

National Minimum Wages Case 2013

Summary of ACTU Submission to the Fair Work Commission March 2013

Timelines

- Submissions to the Fair Work Commission's Annual Wage Review are due on 28 March 2013. FWA's seven-person Minimum Wage Panel is headed by President Iain Ross.
- The minimum wage decision will come into effect on 1 July for approximately 1.54 million award-reliant minimum wage workers.

The ACTU claim

- The ACTU is seeking a \$30 per week increase in the National Minimum Wage (NMW) and in other award minimum wages up to the C10 level; and a 4.2% increase for other award workers (see Table 1 on page 4).
- This claim would raise the NMW from \$606.40 per week to \$636.40 per week – a 79c/hour increase from \$15.96 per hour to \$16.75 per hour. This would be a 4.9% rise in the NMW.
- In 2012, average earnings for full-time workers rose by 5%.
- The moderate pay increase for most workers contrasts with the total average package of the CEOs of the top 300 companies of \$2.47 million in 2012, equivalent to 78 times the minimum wage. Average CEO pay rose by 6% last year.
- Last year, the ACTU sought an increase of \$26 a week for the NMW, and a 3.8% increase for other award workers. Fair Work Australia awarded an across the board 2.9% pay rise to award reliant workers and the NMW. That meant an extra \$17.10 a week for the NMW.

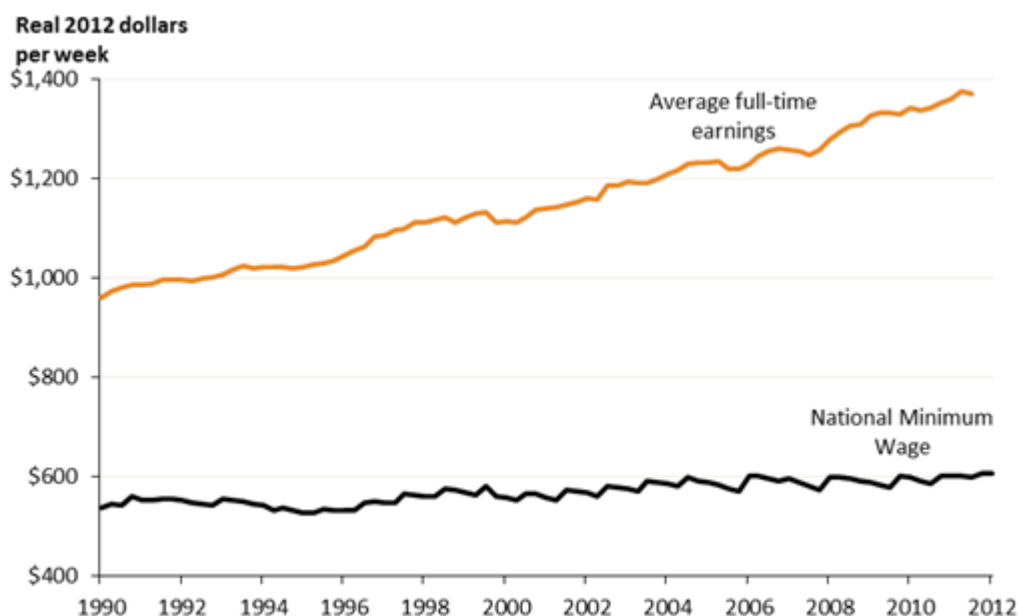
Who is affected by the Fair Work Commission pay rise?

- About 32,200 Australian workers (less than half of 1% of the workforce) receive the NMW with a further 1.5 million workers (16% of the workforce) relying on other minimum wages in awards.
- The NMW of \$606.40 equates to just 43% of Full-time Adult Average Weekly Ordinary Time Earnings (AWOTE). The ratio has fallen from 49% in 2005. Average earnings have risen by 40.2% since 2005, but the NMW has increased by just 25.2% in the same time.
- After adjusting for changes in the cost of living, the NMW has fallen by 0.3% since 2005, while real average earnings have risen by 12%.

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Figure 1: Changes in average earnings and the National Minimum Wage, 2000-2011



Source: ACTU

- Award reliant workers are more likely to be women, part-time or casual, employed in the private sector, and in small businesses. They are concentrated in four main industries: retail, accommodation and food services, administrative and support services, and health care and social assistance. These workers have little bargaining power with their employer, so the Annual Wage Review by the FWC is the only pay rise they receive each year.
- Increasing award wages is an effective tool to reverse growing earnings inequality. The FWC has a statutory requirement to establish and maintain a fair safety net of fair minimum wages. Decent minimum wages provide a critical floor for the incomes of many low-income households. Annual Wage Review adjustments assist in meeting the needs of the low paid.

The cost of living for working families

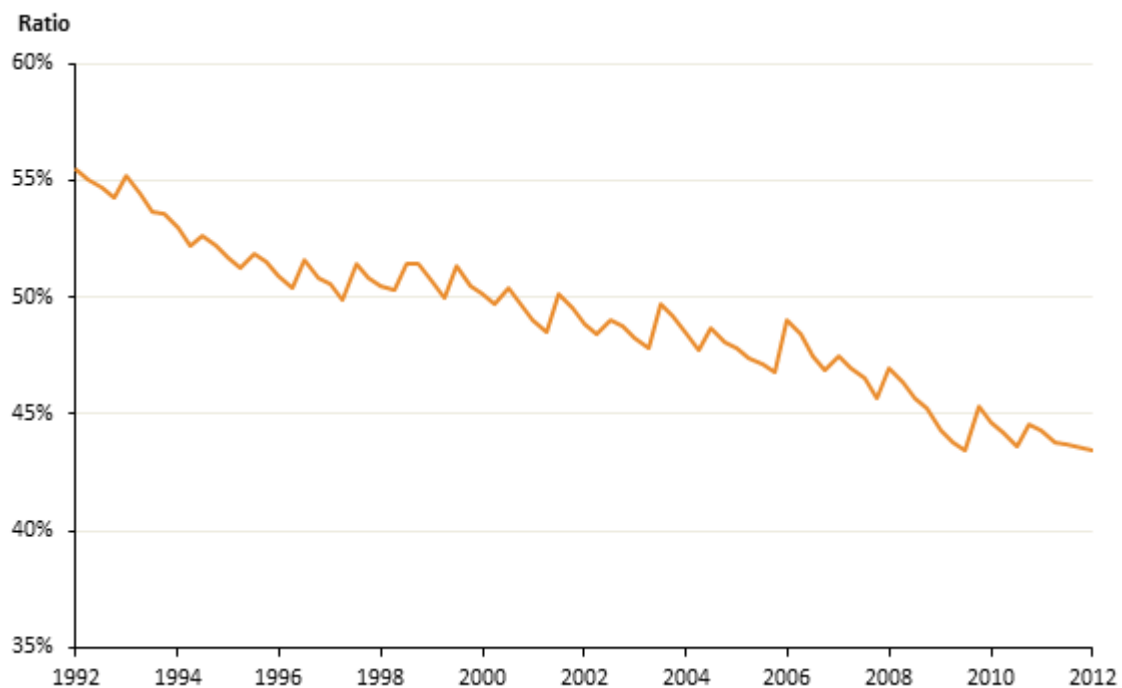
- People living on the national minimum wage find it very difficult to make ends meet, and experience greater financial stress than those paid higher wages. Wage earners spend a substantial portion of their income on housing, food, and transport.
- The last two decisions of the Fair Work Commission saw an increase in minimum wages that was lower than the rise in the cost of living for employee households over the previous calendar year.

The effect on employment, the economy and inflation

- Moderate, regular and predictable increases in minimum wages do not create unemployment.
- Over the past few years, the Australian labour market has been very healthy by the standards of recent decades, and extremely healthy relative to other advanced economies.

- Although the unemployment rate rose from 5.2% to 5.4% in 2012, by the end of the year conditions had improved markedly. An extra 71,500 people gained employment in February 2013, the largest jobs growth in a single month since 2000.
- The Consumer Price Index rose by 2.2% in 2012, in the bottom half of the Reserve Bank's inflation band of 2-3%. There has been no inflationary 'wages breakout' from last year's wage decision, and an increase of \$30 to the NMW would have a negligible impact on inflation.
- The Wage Price Index grew by 3.4% in 2012, below its long-term average. There is no evidence to suggest that the labour market is in an unsustainable wage-price spiral.
- A decoupling of wages and productivity since 2000 has resulted in a "real wage underhang" where wages growth has not kept pace with productivity growth.

Figure 2: National Minimum Wage as a proportion of average full-time wage, 1992-2012



Source: ACTU

Closing the gap between minimum wages and average earnings

- Since 2005, low-paid workers have lost ground, as minimum wages have not kept pace with the wage increases enjoyed by other workers. During that period, average full-time earnings have grown by 40.2, the Wage Price Index has risen by 31.9%, while the minimum wage has increased by just 25.2%.
- The ACTU's submission to the 2013 Annual Wage Review seeks to stop the gap between low-paid workers and other workers from growing any further.
- If the FWC and its predecessors had adopted the position of employers since 2000, then the NMW would now be \$120 or 20% lower than it is. It would be \$487.04 a week or \$12.82 an hour, which would be just a third of average weekly earnings.

Table 1: Percentage increase: ACTU \$30.00/4.2% Request

	Current minimum		Our claim		The effect of our claim	
	Per week	Per hour	Per week	Per hour	Per week	Per hour
C14/NMW	\$606.40	\$15.96	\$30.00	\$0.79	\$636.40	\$16.75
C13	\$624.00	\$16.42	\$30.00	\$0.79	\$654.00	\$17.21
C12	\$648.00	\$17.05	\$30.00	\$0.79	\$678.00	\$17.84
C11	\$670.20	\$17.64	\$30.00	\$0.79	\$700.20	\$18.43
C10	\$706.10	\$18.58	\$30.00	\$0.79	\$736.10	\$19.37
C9	\$728.30	\$19.17	4.2%	4.2%	\$758.90	\$19.97
C8	\$750.40	\$19.75	4.2%	4.2%	\$781.90	\$20.58
C7	\$770.50	\$20.28	4.2%	4.2%	\$802.90	\$21.13
C6	\$809.60	\$21.31	4.2%	4.2%	\$843.60	\$22.20
C5	\$826.10	\$21.74	4.2%	4.2%	\$860.80	\$22.65
C4	\$848.20	\$22.32	4.2%	4.2%	\$883.80	\$23.26
C3	\$892.60	\$23.49	4.2%	4.2%	\$930.10	\$24.48
C2(a)	\$914.80	\$24.07	4.2%	4.2%	\$953.20	\$25.08
C2(b)	\$954.90	\$25.13	4.2%	4.2%	\$995.00	\$26.18

Source: ACTU