Submission to the
Australian Fair Pay Commission’s
Review of the Federal Minimum Wage
2008

14 March 2008
1. SUMMARY

- The South Australian Government supports an increase in the Federal Minimum Wage (FMW) and related Pay Scales as part of the Australian Fair Pay Commission’s (AFPC) 2008 Minimum Wage Review.

- The South Australian Government proposes to lodge a supplementary submission with the AFPC shortly after the federal budget in May 2008, when consideration can be given to the industrial and economic circumstances evident at that time.

- The South Australian Government reserves the right to recommend a particular quantum increase to the FMW in this post-federal budget supplementary submission.

- The South Australian Government’s decision to make a supplementary submission is based primarily on the view that economic conditions in Australia are changing rapidly and it is appropriate to also consider the circumstances later in 2008. A significant factor in considering this proposal is the time lapse between submissions (March 2008), the AFPC decision (July 2008) and the operation of the decision (October 2008).

- In the Economic and Social Indicators – Monitoring Report January to December 2007 (Monitoring Report) released by the AFPC in February 2008, it was concluded that the Australian economy has continued to demonstrate sound employment and income growth and that the AFPC’s previous two wage setting decisions had had minimal impact on employment opportunities for the low paid. Data on the South Australian economy supports the analysis of the national economy contained in the Monitoring Report and suggests that a responsible and moderate increase to the level of the FMW might be approved by the 2008 Minimum Wage Review without causing damage to the national economy, the strong demand for employment or the interests of low paid employees.
In terms of the inflationary impact of the AFPC’s previous decisions there is sufficient evidence to suggest that pay increases for the low paid are not a significant contributor to inflationary pressure.

The South Australian Government submits that the national safety net of entitlements must reflect community standards for decent work and should be adjusted appropriately to reflect the financial difficulties faced by those reliant on the Federal Minimum Wage (FMW) and Pay Scales (Award rates) whilst taking into account the current national economic pressures.

General changes to taxation and social security transfer arrangements which apply to all employees should not be a relevant consideration of the safety net provided by the FMW and Pay Scales (Award rates), although as a general principle it is recognised that there could be consideration of tax/transfer initiatives which are specifically targeted at improving living standards for the low paid at times when economic circumstances may mitigate against an increase in the FMW.

The South Australian Government is particularly concerned by the current absence of an effective Federal safety net that encompasses junior employees and those not otherwise protected by Pay Scales.

The South Australian Government submits that any increase in the 2008 minimum wage should not be deferred for those primary producers and others in drought affected regions who are in receipt of the Exceptional Circumstances Interest Rates Subsidy (ECIRS).

The South Australian Government is concerned about the compression of relativities as a result of earlier AFPC decisions and submits that a meaningful adjustment should be provided to all levels of the Pay Scales.
2. **INTRODUCTION**

2.1 **Minimum Standard for Remuneration (Minimum Wage)**

South Australia is the only State that has addressed the issue of parity between State and Federal minimum wages with both currently at $522.12 per week.

This came as a result of an agreement reached between the peak employee and employer groups, supported by the South Australian Government, during the 2007 State Wage Case proceedings\(^1\). The parties considered that parity between State and Federal minimum wages was a desirable outcome and would remove confusion for employers and employees in South Australia.

South Australia’s current Minimum Wage\(^2\) came into force from the first full pay period on or after 1 January 2008, three months after the operative date of the AFPC’s 2007 minimum wage decision.

South Australia’s minimum award wage is also set at the same amount as the FMW and State Minimum Wage. Parity was implemented over a two-stage wage increase process during 2007; the first in July 2007, with full implementation from 1 October 2007, hence creating alignment with the FMW.

The ongoing parity with South Australia’s minimum wage and the FMW will be dependent upon decisions of the Industrial Relations Commission of South Australia and is likely to be influenced by the level of increases to the FMW.

2.2 **Coverage**

Any increase in the FMW will affect employees of constitutional corporations who are covered by the federal industrial relations jurisdiction. This covers a large range of businesses from large corporations to small trading companies.

---

\(^1\) General Application to Review Award Wages Decision and the Minimum Standard for Remuneration [2007] SAIRComm 16.

\(^2\) Section 69 (3)(a) of the Fair Work Act 1994 (SA) requires the Industrial Relations Commission of South Australia to establish a minimum standard for remuneration at least once in every year.
It is estimated that in South Australia, constitutional corporations (incorporated bodies, State Government corporations, local government and the Federal Government) employ at least 60% of the State’s workforce. The remaining 40% (the unincorporated sector and State Government) are under the State industrial relations system.  

A majority of those actually dependent upon minimum wages in South Australia are believed to be in the federal system, although award dependency for those left in the State system is likely to be high.

3. **ECONOMIC PROSPERITY**

3.1 **The capacity for the unemployed and low paid to obtain and remain in employment.**

In its 2007 decision, the AFPC stated that:

*The most significant contribution to the literature on employment effects of minimum wages since the Commission’s 2006 decision is Minimum Wages and Employment: a Review of Evidence from the New Minimum Wage Research, by David Neumark and William Wascher, published in the United States in November 2006.*

It then went on to highlight the main findings as follows:

- *The vast majority of international studies find a negative effect of minimum wage increases on employment;*

- *There is no clear consensus about the magnitude of this effect, and the range of estimated effects appears to have increased over time, at least in the United States;*
There are few, if any cases providing convincing evidence of a positive employment effect, particularly where studies focused on broader groups;

Minimum wages exert stronger disemployment effects for the least skilled; and

Disemployment effects are more pronounced in the long run.4

The approach taken by Neumark and Wascher is not without its critics and while they believe that the evidence tends to support the proposition that a higher minimum wage increases unemployment, other economists disagree.5

While acknowledging that the value of international studies on minimum wage adjustments is affected by differences within specific local contexts, it seems that a discussion of the impact of minimum wage setting in the United Kingdom is appropriate, particularly given that the previous Commonwealth Government modelled the AFPC on the Low Pay Commission (LPC) that sets minimum wages in the United Kingdom.6

Research has shown no adverse impact detected upon aggregate employment growth both as a result of the introduction of and the subsequent up rating of the National Minimum Wage (NMW) in the United Kingdom. This outcome backs up earlier findings in the United States on the impact of a minimum wage and challenges the orthodox economic view that setting and improving minimum wages causes job losses. Indeed, as the LPC notes, overall employment has increased among the groups of workers and in the sectors most affected by the NMW7.

---


5 See for example the work of David Card and Alan Krueger.

6 The discussion of the research into the impact of the NMW is based on information found in the article by Robyn May, ‘The British Low Pay Commission and the Proposed Australian Fair Pay Commission’ in Journal of Australian Political Economy 56 pp92-104.

7 See below at page 6.
Researchers also found that the NMW was introduced in 1999 and subsequently increased over the years to 2008 with little knock-on effects to workers further up the income scale. This finding appears to challenge the orthodoxy that pay increases for the low paid are necessarily inflationary.

Researchers found that the introduction of the NMW increased the probability of training incidence and intensity by 8 to 11 percentage points. It is speculated that a higher wage rate gives an employer an incentive to improve the worker’s productivity via training, suggesting that higher wages are consistent with a skilled workforce.

In its most recent report on the impact of its minimum wage setting, the LPC confirmed that

Since the introduction of the National Minimum Wage, the Low Pay Commission has been at the forefront of the search for evidence of any damage caused by the minimum wage to the economy or to jobs. So far we have not found any significant negative effects, either in the work we have done ourselves or in the work we have commissioned from others. And we have looked long and hard in all the places that are most likely to reveal such an effect.\(^8\)

The difficulties associated with assigning positive or negative impacts of minimum wages on the capacity for the unemployed and the low paid to obtain and remain in employment is highlighted on a sectoral basis in the LPC’s report:

The story as regards jobs varies for each low-paying sector. In some sectors there has been a substantial rise in the number of jobs since the introduction of the minimum wage (retail, hospitality, social care, leisure, hairdressing and security), while others have experienced a substantial decline (textiles and

---

\(^8\) National Minimum Wage, Low Pay Commission Report 2008, p vii. Note that the LPC does not claim that the minimum wage is incapable of negative impact; merely that, so far, the UK minimum wage has successfully avoided the dangers.
clothing, agriculture and food processing). Of course the reasons for growth or decline are many and various and it is difficult to know for sure what role, if any, the minimum wage has played. In textiles, for example, there was fierce competition from low-wage economies well before the advent of the minimum wage, and it is generally agreed that in agriculture the decline in employment goes back over a century and stems in large part from structural and technical developments.  

The most relevant data relating to the Australian context is the AFPC’s Economic and Social Indicators – Monitoring Report July to December 2007 (Monitoring Report). This report was released in February 2008 and suggests that ‘both unemployed people and new entrants into the labour force are finding employment’. The report showed that improvements in labour market outcomes for single parents have been most significant. However, it is suggested that this increase is inextricably linked with the impact of the previous Government’s Welfare to Work policies.

The report concludes that ‘participation rates have increased and unemployment rates have decreased for those demographic groups that contain a relatively high proportion of low skilled workers’ These findings are consistent with those discussed in the joint States’ submission to the 2007 review of the federal minimum wage which were based on analyses of the Household, Income and Labour Dynamics in Australia (HILDA) survey. This analysis supported the view that increases in minimum wages have not hindered the ability for the low paid or unemployed to gain and remain in employment between 2001 and 2005.

---

9 Ibid, pp42-43.
11 Ibid at page 22.
12 See 2007 Joint Labor Governments’ Submission for Victoria, South Australia, Western Australia, Tasmania, Australian Capital Territory and the Northern Territory to the Australian Fair Pay Commission, pages 57 – 69.
It is difficult to determine whether changes in the employment of low skilled workers have been positively influenced by adjustments in the minimum wage and Pay Scales. However, the positive trends in employment for low-skilled, Pay Scale reliant workers identified in the AFPC’s monitoring report mirrors the findings of the Low Pay Commission in the United Kingdom. At the very least they suggest that minimum wage adjustments have not negatively influenced employment opportunities for the low paid or unemployed.

Both the LPC and AFPC reports were published after the Neumark and Wascher review referred to above and both appear to contradict the findings of that review at least in the United Kingdom and Australian contexts.

It is submitted therefore that Neumark and Wascher’s findings should be treated with caution and that the current review of federal minimum wages be undertaken within the context of the AFPC’s own monitoring report which reveals no negative impact on employment growth as a result of its 2006 and 2007 decisions.

The results of the Monitoring Report confirms that moderate increases in the federal minimum wage do not of themselves lead to a negative impact on employment participation for the low paid. It is for this reason that the South Australian Government supports a meaningful increase to the FMW and related pay scales resulting from the 2008 federal minimum wage review.

However, to ensure that a decision on a specific quantum is made in the context of the best available economic data, the South Australian Government intends to lodge a supplementary submission to the AFPC after the federal budget in May 2008. At that point a specific quantum increase may be recommended after taking into account the relevant industrial and economic circumstances prevailing at that time.
3.2 Employment and competitiveness across the economy

The AFPC is required to consider the impact of minimum wage adjustment on employment and competitiveness across Australia. South Australia submits that a meaningful increase in the Federal Minimum Wage will not have an adverse impact on employment or the competitiveness of industry in light of the solid position of the national and local economy throughout 2006-07.

While it is acknowledged that there are concerns about a ‘wages and prices spiral’, there is significant evidence to support the view that there is no direct link between increases in minimum wages and increases in inflation. Indeed, it is arguable that at a time of high inflation it is those who are relying on minimum wages who should be receiving moderate increases and those who are on higher wages (beyond the Pay Scales) who should be exercising wage restraint. This is particularly so when some parts of the economy are subject to significant and sustained growth (e.g. resources industry).

In terms of the inflationary impact of the AFPC’s previous decisions there is sufficient evidence to suggest that pay increases for the low paid are not a significant contributor to inflationary pressures.

This was recognised by the AFPC following the 2006 adjustment to the FMW. The chairman of the AFPC, Professor Ian Harper, in a speech at the Workplace Relations Summit 2007 conference in Sydney stated that there ‘is no evidence that the Fair Pay Commission’s first minimum wages determination last year added to inflation or unemployment’. He said that ‘he was encouraged that the Reserve Bank of Australia had met at least twice since the decision took effect, and had expressed no concern at all about the Commission’s decision being inflationary – “The evidence isn’t there”, he said.

More recently, Professor Harper reinforced that approach following the release of the AFPC’s monitoring report. 13

The South Australian Government submits that a fair and reasonable increase to the minimum wage can be made without adding to inflationary pressures.

3.3 Economic conditions in South Australia – March 2008

Australian economic growth of 3.9% through the year to the December quarter 2007 was stronger than the 2.8% growth through the year to the December quarter 2006. Non-farm GDP growth was a strong 4.0% over the year to the December quarter 2007. The Commonwealth Mid Year Economic and Fiscal Outlook (MYEFO) is forecasting GDP growth in the 2007-08 financial year to be 4.25%, with non-farm GDP expected to grow by 4% and the drought affected farm sector to grow by 14%.

The Australian Bureau of Agricultural and Resource Economics (ABARE) estimates South Australia’s winter crop production for 2007-08 of 4.94 million tonnes is a 77% increase on the 2006-07 drought affected crop. National winter grain production is estimated to be 30% higher than the 12 year low recorded in 2006-07. Nonetheless, both national and South Australian production remains significantly below the 5-year average.

Partial indicators of the performance of the non-farm economy in South Australia are generally positive. Consumer spending and housing construction are growing strongly while business investment (excluding net purchases of second hand assets) remains at strong levels notwithstanding a decline in the second half of 2007.

3.4 Labour market

The latest ABS Labour Force Survey data show South Australian employment grew by 2.9% in trend terms during the year to February 2008 slightly higher than national growth of 2.7%. While trend employment levels continue to grow, the growth rate has been moderating since mid 2007.

14 Source: South Australian Department of Treasury and Finance.
ANZ Job Advertisements, a forward indicator of jobs growth, shows monthly trend job advertisements have been declining since October 2007, falling by 1.2% in February 2008. However, South Australian job advertisements are at solid levels and in February 2008 were still 3.1% higher than a year earlier.

National weekly newspaper job advertisements fell by 1.3% in February (the fourth consecutive monthly fall) and were 2.2% lower than a year ago.

3.5 Consumer Spending
South Australian household consumption spending grew by 4.6% in real seasonally adjusted terms through the year to the December quarter 2007, above the 1.9% growth recorded in the year to December 2006. Retail turnover growth in South Australia through the year to the December quarter 2007 was strong at 6.2% in seasonally adjusted real terms (higher than national growth of 5.7%).

The Westpac-Melbourne Institute Consumer Sentiment Index fell by 9.1% in March 2008 to 88.6. The last time the index was below 90 was in March 2001. The index in March 2008 is 23.3% lower than its value a year ago. This result was likely impacted by the consecutive increase in the Reserve Bank of Australia’s cash target rate as well as concerns about high inflation and by news about the possibility of a recession in the United States.

3.6 Dwelling investment
Dwelling investment in South Australia grew by a solid 8.1% in real terms through the year to the December quarter 2007.

Looking forward, growth in the underlying trend in South Australian building approvals (a forward indicator of building activity) has been growing solidly in the second half of 2007, and continued into January 2008, with SA private sector house approvals showing consistent growth since June 2006. The value of non-residential construction approvals in SA also remains very strong.
3.7 Inflation
The Consumer Price Index (CPI) for Adelaide increased by 2.7% over the year to the December quarter 2007, compared with a national rise of 3.0%. Both the RBA’s measures of underlying inflation (which guides their decisions on monetary policy) were above the 2-3% inflation target band in the year to the December quarter, with the trimmed mean rising by 3.4% and the weighted median by 3.8%.

3.8 Wages
Total hourly rates of pay (excluding bonuses) in South Australia rose 4.9% during the year to the December quarter 2007. This was higher than the 4.2% growth recorded nationally.

According to the labour price index, national private sector wages rose by 4.3% through the year to the December quarter 2007. Comparatively, public sector wages growth was 4.1% through the year. In South Australia, public sector wages rose by 5.0% and private wages by 4.9% through the year to the December quarter 2007. The national private sector wages growth outcome masks some disparate trends with growth of 5.1% in the booming mining industry but only 3.2% in the wholesale trade sector.
## Table 1: Latest Selected Economic Indicators, South Australia

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Period</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Growth (GSP)</td>
<td>2006-07</td>
<td>0.8</td>
</tr>
<tr>
<td>Consumer Spending</td>
<td>Year to December Qtr 2007</td>
<td>4.6</td>
</tr>
<tr>
<td>Dwelling Investment</td>
<td>Year to December Qtr 2007</td>
<td>4.6</td>
</tr>
<tr>
<td>Business Investment</td>
<td>Year to December Qtr 2007</td>
<td>4.0</td>
</tr>
<tr>
<td></td>
<td>(excluding sale of second hand assets)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(Seasonally Adjusted)</td>
<td></td>
</tr>
<tr>
<td>Employment</td>
<td>Trend through year to January 2008</td>
<td>2.9</td>
</tr>
<tr>
<td>Unemployment Rate (at end of period)</td>
<td>Trend January 2008</td>
<td>4.6</td>
</tr>
<tr>
<td>Consumer Price Index (Adelaide)</td>
<td>Through year to December quarter 2007</td>
<td>2.7</td>
</tr>
<tr>
<td>Total Hourly Rates of Pay Excluding Bonuses Index</td>
<td>Original through year to Dec. qtr 2007</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>4.9</td>
</tr>
<tr>
<td></td>
<td>Private</td>
<td>4.9</td>
</tr>
<tr>
<td></td>
<td>Public</td>
<td>5.0</td>
</tr>
</tbody>
</table>

**Sources:**

- ABS Australian National Accounts: National Income, Expenditure and Product (December quarter 2007), Catalogue No 5206.0
- ABS Labour Force, Australia (February 2008), Catalogue No. 6202.0
- ABS Consumer Price Index, Australia (December quarter 2007), Catalogue No. 6401.0
- ABS Labour Price Index, Australia (December quarter 2007), Catalogue No. 6345.0
3.9 The provision of a safety net for the low paid

The South Australian Government notes and supports the submissions of the Commonwealth and other State and Territory Governments’ to the extent that they endorse a meaningful increase in the FMW and related Pay Scales.

The South Australian Government proposes to lodge a supplementary submission with the AFPC after the federal budget in May 2008, when consideration can be given to economic and industrial conditions prevailing at that time.

This position is based primarily on the view that economic conditions in Australia are changing rapidly and it is appropriate to also consider the circumstances later in 2008. A significant factor in considering this proposal is the time lapse between submissions (March 2008), the AFPC decision (July 2008) and the operation of the decision (October 2008).

The South Australian Government submits that the national safety net of entitlements must reflect community standards for decent work and should be adjusted appropriately to reflect the financial difficulties faced by those reliant on the FMW and Pay Scales (Award) rates whilst taking into account the current national economic pressures.

It is the South Australian Government’s general position that consideration should be given to:

- maintaining the real value of the FMW as a minimum outcome; and
- providing a modest and responsible additional increase having regard to the relative decline, evident since 2005, of the FMW against average wages (Average Weekly Ordinary Time Earnings (AWOTE) and average weekly earnings for all employees).

The FMW has trended downwards relative to average and median earnings since the June Quarter 2005 consistent with longer-term trends. In August
2007 the FMW was 46.4 percent of the average weekly ordinary-time wage earnings for a full-time employee (AWOTE) compared with 48 percent in the June Quarter 2005. At that time the FMW was 58.6 percent of average weekly earnings for all employees as opposed to 61 percent.  

Australian Workplace Agreements (AWAs) data supplied by the Employee Advocate to the Senate Employment, Workplace Relations and Education Committee on 29 and 30 May 2006 confirmed the vulnerable bargaining position of low-paid employees when it comes to negotiating individual agreements and the importance of providing an effective safety net. 

It was estimated, using data from HILDA Release 5, that there are nationally 356,000 households, containing almost one million people, including 213,000 children that can be classified as the ‘working poor’. It is the working poor who are most dependent on minimum wage increases to improve their financial position.

Whilst there are sound economic reasons to be cautious when considering the 2008 determination, due to inflationary pressures in the economy, the South Australian Government contends that the following comments from the 2007 Joint Labor Governments’ submission remains relevant to any consideration of a determination that would maintain or moderately increase the real value of minimum wages.

The Joint Labor Governments submit that the best method to examine the effects of minimum wage increases on employment in Australia is from general employment data.

---


16 The Employee Advocate stated at that time that 100% of 6263 AWA’s filed in April 2006 removed at least one ‘protected’ award condition, 64% removed annual leave loading, 63% penalty rates; 52% shift loadings, 51% overtime loadings, 46% public holiday pay, 22% made no provision for a pay rise, 16% (despite cutting award conditions) provided only award rates, and 16% removed every single ‘protected’ award condition.

17 See 2007 Joint Labor Governments’ Submission for Victoria, South Australia, Western Australia, Tasmania, Australian Capital Territory and the Northern Territory to the Australian Fair Pay Commission.
After a decade of safety net adjustments, if there was a strong basis for the notion that minimum wages hurt employment these negative effects would be reflected the total employment figures. To date, no such effect has been demonstrated in the Australian debate.

Employment data indicates that minimum wage increases awarded in previous years have had no adverse effects; instead they were associated with strong macro-economic performance, including strong employment growth and lower unemployment.¹⁸

In the Monitoring Report released by the AFPC in February 2008, it was concluded that the Australian economy has continued to demonstrate sound employment and income growth and that the AFPC’s previous two wage setting decisions had had minimal impact on employment opportunities for the low paid. Data on the South Australian economy provided in the submission supports the analysis of the national economy contained in the Economic and Social Indicators – Monitoring Report and suggests that a responsible and moderate increase to the level of the FMW could be approved by the 2008 Minimum Wage Review without causing damage to the national economy or the interests of low paid employees.

The South Australian Government is also particularly concerned by the trend of the AFPC to emphasise its consideration of adjustments to the Safety Net national income tax cuts and social security payments. It is desirable that employees on the FMW should not have wage increases curtailed because of tax cuts or social security payments enhancements available to the broader community.

General changes to taxation and social security transfer arrangements which apply to all employees should not be a relevant consideration of the safety net

¹⁸ See 2007 Joint Labor Governments’ Submission for Victoria, South Australia, Western Australia, Tasmania, Australian Capital Territory and the Northern Territory to the Australian Fair Pay Commission.
provided by the FMW and Pay Scales (Award rates), although as a general principle it is recognised that there could be consideration of tax/transfer initiatives which are specifically targeted at improving living standards for the low paid at times when economic circumstances may mitigate against an increase in the FMW.

It should be noted that income transfers in the social security system and tax “subsidies” are both shaped by social and economic policy considerations, which, whilst valid in their own sphere, diverge from the key industrial concerns of wage equity and an equitable wage safety net. These policy considerations also change from time to time and therefore may not be capable of continued reflection into minimum wage levels.

Families that earn the same minimum wage are very likely to receive different levels of social security transfer payments depending on their individual circumstances and even sometimes on their capacity to successfully claim the social security entitlements that might be available. Therefore it is appropriate to have regard to these factors, but not as the dominant consideration.

3.10 The provision of minimum wages for junior employee, employees to whom training arrangements apply and employees with disabilities that ensure those employees are competitive in the labour market.

The South Australian Government acknowledges the context of Commonwealth Government policy including the award modernisation process, which led to the AFPC discontinuing its review of junior and training wages in the Australian labour market in December 2007. It is also acknowledged that at the current time there are is not a Federal Minimum Wage applicable to junior employees or employees with disabilities.

The following comments provide an overview of the position within the South Australian jurisdiction and should not be taken as direct recommendations relevant to the determination of the 2008 Minimum Wage Review. It is
understood that the AFPC has discontinued its considerations of these matters.

In 2005 the South Australian Government introduced (via amendments to South Australia’s *Fair Work Act 1994*) a comprehensive minimum wage safety net. It did so under the umbrella of the Minimum Standard for Remuneration (the Standard), that encompasses an adult minimum wage as well as junior rates (including apprentice rates), adult apprentice rates, trainee rates and supported wage rates for persons with disabilities.

The Minimum Standard for Remuneration applies to all employers and employees covered by the South Australian Industrial Relations system and prevails over contracts of employment and existing State Award wages and conditions to the extent that the terms of the Standard are more favourable to an employee.

There have been a small number of exemptions granted by the Industrial Relations Commission of South Australian to address participants in sporting activities and the transitional implementation of higher adult apprenticeship rates required by the Standard.

The Standard applies to employees within the State’s industrial jurisdiction that are not covered by any South Australian award.

The following minimum wages are set by the Standard:

- Three adult (21 years and over) wage rates (full-time, part-time, and casual) currently based on the same full-time adult wage as the FMW;

- five junior wage rates ranging from 50 to 90 percent of the adult rate (with specified full-time, part-time, and casual rates);

- four junior apprentice wage rates (for each year of a standard apprenticeship) ranging from 42 to 88 percent of the adult rate;
one adult apprentice rate set at the adult wage rate (currently the same amount as the as the South Australian minimum adult wage rate and the FMW); 

trainee wage rates specified in Appendix A of Schedule B of the Standard (reflecting similar scales to those applicable within the National Training Wage Award); and 

supported wage rates based on the appropriate minimum wage rate for persons with a disability set according to their assessed capacity against a normally able employee.

The South Australian Government is particularly concerned by the current absence of an effective Federal safety net that encompasses junior employees and those not otherwise protected by Pay Scales and will continue to pursue this in appropriate forums.

4. ISSUES ARISING FROM PREVIOUS DECISION

4.1 Deferral of 2007 increase for certain employers

In its last decision, the AFPC deferred the 2007 minimum wage increase in certain circumstances for primary producers in drought affected regions who were in receipt of the Exceptional Circumstances Interest Rates Subsidy (ECIRS).

The Industrial Relations Commission of South Australia addressed this issue in the 2007 State Wage Case in which some parties sought to ‘flow on’ the deferral decision of the AFPC. In its decision the SA Commission stated:

*Serious economic adversity may not be limited to farm businesses in exceptional circumstances areas, and the potential for different avenues of relief from the increases we award both between farm businesses and between farm businesses and non-farm businesses is unsatisfactory. The*
receipt of ECIRS by a farm business and the eligibility requirements in order to obtain ECIRS are matters clearly relevant to an application pursuant to the award clause [Incapacity to Pay] but may not in all cases be determinative of such an application.19

No applications were made for any deferral of wage adjustments in the State system.

There is also serious doubt that the deferral (or long-term minimum wage differential) actually assists in the retention of employment within regional communities affected by drought. This is particularly so in a state where employment opportunities in the mining industry continue to grow.

Serious drought conditions do continue to prevail in some areas of South Australia, however, it is submitted that any increase in the 2008 minimum wage should not be deferred for primary producers or other employers in the circumstances as outlined in the 2007 AFPC decision.

The AFPC emphasised in its reasons for that decision that ‘its decision only defers the increase granted in Wage-Setting Decision 3/2007 and that within 12 months all eligible businesses will be required to pay the 2007 increase in addition to any further increases subsequently awarded by the Commission’.20

If the 2008 decision results in a further deferral, the effect would be that one group of low paid workers’ disadvantage is being compounded over the years. It would also have the effect of leaving certain businesses with a significant increase to pay when the deferral is ultimately removed.

---

20 Australian Fair Pay Commission, page 81.
4.2 Compression of Relativities

The South Australian Government is concerned about the compression of relativities as a result of earlier AFPC decisions and submits that a meaningful adjustment should be provided to all levels of the Pay Scales.

5. Conclusion

The South Australian Government supports a meaningful increase in the Federal Minimum wage and related pay scales.

The South Australian Government will submit a supplementary submission to the AFPC after the federal budget in May 2008, which may recommend a specific quantum increase taking into consideration the economic and industrial circumstances at that time.