LHMU NT BRANCH

FAIR PAY SUBMISSION
2009
Submission to the Australian Fair Pay Commission 2009  
LHIMU NT Branch

Introduction

The Northern Territory is the subject of the Northern Territory (Self Government) Act 1978 (Cth). Section 53 (5) of the Act expressly prohibits the creation of a tribunal that can provide for minimum wages as exists in other jurisdictions within Australia. Accordingly workers of the Northern Territory are subject of the Federal Industrial Relations systems and their governing agencies who determine minimum wage increases.

It is the respectful submission of the LHIMU to claim for a $21 per week increase in wages to award rates which is 3.86% of the Federal minimum wage. In our submission, the circumstances of the Northern Territory clearly demonstrates the need and the capacity for such an increase.

Economic prosperity

In the context of the necessity of an increase in wages, the balance is the capacity of the Northern Territory economy to sustain such an increase.

The Australian Fair Pay Commission’s key considerations are:

- To ensure that wage increases would not cause unemployment
- Prevent the unemployed from obtaining employment.
- Provide a safety net for low paid workers
- Provide a safety net for junior employees, employees with disabilities and training arrangements to ensure those employees are competitive and not disadvantaged in the labour market.

Table 1 outlines the recent increases to the minimum wage that have been awarded by the Australian Fair Pay Commission.

<table>
<thead>
<tr>
<th>Year</th>
<th>Increase $ per week</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>27.36</td>
</tr>
<tr>
<td>2007</td>
<td>10.26</td>
</tr>
<tr>
<td>2008</td>
<td>21.66</td>
</tr>
</tbody>
</table>

These increases to the minimum wage have been of a reasonable quantum and have demonstrated no adverse effect on employment in the Northern Territory. The unemployment rate remained unchanged in the Northern Territory in February 2009 compared to the increase of the unemployment rate nationally. Unemployment is currently 4.2% in the Northern Territory and 4.1% in Australia (ABS 6202.0 February 2009). The Northern Territory has the third lowest unemployment rate of the jurisdictions behind the Australian Capital Territory and Western Australia.
It is also interesting to consider a range of other economic indicators in the Northern Territory compared to Australia. Table 2 below sets out a range of indicators that demonstrate the Northern Territory economy is robust enough to cope with the wage increases being sought by this submission.

<table>
<thead>
<tr>
<th>Economic indicator</th>
<th>NT</th>
<th>Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP % change</td>
<td>3.9</td>
<td>3.7</td>
</tr>
<tr>
<td>State Final Demand % change</td>
<td>8.3</td>
<td>4.9</td>
</tr>
<tr>
<td>Population % change</td>
<td>2.3</td>
<td>1.7</td>
</tr>
<tr>
<td>Employment % change</td>
<td>3.5</td>
<td>1.0</td>
</tr>
<tr>
<td>Participation rate %</td>
<td>73.1</td>
<td>65.0</td>
</tr>
<tr>
<td>ANZ Job Ads % change</td>
<td>-2.9</td>
<td>-3.8</td>
</tr>
<tr>
<td>Housing Finance % change</td>
<td>-19.3</td>
<td>-17.1</td>
</tr>
<tr>
<td>Motor Vehicle sales % change</td>
<td>5.4</td>
<td>-5.5</td>
</tr>
</tbody>
</table>

As the figures show, the Northern Territory economy can clearly handle an increase to the minimum wage being sought for 2009. So if the Northern Territory can adequately sustain the wage increase, what of the other side of the equation? Can lowpaid workers who solely rely on Award wages afford for the Australian Fair Pay Commission not to increase their wages? In order to consider this question, it is necessary to evaluate the following criteria:
The award reliance for the unemployed and low paid to obtain and remain in employment

As one of the largest union bodies in the Northern Territory, 70% of our members and potential membership are reliant upon the Award for their rates of pay and conditions.

The following Awards come under the LHMU NT Branch coverage. Many of these employees do not receive above award wages and their only increase of wage is determined solely on the decision of the Australian Fair Pay Commission.

- Gove (Northern Territory) Industrial Catering Award 2003
- Pest Control Industry (NT) Award 2002
- Disability Services (NT) Award 2002
- Security Industry (NT) Award 2002
- Hairdressing and Beauty Industry (NT) Award 2002
- Cleaning Contractors (Hygiene and Pollution Control) Industry (NT) Award 2003
- Baking and Pastry Cooking Industry (NT) Award 2002
- Nhulunbuy Corporation Services and Maintenance (NT) Employees Award 2002
- Laundries, Dry Cleaning and Launderettes (NT) Award 2002
- Children Services (NT) Award 2005
- Private Hospitals, Convalescent and Benevolent Homes (NT) Award 2003
- Hotels, Motels, Wine Saloons, Catering, Accommodation, Clubs and Casino Employees (NT) Award 2002
- Gardening, Nurseries and Greenkeeping (NT) Award 1998
- Miscellaneous Workers (NT) Award 2001
- Aboriginal community Controlled Health Services (NT) Award 2002
- Australian Liquor, Hospitality and Miscellaneous Workers Union (Defence Contracting) Award 2002

The provision of a safety net for the low paid

Some employers are responding to the demand for skilled labour by offering above award wages, in order to attract and retain apprentices and maintain relativities with tradespersons wages. 30% of these employees had more than 20 employees and 11% employed more than 100 employees. Nonetheless this data reveals that a majority of employers pay the minimum rate of wage to apprentices and trainees.

Minimum award wages couple with the relatively high cost of living in the Northern Territory, especially within the remote regions, have been identified by the LHMU NT Branch as one of the key elements that contribute to supply deficiency in the Northern Territory. These two elements in particular negatively impact on Indigenous Territorians. This restricts the Northern Territory’s productivity and delays our economic and social prosperity.

The Northern Territory Government readily acknowledges the ABS estimates; that operating expenses in the Northern Territory are clearly higher than in any other jurisdiction in Australia. For Indigenous Territorians this is an additional burden on improving our regional capacity for economic growth.
Without appropriate rewards and incentives, young people are less than willing to enter into Apprenticeships in the traditional trades in the Northern Territory. This directly affects the supply of skilled labour and our future capability to maintain our infrastructure.

The numbers of and relative size of small business in the Northern Territory play a crucial role in contributing to the numbers of low paid workers in the Territory.

Low paid workers are dominantly concentrated in the service sectors and particularly affect indigenous Territorians, women, non English speaking workers, CDEP participants, people with limited educational backgrounds and occupational skills.

A key factor influencing new apprenticeships is the statutory low minimum wages for apprentices. From the available research data it appears that setting a relatively high minimum wage level will provide an incentive to apprentices who are on a sliding scale of an award. This would also contribute to a reduction in the levels of poverty clearly evident in Indigenous communities in the Northern Territory.

The low pay of an individual, working in a remote community in the Northern Territory cannot be balanced out by a partner earning a higher wage as the cost of living negate any benefits. Increasing the minimum wage will raise the income levels of the low paid and narrow the gender wage gap.

**Cost of Living in the Territory**

Another key consideration of the Commission is “providing a safety net for the low paid”. In our submission, this requires the Commission take into consideration the cost of living in the Northern Territory. The substantial level of cost in the Territory makes the cost of living particularly relevant to lower income earners in the Northern Territory.

Darwin’s coastal location and its proximity to the equator contribute to unique weather patterns and there is officially only two seasons the “Wet” and the “Dry”. Darwin’s weather patterns create a very seasonal environment, as the Dry season is very reliant on tourism especially the hospitality industry as majority of the Territory is accessible in the Dry season compared to the Wet season.

During the Wet season Darwin is regularly cut off from the rest of the Nation due to flooding of roads, throughout this season it is quite difficult to transport goods from southern states therefore the rise in groceries can be quite dramatic between October and April due to the shortage of fresh goods, the annual increase for 2008 was 0.8% according to CPI.

Housing is presently experiencing a boom in prices (up 4.9% in 2008). Prices are dependent on location, age, facilities the median price of a house in Darwin is currently $412,000 and $310,000 for a unit. The rental market is also experiencing a boom with the median rental price for a two bedroom unit in Darwin increasing to $360 per week (50% increase since December quarter 2007) (ABS Working at the NT Regional office 22 September 2008). The largest contributor to the annual CPI increase was housing, reflecting higher rents and house purchase prices which increased by 1.6% during 2008.
The price of petrol was listed as $1.398 per litre for ULP at the time of the last survey. The Australian Competition & Consumer Commission (ACCC) found that the Northern Territory had higher petrol prices because a combination of higher freight costs, lower levels of competition, the absence of independent retail chains and higher retail margins.

On 19 March 2009 the average price of petrol in the Northern Territory was: Diesel $1.359, ULP $1.341 and LPG $0.913, in comparison to the National Average for Diesel $1.215, ULP $1.234 and LPG $0.644 (www.exploroz.com 20 March 2009)

As the graph above indicates the rise in petrol throughout the Northern Territory commonly occurs during the Dry season months May to September, the Dry season is commonly known as the Tourist season. The graph demonstrating the seasonal period the Territory experiences during these months.

It is unfortunate that the ABS does not keep statistics for regional centres in the Northern Territory. Anecdotally, it is accepted that the cost of almost everything is even higher in regional areas than it is in Darwin. Insufficient competition and transportation costs that make goods and services expensive in Darwin are considerably more acute in regional areas. This would make the analysis of cost of living even starker by comparison to interstate.

There can be no doubt that the cost of living in the Northern Territory is far greater than any other jurisdiction. Those in receipt of the minimum wage are the least able to cope with the strain of the cost of living in the Northern Territory and in our submission the issue of equity should not be ignored by the Commission.
Equity

As stated with the respect of the cost of living in the Territory, providing a safety net for the low paid is one of the key considerations. It follows that the safety net needs to be set for all workers. Accordingly, it is respectfully submitted that equity considerations are essential to establishing a proper safety net for all Territorians.

30% of all Territorians identify as indigenous, there are no statistics that exist for the number of indigenousTerritorians on minimum award rates, and however, it would be reasonable to assume that years of systemic disadvantage would mean that indigenous workers are less likely to receive over-award payments.

Indigenous Territorians are also more likely to live in remote locations than non-indigenous people. In the communities, non-indigenous employees are likely to be covered by a collective certified agreement or common law contracts that would provide for a wage well in excess of a minimum award rate.

There is a scheme for unemployed indigenous Territorians by the way of the Community Development Employment Projects (CDEP) which was introduced in remote Indigenous communities throughout the Northern Territory as an income support scheme.

The Community Development Employment Projects (CDEP) programme is an Australian Government funded initiative for unemployed Indigenous people providing activities which develop participants’ skills and improve their employability in order to assist move into employment.

The overall aim is to support Indigenous Australians to achieve economic independence by creating job and business opportunities. The initiative was to create flexible employment with the capacity to enhance income through additional market engagement to generate livelihood benefits for Indigenous people by educating and training participants for real jobs within their local community.

There is an estimated 8000 Aboriginal people on CDEP in the NT, but only an estimated 2000 “real jobs” available, leaving 6000 uncatered for under the scheme.

Under CDEP it seems that participants have no award rights or entitlements, and are currently working in excess of the CDEP hours and receive a “Top Up” for the additional hours by the organisation they are employed to work for under the scheme, however there is no set hourly rate for the top up payments which often falls below the minimum award wage rate.

The CDEP system has enabled employers to avoid paying permanent staff minimum wage, deny workers of their basic entitlements and rights. CDEP participants do not accrue Annual leave or Sick Leave entitlements nor are employers required to make Superannuation contributions on their behalf.

Local governments have supported the continuation of CDEP because it provides a pool of free labour and equipment. But if Indigenous people are doing real work, they should be paid real wages, which bring with them the expectation to deliver real results. (The Centre for Independent Studies)
Local governments in communities currently have CDEP workers fulfilling the duties and roles of permanent positions they receive Federal Government grants to employ permanent staff in these positions above minimum award wages, however the CDEP worker is not entitled to be paid at these rates.

If the value of the minimum wage relative to inflation is not maintained in all Industries and cultures, this effect will only worsen.

Conclusion

It is the respectful submission of the LHMU claim for $21 per week is justified. The LHMU NT Branch acknowledges there is a current economic down turn but it is vital that the lowest paid and vulnerable workers should not have their living standards eroded. The circumstances of the Northern Territory are such that the only logical conclusion is to grant a reasonable increase and not let workers reliant on minimum award rates fall behind and bear the brunt of an economic downturn.

The economic circumstance of the Northern Territory is such that all relevant economic indicators would suggest that a meaningful increase to the minimum wage is justified and in fact desirable. Anecdotally, it is also well understood that the Territory economy is booming.

The prevailing economic circumstances are oddly matched by a cost of living that clearly demonstrates the necessity for wages to keep pace with the substantial expenses facing all Territorians. Those expenses are least likely to be met by those on minimum award rates of pay.

Those that have been disadvantaged in the labour market are most likely to have to rely on minimum award rates. We reiterate the high proportion of indigenous employees provides justification for maintaining minimum wages at a decent level.

Finally the use of minimum rates awards to be relied upon for the setting of apprentice rates of pay also justifies the granting of wage increases. There are a high proportion of apprentices not receiving any form of over-award payment in the Territory. The greatest economic challenge facing the economy of the Territory is a skills shortage and any risk of further discouraging new apprentices entering the field should be avoided.
References


Australian Chamber of Commerce and Industry(2204) Survey of Apprentice Wages.


Hort L and N Timo (2003), A survey of agreement making in the Australian hotel industry’ in Burgess J and McDonald, Developments in Enterprise Bargaining in Australia, Tertiary Press Croydon.
