

March 2010

## National Minimum Wages Case 2010

### Summary of ACTU Submission to Fair Work Australia March 2010

#### The ACTU claim

- The ACTU is seeking a \$27 per week increase in the National Minimum Wage (NMW) and in other award minimum wages (see Table 1).
- This claim would deliver a real pay rise for approximately 1.4 million Australians that are reliant on award minimum wages. The vast majority are not union members and rely on the union claim for their only chance of a pay rise each year.
- If granted, the \$27 a week increase would lift the Federal Minimum Wage over \$15 an hour for the first time.
- The \$27 a week increase would raise the FMW from \$543.78 per week to \$570.78 per week — a 71c/hour increase from \$14.31 per hour to \$15.02 per hour.
- The ACTU claim would represent a pay increase of 4.2% for an average award minimum wage worker, on the benchmark tradesperson's rate (C10).
- This compares to 3% for the Wage Price Index in the 2009 calendar year, and inflation of 2.1% in 2009.
- The moderate pay increase sought for award workers contrasts with the fact that CEOs now earn on average \$2.3 million — more than 40 times average earnings — despite a 24% decline in sharemarket value in the past year. The average remuneration of executives in ASX100 companies grew in real terms at an average annual rate of about 6-7% between 1993 and 2009.
- In the 2009 case, the Australian Fair Pay Commission froze minimum wages for Australia's award pay scale reliant workers, which was effectively a cut to real wages of \$9.80 for those on the NMW to the end of 2009.
- Last year's wage freeze, combined with other inadequate minimum wage rises led to a decline in real terms of up to \$97.75 a week for more than a million low paid Australians under the former Coalition Government's Fair Pay Commission (table 2).

#### Timelines

- Submissions to the Fair Work Australia's annual wages review are due 19 March 2010.
- FWA's seven-person Minimum Wage Panel, headed by President Justice Geoffrey Giudice, must complete its review by 30 June.

- The minimum wage decision will come into effect on 1 July 2010 for approximately 1.4 million minimum wage workers.

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

- Only about 100,000 Australian workers (about 1 % of the workforce) receive the FMW with a further 1.3 million workers (16.5% 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 45% of Full-time Adult Average Weekly Ordinary Time Earnings (AWOTE).
- 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 annual wage review by FWA is the only pay rise they receive each year.
- Increasing award minimum wages is an effective tool to reverse growing income inequality. FWA has a statutory requirement to establish and maintain the safety net of fair minimum wages.
- Decent minimum wages provide a critical floor for the incomes of many low-income households. National Minimum Wages Case adjustments assist in meeting the needs of the low paid.
- It is neither fair nor efficient to trim minimum wage increases in booms for fear of inflation or trim them in busts for fear of unemployment.

**The cost of living for working families**

- The ACTU's \$27 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 2.1% in 2009.
- The impact of the 2009 wage freeze was to a real cut to the FMW of \$9.80 a week (to the end of 2009) and \$11.49 for people on the C10 tradesperson's rate.
- 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 1.85% over the past 12 months; housing costs by 5.2%, including an 5.4% increase in capital city rents; while petrol prices increased by 20% in between March and December 2009.

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

- There is no credible evidence that moderate, regular and predictable increases in minimum wages create unemployment.

- Unemployment in Australia during the economic slowdown peaked at 5.8% in October; it has fallen steadily since to 5.3% in February 2010. In seasonally adjusted terms, employed persons grew by 175,200 from February 2009 to February 2010.
- ACTU modelling shows that an increase of \$27 for workers reliant on the AFPC pay scales would have a negligible impact on inflation. (Raising minimum wages by \$27 per week would lift the inflation rate by less than one fifth of one per cent.)
- Award workers earn on average \$444 a week less or only 62% of those paid under collective agreements. There is no evidence of systemic wages pressure in the economy.
- Profits are at record levels of 26.9% of national income, while the wages share is close to a record low of 53.6%. Since 2005, profits have increased from 26% and wages have fallen from 54.9%.
- The Australian economy grew in every quarter of 2009 and by 2.7% over the year. The Reserve Bank forecast is for GDP to grow by 3 ¼% over the year to December 2010. Productivity grew by around 3% during 2009; total hours worked fell with the impact of the GFC.
- Governments must not allow signs of an economic recovery to derail moves towards tighter business regulations and curbs on executive pay. The Productivity Commission's final report into executive remuneration was disappointing, and the ACTU maintains there should be no company tax deductibility for corporate salaries of more than \$1 million.
- A national inquiry should be conducted into job and incomes security in Australia, including rights and protections for casual workers and contractors, fair working hours and the impact of the GFC on increases to underemployment and unpaid overtime, and better financial support and labour market programs for transitional workers and unemployed people.

#### **The impact of the 2009 minimum wage freeze**

- Last year's AFPC minimum wage decision resulted in real wage reductions of 1.8% 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
- A further reduction in real minimum wages would be unfair as the economy returns to normal settings following the downturn.
- As tables 2 and 3 show, the real wage effect of the three AFPC decisions since 2006 has been that all 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.
- For those on the NMW, the impact has been a real pay cut of \$9.61 a week since mid-2005. For the bulk of award-reliant workers on the C10 rate, the impact has been \$22.77.

**Table 1: Percentage increase: ACTU \$27.00 Request**

Classification	1 October 2008 wage rate per week	Wage Rate per week with ACTU \$27.00 Request	Percentage Increase
C14	\$543.78	\$570.78	4.97
C13	\$560.50	\$587.50	4.82
C12	\$582.92	\$609.92	4.63
C11	\$603.82	\$630.82	4.47
C10	\$637.64	\$664.64	4.23
C9	\$658.54	\$685.54	4.10
C8	\$679.06	\$706.06	3.98
C7	\$698.06	\$725.06	9.87
C6	\$734.92	\$761.92	3.67
C5	\$750.50	\$777.50	3.60
C4	\$771.40	\$798.40	3.50
C3	\$812.82	\$839.82	3.32
C2a	\$833.72	\$860.72	3.24
C2b	\$871.34	\$898.34	3.10
C1a	\$954.94	\$981.94	2.83
C1b	\$1079.96	\$1106.96	2.50

Source: ACTU

**Table 2: Change in real wages of award reliant employees**

	October 2008 to October 2009	October 2008 to December 2009	June 2005 to October 2009	<b>June 2005 to December 2009</b>
C14	-\$6.86	-\$9.80	-\$6.67	<b>-\$9.61</b>
C13	-\$7.07	-\$10.10	-\$8.81	<b>-\$11.85</b>
C12	-\$7.35	-\$10.50	-\$11.95	<b>-\$15.13</b>
C11	-\$7.62	-\$10.88	-\$14.80	<b>-\$18.10</b>
C10	-\$8.04	-\$11.49	-\$19.26	<b>-\$22.77</b>
C9	-\$8.31	-\$11.87	-\$22.11	<b>-\$25.74</b>
C8	-\$8.56	-\$12.24	-\$25.22	<b>-\$28.98</b>
C7	-\$8.80	-\$12.58	-\$27.69	<b>-\$31.57</b>
C6	-\$9.27	-\$13.24	-\$38.21	<b>-\$42.34</b>
C5	-\$9.47	-\$13.52	-\$46.37	<b>-\$50.63</b>
C4	-\$9.73	-\$13.90	-\$49.10	<b>-\$53.48</b>
C3	-\$10.25	-\$14.65	-\$55.06	<b>-\$59.69</b>
C2(a)	-\$10.52	-\$15.02	-\$57.91	<b>-\$62.67</b>
C2(b)	-\$10.99	-\$15.70	-\$63.12	<b>-\$68.11</b>
C1(a)	-\$12.04	-\$17.21	-\$74.38	<b>-\$79.88</b>
C1(b)	-\$13.62	-\$19.46	-\$91.49	<b>-\$97.75</b>

Source: ACTU calculations

**Table 3: Real wage change per week from AFPC decisions 2006 to 2009**

		Weekly Pay Rates						
	Rate before 2006 decision	Rate after 2006 decision	Rate after 2007 decision	Rate after 2008 decision	Oct 07 to Oct 08	Oct 08 to Dec 09	Jun 05 to Dec 09	
<b>CPI</b>					<b>5.0%</b>	<b>1.8%</b>	<b>14.2%</b>	
					%	%	%	
C14	\$484.50	\$511.86	\$522.12	\$543.78	4.15	0	<b>12.2</b>	
C13	\$501.10	\$528.58	\$538.84	\$560.50	4.02	0	<b>11.9</b>	
C12	\$523.60	\$551.00	\$561.26	\$582.92	3.86	0	<b>11.3</b>	
C11	\$544.50	\$571.90	\$582.16	\$603.82	3.72	0	<b>10.9</b>	
C10	\$578.20	\$605.72	\$615.98	\$637.64	3.52	0	<b>10.3</b>	
C9	\$599.10	\$626.62	\$636.88	\$658.54	3.40	0	<b>9.9</b>	
C8	\$619.90	\$647.14	\$657.40	\$679.06	3.29	0	<b>9.5</b>	
C7	\$638.80	\$666.14	\$676.40	\$698.06	3.20	0	<b>9.3</b>	
C6	\$680.50	\$707.94	\$713.26	\$734.92	3.04	0	<b>7.9</b>	
C5	\$701.40	\$723.52	\$728.84	\$750.50	2.97	0	<b>7.0</b>	
C4	\$722.20	\$744.42	\$749.74	\$771.40	2.89	0	<b>6.8</b>	
C3	\$763.90	\$785.84	\$791.16	\$812.82	2.74	0	<b>6.4</b>	
C2(a)	\$784.80	\$806.74	\$812.06	\$833.72	2.67	0	<b>6.2</b>	
C2(b)	\$822.50	\$844.36	\$849.68	\$871.34	2.55	0	<b>5.9</b>	
C1(a)	\$906.00	\$927.36	\$933.28	\$954.94	2.32	0	<b>5.4</b>	
C1(b)	\$1,031.10	\$1,052.98	\$1,058.30	\$1,079.96	2.05	0	<b>4.7</b>	

Source: ACTU

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