MINIMUM WAGE SUBMISSION TO AFPC – CASE AGAINST LARGE INCREASE:

By

Dr Louise Floyd PhD (Sydney)
Senior Lecturer in Laws, James Cook University Queensland;
Author of the commentary on the AFPC sections of the Workplace Relations Act for Butterworths Federal Industrial Law.

In writing the national commentary for the AFPC Chapter of the Workplace Relations Act for **************, I am at pains to note that the Australian Fair Pay Commission (AFPC) is given a statutory mandate or objective. That mandate expressly requires the Commission to (eg s 21-22) eg:

- set and adjust minimum wages with the aim of promoting the economic prosperity of the people of Australia having regard to:
  - The capacity for the unemployed and the low paid to obtain and remain in employment;
  - Employment competitiveness across the economy;
  - Providing a safety net for the low paid;
  - Providing minimum wages for junior employees, employees to whom training arrangements apply and employees with disabilities that ensure those employees are competitive in the labour market.

Australian unemployment is at historically low levels, and the inflationary pressures building in the economy have been made notorious by Reserve Bank pronouncements. Against that background, it is my view that the Commission would not comply with its statutory mandate if it granted an excessive wage increase for even the low paid:

1. Damage to the Economy:

As the AFPC noted in its first judgment, wage increases are only one aspect of a bigger economic picture. However, I would add that wage rates do impact other aspects of the economy:

- If wages contribute to spending and inflation, then that will influence interest rates.
- If businesses suffer because of interest rates and consumer confidence, then that will impact jobs;
- If interest rates rise, then any generous pay rise granted by the Commission will effectively be nullified through increased mortgage payments.

This is a competitive labour market, large AFPC increases will only damage the economic strategy that makes it a competitive labour market. That economic strategy now requires responsibility and restraint.

2. ASIC not the AFPC is the correct route for addressing corporate excess:

There have been recent calls in the popular press and by the ACTU for large wage increases for the low paid. Often the proponents of those large increases point to the large, sometimes excessive bonuses paid to corporate directors. Through my studies of, for instance, the Enron and One.tel corporate collapses [**************************], I have previously criticised the payments made to some Australian corporate directors. However, two wrongs do not make a right. Further, the appropriate bodies to deal with corporate excess are the Australian Securities and Investment Commission (ASIC) and the Commonwealth Director of Public Prosecutions (DPP). The correct means of addressing corporate malfeasance is not through the granting of irresponsible pay increases for all workers. (I applaud increasing accountability for directors but it is a separate issue from that to be considered by the AFPC. Refer: Louise Floyd “Enron and One.tel: Employee Entitlements after Employer Insolvency in the United States and Australia (Australian Renegades Championing the American Dream) (2003) 56 SMU Law Review 975).
3. **Pending Reform to the Commonwealth Labour System.**

The current federal government is in the process of changing the federal labour system. Changes to the operation of the AFPC have been discussed. In the final National Wage Case, the Australian Industrial Relations Commission (AIRC) showed impressive restraint and responsibility in its decisions making – it did not award excessive pay rises as a type of vindictive “parting shot.” Likewise, I would suggest the AFPC stay true to its legislative mandate so that its good work will be its legacy.