Submission to the

Australian Fair Pay Commission

on behalf of the

New South Wales Government

20 March 2009
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New South Wales Government Position

1. The Australian Fair Pay Commission (the Commission) will be making its deliberations this year in a time of significant economic stress. The global economic crisis is having an impact upon all sectors of the labour force but the detrimental effects of a contracting national economy are likely to be most pronounced for low paid workers. In the coming year it is expected that unemployment will rise, with a higher incidence of redundancies and increased trends towards greater part-time employment and less full-time employment.

2. The Commission’s previous wage decisions have been handed down in an environment of stable economic conditions characterised by consistent inflationary movements and positive growth. Given the overall economic outlook, this will not be the case when it makes its determination later this year.

3. Minimum wage workers are disproportionately affected by significant financial stress. It is expected the economic pressures that low paid workers routinely face are likely to be exacerbated by the current economic situation.

4. In previous wage reviews, the NSW Government has argued that Australia’s low paid workers should share the benefits from Australia’s improved competitiveness and economic growth. Similarly, in the current environment it is fair and reasonable to ensure that the low paid sector of the labour force do not bear a disproportionate share of the burden while the national economy is contracting.

5. Despite the current economic environment it is the view of the NSW Government that the Commission should make a decision that is consistent with its statutory mandate to provide a safety net for low paid workers. In this submission an appropriate safety net is one that balances
employment security with the desirability of maintaining the real incomes of award reliant workers.

6. The NSW Government believes it is important that the Commission complies with its present timetable and conclude its wage setting decision in July and ensure that it takes effect from the first pay period on or after 1 October 2009.

7. Specifically, the NSW Government considers that the Commission should neither defer its wage review to a later date nor decline to have a review pending the Minimum Wage Panel of Fair Work Australia (which is to be established under the terms of the Fair Work Bill 2008) undertaking its initial annual wage review in the middle of 2010. To do either would be inconsistent with the Commission’s obligation to provide a safety net for low paid workers and their families for the following reasons:

   - by October 2009 twelve months will have elapsed since the last increase to Australian Pay and Classification Scales (Pay Scales);
   - the wage setting process undertaken by the Commission is the only means whereby award reliant employees with limited or no bargaining power may receive wage adjustments to assist them to meet increases in the cost of living, and
   - it would be unfair to delay or deny a wage increase to these workers when other employees have already received wage increases over the preceding twelve months in the bargaining stream of wage adjustments.

8. The latest Economic and Social Indicators Monitoring Report from the Commission shows that the Federal Minimum Wage (FMW) has barely retained its value over the past two years however tax and welfare payments have provided the lowest paid the chance to achieve real increases in income.

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1 Those workers where a particular award is the sole mechanism used to set pay and conditions at the workplace. Such workers are paid at the rate of pay specified in the award and are not paid more than that rate of pay.
9. While increases to the FMW are clearly an important means of easing financial pressures upon low paid workers, this is not its sole function. In the Australian context, safety-net adjustments apply to a range of minimum rates at various skill levels throughout Pay Scales and the FMW plays a significant role in ensuring the utility of these wage and classification structures.

10. The NSW Government believes that the Commission should hand down a decision that goes towards maintaining the real value of all wage classifications contained within the Pay Scales taking into account the scope for employers to meet higher wage costs in the current economic climate and the need to minimise unemployment.

11. To further assist the Commission in its deliberations the Minister for Industrial Relations will provide it with its submission to the 2009 NSW State Wage Case after it has been filed with the Industrial Relations Commission of NSW during the second quarter of 2009.
Structure of the New South Wales Government submission

12. The balance of this submission provides relevant data in support of the NSW Government’s position including the following matters:

- The legislative framework
- Who are the low paid?
- Needs of the low paid
- Employees who will benefit from an increase
- Employers impacted by the claim
- Economic cost and labour price index
- The NSW economy
- Impact on employment
- Consideration of equal work for equal pay when determining minimum wages
- Commission’s consultation meeting with representatives of the NSW Government.
The legislative framework

13. The Commission must make a decision that is consistent with its wage setting parameters and provide a safety net for low paid workers.

14. The NSW Government acknowledges that the former Federal Coalition Government imposed a legislative requirement on the Commission to have regard to the following in performing its wage-setting function:

- the capacity for the unemployed and low paid to obtain and remain in employment;
- employment and competitiveness across the economy;
- providing a safety net for the low paid, and
- 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.
**Who are the low paid?**

15. Low paid employment is concentrated in the hospitality, retail and service based industries as shown below in Table 1. These same industries also have the highest proportions of award reliant employees as seen in Table 2.

<table>
<thead>
<tr>
<th>Industry (Top 6)</th>
<th>Full-time employees (%)</th>
<th>All employees (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>21</td>
<td>33</td>
</tr>
<tr>
<td>Hospitality</td>
<td>19</td>
<td>57</td>
</tr>
<tr>
<td>Retail</td>
<td>18</td>
<td>56</td>
</tr>
<tr>
<td>Construction</td>
<td>13</td>
<td>20</td>
</tr>
<tr>
<td>Cultural and Recreational</td>
<td>12</td>
<td>45</td>
</tr>
<tr>
<td>Services</td>
<td>12</td>
<td>35</td>
</tr>
<tr>
<td>Health and Community Services</td>
<td>10</td>
<td>30</td>
</tr>
<tr>
<td><strong>All industries</strong></td>
<td><strong>10</strong></td>
<td><strong>30</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Industry</th>
<th>Totally award reliant employees (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation, Cafes and Restaurants</td>
<td>70.3</td>
</tr>
<tr>
<td>Health and Community Services</td>
<td>36.7</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>31.6</td>
</tr>
<tr>
<td>Personal and Other Services</td>
<td>24.3</td>
</tr>
<tr>
<td>Property and Business Services</td>
<td>23.5</td>
</tr>
<tr>
<td><strong>All Industries</strong></td>
<td><strong>22.9</strong></td>
</tr>
</tbody>
</table>

16. Low pay is generally found in jobs of low social status and/or performed by workers with low labour market standing and bargaining power. The types of workers who are more likely to rely on minimum wages include women, indigenous, migrant, young, non-unionised workers, and workers with a disability.

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3 ABS, *Employee Earnings and Hours*, May 2006, Cat No. 6306.0, Method of Setting Pay, Industry, NSW

**Needs of the low paid**

17. Based on the Australian Bureau of Statistics (ABS) *Household Expenditure Survey 2006*, the average gross household income per week for those in the lowest and second lowest income quintiles is $752 and $1,091 respectively, compared to $1,212 for all households.\(^5\)

18. The average weekly expenditure of households in the lowest income quintile is $438.94 and $609.39 for households in the second lowest income quintile. By contrast, expenditure across all households is $947.51, as seen in Table 3.\(^6\)

19. For households in the two lowest income quintiles, meeting the costs of food and non-alcoholic beverages, housing, and transport represents half of these households’ total expenditure on all goods and services.

<table>
<thead>
<tr>
<th>Table 3: Gross household income quintile, household expenditure per week, NSW 2003-2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average weekly expenditure</strong></td>
</tr>
<tr>
<td><strong>Current housing costs</strong></td>
</tr>
<tr>
<td><strong>Food and non-alcoholic beverages</strong></td>
</tr>
<tr>
<td><strong>Transport</strong></td>
</tr>
<tr>
<td><strong>Total expenditure on goods and services</strong></td>
</tr>
</tbody>
</table>

20. The costs of other essentials such as domestic fuel and power, and household services and operation represent a significantly higher proportion of expenditure for households in the two lowest income quintiles than for all other households. When compared against income

\(^6\) Ibid.
based on the minimum wage, currently $543.78, after expenditure on these necessities there is little left over for those in the lowest income quintiles.

21. Of those in the lowest and second lowest household net worth quintiles, 94.2 per cent and 49.4 per cent respectively rent, compared to 29.4 per cent of all households.\footnote{ABS 2006, \textit{Household Expenditure Survey}, cat.6530.0, Table 8.}

22. In NSW the average household net worth of the lowest quintile is $24,681, compared to $138,990 for the second lowest quintile, and $564,879 for all households.\footnote{Ibid}

23. Further, as shown in Table 4, according to the ABS \textit{General Social Survey 2006} a comparison of the income characteristics of households experiencing financial stress shows that it was more difficult for those in the lowest income quintile be able to raise money quickly for something important, more likely to have experienced cash flow problems in the last 12 months and more likely than people in the top income quintile to have spent more than their income in the past 12 months.

\begin{table}[h]
\centering
\begin{tabular}{|c|c|c|c|c|}
\hline
 & Lowest & Second & Third & Fourth & Highest \\
\hline
\% Unable to raise $2,000 in a week for something important & 30 & 20 & 10 & 0 & 0 \\
\% Had at least one cash flow problem in last 12 months & 20 & 10 & 0 & 0 & 0 \\
\% Took at least one dissaving action in last 12 months & 0 & 0 & 0 & 0 & 0 \\
\hline
\end{tabular}
\caption{Selected Financial Stress Indicators, by equivalised household gross weekly income}
\end{table}

Source: ABS \textit{General Social Survey 2006}, Cat. No. 4159.0.
24. At a time when the national economy is contracting it is important that the safety net for the low paid is maintained having regard to the general standard of living in the wider community.

25. A modest and responsible increase to minimum rates of pay which is intended to maintain the real value of wages will help these workers ameliorate the pressures low income workers face when meeting essential and emergency costs.
Employers impacted by the Commission’s decision

26. Internal research by the Office of Industrial Relations, from unpublished data sourced from the Australian Business Register in 2009, indicates that there are approximately 443,000 employing entities based in NSW. Of these, approximately 331,300, or almost 75 per cent, are incorporated and therefore fall within the federal industrial relations system.\(^9\) Table 5 shows the industry breakdown of incorporated employers in NSW.

<table>
<thead>
<tr>
<th>Table 5: Incorporated employing businesses, New South Wales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
</tr>
<tr>
<td>Retail Trade</td>
</tr>
<tr>
<td>Agriculture Forestry and Fishing</td>
</tr>
<tr>
<td>Property Operators and Real Estate Services</td>
</tr>
<tr>
<td>Administrative and Support Services</td>
</tr>
<tr>
<td>Construction</td>
</tr>
<tr>
<td>Transport and Storage</td>
</tr>
<tr>
<td>Accommodation, Cafes and Restaurants</td>
</tr>
<tr>
<td>Personal and Other Services</td>
</tr>
<tr>
<td>All other industry sectors</td>
</tr>
</tbody>
</table>


27. Impacts on employers of the Commission’s decision will vary, but is likely to be diluted by the high proportion of part time and casual workers,

\(^9\) Australian Taxation Office, 2009, Unpublished Data: Australian Business Register. Note: Further analysis of ABR data has revealed a number of employing entities counted and recorded in previous submissions to the Commission are no longer trading.
estimated to be as high as 56 per cent of those workers who rely on minimum wages in the Federal industrial relations system.\(^{10}\)

\(^{10}\) Ibid
**Employees who will benefit from an increase**

28. The basis for deriving the cost of 2009 Minimum Wage Review is to identify those employees in NSW who will be directly affected by its decision. To identify these employees, the most appropriate data source is the ABS survey of *Employee Earnings and Hours, 2006*.\(^{11}\) This data continues to be relevant in the absence of more recent data and is presented to assist the Commission in its deliberations.

29. According to ABS data approximately 2.2 million or 65.4 per cent of employees in NSW are employed in incorporated businesses. Of these employees, approximately 510,000 or 15 per cent of all NSW employees are award reliant. Such employees will be directly affected by the Commission’s minimum wage review.

30. It should also be noted that while this ABS data does not differentiate between permanent and casual employment, other ABS data estimates that approximately 27 per cent of all employees are casual, having no access to leave entitlements.\(^{12}\)

31. Figure 1 illustrates the 15 per cent of the total NSW labour force that will derive a direct benefit from the Commission’s 2009 wage review.

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\(^{11}\) ABS, *Employee Earnings and Hours*, May 2006, Cat.6306.0 NSW unpublished data

\(^{12}\) ABS, *Employee Earnings, Benefits And Trade Union Membership*, August 2006, Cat. No. 6310.0
Impact by gender

32. Table 6 demonstrates the breakdown of employees in incorporated businesses that are award reliant by gender and employment status.¹³

![Figure 1: Employees of incorporated businesses who are solely reliant on NSW State Awards as a proportion of the total NSW labour force](image)

| Table 6: Employees of incorporated businesses who are solely reliant on awards (NSW) |
|----------------------------------|----------------------------------|
| **Full-time**                    |                                  |
| Males                            | 129,386                          |
| Females                          | 95,337                           |
| **Part-time**                    |                                  |
| Males                            | 88,527                           |
| Females                          | 197,484                          |


33. Female employees comprise a high proportion of the total number of award reliant employees employed by incorporated entities in NSW, representing close to 60 per cent. Of particular significance, part-time female employees represent almost 40 per cent of the total number of award reliant employees who will benefit from an increase to minimum wage rates in Pay Scales.\textsuperscript{14}

34. Male employees are 42 per cent of the total number, while part-time male employees represent 17 per cent of the total number of award reliant employees.\textsuperscript{15}

35. Figure 2 shows the breakdown by gender and employment type of those NSW workers who are award reliant and will derive a benefit from the Commission’s 2009 wage review.


\textsuperscript{15} Ibid
**Earnings of award reliant employees**

36. Average weekly ordinary time earnings for full-time adult employees in NSW are currently $1,178.80\(^{16}\), compared to $757.80\(^{17}\) for full-time employees who are award reliant.

37. As previously noted, around 56 per cent of NSW workers who rely on Pay Scales in the federal industrial relations system are engaged on either a part-time or casual basis\(^ {18}\) and rely on regularity of hours to maintain stable incomes and a decent standard of living. In the coming year it is anticipated that the proportion of this category of workers will increase as firms rationalise their personnel and reduce working hours to remain competitive.

\(^{16}\) ABS *Average Weekly Earnings*, November 2008, Cat. No.6302.0.

\(^{17}\) ABS, *Employee Earnings and Hours*, May 2006, Cat. No. 6306.0, unpublished data.

\(^{18}\) Ibid
Economic cost and labour price index

38. It is estimated the Commission’s previous wage determination cost NSW employers approximately $574.4 million per annum. The private sector wages bill in NSW in 2008-2009 was in the region of $150 billion. Given the magnitude of the private sector wages bill, it is therefore estimated the last wage determination further increased the total private sector wages bill by no more than 0.38 per cent.

39. The above calculation is based upon all affected employees being engaged on a full-time basis. However it must be noted that this figure may be overstated given that approximately 56 per cent of workers who benefited from the decision are not full-time employees. It is not possible to accurately quantify the exact number of hours worked by these employees in order to generate a better estimate of the cost.

40. A majority of employees who would be affected by the Commission’s wage review work in industries where average wage growth is lagging behind overall wage growth in the total labour force.

41. In 2008, the ABS Labour Price Index for all private sector employees in NSW rose by 4.1 per cent over the year to December 2008, the lowest amongst all the States and Territories after the Australian Capital Territory (compared to the national average of 4.3 per cent).\(^{19}\)

42. More specific national data in relation to particular industries shows some divergence in increases to the labour price index for the year to December 2008. In particular, the industries that stand out include the award reliant accommodation, cafes and restaurants and retail sectors with increases of 2.7 per cent and 3.7 per cent respectively. In contrast, other areas such as mining and electricity, gas and water supply, show shifts in the labour price index of 6.2 per cent and 5.2 per cent respectively.\(^{20}\)

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\(^{19}\) ABS, Labour Price Index, December 2008 Cat. No.6345.0.

\(^{20}\) Ibid
43. When wage growth is measured over a longer timeframe it is clear that over the ten years to the September quarter 2008 average wages in the accommodation, cafes and restaurants and the retail sector have grown more slowly than the average across all industries.\(^{21}\)

44. The Commission’s 2008 wage setting decision became effective on 1 October 2008, and as noted by the ABS, it thus impacted upon the December 2008 wage price index. However, relevant ABS figures indicate that the decision had a negligible impact on overall wage increases which had a quarterly increase of 1.2 per cent for the December quarter, being generally in line with other quarterly increases.\(^{22}\)

\(^{21}\) Average annual growth in the ten years to the September quarter 2008: accommodation, cafes and restaurants 2.8%; retail trade 3.1%; all industries and occupations 3.7% quoted from AFPC Economic and Social Indicators – Monitoring Report, July to December 2008.

The New South Wales Economy: Recent Developments

45. The NSW Government submits that a good understanding of the current economic environment is necessary for determining appropriate minimum wage increases. Accordingly the following data provides a detailed examination of the current economic conditions that are influential in the NSW labour market.

46. NSW economic output increased in 2007-08 with growth in Gross State Product (GSP) of 2.8 per cent from 1.9 per cent (revised) in 2006-07.

47. Growth in the NSW economy is expected to slow significantly in 2008-09 reflecting the impact of the global economic crisis. Household consumption and business investment growth will be subdued, though the large interest rate cuts by the Reserve Bank of Australia (RBA), the Federal fiscal stimulus packages, and the State’s large infrastructure program should provide offsetting support.

48. State Final Demand contracted by 0.3 per cent in the December quarter 2008 after rising 0.5 per cent in the September quarter. Growth in the December quarter was 0.4 percentage points below the national average reflecting the higher exposure that NSW has to the fall-out in financial markets. In the quarter, a modest rise in household consumption was offset by a contraction in spending on machinery and equipment, dwelling investment and non-residential construction. Through the year to the December quarter 2008, NSW State Final Demand grew by 1.2 per cent.

49. The NSW consumer has thus far been relatively resilient, despite the contraction in the global economy and rising unemployment. Household spending grew modestly in both the September and December quarters, with retail sales influenced by interest rate cuts and the Commonwealth Government’s stimulus package.

50. Housing construction was hampered in the first half of 2008 by higher interest rates and has since been affected by this legacy as well as consumer and business sentiment and tighter bank lending standards.
Housing construction will remain subdued in 2008-09, but in the medium term demand should be supported by strong population growth, low rental vacancy rates and improving rental yields. Substantial RBA interest rate decreases since September 2008 (and further anticipated decreases), falling nominal median house prices and the boost to the First Home Owner Grant should help improve affordability.

51. Business investment in NSW strengthened in the first half of 2008 in response to tight capacity constraints and greater demand. After eight consecutive quarters of positive growth and record business investment in the September quarter 2008, business investment contracted 1.5 per cent in the December quarter. The recently released Private New Capital Expenditure Survey suggests that business investment in NSW will contract in 2009-10 (the anticipated level of spending in 2009-10 is 3.8 per cent less in nominal terms than the expectation for spending in 2008-09).

52. In line with the NSW State Infrastructure Strategy, public sector spending growth contributed strongly to State Final Demand in 2008. Public sector investment rose by 15.2 per cent through the year to the December quarter 2008.

53. Net exports have performed relatively well in NSW despite the significant contraction in growth in the global economy. A recovery from the drought and a lower Australian dollar has boosted merchandise exports, which rose 8.2 per cent in the December quarter 2008. Through the year merchandise exports were up 6.3 per cent in NSW and imports fell by 2.1 per cent.

54. The NSW labour market has been affected by the sharp slowdown in the global and domestic economies and lower levels of business confidence. Trend employment has been flat or declining since around mid-2008. Since coming off generational lows in early 2008, the unemployment rate has risen to 5.8 per cent in NSW (as at February 2009). In the short term, low levels of business confidence and the softer outlook for economic
growth pose a significant risk to the outlook for employment in NSW and Australia.

55. In year average terms, the Sydney CPI increased 4.2 per cent in 2008. However, the annual average increase masked a slowing through the year, with the Sydney CPI decreasing by 0.2 per in the December quarter 2008 as demand softened and commodity prices fell. Slower demand growth and economic activity should see the inflation rate, as measured by the Sydney CPI, move back within the RBA target range over time.

56. In year average terms, the NSW Wage Price Index was 3.8 per cent higher in 2008. National growth was stronger at 4.2 per cent for the same period reflecting stronger wages growth in both the public and private sectors.

Looking Forward

57. Since the 2008-09 Half Yearly Budget Review, indicators of economic activity in the global economy have revealed a very sharp and synchronised slowdown. Economic growth in the December quarter contracted sharply in most industrialised nations and the risks to the NSW economic outlook are clearly to the downside.

58. The view for 2009-10 contains considerable uncertainty as global economic growth contracts at a rapid pace. Aggressive interest rate adjustments by the RBA and the Federal Fiscal Stimulus package offer support to the economy in 2009-10.

59. At the time of the 2008-09 Half Yearly Budget Review (released December 2008), NSW Treasury forecasts for major aggregates were:
Table 7: New South Wales Treasury Forecasts

<table>
<thead>
<tr>
<th></th>
<th>Actual 2007-08 Outcome</th>
<th>Budget 2008-09 Forecast</th>
<th>Revised 2008-09 Forecast</th>
<th>2009-10 Medium Term Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td>State final demand</td>
<td>4.4</td>
<td>2½</td>
<td>1½</td>
<td>1¾</td>
</tr>
<tr>
<td>Gross state product</td>
<td>2.8</td>
<td>2</td>
<td>1½</td>
<td>1¾</td>
</tr>
<tr>
<td>Employment</td>
<td>2.4</td>
<td>1</td>
<td>½</td>
<td>½</td>
</tr>
<tr>
<td>Unemployment rate (year average, percent)</td>
<td>4.8</td>
<td>4½</td>
<td>5¼</td>
<td>5½</td>
</tr>
<tr>
<td>Sydney CPI</td>
<td>4.3</td>
<td>3</td>
<td>3¾</td>
<td>3</td>
</tr>
<tr>
<td>Wage price index</td>
<td>3.6</td>
<td>4</td>
<td>3¾</td>
<td>3½</td>
</tr>
</tbody>
</table>

(a) Per cent change, year average, unless otherwise indicated
(b) Forecasts are unchanged relative to the November Mini-Budget

60. These forecasts were made prior to the release of the 2008 December quarter National Accounts for Australia.

61. An update to economic forecasts will be released with the 2009-10 State Budget on 16 June 2009. The Minister for Industrial Relations will provide the Commission with further details following the release of the Budget, along with the NSW Government’s submission to the 2009 State Wage Case when it becomes available.
**Impact on employment**

62. There is perennial debate concerning the relationship between wage adjustments and employment outcomes. Evidence and arguments on this issue have been a constant feature of past wage cases.

63. A large number of empirical studies have investigated a possible link between increases in minimum wages and unemployment and have not been able to conclusively support such a view. After considering submissions to its 2008 minimum wage review the Commission noted that the relationship between employment and minimum wages continues to be contentious.\(^{23}\)

64. Further, in its 2007 *Monitoring Report*\(^{24}\) it noted that

    …it is difficult to determine whether changes in employment of low-skilled workers have been influenced by adjustments in the minimum wage and Pay Scales. Many factors determine employment for this group of workers, and the lack of detailed data at the workplace level precludes attempts to isolate the effects of minimum wages, for the time being.

65. In past federal and NSW wage cases the NSW Government’s position has been to reject any causal relationship between increases in minimum wages and unemployment. Instead it has advanced the argument that moderate, predictable increases in minimum wages will not adversely impact upon employment and will actually contribute to stability, harmony and decency in the workplace.

66. Prior to the Commission having responsibility for the setting of federal minimum wages, its predecessor, the Australian Industrial Relations Commission was particularly critical of studies based on increases in a single minimum wage. As safety-net adjustments in Australia currently apply to a range of minimum rates at various levels throughout the system of Pay Scales, such studies do little to assist the understanding of

\(^{23}\) AFPC Wage-Setting Decision and Reasons for Decision, July 2008 p. 39

\(^{24}\) Economic and Social Indicators – Monitoring Report (July to December 2007) p. 52
employment effects of multiple wage adjustments. This limitation is exacerbated by the diversity of research findings.

67. The international material available also does not provide direct assistance in the context of the Australian workplace. The OECD has noted that empirical evidence concerning a negative impact of minimum wages on employment is mixed, with a number of studies finding an adverse impact is modest or non-existent.\textsuperscript{25}

68. It is not surprising that in times of economic uncertainty there will be points of view that employers facing weak or falling demand will have a lower capacity to meet the cost of increases in award rates of pay than they would at a time of economic growth and strong business confidence.

69. The relationship between unemployment and moderate minimum wage increases is undoubtedly of great policy importance. Unfortunately in the context of the Australian workplace much research remains to be undertaken and consequently it remains unclear whether such a relationship exists.\textsuperscript{26}

\textsuperscript{25} OECD Employment Outlook 2006, Boosting Jobs and Income p. 86.

\textsuperscript{26} Watson, I, Needle in a haystack. Do increases in the minimum wage cause employment losses?, ACIRRT, p.15
Consideration of equal work for equal pay when determining minimum wages

70. Section 222(1)(a) of the Federal Workplace Relations Act 1996 provides that, when exercising its powers concerning wages, the Commission must have regard to the principle that men and women should receive equal remuneration for work of equal value.

Gendered Wage Disparity

71. Australian women who work full time earn an average of 20 per cent less than men who work full time. According to figures from the most recent Average Weekly Earnings Survey from the ABS in November 2008, women working full time earned an average of approximately 80 per cent of average full-time male earnings, or $1,049 compared to $1,314. This gap widens considerably to 35 per cent for total earnings of all employees, including those employed on a part-time or casual basis. According to the same figures, women’s total earnings were approximately 65 per cent of average male total earnings, or $720 compared to $1,102.27

72. Various labour surveys available from the ABS illustrate the correlation between gender and work value by showing that workers in traditionally feminised industries are paid the lowest wages in Australia. Women also tend to be more reliant on awards and concentrated in jobs with less access to a range of over-award payments and bonuses and in jobs affected by minimum wage regulation.28

73. Further, women tend to be concentrated in part-time and casual work in Australia. Only 35 per cent of full-time employees are female. On the other hand, females represent 71 per cent of all part-time employees 29 and 67

27 ABS Average Weekly Earnings, November 2008, Cat. No. 6302.0.
29 ABS 6202.0 Labour Force, Australia, April 2006.
per cent of *part-time casual* employees. The availability of part-time work is, however, advantageous to many women with family responsibilities. Despite this, women's concentration in part-time and casual employment has a number of pay equity implications including, but not limited to, more precarious and lower-remunerated work, less access to training and more limited opportunities for advancement and career development than full-time employees.

74. Given the disproportionately high numbers of women (60 per cent) who will derive a benefit from the Commission’s wage review, increases to minimum wages are an important means whereby gender pay inequity may be addressed.

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Commission’s consultation meeting with representatives of the NSW Government

75. On 5 March 2009 representatives of the NSW Government met with the Commission as part of its consultation process. At that meeting the Commission indicated that it is giving consideration to deferring or cancelling its decision until the Minimum Wage Panel of Fair Work Australia (which is to be established under the terms of the Fair Work Bill 2008) undertakes its initial annual wage review in the middle of 2010.

76. As the NSW Government understands it, this question has arisen from concerns that the Commission has about imminent changes to the Commonwealth industrial relations legislation, the award modernisation process and the current economic environment and how these things may impact upon employers and employees.

77. The Commission sought the views of the NSW Government at the time of the consultation. Having since given further consideration to the question, the NSW Government’s response is set out in the succeeding paragraphs.

78. It is the view of the NSW Government that there are no compelling reasons for the Commission to either defer or cancel its wage-setting decision. Doing so would not be consistent with the Commission’s obligation to provide a safety net for low paid workers and their families.

79. The NSW Government welcomes the Commonwealth’s Fair Work Bill and believes it will restore fairness to the industrial relations system, but it should be noted that the new industrial relations legislation is not due to fully commence until 1 January 2010. Given the Commission is due to hand down its decision in July of this year and any decision made will be effective from the first pay period on or after 1 October it is not entirely clear what impact the proposed federal legislation would have upon any decision made.

80. Further, the new wage fixing body, proposed under the terms of the Fair Work Bill, is unlikely to be in a position to make a wage fixing decision in
the immediate period after the full commencement of the new Commonwealth’s industrial relations legislation on 1 January 2010. Accordingly, should the Commission choose to not proceed with its 2009 Review, minimum wage workers will not receive any wage increases until 1 July 2010.

81. Based on discussions during the consultation meeting the NSW Government understands that concerns about the current award modernisation process focus on the additional cost burdens imposed by the provisions of modern awards, particularly in award reliant industries such as retail and hospitality.

82. The NSW Government has been involved in the award modernisation process from the outset and observes that, in many industries, a substantial degree of consensus between employer and employee interests has been achieved.

83. The NSW Government believes that at the time the Commission is due to hand down its 2009 decision the actual real costs (if any) to employers will be unknown and should therefore not impinge upon the timing of its wage setting decision.

84. Further, transitional provisions will be developed and included in modern awards to take account of the intention of the ministerial request that modern awards not disadvantage employees or increase costs for employers. In its decision of 19 December 2008 regarding the Hospitality Industry General Award 2010 the Australian Industrial Relations Commission noted that ‘the impact of changed safety-net conditions for some employers, and in other cases employees, can be addressed through transitional arrangements’.

85. The NSW Government expects that these arrangements will help mitigate any apparent added costs to employers in particular industries and should

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31 [2008] AIRCFB 100 para 106
32 [2008] AIRCFB 1000 para 121
not impact upon the timing or the scope of any wage increase made by the Commission.

86. Finally, there appears to be no justifiable reason why low paid workers should be required to wait longer than twelve months to obtain an increase to their weekly rates of pay.
Conclusion

87. The NSW Government supports maintaining the value of real wages to low paid workers taking into account the scope for employers to meet higher wage costs in the current economic climate and the need to minimise unemployment.

88. The global economic crisis is having an impact upon all sectors of the labour force, including the low paid.

89. Many workers employed on minimum wages are disproportionately affected by significant financial stress and even minor increases in the cost of living. It is desirable that these workers do not carry a disproportionate share of the risks and costs that undoubtedly confront the national economy.

90. Unlike other Australian workers, those who are most likely to derive a benefit from the 2009 Review have little or no bargaining power and consequently depend on wage increases delivered by the Commission to help them meet increases to the cost of living.

91. To offset or discount the Commission’s 2009 wage increase for the impact of the Commonwealth Government’s stimulus packages is to only undo or diminish the policy intent of those packages.

92. The NSW Government further believes that the Commission should adhere to its timetable by handing down its decision in July and ensuring any wage increases arising from its decision come into effect on the first pay period on or after 1 October 2009.