

## National Minimum Wages Case 2011

### Summary of ACTU Submission to Fair Work Australia March 2011

#### Timelines

- Submissions to the Fair Work Australia's Annual Wage Review were due on 18 March 2011.
- FWA's seven-person Minimum Wage Panel is headed by President Justice Geoffrey Giudice.
- The minimum wage decision will come into effect on 1 July for approximately 1.4 million minimum wage workers.



#### The ACTU claim

- The ACTU is seeking a \$28 per week increase in the National Minimum Wage (NMW) and in other award minimum wages up to the C10 level; and a 4.2% increase for other award workers (see Table 1 on page 4).
- This claim would raise the NMW from \$569.90 per week to \$597.90 per week — a 74c/hour increase from \$15 per hour to \$15.73 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 3.9% for the Wage Price Index in the 2010 calendar year, and the Analytical Living Cost Index of 4.5% in 2010.
- The moderate pay increase for most workers contrasts with the total package of the CEOs of the top 300 companies of \$2.25 million in 2010, equivalent to 76 times the minimum wage. Average remuneration of executives in ASX100 companies has grown by 130.6% between 2001 and 2010.
- Last year, Fair Work Australia awarded a pay rise of \$26 to Australia's 1.4 million pay scale reliant workers, \$1 short of the ACTU's claim. But that followed the 2009 decision of the Australian Fair Pay Commission to freeze minimum wages, which was effectively a cut to real wages of \$9.80 for those on the NMW to the end of 2009

#### Who is affected by the Fair Work Australia pay rise?

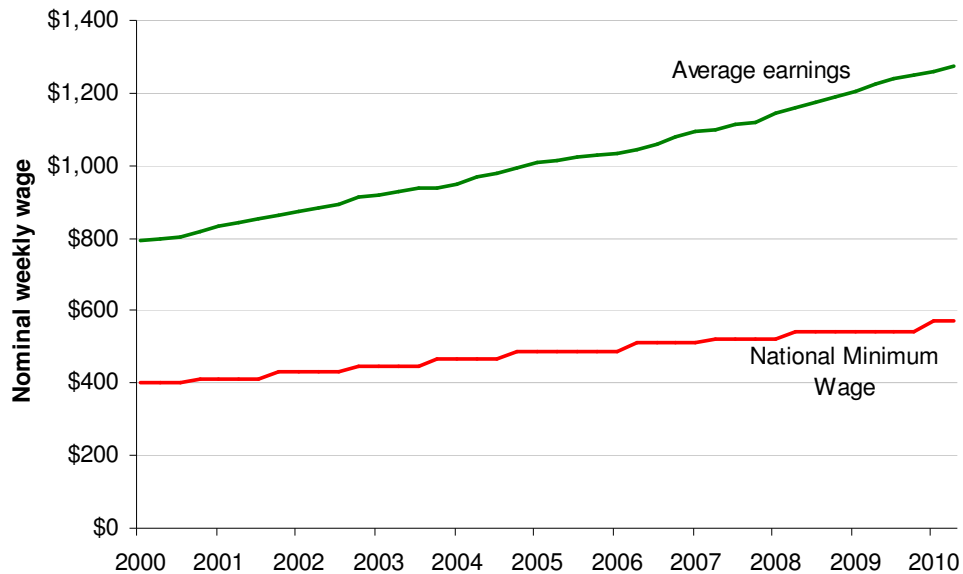
- About 50,000 Australian workers (less than 1% of the workforce) receive the NMW with a further 1.3 million workers (14% of the workforce) relying on minimum award wages above the FMW. The number of minimum wage-dependent workers is decreasing.

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- The NMW of \$569.90 equates to just 44.7% of Full-time Adult Average Weekly Ordinary Time Earnings (AWOTE). The ratio has fallen from 50.5% a decade ago. Average earnings have risen by 21% in real terms since 2000, but the real value of the NMW has increased by just 7.1% in the same time.

**Figure 1: Changes in average earnings and the National Minimum Wage, 2000-2010**



Source: ACTU

- Award 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 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. Annual Wage Review adjustments assist in meeting the needs of the low paid.

**The cost of living for working families**

- The ACTU's \$28 a week claim is necessary to ensure that minimum wage workers and their families keep up with the cost of living pressures, which rose by 4.5% in 2010, and 18.4% over the period 2005-2010.
- People living on the national minimum wage find it very difficult to make ends meet, and experience greater financial stress than those paid higher wages. Wage earners spend a substantial portion of their income on housing, food, and transport.
- Fruit and vegetables rose by 7.9% in 2010; meat by 8.2%; electricity by 12.5%; water and sewerage by 12.8%; and childcare by 7%.

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

- There is no credible evidence that moderate, regular and predictable increases in minimum wages create unemployment.
- The performance of the Australian labour market has been robust, with strong jobs growth and no negative impact on jobs from the 2009-10 decision. The number of employed people increased by 330,400 (3%) in the year to January 2011 – the participation rate rose to an all-time high while unemployment and underemployment fell. Australia’s unemployment rate is 5.0%, lower than most of the developed world.
- The Consumer Price Index is within the Reserve Bank’s objective of 2-3%. An increase of \$28 for award workers would have a negligible impact on inflation.
- Full time award workers earn on average \$632.40 a week less or only 54.4% of those paid under collective agreements. There is no evidence to suggest that the labour market is in an unsustainable wage-price spiral.
- Total company gross operating profits increased by 14.7% in the 2010 calendar year, but aggregate wages rose by 8% in the same period.
- The Australian economy grew in every quarter of 2010 and by 2.7% over the year. It is forecast to grow by 3.25% this financial year.
- The wages share of national income of 52.6% is now at its lowest since September 1964. The profits share is near the record highs it reached in 2008, at 28.2% of national income.

**Figure 2: Wages and profit shares of national income, 2000-2010**



Source: ACTU

**Table 1: Percentage increase: ACTU \$28.00 Request**

Classification level	Minimum weekly wage	The ACTU's claim	% increase
	\$	\$	
C14	569.90	28.00	4.9%
C13	586.50	28.00	4.8%
C12	609.00	28.00	4.6%
C11	629.90	28.00	4.4%
C10	663.60	28.00	4.2%
C9	684.50	28.88	4.2%
C8	705.30	29.76	4.2%
C7	724.20	30.56	4.2%
C6	760.90	32.11	4.2%
C5	776.40	32.76	4.2%
C4	797.20	33.64	4.2%
C3	838.90	35.40	4.2%
C2(a)	859.80	36.28	4.2%
C2(b)	897.50	37.87	4.2%

Source: ACTU

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