

Australia: Minimum pay ruling deepens social inequality

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Despite media claims of a victory for low-paid workers, the \$26 a week rise in the minimum wage awarded by the Rudd government's Fair Work Australia (FWA) tribunal last week, is actually a further real wage cut, after a two-year freeze. The 4.8 percent increase is below the official Consumer Price Index, which has risen 5.4 percent over the past 21 months since the last rise.

The Australian Council of Trade Unions (ACTU) welcomed the outcome, absurdly claiming it would "restore some equity and fairness into our economy". The ACTU claim was for only a dollar more—\$27 a week—despite welfare groups submitting that the rise needed to be \$49 a week, or 9 percent, just to make up the cuts inflicted by the previous Howard government's Australian Fair Pay Commission.

About 1.4 million award-dependent workers are affected by the FWA ruling, including about 100,000 on the National Minimum Wage, which will rise to \$15 an hour. They are the country's worst-paid workers—including child care workers, shop assistants, cafe and restaurant workers, labourers, office staff and cleaners.

The minimum wage will be \$569.90 per week, an increase of just 69 cents per hour. As many low-paid workers commented to the media, this will hardly make any difference to their financial difficulties. Joy Stevens, a case worker with a charity organisation who is paid just above the minimum wage, said the decision would only provide for the little things, such as to "budget for a coffee or a couple of DVDs". Margarita Murray-Stark, a Melbourne hotel cleaner on \$15.41 an hour, told the *Australian*: "\$26 is still not enough. When you have a look, it's nothing." She pointed to rising mortgage interest rates and public transport fares.

Many struggling single income households will get

much less than \$26. A single person on the minimum wage (working 38 hours a week) will receive \$22 after paying tax, while a single income household receiving parenting payments for children will take home as little as \$6.50 after paying tax and losing parenting payments at the rate of 60 cents in the dollar.

Employer groups, whose members benefited from last year's wage freeze, denounced the decision as "extreme" and warned of job losses. Victorian Employers Chamber of Commerce and Industry spokesperson Alexandra Marriott, for example, made it clear the organisation wanted wages suppressed for even longer. "Now is not the time to be playing catch-up," she said.

Data in the FWA decision underlines the sharp decline in the position of low-paid workers over the past three decades. The minimum wage fell in real terms during the 1980s and early 1990s. Although it rose moderately from the mid-1990s, its real value is roughly the same now as it was 20 years ago. Those workers just slightly above the minimum wage fared worse. Between 1999 and 2010, wages for those "at the higher end of the low paid spectrum" declined in real terms by up to 15.7 percent.

The gap between the low paid and high income earners has widened dramatically. The ratio of the adult minimum wage to full-time median earnings declined from 61.9 percent in 1997 to 54.4 percent in 2008. These figures do not show the even larger gap that has opened up with the wealthiest layers of society, which have profited from the Rudd government's stimulus packages to boost the banks and businesses.

According to the recently published *BRW Rich 200* list, after a sluggish year for wealth in 2009, Australia's richest people have "bounced back in style" this year, adding more than \$21 billion to their

collective fortune. The list's total wealth rose from \$114 billion to almost \$136 billion, with property and mining magnates doing the best. Twenty-five mine owners increased their worth by about \$9 billion between them.

The past decade has also seen a sharp rise in the proportion of workers on low pay, defined as less than two-thirds of median earnings. The incidence of low-paid employment increased from 10.6 percent of all employees in 2003 to 14.6 percent in 2007.

This process has been accompanied by an unprecedented surge in productivity and therefore profit rates. Over the past decade, GDP per hour worked rose by 16 percent, and in the market sector it rose by 20 percent. This compares with the 2.4 percent growth in the real value of the minimum wage and falls in the real value of award wages over the same period.

Deputy Prime Minister Julia Gillard said she was pleased by the pay ruling, saying that the increase of around \$6 a week above inflation would “no doubt be welcomed by those who are paying their mortgage or rents, and buying the family groceries”. Last year, she urged workers to accept the pay freeze imposed by the Fair Pay Commission because it was an “independent industrial umpire”.

Far from being concerned for the low-paid, the Rudd government is only worried that minimum wages have fallen so low that jobless workers could actually be better off on unemployment benefits—which the government has deliberately kept near official poverty rates. The government asked the FWA to ensure that the minimum wage rose just enough to ensure there remained “financial incentives” for people to “enter paid work”.

The FWA tribunal members also noted that the increase would help offset the government's “award modernisation” process, due to take general effect on July 1, which would lead to pay cuts for many low-paid workers. “We are also aware that the modern awards will bring significant benefits for many employers, including some reductions in minimum wages, penalty rates and other conditions.”

Politically, the decision assists the unions, giving them a “victory” to justify the campaign they have launched for the government's re-election this year. ACTU secretary Jeff Lawrence claimed that the pay ruling marked the final end of the Howard

government's WorkChoices era. The ACTU is currently running media ads claiming that Labor's “Fair Work Australia” laws have ended the anti-worker provisions of the WorkChoices legislation, despite the fact that all the measures outlawing industrial action remain.

Lawrence said the pay decision “gives low-paid workers a dividend from the federal government's successful handling of the global financial crisis and its new Fair Work laws”. In reality, in its submissions to the tribunal, the ACTU was at pains to assure the FWA that a rise of this size would not dampen profits. The ACTU submitted that its claim for a \$27 per week increase “adds a negligible 0.30 percent to ordinary time earnings and a barely measurable CPI impact of 0.16 percent”.

For decades, the ACTU and its affiliates have helped the employers and successive governments to isolate and suppress struggles for better pay and conditions. They are directly responsible for the worsening plight of the expanding army of poorly-paid workers.



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