

Secure Jobs. Better Future.

Wages and Employment Conditions

Developments since Congress 2009

In 2009, in the lead-up to the introduction of the *Fair Work Act* ("FW Act"), Queensland, New South Wales, Tasmania and South Australia referred their industrial relations powers to the Commonwealth, resulting in the nationalisation of Australia's workplace relations system. The Act provided for the National Employment Standards (NES), which offer a set of 10 minimum entitlements to all workers in the national system.

In 2010, as part of the award modernisation process, pre-modern awards were replaced with modern awards. Although the Fair Work Bill abolished individual registered agreements (AWAs), modern awards now contain provisions for Individual Flexibility Arrangements (IFAs), which specify that an employee must be better off overall under the IFA, but are not required to be registered with Fair Work Australia.

The Minimum Wages Panel has completed two annual wage reviews since the Fair Work Act was enacted. Minimum wages increased by \$26 in July 2010 and by 3.4% in July 2011. The Panel's decisions acknowledge the differences between the Fair Work Act and the criteria that guided the Australian Fair Pay Commission under the previous Act. Under the current Act, the principal consideration relates to the safety net rather than the promotion of economic imperatives.

Equal remuneration for workers in low-paid caring industries has been the subject of a major campaign by unions since Congress 2009. In 2011, the Commonwealth Government made an historic commitment to fund pay increases for low-paid workers in the Social and Community Sector (SACS). This followed a landmark decision made by Fair Work Australia that found that workers in the SACS sector were paid less than their counterparts in the public sector, with gender playing a significant role in the historical underpayment and lack of bargaining opportunities in this sector.

Junior workers and employees in precarious work have been a major focus for unions over the past three years. Despite a concerted campaign by unions, the minimum shift engagement in the general retail sector was reduced to 1.5 hours for secondary school students. In addition, the ACTU has conducted an inquiry into insecure employment, with findings to be released at Congress 2012.

In March 2012, Fair Work Australia commenced the two yearly review of modern awards. This process provides an opportunity to build on the existing safety net and fix up technical problems arising from award modernisation. Unions will also have to defend a large number of applications from employers that seek to reduce minimum entitlements.

Public sector awards and enterprise awards have not yet been modernised. The Fair Work Act requires that these instruments be modernised and/or terminated by the end of 2013.

Key issues

Award modernisation aimed to secure for the future a fair and relevant safety net. It was a complicated and time consuming process reducing the 1000s of awards to just over 120 modern awards. The process led to a loss of conditions for some workers, in particular it was deplorable that workers lost entitlements that were in excess of the NES. Changes to ordinary hours of work, classification descriptors and minimum wages have also had a detrimental impact on take-home pay and job security for some workers. While the overall impact of modernisation is difficult to assess, it's clear that employees in certain parts of the economy have been severely disadvantaged.

With more than half of all non-managerial employees continuing to derive their wages from an award or a registered collective agreement, increasing the minimum wage continues to be a key issue for unions. As at May 2010, award-reliant workers make up 15.2% of all non-managerial staff, while a further 43.3% of workers have their pay set by a registered collective agreement. The remainder of staff are covered by an unregistered or registered individual agreement, or act as owner-managers.

The increases in minimum wages awarded by the Panel in the first two annual wage reviews maintained the real value of minimum wages. However, real (inflation-adjusted) minimum wages still remain around the level of December 2006. When the ABS measure of the cost of living for working households is used, it is apparent that the purchasing power of minimum wages is below the level they reached in June 2005.

Between the December quarter of 2006 and the September quarter of 2011, the national minimum wage rose by 15.1%, while the Consumer Price Index (CPI) increased by 15.4%. While minimum wages have risen at around the same pace as prices in recent years, average and median wages have risen more rapidly. Average weekly ordinary time earnings rose by 26.7% between December 2006 and September 2011. The earnings of workers reliant on minimum wages have therefore fallen relative to the earnings of other workers.

Women, casuals, and part-time employees are more likely to be award-reliant than full-time employees. The gender pay gap has increased by 3% in the past 10 years to November 2011, and is now at 17.33%. The gender pay gap is particularly noticeable in the health care and social assistance sector, which has a historically low take-up rate for enterprise bargaining.

There are particular challenges for young workers, apprentices and trainees. Currently, first year apprentice wages are set at around 50% of the trade-qualified rate, with some modern awards providing for rates as low as \$6.32 an hour. This makes it difficult for apprentices to earn a fair wage, and is a major contributing factor to the significant drop-out rate for apprentices, about half of whom fail to complete their apprenticeships. In many industries, workers over 18 years of age continue to be paid junior wages, regardless of their level of skill and experience.

The operation of Individual Flexibility Agreements is a significant concern. Individual Flexibility Agreements are generally made at the request of the employer and commonly remove award conditions such as penalty rates and overtime. There is very little evidence that IFAs provide employees with genuine flexibility to meet their needs. Unions must ensure that IFAs cannot be used by employers to undermine the safety net or disadvantage employees.

The compression of award relativities is also a significant issue. The practice of awarding flat dollar (as opposed to percentage) increases in past annual reviews has compressed wage relativities in the award classification structures and reduced the gains from skills acquisition. While the real value of minimum wages has been maintained at the lower award classification levels, the real value of minimum wages above those levels has fallen. Fair Work Australia has indicated that it may be 'unfair' to restore relativities when the practice of awarding flat dollar increases has resulted in higher increases for employees in the lower classification levels than would have occurred if relativities had been maintained. A separate resolution in relation to wage relativities will be considered at the Congress.

Union agenda 2012-2015

Over the next three years, this policy will commit unions to ensure that modern awards provide a strong and enforceable safety net that underpins collective bargaining, continue to campaign for pay equity, and pursue increases to minimum wages and other entitlements for low-paid workers.

This policy provides that unions will advocate for real increases in minimum wages and seek to increase the National Minimum Wage (NMW) to \$660 by Congress 2015. In addition, unions will campaign for an increase in first-year apprentice wages to 60% of the trade-qualified rate; the elimination of junior wages for employees 18 and over; and the reinstatement of three hour minimum engagement for juniors in the retail sector.

Unions will, under this policy, also campaign for legislative reforms that build on the existing safety net. This includes a permanent standard on long service leave; additional public holiday entitlements; a wider definition of kinship for the purpose of taking personal leave, which will be of particular benefit to Indigenous Australians; and the development of a National Employment Standard for domestic leave and ceremonial leave.

Employee flexibility and income security will remain important priorities. This policy provides that unions will campaign for additional safeguards on the use of Individual Flexibility Agreements and seek to extend the right to request flexible working arrangements to enable employees to balance work, caring responsibilities and study commitments.

Finally, this policy would commit unions to advocate for the development of a single comprehensive wage assessment tool that ensures employees with disability are paid fair minimum wages. Existing wage assessment tools enable employees with disability to be assessed against competencies that are not relevant to their position, resulting in extremely low and inconsistent wage outcomes.