

1. Introduction

The ACTU Claim

[1.1] On this occasion the ACTU¹ seeks an increase in all award wages of \$25 per week, and a commensurate increase in award allowances.²

[1.2] The claim would increase the federal minimum wage by 6.05% from \$413.30 to \$438.40.

[1.3] At various points in its written submission, the ACTU characterises this as a moderate claim.³

[1.4] A \$25 increase in award wages would not be moderate. The ACTU has once again advanced an excessive claim that embodies a substantial ambit component. The ACTU claim has also once again been advanced without proper regard to the level and extent of the increase the Australian economy and labour market can viably accommodate.

[1.5] The ACTU's claim is inconsistent with the schema laid down in the Act for the adjustment of award wages: the Act at s.88B(2) characterises the role of the Commission as establishing a '*safety net of fair minimum wages and conditions of employment*'. Furthermore, s.88B2(c) requires the Commission to focus on the needs of the low paid. What the ACTU in fact seek is a very large increase, which will apply to all award wages. This is inconsistent with the "safety net" approach to award wage adjustment required by the Act.

[1.6] The Commission has consistently recognised the ambit nature of ACTU claims for safety net increases in the post Accord era, and has consistently rejected the increases sought by the ACTU. It should do so again on this occasion.

¹ Through its affiliates

² (C2001/5719 and ors) ACTU Written Submission, 8 February 2002, [1.3], p.1

³ (C2001/5719 and ors) ACTU Written Submission, 8 February 2002, [1.8]

[1.7] The current ACTU ambit claim should again be rejected in favour of a genuinely moderate and targeted increase that properly balances the economic, labour market and other factors to be considered by the Commission.

What’s Changed?

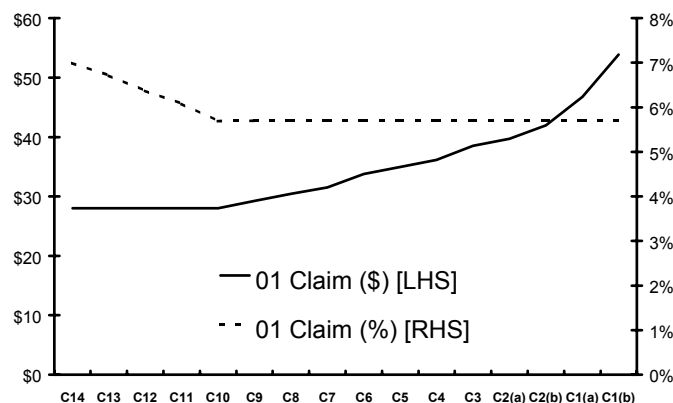
[1.8] The current ACTU claim differs from those of previous years in the level of increase sought for those at higher award levels. Figure 1 outlines the structure of ACTU wage claims in recent years:

Figure 1 - ACTU Wage Claims Since 1997 – Structure

Year	Flat \$ Claim	Cut Off	Claim Above Cut Off
1999	\$26.60	C7	5.0%
2000	\$24.00	C7	5.4%
2001	\$28.00	C10	5.7%
2002	\$25.00	-	\$25.00

[1.9] In previous years the ACTU has effectively asked the Commission to award a minimum increase of between 5.0% and 5.7%, with higher increases payable to those classified above either C10 or C7. This is illustrated graphically in Figure 2 for the claim that give rise to the May 2001 decision.

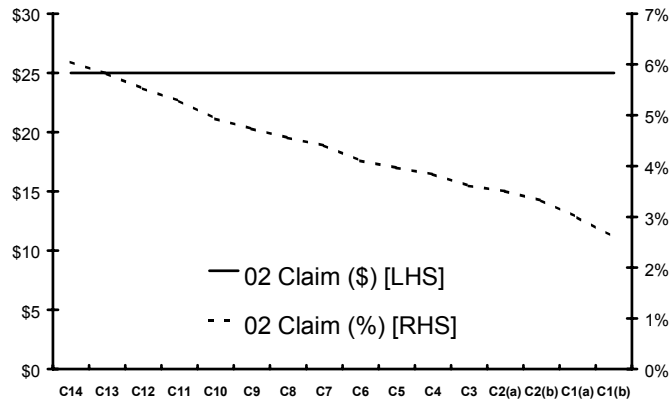
Figure 2 - Structure of the 2001 ACTU Wage Claim⁴



⁴ Source: *Safety Net Review – Wages May 2001 decision* [Print PR002001]

[1.10] On this occasion, the ACTU has abandoned the practice of seeking higher increases for those earning above any particular cut off (Figure 3).

Figure 3 - Structure of the 2002 ACTU Wage Claim



[1.11] Although it has not abandoned ambit and excessive claims, the ACTU’s decision to abandon its previous claim structure is welcome. ACCI has previously argued this was inconsistent with the schema of the *Workplace Relations Act 1996*, including an appropriate focus on the lower paid.

[1.12] ACCI found it particularly difficult to reconcile approaches that would see those on rates well in excess of average weekly earnings (AWOTE) gain a wage increase almost double that of those on the minimum wage.⁵

[1.13] There were also clear evidentiary difficulties with this approach, given that the primary needs material advanced by the ACTU centred on those at the lowest award classifications. (Such difficulties continue to confront the current claim.)

[1.14] The change in claim structure does not however alter the fundamentally ambit character of the current ACTU claim, nor its status as yet another inflated demand that does not reflect economic and labour market reality. The following figure shows that in percentage terms, the current claim broadly repeats the level of ambit claim consistently rejected by this Commission in recent years.

Figure 4 - ACTU Wage Claims – Percentages Sought

Year	Flat \$ Claim	%
1999	\$26.60 / \$373.40	7.12%
2000	\$24.00 / 385.40	6.23%
2001	\$28.00 / \$400.40	6.99%
2002	\$25.00 / \$413.40	6.05%

[1.15] Since 1997, ACTU claims have remained substantially constant through changes in the Australian economy and labour market, including adverse developments, forecasts and climates.

[1.16] The ACTU applications (including the 2002⁶ claim) should be properly treated as triggers to access the minimum wage fixing jurisdiction of AIRC, and to have the Commission periodically review and update award minimum wages. Minor changes in the level of the standard ACTU claim from year to year do not assist the Commission in its deliberations nor make another ambit claim of over \$20 per week any more relevant to the determination of an appropriate increase on this occasion.

[1.17] One element of the changing structure of ACTU claims is however relevant to this matter, and does represent an important consideration in determining any increase to be awarded. The Commission does not have before it any claim for increases in a form that provides higher increases to those on higher rates of pay (in either dollar or percentage terms), as was arguably the case in previous years. This provides a qualitatively different foundation for the Commission's decision on this occasion.

⁵ Under the 2001 claim, and C1(b) employee would have received an increase of \$53.87, in contrast to an employee on the federal minimum wage who would have received a \$28 per week increase. This is a 92.4% higher increase to the more highly paid employee.

⁶ The claim lodged in 2001 that has given rise to the 2002 proceedings and expected decision.

A Living Wage?

[1.18] Once again the ACTU advances its claim as its “Living Wage Case”. Whilst this is an efficient rhetorical device, the following should be recalled:

- a. Wage levels this Commission has determined to be appropriate under the *Workplace Relations Act 1996* do not cease to properly balance statutory requirements simply because the ACTU lodges a claim.
- b. The concept of “living wages” can have no meaning in these proceedings other than that provided for in the *Workplace Relations Act 1996*. It is must therefore be shorthand for a proper balancing of the Commission’s statutory considerations on each occasion.
- c. It is a matter for determination in specific cases whether existing award wage levels continue to provide “living wages” as defined by the various statutory considerations set out in the *Workplace Relations Act 1996*. The ACTU claim is not necessarily (and has not been found to be) an appropriate level of wage increase balancing the Commission’s statutory considerations.
- d. This framing of the ACTU applications ignores the role of other income sources. Neither this Commission nor employers are solely responsible for providing living incomes to the comparatively lower paid. Significant social security transfers support the standards of living of many Australians, including many who may be on comparatively lower income levels under awards.

Economics and the Labour Market – The Imperative for Caution

[1.19] The issues in this case come down to this: that the negative consequences of granting the ACTU claim are excessive and unreasonable. Granting increases in the level of wages beyond the limits provided by productivity growth will add to unemployment and create additional inflationary pressures. It will also slow the recovery process and limit the growth in the number of jobs even when GDP growth and investment do begin to accelerate.

[1.20] In particular, full-time employment has been particularly hard hit. It fell, in trend terms, for twelve consecutive months between August 2000 and August 2001. There has, since then, been a pick up in its level but it still has not caught up with levels previously reached.

[1.21] Inflation creates problems of its own by clouding the decision making process with an additional set of concerns that restrict our long-term economic growth. At the same time, if inflation does begin to accelerate beyond the 2-3% target range set by the RBA, the prospect of higher rates of inflation, with the expressed intent of slowing the economy to what the Bank considers a rate of growth consistent with low inflation, will not be far behind.

[1.22] We further note that the problems of the international economy, even if they are beginning to go away, have not yet done so. There is still an international economic environment that requires Australia to do whatever it can to remain competitive. Raising the cost of labour pushes up our cost structure in a way and at a time that one can be certain no other economy would attempt to do. Because even where such adjustments are made internationally, they are made on the minimum wage, not throughout an awards structure in a manner that ensures that the increases will spread far more widely than to those employees such increases are supposedly restricted to.

[1.23] A cautious approach to the Safety Net is an imperative. Excessive increases will only slow recovery, particularly recovery in the labour market. Given that on top of everything else that in this year there will also be an additional one percentage point addition to the Superannuation Guarantee, raising it to 9% of the wages bill, will make it more difficult still to absorb an increase through the Safety Net without having to either restrict employment growth or raise prices.

[1.24] It does little good to those whom the ACTU is claiming to assist by pricing them out of jobs or reducing the number of hours that they work. The decision in this case must recognise that a principal aim of policy at this time must be to improve the labour market prospects of wage earners and the unemployed. If we are looking to increase to the greatest extent possible the number of jobs we create, and if we are interested in raising the real incomes of

workers steadily and over the longer term, then a cautious approach to wage fixation is imperative.

An Appropriate Increase

[1.25] The ACTU ambit \$25 / 6.05% claim should be rejected in favour of a genuinely moderate, responsible and targeted increase, which in contrast to the ACTU claim, properly balances the considerations required under the *Workplace Relations Act 1996*.

[1.26] ACCI supports an appropriate increase in minimum award wages, as follows:

- a. A \$10 per week increase in the federal award minimum wage. This would increase the wage from \$413.40 to \$423.40 per week.
- b. No increase to award wages above this level.
- c. Were the Commission to increase award rates above the federal award minimum wage, any such increase would need to be moderate⁷ (that is \$10 per week), and should be properly targeted to the lower paid (not being applied to all award rates of pay).
- d. Support for particular arrangements ameliorating the impact of any increase on industry or sub industry sectors based upon industry circumstances.

⁷ In the context of this 2002 case.