Women’s Electoral Lobby Australia Inc.
C/- 3/25 Waterloo Rd. Northcote Vic 3070
Contact: Suzanne Hammond
Ph: 0422122416
Email:suzieqhammond@yahoo.com
Web page: http://www.wel.org.au

Women’s Electoral Lobby Australia
and
National Pay Equity Coalition

Submission to Australian Fair Pay Commission

Australian Fair Pay Commission
2008

Email: submission@fairpay.gov.au

Contacts: Eva Cox  eva.cox@uts.edu.au  Suzanne Hammond 0422 122 416  suzieqhammond@yahoo.com
Submission to the Australian Fair Pay Commission
2008

The **Women’s Electoral Lobby** and the **National Pay Equity Coalition** again take this opportunity to make a Submission to the Australian Fair Pay Commission. As in the past we submit that a minimum wage that maintains a fair and just wage for low paid workers must enable the low paid to participate and share in the economic and social well-being of society.

**Recommendation**

In this Submission we will point out our concern that the Federal Minimum Wage has fallen behind wage increases achieved in the general community and that the real value of the minimum has declined as a proportion of median weekly earnings.

We are aware of current inflationary pressures and calls by economic analyst and Government policy makers for wage restraint. We submit that the most vulnerable of workers, minimum wage earners who are currently not sharing in the economic prosperity that the general community has enjoyed should not bear the brunt wage restraint policies. We therefore submit that a flat increase of **$28.00** is appropriate. We argue for a flat increase on the basis that this will target low-income earners and have less inflationary effect. The following submission outlines our argument for this position:

**The economic environment:**

We recognise that the data below is indicative of a tight labour market and means inflation is an issue for the Commission.

**Recent Wage Adjustments:**

- Wage Price Index increased by 4.2% and the forecast is 4.25%
- Average Weekly Earnings August 2006 to August 2007
- Full time Adult Ordinary Time Earnings 4.9%
- Full time Adult Earnings 4.8%
- All Employees earnings 4.5%
Trends in Enterprise Bargaining. All Current Agreements
September 2007 Quarter 4.0%

Reserve Bank of Australia Statement on Monetary Policy August 2007 states that `Average earnings from national accounts – (which include both wage and non-wage labour costs )– rose by a strong 2.2 per cent in the June quarter, to be 5.5 per cent higher over the year.

Inflation:

Reserve Bank of Australia Inflation Forecasts June 2008 3.25%
Underlying inflation 3.25

GDP growth forecast 2007-2008 4.25%

Unemployment rate 2006-7 4.5%

We note, however, that this data describes outcomes for the mean and not the experience of the low paid, and is skewed because of higher income earners. During this period the minimum wage has declined as a proportion of median earnings. For that reason we are arguing that a flat dollar increase targeted to the low paid would minimize any inflationary impact of an increase in the minimum wage. There is little potential for a wages break out as these workers have little industrial power.

We also note that the share of nominal domestic product going to profits in the last three months grew by 3.9% vis a vis wage and salary increases of 0.9% (ABS via SMH 4/3/08 p2 Jacob Saulwick)

Who are the Low Paid?

It has often been argued that low pay workers are young workers in training who will then move out of the low paid sector to more skilled higher paying employment. However studies of low pay indicate that this is not the case and that many low paid workers are adults with family responsibilities who remain low paid. As Ian Watson in `Low Paid Workers in Australia: Insights from HILDA’ found `while the popular perception that most FNW employees are students is clearly inaccurate – they make up just 30 per cent of that category’

Watson also found that the low paid sector is characterised by `heavy concentration of FNW employees in elementary clerical, sales and service
occupations (p6). These are industries where many women with family responsibilities work. These will increase if Welfare to Work programs and government pressure for more women into the paid workforce continue.

At a time when we have seen a decline in the minimum wage as a proportion of median earnings there has also been a growth of women workers characterised as low paid from 15.9% in 1989-90 to 27% in 2004 (Masterman, Pocock and May 2007). In 2004, 41% of all female employees earned less than $500.00 per week. As Watson found considerable number of low paid see themselves as struggling financially….some 38 per cent see themselves as either very poor, poor or just getting along….. episodes of financial hardship, such as not being able to pay bills were common. (p72).

**Impact on Low paid of FNW Adjustments**

We note that in its 2007 Decision, the Fair Pay Commission acknowledged that ‘workers in low paid employment are more likely to be Pay Scale reliant and less able to bargain given generally lower skill levels’. We therefore find it alarming that there has been a substantial decline in the minimum wage over the last decade. This is particularly worrying when almost 80% of the million jobs created are paid less than $600.00. Minimum wage recipients are now earn about 54% of overall median weekly earnings, this has declined from 62% ten years ago (Schneiders February 2008).

The Commission’s own research indicates that increases in the Federal Minimum Wage have failed to keep pace with other workers in the general Australian workforce. ‘Economic and Social Indicators – Monitoring Report’ states that ‘the minimum wage has declined relative to average earnings and disposable incomes for some household types have declined relative to the relevant Henderson Poverty Lines’. This is a disturbing outcome. It indicates that low paid workers are not sharing in the benefits of Australian economic prosperity and that the effectiveness of a safety net has been eroded. We fear that many workers, particularly women, in Australia are becoming the ‘working poor’.

This outcome also has implications for future economic prosperity and for labour force participation. Low wages are also a disincentive to labour force participation. Lower earnings are associated with greater periods of absence from the labour market and greater periods spent unemployed. Watson found that lower wage women workers spend longer out of the
labour force as the financial returns for working are not very attractive (p46). We again refer to the findings of Fair Pay Commission’s research that indicates that employment in low skilled occupations has not grown as quickly in recent times as for other occupations. (p17)

The long-term financial position of women must be considered when adjusting the FNW. This applies to women’s superannuation and ability to avoid poverty in their retirement. The Commission’s research indicates that many women workers work in low paid industries and these industries received the lowest increases and if as pointed out above women spend longer out of the labour force this has serious implications for the accumulation of superannuation.

These points made above strike at the very heart of the Commission’s objective to consider employment when making adjustments to the FMW. While some have argued that lowering the minimum creates employment, these links are unfounded and lack supporting research. The OECD’s recent report ‘Employment Patterns in OECD Countries: Reassessing the role of Policies and Institutions 2006’ states that ‘no significant direct impact of the minimum wage on the unemployment rate is found’ …. Minimum wages do not harm employment’ (2006:29). In its 2007 Decision the Commission itself found that the ACCI had ‘Fail (ed) to establish link between employment effects of minimum wages’.

The Chairman of the Commission, Prof. Harper has indicated that in his view some low-income households are relatively better off because of policy changes. While some adjustments in taxation and the effective marginal tax rates on benefits withdrawals have reduced the difference in income outcomes this is not the appropriate long-term answer. Where workers are not on benefits, or on benefits with more savage withdrawal rates, such as Newstart, the benefits may be non existent or negligible.

We note that example of sole parents included in the Commission’s own recent report quotes the results for sole parents on the higher parenting (with children under eight) and not those transferred to, or only eligible for Newstart. As the grandfathered group of sole parents decline, more and more sole parents will be dependent on low wage payments with more limited assistance from other payments.

We would submit that any relative changes are both at the margin and variable in impact, depending significantly on both family circumstances and hours worked. For this reason the fair Federal Minimum wage rate should not be entangled with tax rates and ought to be based on principles
of a fair wage for work performed. It is imperative that workers receive both the economic benefit and psychology return of proper reward for their labour. Work is not only an economic exchange it is also a function that determines much of our social identity, position in society and informs our being. Workers must feel that they are appropriately rewarded for the work that they do. The Commission must reward work fairly and not diminish work value and reward based on assumptions that poor pay can be supplemented by the tax and welfare system.

**Workers on AWAs.**

In our previous Submissions to the Australian Fair Pay Commission we made our concerns known about the detrimental impact that Australian Workplace Agreements had on women workers. Concern by the Australian community about the exploitative nature of these Agreements was influential in voters rejecting the industrial relations policies of the previous Federal Government.

We note that all research into AWAs indicate that women on AWAs receive lower wages than those on collective agreements. ABS statistics indicate that permanent part-time and casual workers, many of whom are women earn 17% less on AWAs than on collective agreements. We also note that many current AWAs remove penalty, overtime and casual loadings. This has resulted in many workers, particularly women facing real reductions in their wage.

While the new Federal Government has prepared legislation that will remove this form of industrial instrument many AWAs will remain alive for five years. Many of these Agreements are subject to increases awarded by the Australian Fair Pay Commission. The Commission has a duty to ensure that workers on AWAs are paid fairly and not exploited.

The current housing affordability crises is a further consideration for granting an increase which lifts and restores a minimum to one which is relative to community standards. Housing Affordability is at its lowest level in 25 years with mortgage repayments taking up to 30.% of an average first homebuyers incomes. In May 2007 average mortgage repayments increased by $35.00 per month (HIA May 2007). Since then there have been four interest rate rises placing even more financial stress on low-income earners.
Australia’s obligations under international law.

We remind the Commission that the Australian Government is signatory to numerous United Nations and International Labour Organisation Convention that ensure that workers ought to be paid adequately and to remove discrimination in employment. The Fair Pay Commission is directed by s222 of the Workplace Relations ACT 1996 to apply anti-discrimination considerations including principles of equal remuneration. As the Commission’s own research indicates that industries where women work and who are reliant of FMW adjustments have fallen behind wage increases of other workers. We would submit that allowing for these workers to fall behind more gender balanced areas of employment is de facto discrimination. Australia must make all endeavors to satisfy these Conventions. Further, removing gender wage discrimination will result in a more efficient functioning labour market.

References:


RBA Statement on Monetary Policy August 2007 p67

Watson, Ian 2007 ‘Low Paid Workers in Australia: Insights from HILDA’ A Report for Industrial Relations Victoria

Schneiders, B 26/2/08 ‘The Age’ Pay gap Grows as low skilled staff lose out’