Women’s Electoral Lobby Australia and National Pay Equity Coalition

Submission to Australian Fair Pay Commission

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Submission to the Australian Fair Pay
Commission
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The Women’s Electoral Lobby and the National Pay Equity Coalition take this opportunity to again make a Submission to the Australian Fair Pay Commission. Our organisations have long participated in advocacy and policymaking in order to improve the social, economic and political position of women in Australian society. We submit that a fair and equitable minimum wage is integral to women sharing in the benefits of Australian society.

We note that the last Decision was delivered in October 2006 and we support the Commission’s decision to attend to adjusting the Minimum Wage on an annual basis.

Our media release of the last Decision is as follows:

‘We welcome the increase granted by the Fair Pay Commission. It is important for women that minimum wage adjustments are kept in line with the general community, as many women workers depend on the minimum wage. Maintaining an adequate minimum is also important in closing the gender wage gap. We look forward to annual adjustments that are in keeping with those received by other workers’ (The Age 28/10/2006)

A FAIR AND BALANCED INCREASE

We welcome Professor Ian Harper’s commitment to making a (minimum rate adjustment) balanced and fair’.

However we also submit that on review of the latest wage data there has been a reduction in the minimum wage in real terms a fact pointed to by Professor Harper at the Recruiting and Consulting Services Association in November 2006 where he stated that ‘this decision puts real wages down at the minimum level’ (Workplace Express24/11/2006). ABS Earnings data indicate that workers in the lower deciles have had there wages fall .9% behind inflation.
We submit that an adjustment to the minimum rates must be in line with wage adjustments achieved in the general Australian community and must not lead to a deterioration of real wages of the low paid.

One objective of the Commission is to provide a safety net for the low paid and provide the capacity for the unemployed and low paid to get, and keep a job.

While recognizing this objective we again draw the Commissions’ attention to the OECD Report ‘Employment Patterns in OECD Countries: Reassessing the role of Policies and Institution 2006” that called into question strong links between minimum wage rates and unemployment. The Report found that there `no significant direct impact of the minimum wage on the unemployment rate is found” (2006:29)
The OECD Employment Outlook 2006 states that `Minimum Wages do not harm employment’.

We refer to Professor Harper’s statement of March 2007 that `there is no evidence that the Fair Pay Commission’s first minimum wages determination last year added to inflation or unemployment’.

We submit that an increase in line with wage movements achieved in the general community will maintain economic competitiveness between employers and employees, ensure a stable labour market and provide a fair safety net.

**Recent Wage Adjustments:**

Australian Bureau of Statistics Labour Price Index December 2006
December quarter 1.1% seasonally adjusted, 4% over 12 months.

Trends in Enterprise Bargaining, All current wage Agreements (All sectors) December 2006, 4.0%

Fair Pay Decision October 2006 $27.36 – approximately 3.9%

Federal Politicians June 2005 7%
Women, Work and the Minimum Wage:

As we pointed out in our first Submission to the Commission approximately twenty per cent of the workforce rely on awards to set their pay and conditions, and sixty per cent of these are women. Almost one third of women in the private sector depend on awards to set their wages and further, wage levels in enterprise agreements tend to be lower for women. Women, indigenous, migrant and young workers, those in small businesses, non-unionised are more likely to be low paid. Using ABS data, Buchanan and Watson found that 16% of female employees were low paid compared to 10% of male employees.

A decline in the minimum wage and its effect on the wage gender gap is of particular concern. Women work in industries and occupations that are low paid such as private households, retail clothing and footwear, accommodation, restaurants and cafes.

Women are 54% of employees in retail trade and 58% of employees in accommodation, cafes and restaurants. Latest ABS statistics now indicate that industries where women work are receiving lower pay increases than workers in traditionally male dominated industries. Professor David Peetz in a Report for the Victorian Government ‘Assessing the Impact of WorkChoices – One Year On’ highlights the widening of the gender pay ratio. By examining ABS Average Weekly Earnings he found that there has been a 3.0% increase the gender gap in the retail industry over May to November 2006 in the retail industry and a 6% increase in the health and community services sector from 74.8% to 68.9%.

Casual workers are paid at the lowest rates and we point out that a significant number of casual workers are women. Many casual workers have lost penalty rates, which they have traditionally relied upon to provide them with a living wage.

Women and Australian Workplace Agreements

We firstly point out to the Commission that in order to find the true picture of women’s wages the Office of the Employment Advocate must make freely available data in relation to wages and conditions of those on AWAs. At present it appears that none of the data are being collated and the outcomes can only be estimated by the ABS figures on wage
movements. As this information is vital to decisions made by the AFPC, WEL and NPEC proposes that the collation of wage levels be requested as a matter of urgency.

The Federal Minimum Wage provides a ‘floor’ that underpins core entitlements for all Australian Workplace Agreements.

Early evidence from the ABS indicates that non-managerial workers on AWAs are worse off than workers covered by collective agreements. The Employee Earnings and Hours Survey for May 2006 (ABS 6306) shows that non-managerial workers earn 3.3% less on AWAs than those on collective agreements and for permanent part-time and casual workers, a figure particularly important for women, they earn 17% less on an AWA than on a collective agreement.

As we pointed out above mostly women work in the retail and hospitality industries and we find that there has been a significant move to AWAs and reduction of award coverage in this sector. Minister Hockey has confirmed that ‘many workers who had come onto AWAs in the past two years were in the retail and hospitality industries, low-paying sectors in which most workers were women’. As already noted this is an industry that is experiencing low wage outcomes. What little information that has been provided by the Office of the Employment Advocate to the Senate Budget Estimates Committee May 2006 does show that 63% of new AWAs remove penalty rates and a third cut overtime pay and other remove penalty rates for working on public holidays. Even if there are other trade offs such as flexibility, this does not negate the necessity for a basic level of fair pay to be continued.

Loss of penalty rates and overtime means that many women workers are now left with smaller wage outcomes. This is poor social and economic policy as some women may decide to withdraw from the workforce when opportunity costs estimates add to less than the costs of child care and working and the loss of benefits. While some of this must be considered in the light of welfare reforms that oblige working mothers to return to work, if they are in receipt of income support payments, many other mothers are paid through Family Tax payments and not affected by this change. These may well decide to withdraw their labour if returns are too low. This may affect the supply of female workers in areas such as child care and aged care where there are already labour shortages because of low pay and loss of allowances.
We draw the Commission’s attention to Welfare to Work requirements that grant exclusion from work requirements if workers find themselves less than $25.00 per week better off in net terms. Any decline in minimum rates would result in an increase in the number of workers who are less than $25.00 a week better off and would therefore undermine Federal Government objectives. If employment is considered to be good social policy and is to be attractive to working mothers the net gain from wages must be fair and provide for an adequate living standard. We note Professors Harper’s statement that minimum wages must be ‘worthwhile financially’ or else people will not move off the dole or welfare into paid jobs. (Norington:The Australian 3/11/06)

We noted above that women part-time and casual workers rely upon penalty rates and casual loadings. The Victoria Government ‘Assessing the Impact of WorkChoices – One Year On’ says that AWAs made under the new laws are twice as likely to remove overtime pay and three-fifths of new AWAs abolish penalty rates and cancel shift allowances. Average hourly earnings for casual women were 7% below the average award minimum.

**Women, Minimum Wages and Balancing Work and Family**

There is an inextricable link between minimum wages and hours of work. A lowering of minimum rates will mean that many workers will have to work longer hours. This will mean that balancing work and family time will become more difficult.

A recent report from the Human Rights and Equal Opportunity Commission ‘It’s About Time Women, men work and family’ notes community concerns about WorkChoices. Their consultations and submissions expressed concern over the prospect of loss of control over working hours and its effect on the ability of employees to balance paid work and family/carer responsibilities and the prospect that minimum wages will be reduced over time because of changes in wage setting. They also report of concerns of the prospect of increasing gender inequity overtime and its impact on the choices of women and men can make for balancing paid work and care.

They conclude that ‘men working long hours miss out on family life and are unable to contribute fairly to caring work while women who cannot get enough hours of work or reasonable conditions of work miss out on the economic and social benefits of paid work’ (HREOC:2007 p95).
We note and support the recommendation in that report `that the Australian Fair Pay Commission undertake a program of monitoring and research with respect to the federal minimum wage and its impact on women workers…” (see Rec 11 (b) p81).

We submit that it is the responsibility of the Fair Pay Commission to ensure a fair outcome and sufficient minimum rate that ensures that workers do not suffer a further decline in real wages that would require them to work longer hours and would exacerbate balancing work and family life.

We also submit that in order for the minimum wage rate to provide a fair wage in Australian society the Commission must also consider economic and social circumstances of many low paid workers, particularly women. As we have pointed out women are more likely to depend on minimum wages.

We draw the Commission’s attention to their own research conducted by the Melbourne Institute of Applied Economics and Social Research that found that part-timers paid below the minimum wage are over-represented in low income households. That 40 % of part-time workers earning less than the minimum lived in the poorest households. Further approximately 83% of sole parent households are headed by women. A setting of minimum must be mindful of the economic circumstances of low income households and the current crises of affordable rental accommodation. The Australian Housing and Urban Research Institute found that 27% of people who spent 40 per cent or more of their income on rent reported that their families had sometimes gone without meals. They found that 43% of low income renter households surveyed had been in arrears on rents at some stage and 71% had some problem paying their rents. The author of the report Professor Burke stated that `Australia’s economic prosperity, and the corresponding growth in people’s wealth, had disguised hardship that many lower income households face’. (The Age 6/3/07).

It behooves to those setting a Federal Minimum Wage to be aware of the ability of low income earners to share in economic circumstances of their society and of a basic human right of appropriate, affordable housing.
**Australia’s obligations under international law.**

We remind the Commission that the Australian Government is a signatory to numerous United Nations and International Labour Organisations Conventions that ensure that workers ought to be paid adequately and to remove discrimination in employment.

It is recognized by the UN Convention on the Elimination of All Forms of Discrimination Against Women, and by the ILO Convention Concerning Equal Remuneration for Men and Women for Work of Equal Value. These international human rights obligations as well as specific provisions in the Workplace Relations Act should inform the AFPC’s wage setting. The Fair Pay Commission is directed by s222 Workplace Relations Act 1996 to apply anti-discrimination considerations, including specifically the principle that men and women should receive equal remuneration for work of equal value and to take account of the principles embodied in the Sex Discrimination Act 1984 (s222(1)© and the ILO Family Responsibilities Convention (s222(1)(d). Allowing those areas where female workers predominate to fall behind other more gender balanced areas of employment is de facto discrimination.

These considerations should apply in determining the minimum wage as well as in relations to awards and agreements, especially as women will no longer have access to the test case mechanisms in the Australian Industrial Relations Commission which have been so important for advancing women’s pay and conditions.

**Economic Benefits of a Fair Wage:**

In our Submission to the first Australian Fair Pay Commission Inquiry we pointed out that international experience indicates that lowering minimum rates does not improve employment. It is damaging to the labour market, to productivity and to the economic well being of the Australian community to not give a rise that is in keeping with wage movements in the general Australian workforce.

We pointed out that low pay allows inefficient firms to survive. Countries that permit low wages encourage inefficient firms and are forced to compete on the basis of forcing wages down and forcing a downward spiral of low wages, low consumption, low productivity and declining GDP.
**Recommendations:**

A Report by Professor Tony Vinson ‘Dropping Off the Edge’ that highlights the OECD Report indicating that Australia is experiencing widening gaps in income, wealth and opportunity between rich and poor. (Catholic Social Services 2007).

We argue that all should share in the economic and social benefits of Australian society.

We submit that the Federal Minimum Rate must maintain parity with wage movements in the Australian workforce. We suggest that an increase of no less than 4% would be appropriate but also ask the Commission to consider the decline in real wage outcomes resulting from the last adjustment.

We reiterate our proposition that this will promote economic prosperity, maintain a strong and fair competitive labour market and ensure employment of the low paid.

Given the indications of increasing gender disparities in wage movements, and the increasing participation of sole parents, mainly mothers that will occur post June 2007 when Welfare to Work come online, WEL and NPEC also recommend that the Commission launch and fund an open inquiry into pay equity and the position of women and low paid workers in the workforce.

**Eva Cox and Suzanne Hammond**