Australian pay tribunal awards token rise to low-paid workers

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The Fair Work Australia (FWA) tribunal earlier this month handed down a pay decision that sought to head off discontent among Australia's 1.3 million workers on minimum wage-related awards while doing nothing to relieve their economic hardship and financial stress.

The FWA's seven-member panel awarded a 3.4 percent increase, lifting the minimum wage by $19.40 to just $589.30 a week, or $15.51 an hour, as of July 1. The benchmark tradespersons (C10) rate will increase by $22.60 to $686.20, or $18.06 an hour.

Even though the rises are comparable with the current official inflation rate, they amount to another real wage cut. Recent Australian Bureau of Statistics (ABS) data show that the cost of living for average working families rose by 4.9 percent over the past year.

Minimum pay workers and others reliant on national awards are mostly immigrant workers, women and young people, many working in precarious part-time or casual employment and for whom the annual minimum pay case provides the only wage rise they receive each year.

With the assistance of the trade unions, which tie workers to the pay case, the entire process explicitly subordinates low-paid workers to the profit requirements of big business. Under the Labor government's Fair Work Act, the tribunal must first and foremost consider "the performance and competitiveness of the national economy, including productivity, business competitiveness and viability, inflation and employment growth."

Globally, the economic breakdown that erupted in 2008 is being used by business to slash pay and conditions, setting new benchmarks for "competitiveness."

In its ruling, the FWA itself cited statistics demonstrating that many low-paid workers had already suffered real wage cuts over the past decade, while profits had soared to historic highs as a proportion of national income.

Based on the ABS's Analytical Living Cost Indices for employee households, the real value of the minimum wage, which is paid to about 50,000 workers, increased by just 4.4 percent over the decade to September 2010, while the real value of the C10 tradespersons rate declined by 1.1 percent. Some skilled and professional workers experienced greater reductions.

In its submission to the tribunal, the Gillard government refused to nominate any pay increase. Its argument voiced fears that a push by the low paid for a decent pay rise could unleash a wages struggle by other sections of workers. The government warned the tribunal that the "pay panel decision can also affect other wages indirectly including by acting as a floor for wage increases or workplace bargaining."

Ultimately, the FWA decision fell about half way between the Australian Council of Trade Unions (ACTU) claim for a $28 a week basic pay increase plus a 4.2 percent rise for award-reliant employees, and the submission of many employer groups, which argued for flat dollar increases of between $9.50 and $14 a week.

Federal Workplace Relations Minister Chris Evans immediately praised the outcome as "balanced." At a media conference, he indicated that some rise had to be accepted in order to head off wages demands. "[W]e see huge wage rises for certain sectors of the economy and certainly for those in management positions," he said. "We think this is a reasonable thing that the lowest paid are protected and receive support and that they are allowed to see some adjustment in their wage rates."

Asked by one reporter whether the pay increase would make any real difference to people struggling on low pay, Evans admitted the rise was "not great." In reality, the decision provides no real relief for the low paid. Rather, it reflects the precarious position of the minority Gillard government, which could face a destabilising campaign by big business if it fails to prevent what employers have called a "wages breakout."

Soaring demand for mining exports, especially to China, has combined with rising commodity prices to produce a so-called "two-track economy", contributing to a sharply rising Australian dollar over the past year and intensifying the cost pressures on other sectors of the economy.

Particularly hard hit are manufacturing, tourism and retailing employers, which are also reeling under the continuing impact of the global financial crisis and a slump in consumer spending. The FWA decision to provide a nominal handout is aimed at pacifying the low-paid and enabling the unions to keep enforcing the productivity requirements of employers.

Nevertheless, key sections of business condemned the pay increase as an unacceptable barrier to their drive to restructure their operations and cut costs. Australian Council of Commerce and Industry CEO Peter Anderson declared the increase "excessive" and castigated the tribunal for failing "to provide any funding basis or productivity offsets to fund the increase"—that is, for not compelling the low paid to accept the further slashing of working conditions.

Australian Retailers Association executive director Russell Zimmerman slammed the decision as "disastrous for retailers", declaring: "It's unreasonable to expect them (retailers) to pay increased wage bills while the sector struggles to post any significant growth." He warned retailers would have "no choice but to shed staff."

Like the government, the ACTU quickly backed the FWA ruling. While describing the increase as "not enough", ACTU secretary Jeff Lawrence declared that it would "go some way towards helping those struggling with rising living costs." Yet, according to the ACTU's own submission, these costs are escalating. Prices of basic necessities rose sharply in 2010: fruit and vegetables by 7.9 percent, meat 8.2 percent, electricity 12.5 percent, water and sewerage 12.8 percent and childcare 7 percent.

In other words, the paltry increase readily accepted by the ACTU will not in the slightest relieve the plight of overstretched and debt-laden working class families. Lawrence's statement amounts to a pledge that the ACTU and its affiliates will continue to work hand in glove with the Gillard government to endeavour to suppress wage demands and deliver the dictates of big business.