Australia: Pay decision maintains poverty level wages

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In its first decision since the Rudd Labor government came to office last November, the Australian Fair Pay Commission (AFPC) on July 8 awarded an increase of just $21.66 weekly for low-paid workers, ensuring many will remain among the country's working poor.

At the same time, the ruling underscores why Labor decided to retain the AFPC until 2010. The wage setting body was set up under the previous Howard government in 2006 with a brief to hold down wages to expand the pool of cheap labour for employers and maintain downward pressure on wages generally.

Throughout this year Labor prime minister Kevin Rudd has insisted that working people have to accept "wage restraint" as part of his government's so-called "fight against inflation"—that is, the poorest layers of society have to tighten their belts and bear the brunt of a crisis not of their making. This perspective was at the core of Labor's submission to the AFPC in March.

While not specifying any dollar amount, the submission pointedly warned, "increasing inflationary pressures in the economy are of concern" and "inflation has the potential to inhibit Australia's economic prosperity". By "economic prosperity", Labor means the growth and profits of the large corporations.

The submission also called on the AFPC to avoid "setting expectations for other wage negotiations," warning, "a higher minimum wage increase is likely to encourage higher wage outcomes" for bargaining in other sectors. The pay increase awarded demonstrates that the AFPC acted in accord with Labor's directions.

The $21.66 weekly rise—covering 1.3 million low-paid workers—will see the weekly pay for 100,000 workers on the minimum wage increase from $522.12 to $543.78, that is an hourly rate of $14.31. The rise amounts to 4.14 percent, which is below the official inflation rate of 4.5 percent, and thus constitutes a cut in real wages. For those workers earning a little above the minimum wage the result is more severe—those on $750 a week will receive just 3 percent.

Moreover, the inflation rate disguises the impact of rising prices for essential items. According to the Australian Bureau of Statistics (ABS), over the past 12 months, dairy products rose by 12.1 percent, financial and insurance services by 9.9 percent, utility bills by 8.3 percent, rents by 7.7 percent, and fruit and vegetables 7.7 percent. The cost of fuel leapt 18.4 percent, health 4.8 percent and education 4.2 percent.

Even using the official figures, the rate of inflation has more than doubled since last November's election, when it was 1.9 percent, and it is still accelerating, rising from an annual rate of 4.2 percent to 4.5 percent during the second quarter of 2008.

Despite low-paid workers facing an increasingly desperate situation, Workplace Relations Minister Julia Gillard declared the pay decision "appropriate" and claimed it would help "low-income families keep pace with the cost of living pressures".

Gillard, who is also deputy prime minister, said that combined with tax cuts that came into operation on July 1, there would be "a real increase in their weekly pay packets". The claim is a fraud. The tax cuts are regressive—the higher your income, the greater the benefit—and for the low-paid, the result is miniscule. According to Catholic Employment Relations, "a worker on the federal minimum wage will receive a tax cut of $8.65 per week".

Gillard deemed the pay rise "appropriate" because "it is in line with budget forecasts for 4.25 percent wage growth across the economy in the 2008-09 financial year"—that is, in line with the Labor government's demand that workers accept "wage restraint" despite worsening inflation.

Australian Council of Trade Unions (ACTU) secretary Jeff Lawrence also hailed the AFPC decision, saying it was "a small step towards repairing the damage caused to the wages and conditions of the most vulnerable members of the workforce under WorkChoices [Howard's draconian workplace laws]". The ACTU had called for a $26 increase, just $4.34 more than the amount eventually doled out by the AFPC.

AFPC chairman Ian Harper assured business that the decision would act as a brake on pay increases being sought across the board. "On balance, the commission believes that its decision will have only a minor impact upon wage and inflation outcomes in the economy as a whole," he declared.

Harper's comments, however, did not stop sections of big business from decrying the outcome. Peter Anderson, chief executive of the Australian Chamber of Commerce and Industry (ACCI), said it was "economically risky" and would increase operating costs and add to inflation. In its submission to the AFPC, the ACCI had demanded an increase of no higher than $10.25.

Restaurant and Catering Australia's chief executive John Hart declared: "I'm absolutely blown away. I thought we were going to get a decision that would acknowledge the inflationary impact of minimum wage increases. But this is just crazy stuff." He claimed the rise would add $1.50 to a main course meal. The organisation, whose members have been among the major beneficiaries of the poorly-paid and heavily casualised workforce created over the past decade, had demanded a zero increase and a 7 percent reduction in penalty rates.

Likewise, the July 9 editorial in the *Australian Financial Review* objected that the last three annual pay rises had been too close to the inflation rate. In other words, as far as the entire corporate elite is concerned, the living standards of workers and their families should have been cut more severely.

The newspaper rolled out the old lie that "slower minimum wage increases can improve job creation outcomes". The truth is that the growth of the low-paid workforce over the past decade has been accompanied by the wholesale destruction of full-time jobs. The retail industry, for example, employs 1.6 million workers but over 50 percent are casual employees, mostly women and youth.

While expressing alarm about any increase awarded to workers, business commentators expressed no such concerns about a report this week which revealed that superannuation funds paid consultants and advisers a staggering $2.4 billion during 2007, even though superannuation losses are expected to be the worst in 20 years, slashing retirement incomes for ordinary people.

No doubt, Australian-based employers will continue to demand even greater cuts to the minimum wage to compete on global markets. Though pitiful, the amount is one of the highest in the OECD (Organisation for Economic Cooperation and Development). In the US, the federal minimum wage is $A6.88 ($US6.55), the UK $10.90 (5.53 pounds), France $13.50 (8.71 euros) and New Zealand $9.23 ($NZ12.00).

The only reason that the Rudd government and the AFPC cannot yet fully comply with the employers' demands is that a lower minimum pay rate would collide with the current level of social security payments, making it difficult to push the unemployed into low-paid work.

An article by economics correspondent David Uren in the *Australian* on June 9 explained: "Fair Pay Commission sources say that to offer more than the consumer price index would be inflationary, while to offer much less would cause the gap between indexed social security benefits and minimum wages to shrink to a point where it was not worth working."

The logical next step is slash and restrict payments to social security recipients—an agenda that is already underway, notably via the government's moves to extend nationally the measures taken against Aboriginal people in the Northern Territory to cut benefits by accusing people of neglecting their children.