

Australian Fair Pay Commission hands down pittance for low-paid workers

Terry Cook
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On July 5, the Australian Fair Pay Commission (AFPC) granted a weekly pay increase of just \$10.26 for around 850,000 low-paid workers earning below \$700 a week. Those earning over \$700 will get just \$5.30.

The pay decision, the second since the Howard government established the AFPC last year as part of its draconian WorkChoices industrial relations legislation, confirms the agency's real charter—to drive down real wages to help create a readily available cheap labour force.

Facing mounting hostility to its WorkChoices laws, which allow employers to strip away longstanding basic rights and working conditions, the Howard government initially went to great lengths to present the AFPC as a "fair" and independent wage-fixing agency.

Last year, in line with the government's PR exercise, the AFPC handed down a \$27.75 increase for minimum wage workers on \$484.40 a week, far higher than had been generally expected. The government, business and media establishment immediately hailed this outcome as proof of the AFPC's benign role. The Australian Council of Trade Unions (ACTU) also welcomed the pay decision, thereby legitimising the AFPC's role.

Now, having secured the collaboration of the unions, the AFPC has started the job of slashing real wages. Not surprisingly the government and employer groups have welcomed the latest pay decision—the lowest minimum increase in more than a decade—falsely claiming it will create jobs.

Federal Treasurer Peter Costello praised the paltry increase as "responsible". The increase "won't have any job destroying consequences," he declared. Working people will not miss the fact that the same considerations were of no concern when Costello and his fellow politicians recently received a 6 percent pay increase or when corporations announce multi-million dollar salary packages for their top executives.

Costello also claimed that "wages for the low-paid will be preserved in real terms". This statement bears no relationship to reality. For a worker on the lowest pay scale rate of \$511.86 a week, \$10.26 is worth 2 percent while for a worker on average weekly ordinary time earnings of a little over \$1,000 a week, the \$5.30 rise is worth just 0.5 percent.

The Reserve Bank estimates that consumer prices rose 2.7 percent over the past year. Research at the University of Canberra has pointed out that price rises are far higher on a range of items that affect low-income earners, such as food, health care, education and child care.

Australian Chamber of Commerce and Industry spokesman Peter Anderson complained that there should have been no rise at all. "While we welcome the more moderate nature of today's increase, we remain concerned that the Australian Fair Pay Commission has ordered another increase when the ink is barely dry on the last increase. Never before in Australia's history of minimum wage regulation have we seen combined increases of \$37.62 in just 10 months," he said.

Anderson's comments amount to a deliberate manipulation of the facts. The latest increase will not apply until October. The previous rise, which only became operative in October 2006, came 18 months after the last increase awarded by the former minimum wage-setting body, the Australian Industrial Relations Commission.

The National Farmers Federation's Denita Warn hailed the AFPC decision as "historic" because it exempted farming businesses in drought areas from paying any wage increase for 12 months. Warn declared that the exemption was warranted "where special circumstances exist".

The exemption illustrates one of the main reasons for the replacement of the Australian Industrial Relations Commission by the AFPC, which has far-reaching powers

to make “economic considerations” the primary criteria for setting pay rates. The decision sets a precedent for entire industries to be exempted on the grounds of so-called inability to pay, thereby forcing workers to sacrifice to maintain profits.

AFPC chairperson Professor Ian Harper defended the pay ruling as “responsible and fair”. The Howard government selected Harper, a right-wing economist who once claimed that the eradication of poverty “must await the return of Our Lord,” to head the body because of his strident free-market views.

Harper said the ACTU’s submission for a \$28 minimum wage increase would have “cost jobs and it might well put additional pressure on interest rates”. He offered no evidence to support the contention that jobs would have been lost. What is happening however is that workers, especially women and the young, are being forced to accept poorly-paid and often insecure or casual employment, replacing previous full-time, better-paid jobs.

Harper himself alluded to this process, saying: “The commission is very focused in these tight times in ensuring that the additional people that are moving off the unemployment rolls into work are able to do so as smoothly as possible.... We need to provide an incentive for them to take those jobs and we need to provide an incentive for employers to offer paid work to the lowest paid workers and those who are unemployed.”

The AFPC’s wage-cutting role dovetails with the government’s welfare-to-work legislation, and its mooted slashing of welfare payments for “bad” parents, which are designed to drive thousands of welfare recipients off benefits and into low-paying jobs.

The ACTU condemned the pay decision as “measly” and “a slap in the face for hard working Australians and their families,” but the trade unions have no intention of mounting any real campaign to challenge it.

In the past, the ACTU ritualistically submitted a pay claim to the annual wage case run by the Australian Industrial Relations Commission. When the claim was rejected, the unions invariably uttered mealy-mouthed objections and then accepted it. The ACTU’s accommodation to the AFPC’s decision demonstrates it is prepared to do the same in the new industrial regime.

While the political establishment has lauded the pitiful rise, a number of welfare agencies condemned it. Australian Catholic Council for Employment Relations (ACCER) chairman Brian Lawrence branded the decision as “unfair on working families”. “The AFPC finding that

the combination of wages and transfer payments provides a sufficient safety net for workers and their families is not supported by the evidence,” he added.

ACCER had called for a \$27 a week pay increase, and attacked the AFPC’s continued use of the “out-dated” Henderson Poverty Line as a point of reference for setting wage levels. It cited research by the Social Policy Research Centre at the University of NSW as providing a “more realistic assessment of the financial needs of families”. According to the Centre, the minimum needed to support a family unit (parents and two children) exceeds \$775 a week. After the latest increase, the minimum wage will stand at just \$522.12 a week.

The St Vincent de Paul Society’s NSW managing director John Picot said that for families paying rent, “the \$10.26 really just barely manages to keep up with the effect of inflation on their cost of living.” According to the Real Estate Institute, rental vacancy rates have fallen to a 10-year low of less than 2 percent in Australia’s six largest cities, driving up rents for two-bedroom apartments by an average of 10 percent.

Catholic Social Services Australia executive director Frank Quinlan said the pay increase would “do little to alleviate the financial hardship experienced by Australia’s lowest paid workers”. Quinlan said: “In setting wages, the AFPC has a statutory obligation to consider the provision of a ‘safety net’ for low paid workers and their families. The ‘safety net’ is the guarantee of a just wage, ensuring human dignity for low-paid Australian workers. It can best be determined by looking at the actual needs and cost pressures experienced by low-paid workers and their families.”

The AFPC decision makes clear that its priority is not ensuring “human dignity”. Rather it is to service the economic requirements of big business, regardless of the social impact on ordinary working people.



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