wages. If the panel were to award an excessive increase above 2.5 per cent, it is likely to exacerbate these labour market pressures, imposing financial burden on businesses, particularly those in highly award reliant sectors.

105. Furthermore, research by the Productivity Commission shows that that across all education types, an additional year of education can boost annual earnings by 13 per cent on average, while just completing year 12 can increase annual earnings by around 27 per cent. Evidence also suggests that education has driven many of the improvements in intergenerational mobility among first- and second-generation Australians.⁴⁹

106. ACCI urges the Panel to set minimum and modern award wages at a level that appropriately rewards workers while also ensuring that wage-setting does not create disincentives for employees to upskill and move up the wage ladder, rather than relying on large, mandated wage increases. Research by the Productivity Commission highlights the long-term benefits of higher education in improving income mobility.

107. Around two in five people with degrees or higher qualifications end up in the top income quintile after 10 years, but for those who have only completed high school or below it is around one in ten.

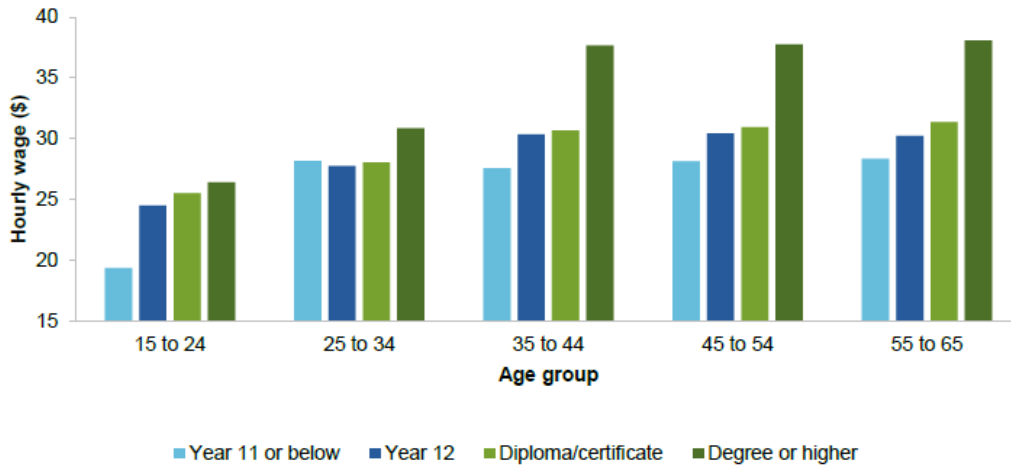
108. About 16 per cent of people who have only completed high school or below end up in the bottom income quintile after 10 years, while only 8 per cent of people with degrees or higher qualifications are there.

⁴⁷ “When the minimum wage really bites hard: The negative spillover effect on highly skilled workers”, Terry Greory, Ulrich Zierahn, <https://www.sciencedirect.com/science/article/pii/S0047272721002188#s0055>

⁴⁸ “When the minimum wage really bites hard: The negative spillover effect on highly skilled workers”, Terry Greory, Ulrich Zierahn, <https://www.sciencedirect.com/science/article/pii/S0047272721002188#s0055>

⁴⁹ <https://www.pc.gov.au/research/completed/fairly-equal-mobility/fairly-equal-mobility.pdf>

Figure 2.3 – Wage differentials by education level are persistent^a
Average expected hourly wages by highest educational attainment and age



a. Estimates use pooled data from HILDA waves 18 to 22.

Source: Commission estimates using Household, Income and Labour Dynamics in Australia survey, release 22.

Superannuation Guarantee

109. The Superannuation Guarantee is set to reach its legislated maximum of 12 per cent, with a scheduled increase of 0.5 per cent taking effect on 1 July 2025.

110. The SG is calculated as a percentage of an employee's earning, with each increase in the SG granting a 0.5 per cent wage increase (albeit as a deferred benefit) to employees. This adds to business costs, on top of additional wage increases set by the Fair Work Commission.

111. The SG increase has a flow-through effect onto labour costs, raising the cost of doing business and further fuelling inflationary pressure.

112. With extremely tight profit margins, business have little option but to pass on this increase to their customers.⁵⁰ This will only add to inflationary pressures and/or lead to inflation remaining higher than it needs to be for longer.

113. As ACCI has highlighted in previous submissions, approximately 300,000 low-income employees—predominantly in award-reliant industries—are affected by this change. These industries have already been facing significant challenges, including declining profits and rising costs due to ongoing workforce shortages.

114. In light of these economic pressures, any increase in minimum and modern award wages in the 2025 review should be moderated to account for the SG rate increase. ACCI underscores the importance of quantifying this impact in wage-setting decisions, emphasizing that a balanced approach will ensure that wage adjustments more accurately reflect both the cost to employers and the overall benefit to workers.

⁵⁰ RBA, *Minutes of the Monetary Policy Meeting of the Reserve Bank Board*, March 2022

Living Standards on the needs of low paid

Low Income Households

115. ACCI maintains that minimum wage fixation is not an effective way of addressing the needs of lower income households. The tax and transfer system are better targeted to address the actual circumstances of lower income households and is a superior means to provide necessary support, as is recognised by our transfers system.
116. It cannot be assumed that lower-paid employees necessarily belong to lower-income households. Research by the Productivity Commission, based on HILDA data, shows that around 93 per cent of people moved across at least three different income deciles during their working lives between 2001 and 2022. There was significant income mobility, with fewer than 1 per cent remaining in the same income decile throughout their careers. Many workers experience wage progression over time as they gain skills, knowledge, and experience, highlighting that low wages at a single point in time do not necessarily indicate long-term financial disadvantage⁵¹.
117. Australia is recognised for its high standard of living and strong economic, social, and environmental performance. According to the 2022 Budget Statement 4 Measuring What Matters, Australia ranks among the best in class within the OECD in areas such as household wealth, employment, life expectancy, and low premature mortality rates⁵².
118. Research by Wilkins and Zilio (2010)⁵³ further reinforces these findings. In 2018, 14.2 per cent of employees were classified as low-paid, and 16.2 per cent were award-reliant. However, only 5.9 per cent of workers were both low-paid and award-reliant, representing a 21 per cent decline from 7.5 per cent in 2009. This trend indicates that living standards have improved over time and that reliance on minimum wages alone is not the sole determinant of financial stability.
119. Their research also found that low paid award-reliant employees are more likely to be part-time (58 per cent) and/or in casual employment (66.5 per cent), more likely to be younger employees (29 per cent between 20-25 years, and 60 per cent between 20-35 years). This suggests they are more likely to be less experienced workers, beginning their careers and developing important skills. They are also likely to be in a couple (58.5 per cent) or dependent students/non-dependent children (19.9 per cent) still living with their parents. Almost 60 per cent of low-paid award-reliant employees in couple households are secondary earners, and a high proportion receive Government welfare benefits (25 per cent) that supplement their lower incomes.⁵⁴
120. Even if the Commission determines that an increase in minimum and modern award wages above 2.5 per cent is necessary for low-paid workers, such a decision carries the risk of triggering disemployment effects. The Productivity Commission highlights that *“People do not always choose*

⁵¹Fairly equal? Economic mobility in Australia, <https://www.pc.gov.au/research/completed/fairly-equal-mobility/fairly-equal-mobility.pdf>

⁵²Budget October 2022-23, https://archive.budget.gov.au/2022-23-october/bp1/download/bp1_2022-23.pdf

⁵³ Wilkins R. and Zillio F. (2020), *Prevalence and Persistence of Low-Paid Award-Reliant Employment* Fair Work Commission Research Report 1/2020, February

⁵⁴ Wilkins R. and Zillio F. (2020), *Prevalence and Persistence of Low-Paid Award-Reliant Employment* Fair Work Commission Research Report 1/2020, February

to pursue higher incomes even if they have the opportunity to do so. Instead, the level of income they earn can be influenced by their preferences for certain jobs, time spent on leisure and motivation to earn higher incomes”⁵⁵.

121. There is no clear explanation given or research referenced, as to why two-thirds of median earnings is any more representative of the low-paid than any other number. Just because some contributors to the Annual Wage Review use the two-thirds median earning in the campaign to seek increases to the national and modern award wages does not make it a valid assumption to benchmark decisions for the Annual Wage Review.
122. In determining an increase in minimum and modern award wages for this Review, it is important the Expert Panel realise changes to award and minimum wages will have only a very limited impact on household disposable income and poverty levels in Australia.

Household Disposable Income

123. Over the year to July 2024, all minimum wage-reliant household types experienced an increase in household disposable income that exceeded the rise in CPI. Notably, single-earner couples receiving Newstart Allowance saw a significant increase of 10 per cent in disposable income, while all other households received increases ranging between 4.5 per cent and 8.5 per cent.
124. The disposable income of minimum wage earners, measured as a ratio of 60 per cent of the median income (often used as an arbitrary poverty line), has improved considerably compared to 2019 levels across all household types. There has been notable improvement for single parents with children, single earners with children, and dual earners with children.
125. In reaching a decision for the 2024-25 AWR, the Panel needs to realise that changes to award and minimum wages will have a very limited impact on household disposable income and poverty levels in Australia. It would be far more prudent to improve the situation of households with low disposable income through:
- a) the tax and transfer systems; and
 - b) balanced decisions which support job creation, with jobs clearly the best measures to counteract poverty.

Budget Standards

126. There has been a minor revision in the December 2024 edition since the December 2023 Budget standards.
127. ACCI maintains the position, as highlighted in through previous submissions, that overall, the Budget Standards remain heavily weighted to the high side, representing the budget requirements of the highest percentile of households, not the average minimum wage earner.

⁵⁵ Fairly equal? Economic mobility in Australia, <https://www.pc.gov.au/research/completed/fairly-equal-mobility/fairly-equal-mobility.pdf>

128. The report assumes that low-paid workers are between the age of 35-40. This is not representative of the average age of minimum wage employees. As close to half of all award reliant employees are less than 25 years-old (47 per cent), 28 per cent are aged 26-44 years and around one quarter being 45 years and over.⁵⁶ Younger workers have different expenditure and budget requirement so, the use of an older age group to determine the Budget Standards is likely to distort the outcomes of the focus group discussions and analysis.⁵⁷

Table 8.8: Updated budget standards estimates, single person working full time (per week)

	Budget standards		Budget update			Budget update (December quarter 2023)		
	(September quarter 2022)		(December quarter 2024)			(\$)	Index	% change
	(\$)	Index	(\$)	Index	% change			
Food	82	124.5	89	135.6	8.9	86	131.2	5.4
Clothing and footwear	13	96.5	13	98.8	2.4	13	97.9	1.5
Household goods and services	104	118.9	107	122.9	3.4	106	121.4	1.5
Transport	111	123.7	115	128.7	4.0	117	130.5	5.4
Health	11	150.2	12	167.8	11.7	12	159.6	6.0
Personal care*	19	128.4	21	139.5	8.6	20	136.1	6.0
Recreation	37	114.4	40	124.7	8.8	39	121.2	5.9
Education	0	146	0	164.7	12.3	0	152.9	4.7
Budget standards	377		399			393		4.3
Discretionary*	89	128.4	97	139.5	8.6	94	136.1	6.0
Housing	426	136.1	465	148.7	9.3	461	147.5	8.1
Total	891	-	961		7.8	948	-	6.4

Note: *Group comprises several categories, therefore the 'All groups' CPI is used.

Source: Bedford M, Bradbury B & Naidoo Y (2023). *Budget Standards for Low-Paid Families*, Social Policy Research Centre, University of New South Wales, report prepared for the Fair Work Commission, March, p. 50; ABS, *Consumer Price Index, Australia*, December 2024.

129. The recent update to the Budget Standards continues to overstate household needs due to several methodological choices that inflate the minimum income requirements for low-paid employees.

- a. Firstly, some discretionary spending allowances included in the budget are questionable. The allocation of \$19.70 per week allowance for a full-time minimum wage worker to buy lunch at work contradicts findings from focus group discussions, where very few participants mentioned buying lunch at work. Similarly, the allowance of \$28.70 per week lost on gambling is also a questionable inclusion. Using the average gambling loss per adult in Australia is a broad generalisation of gambling prevalence in Australia and by lower-paid households. A recent study has found 43 per cent of Australian's are non-gamblers⁵⁸. Additionally, the inclusion of holiday allowances, particularly \$22.10 per week for overseas travel to visit family, raises concerns about whether such expenditures should be factored into a budget designed to measure minimum income requirements.
- b. Secondly, the housing allowance is set at the 40th percentile of Sydney rents, a decision the research team acknowledges as arbitrary and unrepresentative of low-paid workers' housing choices. This assumption inflates the minimum wage requirement by suggesting that low-paid workers rent in one of the most expensive cities at a rate that exceeds what is typical for low-income earners. The report does not justify why the 40th percentile was chosen, despite

⁵⁶ Award-reliant employees in the household income distribution of employees, Fair Work Commission

⁵⁷ For example, a high proportion of minimum wage employees below 30 are likely to living either in share houses or still with their parents.

⁵⁸ Hing, N. et al. 2022, *Gambling prevalence and gambling problems amongst land-based-only, online-only and mixed-mode gamblers in Australia: A national study*, Computers in Human Behaviour, July 2022

the fact that low-wage earners are more likely to rent in the lower percentiles rather than the middle of the rental market.

- c. Finally, the use of Sydney rents significantly biases the findings, overstating the cost burden for minimum wage earners. If rental data from other capital cities or regional areas were used, the study's conclusions would shift dramatically. Using the data provided by the research report and calculated by ACCI, single adults, single parents working full-time with one or two children, and dual-earner couples with no, one or two children, all recorded above 100 per cent in their minimum wage disposable income as a percentage of their budget using the rent in Melbourne, Brisbane, Perth, Adelaide and Hobart, as well as the regional areas in each state.

130. ACCI maintains that budget standards cannot in themselves be determinative of the minimum wage or an uprating of minimum award rates.

131. Compared to the previous year, there has been no significant increase in the budget for low-income households, as inflation has eased considerably. However, the budget standards still use the September 2022 quarter for inflation adjustments, inflating the results.

132. Additionally, data from the Melbourne Institute's Pulse of the Nation 2024 report suggests that household financial pressures are improving. The report categorises communities into three groups: low poverty (5-14 per cent), medium poverty (14-20 per cent), and high poverty (20-53 per cent).⁵⁹ As of February 2024, all communities categories reported improvements in food security compared to February 2023. Additionally, utility bill challenges reported by respondents in higher-poverty communities have now aligned with the levels previously seen in medium and low-poverty communities in February 2023, suggesting an overall stabilization in financial conditions.

133. These findings indicate that while cost-of-living pressures remain a concern, minimum wage increases should be based on broader economic conditions rather than inflated budget standard estimates that overstate household needs.

⁵⁹ Melbourne Institute 2024 *Taking the Pulse of the Nation: Australians are still feeling the financial pinch and are more vulnerable to potential unexpected costs*. June 2024. <https://melbourneinstitute.unimelb.edu.au/data/taking-the-pulse-of-the-nation/2024/tpn-11-june-2024>

Social Considerations

Secure Work

134. Under section 134(1) of the Fair Work Act 2009, the Panel is required to take into account considerations under the modern awards objective. Relevantly, paragraph (aa) of the modern awards objective provides that the Commission must ensure that “modern awards, together with the National Employment Standards (NES), provide a fair and relevant minimum safety net of terms and conditions, taking into account the need to improve access to secure work across the economy”.⁶⁰
135. The term “secure work” is not defined in the FW Act and recent processes such as the Job Security stream of the Modern Awards Review (MAR) have noted that there is no agreed or clear definition of the term.⁶¹
136. The Full Bench in [2024] FWCFB 3500 adopted its previous analysis of the statutory considerations, including job security, as it was articulated in [2023] FWCFB 3500.

Definition of Secure Work

137. ACCI seeks to put forth its views which are a reflection of its arguments in the abovementioned stream of the MAR.
138. First, however, ACCI would draw attention to the relevant discussion of the Panel in its recent reviews. The concept of job security and the updated objects were discussed by the Panel in [2023] FWCFB 3500 as follows:
- “[28] ..In the award context, job security is a concept which is usually regarded as relevant to award terms which promote regularity and predictability in hours of work and income and restrict the capacity of employers to terminate employment at will. The award provisions which are likely to be most pertinent in this respect are those which concern the type of employment (full-time, part-time, casual or other), rostering arrangements, minimum hours of work per day and per week, the payment of weekly or monthly rather than hourly wages, notice of termination of employment and redundancy pay (noting that a number of these matters are dealt with in the NES).
- [29] Beyond the immediate award context, job security has a broader dimension and may be understood as referable to the effect of general economic circumstances upon the capacity of employers to employ, or continue to employ, workers, especially on a permanent rather than casual basis ...”⁶²

139. The Expert Panel also observed:

“[30] ... paragraph 334 of the REM explains that the reference to promoting job security in s 3(a) recognises the importance of employees and job seekers ‘having the choice’ to be able to enjoy

⁶⁰ Fair Work Act 2009, section 134(1)(aa).

⁶¹ Modern Awards Review 2023-24 – Job Security: Discussion Paper, page 22.

⁶² Annual Wage Review Decision 2022-23 [2023] FWCFB 3500.

as much as possible ‘ongoing, stable and secure employment that provides regular and predictable access to beneficial wages and conditions of employment’. We see no reason to consider that the expression ‘secure work’ in s 134(1) (aa) bears any substantially different connotation to ‘job security’ in s 3(a). However, we consider that it is significant that s 134(1)(aa) refers to ‘the need to improve access’ to secure work rather than the general promotion of job security. The language of s 134(1)(aa) suggests that it is more tightly focused on the capacity of employees to enter into work which may be characterised as secure. This appears to reflect the REM’s reference to the importance of employees being able to have a ‘choice’ to enter into secure employment. As such, the consideration in s 134(1)(aa) would appear to direct attention primarily to those award terms which affect the capacity of employees to make a choice...”

140. The view of the Expert Panel may therefore be summarised as follows:

- (1) The term “secure work” in s 134(1)(aa) does not bear any substantially different connotation to ‘job security’ in s 3(a), but “job security” has a broader dimension which may be understood as referable to the “effect of general economic circumstances upon the capacity of employers to employ, or continue to employ, workers, especially on a permanent rather than casual basis”.⁶³
- (2) The terms “job security” and “secure work” are concepts which are usually regarded as relevant to award terms which promote regularity and predictability.⁶⁴

141. It is significant that s 134(1)(aa) refers to the “need to improve access” to secure work. The Expert Panel suggests that this means that the modern awards objective is more tightly focused on the capacity of employees to enter into work which may be characterised as secure, especially the capacity of employees to have a “choice” to enter into secure work.⁶⁵

142. The Expert Panel, in [2024] FWBFB 3500, adopted the above analysis and stipulated that in the context of the circumstances of that Review, the primary consideration was whether the outcome of the Review “might affect the capacity of employers in the future to continue to offer, or maintain permanent employment”.⁶⁶

143. ACCI submits that this focus should remain the primary consideration for the Commission – considering all the economic considerations highlighted above.

144. The effect of general economic circumstances upon the capacity of employers to employ, or continue to employ, workers, is clearly relevant to whether an employee has a choice to enter into secure work. If economic circumstances are such that the employer cannot offer employees work, then the employee will be deprived of this choice.

145. It is through this lens that the Panel should investigate the significance of the increase it deems required to the minimum wage. It has been thoroughly canvassed that substantial increases to labour costs have disemployment outcomes.

146. In considering the capacity of employers in the future to continue to offer or maintain employment, i.e. the sustainability of employing businesses, ACCI urges the Commission to give due

⁶³ Annual Wage Review Decision 2022-23 [2023] FWCFB 3500 at [29].

⁶⁴ Ibid, [28].

⁶⁵ Ibid, [30].

⁶⁶ Annual Wage Review Decision 2023-24 [2024] FWCFB 3500 at [133].

consideration to small business employers, the special circumstances of which the Commission must consider in accordance with the objects of the Act, as well as employers that are particularly sensitive to wage cost pressures, for example, those subject to contracts without rise and fall clauses. These are often seen in the Building and Construction industry, amongst others. An unsustainable wage increase puts these employers in a position where must absorb significant cost increases or may be unable to support apprentices, which would be detrimental, particularly in industries with growing skills shortages.

147. To that end, the Panel should avoid an increase to the minimum and modern award minimum wages which may deprive employees of a choice to enter into forms of work like casual, fixed term etc employment, or to continue their employment. Hence the Panel must take into account the economic impact on the employer, and relatedly, the capacity for that employer to offer work as effectuated by increases to the minimum or modern awards minimum wages.

There is no increase in ‘insecure work’

148. ACCI reiterates the position it has previously asserted which rejects the notion that certain forms of work are by nature ‘insecure’. This view invalidates the agency of workers to enter into the flexible forms of work which best account for their lifestyle or personal circumstances. 75 per cent of casual workers, for example, prefer to remain casual, citing flexibility and the higher hourly pay rate as reasons for their preference.⁶⁷ Of the 25 per cent of casual employees that did not prefer casual work, only 21 per cent cited they would prefer ‘more secure work’.⁶⁸

149. Additionally, ACCI would address the fallacy that so-called job insecurity is rising. The argument that insecurity in the workforce is pervasive and insidiously growing cannot be accepted on the basis of fact. The unions have frequently referred to casual employment, fixed term contracting, and labour hire as ‘insecure’ forms of work.

150. While ACCI categorically rejects the disapprobation of these legitimate forms of work, any calls for an increase in the minimum wage above what ACCI has proposed due to increases in these so-called forms of ‘insecure’ work must be rejected on the basis of fact:

- a. The incidence of casual employment as a percentage of persons employed has reduced since 2015. In May 2015, 25.2 per cent of employed persons were casual. Over the decade, that figure has declined to 22.3 per cent.⁶⁹
- b. The number of employees on a fixed term contract has increased to 4.2 per cent, despite recent legislative amendments intended to restrict their use.⁷⁰ ACCI suggests that this can reasonably be attributed to a significant degree that this type of work is sought by employees. This is supported by the fact that the median weekly earnings for employees on a fixed term contract were \$1,574, compared with \$1,381 for employees not on a fixed term contract.⁷¹ It also clearly indicates that the majority of employees on fixed-term contracts will not be impacted by an increase to the minimum wage.

⁶⁷ Australian Bureau of Statistics, [Working Arrangements](#), Release: August 2024.

⁶⁸ Ibid.

⁶⁹ Ibid.

⁷⁰ Ibid.

⁷¹ Ibid.

- c. Again, nominated by the union movement as a form of an 'insecure job', the number of labour hire workers (as a main job) has slightly risen to 359,100, accounting for 2.8 per cent of all employed people.⁷² Labour hire work is most frequently used to employ labourers, making it essential to the Australian economy. Notably, labour hire workers on average work 37.9 hours per week, compared with all employees averaging 34.8 hours.

151. The only relevant factor which may show an increase in job insecurity is the self-perception of job insecurity or risk of job loss. This too must be rejected on the basis of the below:

- a. While perceptions of job security have risen, especially following labour market disruptions during the COVID-19 pandemic,⁷³ RBA research published in late 2021, established that workers consistently overestimate their risk of job loss.⁷⁴ The actual job loss rate was lower than the self-estimated probability of job loss. In this sense employees tend to feel more insecure in their employment than they actually are. These findings are particularly relevant in the face of the latest ABS data available which indicates that the annual retrenchment rate in Australia is 1.7 per cent, up 0.3 percentage points from the lowest rate on record reported in 2023.⁷⁵
- b. If retrenchment rates are taken to reflect actual job insecurity, on the latest measurement then job insecurity continues to record extremely low rates. This must play a strong role in any consideration over the perception of employees of job insecurity, which, again, research from the RBA indicates is consistently overestimated.

152. Any proposal which seeks to increase the minimum wage beyond the 2.5 per cent (plus the legislated 0.5 per cent Superannuation Guarantee increase) which ACCI has proposed as a result of increasing job insecurity should be rejected on the basis of simple fact as outlined above.

Secure work as a consideration on AWR decisions

153. As ACCI has stated, secure work should be viewed through a lens of whether an employer has the ability to continue to offer work of a kind which an employee presently performs or offer permanent employment. It is incontrovertible that the final arbiter of whether work is secure is the employer. In turn, that security is inextricable from the ability of the employer to provide that work based upon economic considerations. Labour costs are an economic consideration.

154. Indeed, the [2023] FWCFB 3500 decision stated that "the Review outcome will only affect the capacity of employees to have access to secure work across the economy to the extent that it promotes or diminishes the capacity of employers to offer permanent employment."⁷⁶

155. ACCI agrees with this sentiment to the degree that an increase above what ACCI has proposed to the minimum wage may in fact inhibit the ability of employers to continue to offer work of the same

⁷² Australian Bureau of Statistics, [Labour Hire Workers](#), Release: June 2024.

⁷³ Roger Wilkins et al, the Household, Income and Labour Dynamics in Australia Survey: Selected findings from Waves 1 to 20 – *The 17th Annual Statistical Report of the HILDA Survey* (Melbourne Institute, University of Melbourne, 2022), p 86.

⁷⁴ 'Job Loss, Subjective Expectations and Household Spending', Gabrielle Penrose, Gianni La Cava, Reserve Bank of Australia, August 2021.

⁷⁵ Australian Bureau of Statistics, [Job mobility, February 2024 | Australian Bureau of Statistics](#), Released: 9 July 2024.

⁷⁶ [2023] FWCFB 3500 [142].

kind or to provide permanent work. This accords to the notion that significant increases in labour costs detrimentally impact the viability of businesses and have disemployment effects as referenced at paragraph 100 of this submission.

156. It is only a natural conclusion that the need to improve access to secure work therefore should guide the Panel towards taking a sensible, conservative approach to increasing the NMW and the modern awards minimum wage. Substantial increases would in fact undermine the economic circumstances of businesses and lead to disemployment outcomes, which of course would be antithetical to the notion of improving access to secure work.

157. ACCI hence reiterates that the NMW and modern award minimum wages should not be increased above 2.5 per cent in the 2024-25 AWR.

Gender Equality

158. ACCI firmly supports measures which seek to close the gender pay gap and advance women's economic equality.

159. However, increases to the minimum wage and modern award wages are incapable of having any material impact on the gender pay gap or women's economic equality more broadly.

160. In the establishment and maintenance of a safety net of fair minimum wages, the Panel must take into account:

“the need to achieve gender equality, including by ensuring equal remuneration for work of equal or comparable value, eliminating gender-based undervaluation of work and addressing gender pay gaps;”

161. In ensuring that modern awards provide a fair and relevant minimum safety net of terms and conditions, the Panel must take into account:

“the need to achieve gender equality in the workplace by ensuring equal remuneration for work of equal or comparable value, eliminating gender-based undervaluation of work and providing workplace conditions that facilitate women's full economic participation;”

162. It should be noted at the outset, that in the [2023] FWCFB 3500 decision the Commission observed that the capacity of increases to the national minimum wage and modern award minimum wage rates to narrow the gender pay gap is very limited.⁷⁷ The Commission adopted this analysis in the [2024] FWCFB 3500 decision.⁷⁸ ACCI agrees with this sentiment.

163. Furthermore, it is only logical that uniform increases to the national minimum wage rate and modern award wage rates do not effectively narrow the gender pay gap with respect to the relevant employees. This is because uniform increases naturally maintain the previous gap. The only difference is that those relevant male and female employees are now paid at a proportionately higher rate, albeit with the same wage gap.

⁷⁷ [2023] FWCFB 3500 [118].

⁷⁸ [2024] FWCFB 3500 [6].

164. Therefore, as an extension of that understanding, changes to the NMW and modern awards wages cannot assist the Commission in “ensuring equal remuneration for work of equal or comparable value”. Neither can they improve gender equality by “eliminating gender-based undervaluation of work”. Uniform increases innately cannot address any imbalance.

165. Finally, as discussed above, large increases to labour costs, such as wages, have disemployment effects and therefore could potentially undermine the consideration of facilitating “women’s full economic participation” as outlined in section 134(1)(ab) of the Fair Work Act. Naturally then, considering the fact that women are disproportionately award-reliant, as the research clearly demonstrates, significant increases to the minimum wage and modern award wage rates, will have disproportionate disemployment impacts on women and should be avoided.

166. Hence, any increase to the NMW above the 2.5 per cent which ACCI has proposed due to a pursuit of gender equality should not be accepted by the Panel.

Social Inclusion

167. Social inclusion through workforce participation is deeply important to a thriving economy. A thriving economy is inextricably tied to the welfare of businesses more broadly.

168. The Panel is required to take into account “*the need to promote social inclusion through increased workforce participation*” in the setting of minimum and modern award wages.⁷⁹

169. As the Commission has held previously, the use of the conjunctive “through” clarifies that social inclusion is a concept to be promoted exclusively “through increased workforce participation”.⁸⁰

170. ACCI therefore reiterates its submissions with respect to the disemployment effects of significant increases to labour costs such as wages. Naturally if a significant increase to the minimum wage and the associated modern award wage rates is implemented and then has a disemployment effect, it cannot promote social inclusion through increased workforce participation.

Junior, Trainee and Disabled Employees

171. Work is one of the fundamental dignities in life and should be available to all persons in order to earn a living and experience the social inclusion that workforce participation allows for.

172. To that end the minimum wages objective clearly outlines that the Panel is required to take into account the need to provide “*a comprehensive range of fair minimum wages to junior employees, employees to whom training arrangements apply and employees with a disability.*”⁸¹

173. ACCI submits, consistent with previous submissions, that any changes made to modern award wages in this Review should flow through to junior rates of pay in modern awards (i.e.

⁷⁹ Fair Work Act 2009, section 134(1)(c).

⁸⁰ [2018] FWCFB 5753 at [72].

⁸¹ Fair Work Act 2009, section 284(1)(e).

proportionately), employees to whom training arrangements apply, employees with a disability and piece rates.⁸²

Flexible Work, Additional Remuneration, and Stable and Sustainable Modern Award System

174. In setting minimum wages and modern award wages, the Panel is required to take into account “*the need to promote flexible modern work practices and the efficient and productive performance of work*”;⁸³ “*the need to provide additional remuneration*” for certain work;⁸⁴ and “*the need to ensure a simple, easy to understand, stable and sustainable modern award system for Australia that avoids unnecessary overlap of modern awards*”.⁸⁵

175. The Panel traditionally does not discuss these considerations in annual wage review decisions. ACCI agrees that these factors are neutral because the setting of minimum wages and modern award wages is unlikely to directly impact any of these objectives.

Collective Bargaining

The need to encourage collective bargaining

176. In setting minimum and modern award wages, the Panel is required to take into account “*the need to encourage collective bargaining*”.⁸⁶ In prior decisions, the Panel has determined that it “*cannot be satisfied that the increase ... determined will encourage collective bargaining*”.⁸⁷

177. In the [2023] FWCFB 3500 decision the Panel stated the following:⁸⁸

“We have no sound basis to consider that, within a reasonable range, any increase we order to the NMW, and modern award minimum wage rates will either encourage or discourage enterprise bargaining. Accordingly, this is not a matter to which we give any significant weight in reaching our decision in this Review.”

178. The Full Bench adopted this analysis in the [2024] FWCFB 3500 decision.⁸⁹

179. ACCI concurs that this particular consideration is not one that should be given any significant weight by the Commission in its conducting of the AWR.

⁸² See ACCI submission to [2022] FWCFB 3500 at [288].

⁸³ Fair Work Act 2009, section 134(1)(d).

⁸⁴ Fair Work Act 2009, section 134(1)(da).

⁸⁵ Fair Work Act 2009, section 134(1)(g).

⁸⁶ Fair Work Act 2009, section 134 (1)(b).

⁸⁷ [2023] FWCFB 3500 [155].

⁸⁸ [2022] FWCFB 3500 [85].

⁸⁹ [2024] FWCFB 3500 [6].

180. However, it should be noted that ACCI does believe that significant increases to the minimum wage may serve to neutralise the desire to enter into enterprise-level collective bargaining on the part of employees.
181. ACCI notes that the Commission gave little weight to this assertion in the [2024] FWCFB 3500 decision, however, ACCI submits that the consideration of the Commission is to the encouragement of collective bargaining. This ought to include consideration of the willingness of employers and employees to bargain, rather than simply an assessment of the number of agreements in place. ACCI does acknowledge that the Commission duly noted that the number of agreements cannot be causally linked to the setting of the minimum wage, and a recent increase is more likely related to recent legislative changes.⁹⁰
182. ACCI also notes that these legislative changes have made it easier for unions to commence bargaining, which does not in and of itself represent an encouragement of employers and employees to bargain, it merely commences it. Assessing encouragement will become more difficult to assess with the new ability of unions to unilaterally commence bargaining within 5 years of an expired agreement, without having to demonstrate any support from the relevant employees.
183. ACCI reiterates its position that, from merely a logical standpoint, consecutive AWR decisions which have ordered significant wage increases may create a perception among employees that there is no need to exert efforts in order to collectively bargain for an agreement which may result in higher wages.
184. In this sense ACCI submits that consecutive significant increases may lead some employees to believe that the AWR can be, figuratively, relied upon to negotiate wage increases on their behalf in turn creating a general sense of apathy with respect to enterprise-level collective bargaining.
185. Additionally, as ACCI has previously submitted, significant increases to modern award wage rates make it more difficult to satisfy the better off overall test (BOOT) with respect to a prospective enterprise agreement. It is only natural then, that an enterprise agreement is less likely to be approved if there are significant wage increases under modern awards. Following along this line of thought it is argued that enterprise bargaining would therefore become less attractive to employers if there is to be a significant increase to the minimum wage and modern award wage rates as a result of this review.

⁹⁰ Ibid, [139].

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ACCI strives to make Australia the best place in the world to do business – so that Australians have the jobs, living standards and opportunities to which they aspire.

We seek to create an environment in which businesspeople, employees and independent contractors can achieve their potential as part of a dynamic private sector. We encourage entrepreneurship and innovation to achieve prosperity, economic growth, and jobs.

We focus on issues that impact on business, including economics, trade, workplace relations, work health and safety, and employment, education, and training.

We advocate for Australian business in public debate and to policy decision-makers, including ministers, shadow ministers, other members of parliament, ministerial policy advisors, public servants, regulators and other national agencies. We represent Australian business in international forums.

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