

# Cutting through the misinformation on wage cuts

A professional staff member on the **median full time female wage** (\$1,250 per week = \$65,000 per year) **faces a pay cut of \$375 per fortnight** under the National Framework.

This is an absolute scandal. So it is no surprise that the NTEU National Executive has tried to lie and obfuscate about this figure when the NTEU Fightback – NO Concessions Facebook page has publicised it.

Our figures are accurate.

In this document you'll find the detailed clauses in the National Framework, and the arithmetic behind this figure. Our "National Framework FAQ", available in the same folder, also has a discussion of the pay cuts that can be imposed.

## A) Explaining the wage cut

It is commonly asserted by the NTEU's national leadership and their supporters that the first \$30,000 of a workers income is quarantined from any reduction in wages imposed by management.

**This is not the case**, according to the Heads of Agreement document on the National Framework – the most detailed information we have about what's in the Framework ([available here](#))

All the relevant clauses are outlined below.

There are actually three components of the Framework that can be used by management to cut our wages:

1. fraction (hours) reduction of up to ten per cent (available to all employers in category A and category B) – clauses 67+
2. reduction in wage rates (called "pay reduction" or "generalised pay reduction" in the Framework document) – clause 63+
3. not getting pay rises scheduled in Enterprise Agreements, not getting increments, not getting pay rises due to promotion or successful reclassification dispute – clause 73+

The most common piece of disinformation is to totally ignore the most significant measure that will impact on wages – the fraction reductions, number 1 above.

As you can see from the clauses below, the wage cut you get from a fraction reduction does NOT have the first \$30,000 exempted.

Your *aggregate* wage cut (from a cut in wage rates, fraction reduction, cancelled increments and pay rises etc) also does NOT have the first \$30,000 exempted (clause 59 and 60).

The *only* component of wage cutting measures that has an exemption for the first \$30,000 of annual income is number 2, above, described as "pay reduction" or "generalised pay reduction" in the Framework (clause 63).

This sleight of hand allows supporters of the NE to misleadingly understate the size of the wage cut by saying that "the pay reduction only applies to wages above \$30,000".

This is simply not the case. If there was (hypothetically) someone on the minimum wage of around \$38,000 per week working under an EA that was part of the National Framework, they could still

have their hours, and hence the wage they need to live on, cut by 10% due to fraction (hours) reduction under this agreement.

So by completely excluding the most significant wage-cutting measure in the Framework (cuts to fraction/ hours), the NE and their supporters allow themselves to dramatically understate the actual impact on workers' pay that would happen under Framework.

To summarise the categories of institutions under the framework:

	<b>Total wage reduction</b> that can be imposed on any one individual	<b>Reduction in fraction</b> (hours) that employers can impose	<b>Reduction in rate of wages</b> that employers can impose (on income above \$30,000 per year)	Non payment of increments and EA pay rises allowed?
<b>Category A</b> (approx 65% of universities according to NTEU)	10%	10%	5%	Yes
<b>Category B</b> (approx 25% of universities according to NTEU)	15%	10%	10%	Yes
<b>Uncategorised</b> (said not to be in financial difficulties – 10% of unis according to NTEU)	None (though there are other attacks allowed, eg sackings, scrapping of "major change" clauses)	None	None	No

## B) Relevant clauses from Heads of Agreement

Heads of Agreement and other NTEU material available [here](#).

59. If a University is in **Category A**, the University may implement, to an amount equivalent to **a maximum of 10% of the salary of any one employee in any given pay period**:

- a. temporary reduction in pay, to a maximum of 5% (as outlined in item 63 to 66);*
- b. deferral of pay rises and/or salary point increments (as outlined in items 73 to 74 below);*  
*and*
- c. generalised fraction reduction up to 10% (e.g. a 9-day fortnight) (as outlined in items 67 to 72 below).*

60. If a University is in **Category B**, the University may implement, to an amount equivalent to **a maximum of 15% of the salary of any one employee in any given pay period**:

- a. temporary reduction in pay, to a maximum of 10% (as outlined in item 63 to 66);
- b. deferral of pay rises and/or salary point increments (as outlined in items 73 to 74 below); and
- c. generalised fraction reduction confined to 10% (e.g. a 9-day fortnight) (as outlined in items 67 to 72 below).

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#### **PAY REDUCTION**

63. If a University is in **Category A or B**, the University may implement a generalised pay reduction only in accordance with items 64 to 66.

64. **The first \$30,000 of an employee's salary will not be reduced by the pay reduction applied in accordance with this clause.**

65. The pay reduction will not apply to an employee:

- a. while they are stood down;
- b. is employed on a casual basis.

66. The University must allow for individual exceptional circumstances of extreme hardship.

#### **FRACTIONAL EMPLOYMENT**

67. **All ongoing and fixed-term employees may have a fraction reduction of a whole day (unless otherwise agreed), up to 10% of their usual fraction.**

68. The fraction reduction will not apply to an employee who:

- a. for compelling special circumstances is unable to reduce their fraction;
- b. is an employee who is stood down;
- c. voluntarily reduced their fraction prior to the commencement of the EAV Schedule (as a result of COVID-19) or in accordance with item 18;
- d. is employed on a casual basis.

69. The University cannot request or require any employee to perform work in the time foregone by the reduced fraction without compensation.

70. The University must allow for individual exceptional circumstances of extreme hardship.

71. Where the fraction of employment is reduced in accordance with Item 67, the employee may access annual leave or long service leave to compensate for some or all of the lost fraction of employment.

72. Any fraction reduction occasioned by Item 67 or 18 shall be disregarded for the purpose of all leave accrual calculations and other employment service fraction calculations.

## **DEFERRAL OF PAY RISES AND/OR SALARY POINT INCREMENTS**

73. If a University is in Category A or B, the University may implement a freeze on current rates of pay such that future increases to those salary rates and allowances (subject to Item 75) shall not apply.

74. If a University is in Category A or B, the University may implement a freeze on incremental progression of an employee to a higher pay point in their salary scale.

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## **PROMOTION AND RECLASSIFICATION**

76. If a University is in Category A or Category B, employees who receive promotion or employee-initiated reclassification will be awarded such, but pay increases will not take effect until the expiry of the EAV Schedule.

## **C) Calculations**

So the quarantining of the first \$30,000 of income is only taken into account when applying the “pay reduction” -- ie if the wage rate is reduced (clause 64)

There is no exemption of any income when applying the “fraction reduction”

The maximum total reduction allowed from reducing wage rates, fraction, increment and pay rises is 15%

For a worker on the median full-time female wage of \$65,000, the maximum reduction is 15% of \$65,000 = \$9,750 per year or \$375 per fortnight.

Does our worker on \$65,000 per year get to this level of cut overall?

It makes a slight difference (about \$10 per week) whether you take the fraction reduction first, or cut the wage rate above \$30,000 first. The overall cut to wages is slightly lower if we take the fraction reduction first so let's do that.

\$65,000 annual wage – apply 10% fraction reduction:

$$\text{Wage} = \$65,000 - \$6,500 = \$58,500$$

(reduction of \$6,500pa or  $6,500/26 = \$250$  per fortnight)

Apply 10% pay rate reduction on income above \$30,000:

$$\text{Wage} = 0.9 \times (\$58,500 - \$30,000) + \$30,000 = \$55,650 \text{ per year}$$

(reduction from original salary is \$9,350 per year = \$359.61 per fortnight)

So the combined effect of the fraction reduction and wage rate cut takes our worker very close to the maximum cut of 15% or \$9,750 per year.

It could be that our workmate on the median full-time female wage was expecting a pay rise of 2% shortly after the introduction of the Framework. The Framework is due to come in in June, many EAs give pay rises on 30 June so this is plausible. 2% of \$65,000 is \$1,350 per year.

Foregoing this pay rise would take our worker beyond the 15% threshold, so she will get a part pay rise but have most of it withheld, taking her annual pay cut to \$9,750 or \$375 per week.