Australian Fair Pay Commission lays the groundwork for wage cuts

Terry Cook
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According to various media reports, the head of the recently-created Australian Fair Pay Commission (AFPC), Professor Ian Harper, spent most of July travelling to "the four corners of the continent" holding "a whirlwind of town hall meetings" to listen to the opinions of the low paid, the unemployed and other common folk. The information gathered, we were told, would assist Harper and his fellow commissioners to determine pay increases for around 2.5 million low-wage workers when the AFPC brings down its first pay decision in November.

As the saying goes, never let the facts get in the way of a good story. The truth is the ultra-conservative views, rabid pro-market outlook and social existence of the well-heeled Professor Harper guarantee that he is totally impervious to the opinions, problems and aspirations of ordinary working people.

It was such qualities that led John Howard, Australia's right-wing, anti-working class prime minister, to handpick Harper to head the AFPC and then entrust him with selecting four other commissioners—all just as conservative and pro-business.

The only opinions that really count as far as the five AFPC commissioners are concerned are those of the corporate elite and the Howard government. Their brief for the AFPC is to drive down wages and move towards the complete abolition of minimum pay standards so as to provide an ever cheaper labour force in line with the demands of global markets.

This reactionary agenda is of course not stated outright and attempts are made to cover it up. That is why Harper was jet-setted around Australia to dupe people into believing that the AFPC would take an even-handed approach. Behind the scenes, however, the AFPC enlisted the services of conservative economist Professor Phil Lewis from the Centre of Labour Research at the University of Canberra to provide an academic justification for wage cutting.

Lewis was specifically commissioned to investigate the so-called "link between wages and unemployment". And he unerringly arrived at the conclusion that "there is overwhelming evidence that wages and employment are inversely related, not just for Australia, but internationally". Put simply, Lewis, like the corporate elite, insists that wage increases for ordinary workers cost jobs.

Lewis, however, did not need to undertake any new research to reach his conclusion as he already had an entrenched view on the subject. In early 2005, he told a conference of the H.R. Nicholls Society, a right-wing pro-market lobby club, there was "overwhelming evidence" that lowering of wages would lead to increased employment.

Not surprisingly Lewis, who now openly proclaims "there is no reason for a [pay] increase", was the only person hired by AFPC to research the issue. The conclusions of his yet-to-be-published research are completely at one with the arguments rolled out by the Howard government and major employer groups at every minimum pay case over the past decade to oppose wage increases for low-paid workers.

In the same vein, Howard declared last month that, while there was undoubtedly a case for a minimum wage increase, he had instructed the AFPC that "it should not be so great as to hurt the employment prospects of the very low paid". Howard has no concern whatsoever for the unemployed, low-paid workers or the working class in general. His government has just recently introduced legislation to penalise welfare recipients and new industrial relations laws that strip workers of a raft of basic rights and conditions, including protection against unfair dismissal.

Lewis claimed that his research showed that 650,000 more jobs would have been created over the past decade,

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if there had been no increase to the minimum wage, and 290,000 more, if minimum pay increases had just kept pace with inflation.

As his research is yet to be published, it is not possible to determine exactly how Lewis arrived at these speculative guesses. However, one does not have to be an economics professor to work out the point of Lewis's "research". Far from being a disinterested scientific inquiry, he was looking for evidence to support the crude and brutal proposition—workers can only have jobs if they are prepared to work for next to nothing.

Even now workers on the federal minimum wage are paid a pittance of just $A484.40 ($US363.73) a week. If, as Lewis advocates, the minimum wages had been frozen for the past 10 years, workers would be struggling to get by on just $A359.40 a week.

Lewis's research examined the relationship between wages and job growth in two sectors—hospitality and community services. He contended that wages across the two sectors over the last decade rose 40.2 percent, or 7.7 percent after inflation but jobs increased by 29.9 percent. Whereas in the "economy at large", wages increased 18.2 percent after inflation while employment rose 22.4 percent. Therefore, Lewis concluded, lower wages in these two sectors had produced a higher growth in jobs.

The conclusion is completely bogus. Lower wages are just one of a number of factors that contribute to higher economic activity in a particular sector. Lewis has simply chosen two sectors that are heavily dependent on cheap casual labour and therefore benefited from the Howard government's regressive policies over the last decade. But the expansion of jobs in these areas has been driven by the demand for these services that is beyond the control of individual employers.

Moreover, the creation of low-paid casual, part-time work over the last decade has been at the expense of better paying full time jobs in other sectors. As of 2004-05, more than one in four (27.3 percent) working people were employed as casuals, up from just 16 percent in the mid-1980s. Since 1984, part-time employment increased from 18 percent to around 29 percent.

Further cuts to minimum wages will not automatically lead to an overall expansion of jobs, even in these two sectors identified by Lewis. The only thing that can be said for certain about a lower minimum wage is that it will boost the profit margins of the employers who are hiring the cheaper labour. That is the real reason why Howard is pushing this hobby horse so strongly.

Lewis also conveniently ignored evidence from other studies that contradict his conclusion—that wage increases cost jobs. For example, even the OECD's economic outlook for 2006 stated there was no link between employment and wage growth. His findings are also at odds with the Industrial Relations Commission's safety net review decision last year, which found there was no evidence linking minimum wage levels to employment.

While Harper thought it prudent to insist that Lewis's positions "should not be seen as reflecting the views of the Australian Fair Pay Commission", he nevertheless declared that the research "would be considered" by the AFPC when determing its pay decision.

Another view that will undoubtedly be given priority by the AFPC was spelt out in the July 24 editorial in Murdoch's *Australian*. Echoing Lewis argument, the editorial commented: "But there are real reasons why the minumum wage should not be increased—not the least being that by setting an artificially high floor for the cost of labour, hundreds of thousands of workers are effectively priced out of the jobs market.... As Professor Lewis shows ... the immutable laws of supply and demand demonstrate ... that making the cost of employing the least employable even more expensive will do nothing to help them."

The *Australian* also shared Lewis's concerns that social security and other forms of welfare benefits stand as a barrier to driving down minimum wages. The professor explained that the problem with freezing the minimal wage is that "people on welfare would have no incentive to work". The *Australian* helpfully proposed the solution: "To bridge the gap between jobs that go wanting ... and those not working will require a radical rethink of tax and welfare arrangements."

In other words, in order to remove all barriers to the constant cutting of wages, the Howard government cannot rely just on the AFPC, but must also dismantle what remains of assistance to the most vunerable sections of society—the unemployed and other welfare recipients.

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