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Working for South Australia



Business SA submission to National Annual Wage Review 2017/18

March 2017

Submission

Business SA, South Australia's Chamber of Commerce and Industry, was formed in 1839 and has approximately 4,000 members across every industry sector, from micro businesses right through to listed companies which employ about 140,000 South Australians. We are a not-for-profit business membership organisation which works on behalf of members and the broader business community in pursuit of economic prosperity for South Australia and the nation.

The Fair Work Commission, in its annual review of the national minimum wage, serves a crucial function in balancing the needs of Australia's low paid with any potential impact on the wider economy. Business SA considers the minimum wage a fundamental aspect of Australia's workplace relations safety net.

In undertaking the annual wage review the Fair Work Commission is required to meet the minimum wages objective.¹

When providing the minimum wage safety net, the FWC must consider the following objectives:

- a) the performance and competitiveness of the national economy, including productivity, business competitiveness and viability, inflation and employment growth; and
- b) promoting social inclusion through increased workforce participation; and
- c) relative living standards and the needs of the low paid; and
- d) the principle of equal remuneration for work of equal or comparable value; and
- e) providing a comprehensive range of fair minimum wages to junior employees, employees to whom training arrangements apply and employees with a disability.

Given the FWC's decision on this matter will apply nationally, extra consideration must be given to the impact on industries exposed to minimum rate wage increases and regional areas. These areas will be some of the most affected by an over-increase in the minimum wage, hurting employment growth and business viability.

Business SA supports the Australian Chamber of Commerce and Industry's (ACCI) submission on the Annual Wage Review.² In particular, that Australia's economy is undergoing structural adjustment and this is particularly pronounced at the State and regional levels.³ Given the economic challenges currently facing South Australia the Fair Work Commission must bear in mind the national impact of their determination and understand that any decision has a larger impact on the States that are suffering economically.

As well as supporting ACCI's submission, Business SA wants to further emphasize to the Fair Work Commission that the South Australian economy is facing considerable headwinds as business grapples with high energy prices, security of supply and the reality of the exit of auto-manufacturing looming ever closer.

¹ *Fair Work Act 2009* (Cth) s 284(1) ("FWA").

² Australian Chamber of Commerce and Industry, *Annual Wage Review 2016-2017*, 29 March 2017.

Jobs for young people must be at the centre of South Australia's economic turnaround to stem the damage from Holden's exit and the substantial fall in apprentice and trainee commencements since 2012.

South Australia's unemployment rate as at February 2017 was at an unacceptable level of 6.6%. This sees a continuation of the high unemployment seen over the last decade. South Australia has the second highest unemployment rate in the nation, second only to WA.

In February 2017, full time employment in South Australia was 522,400, a drop from 527,100 in February 2016, with the number of unemployed decreasing from 61,800 in February 2016 to 57,900 in February 2017. However, it is important to realise these numbers do not show the full labour picture in South Australia. The true impact of the labour problem can be seen in the underemployment numbers that have increased from 85,000 to 90,300 during the same period as above. These challenges must drive national wage decisions to not only assure existing jobs in the short to medium term, but to continue building a platform for sustainable job creation and prosperity.

While SA's headline unemployment rate peaked in mid-2015 at nearly 8% and has since receded marginally we are yet to face the vast majority of job losses associated with the exit of local auto-manufacturer Holden and the flow-on impact to the supply chain. Unfortunately, there will be limited jobs in the component manufacturing sector post 2017 with the most optimistic forecasts at 20% of pre-2013 employment levels. There has been some evidence of component manufacturers diversifying but the majority of companies are internationally domiciled with no strategic drivers to keep operating in Adelaide. In addition, further companies have announced a withdrawal or reduction in employee numbers in South Australia including Coca-Cola Amatil, Caroma, Santos and Pfizer.

The State-wide blackout in September 2016 set the scene for a difficult fourth quarter for South Australia's economy. Business SA's December quarter Survey of Business Expectations showed business confidence at both a State and national level declining by 15 and 25 percent respectively, while actual business conditions also took a substantial hit, down 10 percent.

Looking forward, Business SA expects growth to reach only 1 percent for 2016/17 as the impact of high electricity prices and reliability concerns weigh heavily on businesses. Thereafter, 2017/18's economic growth forecast has additional downside pressure with the full impact of Holden's exit from the market and the realisation of plans for many associated component manufacturers. While CPI pressure in the December quarter was muted, up only 0.3 percent, Business SA expects increasing cost pressures from utility costs, particularly electricity and gas, to continue to hamper economic growth.

As South Australia begins to transition beyond traditional manufacturing, the environment needs to be right for all businesses to maintain viability and, where possible, expand. This will require every effort to minimise cost increases such as labour, electricity, gas and trade waste across the economy.

Conclusion

Business SA supports the submissions of ACCI but also believes strongly that the Fair Work Commission should take into consideration the specific economic situation of each state. South Australia has undergone significant economic decline. Whilst Business SA is positive South Australia can make the necessary changes to become an economically viable and flourishing State, these changes can only occur in the right climate.

The Fair Work Commission has a responsibility to take into consideration the economic position of each individual state and the impact of a wage increase when making its decision.