



Australian Fair Pay
Commission

**Wage-Setting Decisions
and Reasons for Decisions**

July 2007



Australian Fair Pay Commission

**Wage-Setting Decisions 2/2007, 3/2007, 4/2007
and Reasons for Decisions**

July 2007

Contents

i	Acronyms	4
ii	Executive summary	8
iii	Wage-Setting Decisions	24
	Reasons for Decisions	
1.	Promoting the economic prosperity of the people of Australia	48
1.1.	Impact of Wage-Setting Decision 1/2006	
1.2.	The capacity for the unemployed and low paid to obtain and remain in employment	
1.3.	Employment and competitiveness across the economy	
1.4.	Providing a safety net for the low paid	
1.5.	Conclusion	
2.	Impact of the drought on farm businesses in regional Australia	74
3.	Preserved pay equity and work value wage increases under section 208(4)	82
4.	Junior employees, employees to whom training arrangements apply and employees with a disability	89
4.1.	Junior employees and employees to whom training arrangements apply	
4.2.	Employees with a disability	
5.	Casual loadings and piece work rates	96
5.1.	Casual loadings	
5.2.	Piece rates	
6.	Discrimination	100
7.	Future Directions	105
	Appendices	
Appendix A	Consultation	110
Appendix B	Specified Australian Pay and Classification Scales	121
Appendix C	Employees to whom training arrangements apply	123
Appendix D	Submission research proposals	124

Acronyms

Abbreviation	Explanation
ABARE	Australian Bureau of Agricultural and Resource Economics
ABI	Australian Business Industrial
ABS	Australian Bureau of Statistics
ACCER	Australian Catholic Council for Employment Relations
ACCI	Australian Chamber of Commerce and Industry
ACE	Association of Competitive Employment
ACOSS	Australian Council of Social Service
ACTU	Australian Council of Trade Unions
AFPC	Australian Fair Pay Commission
AHA	Australian Hotels Association
Ai Group	Australian Industry Group
AIRC	Australian Industrial Relations Commission
APCSs	Australian Pay and Classification Scales
APESMA	Association of Professional Engineers, Scientists and Managers, Australia
ASU NSW	Australian Services Union New South Wales
AWBC	Australian Wine and Brandy Corporation
AWE	Average Weekly Earnings
AWOTE	Average Weekly Ordinary Time Earnings
AWU	Australian Workers Union
AYCW	Australian Young Christian Workers
CLDB	Culturally and linguistically diverse background
Commission	Australian Fair Pay Commission
CPI	Consumer Price Index
DAFF	Department of Agriculture, Fisheries and Forestry
DEWR	Department of Employment and Workplace Relations
ECIRS	Exceptional Circumstances Interest Rate Subsidies
ECRP	Exceptional Circumstances Relief Payment
EEH	Employee Earnings and Hours
EMTRs	Effective marginal tax rates. The EMTR at a particular income point refers to the proportion of an additional unit of income (typically \$1) that is lost to income tax and reductions in cash transfers
FaCSIA	Department of Families, Community Services and Indigenous Affairs
FECCA	Federation of Ethnic Communities' Councils of Australia
FMW	Federal Minimum Wage
GDP	Gross Domestic Product
HILDA	Household, Income and Labour Dynamics in Australia
HPLs	Henderson Poverty Lines
HREOC	Human Rights and Equal Opportunity Commission
LGSA	Local Government Association of NSW and Shires Associations of NSW

LHMU	Australian Liquor, Hospitality and Miscellaneous Workers Union
NAPSA	Notional Agreement Preserving a State Award
NATSEM	National Centre for Social and Economic Modelling
NDS	National Disability Services (formerly ACROD)
NFF	National Farmers' Federation
NRAC	National Rural Advisory Council
OECD	Organisation for Economic Co-operation and Development
Pay Scales	Australian Pay and Classification Scales
QIRC	Queensland Industrial Relations Commission
RBA	Reserve Bank of Australia
SACS Award	Social and Community Services Employees (State) Award 2006
SAWIA	South Australian Wine Industry Association
SPRC	Social Policy Research Centre
Standard	The Australian Fair Pay and Conditions Standard
SWS	Supported Wage System
Wage review	Review conducted by the Commission to determine whether it should exercise any of its wage-setting powers.
Wage-setting decision	Decision made by the Commission in the exercise of its wage-setting powers
Wage-setting powers	Powers conferred by Division 2 of Part 7 of the WR Act.
WEL	Women's Electoral Lobby Australia Inc.
WISER	Women in Social and Economic Research, Curtin University of Technology
Work Choices	<i>Workplace Relations Amendment (Work Choices) Act 2005</i> . The majority of the Work Choices amendments were implemented on 27 March 2006.
WPI	Wage Price Index
WR Act	<i>Workplace Relations Act 1996</i> as amended by the <i>Workplace Relations Amendment (Work Choices) Act 2005</i>



Australian Fair Pay Commission

Executive Summary

July 2007

Executive summary

Executive summary

Wage-setting decisions

The Australian Fair Pay Commission (Commission) is created by s. 20 of the *Workplace Relations Act 1996*, as amended by the *Workplace Relations Amendment (Work Choices) Act 2005* (WR Act).

The main wage-setting powers of the Commission are:

- adjusting the standard Federal Minimum Wage (FMW);
- determining or adjusting special FMWs;
- determining or adjusting basic periodic rates of and basic piece rates of pay; and
- determining or adjusting casual loadings.

The Commission has given due consideration to its overarching objective 'to promote the economic prosperity of the people of Australia'. More specifically, in performing its wage-setting function, the Commission has considered the impact of its decision based on the criteria set out in the legislation:

- the capacity of the unemployed and the 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.

The Commission sought information from a range of sources in making its decision. It consulted with key stakeholders, received submissions from a broad range of organisations and individuals and undertook consultations with those people directly affected by minimum wage decisions.

In arriving at its decision, the Commission has taken into account:

- the ten month period since the last pay increase for the standard FMW, special FMWs and Australian Pay and Classification Scale (Pay Scale) reliant employees;
- the sensitivity of low-paid employment to changes in wage levels, as well as the incentives for individuals to seek and remain in paid employment;
- the fact that the economy and labour market have continued to perform strongly, although not uniformly;
- movements in consumer prices; and
- the requirement to provide a safety net for the low paid.

The Commission has conducted a wage review and now exercises its wage-setting function as set out in s. 22(1) of the WR Act.

Executive summary

The Commission grants a general pay increase that will adjust the standard FMW and Pay Scales as follows:

- an **increase** of \$10.26 per week (\$0.27 per hour) to the standard FMW bringing the weekly rate to \$522.12. The standard FMW increases from \$13.47 to \$13.74 per hour;
- an **increase** of approximately \$10.25 per week (\$0.27 per hour) in all adult¹ Pay Scales that currently provide for a basic periodic rate of pay up to the level of \$700.00² per week; and
- an **increase** of approximately \$5.30 per week (\$0.14 per hour) in all adult³ Pay Scales that currently provide for a basic periodic rate of pay above \$700.00⁴ per week.

All parts of this decision that adjust or establish a rate of pay, however defined in this decision, will have effect from the first full pay period on or after 1 October 2007.

Wage-Setting Decision 3/2007 will take effect on 1 October 2007, ten months after Wage-Setting Decision 1/2006 resulting in an increase in the FMW of \$37.62 since December 2006.

The Commission intends that the Wage-Setting Decision 3/2007 general pay increase flow on to junior employees, employees to whom training arrangements apply, employees with disabilities, and basic piece rates of pay in ways that preserve existing relativities to the extent this is possible.

In the majority of cases, the general wage increase flows automatically to casual employees.

The Commission's decision flows on the general increase to these rates of pay in ways consistent with the intent of Wage-Setting Decision 1/2006.

The Commission's Wage-Setting Decision 3/2007 only adjusts minimum rates of pay in special FMWs, the FMW and Pay Scales. This increase may be offset against any equivalent amount in rates of pay received by employees whose actual wages are determined by above minimum Pay Scale arrangements.

While the Commission increases the standard FMW and Pay Scales, it has determined (as it did in Wage-Setting Decision 1/2006) a differential increase recognising the low paid as being more reliant on minimum wages than higher-paid workers. The Commission also considers that its decision is consistent with providing a safety net for the low paid, acknowledging that workers in low-paid employment are more likely to be Pay Scale reliant and less able to bargain given generally lower skill levels.

¹ Where adult means a basic periodic rate of pay that does not explicitly apply to a class of employees with a disability or employees to whom a training arrangement applies or junior employees.

² The Commission's decision is required to be expressed in hourly rates of pay. Hourly rates of pay up to and including \$18.42 per hour increase by \$0.27 per hour. \$18.42 per hour x 38 hours equals \$699.96 per week.

³ See note 1

⁴ The Commission's decision is required to be expressed in hourly rates of pay. Hourly rates of pay over \$18.42 per hour increase by \$0.14 per hour. \$18.42 per hour x 38 hours equals \$699.96 per week.

Executive summary

The Commission has determined to conduct an annual minimum wage review and announce its wage-setting decisions in July each year, with an implementation date in October of that year.

By fixing an annual timetable for minimum wage reviews, the Commission provides stakeholders with advance notice of the implementation of future wage decisions.

Promoting economic prosperity

At the broadest level, the Commission understands its role as balancing a desire for minimum wages to promote employment opportunities for unemployed and low-paid Australians with the need for minimum wages to play their part in maintaining a safety net. The Commission therefore interprets economic prosperity broadly rather than narrowly. An economically prosperous Australia is one where those seeking work have ample opportunity to participate in employment and where a safety net mitigates hardship.

While many factors affect the economic prosperity of all Australians – including the level of minimum wages – the Commission is responsible only for setting and adjusting minimum wages for employees within its jurisdiction.

Impact of Wage-Setting Decision 1/2006

The Commission recognises the short period of time between the effective date of its first decision and the commencement of the process to conduct the 2007 review of minimum wages.

While the Commission notes the impacts of its wage decisions may take some time to work their way through the economy, there are useful preliminary indicators available to assess the impact of Wage-Setting Decision 1/2006. These include:

- five months of labour force data;
- quarterly observations on inflation, labour costs, earnings, and vacancies;
- Reserve Bank of Australia (RBA) Statements on Monetary Policy; and
- the 2007-08 Australian Government Budget.

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

Submissions to the Commission's 2007 review of minimum wages continue to express the same divergence of views concerning the relationship between employment and minimum wages that was evident in submissions to the 2006 review.

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. While this paper, cited by the Australian Chamber of Commerce and Industry and the Australian Government, does not provide any new research, it does involve a detailed review of relevant United States and international research since the early 1990s.

Executive summary

The labour market cannot guarantee that a person who enters low-paid employment will progress to higher-paid employment over time, nor that a person employed in a casual or part-time capacity will progress to more secure or substantial employment. However, if minimum wage increases were to reduce the overall availability of low-paid work or the willingness of employers to offer jobs to people who have been out of work for some time, this would clearly exacerbate unemployment whatever definition of unemployment were adopted.

The relationship between the level of minimum wage increases and employment in Australia remains pivotal to the Commission. In conjunction with developing its monitoring strategy, the Commission will focus on furthering Australian research into the impact of minimum wage adjustments on labour demand.

Several employer groups suggest that the Commission take full account of underemployment and marginal labour force attachment when considering the capacity of unemployed people to obtain and remain in employment.

The Commission will continue to monitor broader measures of labour underutilisation as they become available.

The 2007-08 Australian Government Budget contains a number of measures that improve disposable incomes of low-paid Australians and incentives for people to take low-paid work. In combination with the December 2006 increase in the minimum wage, these tax cuts have improved the financial incentive to enter low-paid work.

The Commission considers that, overall, the tax changes announced in the 2007-08 Budget are targeted to low-income earners and will, in most cases, have beneficial effects on Effective Marginal Tax Rates (EMTRs). People working full-time at the level of the standard FMW will now face a marginal tax rate of 15 per cent rather than 30 per cent. The Commission will continue to monitor EMTRs.

Employment and competitiveness across the economy

Australia's economic growth picked up towards the end of 2006 and this stronger growth is expected to continue through 2007-08. Employment continues to grow strongly, wages growth (although higher) has been contained, and inflation remains within the RBA's target range.

There is a forecast easing in employment growth and an increase in the unemployment rate largely associated with changing participation requirements for some recipients of income support payments. The labour market has remained strong.

There remain considerable differences in the labour market performance across states and territories. Over the year to May 2007, the unemployment rate fell in all states and territories and the participation rate increased in all but Tasmania and the Northern Territory. All states except Western Australia experienced a decrease in the level of unemployment, and the level of employment increased everywhere.

Executive summary

Growth in labour costs remained solid in the March quarter 2007 but was not as high as expected. The Wage Price Index (WPI) increased by 1.0 per cent in the March quarter 2007 (in seasonally adjusted terms) to be 4.1 per cent higher over the year. This increase, which incorporates most of the effects on wage rates of the Commission's Wage-Setting Decision 1/2006, was lower than the market expectation of 1.3 per cent over the quarter.

The Consumer Price Index increased by 0.1 per cent in the March quarter 2007 for an increase of 2.4 per cent over the year. This was well below expectations of increases of 0.7 per cent in the quarter and 2.9 per cent over the year.

The RBA measures of underlying inflation, which remove extreme changes in prices, rose by 0.5 per cent in the quarter to be 2.7 per cent higher over the year. This was marginally lower than the expectation of a rise of 0.6 per cent in the quarter. Underlying inflation remains in the top half of the RBA's medium-term target band of between two and three per cent.

The Commission, through the monitoring strategy, will seek to expand upon the range of measures used to monitor the impacts of its decisions on the competitiveness of the Australian economy.

The Budget forecasts that real gross domestic product (GDP) will grow by 3¾ per cent in 2007-08, up from 2½ per cent in 2006-07. This assumes a partial recovery from the drought, as well as a pick-up in non-farm GDP.

The Budget notes, however, that overall wage pressures have not increased markedly in recent years, despite strong employment growth and continuing falls in the unemployment rate.

The inflation forecasts presented in the Budget are broadly consistent with the RBA's forecasts.

The major factors for the Commission's consideration in the Budget forecasts are the slow down in employment growth and the projected increased participation of lower-skilled workers.

Submissions once again highlight the potential for the Commission's decision to have differential impacts across industries due to varying levels of Pay Scale reliance. While several submissions note the need for special consideration for certain industries, the plight of the agricultural industries is of particular concern to the Commission given the severity of the drought. This warrants special attention and is dealt with in Section 2.

As expected, Wage-Setting Decision 1/2006 had a noticeable impact on labour costs in some Pay Scale reliant industries. Growth in labour costs in the first quarter of this year, as measured by the WPI, was higher for Accommodation, cafes and restaurants (1.4 per cent) and Health and community services (1.2 per cent) than the average growth of 1.1 per cent. Growth was 1.1 per cent for Retail trade and 0.8 per cent for Property and business services.

Executive summary

Providing a safety net for the low paid

As required by legislation, the Commission continues to focus its attention on the low paid. Research commissioned in 2006 identified the characteristics of the low paid, and the Commission continues to use this research to inform its wage-setting decisions.

The research confirms that the low paid are found across the whole household income distribution. While low-paid workers who work full-time are concentrated in middle-income households, part-time workers on similar wages are more likely to live in low-income households.

While submissions generally agree that wages and the tax/transfer system play complementary roles in the overall income safety net for low-paid employees, there are differing views on the relative weight to be placed on each of these elements.

Within the overall increases in disposable income, the relative contribution of wage rises, tax cuts and changes in income transfers has varied between different family types, depending on a variety of factors.

On average, therefore, low-paid employees who benefit from the Commission's 2007 wage-setting decision will retain around three quarters of their gross pay rise.

In the Commission's view, statutory minimum wages are not, first and foremost, an anti-poverty device. This is in part demonstrated by the distribution of low-income earners across all household types, including high-income households.

The Commission does, however, consider that statutory minimum wages, along with the tax/transfer system, have a significant role to play in providing a safety net for the low paid. This role is better understood in the context of s. 23 of the WR Act as providing a statutory minimum to protect low paid workers whilst minimising the negative impact on demand for labour.

In considering interactions with the tax/transfer system, the role of statutory minimum wages is also important in the context of 'the capacity for the unemployed and low paid to obtain and remain in employment'. The relationship between the Government tax/transfer system and statutory minimum wages has the potential to affect labour supply.

The Commission remains satisfied that the combination of minimum wages and available income transfers provide families with at least one full-time wage earner on the standard FMW with incomes well above recognised benchmarks.

On implementation of Wage-Setting Decision 3/2007, the minimum wage will be some 7.8 per cent higher than it was in June 2005, which is broadly in line with growth in wages over the period. When reductions in tax liabilities are also taken into account, the disposable incomes of employees receiving the standard FMW have not deteriorated relative to disposable incomes in the community more generally.

Executive summary

Impact of the drought on farm businesses in regional Australia

Several submissions received by the Commission address the economic impact of the drought on the agricultural sector. The majority of submissions discuss the drought in terms of its impact on slowing economic growth across the economy generally and in the farm sector particularly.

Submissions from employer groups representing members in the agricultural sector urge the Commission to consider the consequences of drought in regional Australia in assessing the case for a general wage increase.

In seasonally adjusted terms, real agricultural income has fallen over 2006 to historically low levels in the December quarter 2006 and the March quarter 2007, to levels not seen for over 11 years.

Based on survey results, Australian Bureau of Agricultural and Resource Economics (ABARE) has estimated that average cash income and business profit per farm in 2006-07 in the broadacre and dairy industries will fall dramatically. ABARE's main predictions are:

- Average cash income per farm for all broadacre industries will fall to its lowest level in the 29 year history of the ABARE surveys, from \$81 290 in 2005-06 to \$26 600 in 2006-07. Forty-four per cent of broadacre farms will report negative cash income, up from 23 per cent in 2005-06.
- The average loss per farm for all broadacre industries in 2006-07 is expected to be \$59 800. This is the largest average loss in the history of the ABARE surveys, down from an average profit of \$8620 in 2005-06. The percentage of broadacre farms reporting a loss will increase from 58 per cent in 2005-06 to 77 per cent in 2006-07.
- The average loss per farm is estimated to be \$112 300 for wheat and other crop farmers, \$50 100 for sheep farmers and \$40 500 for beef farmers.
- It is estimated that broadacre farmers will make large losses on average in all states except Western Australia, where the average loss is estimated at \$298. In the other states, average losses per farm are estimated to range from \$85 648 in New South Wales to \$44 234 in Tasmania. Northern Territory broadacre farms are expected to make an average profit of \$271 894.
- Dairy farmers are estimated to receive an average cash income per farm of \$17 800 in 2006-07, down from \$86 030 in 2005-06. The estimated average business loss per farm is \$79 500 in 2006-07, down from \$19 260 in 2005-06

In the Commission's consideration, the financial viability of farm enterprises is critical to sustaining jobs in the rural sector into the future. While there is considerable variability in agricultural employment from state to state (for example, estimated changes in employment over 2006-07 range from a 12 per cent increase in Queensland to a 10 per cent decrease in Western Australia), combined with projections of minimal growth over the next five years, the Commission believes there is scope to provide further assistance to maintain jobs during this difficult period.

The Commission recognises that even minor cost increases for farm businesses in Exceptional Circumstances areas currently in receipt of drought assistance may increase financial strain on these businesses resulting in job losses.

Executive summary

The Commission accepts that there is a need to provide some assistance to those farm businesses most severely affected by the drought and will grant a deferral of the 2007 wage increase in certain circumstances.

The Commission has a clear understanding that not all areas in which agricultural businesses operate are drought affected. Further, within these areas not all agricultural businesses are severely financially affected. The Commission has carefully considered how to target its deferral so that only employers who have demonstrated the prospect of long-term viability and direct financial hardship resulting from the exceptional drought will be eligible for a deferral of the Commission's Wage-Setting Decision 3/2007.

The Commission has determined that farm businesses in receipt of an Exceptional Circumstances Interest Rate Subsidy (ECIRS) are those most severely affected by the drought and are most likely to suffer detriment from increases in labour costs at this time, resulting in job losses. The Commission will, therefore, grant a deferral of the 2007 wage increase to those farm businesses in receipt of ECIRS.

The Commission emphasises 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.

The Commission notes that the granting of a deferral does not preclude these individual businesses and employers from paying the 2007 minimum wage increase.

Preserved pay equity and work value wage increases under section 208(4)

The Commission received a number of submissions which raise the issue of wage increases awarded on the basis of work value change or pay equity which operate under s. 208(4) of the WR Act. Many of these submissions address the relationship of these increases to the Commission's Wage-Setting Decision 1/2006.

In performing its wage-setting function, the Commission has limited discretion over wage increases in Pay Scales that are preserved by s. 208(4). While it is within the scope of the legislation for the Commission to exempt specified Pay Scales from Wage-Setting Decision 3/2007, in general the Commission considers that doing so for Pay Scales which contain pay increases under s. 208(4) would diminish the work value change or pay equity increases awarded.

Executive summary

The childcare sector

Submissions from the childcare sector also raise the operation of s. 208(4) on Pay Scales within this sector. These submissions argue that pay increases awarded on the basis of work value or pay equity under s. 208(4) and pay increases resulting from Wage-Setting Decision 1/2006 have had a negative impact on the childcare industry.

The Commission considers that s. 208(4) is intended to account for circumstances in which wage increases, wholly or in part, reflect changes in work value. In the Commission's view, exempting the childcare sector from Wage-Setting Decision 3/2007 would diminish the work value increases already awarded.

The NSW local government sector

The Commission's Wage-Setting Decision 1/2006 applied the wage increase to the Pay Scale derived from the pre-reform Local Government (State) Award 2004. This Pay Scale also included additional increases operating under s. 208(4) which were made partly on the basis of changes in work value commencing on 1 November 2006. In their 2007 submission, the Local Government Association of NSW and Shires Association of NSW recommend that the Commission "give consideration to the circumstances and industries identified in the relevant APCS, when varying rates of pay".⁵

The Commission has considered the matters raised in this submission. The Commission is aware that the Pay Scale derived from the pre-reform Local Government (State) Award 2004 contains no further increases under s. 208(4). The Commission has determined that Wage-Setting Decision 3/2007 will apply to the Pay Scale derived from the pre-reform Local Government (State) Award 2004.

The NSW social and community services sector

A number of submissions refer to the impact of the Commission's Wage-Setting Decision 1/2006 on the Pay Scale derived from the pre-Work Choices Social and Community Services Employees (State) Award 2006 (SACS Award) in the not-for-profit sector in 2006-07.

The Commission maintains that, while the legislation allows it to exempt specified Pay Scales from Wage-Setting Decision 3/2007, to do so for all Pay Scales which contain pay increases under s. 208(4) would diminish the work value increases already awarded.

However, the Commission heard arguments put forward by the sector that the pre-Work Choices wage instrument did not envisage parties being able to pursue safety net adjustments in addition to those already agreed in the schedule of wage increases awarded under the pre-Work Choices wage instrument.

It is not possible to identify the proportion of increase attributable to the separate elements of work value and safety net. The Commission considered that exempting the not-for-profit social and community services sector from Wage-Setting Decision 1/2006 would diminish, if not completely negate, the work value element.

⁵ LGSA, 2007 Minimum Wage Review, Submission to the Australian Fair Pay Commission, March 2007, p. 11, para. 5.10(a)

Executive summary

On the other hand, the Commission considers there is scope to exempt the social and community services sector from Wage-Setting Decision 3/2007 without diminishing the effect of work value increases, and recognising the intention of the parties to the prior agreement.

It is the Commission's intention that the higher wage increase of either Wage-Setting Decision 3/2007 or that preserved by s. 208(4) in the Pay Scale will apply. Therefore, the Commission will exempt the SACS Award from Wage-Setting Decision 3/2007.

Reviews of junior wage arrangements and wage arrangements for employees to whom training arrangements apply

In Wage-Setting Decision 1/2006, the Commission foreshadowed its intention to initiate a wage review of junior wage arrangements and wage arrangements for employees to whom training arrangements apply.

A number of submissions to the 2006 wage review urged the Commission to consider adjusting wages for junior employees and employees to whom training arrangements apply in the context of pay scale rationalisation.

In the context of commencing Australian Pay and Classification Scale rationalisation in 2007 the Commission has decided to specifically address wage reviews for junior employees and employees to whom training arrangements apply as part of this rationalisation process.

The Commission will specifically review wage arrangements for junior wages and employees to whom training arrangements apply in the context of commencing a process to rationalise Pay Scales.

Employees with a disability

In Wage-Setting Decision 1/2006, the Commission filled gaps in the coverage of minimum rates of pay and access to pro rata arrangements for employees with a disability.

The Commission undertook to monitor the impact of its wage-setting decisions.

Data collected by the Department of Workplace Relations and the Department of Families, Community Services and Indigenous Affairs will assist the Commission monitor employees with a disability engaged in open employment and business services.

The Commission sought the views of the Disability Round Table on a process to consider new wage assessment tools. The Commission and stakeholders have agreed on a process to be adopted and on a timetable.

Executive summary

Casual loadings

The Commission received a number of submissions outlining the prevalence of casual employment amongst low paid workers and their proportion within the workplace. Few addressed the loading rate or possible adjustments to the casual loading rate.

The general pay increase flows to casual employees through adjustments to the basic periodic rates of pay (or as otherwise specified where Pay Scales provide for differing methods of casual compensation). The Commission has decided that further consideration of any casual loading adjustments should be undertaken in the context of the Pay Scale rationalisation process.

Piece rates

The Commission is given power under the WR Act to adjust basic piece rates of pay. In Wage-Setting Decision 1/2006, the Commission recognised the difficulty that flowing on increases for piece rates raised for particular industries. The Commission invited affected industries to engage with it should difficulties arise.

The Commission is currently reviewing the issue of piece rates in the real estate sector.

The Commission will flow on the general wage-setting decision to basic piece rate Pay Scales in the following manner.

The general pay increase will be flowed on to basic piece rate Pay Scales through applying a two per cent increase to basic piece rates in preserved Pay Scales which are not otherwise increased as a result of the general decision.

However, due to the diversity within basic piece rate Pay Scales, an affected person or business may make a submission to the Commission on the grounds that such an adjustment would result in an anomalous outcome inconsistent with the Commission's intention to flow-on the general increase to piece rate workers.

Discrimination

The Commission received submissions dealing with discrimination matters, some of which include a focus on pay equity issues. In particular, the submissions focus on groups including:

- female employees;
- young workers;
- people from culturally and linguistically diverse backgrounds;
- Indigenous Australians;
- employees with disabilities; and
- working families.

Executive summary

Some submissions cover many of the economic and legal issues affecting vulnerable workers. In particular they focus on the operation and effect of the anti-discrimination considerations included in s. 222 of the WR Act.

Some submissions address the circumstances of vulnerable workers and raise issues not covered by the ambit of this provision or the powers of the Commission. For example, some submissions commented on differences in actual earnings.

In its powers, the Commission can only affect minimum wages underpinning actual earnings; that is, the Commission must apply the principle of equal remuneration to minimum wages only. The Commission cannot consider equal remuneration matters which are beyond the level of minimum wages.

Future Directions

Creation and publication of Pay Scales

The Commission is commencing the process of creating and publishing new Pay Scales.

Consultations have commenced with key stakeholders to develop an agreed process to create and publish Pay Scales.

The creation of Pay Scales raises a number of complex issues that will take some time to resolve. The Commission is committed to resolving issues as they arise in a transparent and consultative fashion.

The creation of new Pay Scales will establish binding interpretations of the current notional Pay Scales assisting employers with compliance and employees to have a clear understanding of their minimum wage entitlements.

Pay Scale rationalisation

Stakeholders raised issues in relation to the complexity surrounding the proposed rationalisation of Pay Scales in feedback on the Commission's Wage-Setting Decision 1/2006 and in submissions to its 2007 review.

Some stakeholders also raised issues in relation to specific Pay Scales. Others suggested that specific issues are best considered as part of the broader process of Pay Scale rationalisation.

As foreshadowed in Wage-Setting Decision 1/2006, the Commission will commence the rationalisation of Pay Scales later this year. The process will commence with the release of an Issues Paper around September this year. The Paper will inform interested parties about the issues for consideration, and will assist stakeholders to consider how the rationalisation process may affect them. Submissions in response to the Paper will be requested and considered by the Commission.

Executive summary

Monitoring Commission decisions and future research

Section 24 of the WR Act provides that, in performing its wage-setting function, the Commission may inform itself in any way it thinks appropriate including by “monitoring and evaluating the impact of its wage-setting decisions”.

The Commission recognises the short period of time between the effective date of Wage-Setting Decision 1/2006 and the commencement of the process to conduct the 2007 review of minimum wages.

The Commission is aware of the need to provide a robust and transparent process by which to monitor the effects of its decisions. To this end, two research projects have been commissioned to assist in developing a monitoring strategy.

The Australian Fair Pay Commission Secretariat will continue the Stakeholder Research Consultative Committee, through which stakeholders can provide advice on the future research agenda. The Commission has also invited all state and territory governments to be represented on the Stakeholder Research Consultative Committee to ensure that their research priorities can be considered.

The Australian Fair Pay Commission Secretariat will undertake further consultation with stakeholders and seek advice on priority areas of research to assist in informing the Commission's decisions on research priorities.

The Commission will continue to convene meetings of the Disability Round Table. This group, which represents key stakeholders in the disability sector, has provided invaluable input into the Commission's consideration of issues affecting workers with a disability.

Executive summary

Future wage-setting decisions

The Commission is committed to maintaining an open, robust and transparent process and will continue to consult widely with all sectors. In order for stakeholders and the Australian people to have certainty regarding the timing of the Commission's process for future wage reviews, the Commission has committed to an annual general wage review process.

Wage-setting decisions will be announced in July each year, with an implementation date in October of that year. The Commission will publish each year the process for consultations, submissions and research which will inform its wage-setting decisions.

The Commission has received submissions in relation to the review of minimum wages in the real estate sector.

The Commission is considering submissions received and will announce its real estate sector decision in the near future.



Australian Fair Pay Commission

Wage-Setting Decision 2/2007

Wage-Setting Decision 3/2007

Wage-Setting Decision 4/2007

July 2007

Wage-Setting Decision 2/2007

On 20 June 2007 we, Ian Harper (Chairman), and Hugh Armstrong, Patrick McClure, Mike O'Hagan, and Judith Sloan (Commissioners), collectively comprising the Australian Fair Pay Commission, acting pursuant to the powers conferred on the Australian Fair Pay Commission by section 216 of the *Workplace Relations Act 1996* (the Act) make the following decision to be known as Australian Fair Pay Commission Wage-Setting Decision 2/2007.

Interpretation

In this decision:

“*Pay Scale*” means an Australian Pay and Classification Scale.

Commencement of decision

The decision comes into operation in relation to an employee on the day that, and immediately before, Wage-Setting Decision 3/2007 takes effect in relation to that employee.

A Adjustment of Pay Scales

A1 New classification provision

The Pay Scales listed in Schedule A to this Decision are adjusted by including the following classification provision:

Exceptional circumstances employees - classification

An exceptional circumstances employee is an employee who, at a particular point in time:

- (a) is engaged by a primary producer who is in receipt of the primary producers' Exceptional Circumstances Interest Rate Subsidy; and
- (b) performs work for this primary producer in an Exceptional Circumstances Declared Area, as declared by the Minister for Agriculture, Fisheries and Forestry.

A2 New rate provision

The Pay Scales listed in Schedule A to this Decision are adjusted by including the following rate provision:

Exceptional circumstances employees - rate of pay

The basic rate of pay that applies to an exceptional circumstances employee is the rate that would have been applicable to that employee under this Australian Pay and Classification Scale on 30 September 2007 if the employee had, at that time, been in their current circumstances of employment.

A3 Reasons for this decision

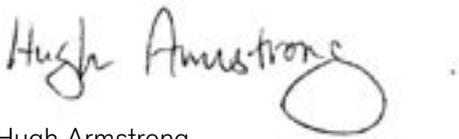
Section 2 of this publication provides the reasons for the decision.

Note: See Decision 4/2007, which will cease the effect of this decision on 1 October 2008.

On 20 June 2007 we, Ian Harper (Chairman), and Hugh Armstrong, Patrick McClure, Mike O'Hagan, and Judith Sloan (Commissioners), collectively comprising the Australian Fair Pay Commission, make this decision to be known as Australian Fair Pay Commission Wage-Setting Decision 2/2007.



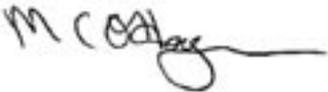
Ian R. Harper
Chairman



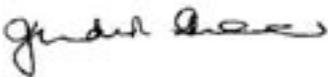
Hugh Armstrong
Commissioner



Patrick McClure, AO
Commissioner



Mike O'Hagan
Commissioner



Judith Sloan
Commissioner

Schedule A

The specified Australian Pay and Classification Scales are as follows:

Federal

The Australian Pay and Classification Scale derived from the Pastoral Industry Award 1998, AP792378CRV

The Australian Pay and Classification Scale derived from the Horticultural AWU Award 2000, AP784867CRV

The Australian Pay and Classification Scale derived from the Woolclassers' Award 1999, AP802323

New South Wales

The Australian Pay and Classification Scale derived from the Cotton Growing (State) Employees Award, AN120161

The Australian Pay and Classification Scale derived from the Dairying Industry Employees (State) Award, AN120176

The Australian Pay and Classification Scale derived from the Horticultural (State) Award, AN120247

The Australian Pay and Classification Scale derived from the Pastoral Industry (State) Award, AN120408

The Australian Pay and Classification Scale derived from the Breeding and Raising of Pigs (State) Award, AN120084

The Australian Pay and Classification Scale derived from the Horticultural (State) Award, AN120247

The Australian Pay and Classification Scale derived from the Poultry Farms Employees (State) Award, AN120426

The Australian Pay and Classification Scale derived from the Mushroom Industry Employees (State) Award, AN120357

The Australian Pay and Classification Scale derived from the Consolidated Wine Industry (State) Award, AN120649

South Australia

The Australian Pay and Classification Scale derived from the Pastoral Industry (SA) Award, AN150104

Queensland

The Australian Pay and Classification Scale derived from the Cotton Harvesting Award – State 2003, AN140087

The Australian Pay and Classification Scale derived from the Feedlot Industry Award- State 2006, AN140324

The Australian Pay and Classification Scale derived from the Fruit and Vegetable Growing Industry Award – State 2002, AN140126

The Australian Pay and Classification Scale derived from the Pig Breeding and Raising Award – State 2003, AN140210

The Australian Pay and Classification Scale derived from the Poultry Farm and Hatchery Employees' Award – State 2002, AN140216

The Australian Pay and Classification Scale derived from the Station Hands Award –State 2003, AN140277

The Australian Pay and Classification Scale derived from the Sugar Field Sector Award – State 2005, AN140282

The Australian Pay and Classification Scale derived from the Shearing Industry Award –State 2003, AN140272

The Australian Pay and Classification Scale derived from the Wool Classers and Wool Sorters (other than wool classers and wool sorters employed in shearing sheds) Award South Eastern Division -2003, AN140318

Western Australia

The Australian Pay and Classification Scale derived from the Western Australia Shearing Contractors' (AWU) Award 2002, AP816728

The Australian Pay and Classification Scale derived from the Farm Employee's Award 1985, AN160126

Tasmania

The Australian Pay and Classification Scale derived from the Farming and Fruit Growing Award, AN170032¹.

¹On 29 May 2007, an application was lodged to have areas within Tasmania declared Exceptional Circumstances Areas.

Wage-Setting Decision 3/2007

On 20 June 2007 we, Ian Harper (Chairman), and Hugh Armstrong, Patrick McClure, Mike O'Hagan, and Judith Sloan (Commissioners), collectively comprising the Australian Fair Pay Commission, acting pursuant to the powers conferred on the Australian Fair Pay Commission by sections 196, 197, 216, and 864 of the *Workplace Relations Act 1996* (the Act) make the following decision to be known as Australian Fair Pay Commission Wage-Setting Decision 3/2007.

Interpretation

In this decision:

“adult basic periodic rate of pay” means a basic periodic rate of pay that is not a basic periodic rate of pay expressly applying to:

- (a) all junior employees or a class of junior employee; or
- (b) all employees to whom training arrangements apply or a class of employee to whom training arrangements apply; or
- (c) all employees with a disability or a class of employee with a disability;

“basic periodic rate of pay” means a basic periodic rate of pay contained in a Pay Scale;

“basic piece rate of pay” means a basic piece rate of pay contained in a Pay Scale;

“exceptional circumstances employee” has the same meaning as in Wage-Setting Decision 2/2007;

“Pay Scale” means an Australian Pay and Classification Scale other than the Pay Scale that is derived from the Social and Community Services Employees (State) Award (NSW).

Commencement of decision

This wage-setting decision comes into operation in relation to an employee at the commencement of the employee's first pay period on or after 1 October 2007.

Note: The reference to 'pay period' in the commencement provision is a reference to the pay period according to which the employee was being paid immediately before 1 October 2007.

A General Decision – Standard Federal Minimum Wage

A1 Adjustment to the standard Federal Minimum Wage

Pursuant to section 196 of the Act, the standard Federal Minimum Wage is increased by \$0.27 per hour. The standard Federal Minimum Wage is increased from \$13.47 per hour to \$13.74 per hour.

B Special Federal Minimum Wages

B1 Adjustment to special Federal Minimum Wage No. 1

New special Federal Minimum Wage No.1 - Employees with a disability who are able to earn full adult, junior or trainee wages as the effects of their disability do not impact on their productive capacity, as determined by Section G of Wage-Setting Decision 1/2006, is increased from \$13.47 per hour to \$13.74 per hour.

B2 Amendment to paragraph 4.1 of the special Federal Minimum Wage No. 2

New special Federal Minimum Wage No. 2 – Employees with a disability who are unable to perform the range of duties to the competence level required because of the effects of a disability on their productive capacity – and are not currently covered by a Pay Scale determined by Section G of Wage-Setting Decision 1/2006 (“special FMW No. 2”) is amended as follows:

(a) Paragraph 4.1 of special FMW No. 2 is deleted and is replaced by the following paragraph:

4.1 The minimum hourly rate payable to an employee in respect of whom an assessment has been made is the percentage of the standard FMW (as adjusted from time to time) that applies to the employee in accordance with the following table:

Assessed productive capacity	% of standard FMW
10%	10%
20%	20%
30%	30%
40%	40%
50%	50%
60%	60%
70%	70%
80%	80%
90%	90%

C General Decision – Wage adjustment to basic periodic rates of pay

C1 Adjustment to basic periodic rates of pay

Basic periodic rates of pay, other than those rates specifically adjusted by Section D of this wage-setting decision, are increased in the following way:

(a) basic periodic rates of pay of up to, and including, \$18.42 per hour are increased by \$0.27 per hour; and

(b) basic periodic rates of pay more than \$18.42 per hour are increased by \$0.14 per hour.

D Wage adjustment to basic periodic rates of pay and basic piece rates of pay

D1 Where a pre-reform wage instrument specified a rate of pay by a formula or method that refers to another rate of pay

Where a basic periodic rate of pay or a basic piece rate of pay was derived from a rate in a pre-reform wage instrument that, immediately before 27 March 2006, was determined in accordance with a formula or method which referred to another rate of pay, then the basic periodic rate of pay or the basic piece rate of pay is increased by applying that formula or method to the basic periodic rate of pay or basic piece rate of pay derived from that other rate of pay (as it was immediately before this wage-setting decision), after that derived rate of pay has been increased by Section C or Section D, as applicable, of this wage-setting decision.

D2 Where a pre-reform wage instrument specified a rate of pay as a flat monetary amount and how that monetary amount was to be increased

Where a basic periodic rate of pay or basic piece rate of pay was derived from a rate in a pre-reform wage instrument that, immediately before 27 March 2006, was expressed as a flat monetary amount and the pre-reform wage instrument specified how that flat monetary amount was to be increased, then:

- (a) where the specification of how the flat monetary amount was to be increased included a reference to another rate of pay, the basic periodic rate of pay or basic piece rate of pay is increased in the manner specified, by reference to the basic periodic rate of pay or basic piece rate of pay derived from that other rate of pay (as it was immediately before this wage-setting decision), after that derived rate has been increased by Section C or Section D, as applicable, of this wage-setting decision; and
- (b) where the specification of how the flat monetary amount was to be increased did not include a reference to another rate of pay, the basic periodic rate of pay or basic piece rate of pay is increased in the manner so specified to give effect to the increase provided for in Section C of this wage-setting decision.

D3 Junior rates of pay not otherwise adjusted by a formula

Where a basic periodic rate of pay that expressly applies to all junior employees or a class of junior employee was derived from a rate of pay in a pre-reform wage instrument that, immediately before 27 March 2006, was expressed only as a flat monetary amount and no formula or method for setting or increasing the rate was specified, then either:

- (a) where there is a relevant adult basic periodic rate of pay in the relevant Pay Scale, the junior rate of pay is increased so as to maintain its proportion to the lowest relevant adult rate, as increased by Section C or Section D, as applicable, of this wage-setting decision; or
- (b) where the relevant Pay Scale does not specify such a relevant adult rate, the junior rate of pay is increased so as to maintain its proportion to the lowest adult basic periodic rate of pay in the Pay Scale (after that adult rate has been increased by Section C or Section D, as applicable, of this wage-setting decision).

D4 Apprentice rates of pay not otherwise adjusted by a formula

Where:

- (a) a basic periodic rate of pay expressly applies to all apprentices or a class of apprentice; and

(b) that rate was derived from a rate of pay in a pre-reform wage instrument that, immediately before 27 March 2006, was expressed only as a flat monetary amount; and

(c) no formula or method for setting or increasing the rate was specified;

that basic periodic rate of pay is increased so as to maintain its proportion to the base tradesperson's basic periodic rate of pay (after that tradesperson's rate has been increased by Section C or Section D, as applicable, of this wage-setting decision) for the trade to which the apprentice rate applies.

D5 Traineeships

National Training Wage Traineeships and related traineeships

(1) A basic periodic rate of pay that expressly applies to:

(a) National Training Wage Traineeships; or

(b) related traineeships, including related state training wage traineeships;

is replaced with the corresponding basic periodic rate specified in Schedule A to this wage-setting decision.

Other Traineeships

(2) A basic periodic rate of pay that expressly applies to all or a class of employees to whom training arrangements apply and that is not otherwise adjusted by Section D of this wage-setting decision is:

(a) adjusted in the manner set out in either subclause D5(3) or D5(4), as applicable; and

(b) is not increased by Section C of this wage-setting decision.

(3) A basic periodic rate of pay referred to in subclause D5(2) that:

(a) is contained in a Pay Scale that sets out rates that are expressly applicable to an employee who has obtained the qualification to which the training arrangement applies ("the relevant fully qualified rate"); and

(b) after being increased by Section C or Section D, as applicable, of this wage-setting decision, is equal to, or greater than, the standard Federal Minimum Wage (as increased by Section A of this wage-setting decision);

is adjusted so that its proportion to the relevant fully qualified rate as increased by Section C or Section D, as applicable, of this wage-setting decision is the same as its proportion was to the relevant fully qualified rate immediately before Wage-Setting Decision 1/2006.

(4) Where a basic periodic rate of pay referred to in subclause D5(2) is contained in a Pay Scale:

(a) that does not specify a relevant fully qualified rate; or

(b) that specifies a relevant fully qualified rate, but that rate after being increased by Section C or Section D as applicable of this wage-setting decision, is lower than the standard Federal Minimum Wage (as increased by Section A of this wage-setting decision);

it is adjusted so that its proportion to the standard Federal Minimum Wage (as increased by Section A of this wage-setting decision) is the same as the proportion the basic periodic rate of pay (as it was on 27 March 2006) had to the standard Federal Minimum Wage on 27 March 2006.

D6 Disability wages expressed as a flat dollar amount with no formula or method of adjustment

Where a basic periodic rate of pay expressly applies to all employees with a disability or a class of employee with a disability, and that rate was derived from a rate of pay in a pre-reform wage instrument that, immediately before 27 March 2006, was expressed only as a flat monetary amount and no formula or method for setting or increasing the rate was specified:

- (a) where it is below the standard Federal Minimum Wage (as it was immediately before this wage-setting decision), it is increased so as to maintain its proportion to the standard Federal Minimum Wage; and
- (b) where it is equal to or greater than the standard Federal Minimum Wage (as it was immediately before this wage-setting decision), it is increased by \$0.27 per hour, which is the same increase as is applied to the standard Federal Minimum Wage by this wage-setting decision.

D7 Basic piece rates of pay expressed as flat monetary amounts with no formula or method of adjustment

Where a basic piece rate of pay was derived from a rate of pay in a pre-reform wage instrument that, immediately before 27 March 2006, was expressed only as a flat monetary amount and no formula or method for setting or increasing the rate was specified, the rate is increased by 2 per cent.

D8 Section 864 employees in Victoria

Pursuant to section 864 of the Act, the Pay Scales for employees in Victoria are increased according to the method set out in Section C of this wage-setting decision. In accordance with section 865 of the Act, the adjustment has no effect unless the employees are within a work classification and, has no effect in relation to a particular employee while the employee is subject to an award or agreement under the Act.

E New Special Pay Scale – Employees with a disability who are covered by a Pay Scale that does not include the Supported Wage System

E1 Section C of this wage-setting decision does not apply

The adjustments made by Section C of this wage-setting decision do not apply to the *New Special Pay Scale – Employees with a disability who are unable to perform the range of duties to the competence level required because of the effects of a disability on their productive capacity – and are currently covered by a Pay Scale that does not include the Supported Wage System*, determined by Section G of Wage-Setting Decision 1/2006.

E2 Amendment to paragraph 5.1

The *New Special Pay Scale – Employees with a disability who are unable to perform the range of duties to the competence level required because of the effects of a disability on their productive capacity – and are currently covered by a Pay Scale that does not include the Supported Wage System*, determined by Section G of Wage-Setting Decision 1/2006 is amended as follows:

- (a) Paragraph 5.1 is deleted and replaced by the following:

5.1 The minimum hourly rate payable to an employee in respect of whom an assessment has been made is the percentage of the minimum rate of pay that would otherwise apply to them under a Pay Scale (as adjusted from time to time) for the class of work which the person is performing according to the following table:

Assessed productive capacity	% of standard FMW
10%	10%
20%	20%
30%	30%
40%	40%
50%	50%
60%	60%
70%	70%
80%	80%
90%	90%

F New Special Pay Scale – Employees with a disability who are employed in business services and are not currently on a Pay Scale

F1 Section C of this wage-setting decision does not apply

The adjustments made by Section C of this wage-setting decision do not apply to the *New Special Pay Scale – Employees with a disability who are unable to perform the range of duties to the competence level required because of the effects of a disability on their productive capacity – are employed in business services and are not currently on a Pay Scale*, determined by Section G of Wage-Setting Decision 1/2006.

F2 Amendment to paragraph 4.8

Paragraph 4.8 of the *New Special Pay Scale – Employees with a disability who are unable to perform the range of duties to the competence level required because of the effects of a disability on their productive capacity – are employed in business services and are not currently on a Pay Scale*, determined by Section G of Wage-Setting Decision 1/2006 is deleted and is replaced by the following paragraph:

4.8 The following minimum hourly rates of pay apply for the purpose of calculating an employee's wage rate:

Grade	Hourly rate
Grade 1	\$13.74
Grade 2	\$14.18
Grade 3	\$14.77
Grade 4	\$15.32
Grade 5	\$16.21
Grade 6	\$17.80
Grade 7	\$18.57

G Calculation of adjustments

G1 Calculation of hourly adjustment

Hourly rates are adjusted to the nearest cent (with 0.5c and above being taken upwards).

H Exceptional Circumstances Employees

H1 Adjustments to Exceptional Circumstances Employees

The adjustments made by this wage-setting decision do not apply to any rates of pay of exceptional circumstances employees in the Pay Scales listed in Schedule B to this wage-setting decision.

I Reasons for Decision

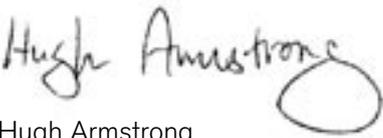
I1 Reasons for this wage-setting decision

Sections 1 to 7 of this publication provide the reasons for this wage-setting decision.

On 20 June 2007 we, Ian Harper (Chairman), and Hugh Armstrong, Patrick McClure, Mike O'Hagan, and Judith Sloan (Commissioners), collectively comprising the Australian Fair Pay Commission, make this decision to be known as Australian Fair Pay Commission Wage-Setting Decision 3/2007.



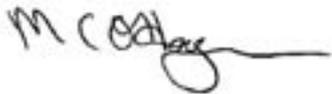
Ian R. Harper
Chairman



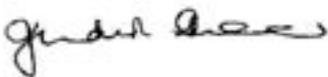
Hugh Armstrong
Commissioner



Patrick McClure, AO
Commissioner



Mike O'Hagan
Commissioner



Judith Sloan
Commissioner

NATIONAL TRAINING WAGE OR STATE TRAINING WAGE BASIC PERIODIC RATES OF PAY

FULL-TIME TRAINEES

These rates are derived from a 38 hour week. Where the ordinary full time weekly hours prescribed in the industrial instrument which covers the trainee are not 38, the appropriate hourly rate is obtained by multiplying the rate in the following tables by 38 and then dividing by the ordinary full time weekly hours that are prescribed in the industrial instrument which covers the trainee.

Wage/Skill Level A

Where the accredited training course and work performed are for the purpose of generating skills which have been defined for work at Wage/Skill Level A.

	Highest year of schooling completed		
	Year 10	Year 11	Year 12
	\$	\$	\$
School leaver	4.87 (50%)*	6.08 (33%)	
	5.69 (33%)	6.83 (25%)	
	6.22	6.83	8.22
Plus 1 year out of school	6.83	8.22	9.54
Plus 2 years	8.22	9.54	11.11
Plus 3 years	9.54	11.11	12.72
Plus 4 years	11.11	12.72	
Plus 5 or more years	12.72		

Wage/Skill Level B

Where the accredited training course and work performed are for the purpose of generating skills which have been defined for work at Wage/Skill Level B.

	Highest year of schooling completed		
	Year 10	Year 11	Year 12
	\$	\$	\$
School leaver	4.87 (50%)*	6.08 (33%)	
	5.69 (33%)	6.83 (25%)	
	6.22	6.83	7.96
Plus 1 year out of school	6.83	7.96	9.14
Plus 2 years	7.96	9.14	10.75
Plus 3 years	9.14	10.75	12.25
Plus 4 years	10.75	12.25	
Plus 5 or more years	12.25		

Wage/Skill Level C

Where the accredited training course and work performed are for the purpose of generating skills which have been defined for work at Wage/Skill Level C.

	Highest year of schooling completed		
	Year 10	Year 11	Year 12
	\$	\$	\$
School leaver	4.87 (50%)*	6.08 (33%)	
	5.69 (33%)	6.83 (25%)	
	6.22	6.83	7.88
Plus 1 year out of school	6.83	7.88	8.84
Plus 2 years	7.88	8.84	9.89
Plus 3 years	8.84	9.89	11.06
Plus 4 years	9.89	11.06	
Plus 5 or more years	11.06		

* Figures in brackets indicate the average proportion of time spent in approved training to which the associated basic periodic rate of pay is applicable. Where not specifically indicated the average proportion of time spent in structured training which has been taken into account in setting the rate is 20 per cent.

School based traineeships

	Year of schooling	
	Year 11	Year 12
School based traineeships in Wage/Skill Levels A, B and C	\$6.22	\$6.83

Wage Rates for Certificate IV Traineeships

A trainee who is undertaking an AQF IV traineeship will receive the relevant weekly wage rate for AQF III trainees at Wage Levels A, B or C as applicable with the addition of 3.8 per cent of that wage rate.

An adult trainee who is undertaking a traineeship for an AQF IV qualification shall receive the following basic periodic rates of pay as applicable based on the allocation of AQF III qualifications:

	First Year of Traineeship	Second Year of Traineeship
	\$	\$
Wage/Skill Level A	13.20	13.70
Wage/Skill Level B	12.72	13.20
Wage/Skill Level C	11.48	11.92

PART TIME TRAINEESHIPS

Wages

The tables set out below are the basic periodic rates of pay where the training is either fully off-the-job or where 20 per cent of time is spent in approved training. These rates are derived from a 38 hour week. Where the ordinary full time weekly hours prescribed in the industrial instrument which covers the trainee are not 38, the appropriate hourly rate is obtained by multiplying the rate in the following tables by 38 and then dividing by the ordinary full time weekly hours that are prescribed in the industrial instrument which covers the trainee.

Table 1 : Trainees who have left school (\$ per hour)

Wage/Skill Level A	Highest year of schooling completed		
	Year 10	Year 11	Year 12
School leaver	7.78	8.54	10.28
Plus 1 year out of school	8.54	10.28	11.93
Plus 2 years	10.28	11.93	13.89
Plus 3 years	11.93	13.89	15.90
Plus 4 years	13.89	15.90	
Plus 5 or more years	15.90		

Wage/Skill Level B	Highest year of schooling completed		
	Year 10	Year 11	Year 12
School leaver	7.78	8.54	9.95
Plus 1 year out of school	8.54	9.95	11.43
Plus 2 years	9.95	11.43	13.44
Plus 3 years	11.43	13.44	15.31
Plus 4 years	13.44	15.31	
Plus 5 or more years	15.31		

Wage/Skill Level C	Highest year of schooling completed		
	Year 10	Year 11	Year 12
School leaver	7.78	8.54	9.85
Plus 1 year out of school	8.54	9.85	11.05
Plus 2 years	9.85	11.05	12.36
Plus 3 years	11.05	12.36	13.83
Plus 4 years	12.36	13.83	
Plus 5 or more years	13.83		

Table 2 : School based traineeships (\$ per hour)

	Year of Schooling	
	Year 11	Year 12
Wage/Skill Levels A, B and C	7.78	8.54
20% Loading*	9.34	10.25

* The 20% loading basic periodic rates of pay for Years 11 and 12 are 20 per cent higher than the Year 11 and 12 rates for Wage/Skill Levels A, B and C. These rates apply where the trainee has agreed to be paid an additional 20% loading on all ordinary hours in lieu of annual leave, sick leave, personal leave and public holidays. Where a trainee is called to work on a public holiday the provisions of the relevant award still apply.

Table 3 : Basic periodic rates of pay for part time Certificate IV traineeships (\$ per hour):

An adult trainee who is undertaking a part time traineeship for an AQF IV qualification shall receive the following basic periodic rates of pay as applicable based on the allocation of AQF III qualifications:

	First Year of Traineeship	Second Year of Traineeship
	\$	\$
Wage/Skill Level A	16.50	17.13
Wage/Skill Level B	15.89	16.49
Wage/Skill Level C	14.36	14.91

Schedule B

The specified Australian Pay and Classification Scales are as follows:

Federal

- The Australian Pay and Classification Scale derived from the Pastoral Industry Award 1998, AP792378CRV
- The Australian Pay and Classification Scale derived from the Horticultural AWU Award 2000, AP784867CRV
- The Australian Pay and Classification Scale derived from the Woolclassers' Award 1999, AP802323

New South Wales

- The Australian Pay and Classification Scale derived from the Cotton Growing (State) Employees Award, AN120161
- The Australian Pay and Classification Scale derived from the Dairying Industry Employees (State) Award, AN120176
- The Australian Pay and Classification Scale derived from the Horticultural (State) Award, AN120247
- The Australian Pay and Classification Scale derived from the Pastoral Industry (State) Award, AN120408
- The Australian Pay and Classification Scale derived from the Breeding and Raising of Pigs (State) Award, AN120084
- The Australian Pay and Classification Scale derived from the Horticultural (State) Award, AN120247
- The Australian Pay and Classification Scale derived from the Poultry Farms Employees (State) Award, AN120426
- The Australian Pay and Classification Scale derived from the Mushroom Industry Employees (State) Award, AN120357
- The Australian Pay and Classification Scale derived from the Consolidated Wine Industry (State) Award, AN120649

South Australia

- The Australian Pay and Classification Scale derived from the Pastoral Industry (SA) Award, AN150104

Queensland

The Australian Pay and Classification Scale derived from the Cotton Harvesting Award – State 2003, AN140087

The Australian Pay and Classification Scale derived from the Feedlot Industry Award- State 2006, AN140324

The Australian Pay and Classification Scale derived from the Fruit and Vegetable Growing Industry Award – State 2002, AN140126

The Australian Pay and Classification Scale derived from the Pig Breeding and Raising Award – State 2003, AN140210

The Australian Pay and Classification Scale derived from the Poultry Farm and Hatchery Employees' Award – State 2002, AN140216

The Australian Pay and Classification Scale derived from the Station Hands Award –State 2003, AN140277

The Australian Pay and Classification Scale derived from the Sugar Field Sector Award – State 2005, AN140282

The Australian Pay and Classification Scale derived from the Shearing Industry Award –State 2003, AN140272

The Australian Pay and Classification Scale derived from the Wool Classers and Wool Sorters (other than wool classers and wool sorters employed in shearing sheds) Award South Eastern Division -2003, AN140318

Western Australia

The Australian Pay and Classification Scale derived from the Western Australia Shearing Contractors' (AWU) Award 2002, AP816728

The Australian Pay and Classification Scale derived from the Farm Employee's Award 1985, AN160126

Tasmania

The Australian Pay and Classification Scale derived from the Farming and Fruit Growing Award, AN170032¹.

¹ On 29 May 2007, an application was lodged to have areas within Tasmania declared Exceptional Circumstances Areas.

Wage-Setting Decision 4/2007

On 20 June 2007 we, Ian Harper (Chairman), and Hugh Armstrong, Patrick McClure, Mike O'Hagan, and Judith Sloan (Commissioners), collectively comprising the Australian Fair Pay Commission, acting pursuant to the powers conferred on the Australian Fair Pay Commission by section 216 of the *Workplace Relations Act 1996* (the Act) make the following decision to be known as Australian Fair Pay Commission Wage-Setting Decision 4/2007.

Interpretation

In this decision:

“*Pay Scale*” means an Australian Pay and Classification Scale.

Commencement of decision

This decision comes into operation on 1 October 2008.

A. Adjustment of Pay Scales

The Pay Scales listed in Schedule A are adjusted to remove the classification and rate provisions that were introduced by Wage-Setting Decision 2/2007.

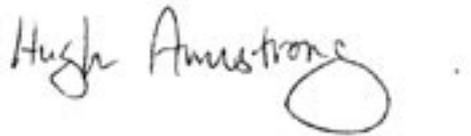
B. Reasons for Decision

Section 2 of this publication provides the reasons for the decision.

On 20 June 2007 we, Ian Harper (Chairman), and Hugh Armstrong, Patrick McClure, Mike O'Hagan, and Judith Sloan (Commissioners), collectively comprising the Australian Fair Pay Commission, make this decision to be known as Australian Fair Pay Commission Wage-Setting Decision 4/2007.



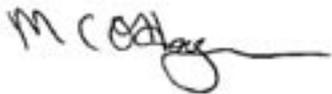
Ian R. Harper
Chairman



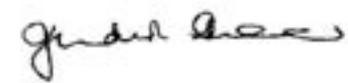
Hugh Armstrong
Commissioner



Patrick McClure, AO
Commissioner



Mike O'Hagan
Commissioner



Judith Sloan
Commissioner

Schedule A

The specified Australian Pay and Classification Scales are as follows:

Federal

The Australian Pay and Classification Scale derived from the Pastoral Industry Award 1998, AP792378CRV

The Australian Pay and Classification Scale derived from the Horticultural AWU Award 2000, AP784867CRV

The Australian Pay and Classification Scale derived from the Woolclassers' Award 1999, AP802323

New South Wales

The Australian Pay and Classification Scale derived from the Cotton Growing (State) Employees Award, AN120161

The Australian Pay and Classification Scale derived from the Dairying Industry Employees (State) Award, AN120176

The Australian Pay and Classification Scale derived from the Horticultural (State) Award, AN120247

The Australian Pay and Classification Scale derived from the Pastoral Industry (State) Award, AN120408

The Australian Pay and Classification Scale derived from the Breeding and Raising of Pigs (State) Award, AN120084

The Australian Pay and Classification Scale derived from the Horticultural (State) Award, AN120247

The Australian Pay and Classification Scale derived from the Poultry Farms Employees (State) Award, AN120426

The Australian Pay and Classification Scale derived from the Mushroom Industry Employees (State) Award, AN120357

The Australian Pay and Classification Scale derived from the Consolidated Wine Industry (State) Award, AN120649

South Australia

The Australian Pay and Classification Scale derived from the Pastoral Industry (SA) Award, AN150104

Queensland

The Australian Pay and Classification Scale derived from the Cotton Harvesting Award – State 2003, AN140087

The Australian Pay and Classification Scale derived from the Feedlot Industry Award- State 2006, AN140324

The Australian Pay and Classification Scale derived from the Fruit and Vegetable Growing Industry Award – State 2002, AN140126

The Australian Pay and Classification Scale derived from the Pig Breeding and Raising Award – State 2003, AN140210

The Australian Pay and Classification Scale derived from the Poultry Farm and Hatchery Employees' Award – State 2002, AN140216

The Australian Pay and Classification Scale derived from the Station Hands Award –State 2003, AN140277

The Australian Pay and Classification Scale derived from the Sugar Field Sector Award – State 2005, AN140282

The Australian Pay and Classification Scale derived from the Shearing Industry Award –State 2003, AN140272

The Australian Pay and Classification Scale derived from the Wool Classers and Wool Sorters (other than wool classers and wool sorters employed in shearing sheds) Award South Eastern Division -2003, AN140318

Western Australia

The Australian Pay and Classification Scale derived from the Western Australia Shearing Contractors' (AWU) Award 2002, AP816728

The Australian Pay and Classification Scale derived from the Farm Employee's Award 1985, AN160126

Tasmania

The Australian Pay and Classification Scale derived from the Farming and Fruit Growing Award, AN170032¹.

¹ On 29 May 2007, an application was lodged to have areas within Tasmania declared Exceptional Circumstances Areas.

Australian Fair Pay Commission

Reasons for Decisions

July 2007

Section 1

1. Promoting the economic prosperity of the people of Australia

The Workplace Relations Act 1996 (WR Act) assigns the Australian Fair Pay Commission (Commission) an overarching objective 'to promote the economic prosperity of the people of Australia'. More specifically, in performing its wage-setting function, the Commission must have regard to:

- the capacity of the unemployed and the 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.

The Commission requested that submissions to its 2007 minimum wage review be similarly guided by the criteria laid down for the Commission in the WR Act. In addition, these criteria guided the consultations undertaken by the Commission with stakeholders.

Views were sought directly both through submissions and focus groups. The Commission also drew on the available data and academic literature in considering the impact of Wage-Setting Decision 1/2006 and in deliberations on Wage-Setting Decision 3/2007.

Promoting the economic prosperity of the Australian people is a very broad objective, and this is reflected in the range of views and interpretations offered to the Commission in submissions and consultations.

At the broadest level, the Commission understands its role as balancing a desire for minimum wages to promote employment opportunities for unemployed and low-paid Australians with the need for minimum wages to play their part in maintaining a safety net. The Commission therefore interprets economic prosperity broadly rather than narrowly. An economically prosperous Australia is one where those seeking work have ample opportunity to participate in employment and where a safety net mitigates hardship.

As indicated in Wage-Setting Decision 1/2006, the Commission accepts that setting minimum wages 'too high' will have a detrimental effect on employment growth and could even cause unemployment to rise. On the other hand, minimum wages form part of the safety net and help to sustain the living standards of the low paid. Minimum wages therefore influence the extent to which unemployed and low-paid Australians share the economic prosperity of the wider community.

While many factors affect the economic prosperity of all Australians – including the level of minimum wages – the Commission is responsible only for setting and adjusting minimum wages for employees within its jurisdiction.

The Commission understands that unemployed and low-paid Australians are among those most directly affected by its wage-setting decisions. The Commission continues to be aware of the potential for its decisions to do more harm than good, especially to some of Australia's most vulnerable citizens.

Section 1

1.1. Impact of Wage-Setting Decision 1/2006

In considering the impact of Wage-Setting Decision 1/2006, submissions generally agree that there are limited data available at this time to allow a full assessment.

The Commission recognises the short period of time between the effective date of its first decision and the commencement of the process to conduct the 2007 review of minimum wages. Notwithstanding this, the Commission was interested to hear from stakeholders soon after the implementation of its first decision in order to better inform itself of any issues arising from that decision.

The Commission is aware of the need to provide a robust and transparent process to monitor the effects of its decisions. To this end, it has commissioned two research projects to assist in developing a monitoring strategy. The Commission has also held discussions with key stakeholders, and plans to undertake further consultation as development of the strategy progresses (see Section 7 – Future directions).

These research projects will identify relevant existing data and how these should be used to monitor wage decisions in light of the Commission's legislative wage-setting parameters. The projects will:

- consider the full range of data sources relevant to monitoring the Commission's wage-setting decisions;
- consider the capacity for existing data sources to provide relevant data, and the frequency of data release and implications for monitoring; and
- seek to identify limitations or gaps in existing information, data and research and propose research strategies to remedy those limitations and gaps.

This will ensure that in future the Commission has access to the best available data with which to inform itself, its stakeholders, and the Australian community of the impact of its earlier decisions while also informing future decisions.

While the Commission notes the impacts of its wage decisions may take some time to work their way through the economy, there are useful preliminary indicators available to assess the impact of Wage-Setting Decision 1/2006. These include:

- five months of labour force data;
- quarterly observations on inflation, labour costs, earnings, and vacancies;
- Reserve Bank of Australia (RBA) Statements on Monetary Policy; and
- the 2007-08 Australian Government Budget.

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

Submissions to the Commission's 2007 review of minimum wages continue to express the same divergence of views concerning the relationship between employment and minimum wages that was evident in submissions to the 2006 review.

Section 1

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 2006.¹ While this paper, cited by the Australian Chamber of Commerce and Industry (ACCI) and the Australian Government, does not provide any new research, it does involve a detailed review of relevant United States and international research since the early 1990s. The main findings are that:

- 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.

Of the 90 or so studies examined by Neumark and Wascher, they consider that 19 provide the more credible evidence, of which 18 point to negative employment effects. Four Australian studies² are considered but none is included in the 19.

The Organisation for Economic Co-operation and Development (OECD) also released *Going for Growth 2007* earlier this year, which presents recommendations for member countries based on analysis of structural policies across the OECD and a wide range of available labour market research. The OECD finds no evidence in general that statutory minimum wages have direct effects on aggregate employment, but nevertheless states that "a minimum wage set at a high, binding level is likely to price the least productive workers out of employment, and possibly out of the labour force..."³

The OECD notes that in Australia, employment rates for lower skilled and older workers are still relatively low. Specific recommendations include lowering the impact of low-wage traps for low-income earners, and phasing out or rationalising the system of 'award wages'.⁴

The Employers First submission includes a report from Professor Philip Lewis on the impact of minimum wages, which concludes that the minimum wage is "clearly well above" the level that would equate labour supply with labour demand, given that unemployed people in Australia tend to be low-skilled workers who would have the lowest market value.⁵

¹ D Neumark and W Wascher, *Minimum Wages and Employment: A Review of Evidence from the Minimum Wage Research*, National Bureau of Economic Research Working Paper 12663, November 2006.

² D Harding and G Harding, *Minimum Wages in Australia: An Analysis of the Impact on Small and Medium Sized Businesses*, Report to the Department of Employment and Workplace Relations, 2004; P Junankar, M Waite and G Belchamber, 'The Youth Labour Market: Anecdotes, Fables and Evidence', *Economic and Labour Relations Review*, vol. 11, supplement, 2000, pp. 159-186; A Leigh, 'Employment Effects of Minimum Wages: Evidence from a Quasi Experiment – Erratum', *Australian Economic Review*, vol. 37, pp. 102-105; J Mangan and J Johnston, 'Minimum Wages and Youth Employment', *International Journal of Social Economics*, vol. 26, nos. 1,2,3, 1999, pp. 415-429.

³ OECD, *Going for Growth 2007*, 2007, p. 133.

⁴ OECD, 2007, p. 38.

⁵ P Lewis, 'The Impact of Minimum Wages: some considerations for the Australian Fair Pay Commission in its second decision on the minimum wage', Annexure A of Employers First, *Submission to the Australian Fair Pay Commission*, March 2007, p. 64.

Section 1

Both the Australian Chamber of Commerce and Industry (ACCI) and the Australian Government cite data from the 2007 United Kingdom Low Pay Commission Report that Australia “has the highest minimum wage in the developed world”⁶ and the second highest minimum wage ‘bite’ (defined as the ratio of the minimum wage to full-time median earnings) in the OECD.⁷ On the other hand, the submission by the Joint Labor Governments notes that some countries (for example, the United Kingdom and New Zealand) have been moving towards a higher ratio as a result of recent minimum wage decisions.⁸

The relationship between the level of minimum wage increases and employment in Australia remains pivotal to the Commission. In conjunction with developing its monitoring strategy, the Commission will focus on promoting Australian research into the impact of minimum wage adjustments on labour demand.

Transitions into and out of low-paid employment

The Australian Government cites evidence from the *Household, Income and Labour Dynamics in Australia* (HILDA) survey that “[l]ow paid work can serve as an important entry point to the workforce for people who are unemployed and those who are on the fringes of the labour force.”⁹ This research:

...shows that a non-employed person who found a job in the following year was more than twice as likely to be in low paid employment as a person who was already in the workforce.

...

Once people gain a foothold in the workforce in the form of a low paid job, the chances of securing sustained employment and a higher paid job in the future increase.¹⁰

The submission also refers to a number of international studies demonstrating “that a significant proportion of low paid workers make a rapid transition to higher paid work”¹¹ and to evidence from HILDA which indicates that “the overwhelming majority of low paid workers do not remain in low paid jobs.”¹²

ACCI also emphasises the extent of upward wage mobility, citing evidence that the majority of low-paid employees “do not remain low paid, instead moving to higher paid work a year or two later.”¹³ It also notes that:

Much of the research cited by the AFPC only looks at movement over a short timeframe of a couple of years. This masks the number of employees who remain on low pay for a slightly longer period but then move up the income scale.¹⁴

⁶ ACCI, *2007 Minimum Wage Review: ACCI Submission*, March 2007, p. 244. Ireland has since moved above Australia after their minimum wage was increased in January 2007.

⁷ Australian Government, *Submission to the Australian Fair Pay Commission Minimum Wage Review*, 30 March 2007, p. 22, para. 4.7.

⁸ Joint Labor Governments (VIC, SA, WA, TAS, ACT, NT), *Submission to the Australian Fair Pay Commission 2007*, March 2007, p. 40.

⁹ Australian Government, 2007, p. 30, para. 5.15.

¹⁰ Australian Government, 2007, p. 31, paras 5.18-5.19.

¹¹ Australian Government, 2007, p. 43, para. 6.16. The Australian Government cites W E Evan and D A Macpherson, ‘The wage and employment dynamics of minimum wage workers’, *Southern Economic Journal*, 69, pp. 676-690 (no year given); M K Jones, R J Jones, P D Murphy and P J Sloane, ‘The Dynamics of the National Minimum Wage: Transitions Between Labour Market States’, Institute for the Study of Labor (IZA), Discussion Paper No. 1690, July 2005.

¹² Australian Government, 2007, p. 53, para. 6.43.

¹³ ACCI, 2007, p. 263, para. 9.29.

¹⁴ ACCI, 2007, p. 264, para. 9.33.

Section 1

A contrary view is presented in the submissions of the Joint Labor Governments and the Australian Council of Social Service (ACOSS). These submissions question whether low-paid work and casual work (most of which is low-paid) necessarily lead to better jobs:

'...the labour market experience and outcomes for low-paid workers is [sic] not homogenous. For some of the low paid, entry into the labour market represents the first step on a career of progressing to higher-paid jobs, while for others, low-paid jobs represent a temporary entry into the labour market between other commitments. However, a substantial proportion of workers are in low-paid work because those jobs provide the only available source of employment. For these workers, the importance of minimum wage increases to maintain living standards is essential.'¹⁵

'...people who were formerly jobless who obtain a low paid or casual job have about an equal chance of moving up in the next year to a higher paying or permanent job, or falling back into joblessness. Their chances of moving up are much lower than those of low paid or casual employees who were not recently unemployed, suggesting that unemployment has a 'scarring effect' that endures for at least a few years after they get a job. A substantial minority remain in low paid or casual employment from year to year.'¹⁶

The labour market cannot guarantee that a person who enters low-paid employment will progress to higher-paid employment over time, nor that a person employed in a casual or part-time capacity will progress to more secure or substantial employment. However, if minimum wage increases were to reduce the overall availability of low-paid work or the willingness of employers to offer jobs to people who have been out of work for some time, this would clearly exacerbate unemployment whatever definition of unemployment were adopted.

Commissioned focus group research shows that for many, low-paid jobs were seen as a stepping stone. Being able to 'get your foot in the door' and 'having something on your resume' and recent work experience was a motivator.¹⁷

Minimum wages and work incentives

ACOSS argues that higher minimum wages are important to encourage workforce participation:

ACOSS has consistently argued that minimum wage benchmarks should be set at a level of income adequacy substantially above poverty levels...consistent with Australian practice for many years, and necessary to preserve work incentives for jobless people on income support.¹⁸

However, ACCI contends that high minimum wage rates may promote labour force participation by the least vulnerable at the expense of the most vulnerable:

¹⁵ Joint Labor Governments, 2007, p. 57.

¹⁶ ACOSS, *Submission to the Fair Pay Commission on Minimum Wages*, April 2007, p. 37. ACOSS cites Y Dunlop, 'Low-paid employment in the Australian labour market, 1995-97' in J Borland, B Gregory and P Sheehan (eds) *Work Rich, Work Poor: Inequality and economic change in Australia*, Centre for Strategic Economic Studies, Victoria University, Melbourne, 2001; Productivity Commission, 'The Role of Non-Traditional Work in the Australian Labour Market', Commission Research Paper, Melbourne 2006; S McGuinness, J Freebairn and K Mavromaras, *Characteristics of minimum wage employees*, Melbourne Institute of Applied Economic and Social Research, report commissioned by AFPC, 2006.

¹⁷ For further information, see Appendix A – Consultation.

¹⁸ ACOSS, 2007, p 3.

Section 1

If minimum wages increase participation, this will largely mean that the less well off are displaced from jobs by the better off. Freeman (1996) notes that if employers prefer workers from middle income households over those from low income households then the increased labour supply from a higher minimum wage will result in workers from middle income families displacing workers from lower income families. This will perversely increase poverty and inequality.¹⁹

The Australian Government reaffirms its position that incentives to take up low-paid work remain strong, based on modelling conducted for its submission to the Commission's first wage review in 2006:

The modelling established that of the household scenarios analysed, incentives to take on low paid work were highest for single adults and lone parents with one child. While financial incentives to take on a low paid job were lower for couples and some lone parent households with dependents, they were still substantial.²⁰

Commissioned focus group research also identifies a range of factors that influence a person's decision to participate in the workforce. For many people, the interaction with the tax/transfer system influences their decision to participate.

2007-08 Budget changes

The 2007-08 Australian Government Budget contains a number of measures that improve disposable incomes of low-paid Australians and increase incentives for people to take low-paid work. Lower-paid employees will pay less tax in 2007-08 as a result of:

- an increase in the income threshold from which the 30 per cent tax rate applies from \$25 000 to \$30 000;
- an increase in the Low Income Tax Offset from \$600 to \$750;
- an increase in the Dependent Spouse Tax Offset from \$1655 to \$2100; and
- Consumer Price Index (CPI) linked increases in the Medicare low-income thresholds.

The effects of these changes on the tax liabilities of households with one employee earning either 100 or 150 per cent of the standard Federal Minimum Wage (FMW) are summarised in Table 1.1.

Table 1.1: Reductions in tax liabilities in 2007-08, various households earning low wages

Employee household type	TAX CUT (\$PW) AT LOW-WAGE BENCHMARK	
	Standard FMW (\$511.86 pw)	150% FMW (\$767.79 pw)
Single, no children	8.79	21.16
Single-earner couple, no children	13.77	29.71
Single-earner couple, two children aged 6-12	8.79	21.16
Single parent, one child aged 7	22.76	21.16

Source: AFPC modelling

Assumptions:

Households paying sufficient private rent to receive maximum rent assistance, where applicable.

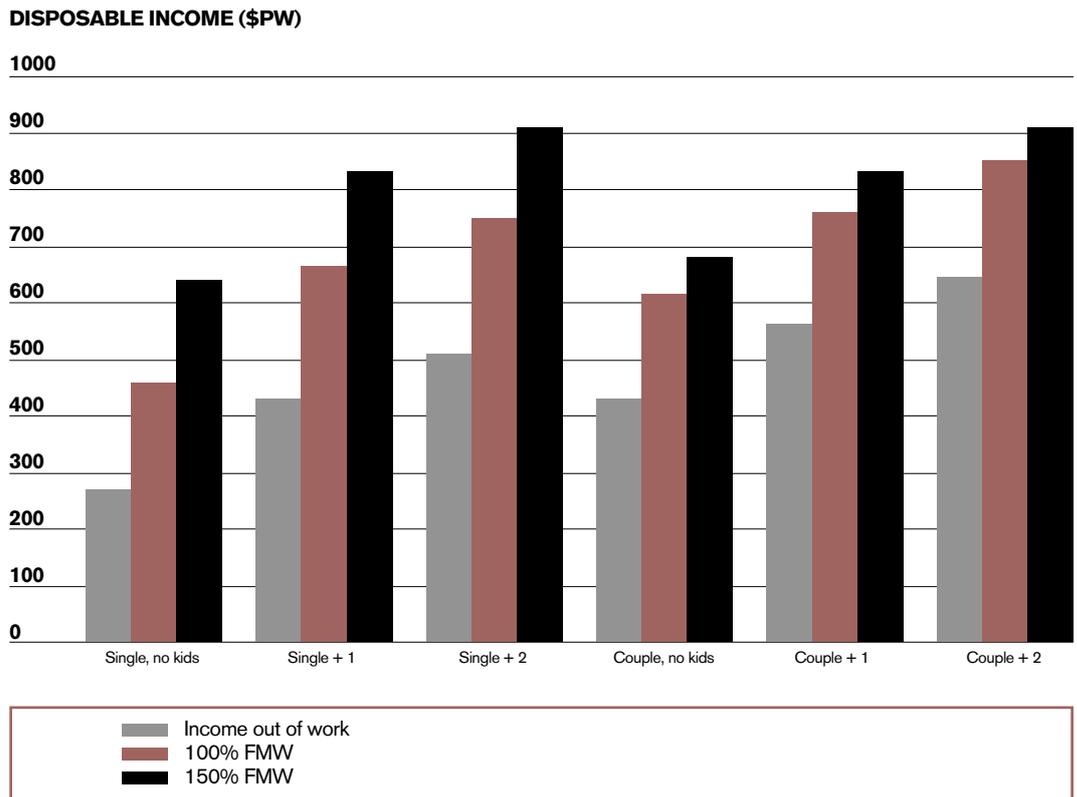
¹⁹ ACCI, 2007, p. 252, para. 8.29(f). ACCI cites R Freeman, 'The Minimum Wage as a Redistributive Tool', *Economic Journal*, vol. 106, no. 436, pp. 639-649.

²⁰ Australian Government, 2007, p. 34, para. 5.31.

Section 1

In combination with the December 2006 increase in the minimum wage, these tax cuts improve the financial incentive to enter low-paid work. This is demonstrated by Figure 1.1 which compares incomes when out of work with disposable incomes when one person earns either 100 per cent or 150 per cent of the standard FMW.

Figure 1.1: Disposable incomes, out of work and at 100 per cent and 150 per cent of the standard FMW, July 2007



Source: AFPC modelling
 Assumptions:
 FMW = \$511.86 per week.
 Tax/transfer parameters as at 1 July 2007.
 Couples have only one earner.
 Children are aged 8–12 years.
 Households paying sufficient private rent to receive maximum rent assistance, where applicable.

Relative to the situation in November 2006, for the family situations modelled:

- incomes for those out of work have increased only marginally – by between \$2.10 per week (for a single person without children) and \$10.82 per week (for a couple with two children);
- incomes at 100 per cent of the standard FMW have increased by between \$17.22 and \$34.47 per week; and
- incomes at 150 per cent of the standard FMW have increased by between \$39.37 and \$54.50 per week.

An alternative perspective on the improvement in work incentives can be gained by looking at the replacement rates offered by income support (that is, the ratio of a family's disposable income when out of work compared to its disposable income when in work).

Section 1

Table 1.2 summarises changes in replacement rates between November 2006 and July 2007 for the same family types represented in Figure 1.1. This shows that replacement rates have fallen by between one and three percentage points for families with one earner on the standard FMW, and by two to four percentage points for families with one earner on 150 per cent of the standard FMW.

Table 1.2 Income support replacement rates for various illustrative families with a single earner on 100 per cent or 150 per cent of the standard FMW, November 2006 and July 2007

Family type	REPLACEMENT RATE (%) @ FMW		REPLACEMENT RATE (%) @ 150 PER CENT FMW	
	November 2006	July 2007	November 2006	July 2007
Single, no children	61	58	45	41
Single, one child	67	65	54	51
Single, two children	71	69	58	56
Couple, no children	71	70	67	64
Couple, one child	74	73	70	67
Couple, two children	77	76	73	70

Source and Assumptions: see Figure 1.1

Some low-paid workers will also face lower work-related costs as a result of improvements to childcare subsidies.²¹ However, despite these costs, commissioned focus group research indicates that, for many people, the prospect of taking a low-paid job to enhance skills and transition to a higher-paid job, can be a considerable incentive to participate in the workforce. Many people saw this as an investment in their future.

Effective marginal tax rates

A number of submissions, including those from the Australian Council of Trade Unions (ACTU) and ACCI, refer to commissioned research on effective marginal tax rates (EMTRs) by Harding et al²² and either support or reject the conclusions reached.

The ACTU supports the research:

The ACTU welcomes the outcome of this research commissioned by AFPC. It answers, and in our view, puts to rest claims that minimum wages increases are not effective in assisting low paid workers. On the basis of this NATSEM [National Centre for Social and Economic Modelling] research, the AFPC can have confidence that real wage increases assist low wage workers.²³

ACCI, however, questions the research:

The AFPC largely finds that most households face low EMTRs...ACCI considers that this finding is contradicted by other research findings by the AFPC. In addition, there are some gaps in the research purporting to show EMTRs are low.²⁴

²¹ Mal Brough, Minister for Families, Community Services and Indigenous Affairs, *Families to Reap the Benefit of a \$2.1 Billion Child Care Investment*, Press Release (May 8, 2007).

²² A Harding, A Payne, Q Ngu Vu and R Percival, *Interactions between wages and the tax/transfer system*, NATSEM, report commissioned by AFPC, 2006.

²³ ACTU, *Australian Council of Trade Unions Submission to the Australian Fair Pay Commission*, March 2007, p. 52.

²⁴ ACCI, 2007, p. 261. ACCI cites AFPC, *Wage Setting Decision and Reasons for Decision*, Commonwealth of Australia, October 2006, p. 261, para. 9.16.

Section 1

The ACTU also notes a recent OECD report which finds that some Australian families do face high EMTRs, but concludes that such families are in the minority:

Harding A, Payne A, Ngu Vu Q and Percival found that while 41.2 per cent of low wage sole parent families face ETRs above 50 per cent (NATSEM Figure 21), such a family type constitutes 5 per cent of all low wage families (NATSEM Figure 19). Similarly, while 17.3 per cent of couple [sic] with children low wage families face ETRs above 50 per cent, such a family type constitutes 33 per cent of all low wage families.²⁵

ACCI maintains that the Harding et al research on EMTRs did not appear to include the effect of certain changes to tax or welfare measures – in particular, the health care concession card or state government concessions on energy, water, sewage, municipal rates or transport. ACCI states that:

A survey by Cowling (1998) found that some individuals found that the loss of the last two concessions [health care concession cards and State Government concessions] are “much more significant in the decision making process than any consideration of payment thresholds and taper rates”.²⁶

The effect of such losses is not routinely included in EMTR calculations because the value of concession cards is highly variable and dependent on individual expenditure patterns. Commissioned focus group research confirms that, for many low-income individuals and families, the potential loss of health care and related concessions can constitute a disincentive to earning additional income (if that additional income means leaving income support).²⁷

ACCI and Australian Industry Group (Ai Group) also argue that increases in minimum wages are likely to be ineffective because they are offset by high EMTRs:

‘Minimum wage rises are eroded by taxation and the operation of the income tests that apply both to income support payments and income tested tax benefits. Increases in disposable incomes are lower than the increase in wages.’²⁸

‘...The AFPC is unable to provide substantial increases in disposable income to the remainder, because any increases in minimum wage is mostly offset by high EMTRs.’²⁹

High EMTRs and the possible loss of concessions are an outcome of tax/transfer arrangements, which nevertheless in Australia affect only a small proportion of families. In the Commission’s view, the fact that some families may experience such losses is not a strong argument for limiting a pay rise that will benefit the majority of low-income earners.

²⁵ ACTU, 2007, p. 53.

²⁶ ACCI, 2007, p. 263, para. 9.26. ACCI cites S Cowling, *Understanding behavioural responses to tax and transfer changes: a survey of low income households*, Melbourne Institute Working Paper, Series No. 15/98, p. 28.

²⁷ Colmar Brunton Social Research, *Work decisions and the tax/transfer system*, report commissioned by AFPC, 2006.

²⁸ Ai Group, 2007 *Review of Minimum Wages: Submission to the Australian Fair Pay Commission*, March 2007, p. 57.

²⁹ ACCI, 2007, p. 261, para. 9.18(b).

Section 1

Effects of 2007-08 Budget changes on EMTRs

For families who receive a combination of wages and income support, there have been some significant reductions in EMTRs, although some areas of very high EMTRs still exist (for example, for single-earner couples with dependent children earning around 120 per cent of the FMW). Table 1.3 compares 2006-07 and 2007-08 EMTRs for various low wage households with a single earner on either 100 per cent or 150 per cent of the FMW.

Table 1.3: Effective marginal tax rates at 100 per cent and 150 per cent of the standard FMW for selected low income households, 2006-07 and 2007-08

Employee household type	EMTR @ 100 % FMW		EMTR @ 150% FMW	
	2006-07	2007-08	2006-07	2007-08
Single, no children	35.5	16.5	35.5	35.5
Single-earner couple, no children	98.9	64.9	35.5	35.5
Single-earner couple, two children aged 6-12	82.0	63.0	35.5	35.5
Single parent, one child aged 7	73.9	73.9	35.5	35.5
Single parent, one child aged 8-12	34.0	15.0	35.5	35.5

Source: AFPC modelling

Assumptions:

FMW = \$511.86 per week; 150% FMW = \$767.79 per week.

Tax/transfer parameters as at 20 March 2007 (2006-07 EMTRs) and 1 July 2007 (2007-08 EMTRs).

Households paying sufficient private rent to receive maximum rent assistance, where applicable.

Compared with 2006-07, single people without children, single-earner couples and single parents with children aged eight and older all face significantly lower EMTRs in 2007-08 if they work full-time at the FMW. EMTRs for single parents with younger children (who are entitled to pension-level income support) and for all households earning 150 per cent of the FMW remain the same.

The Commission considers that, overall, the tax changes announced in the 2007-08 Budget are targeted to low-income earners and will, in most cases, have beneficial effects on EMTRs. People working full-time at the level of the standard FMW will now face a marginal tax rate of 15 per cent rather than 30 per cent. The Commission will continue to monitor EMTRs.

1.3. Employment and competitiveness across the economy

Australia's economic growth picked up towards the end of 2006 and this stronger growth is expected to continue through 2007-08. Employment continues to grow strongly, wages growth (although higher) has been contained, and inflation remains within the RBA's target range. There is a forecast easing in employment growth and an anticipated increase in the unemployment rate, largely associated with changing participation requirements for some recipients of income support payments.

Section 1

Labour market

The labour market has remained strong. Over the first five months of 2007:

- employment growth moderated somewhat, but employment still grew at 1.1 per cent, an annualised rate of 2.6 per cent;
- the participation rate increased slightly to 65.0 per cent;
- the level of unemployment decreased by 6.8 per cent (-15.5 per cent annualised) and the unemployment rate declined by 0.2 percentage points; and
- the employment to population ratio increased by 0.2 per cent.³⁰

There remain considerable differences in the labour market performance across states and territories. Over the year to May 2007, the unemployment rate fell in all states and territories and the participation rate increased in all but Tasmania and the Northern Territory. All states except Western Australia experienced a decrease in the level of unemployment, and the level of employment increased everywhere.

Table 1.4: Labour market developments by state/territory, year to May 2007

	EMPLOYMENT UNEMPLOYMENT		UNEMPLOYMENT RATE		PARTICIPATION RATE	
	Annual % change**		%	Annual ppt* change	%	Annual ppt change
NSW	2.0	-2.9	4.9	-0.2	63.3	0.3
Vic	3.6	-4.6	4.7	-0.4	65.1	0.9
Qld	5.0	-25.5	3.4	-1.4	67.1	0.7
SA	1.6	-4.4	4.7	-0.3	62.1	0.1
WA	2.8	0.3	3.2	-0.1	67.8	0.3
Tas	1.1	-37.5	4.4	-2.6	60.1	-1.5
NT**	2.8	-3.8	4.6	-0.4	70.8	0.0
ACT**	2.3	-3.3	3.0	-0.1	73.1	0.4
Australia	3.1	-9.3	4.2	-0.6	65.0	0.5

Source: ABS, *Labour Force Australia, May 2007*, Catalogue No. 6202.0

* Percentage point change

** Data are trend estimates. Seasonally adjusted data are not available for NT and ACT.

Several employer groups suggest that the Commission take full account of underemployment and marginal labour force attachment when considering the capacity of unemployed people to obtain and remain in employment.

The experiences of underemployed and people with a marginal attachment to the labour force do not count as far as official measures of unemployment are concerned. Yet it is very likely that these groups would be impacted by the decisions of the AFPC in setting minimum wages.³¹

³⁰ Seasonally adjusted data unless otherwise indicated.

³¹ Ai Group, 2007, p. 59, para. 144.

Section 1

Ultimately, while the unemployment rate does not fully capture labour underutilisation, it remains an accurate proxy for changes in underutilisation over time.

The Commission will continue to monitor broader measures of labour underutilisation as they become available.

Wage growth

Growth in labour costs remained solid in the March quarter 2007 but was not as high as anticipated. The Wage Price Index (WPI) increased by 1.0 per cent in the March quarter 2007 (in seasonally adjusted terms) to be 4.1 per cent higher over the year. This increase, which incorporates most of the effects on wage rates of the Commission's Wage-Setting Decision 1/2006, was lower than the market expectation of 1.3 per cent over the quarter.

Table 1.5: Growth in various labour cost measures

	WPI	AWOTE	AWE
Annual growth to the first quarter 2007	4.1	3.5	4.9
Previous average annualised growth from the third quarter 1997 to the first quarter 2006	3.5	4.6	4.0

Sources: ABS, *Average Weekly Earnings, Australia, February 2007*, Catalogue No. 6302.0; ABS, *Labour Price Index, Australia, March 2007*, Catalogue No. 6345.0

In the three months to February 2007 Average Weekly Earnings (AWE) estimates also reflect the effects of the Commission's Wage-Setting Decision 1/2006. Average weekly ordinary-time earnings for full-time adult employees (AWOTE) increased by 1.1 per cent over the same period, to be 3.5 per cent higher over the year, and AWE for all employees increased by 1.2 per cent over the same time to be 4.9 per cent higher over the year.

Inflation

The CPI increased by 0.1 per cent in the March quarter 2007 for an increase of 2.4 per cent over the year. This was well below expectations of increases of 0.7 per cent in the quarter and 2.9 per cent over the year.

The RBA measures of underlying inflation, which remove extreme changes in prices, rose by 0.5 per cent in the quarter to be 2.7 per cent higher over the year. This was marginally lower than the expectation of a rise of 0.6 per cent in the quarter. Underlying inflation remains in the top half of the RBA's medium-term target band of between two and three per cent.

In its May Statement on Monetary Policy, the RBA notes that:

Over the two quarters to March, underlying inflation appears to have been running at an annualised rate of around 2¼ per cent, compared with 3¼ per cent over the previous two quarters.³²

³² RBA, *Statement on Monetary Policy*, 4 May 2007, <<http://www.rba.gov.au/PublicationsAndResearch/StatementsOnMonetaryPolicy/index.html>> at 30 May 2007, p. 54.

Section 1

This Statement was released prior to the latest release of the WPI, and therefore assumes a higher increase in the WPI than was actually observed. Even so, it states that the rate of growth in the WPI is not significantly above that seen since mid-2005, and that the “quarterly increase for the March quarter...is therefore likely to overstate the level of underlying wage increases for that quarter.”³³

Competitiveness

Among the reasons for its first decision, the Commission referred to measures of productivity growth at the national and industry levels. The latest National Accounts data show that GDP per hour worked in the market sector was up 0.6 per cent in the March quarter 2007, and up 1.6 per cent in the December quarter 2006.³⁴ These increases followed decreases in productivity over the two previous quarters, resulting in annual productivity growth of 0.9 per cent.

The RBA notes that:

It is also possible that the apparent improvement in productivity growth in the latest national accounts and the implied slowing in growth in unit labour costs has helped to temper the pace of recent price increases.³⁵

The Commission, through the monitoring strategy, will seek to expand upon the range of measures used to monitor the impacts of its decisions on the competitiveness of the Australian economy.

Economic outlook

The Budget forecasts that real gross domestic product (GDP) will grow by 3¾ per cent in 2007-08, up from 2½ per cent in 2006-07. This assumes a partial recovery from the drought, as well as a pick-up in non-farm GDP.

The Budget also notes that capacity constraints, including the tight labour market, may constrain GDP growth and place greater than anticipated pressure on prices and wages. Alternatively, productivity growth may be stronger than expected leading to stronger GDP growth without additional price pressures.³⁶

Employment growth is expected to ease to 1½ per cent in 2007-08, significantly below the current annualised rate of 2.7 per cent. In addition, the participation rate is expected to remain high at around 65 per cent, partly reflecting the new participation requirements for Disability Support Pension and Parenting Payment recipients, which are expected to result in more lower-skilled people entering the labour force. This should contribute to a modest increase in the unemployment rate to 5 per cent in 2007-08 as these people take time to find jobs.

³³ RBA, 2007, p. 56.

³⁴ ABS, *Australian National Accounts: National Income, Expenditure and Product, March 2007*, Catalogue No. 5206.0, Canberra, ABS, 2007.

³⁵ RBA, 2007, pp. 54-55.

³⁶ Commonwealth of Australia, *Budget Strategy and Outlook 2007-08*, Budget Paper No. 1, Canberra, AGPS, 2007, statement 3.

Section 1

Table 1.6: 2007-08 Budget economic forecasts*

	2005-06 year average**	2005-06 year average**	2007-08 year average	Four quarters to June 2008
GDP	2.9	2½	3¾	4¼
- Non-farm GDP	2.9	3	3½	3½
- Farm GDP	4.6	-20	18	40
Employment	2.2	2½	1½	1½
Unemployment rate (%)	5.1	4¾	5	5¼
Participation rate (%)	64.5	64¾	65	65
Consumer Price Index	3.2	2¾	2½	2¾
Wage Price Index	4.1	4¼	4¼	4

Source: Commonwealth of Australia, *Budget Strategy and Outlook 2007-08*, Budget Paper No. 1, Canberra, AGPS, 2007, statement 3, p. 3.7.

*Percentage change on preceding year unless otherwise indicated.

**Calculated using original data.

The tightness of the labour market is evidenced by the near record high participation rate, low unemployment rate and the fact that, in recent years, the majority of jobs created have been full-time. This shift has occurred in industries other than those in which full-time jobs dominate, for example in Retail trade.

The Budget forecasts also assumed that the March quarter WPI would be 4¼ per cent due in part to the Commission's Wage-Setting Decision 1/2006. The actual March result was 4.1 per cent. Year-ended growth in the WPI is then expected to fall to 4 per cent by the June quarter 2008, in line with an easing in employment growth. The major uncertainty is that strong wage growth in the Mining and Construction industries will lead to more widespread wage pressures in the tight labour market.

The Budget notes, however, that overall wage pressures have not increased markedly in recent years, despite strong employment growth and continuing falls in the unemployment rate.

The inflation forecasts presented in the Budget are broadly consistent with the RBA's forecasts.

The major factors for the Commission's consideration in the Budget forecasts are the slow down in employment growth and the projected increased participation of lower-skilled workers.

Section 1

Industry differences

Submissions once again highlight the potential for the Commission's decision to have differential impacts across industries due to varying levels of Pay Scale reliance. While several submissions note the need for special consideration for certain industries, the plight of the agricultural industries is of particular concern to the Commission given the severity of the drought. This warrants special attention and is dealt with in Section 2.

The Commission has updated its estimates of Pay Scale reliance by industry based on 2006 Employee Earnings and Hours (EEH) survey data provided by the Australian Bureau of Statistics (ABS). The latest estimates are presented in Table 1.7.

Table 1.7: Pay Scale reliant employees and employees on awards as at May 2006

INDUSTRY	FEDERAL JURISDICTION			STATE JURISDICTION
	Number ('000)	% of Pay Scale reliant employees in industry	% in industry who are Pay Scale reliant	% in Industry who are award reliant
		Employees	Employees	Employees
Retail trade	241.0	22.2	19.1	9.6
Property and business services	229.6	21.1	18.2	5.0
Accommodation, cafes and restaurants	151.9	14.0	37.6	19.6
Health and community services	131.7	12.1	12.8	12.6
Manufacturing	67.7	6.2	7.7	2.9
Wholesale trade	52.6	4.8	10.5	2.3
Construction	48.4	4.4	9.1	2.9
Education	44.1	4.1	5.6	6.3
Personal and other services	41.3	3.8	12.3	11.1
Transport and storage	37.8	3.5	9.6	2.8
Cultural and recreational services	21.3	2.0	10.4	8.8
Finance and insurance	15.6	1.4	4.3	0.8
Mining	2.0	0.2	1.9	0.5
Communication services	0.9	0.1	0.8	0.2
Electricity, gas and water supply	0.4	0.0	0.7	0.3
Government administration and defence	0.0	0.0	0.0	0.6
Total	1087.1	100.0	12.5	6.5

Source: ABS, Unpublished EEH data. Data are not collected for Agriculture, forestry and fishing.

The industries with significant numbers of employees on Pay Scales as at May 2006, together with changes in Pay Scale reliance from May 2004 to May 2006, were:

- Retail trade (241 000, decreased from 20.9 per cent to 19.1 per cent);
- Property and business services (229 600, increased from 14.5 per cent to 18.2 per cent);
- Accommodation, cafes and restaurants (151 900, decreased from 43.2 per cent to 37.6 per cent); and
- Health and community services (131 700, decreased from 12.9 per cent to 12.8 per cent).

Section 1

In aggregate terms, the proportion of employees who are Pay Scale reliant has fallen from 13.1 per cent in 2004 to 12.5 per cent in 2006.

Of particular importance are the impacts of minimum wage increases on employment, and the possibility of disproportionate impacts on employment in particular firms and industries. For example, Restaurant & Catering Australia cites a Department of Employment and Workplace Relations (DEWR) report which concludes that the restaurant and catering industry is affected more than any other by increases in minimum wages.³⁷ Restaurant & Catering Australia also contends that wage costs in their industry are relatively fixed, with employers basing “the numbers of people employed on the number they can afford to pay rather than the number they need to engage to get the job done”.³⁸

The 2007 report of the UK Low Pay Commission finds that employment fell during 2006 in some low paying sectors of the UK economy (particularly retail and hospitality), as well as among young workers and people without qualifications. It also cites UK research as suggesting that increases in the minimum wage have reduced average hours worked by both low-paid men and women.³⁹ While the UK Low Pay Commission concludes that “[i]t is difficult to determine what role, if any, recent minimum wage upratings have played in this decline”,⁴⁰ it does recommend for the first time a minimum wage increase in 2007 that is slightly below the expected growth in average earnings.

While an examination of the data relating to the most Pay Scale reliant industries can be useful, all of these industries employ substantially more than half of their workers under other pay-setting arrangements. Also, industry data on employees are not seasonally adjusted. Therefore the estimates, particularly for industries with fewer employees, are less reliable than more aggregated data.

With these caveats in mind, a comparison to the end of February 2007 of trends in the four most Pay Scale reliant industries with the averages for all industries reveals the following:

- quarterly growth in the number of employees was substantially above the average of 1.3 per cent for Accommodation, cafes and restaurants (6.4 per cent), equal to the average for Retail trade, below average for Health and community services (0.8 per cent) and negative for Property and business services (-0.7 per cent);
- quarterly growth in employee hours was substantially above the average of 3.5 per cent for Accommodation, cafes and restaurants (10.1 per cent), above average for Retail trade (3.9 per cent) and below average for Property and business services (3.0 per cent), and substantially below average for Health and community services (0.7 per cent);
- annual growth in both the number of employees and employee hours was substantially above average for Accommodation, cafes and restaurants, and below average for Retail trade, Property and business services and Health and community services; and
- ABS estimates of the levels of job vacancies by industry were at or near record levels for the four most Pay Scale reliant industries.

³⁷ Restaurant & Catering Australia, *2007 Submission to the Australian Fair Pay Commission*, March 2007, p. 10. Restaurant & Catering Australia cite DEWR, *Minimum Wages in Australia*, 2994.

³⁸ Restaurant & Catering Australia, 2007, p. 19.

³⁹ Low Pay Commission, *National Minimum Wage: Low Pay Commission Report 2007*, March 2007, pp. 62-63.

⁴⁰ Low Pay Commission, 2007, p. 65.

Section 1

The lower quarterly growth in employee numbers compared with hours is due to stronger growth in full-time employment compared to part-time employment.⁴¹

As expected, the Commission's Wage-Setting Decision 1/2006 decision had a noticeable impact on labour costs in some Pay Scale reliant industries. Growth in labour costs in the first quarter of this year, as measured by the WPI, was higher for Accommodation, cafes and restaurants (1.4 per cent) and Health and community services (1.2 per cent) than the average growth of 1.1 per cent. Growth was 1.1 per cent for Retail trade and 0.8 per cent for Property and business services.

Despite the stronger quarterly growth in the WPI, Accommodation, cafes and restaurants (2.9 per cent) and Retail trade recorded the lowest annual increases in labour costs of all industries to February 2007.

1.4. Providing a safety net for the low paid

As required by legislation, the Commission continues to focus its attention on the low paid. Research commissioned in 2006 identified the characteristics of the low paid, and the Commission continues to use this research to inform its wage-setting decisions.⁴²

Based on data from the ABS and the HILDA survey, more than half of low-paid workers have no post-school qualifications. Around half are aged 25 to 44 years and most are partnered. About 40 per cent have dependent children. Most are Australian-born, live in metropolitan areas and work full-time in a permanent low-skilled job.

Compared with all adult employees, low-paid workers are more likely to be female, aged 21 to 24 years, without post-school qualifications and working in part-time casual employment. They are more likely than other wage earners to be single, particularly if they have children, and live in rural areas. Low-paid workers tend to work in low-skilled occupations in industries such as retail, hospitality, child care, aged care, labouring, agriculture and clerical services.

The research confirms that the low paid are found across the whole household income distribution. While low-paid workers who work full-time are concentrated in middle-income households, part-time workers on similar wages are more likely to live in low-income households.

The complementary roles of wages and the tax/transfer system

While submissions generally agree that wages and the tax/transfer system play complementary roles in the overall income safety net for low-paid employees, there are differing views on the relative weight to be placed on each of these elements.

Ai Group's view is "that the appropriate benchmark for the safety net should take into account the support provided to the low paid through the Australian tax and transfer systems."⁴³ They also argue that:

⁴¹ The Commission favours the use of employee hours data over employee numbers when only one measure is to be used, as the former better reflects the total quantity of labour employed, independent of any changes in the mix of full and part-time employment.

⁴² S McGuinness, J Freebairn and K Mavromaras, *Characteristics of minimum wage employees*, Melbourne Institute of Applied Economic and Social Research, report commissioned by AFPC, 2006 (revised 2007); J Healy and S Richardson, *An Updated Profile of The Minimum Wage Workforce in Australia*, National Institute of Labour Studies, report commissioned by AFPC, 2006.

⁴³ Ai Group, 2007, p. 52, para. 114.

Section 1

To an extent the safety net role of minimum wage increases has been diluted by the favourable changes in real disposable incomes from the tax and transfer dimensions of the broader social safety net. To the extent that this source of disposable income has increased, there is a lesser role for minimum wage adjustments in the broader social safety net.⁴⁴

Ai Group further argues that providing the income safety net via the tax/transfer system is more “cost effective” since adjustments can “be delivered without having a negative impact on the demand for labour” and “can be relatively tightly targeted to low income households.”⁴⁵

ACOSS on the other hand considers “[m]inimum wages and income support are best viewed as an integrated system, not as alternative strategies to reduce poverty”,⁴⁶ while the ACTU emphasises the importance of wages over transfers, since transfers do not apply to all low-paid workers:

Tax transfers are a targeted approach, but the AFPC’s role is to provide a sound basis for all workers including those who do not benefit from family assistance.⁴⁷

Table 1.8 compares the disposable incomes of a number of illustrative low-income family types in July 2005 (after the last safety net increase handed down by the Australian Industrial Relations Commission [AIRC]), September 2006 (before the Commission’s Wage-Setting Decision 1/2006) and July 2007.

Table 1.8: Disposable incomes of illustrative low-paid families, July 2005, September 2006 and July 2007

Family type	DISPOSABLE INCOME (\$PW)			INCREASE		
	July 05	Sept 06	July 07	Jul 05-Sep 06 \$pw	Sep 06-Jul 07 \$pw	Jul 05-Jul 07 %
Single person earning 100% FMW	413.18	432.69	459.13	19.51	26.44	11.1
Couple without children, one earning 100% FMW	525.08	600.38	617.60	75.30	17.22	17.6
Couple without children, one earning 100% FMW, one earning 50% FMW	640.88	716.10	735.83	75.22	19.73	14.8
Couple with two children aged 6–12, one earning 100% FMW	737.10	824.50	848.73	87.40	24.23	15.1
Couple with two children aged 6–12, one earning 100% FMW, one earning 50% FMW	856.87	910.54	956.11	53.67	45.57	11.6
Single parent with one child aged 7, earning 50% FMW	589.16	621.82	641.98	32.66	20.16	9.0
Single parent with one child aged 7, earning 100% FMW	668.53	708.83	748.18	40.30	39.35	11.9

Source: AFPC modelling

Assumptions:

FMW = \$484.40 per week in July 2005, \$484.50 per week in September 2006 and \$511.86 per week in July 2007.

Tax/transfer parameters as at 1 July 2005, 20 September 2006 and 1 July 2007.

Households paying sufficient private rent to receive maximum rent assistance, where applicable.

⁴⁴ Ai Group, 2007, p. 54, para. 122.

⁴⁵ Ai Group, 2007, pp. 56-58, paras 130, 131, 138.

⁴⁶ ACOSS, 2007, p. 24.

⁴⁷ ACTU, 2007, p. 57.

Section 1

Over the two year period 2005-07 all family types modelled experienced disposable income increases of between \$46 and \$112 per week as a result of combinations of tax cuts, increased Government income transfers and the impact of the Commission's Wage-Setting Decision 1/2006. In percentage terms, only the single parent working part-time had an increase in disposable income less than 10 per cent.

Within the overall increases in disposable income, the relative contribution of wage rises, tax cuts and changes in income transfers has varied between different family types, depending on a variety of factors. The net value of wage rises depends on the number of hours worked and an individual household's EMTR, while the value of tax cuts depends on the income ranges targeted by those cuts. The value of increased transfers depends on the regular indexation of rates, household composition and the targeting of any ad hoc changes.

Table 1.9 illustrates how the increase in disposable income over the most recent period (September 2006 to July 2007) has varied across different family types. It also shows the relative contribution to the overall increase of three factors – the December 2006 increase in the minimum wage (net of changes in income tax and transfer payments), the tax cuts which took effect on 1 July 2006, and any increase in income transfers.

Table 1.9: Composition of increase in disposable incomes of illustrative low-paid families, September 2006 to July 2007

Family type	TOTAL INCREASE		COMPOSITION OF INCREASE					
	Sept 06 to July 07 \$pw	(%)	Net wage rise \$pw	(%)	07/08 Tax cuts \$pw	(%)	Transfers \$pw	(%)
Single person earning 100% FMW	26.44	(6.1)	17.65	(4.1)	8.79	(2.0)	Nil	
Couple without children, one earning 100% FMW	17.22	(2.9)	0.30	(0.0)	13.77	(2.3)	3.15	(0.5)
Couple without children, one earning 100% FMW, one earning 50% FMW	19.73	(2.8)	4.66	(0.7)	11.67	(1.6)	3.40	(0.5)
Couple with two children aged 6–12, one earning 100% FMW	24.23	(2.9)	4.92	(0.6)	8.79	(1.1)	10.52	(1.3)
Couple with two children aged 6–12, one earning 100% FMW, one earning 50% FMW	45.57	(5.0)	25.78	(2.8)	11.67	(1.3)	8.12	(0.9)
Single parent with one child aged 7, earning 50% FMW	20.16	(3.2)	5.95	(1.0)	2.88	(0.5)	11.33	(1.8)
Single parent with one child aged 7, earning 100% FMW	39.35	(5.6)	7.15	(1.0)	22.76	(3.2)	9.44	(1.3)

Source: AFPC modelling

Assumptions:

FMW = \$484.50 per week in September 2006 and \$511.86 per week in July 2007.

Tax/transfer parameters as at 20 September 2006 and 1 July 2007.

Households paying sufficient private rent to receive maximum rent assistance, where applicable.

Net wage rise is the net increase in disposable income, after taking account of changes in taxes and transfers.

Where income support (pension or benefit) payments are combined with wages, the contribution of the net wage increase to family income was relatively small, due to the effect of high EMTRs. This was the case for all family types with the exception of a single person and dual-earner couple with children. The targeting of the 2007-08 tax cuts was particularly beneficial to single-earner couples without children and to those with annual taxable income of at least \$25 000, while the increased transfers favour those with dependent children.

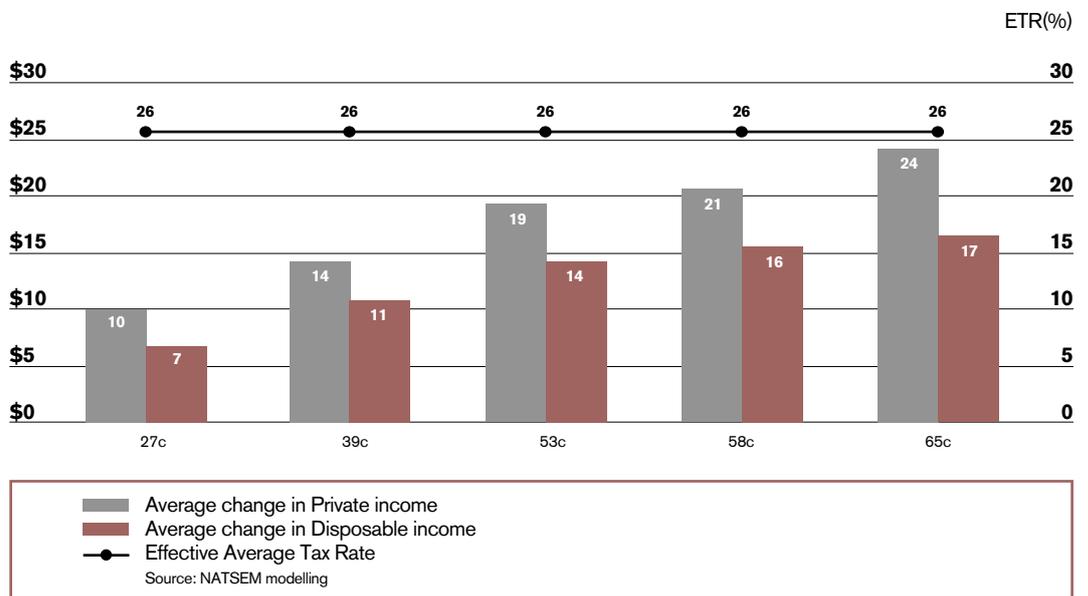
Section 1

The effect of the minimum wage rise on disposable income

The Commission asked NATSEM to update its previous analysis of the net increase in disposable income that low-paid employees would receive from a given pay rise. Figure 1.2 shows that, compared with the situation applying at the time of the Commission's Wage-Setting Decision 1/2006, effective tax rates for people earning less than \$15.50 an hour have fallen by 4 to 5 percentage points on average. This is primarily the result of the tax cuts effective from 1 July 2007.

Figure 1.2: Average effect of various increases in hourly pay for Australian employees earning less than \$15.50 an hour, July 2007

DOLLARS PER WEEK



On average, therefore, low-paid employees who benefit from the Commission's 2007 wage-setting decision will retain around three quarters of their gross pay rise.

Coverage of the safety net concept

ACCI provides the following definition for the safety net concept:

...the contemporary safety net is not a market rate of pay. It is a floor in the wages system, below which no employed person must fall. It is the bottom-line wage an employer business must pay to an employee as a matter of law – no matter how skilled or unskilled the employee nor how economically strong or vulnerable the employer's business may be. Below that level society is effectively saying, through its parliament, that the wage payable would not meet our community expectations of a safety net.⁴⁸

ACCI argues accordingly that "[t]here is no requirement...that the AFPC should vary multiple minimum wages within and across all APCs if there is no merit in doing so in the context of the "safety net" concept."⁴⁹

⁴⁸ ACCI, 2007, p. 200, para. 6.55.

⁴⁹ ACCI, 2007, p. 202, para. 6.59.

Section 1

The Local Government Association of NSW and Shires Association of NSW (LGSA) express a similar view. They submit that a moderate increase to the standard FMW should apply to workers on the FMW alone and not to those whose pay is determined by the Pay Scales:

[t]o function as a genuine safety net, the FMW must be overtaken by agreed wages with outcomes that are negotiated at the workplace level.

...

A proper and genuine safety net is one that encourages and leaves scope to bargain. Adjusting all APCS will compromise the role of the FMW as a safety net for the low paid.⁵⁰

The Australian Government notes that an increase in the standard FMW will not necessarily target those who are intended to benefit from the social safety net, that is, those in low-income households. Using data from the 2005 HILDA survey, the Australian Government notes that "[a]round 28.1 per cent of low paid workers are in the top three deciles" of all households.⁵¹

A decision to support all low paid workers through increases in minimum wages will deliver the same benefit to low paid workers residing in more wealthy households and less wealthy households. This latter group is much more dependent on increases in minimum wages to sustain their standard of living than the former.⁵²

While this is true, increases in minimum wages cannot take into account the family circumstances of an employee and therefore cannot be targeted in the same way as income transfers.

The role of statutory minimum wages and the safety net

In the Commission's view, statutory minimum wages are not, first and foremost, an anti-poverty device. This is in part demonstrated by the distribution of low-income earners across all household types, including high-income households.

The Commission does, however, consider that statutory minimum wages, along with the tax/transfer system, have a significant role to play in providing a safety net for the low paid. This role is better understood in the context of s. 23 of the WR Act as providing a statutory minimum to protect low paid workers whilst minimising the negative impact on the demand for labour.

In considering interactions with the tax/transfer system, the role of statutory minimum wages is also important in the context of 'the capacity for the unemployed and low paid to obtain and remain in employment'. The relationship between the government tax/transfer system and statutory minimum wages has the potential to affect labour supply.

Submissions differ on the appropriate role of minimum wages in the context of the safety net. For example:

ACOSS believes that minimum wages should be sufficient for a single adult to achieve a 'decent' basic living standard, well clear of poverty levels, in accordance with community expectations.⁵³

⁵⁰ LGSA, 2007 *Minimum Wage Review, Submission to the Australian Fair Pay Commission*, March 2007, paras 4.2 and 4.4.

⁵¹ Australian Government, 2007, p. 43, para. 6.15.

⁵² Australian Government, 2007, p. 42, para. 6.12.

⁵³ ACOSS, 2007, p. 20.

Section 1

The Australian Catholic Council for Employment Relations (ACCER) argues:

[t]hat wages should be sufficient to support the worker and the worker's family

...

The minimum wage necessary to support the worker and his or her family may be termed a Living Wage, or a family wage. It is a wage which permits one of the parents to work in the home and not undertake paid employment and which enables the family to achieve an appropriate standard of living.⁵⁴

ACCER specifically disputes the estimates provided by the Commission of the weekly disposable income for single-earner couples on the grounds that they include:

- payments for Newstart Allowance or Parenting Payment (Partnered), although a partner who chooses not to work or seek work would be ineligible for either of these payments unless they have the care of a child under the age of 6; and
- maximum rent assistance, although some low-income families would not be eligible for any or all of this amount.

The Commission's modelling in Table 1.10 does not purport to represent the disposable income of all low-income families, or even the average low-income family. Rather, it seeks to compare family disposable incomes resulting from typical combinations of low wages and income transfers to commonly-accepted poverty lines. This is done to judge whether the combination of wages and transfers provide a variety of family types with a level of disposable income that exceeds the relevant Henderson Poverty Lines (HPLs). The table indicates that for all family types the level of disposable income is well in excess of the relevant HPL.

Table 1.10: Comparison of Henderson Poverty Lines with disposable income of income units earning varying proportions of the FMW, December 2006.

Income unit type	Henderson poverty line (HPL) December 2006 (\$PW)	DISPOSABLE INCOME (DI) (\$PW)			DI AS PROPORTION OF HPL		
		50% FMW	100% FMW	150% FMW	50% FMW	100% FMW	150% FMW
Single adult, no children	346.47	367.38	450.34	615.42	1.06	1.30	1.78
Single parent, one child	444.81	527.65	649.61	807.01	1.19	1.46	1.81
Single parent, two children	538.39	610.46	732.42	889.82	1.13	1.36	1.65
Single earner couple, no children	463.48	539.68	600.69	647.24	1.16	1.30	1.40
Single earner couple, one child	557.13	660.93	744.55	807.01	1.19	1.34	1.45
Single earner couple, two children	650.78	743.74	829.42	889.82	1.14	1.27	1.37
Dual earner couple, no children	529.01	nm	646.75	720.75	nm	1.22	1.36
Dual earner couple, one child	622.66	nm	752.06	853.51	nm	1.21	1.37
Dual earner couple, two children	716.31	nm	835.74	936.32	nm	1.17	1.31

Sources: *Melbourne Institute of Applied Economic and Social Research, Poverty Lines: Australia December Quarter 2006*, University of Melbourne, 12 April 2007; AFPC modelling.

Assumptions:

HPLs include housing costs. Dual-earner figures include additional 'cost of work' component of \$65.53 pw.

FMW = \$511.86 per week at 31 December 2006.

Tax/transfer parameters as at 31 December 2006.

Children aged 8-12.

Households paying sufficient private rent to receive maximum rent assistance, where applicable.

Singles on 50% FMW and couples on 50% and 100% FMW eligible to receive Newstart Allowance.

Dual-earner examples assume income split 2:1.

⁵⁴ ACCER, *Minimum Wages Review 2007, Submission by the Australian Catholic Council for Employment Relations*, 30 March 2007, p. 5, paras 10-11.

Section 1

Table 1.10 assumes that any entitlement to income support is taken up. Rent assistance is also included since the HPLs include housing costs and it is likely that many low-paid employees live in private rental accommodation. To the extent that individuals with similar characteristics are either ineligible for particular benefits or choose not to take up those entitlements, their disposable incomes will, of course, be lower.

While there are other poverty measures that could be used for comparison (for example, OECD poverty lines based on a proportion of median or mean equivalised household disposable income), the results of these comparisons are not dissimilar to those using the HPLs.⁵⁵

It is also worth noting that the original Henderson poverty benchmark for a couple family with one earner and two dependent children was equal to the combined value of the then basic wage and child endowment.⁵⁶ In other words, at that time, a family with one earner on the basic wage had an income equal to the HPL. Continued improvements over many years in the extent and coverage of income transfers for working families have resulted in families on the current minimum wage now having disposable incomes well in excess of relevant HPLs.

The Commission remains satisfied that the combination of minimum wages and available income transfers provide families with at least one full-time wage earner on the standard FMW with incomes well above the HPLs.

A number of submissions highlight increasing costs of living for the low paid as justification for a significant increase in the standard FMW.

Citing ABS and OECD data, the ACTU submission refers to increases in rent, child care, health care and fuel costs since Wage-Setting Decision 1/2006,⁵⁷ while ACOSS draws on a recent study by Masterman-Smith and others using focus groups of low wage earners:

This study indicates that families reliant on low pay must budget very carefully to avoid financial hardship, foregoing things most Australians take for granted such as dental care, annual holidays, a car, eating out with friends, and buying a home.⁵⁸

The Joint Labor Governments also raise the issues of financial stress and standard of living, finding in their analysis of the HILDA survey data that "...low-paid workers were far more likely to suffer from financial stress than all employees".⁵⁹

The Commission does not confine its attention to benchmarks and will continue to review a range of evidence when assessing the minimum wage as part of the safety net.

⁵⁵ OECD poverty lines are based on a specified proportion of mean or median equivalised household disposable income. The equivalence scale gives the first adult in a household a value of 1, each other person aged 15 and over a value of 0.5 and each child under 15 a value of 0.3. When disposable incomes of low-income households are compared to a poverty line based on 60 per cent of median household disposable income (the most generous formulation) the results obtained are broadly similar to those summarised in Table 1.10. Relative to the HPLs, the ratios of disposable income to t

⁵⁶ P Saunders, *Defining Poverty and Identifying the Poor: Reflections on the Australian Experience*, SPRC Discussion Paper No. 84, Sydney, Social Policy Research Centre, June 1998, p. 6.

⁵⁷ ACTU, 2007, p. 53-54. ACTU cites OECD, *Taxing Wages 2005/2007*, 2007 Edition; ABS, *Housing Expenditure Survey and Survey of Income and Housing, 2003-04*, Canberra, ABS, Unpublished data; ABS, *Consumer Price Index*, December 2006, Catalogue No. 6401.0, Canberra, ABS, 2007.

⁵⁸ ACOSS, 2007, p. 27. ACOSS cites H Masterman-Smith, R May and B Pocock, *Living Low Paid: Some Experiences of Australian Childcare Workers and Cleaners*, Brotherhood of St Lawrence, 2006.

⁵⁹ Joint Labor Governments, 2007, p. 91.

Section 1

Overall, both employer and employee participants in focus groups expressed a strong sentiment that an understanding of the impact of minimum wages on individuals, families and businesses was important for wage-setting.

The ACTU contends that an increase of \$28 per week over a full year to December 2007 is necessary to ensure that minimum wage workers do not fall behind the rest of the workforce in relative terms. The ACTU claims its proposal is consistent with the movement in wages as indicated by the WPI (four per cent).⁶⁰ However, on the ACTU's own figures, the resultant increase in the minimum wage would be roughly double the rate of inflation and well in excess of any forecast increases in wages.

A number of submissions argue for an increase in the standard FMW which is at least in line with the CPI, or with general wage movements, in order to act as an adequate safety net and to maintain relativity with other workers:

'We submit that an increase in line with wage movements achieved in the general community will maintain economic competitiveness between employers and employees, ensure a stable labour market and provide a fair safety net.'⁶¹

'Subject to economic conditions (which are presently benign), minimum wages should at least be increased to keep them in line with general wage movements, so that minimum wage earners do not fall behind.'⁶²

ACCER further argues that Pay Scale reliant employees should be granted real wage increases in order to restore previous relativities between their wages and those of lower-paid employees. It notes that Pay Scale reliant employees earning 150 per cent of the standard FMW have:

...had a real wage reduction of \$29.58 per week since 1997. These are not highly paid workers and it is a matter of concern that they have not been able to maintain their real wages in a period of substantial economic growth. They number 220,000 and in many cases the worker will be the sole or principal breadwinner in their families.⁶³

On implementation of Wage-Setting Decision 3/2007, the minimum wage will be some 7.8 per cent higher than it was in June 2005, which is broadly in line with growth in wages over the period. When reductions in tax liabilities are also taken into account, the disposable incomes of employees receiving the standard FMW have not deteriorated relative to disposable incomes in the community more generally.

⁶⁰ ACTU, 2007, p. 6.

⁶¹ WEL and National Pay Equity Coalition, *Submission to the Australian Fair Pay Commission*, March 2007, p. 3.

⁶² ACOSS, 2007, p. 1; SACOSS, *Submission to the Fair Pay Commission on minimum wages – 2007*, March 2007, p. 2.

⁶³ ACCER, 2007, p. 10, para. 24.

Section 1

1.5. Conclusion

Wage-setting role

In exercising its wage-setting powers the Commission:

- adjusts the standard FMW;
- adjusts basic periodic rates of pay contained in the Australian Pay and Classification Scales (Pay Scales);
- adjusts basic piece rates of pay; and
- adjusts minimum wages for employees with a disability, junior wages and wages for employees to whom training arrangements apply.

The Commission has given due consideration to its overarching objective 'to promote the economic prosperity of the people of Australia'. More specifically, in performing its wage-setting function, the Commission has considered the impact of its decision on:

- the capacity of the unemployed and the 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.

In arriving at its decision, the Commission has taken into account:

- the ten month period since the last pay increase for special FMWs, the standard FMW and Pay Scale reliant employees;
- the sensitivity of low-paid employment to changes in wage levels, as well as the incentives for individuals to seek and remain in paid employment;
- the fact that the economy and labour market have continued to perform strongly, although not uniformly;
- movements in consumer prices; and
- the requirement to provide a safety net for the low paid.

The Commission has conducted a wage review and now exercises its wage-setting function as set out in s. 22(1) of the WR Act.

Quantum

The Commission grants a general pay increase that will adjust the standard FMW and Pay Scales as follows:

- The standard FMW increases by \$0.27 per hour (\$10.26 per week), bringing the weekly rate to \$522.12. The standard FMW increases from \$13.47 to \$13.74 per hour.
- Adult⁶⁴ Pay Scales that currently provide for a basic periodic rate of pay up to the level of \$700.00⁶⁵ per week increase by \$0.27 per hour (approximately \$10.25 per week).

⁶⁴ Where adult means a basic periodic rate of pay that does not explicitly apply to a class of employees with a disability or employees to whom a training arrangement applies or junior employees.

⁶⁵ The Commission's decision is required to be expressed in hourly rates of pay. Hourly rates of pay up to and including \$18.42 per hour increase by \$0.27 per hour. \$18.42 per hour x 38 hours equals \$699.96 per week.

Section 1

- Adult⁶⁶ Pay Scales that currently provide for a basic periodic rate of pay above \$700.00⁶⁷ per week increase by \$0.14 per hour (approximately \$5.30 per week).

While the Commission increases special FMWs, the standard FMW and Pay Scales, it has determined (as it did in Wage-Setting Decision 1/2006) a differential increase recognising the low paid as being more reliant on minimum wages than higher-paid workers. The Commission also considers that its decision is consistent with providing a safety net for the low paid, acknowledging that workers in low-paid employment are more likely to be Pay Scale reliant and less able to bargain given generally lower skill levels.

Date of effect

All parts of Wage-Setting Decision 3/2007 that adjust or establish a rate of pay, however defined in this decision, will have effect from the first full pay period on or after 1 October 2007.

Wage-Setting Decision 3/2007 will take effect ten months after Wage-Setting Decision 1/2006 (effective 1 December 2006) resulting in an aggregate increase in the standard FMW of \$37.62 per week.

The Commission has determined to conduct an annual minimum wage review and announce its wage-setting decisions in July each year, with an implementation date in October of that year.

By fixing an annual timetable for minimum wage reviews, the Commission provides stakeholders with advance notice of the implementation of future wage decisions.

Flow on

The Commission intends that the Wage-Setting Decision 3/2007 general pay increase flow on to junior employees, employees to whom training arrangements apply, employees with disabilities, and basic piece rates of pay in ways that preserve existing relativities to the extent this is possible.

In the majority of cases, the general wage increase flows automatically to casual employees through the adjustment of basic periodic rates of pay. In some limited circumstances, however, specific adjustment is necessary to flow on the increase.

The Commission's decision flows on the general increase to these rates of pay in ways consistent with the intent of Wage-Setting Decision 1/2006.

The Commission's Wage-Setting Decision 3/2007 only adjusts minimum rates of pay in special FMWs, the FMW and Pay Scales. This increase may be offset against any equivalent amount in rates of pay received by employees whose actual wages are determined by above minimum Pay Scale arrangements.

⁶⁶ See note 64.

⁶⁷ The Commission's decision is required to be expressed in hourly rates of pay. Hourly rates of pay over \$18.42 per hour increase by \$0.14 per hour. \$18.42 per hour x 38 hours equals \$699.96 per week.

Section 2

2. Impact of the drought on farm businesses in regional Australia

Several submissions received by the Australian Fair Pay Commission (Commission) address the economic impact of the drought on the agricultural sector. The majority of submissions discuss the drought in terms of its impact on slowing economic growth across the economy generally and in the farm sector particularly.

Submissions from employer groups representing members in the agricultural sector urge the Commission to consider the consequences of drought in regional Australia in assessing the case for a general wage increase.

Citing the Australian Bureau of Agricultural and Resource Economics (ABARE), the National Farmers' Federation (NFF) claims that:

'...severe drought across southern and central Australia will reduce farm incomes in 2006 – 2007 to their lowest level in over thirty years, with farm cash incomes in New South Wales, South Australia and Victoria and the dairy industry being the most adversely affected. In early 2007, the number of farms with negative cash incomes was increasing with consequent increases in farm debts.⁶⁸

'In 2006 the average equity-debt ratio was 90 per cent having increased as a result of high demand levels for agricultural land sustaining high property prices. However, in 2007 there are diminished prospects for further land value increases, and coupled with higher debt levels, farmers will become more reliant on farm income and debt management (ABARE, Australian Commodities, March Quarter, 2007).

Farm receipts are projected to fall by over 20 per cent in 2007 with the majority of this arising from a reduction in crop receipts. This is particularly attributed to poor winter rainfalls in 2006 and unusually high temperatures, resulting in approximately 60 per cent less grain production. Projections indicate that it will fall by a further 40 per cent in 2007, incorporating allowance for marginally higher grains prices.⁶⁹

'Broadacre farm costs fell by approximately 8 per cent in 2005-06 as a result of a decrease in livestock purchases, however cash costs for dairy farmers increased by 20 per cent, mainly due to higher labour costs, the cost of fodder and interest payments. ABARE predicts that 2006-07 will be one of the poorest years on record in terms of farm financial performance, with cash income set to fall from around \$81,000 per farm in 2005-06 to less than \$27,000 in 2006-07.⁷⁰

The NFF argues that, as a result of the drought, farm businesses have a decreased capacity to pay higher wages. They project that this will lead to job losses for the low paid and a reduced capacity for the low paid and unemployed to enter the sector:

The capacity of the low paid and unemployed to obtain and remain in employment is highly dependant on the capacity of employers in the agricultural sector to generate employment. The worst drought in over a century, coupled with static or decreasing commodity prices and other costs of business mean that whilst the agricultural sector is the source of a significant amount of labour, particularly at the end of the low paid and for those returning to employment, many farmers do not have the capacity to pay increases such as that implemented following the AFPC's inaugural wage-setting decision.⁷¹

⁶⁸ NFF, *Submission to the Australian Fair Pay Commission*, March 2007, pp. 19-20, para. 9.1.

⁶⁹ NFF, *Submission to the Australian Fair Pay Commission*, March 2007, p. 20-1, paras 9.3-9.4.

⁷⁰ NFF, *Submission to the Australian Fair Pay Commission*, March 2007, p. 21, para. 9.5.

⁷¹ NFF, *Submission to the Australian Fair Pay Commission*, March 2007, p. 12 para. 5.8.

Section 2

The South Australian Wine Industry Association (SAWIA) contends that the Australian wine industry is severely impacted by the current drought:

According to the Australian Wine and Brandy Corporation (AWBC), the 2007 Australian vintage is expected to come in at 1.35 million tonnes making it the smallest harvest since 2000. (Note: with the harvest almost now complete, there are strong industry practitioner indications that AWBC's initial estimate may be too high and the figure could be closer to 1.1 million tonnes);

Seasonal conditions have conspired to reduce yields (tonnes per hectare) to the lowest levels in 30 years. The vineyards this season have been subjected to frost, severe drought conditions, early-harvest rain and a hot/dry finish;

Water restrictions are currently in place in many parts of Australia due to the severe drought;

The ramifications of these conditions on the wine sector are immense, in terms of reductions in grape harvest tonnages, wine production and volume sales;

These issues, when combined, impact on employment opportunities within the wine industry;⁷²

SAWIA also claims the drought will impact employment in the wine industry:

Employment levels are expected to reduce because of the impact of the current drought and water restrictions. If the drought and water restrictions were to continue, employment levels will be reduced even further next year;

A number of wine industry employers will suffer financial hardship as a result of the current environmental conditions, and this will significantly affect their ability to pay higher wages to their employees.⁷³

The Australian Chamber of Commerce and Industry (ACCI) contends that an increase in the level of wages may not be sustainable especially in rural areas:

ACCI's submission continues to highlight the divergent performance of different parts of the Australian economy. Especially important is the hardship being faced by farms because of the continuing drought. The latest GDP data shows that value added in agriculture fell by 22.9 percent in the year to December, or 11.2 percent in the December quarter alone.⁷⁴

The Australian Industry Group (Ai Group) claims that, because of the drought, regional areas could be adversely affected by any substantial increase in the minimum wage:

Ai Group submits that the disproportionate negative impact of minimum wage increases on regional towns needs to be taken into account, and that in doing so, the AFPC should adopt a cautious approach in adjusting minimum wages. The widespread impact of the drought on regional towns adds to the concern that such towns have less capacity to support a substantial increase in minimum wages.⁷⁵

⁷² SAWIA, *Submission – 2007 Minimum Wage Review*, March 2007, p. 3.

⁷³ SAWIA, 2007, p. 3.

⁷⁴ ACCI, *2007 Minimum Wage Review, ACCI Submission*, March 2007, p. 241, para. 7.80.

⁷⁵ Ai Group, *Australian Fair Pay Commission – 2007 Minimum Wage Review, Ai Group Submission*, March 2007, p. 70, para. 179.

Section 2

The Australian Workers Union (AWU), in response to the NFF's submissions, rejects the proposal that the Commission treat agricultural workers any differently for the purposes of the 2007 review of minimum wages. They argue the reasons put forward by the NFF for a deferral of any general wage increase are inadequate:

The AWU does not agree that agricultural workers should be treated any differently for the purposes of the AFPC 2007 Fair Pay Review.

The AWU does not believe that tax cuts, inflation or international competitiveness arguments are reasons for denying agricultural workers a fair wage increase. This is ever more the case in view of record levels of household debt and debt servicing obligations. Median weekly earnings for the sector are already a third lower than for the economy as a whole...

...

Exceptional Circumstances (EC) assistance is aimed at ensuring that farm enterprises remain viable and sustainable over the longer term. Wages are ongoing running costs as are other inputs. Rather than seeing a wages freeze as an opportunity for catch-up, concerns regarding the eligibility for and operation of EC programs should be dealt with directly. A pay freeze would also have different consequences for industries and regions which could exacerbate rather than aid rural recovery given investment and labour mobility. This distorts efficient resource allocation and decision making.⁷⁶

The ACTU claims that granting exemptions from any wage increase announced by the Commission will provide an unfair advantage to some employers:

In the event that the AFPC provides the relief sought by the NFF there will be a two tier approach to Pay Scales/Award in the industry.

The NFF itself argues that the vast majority of its members are unincorporated bodies and therefore do not fall within the jurisdiction of the AFPC. It is the role of the AIRC to vary these transitional awards. Should the AFPC grant the exemptions there is no certainty that the AIRC will follow suit. When the rain and other forecasts are considered, it is more than possible that the basis for the exemption will be washed away.

Although the AIRC is bound [sic] to take in to account the wage-setting decisions of the AFPC, in such circumstances the likely result would be a two tiered minimum wage with an economic advantage being provided to incorporated employers.⁷⁷

The ACTU also argues that exempting pastoral and agricultural industries from a general wage increase may exacerbate labour shortages within these industries:

There [sic] serious labour shortages in the pastoral and agricultural industries. Due to barriers such as location, these shortages do not necessarily convert to individual bargaining power. A real reduction in the minimum rates of pay in the sector will only add to the difficulties faced by employers in obtaining labour when and where it is required.⁷⁸

⁷⁶ AWU, *Australian Workers' Union response to Submissions by the National Farmers' Federation to the Australian Fair Pay Commission 2007 Minimum Wage Review*, May 2007, p. 2.

⁷⁷ ACTU, *Australian Council of Trade Unions Submission to the Australian Fair Pay Commission* [post-budget submission], May 2007, p. 22.

⁷⁸ ACTU, [post-budget submission], 2007, p. 24.

Section 2

Economic conditions and drought affected regions

Farm activity

Australian Bureau of Statistics (ABS) data show that real farm gross domestic product (GDP) was 22.7 per cent lower over the four quarters to March 2007.⁷⁹ The contraction in farm GDP is projected to subtract 0.6 percentage points from GDP growth over 2006-07, consistent with an annual decline in farm GDP of \$5.5 billion or 20.9 per cent. Over the past two decades, there were only two years in which farm GDP fell by a similar amount, in 1994-95 and 2002-03. In both instances the fall in farm GDP was reversed the next year.⁸⁰

Much of the expected decline in farm output over 2006-07 reflects a sharp drop in crop production, with meat and livestock production expected to be little affected by the drought. According to forecasts from ABARE, crop production is expected to fall by more than one-third in 2006-07, led by a 60 per cent drop in wheat production.⁸¹

Agricultural income

In seasonally adjusted terms, real agricultural income has fallen over 2006 to historically low levels in the December quarter 2006 and the March quarter 2007, to levels not seen for over 11 years.⁸²

Based on survey results, ABARE has estimated that average cash income and business profit per farm in 2006-07 in the broadacre and dairy industries will fall dramatically. ABARE's main predictions are:

- Average cash income per farm for all broadacre industries will fall to its lowest level in the 29 year history of the ABARE surveys, from \$81 290 in 2005-06 to \$26 600 in 2006-07. Forty-four per cent of broadacre farms will report negative cash income, up from 23 per cent in 2005-06.
- The average loss per farm for all broadacre industries in 2006-07 is expected to be \$59 800. This is the largest average loss in the history of the ABARE surveys, down from an average profit of \$8620 in 2005-06. The percentage of broadacre farms reporting a loss will increase from 58 per cent in 2005-06 to 77 per cent in 2006-07.
- The average loss per farm is estimated to be \$112 300 for wheat and other crop farmers, \$50 100 for sheep farmers and \$40 500 for beef farmers.
- It is estimated that broadacre farmers will make large losses on average in all states except Western Australia, where the average loss is estimated at \$298. In the other states, average losses per farm are estimated to range from \$85 648 in New South Wales to \$44 234 in Tasmania. Northern Territory broadacre farms are expected to make an average profit of \$271 894.
- Dairy farmers are estimated to receive an average cash income per farm of \$17 800 in 2006-07, down from \$86 030 in 2005-06. The estimated average business loss per farm is \$79 500 in 2006-07, down from \$19 260 in 2005-06.⁸³

⁷⁹ ABS, *Australian National Accounts: National Income, Expenditure and Product, March quarter 2007*, Catalogue No. 5206.0, Canberra, ABS, 2007.

⁸⁰ Commonwealth of Australia, *Budget Strategy and Outlook 2007-08*, Budget Paper No. 1, Canberra, AGPS, 2007, statement 3, p. 7.

⁸¹ ABARE, *Australian Commodities March quarter 2007*, Canberra, Commonwealth of Australia, 2007, pp. 20, 28.

⁸² ABS, *Australian National Accounts: National Income, Expenditure and Product, March 2007*, Catalogue No. 5206.0.

⁸³ ABARE, 2007, pp. 181, 185-6, 191-2.

Section 2

Exports

Exports account for around 65 per cent of the volume of Australia's agricultural production and around 75 per cent of its value.⁸⁴ ABARE forecasts that the real value of Australia's farm export earnings will fall by 7.7 per cent in 2006-07 – led by a 12.0 per cent drop in the real value of crop exports – with a small increase forecast for 2007-08.⁸⁵

Employment

Employees make up just over half of total employment in agriculture, compared with about 90 per cent of total employment in the non-agricultural economy. Own account workers (that is, workers who operate their own unincorporated enterprises) make up just over a third of agricultural employment, followed by employers and contributing family workers.

The sharpest decline in all categories of agricultural employment occurred over the year to February 2003, with a 15 per cent decline in employee numbers and declines of around 25 per cent in the numbers of employers and own account workers. There has been relatively little change in aggregate employment numbers since then. By contrast, total hours worked by employees across the rest of the economy has increased by around 15 per cent since February 2002.

Hours worked by employees in grain, sheep and beef farming have fallen by about 40 per cent over the past five years, while hours worked in horticulture and fruit growing have fallen by about 20 per cent. In other industries, hours worked by employees have trended downwards over the past five years for dairy cattle farming and other crop growing (which includes sugar and cotton growing), and trended upwards for other livestock farming (which includes both horse and pig farming, and various types of breeding).⁸⁶

According to ABARE, the price of labour bought by farmers is expected to increase by 3.1 per cent over 2006-07 – close to increases over the past few years – and by 2.5 per cent over 2007-08. ABARE predicts that total labour costs will fall by 2.0 per cent over 2006-07 (which suggests that the amount of labour bought is likely to fall), and then increase by 3.0 per cent over 2007-08. Labour costs make up around 11 per cent of total farm costs.⁸⁷

Labour productivity in agriculture, forestry and fishing increased at an annualised rate of 5.8 per cent from 1995-96 to 2005-06, well above the corresponding rate for all industries (2.0 per cent).⁸⁸

Earnings

Most of the main ABS labour cost surveys do not collect earnings data for agricultural employees.⁸⁹

⁸⁴ NFF, *Submission to the Australian Fair Pay Commission*, March 2007, p. 9.

⁸⁵ ABARE, 2007, p. 20.

⁸⁶ ABS, *Labour Force, Australia, Detailed, Quarterly, February 2007*, Catalogue No. 6291.0.55.003, Canberra, ABS, 2007.

⁸⁷ ABARE, 2007, pp. 233-234.

⁸⁸ ABS, *Australian System of National Accounts, 2005-06*, Catalogue No. 5204.0, Canberra, ABS, 2006.

⁸⁹ In addition, in the case of the Wage Price Index, which tracks wage inflation for a given set of jobs, the highly seasonal nature of activities in the agricultural industry would make it difficult to track jobs over time.

Section 2

Estimates of mean weekly earnings for agricultural employees are included in the annual Employee Earnings Benefits and Trade Union Membership survey. According to this survey, growth in mean weekly earnings for full-time employees in agriculture has picked up over the past few years, and was about 10 per cent over the year to August 2006. Earnings for agricultural employees remain about one quarter less than mean weekly earnings of all full-time employees.⁹⁰

Assistance available in Exceptional Circumstances areas

Federal drought assistance generally hinges on a determination of drought in Exceptional Circumstances declared areas. Whether an area is an Exceptional Circumstances area is determined by the National Rural Advisory Council (NRAC) as a result of an application made by State, Federal or community groups.

To qualify for Exceptional Circumstances an area must be affected by circumstances that:

- must be rare, that is must not have occurred more than once on average in every 20 to 25 years;
- must result in a rare and severe downturn in farm income over a prolonged period of time (for example, greater than 12 months);
- cannot be planned for or managed as part of farmers' normal risk management strategies; and
- must be a discrete event that is not part of long-term structural adjustment processes or of normal fluctuations in commodity prices.⁹¹

A determination of Exceptional Circumstances can trigger a range of economic support to farm businesses and farm families. Not all farm business and farm families within an Exceptional Circumstances declared area can claim these benefits.

Over the five years to June 2006, around 22 per cent of farmers, or slightly more than 23 000, received assistance through the Exceptional Circumstances program. The proportions who had received Exceptional Circumstances Interest Rate Subsidies (ECIRS) and Exceptional Circumstances Relief Payment (ECRP) were 11 and 16 per cent respectively, with six per cent having received both types of assistance at some point over the period.

Request for deferral of any wage increase

The NFF requests that the Commission defer any wage increase for farmers located in Exceptional Circumstances areas. The NFF proposes three ways the Commission could defer its decision:

- the Commission could defer all pay scales relating to the agricultural sector (Australian Pay and Classification Scales [Pay Scales] identified by the NFF);
- the deferral could be based on location in Exceptional Circumstances areas; or
- the deferral could be available only to employers eligible for Exceptional Circumstances relief.⁹²

The NFF states that deferring all Pay Scales for agricultural businesses in Exceptional Circumstances areas is their preferred option.⁹³

⁹⁰ ABS, *Employee Earnings, Benefits and Trade Union Membership, August 2006*, Catalogue No. 6310.0, Canberra, ABS, 2006.

⁹¹ DAFF, *National Rural Advisory Council Annual Report 2005-06*, Commonwealth of Australia, 2006, p. 37.

⁹² NFF, *Submission to the Australian Fair Pay Commission*, March 2007, p. 13, paras 5.10-5.11.

⁹³ NFF, *Supplementary Submission to the Australian Fair Pay Commission*, April 2007, p. 2.

Section 2

The Commission agreed that the significant detrimental effect of the drought warranted consideration of a deferral but it did not accept that this should be applied universally to the agricultural sector.

Deferral of the 2007 minimum wage increase

The Commission has assessed evidence relating to the economic impact of the drought on the agricultural sector. It has considered data relating to the economic impact of the drought on farm businesses, the potential impact of granting a deferral of any wage increase on the agricultural sector, information obtained from site visits to the declared Exceptional Circumstances areas of Wagga Wagga and Roma and the information and arguments advanced in submissions to the Commission's 2007 minimum wage review.

The Commission accepts that the drought has had a significant detrimental effect upon farm businesses in Exceptional Circumstances areas, in particular primary producers currently in receipt of ECIRS. The Commission will grant a deferral of the 2007 minimum wage increase in certain circumstances.

The Commission has sought to limit the impact of any wage deferral to employers within the agricultural sector who are in genuine financial hardship as a direct result of the drought. In addition, the Commission has carefully considered the types of assistance already available to businesses in Exceptional Circumstances areas.

The ECIRS is available to primary producers in Exceptional Circumstances declared areas. In order to be eligible for an ECIRS the primary producer must be located in an Exceptional Circumstances declared area. They must be able to demonstrate that:

- the enterprise is in financial difficulty due to the impact of Exceptional Circumstances on farm enterprises;
- without support under the guidelines the farm would not have the capacity to achieve or maintain sustainable long-term viability; and
- the farming operation has been viable in the past and has the potential to return to viability in the future.

The applicant is required to provide financial records and documentation to the Rural Assessment Authority which varies from state to state. The financial records of each ECIRS application are considered on a case-by-case basis.

Section 2

The Commission has a clear understanding that not all areas in which agricultural businesses operate are drought affected. Further, within these areas not all agricultural businesses are severely financially affected. The Commission has carefully considered how to target its deferral so that only employers who have demonstrated the prospect of long-term viability and direct financial hardship resulting from the exceptional drought will be eligible for a deferral of the Commission's Wage-Setting Decision 3/2007.

In the Commission's consideration, the financial viability of farm enterprises is critical to sustaining jobs in the rural sector into the future. While there is considerable variability in agricultural employment from state to state (for example, estimated changes in employment over 2006-07 range from a 12 per cent increase in Queensland to a 10 per cent decrease in Western Australia)⁹⁴, combined with projections of minimal growth over the next five years⁹⁵ the Commission believes there is scope to provide further assistance to maintain jobs during this difficult period.

The Commission emphasises 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.

The Commission recognises that even minor cost increases for farm businesses in Exceptional Circumstances areas currently in receipt of drought assistance may increase financial strain on these businesses resulting in job losses. The Commission has determined that farm businesses in receipt of an ECIRS are the most severely affected by the drought and are most likely to suffer detriment from increases in labour costs at this time.

The Commission notes that the granting of a deferral does not preclude these individual businesses and employers from deciding to pay the 2007 minimum wage increase to their employees.

The Commission grants a deferral of Wage-Setting Decision 3/2007 to specified Australian Pay and Classification Scales for employees of farm businesses located in an Exceptional Circumstances declared area and where the employer is in receipt of the Farm Business ECIRS.

Specified Australian Pay and Classification Scales are at Appendix B.

The deferral of the general wage increase will be for a maximum period of 12 months from 1 October 2007. If a farm business ceases to be in receipt of an ECIRS, the farm business will cease to be exempt from paying the 2007 general wage increase.

⁹⁴ ABS, *Labour Force, Australia, Detailed, Quarterly, May 2007*, ST File 6291.0.55.003 E06_Aug 94, Canberra, ABS, 2007.

⁹⁵ Labour Supply and Skills Branch, DEWR.

Section 3

3. Preserved pay equity and work value wage increases under section 208(4)

The Australian Fair Pay Commission (Commission) received a number of submissions which raise the issue of wage increases awarded on the basis of work value change or pay equity which operate under s. 208(4) of the *Workplace Relations Act 1996* (WR Act). Many of these submissions address the relationship of these increases to the Commission's Wage-Setting Decision 1/2006.

Section 202(3) of the WR Act prohibits a preserved Australian Pay and Classification Scale (Pay Scale) from including an automatic pay increase mechanism:

- (3) Subject to subsection 208(4), rate provisions or casual loading provisions in an APCS must not include provisions under which a rate or casual loading provided for by the APCS will or may be increased by operation of the provisions and without anyone having to take any other action.

Note: This does not prevent an APCS, or an adjustment of an APCS, from being expressed to take effect at a future date. However, it does prevent an APCS from containing provisions under which (for example):

- (a) there will be one or more specified increases of a rate or loading at a specified future time or times; or
- (b) rates of pay or loading are indexed periodically.

However, s. 208(4) provides an exception:

- (4) If:
 - (a) the rate provisions referred to in paragraph (1)(a) include pay increases for particular employees, determined before the reform commencement, that are expressed to take effect at a time or times after the reform commencement; and
 - (b) those increases were determined by the Commission, or by a State industrial authority, wholly or partly on the ground of work value change or pay equity;

then (despite subsection 202(3)), the preserved APCS is taken to include provisions under which those increases will take effect for those employees at that time or those times.

Section 208(4) therefore preserves future pay increases where they are “wholly or partly on the ground of work value change or pay equity.” Under s. 208(4), if a pay increase mechanism allows for pay increases wholly or partly on the basis of work value change or pay equity, these increases will also form part of the Pay Scales.

The interaction of section 208(4) and minimum wage adjustments

The Australian Chamber of Commerce and Industry (ACCI) submits that both Commission wage increases and preserved s. 208(4) increases should be applied in full where these increases were expected by the parties:

Section 3

If it was intended pre-*WorkChoices* that there was to be a scheduled additional milestone increase (e.g. for pay equity or work value) plus safety net increases under the award system, this should apply under the APCS and the scheduled increases should effectively form part of the APCS.⁹⁶

ACCI also provides a lengthy discussion around circumstances where s. 208(4) preserved 'milestone' payments occurred but where parties had expected that no additional payments, such as safety net increases, would also apply:

The only schedules of prospective increases which should carry over from the former award system into APCS are those which were arbitrated for the purposes set out in s. 208(4), and which would have applied in addition to safety net increases had minimum wages remained in state awards.⁹⁷

In these circumstances ACCI submits that:

Where any schedule of prospective increases was never intended to apply in addition to safety net increases during the life of the milestone payments (i.e. the rates in the timetable arbitrated by the state tribunal were to be the rates paid with no further uprating for safety net increases) – this should be the approach under *WorkChoices*. The AFPC increases should be set aside in whole or part for these particular rates (APCS) whilst the preserved schedule of additional increases continues to be implemented.⁹⁸

Australian Business Industrial (ABI) proposes:

...so far as it is able the AFPC should not be a party to imposing arbitrary costs advantages and disadvantages on employers. Rather, the AFPC should adjust pay scales so far as it is able to reflect pre-commencement embedded increases and, the proper expectations of parties as to the continuing operation of the relevant wage principles.⁹⁹

Employers First advocates that the original intent of the parties be preserved:

On this basis, Employers First recommends the AFPC consider the implementation of the 2006 Wage Review Decision and any further decisions with regard to these NAPSA and preserved APCS particularly the application of an absorption and/or 'double dipping' rule. In specifically addressing these NASPA the AFPC would avoid any unintended consequences of its decision and preserve the intentions of the parties, which can by [sic] shown not to have been motivated by a desire to circumvent the underlying intension [sic] of "Workchoices".¹⁰⁰

The New South Wales Government outlines its approach to work value increases as:

...the purpose of awarding work value or equal remuneration increases is to bring employees whose work has been undervalued, either because of changes in the nature of the work, skill or responsibility, or because of historical gender based undervaluation, into line with comparator awards.

⁹⁶ ACCI, *Australian Fair Pay Commission 2007 Minimum Wage Review: ACCI Submission*, March 2007, p. 114, para 3.184(a)(i).

⁹⁷ ACCI, 2007, p. 114, para 3.184(a).

⁹⁸ ACCI, 2007, p. 114, para 3.184(b).

⁹⁹ Australian Business Industrial, *Submission to the Second Review of Minimum Wages*, March 2007, p. 42.

¹⁰⁰ Employers First, *Submission to the Australian Fair Pay Commission*, March 2007, p. 24, para. 9.4.

Section 3

The New South Wales Government therefore agrees that a situation where new rates for previously undervalued groups of workers, determined as a result of arbitrated proceedings under the Equal Remuneration Principle, would deteriorate over time if they are excluded from any minimum State Wage adjustment process is inequitable. Such an outcome is undesirable and inconsistent with the objective in section 3(f) of the Industrial Relations Act 1996.¹⁰¹

In performing its wage-setting function, the Commission has limited discretion over wage increases in Pay Scales that are preserved by s. 208(4). While it is within the scope of the legislation for the Commission to exempt specified Pay Scales from Wage-Setting Decision 3/2007, the Commission considers that doing so for Pay Scales which contain pay increases under s. 208(4) would diminish the work value change and pay equity increases awarded.

The childcare sector

Submissions from the childcare sector also raise the operation of s. 208(4) on Pay Scales within this sector.¹⁰² These submissions argue that pay increases awarded on the basis of work value change or pay equity under s. 208(4) and pay increases resulting from the Commission's Wage-Setting Decision 1/2006 have had a negative impact on the childcare industry.

Childcare Associations Australia states that “[w]age increases equal fee increases equals less access to care and workforce participation.”¹⁰³ They also request that the Commission:

...consider exemptions for our industry on the basis that many workers have received and are continuing to receive increases (as a result of Section 208 (4) (B)) until these increases have been fully implemented and in recognition of the viability issues for our sector.¹⁰⁴

The Child Care National Association claims: “The cost of childcare is directly linked to very large childcare wage increases.”¹⁰⁵

The Child Care Centres Association of Victoria Incorporated argues that the Commission's 2006 minimum wage increase in combination with increases provided by s. 208(4): “...triggered a dramatic increase in fees for Victorian families using childcare.”¹⁰⁶

In its decision to vary the Child Care Industry (ACT) Award and the Children's Services (Victoria) Award on the basis of work value change, the Australian Industrial Relations Commission (AIRC) was satisfied that “the nature of the work...constitute[s]...a significant net addition to work requirements within the meaning of the work value principle.”¹⁰⁷

The AIRC also considered the effect this decision on childcare fees stating:

¹⁰¹ NSW Government, *Submission to the Full Bench of the Industrial Relations Commission of New South Wales in the State Wage Case 2007, Matter No. 3613 of 2006*, submitted to AFPC in March 2007, p. 52, paras 208-09.

¹⁰² Child Care Centres Association of Victoria Inc, *2007 Minimum Wage Review, Correspondence to AFPC dated 30 March 2007*, p. 2; Childcare Associations Australia, *Submission to the Australian Fair Pay Commission regarding the 2007 General Wage Review*, 5 April 2007, p. 2, para. 3.

¹⁰³ Childcare Associations Australia, 2007, p. 3, para. 4.

¹⁰⁴ Childcare Associations Australia, 2007, p. 3, para. 4.

¹⁰⁵ Child Care National Association, Australian Childcare Centres Association, *Australian Fair Pay Commission Minimum Wage Consideration – Spring 2006*, resubmitted March 2007, attached correspondence dated 30 March 2007, p. 1.

¹⁰⁶ Child Care Centres Association of Victoria Inc, 30 March 2007, p. 2.

¹⁰⁷ AIRC, *Application for Variation Child Care Industry (Australian Capital Territory) Award 1998 and Children services (Victoria) Award 1998* [PR 954938 (13 January 2005)], para. 366.

Section 3

...in our view the fact that wage increases will lead to fee increases and hence there will be less access to accredited child care is only one consideration. And, of course the question of where the public interest lies in a particular matter will often depend on balancing interests, including competing interests. The whole of the circumstances in a particular matter must be weighed in order to determine where the public interest lies.¹⁰⁸

In its decision to vary the Child Care Industry Award – State 2003 on the basis of pay equity, the Queensland Industrial Relations Commission (QIRC) held:

Although the various decisions of the Commission must be seen in their historical context it is very apparent to us that remuneration has been undervalued for reasons including that child care workers are predominantly female and their work has been characterised as “female”.¹⁰⁹

In further considering the impact its decision may have on childcare fees the QIRC found:

In achieving pay equity we must also be alert to the provisions of the Act that require the Commission to take into account the interests of the persons immediately concerned and the community as a whole. To again quote Ms Carrick there must be a “healthy tension” between the rates paid to child care workers and the affordability of fees. The existence of this tension is not a mechanism to deny pay equity. The public interest requires that child care remains both affordable and accessible.¹¹⁰

It was anticipated in both the federal and state jurisdictions that a safety net increase would apply in addition to any work value or pay equity increases.¹¹¹

It is clear from these decisions that the issues raised by the childcare sector have been carefully considered in other jurisdictions, which have awarded increases that recognise a significant change in work value.

The Commission considers that s. 208(4) is intended to account for circumstances in which wage increases, wholly or in part, reflect changes in work value or pay equity. In the Commission’s view, exempting the childcare sector from Wage-Setting Decision 3/2007 would diminish the work value increases already awarded.

The NSW local government sector

The Commission’s Wage-Setting Decision 1/2006 applied the wage increase to the Pay Scale derived from the pre-Work Choices Local Government (State) Award 2004. This Pay Scale also included additional increases operating under s. 208(4) which were made partly on the basis of changes in work value commencing on 1 November 2006. In their 2007 submission, the Local Government Association of NSW and Shires Association of NSW recommend that the Commission “give consideration to the circumstances and industries identified in the relevant APCS, when varying rates of pay”.¹¹²

¹⁰⁸ AIRC, (13 January 2005), para. 369.

¹⁰⁹ QIRC, *Application for Equal remuneration Orders* (2005) Case No. B2003/2133, 7.1.

¹¹⁰ QIRC, *Application for Equal remuneration Orders* (2005) Case No. B2003/2133, 8.2.

¹¹¹ QIRC, *Application for Equal remuneration Orders* (2005) Case No. B2003/2133, 8.2.3, p. 41; AIRC, *Safety Net Review – Wages June 2005*, [Print PR002005 (7 June 2005)].

¹¹² LGSA, *2007 Minimum Wage Review, Submission to the Australian Fair Pay Commission*, March 2007, p.11, para.5.10(a).

Section 3

The Commission has considered the matters raised in this submission. The Commission is aware that the Pay Scale derived from the pre-Work Choices Local Government (State) Award 2004 contains no further increases under s. 208(4). The Commission has determined that Wage-Setting Decision 3/2007 will apply to the Pay Scale derived from the pre-Work Choices Local Government (State) Award 2004.

The NSW social and community services sector

A number of submissions refer to the impact of the Commission's Wage-Setting Decision 1/2006 on the Pay Scale derived from the pre-Work Choices Social and Community Services Employees (State) Award 2006 (SACS Award) in the not-for-profit sector in 2006-07.

National Disability Services (NDS) (formerly ACROD) contends:

'...the AFPC decision in conjunction with the SACS preserved APCS, will have a detrimental effect on the industry with respect to increased labour costs which were not contemplated in the light of government funding arrangements.'¹¹³

'ACROD members surveyed about the impact of the AFPC decision claim its implementation will reduce the scope and quality of services available to their clients

...

Thus the effect of the AFPC decision on the SACS preserved APCS is likely to lead to reduced employment in the sector, and a reduction in social and/or welfare programs in the community'¹¹⁴

NDS requests that: "no increases be applied to the SACS preserved APCS in the course of the 2007 Minimum Wage Review".¹¹⁵

In relation to this, ACCI submits that:

The industries affected by this double counting and completely unintended application of additional wage increases are amongst some of the least able to accommodate such an outcome. Social and disability services and not for profit operations are the least able to accommodate additional pay obligations well above those specifically budgeted for. They operate on government grant funding which is well understood to be very tight, in regard to both salaries and operations'¹¹⁶

Australian Business Industrial (ABI) asserts that:

ABI members report that these industry settlements or determinations form the basis of their costs planning and, in the funded sectors of its membership, the basis of funding applications for the future 1 – 3 years. Unexpected additional increases go directly to levels of employment.¹¹⁷

¹¹³ NDS, *2007 Minimum wage Review and the APCS derived from the SACS (State) Award*, Reasons for Submission, correspondence to Commission dated 12 January 2007, p. 4, para 18.

¹¹⁴ NDS, 12 January 2007, pp. 5-7, paras. 25-26.

¹¹⁵ NDS, 12 January 2007, p. 1.

¹¹⁶ ACCI, 2007 p112 para 3.179.

¹¹⁷ Australian Business Industrial, 2007, p 35.

Section 3

Employers First argues that consequences of the operation of the application of s. 208(4) in the not-for-profit sector may include “[p]otential adverse effects upon movements within the labour markets relevant to each industry,”¹¹⁸ and could also affect:

The capacity of each industry to afford increases to relevant APCS, noting especially the significant dependence of employers under several of the relevant awards upon government and similar funding as the primary form of income, combined with a concurrent inability to pass on increased costs to customers in their industries.¹¹⁹

The Australian Catholic Council for Employment Relations requests:

...that the specific issue in the social and community services sector in New South Wales be addressed by the insertion of an absorption provision into the AFPC's determination.¹²⁰

Jobs Australia recommends that the Commission's Wage-Setting Decision 1/2006 “should not be undone” but that Pay Scales derived from the SACS Award should be excluded from any general wage increases until July 2008 which could assist employers to cope with unexpected labour costs.¹²¹

There is a majority view among employer organisations that businesses covered by the Pay Scale derived from the SACS Award and reliant on government funding could not factor wage-related costs into these funding arrangements.

In response to the NDS submission, the Australian Services Union New South Wales (ASU NSW) requests that employees covered by the Pay Scale derived from the SACS Award receive any general wage increase awarded by the Commission. The ASU NSW also argues that:

The intent of s. 208 (4) is clear and unequivocal. In such circumstances employees are entitled to the benefits that are contained in a **NAPSA** that arise out of circumstances envisaged by s. 208 (4) of the **Act**, and, to the benefits of the decisions of the Commission.¹²²

The ASU NSW claims that NDS have not put forward any evidence which shows that the 2006 increase to the minimum wage will have or has had a negative effect on the industry or that the granting of an increase would lead to reduced employment or a reduction of services in the sector.¹²³

¹¹⁸ Employers First, 2007, p. 23 para. 9.3.3.

¹¹⁹ Employers First, 2007, p. 23 para. 9.3.4.

¹²⁰ ACCER, *Minimum Wages Review 2007, Submission by the Australian Catholic Council for Employment Relations*, March 2007, p. 32.

¹²¹ Jobs Australia, correspondence to Commission dated 15 May 2007, p. 2.

¹²² ASU NSW, *Submission to the Australian Fair Pay Commission*, 15 May 2007, p. 5, para. 4.1.

¹²³ ASU NSW, 2007, p. 5, para. 36; p. 7, para. 47.

Section 3

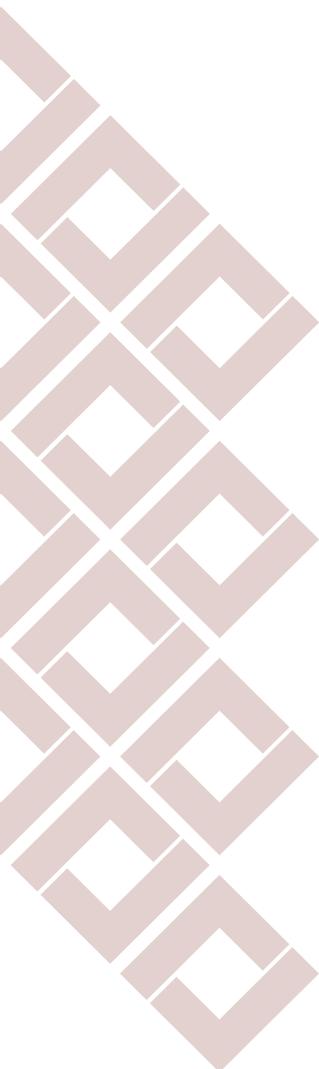
The Commission maintains that, while the legislation allows it to exempt specified Pay Scales from its Wage-Setting Decision 3/2007, to do so for all Pay Scales which contain pay increases under s. 208(4) would diminish the work value increases already awarded.

However, the Commission heard arguments put forward by the sector that the pre-Work Choices wage instrument did not envisage parties being able to pursue safety net adjustments in addition to those already agreed in the schedule of wage increases awarded under the pre-Work Choices wage instrument.

It is not possible to identify the proportion of increase attributable to the separate elements of work value and safety net. The Commission considered that exempting the not-for-profit social and community services sector from Wage-Setting Decision 1/2006 would diminish, if not completely negate, the work value element.

On the other hand, the Commission considers there is scope to exempt the social and community services sector from Wage-Setting Decision 3/2007 without diminishing the effect of work value increases, and recognising the intention of the parties to the prior agreement.

It is the Commission's intention that the higher wage increase of either Wage-Setting Decision 3/2007 or that preserved by s. 208(4) in the Pay Scale will apply. Therefore, the Commission will exempt the SACS Award from Wage-Setting Decision 3/2007.



Section 4

4. Junior employees, employees to whom training arrangements apply and employees with a disability

4.1. Junior employees and employees to whom training arrangements apply

In Wage-Setting Decision 1/2006, the Australian Fair Pay Commission (Commission) flowed on the general adult decision to Australian Pay and Classification Scales (Pay Scales) to junior rates in preserved Pay Scales and to employees to whom training arrangements apply.

The general wage increase was pro rated for junior employees and employees to whom training arrangements apply, based on formulas applying in relevant pre-Work Choices wage instruments. Wage rates were increased on the basis of pre-Work Choices relativities with appropriate adult rates in relevant preserved Pay Scales where no formula or method appeared in a pre-Work Choices wage instrument.¹²⁴

A majority of submissions support a continuation of the approach taken by the Commission in Wage-Setting Decision 1/2006 to proportionately flow on the general increase to junior employees and employees to whom training arrangements apply:

'In its 2006 Minimum Wage Review decision, the Commission decided...to adjust ... junior rates...[and] apprentice/trainee rates...in accordance with past practice in the award system. The Government sees no reason for the Commission to depart from that approach in its 2007 Minimum Wage Review decision.'¹²⁵

'The AFPC should adjust junior, trainee and apprentice rates as they were adjusted in the AFPC decision of 1 December.

...

...the fairest and most appropriate method of adjusting the rates for juniors should be to employ the method adopted by the AFPC in its 2006 Decision to apply the wages outcomes to the adult rates and apply the historic relativities as they existed immediately prior to the reforms to the adult rates.'¹²⁶

'Proportionate flow on of the general decision using the pre-*WorkChoices* formulae remains appropriate, if any general increase is to be applied...'¹²⁷

'Ai Group supports the continuation of the...practical approach adopted by the AFPC in its 2006 decision, pending the outcome of the upcoming separate review of minimum wages for junior employees.'¹²⁸

'The AFPC decision in relation to junior rates to be based on the formulas in the relevant pre-reform wage instrument is sensible and appropriate.'¹²⁹

¹²⁴ Where adult means a basic periodic rate of pay that does not explicitly apply to a class of employees with a disability or employees to whom a training arrangement applies or junior employees.

¹²⁵ Australian Government, *Submission to the Australian Fair Pay Commission Minimum Wage Review*, 30 March 2007, p. 9, para. 2.18.

¹²⁶ ACTU, *Australian Council of Trade Unions Submission to the Australian Fair Pay Commission*, March 2007, p. 7, p. 77.

¹²⁷ ACCI, *2007 Minimum Wage Review: ACCI Submission*, March 2007, p. 296, para. 12.9.

¹²⁸ Ai Group, *Australian Fair Pay Commission – 2007 Minimum Wage Review, Ai Group Submission*, March 2007, p. 75, para. 195.

¹²⁹ Business SA, *Business SA's Submission*, March 2007, p. 13, para. 3.2.5.1.

Section 4

Junior employees

The Commission will flow on the general decision in relation to Pay Scales to junior wages in Pay Scales. The general pay increase will be pro rated on the basis of formulas applying in the relevant pre-Work Choices wage instruments.

In circumstances where there was no formula in the pre-Work Choices wage instrument (for example, where a junior rate was originally expressed as a dollar value rather than a percentage), the general increase will be pro rated so that the junior rate retains its relativity to the relevant adult rate in the preserved Pay Scale. If no relevant rate is identified, the junior rate will be adjusted to retain its relativity to the lowest adult rate in the Pay Scale.¹³⁰

For example, if the dollar value of a junior rate represented 70 per cent of the relevant adult preserved Pay Scale prior to the general wage increase being applied to the adult Pay Scale, then the junior rate should be adjusted so that it remains as 70 per cent of the relevant adult preserved Pay Scale after the general increase has been applied to the adult rate.

Employees to whom training arrangements apply

The Commission will flow on the general decision in relation to Pay Scales to employees to whom training arrangements apply.

Apprentices

The general pay increase will be pro rated on the basis of formulas applying in the relevant pre-Work Choices wage instruments so as to maintain the relativity of the basic periodic rates of pay for apprentices with the relevant tradesperson rate. Formulas, where available, will be used to adjust basic periodic rates of pay for full-time and part-time apprentices, and school-based apprentices (noting that the Pay Scale derived from repealed s. 552 of the WR Act retains a formula suitable for flowing on the general minimum wage increase).

Where apprentice rates are derived from a specific rate in another Pay Scale, they will be adjusted to reflect the parent rate on which they are based, where the parent rates have been adjusted to give effect to the general decision.

Trainees

Trainee basic periodic rates of pay provided for in preserved Pay Scales will be adjusted to flow on the general decision using the method described in the transcript of the application to vary the National Training Wage Award 2000 for the 2003 Safety Net Review (see Appendix C). This method is also adopted to flow the general increase to related traineeships. Related traineeships include traineeships with rates that were originally drawn from the National Training Wage Award prior to 27 March 2006. Broader issues of diverse training arrangements and associated wages will be considered in the context of Pay Scale rationalisation.

Reviews of junior wage arrangements and wage arrangements for employees to whom training arrangements apply

In Wage-Setting Decision 1/2006, the Commission foreshadowed its intention to initiate a wage review of junior wage arrangements and wage arrangements for employees to whom training arrangements apply.

¹³⁰ Where adult means a basic periodic rate of pay that does not explicitly apply to a class of employees with a disability or employees to whom a training arrangement applies or junior employees.

Section 4

'The Commission is aware that junior wage arrangements present some complex issues and will initiate a wage review on junior wage arrangements in early 2007 to gather further information on these issues.'¹³¹

'...[T]he Commission will initiate a wage review in 2007 of Pay Scales for employees to whom training arrangements apply to inform itself more fully about these issues.'¹³²

A number of submissions to the 2006 wage review urged the Commission to consider adjusting wages for junior employees and employees to whom training arrangements apply in the context of Pay Scale rationalisation.

The Australian Chamber of Commerce and Industry (ACCI) called on the Commission to "research and take submissions on the future rationalisation of junior wages".¹³³

The Australian Government submission noted "there may be advantages in awaiting the rationalisation of the system of minimum wages in preserved APCs before setting a special FMW".¹³⁴

The Australian Council of Trade Unions (ACTU):

...urge[s] caution and further consultation regarding the establishment of new rates or formulas for the establishment of rates of pay for Trainees and Apprentices [and] Juniors...¹³⁵

In the context of commencing Pay Scale rationalisation in 2007, the Commission has decided to specifically address wage reviews for junior employees and employees to whom training arrangements apply as part of this rationalisation process.

The Commission will specifically review wage arrangements for junior wages and employees to whom training arrangements apply in the context of commencing a process to rationalise Pay Scales.

4.2. Employees with a disability

In Wage-Setting Decision 1/2006, the Commission addressed gaps in the coverage of minimum rates of pay and access to pro rata arrangements for employees with a disability. The decision included introduction of:

- a special Federal Minimum Wage (FMW) equal to the standard FMW for employees with a disability, as defined by the legislation, in open employment who are able to earn full adult wages as the effects of their disability do not impair their productive capacity;
- a special Pay Scale that extends coverage of the Supported Wage System (SWS) pro rata wages to preserved Pay Scales that did not previously provide for pro rata wage arrangements;
- a special FMW that extends coverage of the SWS pro rata wages to previously award free employees with a disability; and

¹³¹ AFPC, *Wage-Setting Decision and Reasons for Decision*, October 2006, p. 102.

¹³² AFPC, 2006, p. 109.

¹³³ ACCI, *2006 Minimum Wage Review: ACCI Submission*, July 2006, p. 393, para. 18.89(f).

¹³⁴ Australian Government, *Submission to the Australian Fair Pay Commission 2006*, 28 July 2006, p. 174, para. 9.73.

¹³⁵ ACTU, *Australian Council of Trade Unions Submission to the Australian Fair Pay Commission*, July 2006, p. 127.

Section 4

- a special Pay Scale that provides pro rata wages to employees with a disability employed in the business services sector and who are not otherwise covered by preserved Pay Scales.

The Human Rights and Equal Opportunity Commission (HREOC) submission welcomes the decision to set the new special FMW at a rate equal to the standard FMW, observing that the decision:

[a]cknowledged that people with disability are entitled to receive a wage commensurate with their experience, skills, training and qualifications and the equal contribution made by employees with disability to the Australian workforce.¹³⁶

The submissions to the Commission indicate that the extension of the SWS model clause to all Pay Scales has been generally well-received:

'Feedback received by the [Disability Employment Services] Branch indicates that the decision to extend coverage of the SWS has been warmly welcomed by the disability sector.'¹³⁷

'ACE commends the AFPC for... closing the gaps in SWS industrial coverage so that all employer/employees wishing to access the SWS can do so with the minimum of fuss.'¹³⁸

The Australian Government submission notes that:

Available data (limited due to the short time since the decision) and general feedback from business services indicate that the new special Pay Scale established by the Commission's 2006 decision for business services has not had any detrimental impact on the sector.¹³⁹

and:

The Commission's 2006 decision is consistent with the outcome FaCSIA [the Department of Families, Community Services and Indigenous Affairs] and business services have been working toward since 2004 – the introduction of pro-rata wages determined by a fair and transparent tool.¹⁴⁰

Wage assessment tools in the business services sector

The new special Pay Scale for the business services sector includes 22 wage assessment tools which measure the productive capacity of each individual employee and determine a corresponding pro rata wage for each employee. Business services are required to use a recognised wage assessment tool to determine the appropriate pro rata wage to be paid to each employee. However, due to the economic burden of increased wage rates, a number of business services reached agreements with Department of Families, Community Services and Indigenous Affairs (FaCSIA) to phase in compliance with the requirements to pay award based wages and use a wage assessment tool. These agreements are deemed to be included in relevant preserved Pay Scales. Business services that were not using a recognised wage tool at the time of the Wage-Setting Decision 1/2006 were exempted from the new special Pay Scale until 11 May 2008.

¹³⁶ HREOC, *Submission to the Australian Fair Pay Commission 2007 Minimum Wage Review*, March 2007, p. 3, para. 6.

¹³⁷ Australian Government, 2007, p. 8, para. 2.12.

¹³⁸ ACE, *Submission to the Australian Fair Pay Commission National Minimum Wage Decision*, March 2007, p. 5.

¹³⁹ Australian Government, 2007, p. 9, para. 2.17.

¹⁴⁰ Australian Government, 2007, p. 9, para. 2.17.

Section 4

Employees with a disability employed in business services exempted from the new special Pay Scale will continue to experience a gap in coverage until the business services either have their wage assessment tool approved or adopt a wage assessment tool which is currently recognised. All business services are required to obtain approval from the Commission for a proposed wage assessment tool, or use a currently recognised tool by 11 May 2008 to qualify for government funding.

The Australian Government submission notes:

...business services are...required to transition to an appropriate wage tool in accordance with the Pay Scale before May 2008 or to have their tool added to the list of tools recognised by the Pay Scale. All these business services are aware of this requirement and many have started to consider the alternative tools available.¹⁴¹

Commission process for approval of new wage assessment tools

In Wage-Setting Decision 1/2006 the Commission stated:

The Commission will accept submissions at any time regarding the addition of new wage assessment tools to preserved Pay Scales, new special Pay Scales and new special FMW instruments.¹⁴²

The Australian Government submission notes that “[a]ll business services have wage setting mechanisms in place,” however, there are still “25 business services...using wage assessment tools that are not listed in the new special Pay Scale”.¹⁴³

The Commission has established a process for the approval of non-recognised wage assessment tools for use in the business services sector. The process, which largely replicates the pre-Work Choices process, operates as follows:

1. Business services wishing to have a new wage assessment tool added to the special Pay Scale should make a submission to the Commission.
2. The submission is referred to FaCSIA, which engages an independent third party consultant. The consultant conducts an independent assessment of the wage assessment tool, measuring the tool against the requirements of the *Guide to Good Wage Practice Determination*.
3. The Commission will consult with the Disability Round Table on the proposed wage assessment tool.
4. The Commission will make a decision whether to approve the wage assessment tool.
5. If approved, the wage assessment tool will be added to the new special Pay Scale which covers employees with a disability working in the business services sector.

Business services that are currently exempted, and were not using a recognised wage tool at the time of Wage-Setting Decision 1/2006, must lodge their submission with the Commission by 31 August 2007. This allows time for the proposed tool to be fully considered by the Commission through the new process and for the Commission to make a decision on the proposed wage assessment tool prior to 26 March 2008.

¹⁴¹ Australian Government, 2007, p. 9, para. 2.15.

¹⁴² AFPC, 2006, p. 119.

¹⁴³ Australian Government, 2007, p. 9, para. 2.15.

Section 4

Monitoring

In Wage-Setting Decision 1/2006, the Commission undertook to monitor the impact of wage-setting decisions.¹⁴⁴

In relation to the Commission's decision on employees with a disability, the Australian Government notes that:

...given the limited time since the Commission's decision took effect, precise data are not yet available to assess any specific impacts of the decision.¹⁴⁵

ACCI states that "it remains too early to determine the success or failure of measures to date"¹⁴⁶ and "[i]t appears to ACCI that this is an area in which new minimum wage arrangements need more time to bed down before any widespread and meaningful evaluation will be possible."¹⁴⁷

HREOC observes that it:

...has received very little feedback on the impact of the AFPC's first Minimum Wage Decision and the changes to minimum wage rates affecting employees with a disability.¹⁴⁸

The Department of Employment and Workplace Relations (DEWR) collects and publishes data pertaining to employees with a disability in open employment in the DEWR Annual Report. Currently this data provides information on the Disability Employment Network, including the number of organisations providing open employment services, the number of job seekers with a disability who have accessed job network services and the number of new job seekers placed in the last financial year.

DEWR has undertaken to provide disaggregated data which relates specifically to employees with a disability in open employment on the SWS to assist the Commission to monitor the impact of its wage-setting decisions on these employees. The Commission will be provided with data on the number of assessments carried out as part of the SWS programme for each financial year.

The Department of Families, Community Services and Indigenous Affairs (FaCSIA) publishes the Australian Government Disability Services Census annually which contains all current published data pertaining to employees with a disability in business services. The first release of this data following the Commission's Wage-Setting Decision 1/2006 will be available after 30 June 2007.

The Disability Services Census incorporates data on specialist employment services for people with a disability funded under the Commonwealth State Territory Disability Agreement. Detailed information is provided on disability service outlets, including the number of service outlets operating, the services provided, staff numbers and hours worked. Data on consumers of specialist disability employment services, including disability type, type of employment service accessed, level of assistance required, hours of employment and wage type and level is also included in the Census.

¹⁴⁴ AFPC, 2006, p. 137.

¹⁴⁵ Australian Government, 2007, p. 8, para. 2.12.

¹⁴⁶ ACCI, 2007, p. 306, para. 12.55

¹⁴⁷ ACCI, 2007, p. 305, para. 12.49.

¹⁴⁸ HREOC, 2007, p. 3, para. 7.

Section 4

In addition, FaCSIA conducts monitoring of employees with a disability employed in business services. FaCSIA has direct contact with the business services sector through its local and state offices and the rates at which employees enter the business services sector is monitored through an online system. Business services using a non-recognised wage tool are subject to a third party independent audit system.

Data collected by DEWR and FaCSIA will assist the Commission monitor employees with a disability engaged in open employment and business services.

Section 5

5. Casual loadings and piece work rates

5.1. Casual loadings

The Australian Fair Pay Commission (Commission) has responsibility for the setting or adjustment of casual loadings. Casual loadings can be provided for within the Australian Pay and Classification Scales (Pay Scales). The Australian Fair Pay and Conditions Standard (the Standard) also provides for a 'default' casual loading of 20 per cent for those covered by the standard Federal Minimum Wage (FMW), special FMW or a workplace agreement.

The Commission received a number of submissions outlining the prevalence of casual employment amongst low-paid workers. Few submissions addressed the loading rate or possible adjustments to the casual loading.

In the submissions which did address the casual loading rate, most referred back to the position outlined in their submission to the Commission in 2006.

The Australian Council of Trade Unions (ACTU) submits that:

In the July 2006 submission to the AFPC by the ACTU the ACTU said:

In the application of any increase to casual employees arising from any wage increase awarded by the AFPC, casual employees should not be disadvantaged...

Rates of pay for casuals should be adjusted in such a way that they are not disadvantaged on the basis of what they would have received had the reforms not occurred but there had been a wage movement that would have affected their rates of pay.

The ACTU continues to hold this view.¹⁴⁹

The Australian Government and the Australian Chamber of Commerce and Industry (ACCI) argue that casual loadings should not be adjusted:

'In its 2006 Minimum Wage Review decision, the Commission decided not to adjust casual loadings and decided to adjust piece rates, junior rates, apprentice/trainee rates and rates for employees with a disability in accordance with past practice in the award system. The Government sees no reason for the Commission to depart from that approach in its 2007 Minimum Wage Review decision.'¹⁵⁰

'Casual loadings should again not be touched. Casual employees should instead see their minimum wages increased as a function of any general wage increase only.'¹⁵¹

However some submissions, particularly from industries that employ many workers casually, such as ClubsAustralia National and Restaurant & Catering Australia, argue that casual loading rates should be dropped or not adjusted in line with any potential 2007 increases. ClubsAustralia National argues that the rate should not be adjusted from the last decision:

¹⁴⁹ ACTU, *Australian Council of Trade Unions Submission to the Australian Fair Pay Commission*, March 2007, p. 78.

¹⁵⁰ Australian Government, *Submission to the Australian Fair Pay Commission Minimum Wage Review*, 30 March 2007, p. 9, para. 2.18.

¹⁵¹ ACCI, *2007 Minimum Wage Review, ACCI Submission*, March 2007, p. 299, para.12.22.

Section 5

Circumstances relevant to a review of the FMW &/or Pay Scales (as set out in s23 of the WR Act) do not indicate that any increase in FMW &/or Pay Scales is appropriate in 2007. If any increase in FMW &/or Pay Scales is considered appropriate (which is denied) then...the increase should be applied only to the FMW and not to the Pay Scales or casual loading[.]¹⁵²

Restaurant & Catering Australia argues the Commission should lower the current rate:

The industry is keen to have the Australian Fair Pay Commission focus on the mathematical and non-discretionary nature of the casual loading. In the terms of the Australian Fair Pay and Conditions Standard the leave for which the casual rate is compensating is annual leave, personal/carers leave and compassionate leave. Taken at their maximum this leave accounts for just on 13% of the hours worked in a year. Restaurant & Catering Australia asks the Australian Fair Pay Commission to consider revising the casual loading down to this figure and to make clear the basis on which the casual loading is set, noting the non-discretionary nature of the loading.¹⁵³

Some submissions, such as from the Australian Young Christian Workers (AYCW), argue that further consideration and research is needed regarding the circumstances and methodology used in relation to casual loadings in the future:

The AYCW strongly recommends the following areas for further investigation

...

Identification of the real worth of minimum casual wages compared to ongoing or regular wages, in the light of current costs of living (with particular important placed on this when the casual loadings are being determined).¹⁵⁴

The general pay increase flows to casual employees through adjustments to the basic periodic rates of pay (or as otherwise specified where Pay Scales provide for differing methods of causal compensation). The Commission has decided that further consideration of any casual loading adjustments should be undertaken in the context of the Pay Scale rationalisation process.

The Commission will not make any adjustment to the casual loadings expressed as a percentage contained in preserved Pay Scales or the default casual loading at this time.

Where preserved Pay Scales provide a flat dollar amount for casual employees, these rates will be increased by the same amounts and in the same way as the general increase.

Further consideration of any casual loading adjustments will be undertaken in the context of the Pay Scale rationalisation process to commence in 2007.

¹⁵² ClubsAustralia National, *2007 Minimum Wage Submission*, March 2007, p. 1.

¹⁵³ Restaurant & Catering Australia, *2007 Submission to the Australian Fair Pay Commission*, March 2007, p. 16.

¹⁵⁴ AYCW, *Submission by the Australian Young Christian Workers*, March 2007, p. 9.

Section 5

5.2. Piece rates

The Commission is given power under the *Workplace Relations Act 1996* (the WR Act) to adjust basic piece rates of pay. In Wage-Setting Decision 1/2006, the Commission recognised the difficulty that flowing on increases for piece rates raised for particular industries. The Commission invited affected industries to engage with it should difficulties arise. The Commission is currently reviewing the issue of piece rates in the real estate sector.

Piece rate adjustments

Several submissions raise the issue of adjustments to piece rates.

The ACTU states:

The ACTU welcomes the decision of the AFPC in relation to piece rates. Again it is our view that piece rates should be adjusted as they would have been adjusted had the reforms not commenced. Any re-adjustment necessary should then be undertaken in accordance with the provisions of the Act.¹⁵⁵

ACCI submits:

In ACCI's view, pending further information and input from parties using piecerates [sic] in this 2007 review, the conclusion in 2006 appears to remain a sound approach:

- a. Flow on any general increase into minimum piece rates derived from former award provisions (bearing in mind ACCI's position that any general increase would be premature in mid 2007).
- b. Convert any general increase into a percentage for preserved pay scales not otherwise increased as a result of the general decision.
- c. Allow affected users of piece rates to make submission one the consistency of this outcome with existing practice and the operation of piece rate working.¹⁵⁶

Coverage of piece rates

Some submissions outline issues with piece rate flow ons from the Commission's Wage-Setting Decision 1/2006. In particular, the submission from the National Farmers' Federation (NFF) highlights that some piece rates were identified as not being piece rates but incentive-based allowances. Under the legislation, such allowances are within the jurisdiction of the Australian Industrial Relations Commission (AIRC) and not the Commission:

It has recently been identified that the AFPC only has jurisdiction over some of the piece rates in the Pastoral Industry Award, namely the piece rates for shearing and crutching. The remaining piece rates are in fact incentive-based allowances that fall within the jurisdiction of the AIRC.

...

¹⁵⁵ ACTU, 2007, p. 78.

¹⁵⁶ ACCI, 2007, p. 301, para. 12.29.

Section 5

...The Department of Employment and Workplace Relations, in consultation with the NFF, is currently finalising the pay scales for all rates in the Pastoral Industry Award now the interpretation has been clarified. The impact of the interpretation is that there will be a difference in the pay scales as opposed to the rates contained in the transitional award...It is, for historical purposes at least, disappointing to see the formula disappear that has otherwise determined the rates for shearing for one hundred years this year.¹⁵⁷

The Commission will flow on the general wage-setting decision to basic piece rate Pay Scales in the following manner.

The general pay increase will be flowed on to basic piece rate Pay Scales through applying a two per cent increase to basic piece rates in preserved Pay Scales which are not otherwise increased as a result of the general decision.

However, due to the diversity within basic piece rate Pay Scales, an affected person or business may make a submission to the Commission on the grounds that such an adjustment would result in an anomalous outcome inconsistent with the Commission's intention to flow on the general increase to piece rate workers.

¹⁵⁷ NFF, Submission to the Australian Fair Pay Commission, March 2007, p. 28, para. 13.2.

Section 6

6. Discrimination

The Australian Fair Pay Commission (Commission) received submissions dealing with discrimination matters, some of which include a focus on pay equity issues. In particular, the submissions focus on groups including:

- female employees;
- young workers;
- people from culturally and linguistically diverse backgrounds;
- Indigenous Australians;
- employees with disabilities; and
- working families.

The submissions drew particular attention to the over-representation of vulnerable groups amongst low-paid employees:

'People from CLDB [culturally and linguistically diverse backgrounds] with disabilities experience many barriers to full participation in the workforce. People with disabilities are more likely to be engaged in part time work and have a higher unemployment rate relative to people without disabilities.

Women with disabilities are clearly identified by the Human Rights and Equal Opportunity Commission as being particularly vulnerable workers. It could be argued that women from culturally and linguistically diverse backgrounds with disabilities experience triple disadvantage, with a corresponding degree of vulnerability in the workplace.¹⁵⁸

'Young people are generally paid less than adult minimum wages. Although unemployment among young people has declined along [sic] over the past two decades, many still struggle to progress from school to secure employment. However, this is due mainly to such factors as poor educational outcomes and social disadvantage rather than the level of minimum wages for young people.'¹⁵⁹

'Given economic well-being is largely determined by income and wealth, the difference between the income and wealth of Indigenous and non-Indigenous people is a major indicator of material disadvantage. Based on 2001 Census data, the median gross weekly equivalised income for Indigenous people was \$282 compared to \$500 for non-Indigenous people.

...

Family stream migrant and overseas born workers are overrepresented in sectors with low pay and limited security, in particular outwork and contract cleaning. Those most vulnerable are those with low skill levels and limited proficiency in English.¹⁶⁰

While some submissions recognise the prevalence of certain groups among the low paid, others highlight the importance of rates of pay that encourage the employment of vulnerable employees:

¹⁵⁸ FECCA, *Submission of the Federation of Ethnic Communities' Council of Australia to the 2007 Minimum Wage Review*, March 2007, p. 9, paras 25-26.

¹⁵⁹ ACOSS, *Submission to the Fair Pay Commission on Minimum Wages*, April 2007, p. 8.

¹⁶⁰ NSW Government, *Submission to the Full Bench of the Industrial Relations Commission of New South Wales in the State Wage Case 2007, Matter No. 3613 of 2006*, submitted to AFPC in March 2007, pp. 51-52, paras. 197 and 201.

Section 6

'While labour market conditions have strengthened for most cohorts over recent years, a number of groups, including teenagers, the long-term unemployed and lone parents, continue to face significant labour market disadvantage.

Accordingly, it is, [sic] critical that increases in minimum wages do not price these vulnerable groups out of the labour market.¹⁶¹

'In considering whether to increase minimum wages, the focus should be on the competitiveness of relative participants in the market, and in particular, the need to provide incentives to employ junior, trainee and disabled employees when compared with employees with a greater level of skill, experience or ability.'¹⁶²

Scope of the Commission's powers

Some submissions cover many of the economic and legal issues affecting vulnerable workers. In particular they focus on the operation and effect of the anti-discrimination considerations included in s. 222 of the *Workplace Relations Act 1996* (WR Act).

Some submissions address the circumstances of vulnerable workers and raise issues not covered by the ambit of this provision or the powers of the Commission including:

- the potential discriminatory effects related to Australian Workplace Agreements on certain vulnerable employees;
- issues more properly addressed by relevant federal or state anti-discrimination legislation; and
- the effects of the gender pay gap on incomes above statutory minimum wages.

As at February 2007 the female to male earnings ratios were 84.3 per cent for full-time Average Weekly Ordinary Time Earnings and 81.1 per cent for full-time Average Weekly Earnings.

These measures reflect differences in actual earnings. In its powers, the Commission can only affect minimum wages underpinning actual earnings; that is, the Commission must apply the principle of equal remuneration to minimum wages only. The Commission cannot consider equal remuneration matters which are beyond the level of minimum wages.

¹⁶¹ Australian Government, *Submission to the Australian Fair Pay Commission Minimum Wage Review*, 30 March 2007, p. 16, paras. 3.26-3.27.

¹⁶² AHA, *Submission to the Australian Fair Pay Commission Concerning Minimum Wages*, 30 March 2007, p. 6, para. 10.

Section 6

Pay equity

Several submissions draw attention to the issue of gender pay equity and the operation of the new wage-setting system:

'The fundamental change from comprehensive awards to industry sectors and broad banding will, based on existing evidence, further widen the gender pay gap and disadvantage women. Given that women are vulnerable workers through their predominance in low-paid and highly casualised industries, the move away from comprehensive awards is likely to disadvantage them.'¹⁶³

'The May 2006 EEH [Employee Earnings Hours] data, which was released in February 2007, indicates that women in full time jobs now earn \$100 a week less than men and that the pay gap for working women is getting wider. Full time women currently earn on average 10% less than men – the same gender pay gap as 1978 almost 30 years ago.'¹⁶⁴

'The perceived salary differentials between male and female professionals are borne out by the various salary surveys that are conducted by APESMA [Association of Professional Engineers, Scientists and Managers, Australia] usually in conjunction with professional societies. Consistently, men are paid more than women who as a consequence are more reliant on the minimum rates contained in Australian Pay and Classification Scales.'¹⁶⁵

Some submissions argue that pay equity should be explicitly considered by the Commission in its wage determinations.

'Given the important role of institutional forces in the attainment of pay equity it is incumbent upon the AFPC to explicitly give consideration to pay equity both in the determination of the FMW and other rates within its [sic] control. Similarly, the AFPC should avoid setting wages on the basis of perceived family needs or tax-income tradeoffs; the principle of equal remuneration for work of equal value recognises the right of the individual to be properly valued at work.'¹⁶⁶

'The Joint Labor Governments recommend that a reference to pay equity become a requirement in the AFPC's terms of reference.

Further, the AFPC should devote a section of analysis on the effect of its determination on pay equity.'¹⁶⁷

The Commission has an existing requirement through s. 222 of the WR Act to apply the principle that men and women should receive equal remuneration for work of equal value in exercising its wage-setting powers. The Commission has highlighted these considerations in Wage-Setting Decision 1/2006.

¹⁶³ Joint Labor Governments (VIC, SA, WA, TAS, ACT, NT), *Submission to the Australian Fair Pay Commission 2007*, March 2007, p.114, para. 5.7.

¹⁶⁴ ACTU, *Australian Council of Trade Unions Submission to the Australian Fair Pay Commission on Minimum Wages*, March 2007, p. 62.

¹⁶⁵ APESMA, *Australian Fair Pay Commission Minimum Wage Determination 2007 Submission*, March 2007, p. 8. para. 23.

¹⁶⁶ WISER, *Submission to Australian Fair Pay Commission*, March 2007, p. 21.

¹⁶⁷ Joint Labor Governments, 2007, p.114, para. 5.7.

Section 6

In contrast, some submissions suggest that pay equity is not a matter which can be dealt with by the Commission's minimum wage-setting functions:

Other data on wages indicates that the gender wage gap is smallest for those who are low paid, with the gender pay gap existing more at higher income levels which are largely unaffected by AFPC decisions, as shown in Kee (2006). This indicates that the AFPC will have limited, if any, effect the on [sic] gender pay gap where it is greatest.¹⁶⁸

As a result of its requirements under s. 222, the Commission can consider submissions which raise specific claims relating to gender pay and equal remuneration. This can include considering submissions which call for wage increases to assist Pay Scale reliant low-paid employees as well as considering submissions which raise specific circumstances where Pay Scales discriminate on the basis of gender.

As yet no submission to the Commission has raised a specific example of where a Pay Scale has discriminated on the basis of gender or otherwise.

The Commission considers the low paid and recognises that vulnerable groups are over-represented among the low paid. The Commission has also had regard to the requirements of federal anti-discrimination legislation including the *Racial Discrimination Act 1975*; the *Sex Discrimination Act 1984*; the *Disability Discrimination Act 1992*; the *Age Discrimination Act 2004*; and the ratified Family Responsibilities Convention.

In doing so it has ensured that this decision does not contain provisions that discriminate because of, or for reasons including, race, colour, sex, sexual preference, age, physical or mental disability, marital status, family responsibilities, pregnancy, religion, political opinion, national extraction or social origin.

While there has been a gender wage gap in Australia, the measures reflect differences in actual earnings. The Commission can only affect minimum wages underpinning actual earnings.

In making its wage-setting decision, the Commission has applied the principle that women and men should receive equal remuneration for work of equal value. However, no submissions to the 2007 wage review have raised a specific claim of circumstances where Pay Scales do not provide equal remuneration. In such an event, the Commission will apply the principles of equal remuneration when they arise.

¹⁶⁸ ACCI, *2007 Minimum Wage Review, ACCI Submission*, March 2007, p. 285, para. 11.18; ACCI cites H Kee, 'Glass Ceiling or Sticky Floor? Exploring the Australian Gender Pay Gap', *Economic Record*, vol. 82, no. 259, pp. 408-427.

Section 6

Further research

A number of submissions urge the Commission to conduct further research into the impacts of its wage determinations on particular groups of vulnerable workers:

'FECCA [Federation of Ethnic Communities' Councils of Australia] calls on the Fair Pay Commission to undertake further research investigating issues relating to indirect discrimination experienced by workers from culturally and linguistically diverse backgrounds, resulting from an increased emphasis on the use of AWA's [sic] at the expense of collective agreements.'¹⁶⁹

'We note and support the recommendation in that report "that the Australian Fair Pay Commission undertake a program of monitoring and research with respect to the federal minimum wage and its impact on women workers..." (see Rec 11 (b) p81).'¹⁷⁰

'The AYCW [Australian Young Christian Workers] strongly recommends the following areas for further investigation:

...completion of a thorough analysis of the cost of living for young people – including work requirements and the general costs of living.'¹⁷¹

'The AFPC should research the economic costs for people with different disabilities to enter and remain in the open workplace. This research should be overseen by a reference group which includes peak disability groups and employers. HREOC [Human Rights and Equal Opportunities Commission] would welcome the opportunity to be involved in this process.'¹⁷²

The Commission will continue discussions with the Disability Round Table and the Stakeholder Research Advisory Group to advance further research proposals.

¹⁶⁹ FECCA, 2007, p. 10, para. 30.

¹⁷⁰ WEL and National Pay Equity Coalition, *Submission to the Australian Fair Pay Commission*, March 2007, p. 7. WEL and National Pay Equity Coalition cite S Squire and J Tilly, *It's About Time: Women, Men, Work and Family*, HREOC, Sydney, 2007.

¹⁷¹ AYCW, *Submission by the Australian Young Christian Workers*, March 2007, p. 9.

¹⁷² HREOC, *Submission of the Human Rights and Equal Opportunity Commission to the Australian Fair Pay Commission for the 2007 Minimum Wage Review*, March 2007, p. 4, para. 11.

Section 7

7. Future directions

Creation and publication of Pay Scales

The Australian Fair Pay Commission (Commission) is commencing the process of creating and publishing new Australian Pay and Classification Scales (Pay Scales).

This follows recent meetings held with key stakeholder organisations – including the Australian Council of Trade Unions (ACTU), Australian Chamber of Commerce and Industry (ACCI), Australian Industry Group (Ai Group), and the Australian Government – and a review of submissions to the Commission's 2007 minimum wage review. Key stakeholders expressed concern over the need to access published Pay Scales.

'The ACTU believes that there is considerable confusion regarding the actual rates of pay that pay scale reliant workers are entitled to. This confusion is growing with time. A further increase by the AFPC will see this problem compound.

...

We believe that this confusion should be resolved as a matter of urgency and that the AFPC should publish or have cause to publish pay and classification scales. The lack of information available to employers and employees will result in confusion, inequities and hardship.¹⁷³

'Last year in the wake of ACCI raising such issues and the AFPC not issuing APCS [Australian Pay and Classification Scales], DEWR [Department of Employment and Workplace Relations] stepped in and issued a limited number of pay scale summaries. ACCI supported this as the best available measure at the time, and the best reaction to where the system found itself. ...However summaries are not good enough and are no substitute for the issuing of APCS.¹⁷⁴

'The lack of accurate, legally binding and published Pay Scales is reducing confidence within the community in the reformed minimum wage setting system. This problem can readily be overcome if the AFPC decides to publish Pay Scales.¹⁷⁵

Consultations have commenced with key stakeholders to develop an agreed process to create and publish Pay Scales.

The creation of new Pay Scales will establish binding interpretations of the current notional Pay Scales assisting employers with compliance and employees to have a clear understanding of their minimum wage entitlements.

The creation of Pay Scales raises a number of complex issues that will take some time to resolve. The Commission is committed to resolving issues as they arise in a transparent and consultative fashion.

¹⁷³ ACTU, Australian Council of Trade Unions *Submission to the Australian Fair Pay Commission*, March 2007, p. 82.

¹⁷⁴ ACCI, *2007 Minimum Wage Review, ACCI Submission*, March 2007, p. 77, paras 3.18-19.

¹⁷⁵ Ai Group, *Australian Fair Pay Commission – 2007 Minimum Wage Review, Ai Group Submission*, March 2007, p. 22, para. 59.

Section 7

Pay Scale rationalisation

Stakeholders raised issues in relation to the proposed rationalisation of Pay Scales in feedback on the Commission's Wage-Setting Decision 1/2006 and in submissions to its 2007 review.

There are a very large number of Pay Scales and the process of rationalising them without causing harsh and unfair outcomes for employers and/or employees will be highly complex.

A simplistic, "one-size-fits-all" approach to the rationalisation of wage rates and classifications would undoubtedly lead to numerous negative consequences for both employees and employers. It is essential that the Pay Scale rationalisation exercise be conducted in a consultative and careful manner.¹⁷⁶

Some stakeholders also raised issues in relation to specific Pay Scales. Others suggested that specific issues are best considered as part of the broader process of Pay Scale rationalisation.¹⁷⁷

As foreshadowed in Wage-Setting Decision 1/2006, the Commission will commence the rationalisation of Pay Scales later this year. The process will commence with the release of an Issues Paper around September this year. The Paper will inform interested parties about the issues for consideration, and will assist stakeholders to consider how the rationalisation process may affect them. Submissions in response to the Paper will be requested and considered by the Commission.

Monitoring Commission decisions and future research

Section 24 of the *Workplace Relations Act* 1996 (WR Act) provides that, in performing its wage-setting function, the Commission may inform itself in any way it thinks appropriate including by "monitoring and evaluating the impact of its wage-setting decisions".

The Commission recognises the short period of time between the effective date of Wage-Setting Decision 1/2006 and the commencement of the process to conduct the 2007 review of minimum wages.

The Commission is aware of the need to provide a robust and transparent process by which to monitor the effects of its decisions. To this end, two research projects have been commissioned to assist in developing a monitoring strategy.

The research projects will identify relevant existing data and consider how these should be used to monitor the Commission's wage-setting decisions. The projects will:

- consider the full range of data sources relevant to monitoring the Commission's wage-setting decisions;
- consider the capacity for existing data sources to provide relevant data, and the frequency of data release and implications for monitoring; and
- seek to identify limitations or gaps in existing information, data and research and propose research strategies to remedy those limitations and gaps.

¹⁷⁶ Ai Group, 2007, p. 41, paras 81-82.

¹⁷⁷ For example the issues raised in the BHP Billiton submission and how grandfathered wage provisions should be adjusted.

Section 7

Discussions have also been held with key stakeholders to seek their input into the development of a monitoring strategy. Further consultations will be held as development of the strategy progresses.

The Australian Fair Pay Commission Secretariat will continue the Stakeholder Research Consultative Committee, through which stakeholders can provide advice on the future research agenda. The Commission has also invited all state and territory governments to be represented on the Stakeholder Research Consultative Committee to ensure that their research priorities can be considered.

A number of public submissions to the 2007 minimum wage review suggest topics for further research and/or analysis. These suggestions (summarised in Appendix D) fall into the following five broad subject areas:

- the role and structure of minimum wage provisions;
- characteristics of the low-paid workforce, including the relationship and movements between low-paid and other jobs;
- the economic effects of minimum wages, both micro-economic (supply of, and demand for low-paid employment, industry effects) and broader macro-economic effects;
- the effect of minimum wages and minimum wage decisions on the labour market performance of vulnerable groups, such as young and mature-aged, women, people with disabilities and the long-term unemployed; and
- the adequacy of the wages/tax/transfer safety net.

The Australian Fair Pay Commission Secretariat will undertake further consultation with stakeholders and seek advice on priority areas of research to assist in informing the Commission's decisions on research priorities.

The Commission will continue to convene meetings of the Disability Round Table. This group, which represents key stakeholders in the disability sector, has provided invaluable input to the Commission's consideration of issues affecting workers with a disability.

Future wage-setting decisions

The Commission is committed to maintaining an open, robust and transparent process and will continue to consult widely with all sectors. In order for stakeholders and the Australian people to have certainty regarding the timing of the Commission's process for future wage reviews, the Commission has committed to an annual general wage review process.

Wage-setting decisions will be announced in July each year, with an implementation date in October of that year. The Commission will publish each year the process for consultations, submissions and research which will inform its wage-setting decisions.

The Commission has received submissions in relation to the review of minimum wages in the real estate sector.

The Commission is considering submissions received and will announce its real estate sector decision in the near future.

Australian Fair Pay Commission

Appendices

July 2007

Appendix A

Consultation

1. Targeted Consultation

1.1 Research overview

In 2007 the Australian Fair Pay Commission (Commission) engaged Taylor Nelson Sofres Australia Pty Ltd (TNS) to conduct social research involving a broad cross-section of the Australian community in relation to minimum wages.

The research was conducted through a series of targeted focus group consultations held during February and March 2007, and supplemented by online bulletin board discussions and specialist groups in March. The focus groups were held in all states and territories, in both metropolitan and regional centres.

These targeted discussions were timed two months after the implementation of the Commission's Wage-Setting Decision 1/2006, and provided an opportunity for the Commission to explore the impact of its decision on those most affected by it.

Many groups were observed by Commissioners and/or senior Commission staff. An opportunity was provided for group participants to meet with Commissioners at the conclusion of groups to ask any questions and discuss any issues they may have had.

In conducting the research, TNS explored issues with participants in order to stimulate discussion on broader employment and wage issues before narrowing the focus to specific issues regarding minimum wages and the Commission.

The report highlights some matters which, while outside the legislative remit of the Commission, provide background to the views expressed and hopefully provide a deeper understanding of the social and economic circumstances of those affected by the Commission's decisions.

The report into the findings of these groups and bulletin boards was used by the Commissioners during their 2007 minimum wage deliberations, and assists in monitoring the impacts of its wage decisions on the general population. When setting and adjusting the minimum wage, the Commission considers the information obtained through this research in the context of other information gathered, including that presented in written submissions and meetings with key stakeholders.

Importantly, these views form part of a continuous information gathering process and provide cumulative knowledge to assist in future minimum wage reviews.

The discussion below provides a summary of the scope of the research and its key findings. A full copy of the research is available on the commission's website at www.fairpay.gov.au.

Appendix A

1.2 Research audiences

Focus groups

The consultations included 20 face-to-face targeted consultation groups (often referred to as focus groups), each containing six to eight participants. These groups were held in all states and territories, in both metropolitan and regional locations.

The group structure was as follows:

- six groups with low-paid individuals;
- six groups with individuals employed on junior rates;
- four groups with unemployed individuals; and
- four groups with employers of low-paid workers.

These four broad groups were identified by the Commission as its priority for consultation as they are directly affected by minimum wage decisions made by the Commission, and thus are best placed to provide feedback on the impact of the Wage-Setting Decision 1/2006.

Bulletin boards

To supplement the structured small group discussions, two online interactive bulletin boards were conducted. These were used to trial alternative methods for engaging the general public, and to reach those who may not be able to attend a focus group. The online medium allows for a variety of participants to share their views and engage in thoughtful exchanges with the freedom that anonymity creates and without the barrier of location.

Culturally and linguistically diverse background (CLDB) face-to-face

Mini-focus groups and in-depth interviews were conducted with individuals from CLDB. The mini-groups and depth interviews were facilitated by Cultural Partners Australia, who specialise in research with these communities.

Mini-focus groups were conducted with Mandarin and Vietnamese speakers as these groups are significantly over-represented in low-skilled and low-paid industries, coupled with low levels of English proficiency. The consultations were conducted 'in language' where appropriate, by a senior researcher who is a native speaker of each language. People in CLDB communities were also included in other groups as they naturally occur, providing greater understanding of this important segment.

Indigenous face-to-face

Mini-focus groups were held with members of Indigenous communities as Indigenous Australians have substantially lower levels of labour force participation and substantially higher levels of unemployment. Additionally, the skill composition of the Indigenous labour force represents a barrier to the employment of many Aboriginal and Torres Strait Islander employees. They are over-represented in low-skilled jobs, with nearly a quarter employed as labourers or in other unskilled occupations (compared to less than 10 per cent of other Australians).

Appendix A

It should also be noted that this research was heavily weighted toward employed Indigenous people or people likely to have had employment or work experience, and it did not include in the design small rural or remote communities which exhibit more significant issues regarding employment, retention and access.

1.3 Locations and group composition

The focus groups were conducted in a central location and were one and a half to two hours in duration. Each capital city hosted at least one focus group, along with a mix of larger and smaller regional towns both in coastal and inland locations, and locations influenced by a range of industry and environmental factors (for example, affected by drought, limited employment opportunities, seasonal tourist labour demands and/or booming or contracting industries).

Consideration was also given to the ongoing nature of the Commission's consultation processes and as a result regional locations and suburbs within cities included in the 2006 round of public consultations were avoided. The table below indicates the location of each targeted discussion group.

Date	Place	Group type
February	Melbourne (Vic)	Low-paid (30-44 no children)
February	Melbourne (Vic)	Employers (Retail Industry)
February	Perth (WA)	Employers (Service – Care Industry)
February	Adelaide (SA)	Juniors (School Leavers)
February	Adelaide (SA)	Unemployed (On Benefits)
February	Whyalla (SA)	Low-paid (21-29 with children)
February	Geraldton (WA)	Low-paid (30-44 with children)
March	Coffs Harbour (NSW)	Employers (Hospitality Industry)
March	Brisbane (Qld)	Unemployed (Return To Work)
March	Brisbane (Qld)	Low-paid (45+ no children)
March	Cairns (Qld)	Juniors (School Leavers)
March	Tamworth (NSW)	Low-paid (21-29 no children)
March	Sydney (NSW)	Juniors (Secondary School)
March	Alice Springs (NT)	Juniors (Secondary School)
March	Darwin (NT)	Unemployed (On Benefits)
March	Canberra (ACT)	Employers (Service – Trade Industry)
March	Hobart (Tas)	Juniors (School Leavers)
March	Bendigo (Vic)	Juniors (Secondary School)
March	Shepparton (Vic)	Low-paid (45+ with children)
March	Burnie (Tas)	Unemployed (On Benefits)

The breakdown and composition of the groups is presented below.

Low-paid workers:

- gross personal income from paid employment to be at or less than \$36 400 or part-time equivalent (\$700 per week for a 38 hour week or \$18.42 per hour);
- at least of two participants per group on approximately the standard Federal Minimum Wage (FMW).

Appendix A

- minimum of two participants for either gender per group;
- participants 21 year old and over; these included age groupings of 21 to 29, 30 to 44 and 45 plus;
- mix of those with and without dependant children included in each group;
- mix of full-time, part-time, and casual employees;
- occupations and industries varied within each group; and
- limited number of apprentices and those on training wages.

The unemployed:

- unemployed and actively looking for work;
- in last position had gross personal income of less than \$36 400 (\$700 per week for a 38 hour week) or part-time equivalent;
- minimum of two participants for either gender per group;
- unemployed 'on benefits' or 'return to the workforce by choice';
- occupations and industries varied within each group; and
- limited number of apprentices and those on training wages.

Employees on junior rates:

- aged between 15 and 21 years;
- range of socio-economic circumstances and household incomes;
- three groups of high school students working part-time and/or casual; high school students aged 15 to 18 years;
- three groups of school leavers; school leavers included higher education students working part-time and/or casual hours, and full-time low-paid junior rate workers typically aged 18 to 21 years; and
- minimum of two participants of each gender per group.

Employers of low-paid workers:

- participants responsible for recruitment of employees in the business;
- business employing between two and 99 persons (small to medium sized);
- grouped into industry; including Hospitality, Services (Community), Services (Trade), and Retail;
- employs workers on low wages: employees have gross personal incomes less than \$36 400, \$700 per week for a 38 hour week, \$18.42 per hour). At least two employers per group with staff paid at the standard FMW (approximately \$13.47 per hour);
- must employ at least some low-paid workers other than juniors, apprentices or employees on training wages;
- had recruited in last six months or intend to recruit within next six months;
- minimum of two participants of each gender per group;
- mix of employers with full-time, part-time and casual staff.

1.4 Key Findings

This study was designed to capture the views, experiences and opinions of groups who would be impacted by decisions about the minimum wage in Australia. Consequently the scope of the research was deliberately broad, encompassing groups such as low-paid workers, young workers and people who are currently unemployed.

Appendix A

Who are the low paid?

The research clearly demonstrated diversity across groups and individuals. The research indicated that it is not possible to describe a typical low-paid worker, and to do so would create a stereotype not reflective of the diversity of views. The challenge is therefore to understand the lives of low-paid workers, and to do that it is necessary to understand the circumstances in which they live.

Key differential factors evident in the research included:

- **age** (whether an adult or young person and then whether living with parents or living independently);
- **family situation** (whether there are children living at home or not) and **relationship status** (whether they are single or partnered);
- **household income** (for example, low-paid workers living in high-income households as well as low-income households);
- whether unemployed and **length of time out of the workforce**;
- whether on **government benefits**;
- personal factors such as **self-confidence and self-esteem**;
- whether **marginally attached** to the labour force (that is, if regularly in and out of employment and experiencing spells of unemployment); and
- whether a part-time or casual worker.

Work and working life

a) The role of work

All groups started with a general discussion about working and life. While there were a variety of views presented with regard to particular jobs and work experiences, most recognised the need to work and many acknowledged that work had value for them aside from the monetary benefits. Some (a minority) generally younger workers were less positive towards work and its value to them.

'Why work?' was the fundamental question considered by participants. The primary reasons reported by adults and young people living independently were fulfilling needs, wants and personal and social 'goods', while for young people living with parents the decision was more often about supplementing pocket money and about moving towards gaining independence and autonomy when they become older.

There were a range of reasons given for why people work. The reasons for working (or wanting to work) can be divided into satisfying basic needs, satisfying wants and external good (social or personal reasons). Viewed within this framework the role of work in people's lives can broadly be classified into providing for the basic necessities of life (such as food and shelter), providing for non-essential items or wants (such as holidays and eating out) and providing a personal or social benefit (such as a sense of achievement or satisfaction).

b) Quality of life

A key concept spoken about in many groups was that of quality of life. Work was discussed in the context of people's broader life experience which varied across the groups dependent on the age, life stage and family status of participants. Most participants (including young workers and adults) spoke of choices and trade-offs they

Appendix A

made in seeking a better quality of life. However, there were some participants whose comments did not reflect this same feeling of control over their own situation. A range of different attitudes towards life and one's circumstances, together with varying levels of financial literacy, frequently led to discussions about choices (or lack thereof), to living within one's means and the challenges of achieving a good quality of life on a low income.

The wide range of circumstances of individuals and in particular variations according to age, life stage and family status presented a range of different contexts in which work was considered. While work was clearly of value and offered participants a range of rewards (as described above), for many work competed with other priorities and life choices. These included:

- wanting to have a family;
- spending (quality) time with the kids;
- practical issues such as geographical location of jobs and transport considerations;
- the types of jobs and levels of intensity (*'How hard do I want to work?' and 'How much do I want to work?'*);
- the interaction of work with the tax/transfer system; and
- flexibility in hours and general working arrangements.

c) The decision to work and working patterns

The decisions people made about work depended on the perceived value of work and the role work played in their lives. Despite a range of differences relating to the type of job, the number of hours worked, and the working arrangements, several shared experiences and common issues emerged from within the groups.

For unemployed people the decision to work at all and, if so, in what capacity was also explored. There were a range of decision factors highlighted through this discussion which are outlined in the sections that follow.

The level of freedom and flexibility individuals reported about their work decisions varied by labour market and for example by industry and location. In seasonal labour markets, for example, workers had more choice in boom times but needed to be less particular in quieter times. Similarly, in areas of skill shortage workers felt they had more choice and a greater ability to command a higher wage. Decision-making processes were also affected by the extent to which individuals reported having control over their situation. In general younger people appeared to be more likely to make trade-offs for more money. Other workers (both older and younger) were more discerning with regard to the quality of life issues outlined above and in some cases reported being prepared to sacrifice money for one or more of those factors.

The decision to work involved a complex analysis of many different factors. In summary, the factors included some of the following:

- family considerations;
- work logistics and environment;
- type of work;
- employer attitudes and workplace culture; and
- cost of living and cost of working.

Appendix A

Many participants, particularly juniors, talked about low-paid jobs as a 'stepping stone' toward other things. Being able to 'get your foot in the door', have something on your resume, and gain recent work experience were motivators and made lower levels of pay more acceptable for many and a non-issue for some.

Education held great significance to a number of participants as it offered opportunities and a chance to move out of low-paid work. In particular, parents from culturally-diverse backgrounds were keen to ensure their children had access to a good education. Some individuals and families reported being very time poor. This prohibited them from studying to develop the skills that might enable them to move out of a low-paying job or to find the time to look for other work.

The experiences of looking for work and moving from one job to another varied across the groups. A range of issues were reported as affecting a person's competitiveness in the labour market including skills, experiences, qualifications, health and attitude. Those in more buoyant labour markets reported greater ease of mobility between jobs. Juniors in particular often reported the ease with which they had found their second or third job.

These experiences contrast with those of the long-term and older unemployed who were less positive about their search for work and their opportunities for better or different work. Recent migrants to Australia also reported experiencing challenges when first looking for work such as racism, lack of English proficiency and no acknowledgement of previous skill sets. Employers also shared a range of anecdotes from recent recruitment experiences which further inform the discussion of entry into and movement within the labour market for workers.

The notion of career emerged in several different contexts including:

- **study as it pertains to career:** older participants were less likely to consider undertaking an extended course of study, however many did feel they needed to undertake some short-term retraining in order to improve their skills and potentially assist them in attaining a higher-paid job;
- **impact of health on career:** some (older) participants had previously had a career but found they could no longer get a job in that career due to **health reasons** or lack of recent work experience in the field;
- some participants saw having a job primarily as a **means to an end** rather than a career – for them work provided an income that allowed them to participate in other activities such as social events, recreation or art; and
- **balancing a career and children:** a notion that was confined to some women was that there was a clear choice between having a career and having a family.

Juniors were asked what they wanted to be or do later in their working life. Responses tended to fall into one of three broad types: bound for a specific career, bound for an unspecified career, or bound for a specific goal that is not necessarily career focussed (for example, travelling).

Wage rates and working arrangements

The wage related discussions covered general experiences and current circumstances. Responses highlighted the varying levels of awareness and importance of these issues and the diversity of views and experiences with regard to wage-setting and negotiation. A key issue raised in relation to wage rates was the relationship between pay and working arrangements (casual, permanent, part-time and full-time employment).

Appendix A

a) Importance of pay rates

Participants reported choosing to work for a range of reasons with many individuals seeking different things from their working life and making choices at various times in their life, depending on their circumstances. For some, work is done to cover the basic costs of living while for others it is to support a lifestyle and/or to buy the extra things. For all of these participants, pay was important. Money provided opportunity and options for a better future. Several participants, particularly juniors and those in more buoyant labour markets, recounted how they had frequently changed jobs in search of better pay.

It was clear from discussions that pay was not always the driving factor in decisions for working or taking on one particular job over another. In several instances, individuals chose to earn less money in order to achieve other goals such as a better work/life balance or a longer term career goal. Individuals and families regularly made trade-offs between pay and other issues and working arrangements.

Further, some people deliberately chose to work in a low-paid or low-skilled job because it offered fewer responsibilities or suited their lifestyle, allowed them to earn some money in the immediate term rather than studying (unpaid) for a higher-paying job.

b) Casual, permanent, part-time and full-time work

Discussions around employment and wage rates frequently included a discussion on the pros and cons of casual and/or part-time jobs compared to permanent and/or full-time arrangements and the likelihood of moving between different work arrangements at different points in one's working life. Through this discussion it was evident that there are a variety of opinions about the benefits of different working arrangements.

Some participants sought ongoing full-time jobs for employment security, and for these participants casual jobs were regarded as greatly inferior to permanent positions. Others however actively sought casual employment for the flexibility and higher rates of pay it offers. Some saw these jobs as perfect for their situation (for example, saving for an overseas trip) while others saw them as temporary solutions while they worked towards other employment goals, as an opportunity for work experience or to provide income to support further study.

c) Determining wage rates

It was clear from the discussions that, despite the importance of pay rates to people, many participants did not have a full understanding of and/or could not describe with confidence what determined their pay rates. For many participants, there appeared to be low levels of knowledge or certainty about determinants of wage rates and employment conditions both generally and specifically (that is, in their own workplace). There was low-level familiarity with the formal industrial relations environment and a lack of detailed vocabulary in relation to these matters indicating a probable lack of in-depth understanding.

Key determinants of pay rates related to similar characteristics or attributes described for employability generally. Factors such as skills, qualifications and experience were frequently mentioned. Age and personal qualities such as attitude and commitment were also mentioned in several groups. Employee performance, productivity and economic and business factors were also discussed by both workers and employers.

Appendix A

d) Views on minimum wages

The general level of knowledge and understanding amongst the community about working conditions and wage rates appeared to be at a relatively low level. When discussing minimum wages, this lack of understanding was particularly evident among some segments of the population. While several participants – particularly those involved in the Bulletin Board discussions and employers – were more familiar with the standard FMW, it appeared that participants most likely to be affected by the standard FMW and related wage decisions (for example, those on junior rates) had lower levels of understanding of the concept. They seemed to have lower levels of awareness about the level at which the standard FMW is currently set, and were largely unaware that it had changed recently.

Despite varying levels of understanding, all the groups provided a range of views with regard to the need for a standard FMW and what factors should be considered in setting and adjusting the standard FMW.

Overall, participants tended to take an altruistic approach, focusing primarily on issues related to social responsibility. The cost of living was consistently raised as the most important issue to consider.

The nature of the discussion regarding the determinants of minimum wages often differed to that in the general discussion about wage-setting. When discussing how the rate should be considered, attitudes tended to move from a focus on reward for performance and recognition of skills and experience to a discussion around more fundamental issues such as ensuring basic needs are met given the cost of living, and to issues of fairness and protection.

Towards the end of each group, participants were asked to indicate the most important considerations when setting minimum wages. Key results included the following.

- Although cost of living was by far the biggest factor mentioned by all groups, for three of the groups the perceived importance of cost of living was substantially higher than it was for juniors. This might suggest that many juniors are somewhat insulated from the true effects of cost of living by their family situation.
- What is fair and reasonable was also a substantial factor for all four groups with about one in five workers and one in two employers mentioning this.
- In the discussions there was usually some comment around the idea that skills, qualifications and experience were quite similar, however the juniors and the unemployed groups mentioned all three of factors, while (somewhat surprisingly) the low-paid group mentioned none of the them.
- Perhaps not surprisingly, one in five employers indicated that what the business could afford was a factor that should be considered. Both juniors and employers thought that age was important.

There was general recognition that setting minimum wages and the role of the Commission was not easy and that many often competing factors needed to be considered. Overall there was strong sentiment from both workers and employers that an understanding of the impact of minimum wages upon individuals, families and businesses (that is, understanding 'real experiences') was important for wage-setting.

Appendix A

2. Stakeholder consultation

A central component of the Commission's wage-setting review process is consultation with key stakeholder organisations.

In 2006, the Commission met with representatives of more than 100 stakeholder organisations across Australia, including employer, employee and community organisations. The Commission has met with key national organisations including the Australian Council of Trade Unions, Australian Chamber of Commerce and Industry, Australian Industry Group, Australian Council of Social Service, and the Department of Employment and Workplace Relations (DEWR). Meetings were also held with state Trades and Labour Councils, Chambers of Commerce and Industry and Councils of Social Service. Multiple meetings were held with many of these organisations in the lead-up to Wage-Setting Decision 1/2006.

To supplement this first round of consultations, and in preparation for Wage-Setting Decision 3/2007, the Commission held a further round of stakeholder meetings in April 2007. This consisted of meetings with representatives from national employer, employee and community organisations and DEWR. Among the issues discussed at these meetings was the impact of Wage-Setting Decision 1/2006.

3. Site Visits

As part of the Commission's overall consultation process, it regularly conducts visits to businesses, employment organisations, government departments, and training providers around the country. Site visits are an important consultative activity for the Commission as they help ensure its decisions are informed by the personal experiences of employers and employees. The visits are attended by one or more Commissioners and help provide first-hand knowledge of the impact of Commission's decisions and factors relating to the operation of minimum wages.

The visits are conducted to meet one or more of the following objectives:

- to gain an understanding of how minimum wages affect employers and employees;
- to gain an understanding of the business and industry contexts within which the minimum wage is paid;
- to consider how junior wages impact on employers and employees; and
- to consider issues related to trainee wages, apprenticeships and employment decisions.

Site visits were conducted in the period since the implementation of the Commission's 2006 decision to the following locations:

- Roma, Queensland;
- Brisbane, Queensland;
- Wagga Wagga, New South Wales;
- Werribee, Victoria;
- Northcote, Victoria;
- Geelong, Victoria;
- Hobart, Tasmania; and
- Burnie, Tasmania.

Appendix A

Visits were made to organisations and businesses including Job Network Providers, organisations involved with school-based apprentices, Group Training Organisations, employers of juniors, trainees and/or apprentices, and a Centrelink office. Other meetings were held with local councillors, and local business leaders, and site visits were conducted to drought-affected farms.

4. Business Consultative Group

In February 2007, the Commission convened a Business Consultative Group to provide an opportunity for Commissioners to hear first-hand from employers of the low-paid what is happening in local labour markets and to monitor the impact of its wage-setting decisions.

Twelve representatives from small to medium-sized businesses located in metropolitan and regional Victoria participated in the forum, including business owners and business managers.

Participants came from the retail, hospitality, aged care, childcare, recruitment and training sectors.

5. Disability Wage Round Table

In 2006, the Commission established a Disability Wage Round Table to consult with stakeholders about issues regarding wages for employees with a disability. The Disability Wage Round Table is made up of representatives from key disability, employee and employer stakeholder organisations, along with government.

The Commission's Wage-Setting Decision 1/2006 included a decision to broaden access for workers with a disability to the Supported Wage System and to fill gaps in the coverage of minimum wages for workers with a disability. This decision was developed in consultation with those key stakeholder representatives who joined the Commission's Disability Wage Round Table.

Building on this work and in preparation for Wage-Setting Decision 3/2007, the Commission held a further Disability Wage Round Table in May 2007.

At this meeting, the Commission sought feedback on the impact of its first decision on employees with a disability and on a draft process for approving Wage Assessment Tools for the Disability Business Services Sector.

Appendix B Specified Australian Pay and Classification Scales

Federal

The Australian Pay and Classification Scale derived from the Pastoral Industry Award 1998, AP792378CRV

The Australian Pay and Classification Scale derived from the Horticultural AWU Award 2000, AP784867CRV

The Australian Pay and Classification Scale derived from the Woolclassers' Award 1999, AP802323

New South Wales

The Australian Pay and Classification Scale derived from the Cotton Growing (State) Employees Award, AN120161

The Australian Pay and Classification Scale derived from the Dairying Industry Employees (State) Award, AN120176

The Australian Pay and Classification Scale derived from the Horticultural (State) Award, AN120247

The Australian Pay and Classification Scale derived from the Pastoral Industry (State) Award, AN120408

The Australian Pay and Classification Scale derived from the Breeding and Raising of Pigs (State) Award, AN120084

The Australian Pay and Classification Scale derived from the Horticultural (State) Award, AN120247

The Australian Pay and Classification Scale derived from the Poultry Farms Employees (State) Award, AN120426

The Australian Pay and Classification Scale derived from the Mushroom Industry Employees (State) Award, AN120357

The Australian Pay and Classification Scale derived from the Consolidated Wine Industry (State) Award, AN120649

South Australia

The Australian Pay and Classification Scale derived from the Pastoral Industry (SA) Award, AN150104

Appendix B

Queensland

The Australian Pay and Classification Scale derived from the Cotton Harvesting Award – State 2003, AN140087

The Australian Pay and Classification Scale derived from the Feedlot Industry Award – State 2006, AN140324

The Australian Pay and Classification Scale derived from the Fruit and Vegetable Growing Industry Award – State 2002, AN140126

The Australian Pay and Classification Scale derived from the Pig Breeding and Raising Award – State 2003, AN140210

The Australian Pay and Classification Scale derived from the Poultry Farm and Hatchery Employees' Award – State 2002, AN140216

The Australian Pay and Classification Scale derived from the Station Hands Award – State 2003, AN140277

The Australian Pay and Classification Scale derived from the Sugar Field Sector Award – State 2005, AN 140282

The Australian Pay and Classification Scale derived from the Shearing Industry Award – State 2003, AN140272

The Australian Pay and Classification Scale derived from the Wool Classers and Wool Sorters (other than wool classers and wool sorters employed in shearing sheds) Award South Eastern Division – 2003, AN140318

Western Australia

The Australian Pay and Classification Scale derived from the Western Australia Shearing Contractors' (AWU) Award 2002, AP816728

The Australian Pay and Classification Scale derived from the Farm Employee's Award 1985, AN160126

Tasmania

The Australian Pay and Classification Scale derived from the Farming and Fruit Growing Award, AN170032.¹

¹ On 29 May 2007, an application was lodged to have areas within Tasmania declared Exceptional Circumstances Areas.

Appendix C

Employees to whom training arrangements apply

Extracts from the 'Application by the Shop, Distributive and Allied Employees Association to vary the National Training Wage Award 2000 re the Safety Net Review – Wages May 2003 Decision National Training Wage Award 2000, Transcript of Proceedings, (C2003/2533), 2 July 2003'

Full time trainees

Rather than including the full amount of Safety Net Adjustment granted by the Full Bench in PRO02003 Safety Net Review – Wages May 2003 the rates in this award are adjusted for the Safety Net Adjustment. This is because the National Training Wage Award rates are based on a percentage of key award rates. The rates in the application have been adjusted the same way they have been adjusted for each Safety Net Adjustment since 1994 when the award was created.

This method of adjustment maintains the relativities in the award as initially set. The wage rates upon which the National Training Wage Award rates are based are all below the wage ceiling for the \$17 Safety Net Adjustment so the calculations are based on the \$17 level of Safety Net Adjustment. Specifically, for wages levels A, B and C, full time rates in subclauses 11.4, 11.5 and 11.6, the top rates are increased by 80 per cent of the Safety Net Adjustment. 80 per cent of the \$17 on this occasion is \$13.60 which is rounded to \$14.

All other rates increase by an amount which maintains their relativity to the top rate in the wage level, that is they increase by a percentage of the \$13.60, that percentage being the percentage that the rate is of the top rate so a rate, for example, is 90 per cent of the top rate, it would increase by 90 per cent of \$13.60. The exception to this is the lowest rates at each wage level which are calculated at wage level B. All full time rates are then rounded to the nearest dollar. For the school based full time rates in subclause 11.7, the year 12 rate is equal to the wage levels A, B and C rate for school leaver plus one year out of school having completed year 10, that is the rate of \$227.

The year 11 rate is calculated as created at approximate to 80 per cent of the 16 year old Victorian Clerk which adjusted for the Safety Net Review 2003 Decision is \$258.80, 80 per cent of which is \$207. The certificate for [IV] traineeship rates in subclause 11.8.2(b) are calculated as follows: The first year of traineeship rates equal the wage level A, B and C top rates plus 3.8 per cent. The second year of traineeship rates are 3.8 per cent above the first year traineeship rates.¹

Part time trainees

The part time hourly rates – the full time rates in clauses, sorry, paragraphs 4.11 – sorry, 11.4, 11.5 and 11.6 are based on four day's work and one day's training per week. To calculate the part time rates, the full time rates are converted to five day rates by multiplying by 1.25 and then divided by 38 to give an hourly rate.²

¹ AIRC, National Training Wage Award 2000, Transcript of Proceedings, (C2003/2533), 2 July 2003, paras 14-17

² AIRC, National Training Wage Award 2000, Transcript of Proceedings, (C2003/2533), 2 July 2003, para. 18

Appendix D

Submission research proposals

Research priorities and proposals identified in public submissions for the 2007 minimum wage review

Community/Welfare Sector

	Minimum/ Award wages	Low-paid workforce	Economic effects	Vulnerable groups	Safety net
Australian Catholic Council for Employment Relations					The needs of low-paid workers and their families.
Australian Council of Social Service		Profile of the community services workforce.			The minimum income needs of low-paid employees.
Australian Young Christian Workers				Annual statistics on labour force participation, wages and income of young people, including casuals, apprentices, trainees.	The cost of living for young people, including costs of work.
Association of Competitive Employment	Review of the Supported Wage System Model				
Federation of Ethnic Communities' Councils of Australia				Indirect discrimination experienced by workers from culturally and linguistically diverse backgrounds due to choice of agreement.	
South Australian Council of Social Service					Benchmarks of adequate living standards, including update of Budget Standards research.
Women's Electoral Lobby Australia and National Pay Equity Coalition				Impact of federal minimum wage on women workers.	

Appendix D

Employer Representative Organisations

	Minimum/ Award wages	Low-paid workforce	Economic effects	Vulnerable groups	Safety net
Australian Chamber of Commerce and Industry	Piece work rates.	Number of employees that remain in low-paid jobs for an extended period. Reasons for high incidence of minimum wage workers aged over 60. Whether new migrants generally work on comparatively lower rates of pay.	'Flow on' of minimum wage adjustments.		
Master Builders Australia			Impact of minimum wage increases on small business. 'Flow on' of minimum wage adjustments, including sector-specific effects.		

Government

	Minimum/ Award wages	Low-paid workforce	Economic effects	Vulnerable groups	Safety net
Australian Government			Relationship between minimum wages and employment, incorporating comments from Neumark and Wascher (2006).		
Human Rights and Equal Opportunity Commission					Costs for people with different disabilities to enter and remain in open employment.
Joint Labor Governments			Assessment of the impact of minimum wages on productivity and competitiveness at the individual workplace level.		

Australian Fair Pay Commission
Locked Bag 35003, Collins Street West, MELBOURNE VIC 8007
Telephone 1300 139 699 or 03 8621 8212 Fax 03 9620 4868
www.fairpay.gov.au