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Introduction and Recommendations

Since the Australian Fair Pay Commission (Commission) conducted its last review of minimum wages the Workplace Relations Amendment (Transition to Forward with Fairness) Bill 2008 has been introduced and seems likely to pass without significant amendment. Some provisions of the bill affect the Commission, and the change of government itself has affected Commission activities. These will be discussed in the first part of this submission. ABI makes two recommendations in this part:

ABI recommends that
(i) pay-scales, or the part of pay-scales applying to juniors or employees under training arrangements, and that pay scales or the part of pay-scales, and special FMWs, applying to employees with a disability be adjusted consistently with the approach adopted in the Commission’s 2007 Wage-Setting Adjustments;
(ii) any increases arising from this review come into effect from the commencement of the employee’s pay period.

ABI draws attention to the continuing need for authoritative pay-scales, or at least instruments which can be taken to be conclusive of pay-scales, to be made publicly available so as to provide a record of the coverage of pay-scales; their rates amounts of rates and the changes to rates since 27 March 2006.

The second part of this submission will examine macro economic developments which play under the Commission’s current deliberations. Externally there has been a significant increase in risks to orderly economic growth, and so have there been increased risks to the Australian economy. Current national employment figures are positive but the risk of inflation, wages contribution to that risk and the impact of inflation on investment pose threats to current and future employment levels. Low skilled employees, who are more likely to be pay scale-reliant, are vulnerable.

This part also looks at the NSW experience, where approximately 1/3 of the national workforce is located. The broad facts of Australia having a two-speed economy have not changed since the last review, and pay scale-reliance is more associated with lower levels of economic performance than higher. NSW is benefiting from some of the spill-over of the resources boom, but is feeling the brunt of the associated high Australian dollar and high interest rates. ABI makes one recommendation:

ABI recommends that the Commission should increase minimum wages below $700 by a flat $13 per week or 34 cents per hour. This is comparable to the annualised rate at which it increased minimum wages below $700 in its second decision. ABI recommends that the Commission should adjust higher wages by a lesser amount.

The third part of the submission looks at two specific pay-scale areas. ABI makes two recommendations:

ABI proposes that the Commission should again not adjust the pay-scale derived from the (NSW) Social and Community Services (State) Award.
For “exceptional circumstances employees” who are on 30 September 2008 receiving the minimum rates provided by Wage-Setting Decision 2/2007 ABI recommends the Commission consider delaying the impact of adjustments arising from this review so that they do not come into effect for at least three months after 1 October 2008. If this recommendation is adopted the commencement of the 2008 review adjustments should be from the commencement of a pay period.
1. The Legislative Scheme

Following the election of the current federal government the Commission discontinued its investigation of pay-scale rationalisation and of junior and training wages. The Commission also discontinued its programme directed towards making new pay-scales which would have had the effect of providing authoritative pay-scales at least from their commencement date.

Subsequently the government tabled its enabling legislation, the Workplace Relations Amendment (Transition to Forward with Fairness) Bill 2006 (the Bill). The Bill proposes confine the functions of the Commission to “…those necessary to ensure the maintenance of minimum wages.”1

The major amendments concerning the Commission are to redefine “new APCS” to include only new APCSs made prior to the Bill’s commencement and to limit the making of special FMWs to those made before the Bill’s commencement. The amendments also clearly allow the new APCSs made under s 220 (made under Part G of Wage-Setting Decision 1/2006 and adjusted under parts D and E of Wage-Setting Decision 3/2007) and the special FMWs (made under Part G of Wage-Setting Decision 1/2006 and adjusted under part B of Wage-Setting Decision 3/2007) to be adjusted as a result of wage-setting decisions made after the Bill’s commencement. The Bill also repeals the Commission’s power to revoke pay-scales.

These amendments have two consequences:

The outcome of the vast bulk of the Commission’s Wage-Setting Decisions has been that preserved pay-scales (pay-scales derived from pre-reform wage instruments as at 27 March 2006) have been adjusted. There have been few new pay-scales made and those which have been made to date may be adjusted for this and future Wage-Setting Decisions (subject to the terms of the decision). They are in this sense “preserved”. Also “preserved” is the body of precedent built up in the Commission’s past Wage-Setting Decisions and in its Reasons for Decision. The Bill, unless amended during its passage, does not otherwise alter the Commission’s wage-setting function (s 22) and does not alter the Commission’s wage-setting parameters (s. 23).

ABl recommends that

(i) pay-scales, or the part of pay-scales applying to juniors or employees under training arrangements, and that pay scales or the part of pay-scales, and special FMWs, applying to employees with a disability be adjusted consistently with the approach adopted in the Commission’s 2007 Wage-Setting Adjustments;
(ii) any increases arising from this review come into effect from the commencement of the employee’s pay period.

Secondly, the recision of the Commission’s power to determine new and revoke old pay-scales means that the Commission is unable to provide authoritative pay-scales in its decision. ABI has long pointed to the problems for employers and employees, and their representatives, which have arisen because of the absence of authoritative pay-scales, or at the very least, pay-scales which can be accepted as conclusive. ABI recognises that the solution to this problem is not within the Commission’s power but believes it is important to re-state the need for its solution on the public record.

1 P 82 Explanatory Memorandum, Workplace Relations Amendment (Transition to Forward with Fairness) Bill 2008
ABI draws attention to the continuing need for authoritative pay-scales, or at least instruments which can be taken to be conclusive of pay-scales, to be made publicly available so as to provide a record of the coverage of pay-scales; their rates amounts of rates and the changes to rates since 27 March 2006.

It is consistent with the new statutory environment under which the Commission proceeds for it to recognise its role in moderating wage and inflation expectations. The RBA’s strategy clearly relies on the rejecting the notion that the FMW and low minimum wages should be adjusted to include a component to compensate for increases in mortgage interest rates. Compensation for higher interest rates would lead to a ratcheting up in inflation and higher mortgage interest rates.
2. Economic Analysis

2.1 Overview

The following part of this submission contains five major components. In recognition of the material already in the Commission’s Economic and Social Indicator Monitoring Report (ESIM Report), the submission focuses on the key issues.

Firstly, the outlook for the international economy indicates a much riskier economic environment for Australia in the period ahead than was the case when the Commission last reviewed minimum wages. The major developed economies appear to be experiencing marked slowdowns. The consensus is that China will be relatively unaffected but the risks would appear mostly to the downside.

Turning to domestic focus to date, the Australian economy has continued to grow strongly. The major threat which has emerged has been the acceleration in inflation. From comparative complacency a year ago, the Reserve Bank of Australia (RBA) has more explicitly expressed its concern at the contribution of wages growth to this acceleration – the implication being that wages growth of 4% plus is not consistent with achieving its inflation target. The RBA has also expressed its concern about the risk of higher inflation expectations, couched in terms of protecting living standards, feeding into higher wages growth and in turn threatening to reinforce the upward pressure on inflation. It has made it clear that its response would be further higher interest rates and that it is prepared to tolerate a rise in unemployment to achieve a return to its inflation target.

The Government has responded to these developments. It is indicating that wage restraint will need to play a part in returning inflation to its target range and that wage-setters need to take account of the benefits of tax cuts in boosting disposable incomes when considering wage increases. It is ABI’s contention that the Commission needs to give serious consideration to the message from the RBA and give substantially greater weight to inflation in its determination. Any increase arising from this review needs to be consistent with a return of CPI inflation to 2.5%, the mid-point of the RBA’s 2-3% target band. The decision also needs to recognise that the low pace of productivity growth – trend growth rate in 2007 of just 0.7% – is likely to persist in the medium term. This means the pace of current wages growth is not consistent with the RBA’s inflation target.

ABI’s submission then focuses on the economic performance of NSW.

This is not merely because ABI’s members predominately employ in NSW but because the Commission’s considerations are being made at a time when there continues to be a quite significant divergences in the relative economic performance of the different states. This divergence is still most evident in labour markets. NSW has received less of the terms of trade boost and been more vulnerable to the competitive pressure posed by the rise in the Australian dollar.

Significantly, while spending picked up in NSW in 2007, households in NSW have been and will be more vulnerable to the impact of high and rising interest rates. This fact is important. It is ABI’s submission that the Commission must consider the impact of its decisions on the lesser-performing states. It is the marginal employees and businesses in those states which will be most vulnerable to a decline in employment.

The submission then looks at wages growth. It is noted that the centrally determined federal minimum wage has risen over 9% in real terms over the past 10 years. There has continued

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2 10 years to December, 2007: refer Table 2. The precise estimate is 9.4% which is consistent with the Commission’s estimate (in the ESIM Report) for the 10 years to September, 2007 of about 9.5%.
to be substantial variance in wages growth across industries and occupations. This reflects
pressure for a widening in the skills premium, and should act to encourage workers to
upgrade their skills. However, the minimum wage (FMW) has risen faster than wages growth
as measured by the ABS wage price index (WPI). The WPI has grown by 6% in real terms.
FMW growth has worked in recent years against those market pressures and arguably put a
base under wages growth.

The Commission’s ESIM Report shows that, while the 2007 decision lifted the FMW by 2%
(2.4% annualised) or marginally less than inflation. However, because of reductions in
income tax the disposable incomes of single persons on the FMW in fact increased by 4.2%,
or about 2% in real terms. The ESIM Report shows other household types experiencing
larger increases.

ABI notes that an increase of no more than $13 ($0.34 p.h.) per week in the FMW in 2008
would, based on the RBA’s forecast of a 3.5% rise in the CPI, notionally mean a 1% decline
in real terms. However, taking account of tax cuts to operate from 1 July 2008, $13 would
mean the disposable income of single persons on the FMW will have risen by 4.1%, or about
0.6% in real terms.

This economic analysis supports ABI’s view that the Commission’s decision can be fair and
at the same time directed towards the RBA succeeding in bringing inflation back to within its
target range in a reasonably short timeframe. The Commission’s decision should also
recognise the importance of leaving scope for a market-based process of determination of the
skill premium. It is consistent with this objective, as well as the Commission’s statutory
framework for it to adjust higher wages by a lesser amount.

ABI recommends that the Commission should increase minimum wages below $700 by a flat
$13 per week or 34 cents per hour. This is comparable to the annualised rate at which it
increased minimum wages below $700 in its second decision. ABI recommends that the
Commission should adjust higher wages by a lesser amount.

2.2 International Economy

After a period of strong world growth, there appears to be considerable uncertainty about the
outlook for 2008. The world economy grew an estimated 4.9% in 2007 which would make it
the fourth successive year of world growth around 5% - the strongest performance in a very
long time (refer Figure 1 – shown in the Appendix). The consensus is for lower growth in
2008. In January the International Monetary Fund (IMF) revised its November forecast for
growth of 4.4% down substantially. It now predicts a slowing rate of growth to 4.1%. This
change has been brought about by the weakening US economy which is experiencing a very
sharp downturn in its housing sector triggering flow-on effects to the rest of the economy.
The sub-prime crisis is exacerbating the impact of housing sector problems.

Moreover, there is increasing evidence that the economies of Europe, which also had a
significant housing boom, and Japan, are also slowing. The published official view from the
Commonwealth Treasury and RBA is still optimistic that China and India will be largely
unaffected. If so, this should in turn cushion Australia from the slowdown in the major
developed economies. However, it appears that the balance of risks to this “sanguine view” is
not positive. As the IMF notes:

“The overall balance of risks to the global growth outlook is still tilted to the downside. The
main risk to the outlook for global growth is that the ongoing turmoil in financial markets

3 IMF World Economic Update 29 January, 2008
would further reduce domestic demand in the advanced economies and create more significant spill overs into emerging market and developing economies.”

The RBA Governor has noted the importance of China’s economy to world growth but did so in the context of saying the focus should be on (any) imbalances in China’s economy:

“If China does suffer a serious interruption to growth at some point – and all economies do from time to time – it is more likely, in my judgement, to be caused by some domestic problem than by the sort of events we are witnessing in the developed world at present. For Australians, it will be just as important over the years ahead to keep an eye out for imbalances in the Chinese economy as to watch the problems of the US economy.”

While the RBA Governor appeared to see those risks further down the track (there is some ambiguity here), others are not so hopeful about the potential risks posed by major imbalances in China’s economy:

“Even with the U.S. economy slowing, the concern is not so much that China will run out of resources or markets to sustain high growth, but that economic imbalances (in China) are becoming too severe.”

At the same time, inflation is posing a bigger threat than has been the case for some-time as the lagged effect of the strong growth in the previous four years comes through. In January 2008 the IMF observed:

“Headline inflation has increased since mid-2007 in both advanced and emerging market economies. Core inflation has also drifted upward.”

The dilemma facing policy-makers in the major economies mirrors, in some, but not all respects, those facing Australian policy-makers. In the US, the inflation threat has grown but at the same time, the US economy is showing evidence of a recession in growth. The US Federal Reserve has chosen to focus on addressing the risks of recession.

In short, while events might well pan out well for Australia, this is a much more risky backdrop for the Australian economy than has been the case for some time. The volatility in world share markets in March 2007, August 2007 and again for a more sustained period in January-March 2008 is a blunt reminder that there are (substantial) risks to the outlook.

2.3 Australian Economy

(a) Economic growth

In its Mid-Year Economic and Fiscal Outlook (MYEFO) review of the economic outlook in October 2007, the Commonwealth Treasury raised its forecast for 2007/08 GDP growth from 3¼% to 4¼% which would be the strongest GDP growth since 2003/04 (refer Figure 2). Annual GDP growth showed a marginal deceleration in the December quarter (Figure 2) but

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4 IMF World Economic Update 29 January, 2008
6 “Finding the right balance.” Pieter Bottelier, Professor of China studies at Johns Hopkins School of Advanced International Studies; Gail Fosler is president and chief economist for the Conference Board. Downloaded from http://www.time.com/time/magazine/article/0,9171,1704402,00.html
7 It should be noted that a year ago the possibility of a recession in the US, and that spreading to most other developed economies, was officially discounted (by RBA, US Fed, etc). Official views invariably adopt a positive bias to the outlook so as not to be accused of “causing” the subsequent downturn. The flipside is some “pessimistic” forecasters predict 3 or more out of every one recession. The future is a random walk.
8 MYEFO 2007/08, Part 2: Economic Outlook
domestic spending was still very strong (refer Figure 3). The Commonwealth Treasury also made its first forecast for 2008/09 for GDP to grow by 3½%. However, this did not represent a strong view on the outlook: rather, it continued the practice of forecasts out beyond the fiscal year being close to long-term trend. Since then good rainfalls have boosted the outlook for the farm sector. At the same time the prospects for world economic growth have deteriorated and interest rates have been lifted in response to the higher than expected economic growth and inflation.

The Commonwealth Treasury’s forecasts on economic growth will be up-dated in the May 2008 Budget. However, in the February 2008 Statement on Monetary Policy (SoMP), the RBA did give forecasts (refer Table 1 below). The RBA’s forecasts, on the one hand, indicate some confidence that the Australian economy will avoid a recession in the period ahead. On the other hand, the forecasts indicate a strong determination on the RBA’s part to slow growth in output in the economy in the period ahead and allow the unemployment rate to “increase modestly”.

With the mining sector expected to show supply-driven growth as new capacity comes on stream, the RBA expected the non-farm/mine segments of the economy to slow even further: the implication being that States such as NSW might expect to experience more of the burden of any slowing. The forecasts were predicated on there being no change in the cash rate but the RBA has since lifted interest rates and indicated that there is a probability of further rises. That is, monetary policy is directed towards a lower growth rate than in the forecasts and, arguably, a rise in unemployment which might be more than “modest”.

While it is hoped that the view that Australia will avoid the downturn in other developed economies proves correct, it is clear that the global environment is less favourable than it was a year ago and poses more negative risks for the Australian economy in the period ahead. Regardless, the intention of the RBA is that economic growth will slow and unemployment will rise.

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<td>GDP(a)</td>
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<td>Non-farm GDP(a)</td>
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<tr>
<td>Consumer price index(a)</td>
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<tr>
<td>Underlying inflation (a)</td>
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<tr>
<td>Consumer price index (b)</td>
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<td>Underlying inflation (b)</td>
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(a) From Table 15 in February 2008 SoMP. Actual GDP data to September 2007 and actual inflation data to December 2007. Underlying inflation refers to the average of trimmed mean and weighted median inflation. For the forecast period, technical assumptions include A$ at US$0.89, TWI at 69, cash rate at 7.0 per cent, and WTI crude oil price at US$86 per barrel and Tapis crude oil price at US$90 per barrel.

(b) From Table 16 in February 2007 SoMP. Actual data to December 2006. Underlying inflation refers to the average of trimmed mean and weighted median inflation. For the forecast period, technical assumptions include A$ at US$0.78, TWI at 64, cash rate at 6.25 per cent, and WTI crude oil price at US$60 per barrel.
(b) Inflation and the February 2008 SoMP

In the 2007/08 Budget and in the 2007/08 MYEFO, the Treasury appeared to be relaxed about the outlook for inflation:

“…underlying inflation pressures are expected to ease over the forecast horizon.” 9

Those forecasts assumed that inflation was largely the product of pressure from short-term rises in commodity prices and would come back within the target band in the near term. Similarly, a year ago, the RBA was relatively comfortable with the outlook for inflation, expecting underlying inflation to be moving back comfortably within the 2-3% target band in the period ahead:

“The central forecast is for year-ended underlying inflation – currently around 3 per cent – to fall to 2½ per cent in 2007 and 2008.”10

This official view was reflected in the Commission’s 2007 decision.

Since then, starting with the June quarter inflation result, inflation has come in well above expectations (refer Figure 4). The December quarter 2007 CPI numbers had the ABS measure of underlying inflation rising to 3% and the average of that rate and the two RBA trimmed and median underlying inflation measures rising to 3.5%. Moreover, with the low March quarter 2007 figures dropping out in the next quarter, there is the probability that the “average” underlying measure will rise to closer to 4%.

In part, this acceleration in inflation reflects external factors. However, external factors, reflected in very low growth in market goods inflation (excluding volatile items), have been very favourable to the domestic inflation outcome for a long time. Market goods inflation has averaged 1.7% in the past 5 years.

China’s deflationary impact on consumer goods was a big part of that result. More recently, inflation in China has picked up substantially (year to February, 2008 = 8.7%)11 and the global inflation environment is now less favourable. This previously favourable environment contributed the RBA tolerating services inflation running closer to the top of the 2-3% target range since early 2006 (refer Figure 5). The services component is most influenced by domestic costs, particularly, wages growth. For the 12 months to December, 2007, traded goods inflation has accelerated to 2.4% and services inflation has accelerated to 3.9%.

These higher than expected inflation rates have very much changed views on the inflation outlook. The RBA has revised its view (refer Table 1 above) and the new Government has identified the importance of inflation and announced a plan to tackle it.12 However, most of the plan, apart from a marginal tightening in fiscal policy13, relates to the long-term policies required to boost productivity and savings (infrastructure, skills training, incentives to work, savings incentives). It will have minimal impact in the short to medium term.

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9 2007/08 MYEFO
10 Reserve Bank of Australia, Statement on Monetary Policy (SoMP), February 2007, pp 55.
11 Inflation in China chiefly reflects sharply higher food prices but even discounting for this there is an upward trend in inflation, comparable with the story in Australia.
13 Given that the fiscal surplus has been about 1¼% of GDP, lifting the target to 1½% is marginal. It would need to be lifted to more like 2½% to have a real impact: refer R Gittins ‘Some promises best not kept’ Sydney Morning Herald, 6 February, 2008.
While the Prime Minister’s speech did not focus on wages policy, the Prime Minister subsequently announced a freeze on MP’s salaries. The Deputy Prime Minister has also said that, while she understood that working families were under pressure:

“...you don’t make a real gain if we end up fuelling a wages inflation cycle. That there is a need right across the community to help fight inflation.”14

The clear implication of these statements is that wages policy has a place to play in restraining inflation. That has implications for the Commission’s wage-setting decision. An inflationary wage environment, which would invoke a more sustained period of high interest rates as the price for reversing those inflation expectations, would entail higher unemployment and put low skilled employees at a greater and disproportionate risk of job loss.

(c) Wages growth, the RBA and the Commission

Until recently it has been argued generally that, based on the wage-productivity-inflation arithmetic, general (wage) movements in the range 3.5% - 4.5% are consistent with the RBA’s inflation target and hence wage increases up to 4.5% are, in macro-economic terms, “affordable”. Indeed, this was implicitly accepted by the Commission in its 2007 decision.

There are several problems with this interpretation of the RBA’s previous view on wage-inflation.

The first is that the wage-inflation nexus has never been spelled out in terms of the relationship between the WPI, now accepted as a better measure of wages growth than AWOTE, and the CPI.

The second is that the RBA has traditionally been reluctant to be too specific about the rate of wages growth which is consistent with its inflation targets. This is probably out of concern about appearing to give an imprimatur to some particular level of increase. It probably also reflects the risk that what might be appropriate can change, and may need to, so as to be consistent with its overall inflation target.

One significant aspect of the wage-inflation link is the uncertain contribution of productivity growth. The evidence is that productivity growth has slowed. The latest ABS estimates expect non-farm market sector productivity to show growth of 0.7% in the year to December 2007 (refer Figure 6). While a number of factors are contributing to that rate of productivity growth, that the level of productivity growth is slow, when the economy is close to, or operating at, full capacity should not be a surprise.

In particular, the unskilled workers being drawn into the workforce are more marginal and will tend to lower average productivity. The Commission’s last Wage-Setting Decision implicitly recognised this when it noted

“There is a forecast easing in employment growth and an anticipated increase in the unemployment rate, largely associated with changing participation requirements for some recipients of income support payments.”15

Certainly, ABI members have been reporting the difficulty of securing appropriately skilled employees and the problems with employee without appropriate work skills. This mismatch is also contributing to non-wage costs of employment rising. The negative effect of insufficiently skilled workers on productivity can be partly offset by the entry of skilled migrants but the overall net effect is to lower the rate of productivity growth. It may well be that, in the long term, Government initiatives will boost productivity. However, over the

14 Press conference by the Hon Julia Gillard, MP, Deputy Prime Minister, 26 February, 2008
15 P 57 Wage-setting Decisions and Reasons for Decision – July 2007
immediate horizon, it would be highly risky for inflation and the economy to premise wages
growth on anything but a continuation of low productivity growth.

In these circumstances, and in part reflecting an implicit assumption that productivity growth
cannot be expected to rise to the rescue, the RBA’s views on what level of wages growth is
consistent with its inflation target has appeared to become less sanguine as inflation has
emerged as a steadily more serious threat. Importantly, the Bank appears to have made it
increasingly clear that it does not see the current rate of growth in wages as sustainable or
consistent with its inflation target.

In its February 2007 SoMP, the Reserve Bank noted (refer Figure 7) that underlying inflation
had picked up (by $\frac{1}{2}$%) from 2\% to around 3\%, while growth in the wage price index (WPI)
also picked up by around $\frac{1}{2}$% (to around 4\%)\textsuperscript{16}. As already noted its expectation in early
2007 was that underlying inflation would ease back to 2\%\%. Referring to wages at that time it said:

“…many of the factors that have pushed up underlying inflation over the past few years
persist. Ongoing labour market tightness (one of those) is likely to keep wage growth at
above-average levels.”

That is, even a year ago, the RBA was explicitly attributing “above average” wages growth as
a factor contributing to the acceleration in underlying inflation.

In its February 2008 SoMP\textsuperscript{17}, the RBA reported some evidence of a further acceleration in
wages growth, with the WPI for private sector wages rising to about 4\%\% (refer Figure 7) and
average earnings rising at a faster pace. It also expressed particular concern that rising
inflation expectations might feed into wage expectations, making the task of bringing
inflation back within the target range even more difficult.\textsuperscript{18}

It is consistent with the statutory environment under which the Commission proceeds for it to
recognise its role in moderating wage and inflation expectations. It seems likely that the RBA
would expect the Commission to strongly reject the notion that the FMW and low minimum
wages should be adjusted to include a component to compensate the low paid for increases in
mortgage interest rates. This would lead to a ratcheting up in inflation and higher mortgage
interest rates.

(d) The Commission’s Wage-Setting Decisions and Wages Growth

Further, ABI submits that the Commission should recognise that increases to the FMW and
pay-scales is, and will be, an influence on the wage demands of the rest of the workforce.

In the early – middle years of federal bargaining legislation members reported that centrally
determined increases influenced employees’ perceptions about the appropriate “starting price”
in a bargaining round. Percentage increases operate more obviously in this role, because they
are most easily translated into a claim, but monetary increases also had some influence on
employee perceptions of what should be their wages target.

That phenomenon has been less remarked in the more recent bargaining years. A number of
reasons may be at play. Established bargainers may be likely to better focus on their
circumstances. Agreements have become longer and some industries have developed a
bargaining cycle with many agreements expiring around the same time. In many cases

\textsuperscript{16} Reserve Bank of Australia, Statement on Monetary Policy (SOMP), February 2007 page 2-3. On
page 53, the RBA refers to the current underlying rate of wage inflation being around 4\%.
\textsuperscript{17} Reserve Bank of Australia, Statement on Monetary Policy, 11 February 2008
\textsuperscript{18} Reserve Bank of Australia, Statement on Monetary Policy, 11 February 2008
bargaining objectives in the period leading up to 27 March 2006 were influenced by the implications of the Work Choices amendments. The later bargaining years were also characterised by relatively benign inflation outcomes. A number of these factors have changed.

It also seems very likely that the effect of minimum rates adjustments to influence the bargaining floor may be more pronounced in a tight labour market in the non-boom industries than would be the case in a labour market which is freer.

This proposition that minimum rates increases influenced the starting point for bargaining is of course anecdotal, and it difficult to see how it could be quantified.

The issue of the relationship between safety net increases and increases arising from bargaining was addressed directly and indirectly by the Australian Industrial Relations Commission’s (AIRC) safety net adjustment decisions. In most of these cases the discussion went to issues such as bargaining incentive and cost of claim. Over time the AIRC considered such matters as

- the safety net and incentive to bargain;
- the relative performance of award reliant and bargaining industries
- the relationship between productivity and bargaining
- levels of award reliance
- the indirect flow of safety net increases.

The shape of these debates was, of course, related to the statutory framework within which the AIRC operated. In many of its decisions the AIRC’s conclusion was related to the quality of the particular evidence and the economic circumstances prevailing at the time of the case. The AIRC did recognise a link between safety net adjustment and spread of bargaining:

“[300] We are conscious that increases in the award safety net have the potential to influence the pace at which bargaining, either formal or informal, is taken up at the enterprise level. The material presented supports the conclusion that since 1997 the number of employees covered by agreements has shown relatively steady growth, though this may have plateaued somewhat in recent years. On the evidence presented, we do not think the adjustment provided for in this decision is likely to prejudice that growth.”

However, the question of the extent to which (former) safety net adjustments underpinned bargaining outcomes, as expressed in this way, does not appear to have been conclusively discussed in these cases.

Related to that proposition is the point that, in the more medium term, an excessive increase to the rates for unskilled workers will, given the need for an effective market-determined skill premium, feed into the whole wage structure.

ABI accepts that measuring these indirect effects of safety net increases is contentious and not easy but that does not mean they do not exist.

Should the Commission not sufficiently take account of the role of wages on inflation outcomes in its wage-setting decision, the implication is that is that more of the burden of addressing inflation pressures will fall on monetary policy. The cost of that will, in turn, be borne disproportionately in the lesser performing states by the more marginal employees and businesses, ie., those affected more directly by the Commission’s decisions.

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2.4 New South Wales Economy

A continuing feature of the terms of trade boost to the national economy is the divergent impact on the different states which is apparent in the gap in growth rates experienced and in the impact on the labour markets. As the Commonwealth Treasury indicated in 2006, the economy’s response to the terms of trade boost requires a “large adjustment within the economy” as resources (labour, capital) are transferred to the mining resource rich states (currently WA and Qld) from the other states, including NSW. 20 This adjustment “will take time” which suggests that the Commonwealth Treasury expects the adjustment process to continue for several more years.

NSW has benefited from the terms of trade boost to the economy. The positive effects for NSW include: the direct benefit to the resource sector in the state; the boost to incomes of shareholders (from increased dividends and share prices); the income tax cuts which have been financed out of the big rise in company tax revenues; and the spill-over of demand from WA and Qld for goods and services supplied by NSW businesses.

The offset is that the rise in the Australian dollar, and the increased competitiveness of China and other emerging economies, have squeezed the profitability of many export and import-competing businesses in NSW. This has forced many to reduce their output, close or shift offshore. The other offset is that some sectors such as housing (and particularly those sectors in NSW) are more vulnerable to rises in interest rates. Raising interest rates has been the major policy response to efforts to moderate inflationary pressures resulting from the “terms of trade boom”. As the NSW Treasurer noted in December 200721:

“The NSW economy is strengthening in 2007-08, although growth remains below the national average due to the greater exposure of NSW households to interest rates and the State’s comparatively modest exposure to the global resources boom.”

At the same time the NSW Treasurer noted that:

“...while the economic outlook (for 2007/08) has strengthened since Budget time, there are risks emerging, including the possibility of a US recession and higher domestic interest rates, which could impact activity in 2008/09.”

Since those remarks, the probability of a US economy in recession has jumped and the threat of higher domestic interest rates has been realised. That would be described by the Commonwealth Treasury as a necessary part of the “large adjustment required within the economy” but it nonetheless explains why, while many businesses are doing very well, including in NSW, there are also many businesses in NSW finding conditions difficult.

(a) Economic Growth Forecasts for 2007/08

In its December 2007 mid-year review, the NSW Treasury revised up the growth forecast for NSW for 2007/08 from 2½% to 2¾%. 22 This was marginally lower than the ½% increase for Australia by the Commonwealth Treasury. It would leave NSW GDP growth 1½% lower than the aggregate for Australia. 23 The gap in growth has narrowed in terms of domestic spending which has lifted from its weak levels of 2006 (refer Figure 3) but that lift in spending will come under pressure from the cumulative effects of interest rate rises in 2007 and 2008. The gap in level terms remains and is still clearly reflected in the labour market figures to which we now turn.

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20 MYEFO 2006/07 Part 2: Economic Outlook’, pp 6
23 The NSW Treasury did not make a forecast for 2008/09 in its mid-year review.
2.5 Australian and NSW Labour Markets

The NSW labour market has been performing quite well in recent years. Nonetheless its performance contrasts poorly relative to that of the rest of Australia. The state’s labour market has probably tightened marginally over the course of 2007 but on all measures the position has not tightened to the same extent as the rest of Australia. This indicates much less pressure for wage rises in NSW.

The trend figures for January 2008 show annual growth of 2.1% in employment for NSW, which is similar to the pace of the previous two years and, given growth in the working population of 1.3%, is a healthy result (refer Figure 8). However, 2.1% is still well below the 2.9% recorded for the rest of Australia in the year to January 2008 and continues the recent pattern of running at about two thirds of the pace seen in the rest of Australia.

The other labour force measures of unemployment and participation rates show a consistent picture of a reasonably healthy labour market in NSW but one clearly falling short of the performance elsewhere. The trend unemployment rate (refer Figure 9) hovered in the range 5-5½% in the period 2004-2006.

Arguably, but for the outflow of people from NSW to other states (other labour markets) the unemployment rate would have risen in this period. In 2007, the unemployment rate in NSW edged below 5%, with the January 2008 figure showing 4.6%. Over the same period 2004-2007, the unemployment rate in the rest of Australia has fallen from an average 5.8% in the first half of 2004 to 4.2% in the second half of 2007 and 4.1% in January 2008. Up until late 2004, the NSW unemployment rate had been consistently lower than for the rest of Australia, by an average 1% in the period 1997-2002. That position has been reversed.

Another indicator of labour market conditions is the participation rate (refer Figure 10).

The unemployment rate tends to understate true unemployment because it does not include discouraged workers. NSW has historically had a lower participation rate in the labour force by people of working age, than the rest of Australia. However, reflecting the better employment opportunities which have drawn people into the workforce, the gap has widened. The participation rate has risen sharply in the rest of Australia but only marginally in NSW.

Since the first half of 2004, the participation rate in NSW has risen from 62.6% to 63.2% in the second half of 2007, a rise of 0.6 percentage points. Over the same period, the participation rate in the rest of Australia has risen from 64.0% to 66.0%, a rise of 2 percentage points. The faster rise in the participation rate is an indicator that non-participating workers are being drawn into the labour force at a faster rate in the rest of Australia than is occurring in NSW. In NSW the pool of discouraged workers, predominantly those who are unskilled or have low skills, is probably still quite large.

Job vacancies are a good indicator of demand for labour. Measured as a percentage of unemployed persons, in NSW job vacancies lifted to about 33% in November 2007, i.e. about 33 jobs per 100 unemployed (refer Figure 11). The vacancy ratio appears to have hovered around the 25% level during 2005-2006. In contrast, for the rest of Australia, this ratio has been in a steady ascent since 2003, climbing from about 16% in 2003 to just over 40% in November 2007.

In sum, on most measures the NSW job market is looking reasonably prospective for job seekers. However, on all counts labour market conditions are not as tight as those outside NSW.
2.6 Australian and NSW Wages Growth

(a) Trend acceleration in wages

While there has not been a wages break-out of the order of magnitude seen in the 1970s or early 1980s, Figure 12 does indicate a steady acceleration in the pace of private sector wages growth to levels which, as discussed above, the RBA has indicated are inconsistent with its inflation target. In the period 1997-2004, private sector wages growth was in the range 3 - 3.5% per annum and averaged 3.2%, whereas in the past three years it has averaged 3.9%. More recently, the annual rate has broken through the 4% barrier, with 4.3% growth in the year to December 2007.

The predominant source of the general acceleration in the rate of growth in the WPI measure of wages since 2004 has been in sectors associated with the mining boom (refer Figure 13). In 2007 the largest increases were recorded in mining with 5.1% growth and construction with 4.7% growth. These increases come on top of similarly strong growth of 6.5% and 5.1% in the previous 12 months but actually represent a deceleration for these mining-related sectors.

The Commission’s ESIM Report observed that:

“…wages in those industries with greater sensitivity minimum wages have grown more slowly than in other segments of the economy in the past year.”

While this is correct, the subsequent December quarter figures show significantly higher growth in these pay scale sensitive sectors. These figures reflect for the first time the Commission’s second Wage-Setting Decision.

The retail and accommodation sectors recorded wages growth of 2.4% and 2.0% respectively in the year to December 2006, that low growth reflecting some timing effects of the Commission’s first Wage-Setting Decision. However, significant increases in the December quarter 2007 (retail +2.1%; accommodation +1.1%) have seen annual wages growth in those sectors accelerate to 5.0% and 3.6% respectively. In short, the acceleration in wages which so concerns the RBA cannot be simply attributed to the mining-related sectors but reflects wages growth across all sectors, including the low skilled, pay-scale sensitive industries.

The Commission’s ESIM Report pointed out that low-skilled occupations have lagged overall employment growth, with growth of 0.2% per annum on average since 2004 compared with overall growth of 2.6%. For 2007, the growth had picked up to 0.9%. Yet, as recognised in the Commission’s second Wage-Setting Decision this is where participation can be expected to increase. It said;

“The major factors for the Commission’s consideration in the budget forecasts are the slow down in employment growth and the projected increased participation of lower-skilled workers.”

The WPI indicates that private sector wages in NSW grew by 3.8% in the year to December 2007, which represents only a slight acceleration on the 3.7% growth recorded in 2006 (refer Figure 14) and is below growth of 4.3% for the private sector in Australia overall. This would perhaps reflect lesser market pressure associated with higher unemployment.

(b) The real value of wages

Over the 10 year time span, the real value of wages, as measured by the WPI, has risen by 6.2% in Australia and 4.9% in NSW (refer Table 2). For the private sector, NSW growth of 4.6% compares with 5% across Australia. By industry, the real value of wages in mining and

25 P 61, Wage-Setting Decisions July 2007
construction industries has risen by 8.4% and 11.7% respectively. By contrast, the real value of wages in retail and accommodation has declined slightly. However, given the significant reductions in income taxes, and in particular the switch from income taxes to direct taxes (the GST) in 2000, and the significant tax changes in the past two years which the ESIM Report has highlighted, there have been more significant increases in real after-tax disposable incomes, including for workers in retail and accommodation sectors.

Over this same period the real value of the minimum wage has risen by 9%. The Commission’s ESIM Report, more recently, has noted that the real value of the minimum wage has increased by about 1% since 2005 but that allowing for tax and income support payments, the real disposable income of single persons on the FMW had increased by 6%. Over the 10 year period to 2007, the increase in disposable income of a single person on the FMW would have risen by approximately 15%.

(c) Minimum wage and the skill premium

In the Commission’s 2007 Wage-Setting Decision there was discussion about the relationship between the minimum wage, price and measures of wages growth. It was pointed out by some advocates for a rise in the FMW that the minimum wage had increased in real terms but that it had declined relative to AWOTE. These two trends are confirmed by more recent data with the FMW rising by 9% in real terms in the 10 years to 2007, while total AWOTE\(^{26}\) had risen by 17% over the same period and private sector AWOTE had risen 18%. Reflecting that, the ratio of FMW: AWOTE has fallen by 8% over that period (refer Figure 15).

However, it is more relevant to compare the FMW with the WPI. AWOTE is subject to compositional change, a point made by the Commission itself in its 2006 Wage-Setting Decision.\(^{27}\) The WPI for the private sector shows real growth of 6% over the 10 years to 2007. The contrast with AWOTE indicates the degree of compositional shift over this period such as the shift within manufacturing towards more skilled workers and higher paying sectors and from manufacturing to higher paid work in mining and construction.

When compared with a 6% rise in the WPI, the 9% rise in the FMW indicates a rise, rather than a fall, in the relative value of the minimum wage. It would not seem logical to be increasing the minimum wage which would have some application to manufacturing because urban manufacturing jobs are shifting to non-urban mining jobs.

In addition, bearing in mind that market pressures in the economy are for a widening in the skill premium, the rise in the relative value of the FMW indicates that it has tended to work against those market forces.

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\(^{26}\) Private sector full-time persons. Public plus private does not materially change the outcome.

\(^{27}\) Commission Minimum Wage Decision 2006 pp 81
Table 2: Nominal and Real Wages Growth 1997-2007*

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* Source: ABS 6345.0 Labour Price Index, Australia for nominal wages growth September 1997-December 2007. All annual rates are geometric annualised rates of growth. Makes no allowance for impact of GST which was accompanied by a substantial compensating cut in income taxes.

# Accommodation, restaurants
Appendix – Figures referred to in text Section 2

Figure 1: World GDP Growth 1984-2008

Calendar year average growth in real GDP for world. Source: IMF

Figure 2: Australia’s GDP Growth 1996-2008

Figure 3: Domestic Final Demand

Annual growth in quarterly, seasonally-adjusted, real domestic spending. Source: ABS 5206.0. Estimate for rest of Australia constructed by subtracting estimate for NSW (Table 22) from estimate for Australia (Table 2).

Figure 4: Key Inflation Measures

Annual growth in CPI price indexes: CPI total for eight capital cities; CPI total excluding volatile items; RBA measures of trimmed median and weighted median. Source: ABS 6401.0 Consumer Price Index, Australia Tables 9, 10.
Figure 5: Inflation: Goods vs. Services

Annual growth in CPI price indexes. Measures are those for market goods and services, excluding volatile items. Source: ABS 6401.0 Consumer Price Index, Australia Tables 9.

Figure 6: Australia’s Productivity Growth

Annual change in non-farm market sector output per hour worked. Source: ABS 5206.0, Australian National Accounts: National Income, Expenditure and Product, Table 1.
Figure 7: Wages (WPI) vs. Inflation

Annual growth in CPI total excluding volatile items. Source: ABS 6401.0 Consumer Price Index, Australia Tables 9.

Figure 8: NSW vs. Rest of Australia Trend Total Employment Growth

Annual growth in monthly, trend estimates of total employment. Source: ABS 6202.0.55.001 Labour Force, Australia Spreadsheets. Estimate for rest of Australia constructed by subtracting estimate for NSW (Table 04) from estimate for Australia (Table 01). Monthly estimates tend to be volatile, hence the choice of ABS trend estimates.
Figure 9: Unemployment Rates: NSW vs. Rest of Australia

Monthly, trend estimates of unemployment rate. Source: ABS 6202.0.55.001. Estimate for rest of Australia constructed by subtracting estimates of number of unemployed and labour force for NSW (Table 04) from estimates for Australia (Table 01), then estimating the unemployment rate (unemployed as % of labour force).

Figure 10: Participation Rates: NSW vs. Rest of Australia

Monthly, trend estimates of participation rate. Source: ABS 6202.0.55.001. Estimate for rest of Australia constructed by subtracting estimates of number of labour force and working age population for NSW (Table 04) from estimates for Australia (Table 01), then estimating the participation rate (labour force as % of working age population).
Figure 11: NSW vs. Rest of Australia Trend Job Vacancies to Unemployed

Quarterly ABS estimates of job vacancies as a percentage of quarterly estimates of unemployed. Estimates for rest of Australia derived by subtracting NSW estimates from total for Australia. Source ABS 6354.0 Job Vacancies Australia, February 2007, Table 2, for job vacancies, with estimates of unemployed from ABS 6202.0.55.001 as per Figure 9 above.

Figure 12: Wage Price Index Private vs. Public Sector Australia

Annual change in original estimates of wage price indexes for public and private sectors for Australia. Source: ABS 6345.0 – Labour Price Index, Australia; All WPI Series: Original (Quarterly Index Numbers), Dec 2007
Figure 13: Wage Price Index – Industry

Annual change in original estimates of wage price indexes for industry sectors. Source: ABS 6345.0 – Labour Price Index, Australia; All WPI Series: Original (Quarterly Index Numbers), Dec 2007

Figure 14: Wage Price Index Private vs. Public Sector NSW

Annual change in original estimates of wage price indexes for NSW. Source: ABS 6345.0 – Labour Price Index, Australia; All WPI Series: Original (Quarterly Index Numbers), Dec 2007
Figure 15: Minimum wage ratio to wage measures

FMW minimum wage, private sector wage price index and average weekly ordinary-time earnings for full-time adult persons indexed to 1997 June quarter = 100. Ratios estimated from these indexes. Source: ABS 6345.0 – Labour Price Index, Australia, Dec 2006, Table 3.
3. Specific Pay-Scales

3.1 The SACS Award Pay-Scale

In its Wage Setting Decisions and Reasons for Decision – July 2007 the Commission separately considered the circumstances for the NSW social and community services sector. It concluded that it should not apply the wage adjustments proposed to apply to pay scales generally to the pay scale derived from the (NSW) Social and Community Services Employees (State) Award (the SACS pay-scale). The Commission’s Wage-Setting Decision 3/2007 defined “Pay Scale” as follows:

“Pay Scale’ means an Australian Pay and Classification Scale other than the Pay Scale that is derived from the Social and Community Services Employees (State) award (NSW).”

ABI proposes that the Commission should again not adjust the pay-scale derived from the (NSW) Social and Community Services (State) Award.

The SACS pay-scale contained a series of phased increases which had been determined before 27 March 2006 with effect on the first pay period on or after 1 July 2006, 2007 and 2008. These fell under the operation of s 208(4) of the Workplace Relations Act 1996 because they had been partly determined by the Industrial Relations Commission of New South Wales (IRCNSW) on the basis of work value changes.

In its decision the Commission concluded it could not distinguish the work value and the safety net components of the embedded increases and that it was concerned to not extinguish the work value increases by absorbing its safety net increases. It indicated that its decision to not exclude the SACS pay-scale from its first general wage setting adjustment was based on that concern. In the case of Wage-Setting Decision 3/2007 the embedded increases were higher than the general increases of the wage-setting decision which ensured that the work value component would not be extinguished and on that basis the SACS pay-scale could be exempted.

ABI is in no better position than the Commission to apportion the work value and safety net components of the increases embedded in the SACS pay-scale. However the increases attributable to work value increases were based on work value changes which had taken place and demonstrated by evidence produced during proceedings. That is, the work value component of the phased increases is not attributable to future work value changes. Over the period of the phase-in the relative contribution of the safety net component could be expected to increase, or at its lowest, could not be expected to decrease over the period.

There is indirect support for this position.

In the 2007 state wage case before the IRCNSW Unions NSW sought to vary the NSW wage fixing principles. As discussed in ABI’s submission to the Commission’s second minimum wage review the NSW wage principles differ in a number of respects from the federal wage principles which applied until 27 March 2006.

One significant difference is that the NSW principles allow much more easily for special cases (cases considering increases outside those available under the annual state wage case increases) and for “industry settlements”, which are award increases outside those available from the state wage cases arrived at by consent. Where a state award is increased for other
than state wage increases it is no longer eligible for increases arising from future state wage increases. At that time principle 8(g) stated:

“(g) The State Wage Case adjustment will only be available where the rates in the award have not been increased, other than by Safety Net or State Wage Case adjustments, or as a result of the application of the Minimum Rates Adjustment principle, since 29 May 1991.”

Unions NSW sought to vary principle 8(g) to read:

“(g) The State Wage Case adjustment will only be available where the rates in the award have not been increased, other than by Safety Net or State Wage Case adjustments, or as a result of the application of principles which set minimum rates, namely the Minimum Rates Adjustment principle, the Work Value principle, and/or the Equal Remuneration principle, since 29 May 1991.”

Unions NSW stated purpose was to overcome the absorption of safety net increases into work value and equal remuneration increases, which like minimum rates adjustment increases, were intended to properly set rates. The main vehicle award was the Miscellaneous Workers Kindergartens and Child Care Centres (State) Award 2006 which had recently received significant equal remuneration increases to all but two of its classifications.

The Social and Community Services Employees (State) Award (para 202) was also before the Bench in support of the Unions NSW application. The ASU tendered a statement to the effect that the phased increases to the award (and reflected in the SACS pay-scale) were on the basis of work value, but its support of the principle proposed by Unions NSW clearly really related to the disparity of state award rates and those in the SACS pay-scale. That is, this issue was brought by the ASU on the basis the result of the Commission’s Wage-Setting Decision 1/2006 – not because of the erosion of the work value increase by insufficient safety net adjustments in the established phasing regime. In its decision the IRCNSW said:

“[216] We acknowledge the potential inequity that may arise where, as a consequence of the operation of Principle 8(g), employees are precluded from receiving a wage increase granted in a State Wage Case because they have received increases under the Equal Remuneration and/or Work Value principles. The basis upon which wages may be increased under the Work Value and Equal Remuneration principles is in contradistinction to that which governs considerations in State Wage Cases. In work value cases the Commission is concerned with fixing rates of pay that reflect the work, skill and responsibility exercised by employees. Under the Equal Remuneration principle the Commission is concerned with whether the work, skill and responsibility required, or the conditions under which the work is performed, have been undervalued on a gender basis. State Wage Cases are essentially concerned with fixing fair and reasonable minimum award wages, having regard to the public interest, which includes the state of the economy and the circumstances of low paid workers.

[219] On the other hand to simply amend Principle 8(g), in the manner proposed by Unions NSW, overlooks the possibility that the Commission, in work value or equal remuneration proceedings may, directly or indirectly, build into any wage increase an amount that took account of economic considerations or there may have been other steps taken that preclude later increases arising from State Wage Cases. If that were the case, to apply State Wage Case increases may amount to double counting”.

The IRCNSW did not grant the Unions NSW application but it adjusted its principles to the effect that when arbitrating an application under the work value changes or equal remuneration principles the IRCNSW is required to determine whether future state wage case increases are available for the award. It also took cognisance of the potential anomalies which might eventuate from the different operations of the IRCNSW in setting award wages and the Commission’s wage-setting function. It said:

31 Para 15, (unreported) State Wage Case 2007 [2007] NSWIRComm 118
“[222] Depending on what course the AFPC takes in its next decision, there is the potential for further anomalies or inequities to be created and which may impact on awards of this Commission. Accordingly, we have decided to give the parties, or any one of them, liberty to apply on reasonable notice in the event further difficulties arise in respect of State awards following the 2007 decision of the AFPC. The mere fact that the AFPC may grant a different increase in the Federal Minimum Wage to those awarded by this decision will not, of itself, be considered to have created an anomaly or inequity. Where the decision of the AFPC produces an anomaly or inequity in relation to one award only, it may be dealt with under the Special Case Principle.”

The ASU did subsequently bring an application to vary the award to pass the increases made to the SACS pay-scale as a result of Wage-Setting Decision 1/2006 but this increase did not eventuate.

3.2 Exceptional Circumstances Adjustments

In its Wage-Setting Decision 2/2007 the Commission provided for a continuation of the rates as they were on 30 September 2007 in a number of specified pay-scales where employees were “exceptional circumstances employees”. Wage-Setting Decision 4/2007 which comes into effect on 1 October 2008 rescinds the classification of “exceptional circumstances employee” which has the effect that employees who were subject to the 30 September 2007 rates, because they were “exceptional circumstances employees” would from that time be subject to rates as adjusted by Wage-Setting Decision 3/2007.

Wages-Setting Decision 3/2007 came into effect on the first pay period to commence on or after 1 October 2007. The Wage-Setting Decisions arising from the current review will come into effect some time in October 2008, that is, on or about the 12 month anniversary of Wage-Setting Decision 3/2007. While ABI does not know what proportion of “exceptional circumstances employees” are employed on the 30 September 2007 rates it seems undeniable that the majority of those who are so employed are employed by employers in marginal economic circumstances.

Subject to evidence in the Commission’s possession, or tendered in other submissions, this suggests some caution might be warranted in raising minimum rates for these employees. ABI is not suggesting that Wage-Setting Decision 4/2007 be altered, but that increases arising from this review be phased in given the operation of Wage-Setting Decision 4/2007 on this area of employment.

For “exceptional circumstances employees” who are on 30 September 2008 receiving the minimum rates provided by Wage-Setting Decision 2/2007 ABI recommends the Commission consider delaying the impact of adjustments arising from this review so that they do not come into effect for at least three months after 1 October 2008. If this recommendation is adopted the commencement of the 2008 review adjustments should be from the commencement of a pay period.

33 Para 222, (unreported) State Wage Case 2007 [2007] NSWIRComm 118
34 (unreported) Social and Community Services Employees (State)Award, [2007] IRComm1101