



Australian Council of Trade Unions - Fact Sheet

## National Minimum Wage 2008

### ACTU Submission to Fair Pay Commission

#### Timelines

- Submissions to the Australian Fair Pay Commission (AFPC) for the national minimum wage deliberations are due 14 March 2008.
- The AFPC is due to announce its Minimum Wage decision in early July 2008 (last year 5 July)
- The AFPC minimum wage decision then comes into force in October with 1.4 million minimum wage workers due to receive a pay rise in the first pay period commencing on or after 1 October 2008.

#### The ACTU claim

- The ACTU is seeking a \$26 per week increase in the Federal Minimum Wage (FMW) and in other minimum award wages.
- This claim would raise the FMW from \$522.12 per week to \$548.12 per week or \$14.42 per hour.
- This represents an increase of 5 per cent for the lowest paid and 4.2 per cent for the majority of minimum wage reliant workers.
- This amount is equal to other wage movements (WPI) over the past 12 months.

#### Who is affected by the Fair Pay Commission pay rise?

- Only 100,000 Australian workers (less than 1 per cent of the workforce) receive the FMW with a further 1.4 million workers (14.13 per cent of the workforce) of the relying on minimum award wages above the FMW.
- These workers are more likely to be women, part-time, casual, employed in the private sector and employed in non-managerial positions in lower skilled occupations. The number of minimum wage-dependent workers is decreasing. For these workers the Fair Pay Commission case decision is the only pay rise they receive each year.
- Increasing award wages is an effective tool to reverse growing income inequality.

#### The cost of living for working families

- The ACTU \$26 a week pay claim is necessary to ensure that minimum wage workers and their families keep up with the cost of living pressures.
- Petrol up 7.3 per cent in the Dec '07 quarter and 14.3 per cent for the year to Dec '07.
- Housing up 1.1 per cent in the Dec '07 quarter, including house purchase up 1.3per cent and rent up 1.6 per cent. Over the year to Dec '07, the housing group rose 4.8 per cent, mainly due to rents up 6.4 per cent and new house prices up 4.3 per cent.
- Certain food prices rose significantly including; milk up 5.6 per cent, bread up 2.7per cent, cheese up 4.9 per cent, poultry up 4.1 per cent and restaurant meals up 1.0 per cent.

### **The effect on inflation and the economy**

- ACTU modelling shows that an increase of \$26 for workers reliant on the AFPC pay scales would have a negligible (statistically insignificant) effect on inflation.
- Award workers earn on average only 58 per cent of those paid under agreements. There is no evidence of systemic wages pressure in the economy.
- Profits are at record levels whilst the wage share of total factor income has decreased.
- Economic growth is strong up 3.9 per cent in seasonally adjusted terms in past year, productivity in the award dependent industries exceeds other sectors; unemployment at 4.1 per cent is at its lowest level for over 30 years; employment growth continues with increased participation.
- The pay rise sought by the unions for minimum wage workers is meagre compared with the increase in executive and CEO salaries of over 28 per cent.
- The ACTU also calls for a halt to the taxpayer subsidy of unjustifiable executive salary payments by removing company tax deductibility for salaries over \$1 million. This proposal is separate to the ACTU submission to the AFPC, and would send a strong signal that the high flyers are also expected to do their bit to rein in inflation and that the burden should not fall unfairly on middle income families struggling under higher interest rates nor on young retail workers and other minimum wage workers who are asked to forgo real wage increases.

### **Real wage reductions under Work Choices**

- As shown in Table 1, last year's AFPC minimum wage decision (Decision 3/2007) resulted in real wage reductions for virtually all minimum wages workers .
- The ACTU believes that in a buoyant economy this result is not consistent with unemployed and low paid Australians sharing in the economic prosperity of the wider community.

**Table 1: Real Wage change per week Decision 3/2007**

	Real change \$ per week	Real change per cent per week
C14	0.06	0.0
C13	-0.28	-0.1
C12	-0.72	-0.1
C11	-1.14	-0.2
C10	-1.82	-0.3
C9	-2.23	-0.3
C8	-2.64	-0.4
C7	-3.02	-0.4
C6	-8.79	-1.2
C5	-9.10	-1.2
C4	-9.52	-1.3
C3	-10.35	-1.3
C2a	-10.76	-1.3
C2b	-11.51	-1.3
C1a	-13.18	-1.4
C1b	-15.67	-1.5

1.1 The ABS Employee Hours and Earnings minimum wage survey shows:

- 38 per cent of minimum wage employees are below C10,
- 37 per cent are C10 to C7, and
- 25 per cent are above C7.

1.2 The real wage effect of the two AFPC decisions over the period June 2005 to October 1 2007 is shown in Table 2.

- The data shows 62 per cent of minimum wages workers suffered a decline in their real wages since June 2005 under the former Howard Government's Work Choices system of setting minimum wages by the AFPC.

**Table 2: Real Wage change per week under Work Choices  
(AFPC Decisions 1/2006 and 3/2007)**

	Real change \$ per week	Real change per cent per week
C14	4.32	0.8
C13	3.30	0.6
C12	1.67	0.3
C11	0.23	0.0
C10	-1.96	-0.3
C9	-3.40	-0.5
C8	-5.11	-0.8
C7	-6.31	-0.9
C6	-14.01	-1.9
C5	-20.77	-2.8
C4	-22.10	-2.9
C3	-25.25	-3.1
C2a	-26.68	-3.2
C2b	-29.35	-3.3
C1a	-34.99	-3.6
C1b	-43.67	-4.0