

AUSTRALIAN INDUSTRIAL RELATIONS COMMISSION

SAFETY NET REVIEW—WAGES

JUSTICE GIUDICE, PRESIDENT
VICE PRESIDENT ROSS
VICE PRESIDENT LAWLER
SENIOR DEPUTY PRESIDENT MARSH
SENIOR DEPUTY PRESIDENT KAUFMAN
COMMISSIONER HINGLEY
COMMISSIONER GRAINGER

MELBOURNE, 7 JUNE 2005

DECISION SUMMARY

This summary of the Commission's decision in the Safety Net Review—Wages 2005 [PR002005] contains a brief description of the ACTU's claim and the main parties' responses to it, reproduces the chapter in the decision containing the Commission's conclusions on the claim and summarizes the Commission's decision on a claim by ACCI to amend the Commission's Statement of Principles. The summary is provided for ease of reference only and does not in any way replace or abridge the decision itself.

[1] The Australian Council of Trade Unions (the ACTU) is seeking a safety net adjustment of \$26.60 per week in all award rates with a commensurate adjustment in wage-related allowances. The claim comes to the Commission through a number of union applications pursuant to s.113 of the *Workplace Relations Act 1996* (the Act) to increase wage rates in various awards. The applications were filed at the end of 2004.

[2] The Australian Chamber of Commerce and Industry (ACCI) submitted that the Commission should reject the ACTU's claim and grant what it submitted would be a genuinely moderate level of safety net increase of \$10 per week in award rates equivalent to classification levels C14 to C10 in the *Metal, Engineering and Associated Industries Award 1998*¹ (the Metal Industries Award). The National Farmers' Federation and the organisations comprising the National Motor Industry adopted a similar position.

[3] The Australian Industry Group and the Engineering Employers Association, South Australia (jointly AiG) submitted that a safety net adjustment of \$11 per week in all award rates would assist the low paid while not damaging the economy.

[4] The Minister for Employment and Workplace Relations on behalf of the Australian Government (the Commonwealth) also submitted that the Commission should reject the ACTU's claim. It supported an increase of \$11 per week to

¹AW789529CRV.

classification levels C14 to C10 in the Metal Industries Award with no increase in award rates above that level.

[5] The states of New South Wales, Queensland, South Australia, Tasmania, Victoria and Western Australia and the Australian Capital Territory and Northern Territory (jointly the States and Territories) supported an increase of \$20 per week in all award rates of pay.

[6] In reaching a decision on the ACTU's claim it is important to bear in mind that the Commission is not at large to decide on whatever outcome it thinks fit. While the Commission does have a discretion, the discretion must be exercised within the requirements of the Act. The principal object of the Act, set out in s.3, specifies a number of matters which might be described as policy objectives. The opening words of the section set the scene. They are:

“The principal object of this Act is to provide a framework for cooperative workplace relations which promotes the economic prosperity and welfare of the people of Australia by . . .”

Then follows a list of 11 matters most of which, it may be argued, are in some way relevant to a review of award wage rates.

[7] For present purposes we shall mention only the matters which are directly relevant. Each of them is repeated in one form or another in Part VI of the Act, to which we refer later. Section 3(a) encourages the pursuit of high employment, improved living standards, low inflation and international competitiveness through higher productivity and a flexible and fair labour market. Section (aa) is directed to the advancement of youth employment. Section (b) seeks to ensure that primary responsibility for determining employment matters rests with the parties at the workplace or enterprise level. Section (d) is a clear articulation of the fundamental concepts which underpin the scheme of the Act, that wages and conditions of employment be determined as far as possible by agreement at the workplace or enterprise level upon a foundation of minimum standards and that an effective award safety net of fair and enforceable wages and conditions be maintained.

[8] The objects of Part VI, found in s.88A, reaffirm the importance of these matters. They are as follows:

“88A OBJECTS OF PART

The objects of this Part are to ensure that:

(a) wages and conditions of employment are protected by a system of enforceable awards established and maintained by the Commission; and

(b) awards act as a safety net of fair minimum wages and conditions of employment; and

(c) awards are simplified and suited to the efficient performance of work according to the needs of particular workplaces or enterprises; and

(d) the Commission's functions and powers in relation to making and varying awards are performed and exercised in a way that:

(i) encourages the making of agreements between employers and employees at the workplace or enterprise level; and

(ii) uses a case-by-case approach to protect the competitive position of young people in the labour market, to promote youth employment, youth skills and community standards and to assist in reducing youth unemployment."

[9] While s.88B(1) requires the Commission to perform its award-making functions in a way which furthers the objects of the Act and the objects of Part VI, s.88B(2) provides even clearer guidance. In unequivocal terms it requires the Commission to ensure that a safety net of fair minimum wages and conditions of employment is established and maintained. Sections 88B(1) and (2) read:

"88B PERFORMANCE OF COMMISSION'S FUNCTIONS UNDER THIS PART

(1) The Commission must perform its functions under this Part in a way that furthers the objects of the Act and, in particular, the objects of this Part.

(1A) . . .

(2) In performing its functions under this Part, the Commission must ensure that a safety net of fair minimum wages and conditions of employment is established and maintained, having regard to the following:

(a) the need to provide fair minimum standards for employees in the context of living standards generally prevailing in the Australian community;

(b) economic factors, including levels of productivity and inflation, and the desirability of attaining a high level of employment;

(c) when adjusting the safety net, the needs of the low paid."

[10] The opening words of section 88B(2) refer to a safety net of wages, not to a single minimum wage, which is maintained by the Commission. The statutory concept of the safety net is not, therefore, confined to a single minimum wage. And the idea of maintenance has at its heart the requirement to ensure that the safety net of award rates is kept in good repair. In order to get an historical perspective on the maintenance of the safety net we shall look in some detail at statistical data which show changes in relevant indicators since 1996, the year in which the Act commenced.

[11] Before doing so, however, it is important to mention that s.90 of the Act requires the Commission to take the public interest into account and, for that purpose, to have regard to the objects of the Act, and in particular the objects of Part VI, the state of the national economy and the likely effects on the national economy of any award or order that the Commission is proposing to make with special reference to likely effects on the level of employment and on inflation. Section 90 gives an added dimension to the Commission’s task, requiring a careful consideration of the effects of its decision on the national economy.

[12] In dealing with an application to keep the safety net of minimum rates in good repair, the Commission is required by s.88B(2)(a) to have regard to living standards generally prevailing in the Australian community. This requirement invites a comparison between the rates of pay in the Commission’s awards and rates of pay generally. Between May 1996 and May 2004 average weekly earnings of full-time adults increased by \$277.10 per week or 41 per cent. In the same period the minimum wage, the rate for the C14 classification level, increased by \$118 per week or 34 per cent. The award wage for a tradesperson, the rate for the C10 classification, increased by \$120 per week or 27 per cent. Wages at the higher classification levels have increased by proportionately lesser amounts. Table 20 shows the increase in AWOTE and the increase in a representative range of award classification levels.

Table 20: Increases in Earnings and Award Rates 1996–2004

AWOTE	C14	C12	C10	C8	C6
\$277.10	\$118.00	\$118.00	\$120.00	\$120.00	\$118.00
41.2%	33.8%	30.4%	27.2%	24.8%	21.6%

[Source: ABS Cat No. 6302, Average Weekly Ordinary Time Earnings Full-Time Adults, May 1996–May 2004 and Metal Industries Award May 1996–May 2004.]

[13] Other measures of growth in earnings are also relevant—for example, average annual wage increases in federally registered certified agreements. Since 1996 this measure has increased by, on average, just under 4 per cent per year. The minimum wage has been increasing on average at a slightly lower rate over the same period. In other words, the minimum wage has been losing its relativity with bargained wages and the gap between the minimum wage and bargained wages has increased significantly in money terms. The gap is even greater at levels above the minimum wage.

[14] A widely accepted measure of growth in rates of pay is the Wage Price Index. The WPI is available from September 1997. The aggregate change in hourly rates of pay excluding bonuses from September 1997 to the December quarter 2004 was 27.3 per cent. This increase is less than the increase in the minimum wage (C14) over that period but more than the increase in the rate for a tradesperson (C10) which presently stands at \$542.20 per week.

Table 21: Increases in Wage Price Index and Award Rates 1997–2004

WPI %	C14 %	C12 %	C10 %	C8 %	C6 %
27.3	30.1	27.1	24.4	22.3	19.4

[Source: ABS Cat. No. 6345.0, September 1997–December 2004 and Metal Industries Award, September 1997–December 2004.]

[15] As it is not affected by compositional change the WPI is a more accurate measure of growth in labour costs than AWOTE. It is the most relevant measure of change in the cost of employment, being based on information collected from a representative sample of employee jobs.² While the WPI is a better indicator of changes in remuneration for a particular job than AWOTE is, it is not a good indicator of changes in earnings in the Australian community.

[16] Some parties relied on international material relating to comparisons between the minimum wage and earnings. In particular it was submitted by the Commonwealth that “Australia now has the highest minimum wage compared with median earnings . . . in the OECD”. The Commonwealth produced OECD comparative data for the period since 1985. While we have not seen any objective validation of the OECD comparisons, they show that for most of the 19-year period Australia has had the highest minimum wage compared with median earnings in the OECD. The suggestion that this is a recent development, on the data provided, is wrong. More importantly, according to those data, shown in Table 22, the relationship between the minimum wage and median earnings has been in decline since 1996.

**Table 22: Minimum Wage and Median Earnings Minimum Wage (C14)/
Median Wages Percentage**

	%
1996	60.6
1997	59.9
1998	60.7
1999	59.1
2000	57.9
2001	58.1
2002	57.5
2003	58.2
2004	58.4

[Source: Australian Government OECD data prior to 2001, Metal Industries Award and ABS Cat. No. 6310.0, Table 3.]

² ABS Cat. No. 6345.0, Labour Price Index Australia, Explanatory Notes.

[17] A comparison between the minimum wage and AWOTE for full-time adults since 1996 shows a similar picture (Table 23). In other words, despite the size of the safety net adjustments since 1996, the growth in the minimum wage has not kept pace with the growth in average weekly earnings for full-time adults.

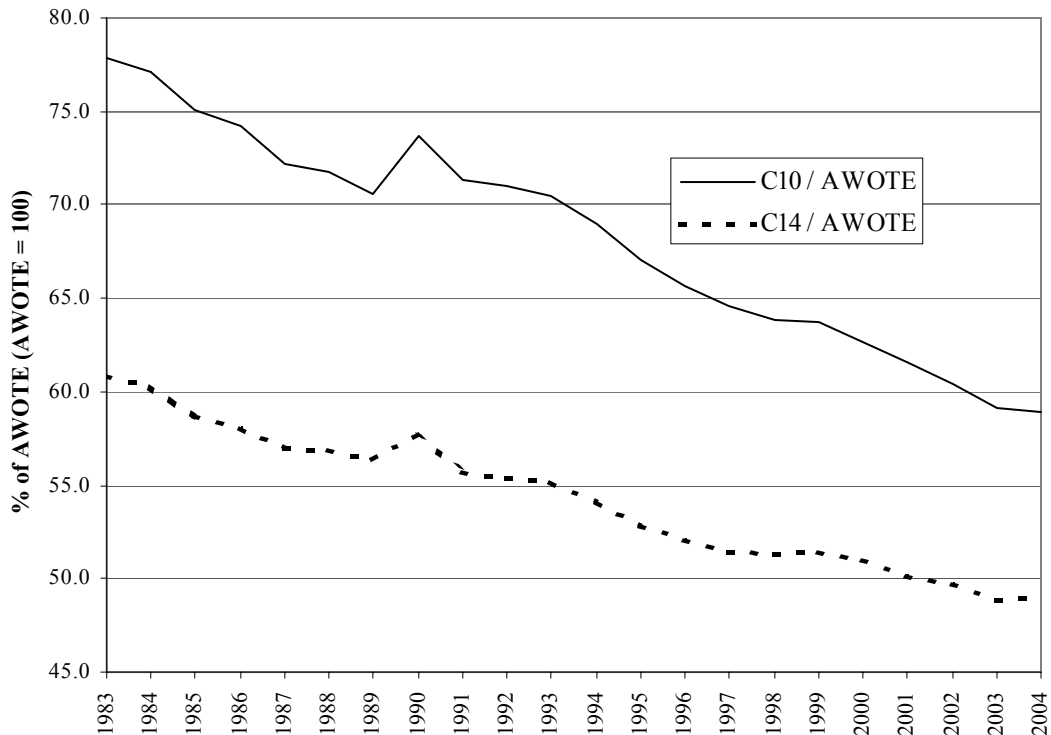
Table 23: Minimum Wage and Earnings

	Minimum Wage C14 \$	AWOTE Full-Time Adults \$	Minimum Wage Compared with AWOTE %
1996	349.40	672.60	51.9
1997	359.40	695.50	51.7
1998	373.40	726.90	51.4
1999	385.40	751.40	51.3
2000	400.40	784.60	51.0
2001	413.40	825.00	50.1
2002	431.40	868.40	49.7
2003	448.40	921.20	48.7
2004	467.40	949.70	49.2

[Source: ABS Cat. No. 6302.0 and Metal Industries Award, May of each year.]

[18] Chart 18 shows the relationship between the minimum wage (C14) and the tradesperson's rate (C10) and ordinary full-time adult earnings. The chart was tendered by the ACTU and not challenged. It shows a continuing decline in both rates over the past 20 years. Since 1996, the relative reduction we have already noted in the minimum wage has been even more pronounced in the tradesperson's rate.

Chart 18: C14 and C10 as a Proportion of Average Weekly Ordinary Full-Time Adult Earnings



[Source: Exhibit ACTU 2 Figure 3.1.]

[19] Section 88B(2)(b) requires the Commission to have regard to economic factors including levels of productivity and inflation and the desirability of attaining a high level of employment. Turning first to the level of productivity, between the June quarter 1996 and the December quarter 2004, GDP per hour worked in the market sector increased by 24.3 per cent. In other words, productivity grew by nearly 25 per cent over that 8½-year period, which is remarkable, particularly during a period of strong employment growth. In the last two quarters, however, annual productivity growth has been weaker. Despite the fact that the productivity figures show some volatility and are subject to revision, the lack of growth in the last 12 months is cause for concern. With regard to inflation, leaving aside one-off effects related to the introduction of the GST, the economy has performed well. The CPI increased by 23.1 per cent between June 1996 and March 2005 and was within the RBA’s target range of 2 to 3 per cent per year for all but a few quarters.

[20] The desirability of attaining a high level of employment is the criterion which the employers and the Commonwealth emphasised the most. Between June 1996 and March 2005 employment increased by 19 per cent. In the same period the number of unemployed decreased by 26 per cent. In December 1996 unemployment was 8.6 per cent. In December 2004 it was 5.1 per cent, at what has been described as the lowest level in 28 years.

[21] The Commonwealth and ACCI submitted that the Commission has not placed enough emphasis on the employment effects when deciding on the level of safety net adjustments. Elsewhere in this decision we once again review the literature and studies purporting to show the effect of increases in minimum wages on employment. To

illustrate the problems with the research it is only necessary to mention that in the 2004 proceedings the Commonwealth relied upon a study which showed an elasticity of demand for labour of -0.21 per cent.³ This year it urged us to accept a study which showed an elasticity of -0.63 per cent.⁴ On the Commonwealth's submission this year we would have been wrong to accept its submission in last year's safety net review. We do not draw attention to this inconsistency to be critical of the Commonwealth but to underline the need for a cautious approach to estimates of the employment effects. This is an area in which theory and philosophy play a large part in the submissions, tending to obscure what facts there are rather than to elucidate them, and in which useful and robust research is all too rare.

[22] In light of the growth in employment over the last eight years and the fact that employment has declined to its lowest level in 28 years, it would be difficult to accept that the Commission's safety net adjustments have been excessive even if employment was the only matter the Commission had to take into account in maintaining the safety net. Of course employment is not the only matter we are required to consider. While it has been pointed out in previous decisions that there is a likelihood of some negative employment effects from safety net adjustments, this risk must be balanced against other factors such as the potential benefit to award-reliant employees, estimated by some to number 1.6 million, in the context of the Commission's obligation to ensure that a safety net of fair minimum wages and conditions is maintained. Acknowledgment of the need to balance these matters does not mean that the Commission prefers the interests of those in employment to those who are unemployed or under-employed. On the case advanced by the opponents of the ACTU's claim, any increase in the safety net, including of course the increase they advanced, will have negative employment effects. It must be accepted that their proposals involve a balance of considerations, just as the ACTU's claim does. The Commission's task is to find the right balance.

[23] As we have noted, s.88B(2)(b) also requires the Commission to give consideration to economic factors generally. Economic growth, as measured by increases in GDP, has been strong in recent years. Between June 1996 and December 2004 GDP increased by 35.2 per cent in real terms. In the same period shares of total factor income have altered. The profit share of the corporate sector has increased from 34.4 per cent in June 1996 to 37.4 per cent in June 2004—around 10 per cent. When Gross Mixed Income is added to the profits of the corporate sector the share has not increased as much—from 45.5 per cent to 46.9 per cent. The share going to wages, however, has decreased in the same period from 54.5 to 53.1 per cent. The shift in shares from wages to profits since 1996 is undeniable and significant. On the other hand, no party has submitted that there is an imbalance in the shares which poses a threat to economic stability.

[24] Section 88B(2)(c) of the Act requires the Commission to have regard to the needs of the low paid. The measurement of needs is problematic and many of the parties' submissions tend to be impressionistic rather than scientific. We deal first with the relationship between prices, wages and earnings. There have been significant

³ Minimum Wages Report.

⁴ Monash Paper.

increases in award rates at the lower classification levels since 1996 and employees who have been dependent on safety net adjustments at those levels have also had increases in real wages. From the June quarter 1996 to the March quarter 2004 the CPI increased by 21.1 per cent. During the same period the minimum wage (C14) increased by 33.8 per cent. Higher award rates increased relatively less. Wages for classifications above C6 have not increased as much as the CPI since 1996. Even at the lower levels, real increases in award rates have been lower than real increases in AWOTE which has grown by nearly 17 per cent in real terms over the period. The data are shown in Table 24.

**Table 24: Increases in Earnings and Award Rates
1996–2004**

	Nominal %	Real %
AWOTE (full-time adults)	41.2	16.6
Minimum wage (C14)	33.8	10.5
C12	30.4	7.7
Tradesperson (C10)	27.2	5.0
C8	24.8	3.1
C6	21.6	0.4

[Source: ABS Cat. Nos 6302 and 6401 and Metal Industries Award, May of each year.]

[25] We turn now to some of the research into the needs of the low paid. As we indicated earlier, we agree with the Commonwealth that HILDA and NATSEM research indicates that less than a quarter of low-paid employees are in the lowest quintile of household incomes. While this research suggests that there is a less than perfect correlation between low pay and needs, it cannot be assumed that low-paid employees who are not in low-income households are therefore not in need. No party submitted that only those low-paid employees who are in low-income households have unmet needs. We also agree with the Commonwealth that the research shows that the proportion of full-time workers in poverty who are adult award-reliant employees is likely to be very small, perhaps insignificant, and that only 2 per cent of those whose main source of income is wages and salaries are in poverty. While it is clear that low-paid employees who are not in poverty may nevertheless have needs which we should take into account, the research tends to indicate that the safety net is, by and large, an effective one so far as the low paid are concerned. On the limited data available, it might be concluded that without the adjustments of recent years the number of full-time award-reliant employees in poverty would be significantly greater.

[26] Some submissions were directed to the fact that the application for a safety net adjustment might not result in an actual increase in pay in particular cases. This was said to result from reductions in means tested payments and changes in marginal tax rates or both. The interaction between increases in wages, tax scales and social welfare payments is a structural issue which potentially affects all increases in wages, regardless of their source. It is also important to note that these effects do not occur evenly and depend upon the circumstances of the wage earner. Furthermore, we think

that all other things being equal it is preferable that income be sourced from earnings rather than welfare.

[27] The Commission has commented in past safety net review decisions on the lack of reliable data on the needs of the low paid and the desirability of parties bringing forward empirical studies, rather than individual cases which purport to illustrate the general position but in fact may not. The Commission has also indicated a willingness to conduct a broader inquiry into needs should there be significant support for such a course.⁵ This lack of data was forcefully brought home again in this case. We requested the Commonwealth to provide data concerning the proportion of the workforce to which the safety net adjustments applied in 1997 and in 2004. The Commonwealth was unable to do so. We also asked the Commonwealth to provide data concerning the proportion of the workforce to which the minimum wage adjustment applied in 1997 and 2004. Again, the Commonwealth was unable to supply the information. It is a matter of significance that while the Commonwealth has criticised the Commission's past decisions because of their employment effects, the most basic of information about safety net adjustments and the minimum wage—how many people are affected by them—is apparently not available to the Commonwealth. In the present context, consideration of the needs of the low paid, information about the proportion of the workforce who receive the minimum wage at various times is likely to be highly relevant.

[28] The Commission is required to exercise its award-making functions and powers in a way that encourages the making of agreements between employees and employers at the workplace or enterprise level. Data from the Australian Workplace Industrial Relations Survey indicated that in 1995, 24 per cent of employees received safety net adjustments.⁶ In May 2004, 20 per cent of employees were classified as award-reliant workers.⁷

[29] The employers and the Commonwealth submitted that if safety net adjustments are too high they remove or detract from the incentive to bargain. While there is some force in this submission, as the Commission has found in previous cases, it cannot be accepted without reservation. Many award-reliant employees have low bargaining power, particularly those at the lower skill and pay levels. Due to their circumstances low-paid employees are unlikely to be able to demand above-award pay and conditions. Furthermore the empirical evidence does not support the submission. It appears that the reduction in the number of award-reliant workers in the economy has slowed and almost stopped in the last few years. On the other hand, this has not been the case in the industries which employ the largest proportion of award-reliant workers, the retail trade, accommodation, cafes and restaurants, and health and community services industries. On figures supplied by the Commonwealth, between 2000 and 2004 the number of award-reliant workers in those industries reduced by 73 000 and the number of agreement workers increased by 240 000. While we accept that excessive increases in minimum wages can discourage bargaining, the evidence suggests that the safety net adjustments over recent years have not been inconsistent

⁵ May 2003 decision at para 222; May 2004 decision at para 286.

⁶ Safety Net Review 1997–98 proceedings, Joint Governments Submissions at p. 143.

⁷ ABS Cat. No. 6306.0.

with the continued growth of bargaining in the industries in which award reliance is relatively high.

[30] Turning to the state of the economy and immediate economic prospects, we shall not repeat the detailed summary of the parties' submissions and our conclusions which we have set out earlier. In December 2004 it was estimated that GDP would grow in 2004–05 by 3 per cent. This was revised downwards to 2 per cent in the recent Budget statement. Despite growth being below expectations in 2004–05 Treasury expects a rebound in growth in 2005–06, with strong growth in national income supported by strong world demand for commodities and higher terms of trade. The Budget forecast for GDP growth in 2005–06 is 3 per cent. Employment growth is forecast to continue at a satisfactory rate and unemployment is expected to ease slightly to 5 per cent in 2005–06. The CPI is expected to increase within the range of 2 to 3 per cent per year.

[31] The Commonwealth drew our attention to a number of potential risks to the forecasts. These risks included a likely increase in the terms of trade to levels not experienced since the early 1950s caused by significant rises in export prices, high commodity prices, particularly high oil prices, the possibility that the tight employment market might lead to wage increases greater than productivity growth putting upward pressure on costs and inflation and, finally, the risks to farm production which is dependent on weather conditions. While those risks are to be borne in mind, there is no basis for us to depart from the official forecasts in reaching our decision. While the forecast for GDP growth in the current year has been revised downwards we think it would be wrong to regard the revised growth forecast as indicative of a fundamental economic problem.

[32] Turning to a review of economic indicators in the last year, growth in GDP in 2003–04 was 4 per cent. Since the May 2004 decision incomes and wages have increased significantly. AWOTE increased by 3.6 per cent in the year to November 2004. In the year to December 2004 the WPI increased by the same amount. Average annual wage increases per employee under certified agreements were 4.1 per cent. Employment grew by 2.6 per cent in 2004 and unemployment decreased by 10.2 per cent. In December 2003 unemployment was 5.8 per cent. In December 2004 it was 5.1 per cent. Prices as measured by the CPI increased by 2.6 per cent over the 12 months to December 2004. Productivity growth has been negative for the last 12 months.

[33] We consider that to grant the ACTU's claim for an increase of \$26.60 per week in all award rates would be inconsistent with our statutory responsibilities. We agree with those who submitted that the claim is excessive. It is clear that there has been a slowing of GDP growth in 2004–05 and that in recent quarters productivity growth has been disappointing. Persistent drought conditions and the threat they pose to growth are also matters for concern. While the economic fundamentals appear solid, in our view a lower increase is appropriate this year than last. In reaching that conclusion we have also taken into account the benefits to low-paid employees of changes in the tax and government transfer regimes which occurred during 2004 and which have been foreshadowed in the Budget for 2005–06. We note, however, that while tax reductions will undoubtedly assist low-paid employees in absolute terms, their living standards

may not increase greatly in relative terms when all of the changes in taxation and government benefits are taken into account.

[34] The Commonwealth submitted that the increase it supports—\$11 in the minimum wage and other classifications up to and including the tradesperson’s rate (level C14 to level C10)—will maintain the spending power of the low paid. It also submitted that the Commission must maintain some stability in the level of the minimum wage in real terms to ensure the already high minimum wage is not increased further as a percentage of average earnings.

[35] The submission that an increase of \$11 would maintain spending power was related to the MYEFO forecast of inflation. While the forecast for inflation may be relevant, we cannot ignore the fact that prices have increased in the 12 months since the last safety net adjustment. In the year to December 2004 the CPI increased by 2.6 per cent. Applying an increase of that percentage would yield an increase of more than \$12 in the minimum wage. In relation to the Commonwealth’s submission about the level of the minimum wage relative to earnings, we note that the level of the minimum wage could be increased by significantly more than the \$11 proposed by the Commonwealth without reducing the gap between the minimum wage and average earnings. In the 12 months to November 2004 average weekly ordinary time earnings of full-time adults, seasonally adjusted, increased by 4.1 per cent. In order to increase the minimum wage proportionately an adjustment of around \$19 would be required. Contrary to its submission, therefore, the implementation of the Commonwealth’s proposal would result in a reduction in spending power for all award-reliant employees and a significant further reduction in the minimum wage relative to average weekly earnings.

[36] In all of the circumstances we consider that an adjustment to the safety net of \$17 per week is appropriate. The adjustment is an increase of 3.6 per cent in the minimum wage and an increase of 3 per cent for employees classified at the tradesperson level. The adjustment will operate from the first pay period to commence on or after the date of this decision, subject to the requirements of the Statement of Principles.

[37] A number of those opposing the claim submitted that any safety net adjustment we award should be confined to the low paid, as defined those at the C10 classification level and below. As the tables above show, since 1996 safety net adjustments for employees at the higher award levels have not kept pace with growth in AWOTE or the WPI. Employees classified at those levels who are dependent on safety net adjustments for increases in wages have suffered a significant loss of relativity whatever measure is adopted. It would be inconsistent with our obligation to maintain the safety net to withhold or reduce the amount of the adjustment at the higher classification levels. The adjustment will apply to all award rates and allowances on the same basis as in previous years.

[38] Table 25 illustrates the increases in a representative range of award classification rates since 1996, in nominal terms and after inflation, and compares them with the increases in AWOTE for full-time adults over the same period. The table includes the safety net adjustment provided for in this decision.

**Table 25: Increase in Award Classifications and Average
Weekly Ordinary Time Earnings
May 1996–June 2005**

	Current \$	Increase \$	Increase %	Real Increase %
AWOTE	993.10	320.50	47.7	20.0
Minimum Wage (C14)	484.40	135.00	38.6	12.6
C12	523.60	135.00	34.7	9.4
Tradesperson (C10)	578.20	137.00	31.1	6.5
C8	619.90	137.00	28.4	4.3
C6	680.50	135.00	24.8	1.4

[Source: ABS Cat No. 6302 Table 2, to February 2005; ABS Cat. No. 6401, to March 2005; Commission decisions.]

[39] Implementation of the adjustment will be subject to the following conditions:

- (a) the increase will be fully absorbable against all above-award payments;
- (b) except where permitted by the Statement of Principles, the increase will be available from a date no earlier than 12 months after the increases provided for in the May 2004 decision in the award in question;
- (c) the commencement of award variations to give effect to this decision will be no earlier than the date on which the award is varied, with phasing-in of increases permissible where circumstances justify it. Any application for phasing-in will be subject to Principle 10;
- (d) by consent of all parties, and where the minimum rates adjustment has been completed, award rates may be expressed as hourly rates as well as weekly rates; in the absence of consent, a claim that award rates be so expressed may be determined by arbitration; and
- (e) allowances which relate to work or conditions which have not changed and service increments are to be varied; the method of adjustment is to be consistent with the *Furnishing and Glass Industries Allowances* decision.⁸

[40] Consistent with our decision the federal minimum wage will be increased by \$17 to \$484.40 per week.

⁸ Print M9675; (1996) 40 AILR 3–399.

[41] We have decided to amend the Statement of Principles to provide some relief for Victorian employers affected by the introduction of the common rule system in Victoria. For those employers the safety net adjustment arising from this decision will operate from no earlier than 1 August 2005.

[42] We now publish our reasons for decision.