

## National Minimum Wage Case 2009

### Summary of ACTU Submission to Fair Pay Commission 23 March 2009

#### Timelines

- Submissions to the Australian Fair Pay Commission (AFPC) for the national minimum wage deliberations were due on 20 March 2009.
- The AFPC is due to announce its minimum wage decision in early July (last year 8 July)
- The AFPC minimum wage decision will come into force in October 2009 with about 1.3 million minimum wage workers due to receive a pay rise in the first pay period commencing on or after 1 October 2009.

#### The ACTU claim

- The ACTU is seeking a \$21 per week increase in the Federal Minimum Wage (FMW) and in other minimum award wages (see Table 1).
- This claim would raise the FMW from \$543.78 per week to \$564.78 per week — a 55 c/hour increase from \$14.31 per hour to \$14.86 per hour.
- The ACTU claim would represent a pay increase of 3.3% for an average award minimum wage worker, on the benchmark tradesperson's rate (C10).
- This compares to 4.3% for the Wage Price Index in the 2008 calendar year, and inflation of 3.7% in 2008.
- The moderate pay increase for most workers contrasts with the total package of the CEOs of the top 300 companies rising to \$3 million in 2008, despite the benchmark S&P/ASX 200 Index falling 16.9%.
- In the 2008 Minimum Wage Case, the AFPC granted an increase of \$21.66 per week to Australia's 1.3 million pay scale reliant workers.

#### Who is affected by the Fair Pay Commission pay rise?

- Only about 100,000 Australian workers (less than 1 % of the workforce) receive the FMW with a further 1.2 million workers (11% of the workforce) relying on minimum award wages above the FMW. The number of minimum wage-dependent workers is decreasing.
- The FMW of \$543.78 equates to just 59.6% of Average Weekly Earnings.
- Minimum wage reliant workers are more likely to be women, part-time or casual, employed in the private sector, and employed in non-managerial positions in low-skilled occupations. These workers have little bargaining power with their employer, so the Fair Pay Commission case decision is the only pay rise they receive each year.
- Increasing award wages is an effective tool to reverse growing income inequality.
- Decent wages are also part of the defence against a downturn in employment and a serious recession because they stimulate demand.

### **The cost of living for working families**

- The ACTU's \$21 a week claim is necessary to ensure that minimum wage workers and their families keep up with the cost of living pressures.
- Cost of living rose 3.7% in 2008.
- People living on the federal minimum wage find it very difficult to make ends meet, and experience greater financial stress than those paid higher wages.
- Wage earners spend more than half their income on housing, food, and transport.
- Food costs have risen by 5.6% over the past 12 months; housing costs by 6.5%, including an 8.4% increase in rents which rose in every capital city; while petrol prices increased by 13.3% in late February-early March.

### **The effect on employment, the economy and inflation**

- There is no credible evidence that moderate, regular and predictable increases in minimum wages create unemployment.
- Australia entered the economic slowdown with record low unemployment of 4.2% at the end of last year; at the current rate of 5.2% it is still below the last two recessions. In seasonally adjusted terms, employed persons grew by 72,500 from February 2008 to February 2009.
- ACTU modelling shows that an increase of \$21 for workers reliant on the AFPC pay scales would have a negligible impact on inflation.
- Award workers earn on average only 56% of those paid under collective agreements. There is no evidence of systemic wages pressure in the economy.
- Profits are at record levels of 26.6% of national income, while the wages share is a record low of 53.3%.
- The Australian economy grew by 3.7% in 2008. While economic growth is weakening, the economy is still forecast to grow by 1% this financial year. Productivity is steady.
- The ACTU has called for tighter business regulations and curbs on executive pay to protect jobs in the current economic climate. There should be no company tax deductibility for corporate salaries of more than \$1 million – removing this would send a powerful message to companies to rein in executive remuneration.
- It is vital that the Government attaches strict conditions to any taxpayer support businesses receive, including curbs on executive pay, greater financial accountability, and obligations to protect jobs and workers' rights.

### Real wage reductions under the Fair Pay Commission

- As shown in table 2, last year's AFPC minimum wage decision (Decision 2/2008) resulted in real wage reductions for more than a million pay scale reliant workers.
- The ACTU totally rejects the notion that employees who depend on minimum wages should suffer a cut in real wages, either in times of economic prosperity or in times of slowing economic growth. The ACTU also rejects the views of those who seek to use the current economic downturn as a justification for further reductions in minimum wages.
- A reduction in real minimum wages would be both unfair and counter-productive when the Government has used fiscal and monetary policy to stimulate domestic demand to support the economy.
- Adjustments to income tax must be treated as complementary to minimum wages, not as substitutes for wages adjustments.
- One-off payments or tax bonuses must not be taken into account by the AFPC. These payments are one-offs designed to create additional spending to boost economic activity.
- As table 3 shows, the real wage effect of the three AFPC decisions since 2006 has been that 92% of pay scale reliant workers have suffered a decline in their real wages since June 2005 under the system of setting minimum wages introduced by the Howard Government.
- Only those on the FMW have kept pace with inflation of 12.2% over that period.
- More than a million low paid workers have suffered a cut to their pay of up to \$77 per week in real terms under the Howard Government's pay commission since 2005.



## Australian Council of Trade Unions – Fact Sheet

**Table 1: Percentage increase: ACTU \$21.00 Request**

Classification	1 October 2008 wage rate per week	Wage Rate per week with ACTU \$21.00 Request	Percentage Increase
C14	\$543.78	\$564.78	3.86
C13	\$560.50	\$581.50	3.75
C12	\$582.92	\$603.92	3.60
C11	\$603.82	\$624.82	3.48
C10	\$637.64	\$658.64	3.29
C9	\$658.54	\$679.54	3.19
C8	\$679.06	\$700.06	3.09
C7	\$698.06	\$719.06	3.01
C6	\$734.92	\$755.92	2.86
C5	\$750.50	\$771.50	2.80
C4	\$771.40	\$792.40	2.72
C3	\$812.82	\$833.82	2.58
C2a	\$833.72	\$854.72	2.52
C2b	\$871.34	\$892.34	2.41
C1a	\$954.94	\$975.94	2.20
C1b	\$1079.96	\$1100.96	1.94

Source: ACTU

**Table 2: Real wage change per week Decision 2/2008  
1 October 2007 to 1 October 2008**

	Real change \$ per hour	Real change % per hour
C14	-\$0.11	-0.8%
C13	-\$0.14	-0.9%
C12	-\$0.17	-1.1%
C11	-\$0.19	-1.2%
C10	-\$0.24	-1.4%
C9	-\$0.26	-1.5%
C8	-\$0.29	-1.6%
C7	-\$0.32	-1.7%
C6	-\$0.36	-1.9%
C5	-\$0.39	-1.9%
C4	-\$0.41	-2.0%
C3	-\$0.47	-2.1%
C2a	-\$0.49	-2.2%
C2b	-\$0.54	-2.3%
C1a	-\$0.65	-2.5%
C1b	-\$0.82	-2.8%

Source: ACTU

**Table 3: Real wage change per week Decisions 1/2006, 3/2007 and 2/2008**

	Weekly Pay Rates				% increase over			
	Rate before 2006 decision	Rate after 2006 decision	Rate after 2007 decision	Rate after 2008 decision	Jun-05 to Dec-06	Dec-06 to Oct-07	Oct-07 to Oct-08	Jun-05 to Oct-08
<b>CPI Inflation</b>					<b>4.8%</b>	<b>2.0%</b>	<b>5.0%</b>	<b>12.2%</b>
					%	%	%	%
C14	\$484.50	\$511.86	\$522.12	\$543.78	5.65	2.00	4.15	<b>12.24</b>
C13	\$501.10	\$528.58	\$538.84	\$560.50	5.48	1.94	4.02	<b>11.85</b>
C12	\$523.60	\$551.00	\$561.26	\$582.92	5.23	1.86	3.86	<b>11.33</b>
C11	\$544.50	\$571.90	\$582.16	\$603.82	5.03	1.79	3.72	<b>10.89</b>
C10	\$578.20	\$605.72	\$615.98	\$637.64	4.76	1.69	3.52	<b>10.28</b>
C9	\$599.10	\$626.62	\$636.88	\$658.54	4.59	1.64	3.40	<b>9.92</b>
C8	\$619.90	\$647.14	\$657.40	\$679.06	4.39	1.59	3.29	<b>9.54</b>
C7	\$638.80	\$666.14	\$676.40	\$698.06	4.28	1.54	3.20	<b>9.28</b>
C6	\$680.50	\$707.94	\$713.26	\$734.92	4.03	0.75	3.04	<b>8.00</b>
C5	\$701.40	\$723.52	\$728.84	\$750.50	3.15	0.74	2.97	<b>7.00</b>
C4	\$722.20	\$744.42	\$749.74	\$771.40	3.08	0.71	2.89	<b>6.81</b>
C3	\$763.90	\$785.84	\$791.16	\$812.82	2.87	0.68	2.74	<b>6.40</b>
C2(a)	\$784.80	\$806.74	\$812.06	\$833.72	2.80	0.66	2.67	<b>6.23</b>
C2(b)	\$822.50	\$844.36	\$849.68	\$871.34	2.66	0.63	2.55	<b>5.94</b>
C1(a)	\$906.00	\$927.36	\$933.28	\$954.94	2.36	0.64	2.32	<b>5.40</b>
C1(b)	\$1,031.10	\$1,052.98	\$1,058.30	\$1,079.96	2.12	0.51	2.05	<b>4.74</b>

Source: ACTU