

## Minimum Wage Case Factsheet

### September 2005

- Australia has 1.6 million award wage workers
- Almost 20% of all Australian workers are on award wages
- These workers rely on increases in minimum award rates of pay to maintain and improve their living standards and to protect their standard of living against rising costs
- The last increase in award wages was on 7 June 2005 when the Australian Industrial Relations Commission (AIRC) increased all award wages by \$17 a week
- This increase lifted the adult FT min wage to a week \$484.40 or just \$25,188.80 a year
- The ACTU claim is to adjust minimum wages by 4%, equivalent to the Wage Price Index. This will maintain the value of minimum wages relative to the wages of other workers
- The Federal Government has announced that it intends to stop the independent AIRC awarding any increases in minimum wages saying a new Government appointed body called the Fair Pay Commission (FPC) will set all award and minimum wages in the future

#### **Government refuses wages guarantee**

- The Federal Government has refused to guarantee that the FPC will increase minimum and award wages to keep up with the cost of living
- If minimum rates are not regularly increased then the living standards of award wage workers and their families will go backwards
- We have seen this in the US where the minimum wage is just \$5.15 an hour and has not increased for 8 years
- Low minimum wages is a significant contributor to inequality and division within society
- ACTU wrote to the PM John Howard on April 11 asking him to guarantee that the real value of minimum and award wages will be maintained and will not be allowed to go backwards.
- In the letter the ACTU sought '*confirmation that the Government will guarantee the maintenance of the real value of minimum wages in any reforms the government may implement*' – no response has been received
- Since then the Government has consistently refused to guarantee workers won't be worse off e.g.:
  - July 7, 2005 - ABC Radio PM Program – interview with Alex Kirk - '*PM – No Guarantee from Howard over IR changes*'
  - August 4, 2005 – Radio 2GB Sydney - interview with Alan Jones – '*I'm not going to make the mistake of purporting to guarantee the take-home pay of every single individual amongst the 10 million workforce in Australia...*'
  - August 12, 2005 – Radio 3AW Melbourne - interview with Neil Mitchell

- On June 24, the Office of the Workplace Relations Minister Kevin Andrews' confirmed that the Government's proposed new Fair Pay Commission would not consider any increase in minimum wages for the 1.6 million Australians and their families who rely on them until at least spring 2006, and that it was likely there would be no increase at all until well into 2007. (Herald Sun, Friday June 24, 2005 - p11)
- This represents a pay freeze for low-paid award wage workers of at least 18 months and possibly more
- There is no justification for this pay freeze for low paid award wage workers
- In light of this the ACTU is applying to the AIRC for an increase in minimum wages under the current legislation which imposes a statutory obligation under the Workplace Relations Act for the AIRC to maintain minimum wages.

**Low paid workers need to ensure their pay keeps up with the cost of living:**

- The cost of petrol – a major cost of living item, particularly for employed people who drive their cars to work:
  - Average per liter fuel prices have jumped from \$1.0230 a liter to \$1.3273 a liter today - an increase of \$0.3043 a - nearly 30%
  - This is an increase in the average cost of petrol per person/per vehicle of \$10.30 a week since January
  - Australian drivers are paying on average an extra \$10.30 a week or \$44.63 a month for petrol
  - Australian's driving family sized built cars such as Commodores or Falcons are paying on average an extra \$16 - \$18 a week
  - Fuel prices are expected to continue to rise
  - The Government has confirmed it is not going to do anything about rising petrol prices
- For low income families spending more on petrol means spending less on other things
- The Cost of Living as measured by the Consumer Price Index (CPI) increased by 2.5% in the year to June 2005
- Average weekly earnings have grown by 5.5% (if the Award wages are not increased 1.6 million award wage workers and their families will fall further behind the rest of the community)
- The Wage Price Index (WPI) increased by 4% in the year to June 2005 (this is normally understood to be the most accurate way of measuring changes the hourly wage rates paid for the same jobs)

**Pay rise for award wage workers is affordable and responsible:**

- Unemployment 5%
- Participation rate up 1.2 percentage points to 64.7% - the highest participation rate on record
- GDP 2.3% increase for the year to June 2005
- Inflation rose by 2.5% (well within Reserve Bank target band)

- Company profits are up 6.3% for the year

**ACTU Claim for 2005-06**

Classification	Current	4% increase (WPI)	Claim pw	Claim ph
C14	\$484.4	\$19.38	\$503.8	\$13.26
C13	\$501.1	\$20.04	\$521.1	\$13.71
C12	\$523.6	\$20.94	\$544.5	\$14.33
C11	\$544.5	\$21.78	\$566.3	\$14.90
C10	\$578.2	\$23.13	\$601.3	\$15.82
C9	\$599.1	\$23.96	\$623.1	\$16.40
C8	\$619.9	\$24.80	\$644.7	\$16.97
C7	\$638.8	\$25.55	\$664.4	\$17.48
C6	\$680.5	\$27.22	\$707.7	\$18.62
C5	\$701.4	\$28.06	\$729.5	\$19.20
C4	\$722.2	\$28.89	\$751.1	\$19.77
C3	\$763.90	\$30.56	\$794.5	\$20.91
C2(a)	\$784.80	\$31.39	\$816.2	\$21.48
C2(b)	\$822.50	\$32.90	\$855.4	\$22.51
C1(a)	\$906.00	\$36.24	\$942.2	\$24.80
C1(b)	\$1031.10	\$41.24	\$1072.3	\$28.22

**Wage Price Index - Background***What is the WPI?*

The WPI is an index measuring the changes in wage movements rather than levels and in does not include non-wage costs. It is constructed by measuring the cost of purchasing the same quality and quantity of labour input. Therefore, it is analogous in its construction to that of the CPI.

*What is the current figure?*

The most recent data shows that the WPI excluding bonuses increased by 1.1 per cent during the June quarter 2005 to be 4.0 per cent higher than at the same time a year earlier (this is the highest annual growth since data for this series was collected in 1997).

*What is the advantage of the WPI over the other measures of earnings?*

The advantage of the WPI over most of the other measures of wage growth such as the AWOTE and AWE is that it does not incorporate compositional change. That is people moving from full-time to part-time work, or promotions. The WPI measures changes in the price paid for a particular job over time. Moreover, unlike the AENA the WPI excludes major non-wage costs such as superannuation, pay-roll tax, workers compensation and annual and public holiday leave.

In previous Safety Net Reviews, the AIRC has expressed the benefits of the WPI as compared to other measures of wage movements as an indicator of wage movements for the purpose of the determining their decision.

*It is accepted that the AWE and AWOTE data are affected by compositional changes in the workforce. While the AENA and WCI<sup>1</sup> data both record the increase in wages for a given job, and therefore are not affected by compositional change, AENA includes some non-wage costs such as superannuation, redundancy payments and workers' compensation payments. We agree with the Commonwealth that the WCI data are the most direct measure of changes in wage costs for a particular position and therefore the most useful indicator for our purposes.<sup>2</sup>*

It is for these reasons the ACTU feels the WPI is the appropriate indicator to use for the 2006 wages case.

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<sup>1</sup> The WCI (Wage Cost Index) was the name previously given to the WPI. The ABS changed the name in 2004.

<sup>2</sup> Safety Net Review Wages May 2004 para. 132