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*“Minimum wage estimates and adjustments in Australia
since 1983”*

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Research affiliates with WiSER, a research group affiliated with the Centre for Research of Applied Economics.



Women in Social & Economic Research

Women in Social & Economic Research (WiSER) is an interdisciplinary research unit that spans two divisions of Curtin University: the Curtin Business School (CBS) and the School of Social Work and Social Policy.

Abstract

This document provides estimates of national minimum wage rates for Australia since 1983. Providing estimates is not always a straight forward matter. We have provided a brief account of each wage decision providing: an estimated weekly minimum wage; an estimated hourly minimum wage based on the relevant standard working week; the relevant dollar increase; and the relevant percentage increase. We have also provided a summary of relevant events and submission from each decision in an endeavour to provide some of the social and political context for each decision.

Table of Contents

Abbreviations	5
Executive Summary: Minimum wage estimates 1983-2010 and effective dates	6
Introduction	7
1983: Australian Conciliation and Arbitration Commission	8
1984: Australian Conciliation and Arbitration Commission	10
1985 (April): Australian Conciliation and Arbitration Commission	11
1985 (October): Australian Conciliation and Arbitration Commission	12
1986: Australian Conciliation and Arbitration Commission	14
1987 (March): Australian Conciliation and Arbitration Commission	16
1987 (December): Australian Conciliation and Arbitration Commission	18
1988 (February): Australian Conciliation and Arbitration Commission	19
1988 (August): Australian Conciliation and Arbitration Commission	20
1989: Australian Industrial Relations Commission	22
1990: Australian Industrial Relations Commission	25
1991 (April): Australian Industrial Relations Commission	26
1991 (October): Australian Industrial Relations Commission	28
1992: Australian Industrial Relations Commission	30
1993: Australian Industrial Relations Commission	31
1994: Australian Industrial Relations Commission	33
1995: Australian Industrial Relations Commission	35
1996: Australian Industrial Relations Commission	37
1997: Australian Industrial Relations Commission	39
1999: Australian Industrial Relations Commission	43
2000: Australian Industrial Relations Commission	45
2001: Australian Industrial Relations Commission	47
2002: Australian Industrial Relations Commission	49
2003: Australian Industrial Relations Commission	50

2004: Australian Industrial Relations Commission.....	52
2005: Australian Industrial Relations Commission.....	53
2006: The Australian Fair Pay Commission.....	55
2007: The Australian Fair Pay Commission.....	57
2008: The Australian Fair Pay Commission.....	59
2009: The Australian Fair Pay Commission.....	61
2010: Wage Review Panel.....	63

Abbreviations

AACS	Award Agreement and Coverage Survey
ABS	Australian Bureau of Statistics
ACAC	Australian Conciliation and Arbitration Commission
ACCI	Australian Chamber of Commerce and Industry
ACCIR	Australian Catholic Commission for Industrial Relations
ACIRRT	Australian Centre for Industrial Relations Research and Training
ACM	Australian Chamber of Manufactures
ACOSS	Australian Council of Social Services
ACPA	Australian Council of Professional Associations
ACTU	Australian Council of Trade Unions
AFE	Australian Federation of Employers
AFPC	Australian Fair Pay Commission
AHA	Australian Hotels Association
AIG	Australian Industry Group
AIRC	Australian Industrial Relations Commission
ALP	Australian Labor Party
AMMA	Australian Mines and Metals Association
AWOTE	Average Weekly Ordinary Time Earnings
BCA	Business Council of Australia
CAI	Confederation of Australian Industry
CPI	Consumer Price Index
DEAC	Disability Employment Action Centre
FMW	Federal Minimum Wage
GDP	Gross Domestic Product
HREOC	Human Rights and Equal Opportunities Commission
ILO	International Labour Organisation
LITO	Low Income Tax Offset
MTIA	Metal Trades Industry Association
NFF	National Farmers' Federation
NMW	National Minimum Wage
NPEC	National Pay Equity Coalition
OPEC	Organisation for Economic Cooperation and Development
PIAA	Printing Industries Association of Australia
RBA	Reserve Bank of Australia
VECCI	Victorian Employer's Chamber of Commerce and Industry
WEL	Women's Electoral Lobby
WPI	Wage Price Index
WRP	Wage Review Panel

**Executive Summary: Minimum wage estimates
and effective dates, 1983-2010**

Effective date	Minimum wage estimate
1983 - 6 October	201.56
1984 – 6 April	209.84
1985 – 6 April	215.27
1985 – 14 November	223.46
1986 – 1 July	228.59
1987 – 10 March	248.14
1988 – 5 February	253.50
1988 – 1 September	261.34
1989 – 1 March	271.34
1989 – 1 September	281.34
1989 – 30 October	286.76
1990 – 20 March	296.76
1990 – 20 April	301.76
1990 – 1 July	306.76
1991 – 16 April	314.40
1991 – 7 August	317.50
1991 – 1 September	325.40
1993 – 1 December	333.40
1994 – 22 September	341.40
1996 – 22 March	349.40
1997 – 21 April	359.40
1998 – 22 April	373.40
1999 – 22 April	385.40
2000 – 29 April	400.40
2001 – 2 May	413.40
2002 – 2 May	431.40
2003 – 9 May	448.40
2004- 10 May	467.40
2005 – 7 June	484.40
2006 – 1 December	511.86
2007 – 1 October	522.12
2008 – 1 October	543.78
2010 – 1 July	569.90

Introduction

This document provides estimates of national minimum wage rates for Australia since 1983. Providing estimates is not always a straight forward matter. Australia has experienced a range of wage setting institutions and approaches over the past three decades and for a proportion of this time there was little in the way of a formal, nationally recognized minimum wage rate. In addition, Federal wage setting institutions have existed alongside the various State systems, each of which had their own approaches to wage determination.

In compiling estimates we have focused specifically on minimum wage rates established at a Federal level. We have drawn on contemporaneous documents, especially annual reviews published in the *Journal of Industrial Relations* and the decisions of the various Federal wage setting tribunals. In periods where there is no formally recognized federal minimum wage we have used the Metal Trades Industry Award wages for labourers, the C14 rate, as a proxy. This is in keeping with that particular Award's historic role as a benchmark for wage rates in other industries and occupations.

We have provided a brief account of each wage decision providing: an estimated weekly minimum wage; an estimated hourly minimum wage based on the relevant standard working week; the relevant dollar increase; and the relevant percentage increase. We have also provided a summary of relevant events and submission from each decision in an endeavour to provide some of the social and political context for each decision.

Our hope is that this document will be a useful resource for those with an interest in wage setting and labour market economics in Australia. While we have taken every care to provide accurate estimates, we hope that colleagues using this document will alert us to any errors or omissions, which we will then correct in future updates. Our reference list should provide a source of further information for those who require greater detail about particular wage decisions. We would like particularly to express our gratitude to all the authors acknowledged in our reference list who contributed to the journal articles which have provided valuable information and data which becomes difficult to access as time moves on. In this respect we are also greatly indebted to the past and present editors of the *Journal of Industrial Relations*.

1983: Australian Conciliation and Arbitration Commission

Decision

A wages pause, introduced during 1982, ended with a decision to increase award wages and salaries by 4.3 per cent.

The estimated value of the C14 wage classification increased from \$193.25 per week to \$201.56 per week (ACCI, 1998). This represented an increase of \$0.21 per hour from \$5.09 to \$5.30 based on 38 hour standard working work.

Effective date

6 October 1983

Reasons for decision

The Australian Conciliation and Arbitration Commission (ACAC) returned to a structured, centralised form of wage fixation based upon the notion of *prima facie* full indexation, adjustment for productivity improvement and severe constraints on labour cost increases outside those areas (Polites, 1984). The adjustment to award wages was based on the Consumer Price Index (CPI) for last two quarters. The CPI for the March and June quarters was 2.1% and 2.2% respectively.

Having adopted full wage indexation, the Commission outlined its future operation, which stated in part:

1. National Wage Adjustments
 - a. Subject to Principle 3, the Commission will adjust its award wages and salaries every six months in relation to the last two quarterly movements of the eight capitals CPI unless it is persuaded to the contrary by those seeking to oppose the adjustment.
 - b. For this purpose the Commission will sit in February and August following the publication of the CPI for the December and June quarters respectively.
 - c. The form of indexation will be uniform percentage adjustment unless the Commission decides otherwise in the light of exceptional circumstances. It is to be understood that any compression of relativities which may have occurred in recent times does not provide grounds for special wage increases to correct the compression.
 - d. It would be appropriate for the Commission, after hearing the parties to an award and being satisfied that a proper case has been made out, to recommend the indexation of overaward payments when award payments are indexed. (ACAC 1983)

Contextual Issues

1983 was dominated by the formation of an agreed 'prices and incomes Accord' between the Australian Council of Trade Unions (ACTU) and Australian Labor Party (ALP), which formed a central policy platform in the ALP's successful campaign in the federal election of that year.

Following the election of the Hawke Labor government, the government convened a National Economic Summit to address concerns about Australia's economic performance. State

governments, unions and employers organizations were invited participants. Unemployment had reached more than 10%, inflation remained high compared to those of our trading partners, interest rates, remained high, overall productivity was low and a drought added to economic uncertainty (Mulvey, 1984). A degree of consensus was reached between all parties (bar Queensland). The Summit set the framework for the implementation of a recovery strategy during the next three years, which included a centralised system of wage indexation.

In addition to agreeing on a centralized, national wage cases as the key form of wage determination, the key peak organizations, the Confederation of Australian Industry (CAI), ACTU and the federal government agreed that:

- price changes, productivity movements, and general economic considerations are relevant considerations in national wage cases;
- the distribution of national productivity gains, which could take forms other than wage increases, should be considered in national wage cases;
- ‘no extra claims’ provisions, except where special and extraordinary circumstances exist, should be a feature of the centralised system; and
- claims for reductions in standard hours to 38 should be scrutinized on the Commission’s current criteria.(Mulvey 1984)

Some key submissions

The ACTU’s key argument was to maintain the real value of wages over 1983 and a claim of 4.3 per cent was sought, based on the March and June quarter CPI estimates of 2.2 and 2.1 per cent. The ACTU also argued that there was a case for a further claim of 9.1%, representing movements in CPI for the quarters ending June, September and December 1982, which had not been taken into account during the period of the wages pause. There was some recognition that such a claim needed to be pursued in a matter consistent with economic progress and that real wage maintenance should be achieved ‘over time’.

The CAI, while supporting the return to a centralised system, opposed the ACTU’s claim saying that there should be no increase in the labour cost until at least the end of 1983. It emphasised that there is nothing in the Communiqué issued by the National Economic Summit Conference which supported the adjustment of wages for prices and submitted that there should be no increase in wages prior to a review of the economy which should not occur prior to February 1984.

All State and Federal governments supported a return to a centralised wage fixation system. The Federal, Victorian, South Australian and West Australian governments generally supported the ACTU’s claim. However, the Commonwealth and Western Australia were in favour of six monthly adjustments rather than the quarterly adjustments proposed by the ACTU. New South Wales and Queensland were in favour of a flat money adjustment to all rates calculated on a minimum or basic wage concept. Tasmania proposed yearly adjustments to wages. The Northern Territory opposed the ACTU’s claim and, like employer groups, submitted that the wages pause should continue until the end of 1983.

1984: Australian Conciliation and Arbitration Commission

Decision

In keeping with the wage fixation principles adopted in September 1983, all award wages were increased by 4.1 per cent, being the movement in the consumer price index over the relevant six month period (Polites and Watson, 1985).

The value of the C14 wage classification increased from \$201.56 per week to \$209.84 per week (ACCI, 1998). This represented an increase of \$0.22 per hour from \$5.30 to \$5.52 based on 38 hour base period pay.

Effective Date

6 April 1984

Reasons for decision

The decision was a relatively straight forward matter of referring to the September and December 1983 quarters CPI. The total CPI was 4.1 per cent and this amount was awarded in line with arguments for real wage maintenance.

Contextual Issues

Centralised wage fixation proved problematic for unions who felt they could achieve higher wage increases by negotiating with employers outside of the wage indexation system. This was particularly the case in the construction industry, where the Builders Labourers' Federation attempted to achieve an addition \$9 increase, however other examples are documented by Mulvey (1985). Mulvey also notes that the use of superannuation contributions as an employment benefit that fell outside the jurisdiction of the ACAC achieved greater prominence during this period (Mulvey, 1985).

The March and June quarters of 1984 reflected a drop of -.02 in the CPI which largely occurred because of the introduction of a national health insurance scheme, Medicare, and the consequent dropping of health insurance premiums from CPI calculations. Despite some employer rhetoric that wages should be adjusted accordingly, no formal argument was forthcoming and a September national wage case did not eventuate. This became a very sensitive issue for relations between trade unions and the Labor government. Ultimately a solution was found via negotiations between the ACTU and the federal government for income tax cuts in the August 2004 budget rather than through a national wage decision.

Some key submissions

The CAI argued against the increase on the basis of Australia's relatively modest economic performance.

1985 (April): Australian Conciliation and Arbitration Commission

Decision

The ACAC decided that awards generally should be varied to give effect to the overall increase of 2.6% in the CPI since the last national wage increase (ACAC, 1985a).

Wages for the C14 classification increased from \$209.82 per week to \$215.27, an increase of \$5.45 per week. The per hourly wage rate increased from \$5.52 an hour to \$5.66 an hour based on 38 hour base period pay.

The national wage increase did not flow automatically to those workers in unions, such as the Builders Labourers and Food Preservers, who were judged to be in breach of the wage fixation principles. While a subsequent wage increase was awarded, it was not backdated (Petridis, 1986).

Effective date

6 April 1985

Reasons for decision

The ACAC relied mostly on Principles 1 and 9 of its wage setting principles, which focused on real wage maintenance through indexation.

Contextual issues

For the April 1985 decision, much of the focus was on the effects of Medibank on the CPI. Broader issues came to the fore later in 1985, as discussed in the next section.

Some key submissions

The ACTU applied for a general increase in wages and salaries and allowances of 2.7% reflecting the movements the CPI for the September and December 1984 quarters of 1.3% and 1.4% respectively (ACAC, 1985a).

The CPI figures in March and June quarters were affected by the Australian Statistician's treatment of the method of financing medical services under the Medicare scheme. This resulted in a reduction in 0.2 per cent reduction the CPI for the first two quarters of 1984 (ACAC, 1985a). The unions argued that the -0.2% CPI movement for the first half of 1984 should not form part of any adjustment and should in effect be ignored. In support of this view it was submitted that to "discount" the 2.7% was inconsistent with Principle 1 and that it would weaken support for the Principles.

While the CAI opposed any wage increase, they also argued, along with Queensland, Tasmania and the Northern Territory that it was open under Principle 1 for the Commission to grant less than the amount derived from the two CPI quarters under consideration. *The CAI* said that the appropriate figure to be considered for adjustment was 2.6%.

The Commonwealth government argued that members of unions who sought wage increases outside of the principles of the Accord, which was based on indexation and the maintenance of real wages.

1985 (October): Australian Conciliation and Arbitration Commission

Decision

Award wages and salaries were increased by 3.8%. The ACAC also recommended that the same percentage increase be given to overaward payments (ACAC, 1985b)

Wage rates for the C14 classification increased from \$215.27 per week to \$223.46 per week for notional value C14 classification employees (ACCI, 1998). This represented an increase of \$0.22 per hour from \$5.67 to \$5.88 based on 38 hour base period pay.

Effective date

14 November 1985

Reasons for decision

On 5 September 1985 the ACAC decided to extend the operation of the Principles beyond to expiry date of October 1985. This allowed the Commission to reapply the Award Indexation principles to the November decision (Petridis, 1986).

Contextual issues

The role of the prices and incomes Accord as one piece of the Labor government's social and economic policies came to the fore in mid 1985. Arguments about wage fixation were intricately linked with the price implications of depreciation in the value of the Australian dollar, possible changes in tax policy and social wage measures through social welfare payments. In addition, the capacity for national wage cases to consider improvements in national productivity was also being argued, although the ACTU agreed to postpone a productivity claim in return for support for continued full indexation at the October 1985 national wage case (Petridis, 1986).

The Labor government's and ACTU's prices and incomes accord was renegotiated in the second half of 1985 and was known as Accord Mark II. A key feature of the new Accord was the ACTU's preparedness to forgo full wage indexation in exchange for compensatory tax cuts. Another key issue was that of payments that recognized productivity increases. It appeared increasingly likely that despite potential jurisdictional issues and opposition from employers, such payments were likely to be awarded in the form of superannuation payments rather than wage increases (Petridis 1986: 128).

Some key submissions

The ACTU argued for an increase in wages, salaries and allowances by 3.8% to reflect increases CPI for the six months ended June 1985.

The CAI asked that the Commission discount the 3.8% by the total of three discount factors: 1.2% for depreciation of the Australian dollar; 1.4% for increased government taxes, rates and charges; and 0.2% for industrial disputes; making a total discount of 2.8%. CAI urged that "at the very least" the Commission should discount for the price effects of depreciation.

The BCA gave primary emphasis to the "overwhelming need" for discounting for the price effects of the depreciation of the Australian dollar. Other employer organizations such as the ACCI and the NFF also submitted that there should be discounting for the price effects of devaluation.

The Commonwealth, New South Wales, Victoria, South Australia and Western Australia all supported the ACTU's 3.8% claim. While not objecting to an increase, the full amount of 3.8% was opposed by Queensland, Tasmania and Northern Territory.

1986: Australian Conciliation and Arbitration Commission

Decision

The June 1986 decision saw the continuation of indexation in line with the terms of the prices and incomes Accord (Preston, 2001: 5). The national wage bench granted a 2.3 per cent wage, which represented a 2 per cent discount on the measured CPI of 4.3 per cent. The ACAC also indicated that the next wage adjustment would take effect on or after 1 January 1987.

The federal minimum wage for notional C14 classification employees increased to \$228.59 per week up from \$223.46 (ACCI, 1998). Per hourly wage rates increased from \$5.88 per hour to \$6.02 per hour based on 38 hour standard week.

Effective Date

1 July 1986

Reasons for decision

The key aspects for the ACAC's decisions were:

1. The 2.3 per cent wage increase reflected a 2 per cent discount on a 4.3 per cent increase in the CPI in the September and December 1985 quarters. This discount was applied in recognition of the effects of the devaluation of the Australian dollar on measured price increases.
2. A wish to retain a structured centralised system and to make only minor changes to the principles applied previously. It was intended that the revised wage fixing approach, or 'package', would last for 2 years from 1 July 1987. On the question of the system which should exist in the immediate future, the Commission concluded that in the present circumstances, 'the continuance of a structured centralised system of the kind which has operated since September 1983 provided the best prospects for maximum labour cost restraint together with reasonable industrial stability, both essential ingredients for economic recovery (AIRC, 1986: 5)'.
3. A rejection of the ACTU's claim for a 4% pay increase based on productivity improvements. The ACAC also decided not to arbitrate any occupational superannuation contributions by employers during the 2-year life of this package (ACAC, 1986).

Contextual issues

The ACAC's 1986 decision considered the new Accord reached between the ACTU and the Commonwealth in September 1985. In Accord Mark II the ACTU and the Commonwealth government agreed to offset a 4% national productivity claim with occupational superannuation and to discount their next CPI by 2% on the account of the devaluation effects on the dollar (Preston, 2001).

Before the first national wage case of 1986 had begun, there were calls from employer bodies, the opposition parties and some financial commentators for the modification or even cancellation of Accord Mark II. However, the ACAC proceeded with the case, awarding a discounted wage increase and opening the way for bargaining over productivity payments in the form of superannuation

There had been declines in seasonally adjusted real gross domestic product in the last three-quarters of the fiscal year 1985-86. In addition, inflation was increasing, there was slower

growth in employment, and unemployment rose for the first time in over two years. A continuation of the tight monetary and high interest rate policy, instituted in 1985, had not prevented further depreciation in the value of the Australian dollar.

The ACAC began hearings on 11 February 1986, but adjourned sittings twice in the first few days and again in early March because of bans imposed by unions in the transport industry.

Some key submissions

The ACTU and the Commonwealth's submissions were based on the agreement the two parties met in the new accord. A summary of the terms of the agreement were (ACAC, 1985b):

On the basis of a number of indicators of price movements, the CAI submitted that the full impact of devaluation appeared to be between 3% and 3.5% and that the Commission should discount by 3.5 per cent. In addition, the Commission should discount for the cost of industrial disputes which was estimated at 0.3 per cent.

BCA estimated the direct and indirect effects of devaluation to be 3%, as a conservative figure.

NFF also suggested that the discount should be at least 3 per cent.

ACCI after initially suggesting that there should be discounting for devaluation of 2% and discounting of 0.8% for public sector price increases, later modified its position to suggest that the total discount should be no less than 2 per cent.

The Northern Territory supported a devaluation discount of at least 3.5 per cent. (ACAC 1986:16)

1987 (March): Australian Conciliation and Arbitration Commission

Decision

The ACAC handed down a two tier decision. The first tier was a flat rate national wage increase and the second tier was a percentage increase.

First Tier: a national wage increase of \$10.00 per week in award wages and salaries to operate from the first pay period to commence on or after the date of this decision. Junior rates expressed in flat money amounts in awards will be increased proportionately.

Second Tier: subject to agreement between the parties concerned, and processing of such agreement in accordance with appropriate wage setting principles (discussed below), award wage increases not exceeding the 4% ceiling may be approved from a date to be fixed by the Commission. No improvements in pay or conditions under the second tier principle will result in an increase in costs exceeding 4% of wages and salaries.

Failing agreement between the parties concerned, the Commission undertook to arbitrate, and, in such cases, award no more than 2% to operate from a date no earlier than 1 September 1987 and no more than a further 2% to operate from a date no earlier than 1 July 1988.

The Commission stated it would not award retrospective second tier increases (ACAC, 1987a).

The first tier, \$10 wage decision increased C14 weekly wages from \$228.59 to \$238.59. This corresponded to a \$0.26 increase in per hourly wages rates; from \$6.02 per hour to \$6.28 per hour based on 38 hour basic period pay.

Assuming a second tier increase of 4 percent, C14 weekly wages increased from \$239.59 to \$248.14 (ACCI, 1998).

Effective date

10 March 1987

Reasons for Decision

On 26 June 1986 the ACAC adopted 11 Principles of Wage Fixation which were intended to operate for a period of two years. That decision noted the serious problems facing the economy and the need for Australia's economic performance to improve markedly and quickly. It emphasised that whether or not the package would work and deliver its promise of better industrial relations and economic performance would depend to a very large extent on the commitment of all - unions, employers, governments and tribunals - to discharge their obligations and responsibilities under the system.

The new principles of wage fixation and the associated two tier wage system represented a significant change from the prima facie full indexation principles introduced in 1983. The first tier wage increase was intended to result in a general wage increase for all wage and salary earners. For the reasons expressed in the Commission decision of 23 December 1986 the increase will be a flat rate adjustment.

The second tier reflected a new principle of wage fixation: the *restructuring and efficiency principle* (REP). Increases in pay or improvement in conditions of employment were to be

negotiated by the parties in exchange for measures designed to increase efficiency or promote restructuring. Specifically, the commission identified the following potential areas of productivity improvement: the elimination of restrictive work and management practices in the public and the private sectors, the introduction or extension of multi-skilling and broad banding, the reduction of demarcation barriers, and the amendment of awards by the introduction of new classifications (Preston, 2001).

In addition, the ACAC stated it would convene a conference of the parties to the National Wage Case proceedings in October 1987 to consider whether a further increase in the first tier should be awarded during the period of operation of the package. Such an increase, if any, would not exceed the equivalent of a 1.5% increase in wages and salaries.

Some key submissions

The ACTU's submission indicated that it had no objection to the implementation of its claim for a \$20.00 first tier increase in two parts. The ACTU argued that the second tier ceiling should average 4%.

The Commonwealth's submission was clearly predicated on general adherence to the established wage setting principles. This submission was not inconsistent with the ACTU's submission which indicated that it had no objection to the implementation of its claim for a \$20.00 first tier increase in two parts. The Commonwealth argued that the second tier ceiling should average 3%.

1987 (December): Australian Conciliation and Arbitration Commission

Decision

A National Wage Decision was deferred (ACAC, 1987b). The ACAC decided that additional time was needed to allow an assessment to be made of possible adverse effects on the economy resulting from major falls in the stock market in October 1987 and a range of other economic uncertainties.

Reasons for decision

In these decisions the ACAC pointed out that four interrelated factors - the substantial depreciation of the exchange rate, the highly adverse balance of payments, the sharp deterioration in the terms of trade and the enormous rise in the external debt - had dominated the economic outlook and imposed the need for severe constraint. It is also against this background that a strong case can be argued that the economy should not be asked at this time to absorb increased labour costs.

The ACAC believed it was their task to provide a framework in which a combination of restraint and sustained effort to improve efficiency and productivity could be achieved. The ACAC also said: '[w]e have endeavoured to construct a workable wage fixation package which is flexible and yet capable of maintaining sufficient restraint on wage cost' (1987: 35).

Contextual Issues

There had been a major stock market crash in October 1987 and the ACAC's outlook of the Australian economy was bleak. Employment growth had slowed and the rate of unemployment had risen to 8.2% from 7.6% in June 1986.

Between February and March 1987, the index of award rates of pay increased by 3.2 per cent, reflecting the first tier increase of \$10 granted in March. In the remainder of 1987, the increase in average award rates was 1.0 per cent, indicating a slow spread of second tier increases. The Australian Bureau of Statistics (ABS, 1987) states that at the time of the November 1987 survey of average weekly earnings, about 20 per cent of full-time adult employees had received second tier increases.

Some key submissions

A conference was held on 9 October 1987 and the Commission was asked to arbitrate on applications for:

- (a) a flat increase of \$7.00 by unions affiliated with the ACTU; and
- (b) a 1.5% increase by unions affiliated with the Australian Council of Professional Associations (ACPA).

The Commonwealth supported an increase of \$6.50 operative from 1 January 1988. The Commonwealth submissions were supported generally by New South Wales, Victoria, South Australia and Western Australia.

Employers generally, as well as the Queensland, Tasmania and the Northern Territory governments opposed any increase at this time. Various alternatives were raised should the employers' primary submissions be rejected.

1988 (February): Australian Conciliation and Arbitration Commission

Decision

The ACAC implemented a flat increase of \$6.00 to minimum wage rates representing an increase of 1.5 per cent on average weekly earnings (ACAC, 1988a).

There are some discontinuities in available estimates of the C14 wage rates during this period (ACCI, 1998). Our estimate of the C14 wage rate, based on preceding and subsequent rates, is \$253.50 for a 38 hour standard working week, or \$6.67 an hour.

Effective date

5 February 1988.

Notwithstanding argument by the ACTU and limited support from some of the governments the ACAC was not prepared to grant a retrospective date of operation.

Reasons for decision

The Commission applied the restructuring and efficiency principle that originated from the March 1987 decision. The principle operated to encourage improved efficiency and productivity in industries by giving a second-tier (a percentage figure) wage increase in return for changes in work organisation following negotiation between management and employees within an enterprise (Preston 2001).

Contextual Issues

The October 1987 stock market crash created economic uncertainty. Following the crash the OECD board reviewed Australia's growth outlook down due to confusion in the financial sector. Australia's dollar decreased and the steady growth rate experience in the year up to October 1987 was predicted to decline.

Some key submissions

See summary for December 1987.

In addition, the BCA submitted that the additional time the ACAC allowed in the December decision to assess the impact has not been sufficient, that the ACAC ought to award no increase or the smallest possible increase as well as delaying its application as far as possible into the future.

The combined submission of the NFF, ACC, and the AFE opposed any increase and those organizations also contended that '... it is still too soon to know how adversely events will unfold'.

The Queensland State Government submitted that additional time must be allowed because "it is still far too early to tell the full implications of the share market crash". Tasmania indicated that its position had been put to the ACAC and that it was not possible, at that early stage, to analyse accurately the effects of the stock market collapse of October 1987. The Northern Territory submitted that there is still significant uncertainty about the impact of the fall on economic activity, as well as the likelihood of further major falls in the stock market. The Northern Territory also submitted that 'in end-of 1987 forecasts, the predominant view of economists is that Australia will experience a marked slowdown in economic activity in 1988'.

1988 (August): Australian Conciliation and Arbitration Commission

Decision

Tier 1: an increase of 3 per cent for all award wages and salaries.

Tier 2: a flat rate increase of \$10, on the proviso that progress toward the adoption of structural efficiencies could be demonstrated (discussed below) (Preston, 2001).

The 3 per cent increase resulted in a C14 wage rate of \$261.34 (ACCI, 1998). The per hourly rate was \$6.87 based on 38 hour standard period pay.

The \$10 increase resulted in a C14 wage rate of \$271.34, with a corresponding hourly rate of \$7.14.

Effective date

Tier 1: 1 September 1988. *Tier 2:* 1 March 1989

Reasons for Decision

The public hearing of the 1988 national wage case opened on 16 June 1988 amid industrial disputation by a small number of unions, and on two occasions the hearing was adjourned as a result (Norris, 1989). The ACAC handed down its final decision in August.

The ACAC cited a number of reasons for its decision, including reference to recent movements in average weekly earnings, productivity, inflation, the external economy and employment levels. In short, the broad economic context provide the key rationale for the decision rather than appeals to specific, individual wage setting principles.

The ACAC discontinued implementing the restructuring and efficiency principle. While acknowledging that the restructuring and efficiency principle had met with some success, the AIRC noted that ‘some parties have exhausted the usefulness of the principle and it would seem impractical to expect others, who have not yet been capable of applying the principles successfully, to repeat the process’ (ACACb, 1988).

A structural efficiency principle was introduced “to facilitate the type of fundamental review essential to ensure that existing award structures are relevant to modern competitive requirements of industry and in the best interests of both management and workers” (AIRC 1988). The principle was aimed at ensuring that work classification and patterns were flexible and appropriate to each industry.

Contextual Issues

In addition to concerns with broad economic conditions and the performance of the Australian economy, the passing of new legislation governing the role and jurisdiction of the ACAC was passed in 1988. The ACAC was to be renamed the Australian Industrial Relations Commission (AIRCb) and while most of its functions remained largely similar, there were some significant changes, which included (but were not limited to):

- extending jurisdiction to areas previously covered by specialist tribunals including the Academic Salaries Tribunal, the Flight Crew Officers Industrial Tribunal and the Australian Federal Police;

- altered provisions for the registration and amalgamation of industrial organizations;
- additional powers for dealing with disputes;
- the introduction of fixed-term, non-variable agreements to augment the existing system of consent awards; and
- that the AIRC give regard to the economic consequences of all its actions. Previously, this provision had only applied to full bench decisions (Stackpool 1989: 94-95).

The new legislation was assented to on 8 November 1988 and became effective on 1 March 1989.

Some key submissions

The ACTU claim was for an increase in all rates of pay of 3% on and from 1 July 1988 and for a further increase of 3% on and from 1 December 1988 to provide for the maintenance of living standards for employees. The ACTU applications also claimed additional increases (unspecified) in all rates of pay on account of the restructuring of various awards to encourage the acquisition of skill, allow for the flexible application of skill to work and provide career paths for employees.

The ACPA application claimed increases in salaries of 6% to preserve the real value of salaries against cost of living increases and further amounts to be determined on account of restructuring.

In addition to the claims made in the applications to vary, the ACTU argued for scope to be provided for wage adjustments based on ‘. . . work value, supplementary payments and anomalies or inequities where relevant’, the finalisation of existing second tier claims, occupational superannuation and shorter hours. It contended that "these claims together will form the basis of a workable wage fixation system to operate over the course of 1988-89”.

The submissions of the ACTU and the ACPA, those of the Commonwealth and various State governments and the views of the employer organizations varied considerably, not only in relation to possible amounts of increase but also as to the basis for any increases, the principles to be applied and the duration of any system. The attitudes adopted by the parties and interveners are summarised in Appendix C. We do not intend to discuss in this decision the merit or lack of merit of those disparate submissions. It is sufficient to say we have taken them into account in our deliberations. We have also considered in detail the economic context in which this decision has to be made. This economic background is dealt with in Appendix D. Economic considerations, of course, are not the only relevant ones. Matters of equity and industrial realism are important; and the realities of our task include the expectations which have developed from the opinions expressed by governments and employer groups.

1989: Australian Industrial Relations Commission

Decision

The AIRC gave a two tier decision.

Tier 1: a first increase of \$10.00 per week for workers at the basic skills/trainee level; \$12.50 per week at the semi-skilled worker level; and \$15.00 per week or 3%, whichever is the higher, at the tradesman or equivalent level and above. This increase had to be applied for on an award-by-award basis and was conditional on the AIRC receiving proposals and commitments for award restructuring.

Tier 2: a second increase of the same order as the first increase, to be paid not less than 6 months after the first increase.

(AIRC 1989, page 21):

In addition to the wage decision above, the AIRC introduced measures to address a loss of wage relativity for those receiving minimum wage rates. A minimum rates adjustment was awarded in four instalments. The benchmark rate used by the AIRC was that applicable to a tradesperson in the building and metal trades and comprised a minimum rate of \$356.30 with a supplementary payment of \$50.70. The AIRC also suggested relativities for other pay classifications as follows:

Metal industry worker, grade 4	90-93%
Metal industry worker, grade 3	84-88%
Metal industry worker, grade 2	78-82%
Metal industry worker, grade 1	72-76
Storeman/packer	88-92
Driver, 3-6 tonnes	88-92

The first tier \$10 wage increase to the estimated value of wages for C14 category employees gave a rate of \$281.70 per week. Taking into account both tiers of the national wage increase and the AIRC's recommended percentage of the tradesperson's benchmark minimum wage rate, we have estimated the following assumed values for the C14 wage for a 38 hour standard working week.

Table 1: Estimated value of C14 wage classification

Source of wage adjustment	Date	Wage rate (\$)
National wage case (\$10)	20 September 1989	281.76
Minimum rates adjustment (estimated \$5)	30 October 1989	286.76
National wage case (\$10)	20 March 1990	296.76
Minimum rates adjustment (estimated \$5)	20 April 1990	301.76
Minimum rates adjustment (estimated \$5)	1 July 1990	306.76

Effective date

Tier 1: was accessible from 7 August 1989 but the actual date of operation for an award was the date on which that award is varied in accordance with the National Wage Case decision of 7 August 1989; and

Tier 2: entitlement was not automatic, but subject to application and demonstrated progress towards award restructuring.

Norris (1990) estimates that by the end of December 1989, 75 per cent of award wage workers had received the first tier payment.

Minimum rates adjustments were made in four instalments, effective:

- 20 September 1989
- 30 October 1989
- 20 April 1990 and
- 1 July 1990

Contextual Issues

The AIRC had undertaken a review of principles relating to award restructuring and efficiency, known as the 'February 1989 Review'. The outcomes from this review were released in May 1989 and gave further emphasis to the AIRC's view that changes in award rates of pay should be tied to improvements in productivity, facilitated by award restructuring. The AIRC provided examples of possible changes in awards that would meet the requirements for award restructuring that would enhance flexibility, although, as Norris (1990) notes – the intention of these suggestions was not always clear. Norris uses the example of “reviewing the incidence of, and terms and conditions for, part-time employment and casual employment” to illustrate the lack of clarity – was the intention to encourage or limit part-time and/or casual work? The examples given by the AIRC are significant in terms of the clear identification of issues such as converting penalty rates payments to flat rates, broadening the spread of ordinary working hours and other means of improving flexibility such as multi-skilling and rostering of annual leave. A full list is available in Norris (1990: 131) and of course, the AIRC decision (1989).

A second key contextual issue was the extent to which the Commonwealth government and the ACTU submissions were negotiated prior to the national wage case. Requested wage movements were closely aligned with income tax and social wage policies and it has been suggested that “corporatism, as embodied in the Accord, was at its peak” (Norris 1990: 129). The AIRC's decision was closely aligned with the submissions received by the ACTU and supported by the Commonwealth and other key stakeholders, including some employer groups.

Some key submissions

The ACTU claimed increases of \$10.00 per week for workers at the basic skills/trainee entry level; \$12.50 per week at the semi-skilled worker level; and \$15.00 per week or 3%, whichever is the higher, at the tradesman level and above.

These claims were supported by the Commonwealth, the Governments of Victoria, Western Australia, South Australia, Tasmania, the Australian Capital Territory and by the Metal Trades Industry Association of Australia (MTIA), the Australian Federation of Construction Contractors, the Master Builders' - Construction and Housing Association Australia Inc., the Plumbing Employers Industrial Secretariat and the Fire Sprinkler Contractors' Association of Australia.

The CAI opposed the ACTU claims and argued that on the basis of trends in productivity growth, the maximum increase in award rates should not exceed 3 per cent to be paid in two instalments and tied to structural efficiency exercise. The Australian Mines and Metals Association (Inc.) (AMMA) and the Governments of New South Wales and the Northern Territory supported the thrust of the CAI submissions in relation to the appropriate amount of wage adjustment.

The ACCI also opposed the ACTU claim and submitted that the maximum wage increase allowable in view of the economic situation was 2% for the year 1989/90.

The BCA did not oppose wage increases on the completion of structural efficiency exercises.

The NFF submitted that the economic evidence provided no justification for awarding wage increases during the year 1989/90. (AIRC, 1989).

1990: Australian Industrial Relations Commission

Decision and effective dates

The changes in federal minimum wages were implemented in accordance with the Commission's 1989 national wage decision (AIRC, 1989). Please refer to the 1989 summary for further details.

In accordance with the 1989 National Wage Case two minimum wage increases were available to workers in 1990. The 1989 decision stipulated that four minimum wage adjustments were allowable between August 1989 and July 1990. The third instalment was payable from 20 April 1990. The fourth (and final) instalment was payable from July 1990. As noted in the 1989 summary, by July 1990 the estimated wage for the C14 classification had increased to \$306.76 (ACCI, 1998).

Contextual Issues

The lack of a national wage case decision during 1990 reflects the extent to which key decisions were being made outside of the AIRC through agreements between the ACTU and the Commonwealth government and an increasing move towards decentralized bargaining of over award payments outside of arbitrated decisions. The ACTU's focus on bargaining with employers and employer organizations resulted in the Confederation of Australian Industry and other employer groups initiating national wage case proceedings in September 1989. This process did not run smoothly and no wage decision was made until 1991.

At the end of 1990 there were significant tensions about the future of Australia's wage fixation system. The ACTU and some unions were strongly in favour of enterprise bargaining processes that would facilitate the achievement of over award payments. In this scenario the AIRC would essentially focus on setting minimum wage rates.

The MTIA, however, focused strongly on maintaining a centralized wage fixation system and did not negotiate changes to the Metal Industries Award. A key concern for the MTIA was the capacity for negotiated wage increases in one enterprise to flow to other employers with different productivity or organizational constraints. It was noted that the structure of unions in Australia is typically at the industry or craft level; enterprise level unions are uncommon. The MTIA argued that this mitigated the potential for successful enterprise level bargaining (Mitchell 1991).

1991 (April): Australian Industrial Relations Commission

Decision

In April 1991 the AIRC handed down a decision described as “highly controversial” (Mitchell 1992). The key components were

1. A 2.5 per cent wage rise for 1991, not to be retrospective, and on an award-by-award basis.
2. Each claim for the increase was to be accompanied by a no-extra-claim commitment
3. A recommendation that the Commonwealth government ‘convene a national conference on superannuation’ (AIRC 1991a 59-61).

Applying a 2.5 per cent increase to the estimated C14 wage results in a wage rate of \$314.40, an increase to \$8.28 per hour based on 38 hour standard working week (ACCI, 1998).

Effective Date

16 April 1991

Reasons for Decision

To some extent at least, the AIRC was in a situation where it needed to exert some authority on wage fixation in Australia. While the decision was contrary to expectations (Mitchell 1992), it emphasized that the AIRC’s role and statutory responsibilities were independent of agreements (Accords) made by negotiation between the ACTU and the Commonwealth. The AIRC specifically noted that the latest Accord “expresses the attitudes of the ACTU and the Commonwealth to wage fixation and the Commonwealth’s approach to economic policy, it is of limited significance as an ‘agreement’ for our purposes because the employers are not party to it” (AIRC, 1991a: p 9). In reaching the above decision, the AIRC rejected the ACTU’s claim to increase minimum wages by a \$12 flat rate across all industries (AIRC, 1991a, p 59).

The AIRC further developed the structural efficiency principle, wishing to encourage change at the workplace level, as discussed below.

Contextual Issues

The April 1991 national wage case involved extensive submissions and discussion of the following issues:

- The effectiveness and operation of the structural efficiency principle that the AIRC had introduced in its August 1989 decision.
- Calls for a greater role for enterprise level bargaining.
- The respective roles of minimum rates awards and paid rates awards.

These issues were interrelated and complex. The AIRC clearly had concerns that the structural efficiency principle had achieved little real change in most workplaces and that some parties had adopted a relatively “simplistic” approach to the meaning and operation of structural efficiency. There had been a focus on the restructuring of award classifications and little progression to the required changes in management and workplace culture.

Several parties that moves toward enterprise bargaining would help achieve change at the workplace level. The AIRC, however, felt that it was premature to introduce such as a system and expressed a number of concerns, including the capacity of enterprise bargaining to be:

- a durable system of wage fixation that did not lead to increased industrial disputation and excess wages outcomes; and

- an equitable system of wage fixation that distributed gains in national productivity across the workforce.

Closely tied to discussions of structural efficiency and enterprise bargaining were the merits of minimum rates awards compared with paid rates awards. Since 1983, the ACAC and AIRC had focused on minimum rates awards. That is, wage adjustments and wage fixing principles focused on minimum rates of pay for different employment classifications. In the April 1991 decision, the AIRC expressed concern about the continued need for minimum rates awards to be restructured to enhance comparability and address “irregularities” in the relativities between different wage classifications. Relativities and minimum rates were tied closely to the “work value” principle; that is, employees from different industries and occupations should receive equal pay for work of equal value.

However, a large number of paid rates awards had existed throughout the 1983-1991 period. These awards typically included clauses which specified higher rates of pay for specific industries/locations or enterprises. Several parties argued that “paid rates” awards could exist alongside enterprise bargaining and provide a method for tailoring wage rates to the circumstances of specific industries or enterprises. The AIRC did not favour extended use of paid rates awards, expressing concerns that this would facilitate “leap frogging” of wage claims or excessive wage claims. While not a major focus of the decision, there was also a concern that enterprise bargaining and paid rates awards may place feminised workforce sectors at a relative disadvantage.

Throughout the April 1991 decision, there is clear tension between (i) the AIRC’s principles for a relatively centralized wage fixation system based on national guidelines that recognise issues of wage relativity and equity and (ii) the wishes of some major employer and union groups and the Commonwealth, to facilitate enterprise bargaining, that addressed issues such as market conditions, international competitiveness, productivity and micro economic reform.

Some key submissions

The ACTU sought a flat increase of \$12.00 per week for all workers from 16 May 1991. It submitted that the increase should be available from the common date on the basis of a continuing commitment to structural efficiency.

In addition the ACTU sought the capacity for enterprise bargaining for minimum rate awards based on productivity and profitability and increases in paid rates awards to be based on the Paid

The ACTU claims were generally supported by the Commonwealth Government and the Governments of Victoria, Western Australia, South Australia, Tasmania and Queensland.

The Governments of Northern Territory and the Australian Capital Territory asked that the Commission defer consideration of the \$12.00 claim until further economic data became available. The New South Wales Government argued for a total rejection of the \$12.00 claim.

The CAI opposed the \$12.00 per week across the board increase. It argued that the Commission should defer consideration of the claim, pending availability of further economic information.

The BCA opposed an across the board wage increase, supporting instead modest wage increases aimed at establishing a downward trend in inflation.

1991 (October): Australian Industrial Relations Commission

Decision

The AIRC recognized that the continued wish for major parties to have a more decentralized approach to wage fixation had 'left to us [the commission] the task of translating the general concept into workable arrangements' (AIRC 1991b: 5).

As a result, the key wage decision provided that:

- (a) the April 1991 National Wage Case decision would continue to provide for a maximum increase of 2.5 per cent, subject to satisfying certain requirements generally aligned with structural efficiency.
- (b) an enterprise bargaining principle would be introduced to allow for further wage rises subject to negotiated agreements coming within sections 112¹ and 115² of the *Industrial Relations Act 1988*.

It was decided that the AIRC would not arbitrate over these bargains, leaving it to the parties to form agreements. There was no specified maximum wage rise and the arrangements could be given the legal status of an industrial award through AIRC ratification as consent awards or certified agreements.

The introduction of enterprise bargaining increases the difficulties of determining changes to the C14 wage rate throughout 1991. We note that the rates of \$317.50 effective 7 August 1991 and \$325.40, effective September 1991 have been listed in ACCI estimates of the C14 wage rate for this period (ACCI, 1998). These increases represent a 1 per cent and 2.5 per cent increase respectively. As with all C14 rates, these apply to a 38 hour standard working week.

Effective date

1 November 1991

¹ Where states;

- (1) If the parties to an industrial dispute or any of them reach agreement on terms for the settlement of all or any of the matters in dispute, they may apply to the Commission for the making of an award giving effect to their agreement.
- (2) The Commission shall not make an award giving effect to their agreement unless it is of the opinion that it is in the public interest that the award should be made.
- (3) An award made on application under this section is binding on:
 - (a) each of the parties making the application;
 - (b) all members of an organisation that is a party making the application; and
 - (c) an employer who is a successor, assignee or transmittee (whether immediate or not) to or of the business or part of the business of a party making the application, including a corporation that has acquired or taken over the business or part of the business of the party.

² Which states;

- (1) If the parties to an industrial dispute or any of them agree on terms for the settlement of all or any of the matters in dispute, they may make a memorandum of the terms agreed on.
- (2) The memorandum of agreement shall specify the period for which the agreement is to continue in force.
- (3) The parties to the agreement may apply to the Commission for the certification of the agreement.

...

Reasons for decision

The AIRC indicated that it was returning to its traditional role by determining minimum rates of pay. The negotiation of total rates to the parties directly involved. The AIRC was prepared to conciliate over paid rates awards and other agreements where the parties could not successfully negotiate.

In order to be ratified by the AIRC, a negotiated agreement needed to satisfy a range of conditions:

- (a) the wage rises must be justified by real gains in productivity.
- (b) specific efficiency gains and the associated wage rise must be itemised.
- (c) agreements cannot involve reductions in ordinary-time earnings or departures from AIRC standard working hours, annual leave or long-service leave entitlements.
- (d) all unions in an enterprise must be a single party to the agreement.
- (e) agreements must be for a fixed term and renewed or replaced.
- (f) there were to be no further wage rises while an agreement is operating, except for national wage case decisions (AIRC 1991b: 14-16).

In summary, the AIRC modified its April 1991 decision and signaled its preparedness to approve enterprise bargaining agreements formed within specified parameters (Deery, Plowman et al., 2001). The decision expressed continued concern for enterprise bargaining to facilitate comparative wage justice arguments, thereby facilitating excessive wage increases. The AIRC's guidelines were intended to limit the potential for excessive wage increases to occur.

The AIRC announced it would convene a meeting in May 1992 to review the operation of its decision.

Contextual issues and key submissions

The key contextual issues and submissions mirrored those outlined for April 1991 and reflected continue pressure from significant union, employer and government bodies for the introduction of enterprise bargaining.

1992: Australian Industrial Relations Commission

Contextual issues

There was no national wage case held in 1992. The year was dominated by a focus on enterprise bargaining and it was a year of considerable disquiet for the role of the AIRC and its tribunal members. Wage fixation and more broadly, workplace relations, also became a highly contested policy arena in the lead up to the 1993 federal election. These issues are discussed at length by Green in a succinct informative overview of wage determination for the year (Green 1993).

Taking a longer term view, the year represents something of a turning point. The political discussion largely accepted enterprise level bargaining as a key method of wage fixation. New areas of debate centred on whether wage fixation should be further devolved to the level of individual employment contracts for each employee and the role that unions may or may not play in such an approach. This debate focused on a Liberal Party document known as *Jobsback!*, which was introduced and championed by the industrial relations spokesperson, John Howard. Under this approach, it was envisaged that a specified (although somewhat ambiguous) set of minimum conditions would be established a national level and that additions or variations to these conditions could be negotiated between individual employees and employers.

As Green discusses, much of this debate was overshadowed by changes introduced in Victoria by the liberal Premier, Jeff Kennett and by taxation reforms outlined by the Federal leader of the opposition, John Hewson (Green 1993). Ultimately however, the *Jobsback!* agenda was superseded by a Labor Party victory in the 1993 federal election.

In a context of enterprise bargaining, wage increases were unevenly distributed across the workforce. Feminised workforce sectors, notably in the textile trades, retail and community services were expected to receive relatively poor outcomes in the enterprise bargaining context. There was recognition that such sectors were likely to require a centralized decision for their wages to retain comparability with other sectors (Green 1993: 142).

An important feature of the industrial relations context was the introduction of the Superannuation Guarantee Charge by the Commonwealth Government. Following a 1986 High Court ruling that occupational superannuation was a workplace matter, there was an expansion in the coverage of occupational superannuation provisions in awards. This culminated in the introduction of the *Superannuation Guarantee Charge Act* in 1992 which made occupational superannuation a form of tax preferred, forced saving for much of the population. The decision effectively granted a wage increase with relatively few inflationary pressures as it was not immediately available as disposable income. It was also portrayed as a prudent measure to address low savings rates in Australia. In terms of addressing the retirement needs of employees, macroeconomic policy and the political climate, the expansion of occupational superannuation was envisaged as a “win – win” situation (O'Brien & Burgess 2004:179).

1993: Australian Industrial Relations Commission

Decision

The AIRC awarded an \$8 increase in award supplementary payments, to be offset against any over award, award or certified agreements in excess of the minimum award rate (AIRC 1993a).

The notional value of the C14 minimum wage stood at \$333.40 per week up from its previous \$325.40 per week. Per hourly wage rates increased by \$0.21, from \$8.56 per hour to \$8.77 per hour, based on 38 hour period paid.

Effective Date

1 December 1993

Reasons for decision

The AIRC had long recognized the tension between nationally applied wage fixation principles and the likely outcomes of enterprise level bargaining. The AIRC continued to express concern on the need for equity and the position of those unable to achieve negotiated wage outcomes. It replaced the enterprise bargaining principle with a new 'enterprise awards principle', and added an 'arbitrated safety net adjustment principle' With regard to the two principles the Commission emphasised the follow:

The award system that currently exists is based on considerations of equity and public interest. Any enterprise bargaining system must, of its very nature, lead to differing outcomes. In our view, the only way that they can be reconciled is if within the award system there are awards which provide equitable minimum standards of wage rates and ultimately conditions upon which enterprise bargaining is anchored. To that extent, the two [principles] can be complementary (AIRC, 1993a: 14).

The introduction of minimum "safety net adjustments" for those who did not receive negotiated wage increases was viewed as an essential element of a decentralized system (AIRC 1993a: 21). This part of the wage fixation system was intended to retain elements of equity and comparability between awards and classifications. Increases negotiated at the enterprise level, on the other hand, were intended to reflect local arrangements to improve productivity and be quarantined from minimum award rates.

Contextual Issues

The AIRC's decision reflected legislation introduced by the newly elected Labor government. Primary emphasis was placed on bargaining at the workplace level within a framework of minimum standards provided by arbitral tribunals. The Industrial Relations Reform Bill became effective on 30 March 1994. The Bill further consolidated Australia's slow progression to decentralized wage-fixing system. The Commonwealth's constitutional "corporations power" was used to introduce measures which did not necessarily relate to dispute resolution, particularly elements relevant to certified agreements and enterprise flexibility agreements. The external relations power was also invoked, giving rise to additional provisions derived from ILO conventions, including the rights of employees to minimum wages and unfair dismissal protection (Green 1994:107-8).

The model was based on an approach in which there were "distinct award and bargaining streams" (Buchanan and Short, 1995:121). Compulsorily arbitrated awards and arbitrated wage increases would provide a safety net. In addition, the Act provided for two types of enterprise agreements. The first type, certified agreements, were negotiated between

employers and unions and were subject to a 'no disadvantage' text. The second type, 'enterprise flexibility agreements', did not require union involvement; support from an employer and a majority of employees was sufficient. The agreement was subject to a 'public interest' test, which was considered more onerous than the no disadvantage test (Buchanan and Short, 1995: 121).

The context for wage negotiations was not favourable for many employees. Unemployment remained high 11 per cent and wages growth in 1993 was subdued. In the year to August, AWOTE rose by only 2.6 per cent, and this figure masked increased dispersion as some groups made substantial gains through enterprise bargaining while others received little or nothing (Green, 1994). In particular, the growth rate of male earnings was twice that of female earnings over the period. Moreover, the position was worsened when overtime was taken into account, adding 9.9 per cent to the pay of full-time males in non-management occupations but only 2.6 per cent to female earnings (ABS, 1993).

The 'Department of Industrial Relations Workplace Bargaining Update' showed that by mid-November, 1,322 federal consent and certified agreements had been ratified the commission, covering an estimated 789,000 employees. This represented almost 38 per cent of wage and salary earners covered by federal awards, and around 12 per cent of all wage and salary earners. (Commonwealth Government of Australia, 1993a) This suggests that while wage negotiations were occurring at the enterprise level, they were not universal. This was a period of growth for the federal jurisdiction. Victoria had ceded most industrial relations to the federal jurisdiction and there was some movement away from the Western Australian jurisdiction following the introduction of significant industrial relations reforms which were viewed unfavourably by the union movement (Green, 1994).

Some key submissions

The ACTU and the Commonwealth proposed a wages system based on the processes of the Act in effect overlaid by the provisions of Accord Mark VII. The Accord envisages an "arbitrated safety net primarily for lower paid workers", although in fact for all employees who cannot achieve either formal or informal enterprise agreements and regardless of their overaward payments or award payments in excess of the minimum standard. That arbitrated safety net would be an amount of \$8 per week available after 1 July 1993 with two further adjustments of between \$5 and \$10, available from 1 July 1994 and 1 July 1995, respectively. Those amounts are not to be accompanied by offsets although the Commonwealth did acknowledge that, consistent with the Act, employers could press for arbitration of such matters. But the Commonwealth emphasised that this should be done by a separate and subsequent application and "...where it appears to the Commission that the variation claimed would diminish the benefit to employees of the \$8 increase, the Commonwealth's view is that the Commission should reject the claim."

1994: Australian Industrial Relations Commission

Decision

Three arbitrated safety net adjustments, each increasing weekly wages by \$8 (a total of \$24) were awarded to ensure wage increases for employees who did not secure wage increases through enterprise bargaining.

The first safety net adjustment raised the estimated C14 wage rate increased from \$333.40 per week to \$341.40 per week. Per hourly rates for C14 employees increase from \$8.77 per hour to \$8.98 per week based on 38 hour basic period pay.

Effective date

1. First safety net adjustment of \$8 was payable from 22 September 1994 (award level) – this adjustment extended coverage of the October 1993 decision.
2. Second safety net adjustment of \$8 was payable from 22 September 1994 (enterprise level); 22 March 1995 (award level).
3. Third safety net adjustment of \$8 was payable from 22 September 1995 (enterprise level); 22 March 1996 (award level). (AIRC, 1994).

Reasons for decision

The AIRC's decision was intended to ensure that all employees covered by Federal awards would receive a minimum wage increase of \$24 per week over a period of more than four and a half years from 1 November 1991 to 1 July 1996. The three arbitrated "safety net adjustments" were available to employees covered by both minimum rates and paid rates awards.

The first safety net adjustment represented an extension of the 1993 increase to those who had not secured an \$8 adjustment through enterprise bargaining (Buchanan and Short, 1995). This approach was also applied to the second and third increases; the \$8 safety net increases were available, upon application, to workers who had not been able to achieve wage increases through enterprise bargaining (AIRC, 1994). This reflected an attempt by the AIRC to ensure that the award safety net was at a level that was "secure, relevant and consistent but which did not discourage bargaining at the... enterprise level" (Buchanan and Short, 1995: 122). Buchanan and Short (1995) argue that the small size of the increases and availability of enterprise level increases 6 months prior to the award increases were designed to prevent safety net increases from undermining workplace bargaining.

Applications to vary awards reflecting the safety net adjustments were expected to address issues relevant to the ongoing award restructuring programme commenced in 1989 and facilitate moves to enterprise bargaining (AIRC, 1994: 15).

Contextual issues

The broader economic context continued to play an important role in industrial relations. Despite 6.4 per cent growth in GDP (year to September 1994) and a CPI of 1.7 per cent (June quarter 1994), unemployment remained at 9 per cent. In an effort to improve the employability of the long-term unemployed the government released a white paper titled *Working Nation*. This paper discussed a policy of reducing standard award rates of pay for unemployed people gaining jobs and provided with accredited training. The reduced wages were known as a 'training wage' and received broad support from unions, employers and governments (Buchanan and Short, 1995: 120).

The Industrial Relations Reform Bill, introduced in 1993 became effective in March 1994. As outlined previously, the legislation supported enterprise level negotiations, with awards

providing a safety net that defined minimum fair pay and conditions. While this was an important issue in 1994, developments largely represented the implementation of issues that had been negotiated or debated during the passage of the legislation. As long forecast in AIRC discussions, an increased focus given to enterprise level wage negotiations contributed to relatively disparate wage increases between different industries: average earnings fell by 2 per cent in Cultural and recreational services, while increases by 6.6 percent in Manufacturing and 5.5 per cent in Transport and storage (ABS, 1994). However, it has been argued that due to pattern bargaining, wages and employment conditions reflected industry rather than enterprise level negotiations (Buchanan and Short, 1995).

Some key submissions

The ACTU proposed that arbitrated safety net adjustments could only be offset against wage increases resulting from an agreement reached at enterprise level during the period of operation of such an agreement. The effect of this proposal would be that arbitrated safety net adjustments could not be offset against wage increases paid under agreements which have come to the end of their term.

ACCI submitted that the most appropriate course to take with respect to the \$8 per week claims was to reject them or at the very least defer them indefinitely until awards had been fully restructured through section 150A³ reviews.

The Commonwealth proposed that a set of national minimum or foundational standards should be established. Where awards do not meet these standards there should be a phased introduction of the minimum standard having regard to labour cost implications. If awards currently exceed the minimum standard they would not be levelled down, but retained in a way analogous to the "frozen" component of wages in the MRA process.

³ Simply put, section 150A of the Act gives the Commission the power to formally review an award structure. If the Commission finds any deficiencies within the award structure it is their responsibility to remedy it. It also stipulates that such a review, in any case must be reviewed within three years (at subparagraph [c]).

1995: Australian Industrial Relations Commission

Decision

In keeping with the September 1994 decision the AIRC implemented the second award level safety net adjustment and the enterprise level third safety net adjustment of an \$8 increase (AIRC, 1995a).

The second safety net adjustment increased the estimated federal minimum wage for base C14 employees increased from \$341.40 per week to \$349.40 per week (ACCI 1998). Per hourly rates for C14 employees increase from \$8.98 per hour to \$9.19 per week based on 38 hour basic period pay.

Effective date

Award level (2nd safety net adjustment): 22 March 1995.

Enterprise level (3rd safety net adjustment): 22 September 1995.

Reasons for decision

See 1994 discussion.

Contextual issues

The annual rate of growth in GDP slowed to 3.3 per cent in the September quarter. This represented 17 consecutive quarters of growth. The CPI reached a five year high of 5.1 percent. Unemployment declined to 8.1 per cent in November. Concern for inflationary wage increases was a major concern among some commentators, although patterns of wage increases were divergent with the largest increases occurring among senior executives.

The major events in year were the second and third safety net adjustment decisions. For approximately one-third of the workforce, award safety net adjustments remained the only source of improvement in wages during 1995 (Buchanan et al, 1996). Registered enterprise agreements consolidated their position as a significant source of wage increase for another third of the workforce. By September 1995, 5,130 enterprise agreements had been registered in the federal jurisdiction. While the number of agreements registered in 1995 increased substantially (from 2,700 in 1994), the percentage of federal award employees covered by enterprise agreements rose by only 1 per cent to 58 per cent. The trend towards longer agreements continued in 1995 with the average duration of agreements being eighteen months and the majority of agreements (85 per cent) operating for twelve months or more.

By November 1995 the AIRC had approved 113 non union agreements (or enterprise flexibility agreements). Despite their low number these agreements became a politically significant issue, with high profile disputes occurring at the Tweed Valley Fruit Processors in northern NSW and at the Comalco Bauxite mine in Weipa in northern Queensland. Both disputes highlighted issues relevant to the interpretation of the 'no disadvantage test' and the introduction of individualized employment contracts. In the Tweed Valley case, it was confirmed that downward flexibility in payments (in response to negative productivity outcomes) were counter to the no disadvantage rule. In Weipa, a central role for collective bargaining and unions was confirmed (Buchanan et al, 1996: 101-103). Individual employment agreements also received a high profile in Western Australia which introduced new legislation building on previous arrangements to reduce the role of unions and collective bargaining.

Wage movements continued to vary considerably for different sectors of the workforce. Non-union, non-award segments of the workforce, particularly executives and directors achieved

increases in earnings twice the size of those covered by enterprise agreements and six times greater than those reliant on awards (112). The overall context of the Australian labour market in 1995 was described as one of 'latent tension' with a growing potential for increasing inequalities in the workforce (Buchanan et al 1996: 113).

Some key submissions

The ACTU, the Commonwealth, New South Wales, Queensland, HREOC, NPEC and WEL supported the granting of safety net adjustments.

ACCI and NFF were opposed to the granting of the third arbitrated safety net adjustment. ACCI submitted that a 'system built on safety net increases in fact undermines economic growth, slows employment, reduces investment and adds to inflation' (ACCI, 1995: 30).

MTIA, ACM and ACCIR gave qualified support to the third arbitrated safety net adjustment. MTIA support was subject to the adjustment being absorbed in any wage increases arising out of any form of agreement at the enterprise. ACM and ACCIR also submitted that any adjustment should be absorbed in some way.

Victoria, South Australia, Western Australia and Tasmania submitted that the granting of any third arbitrated safety net adjustment should be subject to tests which continue the review of the award system and provide a process to encourage the parties to reach enterprise agreements being added to the tests foreshadowed by the Commission in the September 1994 Review decision for the granting of the third arbitrated safety net adjustment. They also submitted that the granting of any third arbitrated safety net adjustment should be subject to a provision for appropriate absorption of the adjustment.

BCA did not oppose the granting of the third arbitrated safety net adjustment at enterprise level, subject to the meeting of certain tests relating to absorption, genuine enterprise bargaining, enterprise flexibility provisions and the staggering of the safety net increases. However, it submitted that the implementation of the third arbitrated safety net adjustment at the award level should be deferred until a further review in August 1996.

1996: Australian Industrial Relations Commission

Decision

In accordance with the safety net adjustment and review September 1994 a third \$8 per week arbitrated safety net adjustment was implemented.

The estimated FMW for base C14 employees increased from \$341.40 per week to \$349.40 per week (AIRC, 1994). Per hourly rates for C14 employees increase from \$8.98 per hour to \$9.19 per week based on 38 hour basic period pay.

Effective Date

Award level: 22 March 1996

Reasons for decision

The AIRC's decision to vary minimum wages in 1996 was made by the AIRC in 1994. Please see 1994 above for the AIRC's reasons.

Contextual issues

Economic growth of between 3 and 4 percent continued throughout the year and the CPI for the year to September was 2.4 percent. Unemployment remained above 8 percent.

A Liberal-National party coalition government was elected on 2 March 1996. On November 25 the government enacted the *Workplace Relations and Other Legislation Amendment Act 1996* (consolidated on 20 January 1997) and most of it was operational from 1 January 1997. Arguably the biggest change in wage determination procedures was the abolition of the automatic right of unions to bargain collectively on behalf of employees where they had union members in a workplace. Under the 1996 Act unions are required to gain the support of a 'valid majority' of employees in a workplace before they can perform this function (section 170LE⁴). Furthermore, alternative bargaining agents were permitted if a majority of employees so determines. The introduction of this measure extended the provisions of the non-union stream of enterprise flexibility agreements to all collective bargaining situations.

⁴ Which states;

... a **valid majority** of persons employed at a particular time whose employment is or will be subject to an agreement:

- (a) make or genuinely make the agreement; or
- (b) approve or genuinely approve:
 - (i) the agreement; or
 - (ii) the extension of the nominal expiry date of the agreement; or
 - (iii) the variation or termination of the agreement;
- if:
- (c) the employer gives all of the persons so employed a reasonable opportunity to decide whether they want to make the agreement or give the approval; and
- (d) either:
 - (i) if subparagraph (ii) does not apply—a majority of the persons; or
 - (ii) if the decision is made by a vote—a majority of the persons who cast a valid vote;

decide, or genuinely decide, that they want to make the agreement or give the approval.

The 1996 legislation contained a no disadvantage test which provided for existing awards to provide the comparator for assessing whether an individual or collective agreement could be registered.

The ACTU lodged its first Living Wage claim. The fundamental objective was ‘to ensure that the award system remains relevant as an effective system, providing protection to workers’, and in particular ‘have regard to the changing patterns of work (to)...provide benefits to low paid workers and to those workers who have not received increases from enterprise bargaining’. The ACTU’s aim was to raise the award minimum hourly rate of pay to \$12 and for relativities to this rate to be maintained throughout the wage structure. Wide ranging submissions were received by the AIRC, including submissions from relatively non-traditional participants in the wage setting system such as the Brotherhood of St Laurence and the Reserve Bank (Buchanan et al, 1997).

Buchanan et al (1997) note two further key issues. Firstly, the imminent cessation of the Australian Bureau of Statistics survey of award rates of pay was expected to impede the flow of information about award wage movements. Secondly, the evolving structure of wage movements varied considerably depending on the system of wage fixation in different workforce sectors. Table 2, reproduced from Buchanan et al. (1997, 99), provides estimates of coverage and wage movements according to different wage setting mechanisms.

Table 2: Mechanisms for regulating wages and estimates of average wage movements, 1996

	(%) Employees	Estimated Average Annual Wage Increase (%)
Award only	35	1.3
Awards and registered enterprise agreements	30	4 to 6
Registered enterprise agreements	5	4 to 6
Individual contracts	30	0-8

1997: Australian Industrial Relations Commission

Decision

An arbitrated safety net adjustment of \$10 was awarded and used to establish a “federal minimum wage” for full time adults employees of \$359.40 per work (AIRC, 1997). This wage rate was based on the existing C14 wage rate in the Metal Industry Award. The federal minimum wage was to be paid on a proportionate basis to junior, part-time and casual employees. The federal minimum wage was to be inclusive of the arbitrated safety net adjustment determined by the decision and all previous safety net and national wage adjustments.

Based on a 38 hour week, the hourly minimum wage increased from \$9.19 to \$9.46.

Effective Date

21 April 1997

Reasons for Decision

The *Workplace Relations and Other Legislation Amendment Act 1996* became effective 1 January 1997. The Act specified that the AIRC’s responsibilities were to ensure ‘that a safety net of fair minimum wages and conditions of employment is established and maintained’⁵. The focus of much of the AIRC’s decision was on the establishment of minimum award conditions that would underpin a growing emphasis on workplace negotiations. While it was explicitly recognized that a focus on minimum rates supplemented by workplace negotiations was likely to lead to increasing divergence between the low paid and the rest of the workforce, the AIRC felt that this was best overcome through a moderation in the levels and claims of enterprise level settlements. Industry level analysis confirms that wage outcomes were differing significantly between outcomes during 1997 (Buchanan, Woodman, O’Keefe and Arsavksa 1998).

The AIRC expressed concern about the failure of economic growth rates to reduce unemployment or prevent an increase in underemployment. A decline in full-time employment relative to part-time employment was noted and the AIRC expressed an unwillingness to grant wage increases which it linked with the potential jeopardizing prospects for economic growth.

Contextual issues

The establishment of a federal minimum wage was established in the context of two linked and ongoing developments in the regulation of Australian wage rates. Firstly, the ongoing simplification of awards was given added impetus under the 1996 legislation by the specification of twenty ‘allowable matters’ that could legitimately continue to be included in

⁵ *Workplace Relations Act 1996* (Commonwealth of Australia); 88B(2) states;

In performing its functions under this Part, the Commission must ensure that a safety net of fair minimum wages and conditions of employment is established and maintained, having regard to the following:

- (a) the need to provide fair minimum standards for employees in the context of living standards generally prevailing in the Australian community;
- (b) economic factors, including levels of productivity and inflation, and the desirability of attaining a high level of employment;

when adjusting the safety net, the needs of the low paid.

awards. The stated intention was to make awards easier to understand and less prescriptive. Secondly, traditional approaches to defining ordinary hours of work and overtime appeared to be changing rapidly. The definition of ordinary hours of work had implications for earnings because it determined which hours of work warrant the payment of penalties or shift allowances. Data from ACCIRT for 1996/97 shows that non-union collective agreements were likely to have ordinary hours greater than 38 per week and to use averaging systems to determine hours worked. While the percentage of people covered by non-union workplace agreements was approximately 11 percent, the move towards part-time employment and looser boundaries around ordinary hours meant that the hourly rate of pay was becoming a more significant feature of employment conditions (Buchanan, Woodman, O'Keefe and Arsavksa 1998, p. 113).

Outside of the employment relations sphere, a currency crisis in South-East Asia led to greater instability in global share markets. The Australian dollar decline in value by 11 per cent and share prices also declined. These factors added to uncertainty about Australia's economic prospects and contributed to an unfavourable climate for negotiating wage increases (Buchanan, Woodman, O'Keefe and Arsavksa 1998).

Some key submissions

The ACTU formulated and pursued a wage claim which it called a Living Wage claim, which said, in part:

We have an objective to establish a minimum of \$12 per hour for work within ordinary hours. We have an objective to achieve a minimum of \$456 per standard 38 hour week. We have an objective to sustain a schedule of minimum rates of pay consistent with previous Commission decisions in terms of the relativities; and we have an objective to achieve in three annual minimum safety net adjustments \$20 a week for those employees who have not received enterprise bargaining increases. They are our objectives (ACTU, 1997, p.4).

ACCI argued that the ACTU claim should be rejected and no increase awarded. Further, if an increase was awarded, it should be fully absorbable in any type of over award payment and should not be payable until at least 12 months after the operative date of the third \$8 per week safety net adjustment (21 April 1998). The ACCI further argued that the Commission should revive the minimum wage and grant a modest increase

The Joint Employers also rejected the ACTU claim. It too submitted that no increase should be awarded and put forward similar arguments to the ACCI.

1998: The Australian Industrial Relations Commission

Decision

The Commission decided on an arbitrated safety net adjustment of the following amounts (AIRC, 1998):

- a \$14 per week increase in award rates up to and including \$550 per week;
- a \$12 per week increase in award rates above \$550 per week and up to and including \$700 per week; and
- a \$10 per week increase in award rates above \$700 per week.

The increases were fully absorbable against all above award payments.

The federal minimum wage for full-time adult employees increased to \$373.40 per week. The corresponding hourly rate increase from \$9.46 per hour to \$9.83 per hour based on 38 hour period pay.

Effective Date

22 April 1998

Reasons for decision

The Commission focused on economic data, particularly employment and reasoned that Australia's economic performance over 1997-98, and since the early 1990s, has been good. Economic growth, productivity growth and investment have been strong. Australia has enjoyed a long period of low inflation, with stable wages growth.

Current economic conditions and the immediate economic outlook are better now than at the time of the April 1997 hearing. Growth is higher, inflation is lower, employment growth has improved and unemployment has fallen. It is agreed, however, that current levels of unemployment remain unacceptably high (AIRC, 1998, p. 31, Ch 6.10, para 2).

Economic developments in East Asia clouded the immediate outlook for Australia's economy. Continuing strong domestic demand is expected to offset the impact of weaker international conditions at least in the shorter term. The Australian economy appeared better placed in 1998 than it had for some considerable time to withstand any adverse effects arising out of East Asia (AIRC, 1998).

Contextual Issues

The following contextual issues are selected from a detailed account provided by Buchanan, O'Keeffe and Bretherton (1999).

The national wage case was declining in both reach and relevance for many workforce participants. The assumption was that enterprise bargaining was at the centre of formal wage setting processes. Awards were increasingly viewed as defining employment conditions for those who were industrially weak.

Award simplification processes meant that any provisions outside of the twenty allowable matters stipulated in the Workplace Relations Act were no longer enforceable. The Commission spent considerable time in 1998 considering the implications and processes relevant to award simplification.

A pay equity inquiry in New South Wales emphasized the gender pay gap and its link with structural features arising from the gendered division of labour by industry and occupation.

Throughout 1998 (and previous years) there continued to be a significant restructuring of work. Contracting, outsourcing and the use of casual and part-time work continued to be growing features of patterns of employment.

Some key submissions

The ACTU supported the continuation of the federal minimum wage being linked to the C14 rate in the Metal Industry Award and sought an adjustment to it of \$20.60 per week with a further increase of \$38 from April 1999 in conformity with its claim for safety net adjustments. In the ACTU's submission, the maintenance of the federal minimum wage at the C14 classification rate would ensure a secure minimum level in award classification structures. The establishment of the federal minimum wage initially at the C14 classification rate would not preclude an adjustment at some future time based on different criteria.

ACCI, while expressing concerns about the level of the federal minimum wage, went on to say that the value of having a minimum wage exceeds the burdens it creates. ACCI submitted that the federal minimum wage should be left at its present level having regard to the need for jobs growth and a healthy labour market.

The Joint Governments submitted that the decision in the April 1997 decision linking the federal minimum wage to the C14 rate in the Metal Industry Award was inappropriate. They further submitted that breaking the link between the federal minimum wage and the C14 rate would avoid "any notion of a permanent tie to specified award classification".

ACOSS submitted that the equity objectives set out in s.88B(2) could best be achieved by the establishment of a benchmark for the adequacy of minimum wages based on research into the relative living standards and income needs of low paid workers. The establishment of a benchmark for a minimum wage appropriate to a single adult could be best achieved by the Commission undertaking an inquiry into the living standards of low paid workers with reference to those in the broader community. In the interim the federal minimum wage should be increased at least in line with movements in AWOTE, with the increase preferably being significantly higher.

1999: Australian Industrial Relations Commission

Decision

On 29 April the Commission adjusted the safety net for low paid workers. The Adjustment included the following changes (AIRC, 1999);

- a \$12 per week increase in award rates up to and including \$510 per week; and
- a \$10 per week increase in award rates above \$510 per week.

The Commission maintained the practice of adjusting award rates at all levels. The federal minimum wage for all full-time adults was adjusted to \$385.40 per week, based on 38 hour basic period. The hourly pay rate has increase from \$9.83 per hour to \$10.14 per hour which represents an increase of \$0.31 per hour.

Effective Date

29 April 1999

Reasons for the Decision

The Commission concluded that Australia had shown a good economic performance since the early 1990s. Economic and productivity growth have been strong. Investment has been at historically high levels. Australia has enjoyed a long period of low inflation. Current economic conditions are sound although unemployment remains at an unacceptably high level. The immediate economic outlook is also positive, despite some projected slowing in growth and a projected fall-off in private investment. The small contribution to aggregate wages growth resulting from the safety net will have a limited effect on economic activity, inflation, employment levels and productivity. Any negative effect on the recent downward trend in unemployment is likely to be minimal. The increase can be sustained in the current generally positive economic environment.

The Commission did not agree, however, with the ACTU's claim. The Commission emphasised a need for caution in light of a projected slowing in economic growth and a reduction in the level of new private investment both of which may slow employment growth. Other reasons for a cautious approach were urged upon us. These include the uncertainties in world financial markets arising from the continuation of economic problems in a number of Asian countries, a serious economic situation in Russia and economic uncertainty in a number of Latin American countries and the continuing effects of the Asian economic downturn on some sectors of the Australian economy.

Accordingly the Commission appeared conscious of the need to ensure that increases in labour costs should not put at risk the downward trend in the level of unemployment evident since the end of 1997. There are a number of factors which led the Commission to the conclusion that they should award smaller increases than were awarded in 1998. Those factors include:

- the predicted easing in economic growth;
- the predicted reduction in the level of new private investment;
- our desire not to jeopardise the emerging downward trend in the level of unemployment; and
- the amount of the increases awarded on the last occasion.

Some key submissions

The ACTU submitted that economic conditions and prospects demonstrated an economy with characteristics similar to or better than those noted in the April 1998 decision. It sought an

increase in the minimum wage of \$26.60 to \$400. Adjustments were also sought to allowances and working conditions.

The ACCI submission was optimistic about the state and resilience of the Australian economy. However, the ACCI rejected the ACTU's claim.

The AiG also argued for the rejection of the ACTU claim based on the prospects of a significant slowing of growth in 1999. It argued that Australia needs a buffer against potential threats (such as slowing manufacturing growth trends and high unemployment rates) and this necessitates caution in relation to wage increases.

The Joint Coalition Governments submitted that the ACTU's wage claim should be rejected and instead there should be an \$8 per week safety net adjustment.

ACOSS submitted that the Commission should:

1. increase award minimum rates (particularly the federal minimum wage), at the very least, in line with movements in average weekly ordinary time earnings which have occurred since the previous increase; and
2. undertake an inquiry to ascertain the appropriate benchmark for the adequacy of minimum wages.

2000: Australian Industrial Relations Commission

Decision

The Commission decision applied a \$15 weekly increase to all award classifications. The weekly minimum wage increased from \$385.40 per week to \$400.40 per week based on 38 hour basic period pay. The minimum hourly wage rate increased to \$11.59 per hour, up from \$10.14 per hour.

Effective date

29 April 2000

Reasons for Decision

The Commission concluded that safety net adjustments affected significantly fewer employees than they did 5 years previously. For example, the estimated cost (on economy-wide earnings growth) of a \$12 safety net increase was 0.49% points in 1998, compared with 0.33% points in 2000 (AIRC 2000). The evidence shows a substantial decrease in the number of award reliant employee in Australia.

In April 1999 the Commonwealth Government commissioned a survey, the *Award Agreement and Coverage Survey 1999* on award coverage. The survey provided the Commission with more contemporary data for costing purposes. The survey was undertaken by an independent arm of the ABS. The survey sought information, as at June 1999, in respect of payment methods, payment levels and increases.

The AACS survey (Commonwealth Government of Australia, 1999) revealed:

- 26% of private sector employees, 13% of public sector employees and 22% of all employees were award reliant;
- 13% of full-time employees and 44% of part-time employees were award reliant
- award reliant employees who received a wage increase in the preceding year accounted for 18% of all employees surveyed, 13% received a wage increase from safety net adjustments and 5% from other sources;
- employees who benefited from overaward/agreement payments, but who also received the safety net adjustments accounted for 3% of all employees surveyed; and
- the distribution of earnings for award reliant employees (AIRC 2000 ,at para 50):

Contextual Issues

Applying the AACS data to February 2000 Labour Force data, around 780,000 full-time employees and around 925,000 part-time employees were award reliant. The safety net increases are only passed on to 1 per cent of employees on federal certified agreements (Watts 2001).

Some key submissions

The ACTU sought a \$24 week increase for award rates of pay up to the level C7 in the Metal Industry Award, based on the context of strong economic growth, low inflation, moderate wage growth and improved international competitiveness. It was also noted that unemployment had declined during the previous year (ACTU 2000, p 33).

The Australian Industry Group (the AIG) opposed the ACTU's wage claim and supported a flat adjustment of \$8 per week to be applied to all award rates of pay and to the minimum wage. The

AIG cited "*complicating factors*", including the introduction of the GST and the threat of high wage outcomes in the manufacturing and construction sectors, accompanied by widespread industrial action, especially in Victoria. It submitted that these factors, together with the

possibility of a slowdown in economic activity, require the Commission to discount whatever might have been otherwise justifiable as a safety net adjustment.

The ACCI focused its submissions on the economic impact of the ACTU claim on firms with a high incidence of employees in receipt of award rates of pay only. It submitted that average impacts on earnings growth and employment were not to the point and that it was necessary to focus on those employers and employees who would be subject to safety net increases.

The Joint Coalition governments also argued for the rejection of the ACTU's wage claim and the granting of an \$8 per week safety net adjustment. This increase should only be applied to the federal minimum wage and to award rates at or below the equivalent of the C10 classification

The State Labor Governments supported the ACTU's wage claim and further argued that the Commission should address the needs of the low paid.

2001: Australian Industrial Relations Commission

Decision

The Commission awarded: (a) \$13.00 per week increase in award rates up to and including \$490.00 per week; (b) \$15.00 per week increase in award rates above \$490.00 per week up to and including \$590.00 per week; and (c) \$17.00 per week increase in award rates above \$590.00 per week (AIRC, 2001)

The federal minimum wage for full-time employees was increased from \$400.40 per week to \$413.40 per week. This represented a 3.14 per cent increase to the minimum wage. The hourly rates increased from \$10.54 per hour to \$10.88 per hour on 38 hour basic period pay. The adjustments also apply for junior, part-time and casual employees.

Effective Date

2 May 2001

Reasons for decision

The AIRC focused particularly on economic conditions and found these to be a reason for caution in their 2001 decisions. However, the AIRC thought that some further adjustment of the minimum wages safety net was appropriate and sustainable (Watts, 2002).

Positive features of the current economic context were found in the continuing strength of economic fundamentals, with the absence of imbalances in profit shares and unit labour costs, a benign outlook for wages and prices inflation, supportive monetary and fiscal policy settings, a low Australian dollar supporting the traded goods sector, low interest rates supporting investment and the expected passing of the transitional effects of the GST on both prices and output. Against these factors, the Commission considered a decline in activity in the December quarter, some weakening in the labour market and continuing uncertainty and effects on business confidence resulting from the December quarter decline in growth and the GST (AIRC, 2001).

Contextual Issues

The first ABS collection of data relevant to pay setting methods was released in March 2001 and showed that during 2000 the most common method of setting pay was through unregistered individual agreements. Table 3 below provides selected data from ABS (2000, p.44).

Table 3: Methods of Setting Pay by Gender and Sector, May 2000

	Awards only	Registered Collective Agreements	Unregistered Collective Agreements	Registered Individual Agreements	Unregistered Individual Agreements	Total
Males						
Private	18.8	23.6	1.7	1.8	54.2	100.0
Public	8.7	81.4	*2.5	4.4	3.1	100.0
All Sectors	16.8	34.9	1.2	2.3	44.2	100.0
Females						
Private	35.5	21.0	1.3	1.2	40.9	100.0
Public	10.8	84.7	*0.8	1.7	1.9	100.0
All Sectors	29.9	35.5	1.2	1.3	32.0	100.0
Total						
Private	26.8	22.3	1.5	1.5	47.8	100.0
Public	9.8	83.2	*1.6	3.0	2.5	100.0
All Sectors	23.2	35.2	1.5	1.8	38.2	100.0

* estimate is subject to sampling variability too high for most practical purposes.

Some key submissions

The ACTU's claim sought a \$28 per week increase in award rates of pay up to and including the equivalent of skill level classification C10 in the *Metal, Engineering and Associated Industries Award 1998, - Part I* (the Metal Industry Award) and a 5.7% increase in award rates of pay above that level; and an appropriate adjustment in allowances.

ACCI, AHA, PIAA, and NFF submitted that there should be a \$10 per week increase in the federal minimum wage only. ACCI also proposed a variation to the wage fixing principles to the effect that there should be an additional twelve months delay before safety net adjustments become available in awards, unless parties to an award agree to an earlier increase.

The AiG supported an increase of between \$8 and \$10 per week to apply to all award rates of pay, subject to absorption. AiG also submitted that the Commission should implement measures to encourage industrial parties to rationalise award structures and significantly reduce the number of awards.

ACCER expressed its support for the award system as the fundamental means of establishing just and fair minimum wages and terms of employment. ACCER supported the continued use of flat dollar increases to adjust award rates of pay and suggested that a tapered scale of flat dollar increases should be determined by the Commission in the present case.

The Joint Coalition Governments proposed a \$10 per week increase in award rates up to and including the equivalent of the tradesperson's rate - C10 classification in the Metal Industry Award.

The States of New South Wales, Queensland, Tasmania, Victoria and Western Australia governments' supported the ACTU's claim. In the alternative, the State Labor Governments submitted that the Commission should grant the maximum wage increase consistent with the evidence and do everything possible to address the needs of the low paid.

ACOSS submitted that the establishment and maintenance of a fair safety net of minimum wages and conditions of employment is critically important. ACOSS supported a substantial increase in minimum wages in order to stem growing wage inequality and to enable low paid workers to meet reasonable basic living costs. At the very least, the increase granted should be sufficient to maintain parity with wage increases across the community.

2002: Australian Industrial Relations Commission

Decision

The federal minimum wage for adults was increased from \$413.40 per week to \$431.40 a week (AIRC, 2002). This represented a wage rise of \$18 per week or 4.2 per cent. Based on 38 hour basic period pay the minimum hourly rate increased from \$10.88 an hour to \$11.35 an hour. A flat \$18 increase applied to all pay rates.

Effective Date

9 May 2002

Reasons for Decision

The AIRC made the decision largely based on economic considerations, including a sustained period of low inflation, economic growth and improving labour markets. It was also noted that economic forecasts were optimistic (AIRC 2002, para. 126).

Contextual Issues

The percentage of employees reliant on awards only continued to decline and at the time of the decision represented about 21 per cent of all employees (ABS 2002). A significant issue in the media was the growing gap between the salary increases of high ranking executives and other employees. Watts (2003) cites a newspaper report by Denholm (2002) in which 13.4 per cent annual increase in executive salaries is compared with a 3.1 percent annual increase in earnings for all employees. It was claimed that top executives now earned 30 times average wages, compared with 6 times average wages in the 1970s (Watts, 2003, 193).

The Human Rights and Equal Opportunities Commission produced a report presenting options for paid maternity leave to be extended in Australia. This received a non-committal response from the Commonwealth government but was a source of considerable media and policy discussion (Goward, 2002).

Some Key Submissions

The ACTU sought a \$25 weekly increase in all award rates and a commensurate increase in allowances. The ACTU arguments were based on the strong performance of the Australian economy:

The ACCI proposed a \$10 per week increase in the federal award minimum wage and no increase to award wages above this level. ACCI submitted that there is a recovery taking place but it is at an early stage and from a low base.

The Commonwealth submitted that the ACTU's claim should be rejected. It argued for a \$10 per week increase to award rates up to and including the equivalent of the tradesperson's rate -C10 in the Metal Industries Award (currently \$507.20 per week);

The States of New South Wales, Queensland, Tasmania, Victoria, South Australia and Western Australia and the Australian Capital Territory and the Northern Territory (jointly the State Labor Governments) supported the ACTU's claim. In the alternative, and in the event of deterioration in the economic outlook, the State Labor Governments submitted that the Commission should grant the maximum wage increase consistent with the evidence to ensure that a genuine safety net for the low paid is maintained.

2003: Australian Industrial Relations Commission

Decision

The AIRC granted a two tiered increase comprised of a (AIRC, 2003):

- \$17 per week increase in award rates up to and including \$731.80 per week; and a
- \$15 per week increase in award rates above \$731.80 per week.

Thus the federal minimum wage was increased by 3.9% from \$431.40 to \$448.40 per week. This equates to \$11.80 for a standard 38 hour working week.

Effective Date

9 May 2003

Reasons for decision

The Commission described the Australian economy as strong, particularly with the non-farm economy growing at four per cent. Total growth was 3.2 per cent due to the effects of drought in the agricultural sector. Private sector investment and investment in dwellings were described as strong. The labour market was perceived as strong with unemployment falling, growth in full-time and part-time employment. Inflation and wages growth were described as moderate. Significant productivity growth was noted and the AIRC commented that profits measured by gross operating surplus grew and the profit share of GDP was at historically high levels.

Contextual Issues

There was a continued emphasis on the decentralization of wage determination processes. Legislation was introduced but not passed which was aimed to reduce the influence the role of unions in wage negotiations by banning pattern bargaining.

A Senate Bill was introduced seeking the introduction of 14 weeks paid maternity leave but this did not pass.

Some Key Submissions

The ACTU sought a \$24.60 a week increase for the 'Living Wage'. In support of its claim, the ACTU pointed to evidence which it submitted overwhelmingly established the following five propositions:

- The needs of the low paid demand that the Commission should award the greatest amount it can, consistent with economic responsibility.
- The Australian economy is growing strongly, despite one of the worst droughts in a century and international uncertainty.
- The \$18 increase awarded by the Commission last year had no adverse economic impact.
- Next financial year, when this year's safety net adjustment will take effect, the economy is expected to be even stronger than this year; and
- A \$24.60 increase would have a negligible impact on growth, employment and inflation.

Labor States supported an increase in award rates of \$18.00.

The Commonwealth did not oppose an increase in award rates of up to \$12.00 applied up to the Metal Award's C10 rate (\$525.20).

The ACCI opposed the ACTU's claim and summarised its assessment of Australia's economic prospects as being 'at the start of an ordinary year but one with extraordinary risks' (AIRC, 2003, para. 2). It contended that it will be an ordinary year if the drought breaks, the dollar does not keep rising, the economies of the rest of the world enter recovery, the war with Iraq either does not occur or rapidly ends with no collateral damage for the world's economies and oil prices rapidly return to their previous lower levels.

AiG proposed \$11.00 subject to absorption. While AiG accepts that a modest wage adjustment is appropriate, it submitted that acceding to the ACTU's claim simply on a superficial analysis of the past strength of the Australian economy would threaten the growth potential of the Australian economy at a time of global economic uncertainty, falling exports partly impacted by the drought and possible military conflict with Iraq, and fail to recognise that economic conditions have changed for the worse.

The NFF sought an amendment to the operation of Principle 12 (Economic Capacity). In light of the recent droughts the NFF proposed a drought exemption clause. The NFF argued that if 'a business, that is located in a Commonwealth declared drought area (for the purposes of drought relief) and has been granted Commonwealth Government assistance due to adverse economic circumstances...the Commission [should] grant an application to postpone the introduction of the wage increase arising from the Safety Net review 2003 decision for 12 months'. In response to the NFF's claim the AIRC stated that any increase granted in such a case is unlikely to have any immediate impact on the sectors of industry that would be the beneficiaries of the NFF proposal. The AIRC considered that a general exclusion for farmers would be premature (AIRC, 2003).

DEAC asked the AIRC to set principles to regulate the process for certification of enterprise agreements applying to workers with disabilities. The DEAC highlighted that the safety net has failed some workers with disabilities particularly in terms of enterprise agreements relating to business services enterprises and the Australian Liquor, Hospitality and Miscellaneous Workers Union Supported Employment (Business Enterprises) Award 2001. The Commission was not inclined to make any determinative statement about its role in the development of specific principles for dealing with certification of enterprise agreements covering workers with disabilities. However, the Commission agreed with the ACTU in that such cases should be considered in separately constituted proceedings of the Commission.

2004: Australian Industrial Relations Commission

Decision

The AIRC decided on a \$19 per week (4.2%) increase to all federal award wages; an increase in the minimum wage from \$448.40 to \$467.40 per week (AIRC, 2004). The hourly rate of pay increased from \$11.40 to \$12.30 per hour based on a 38 hour standard working week.

Effective Date

10 May 2004

Reasons for Decision

Arguments relevant to equity and the need to maintain an adequate safety net were influential in the AIRC decision. The AIRC appeared to accept the argument that increasing the wages of the low paid was likely to have only modest implications for employment levels. While it considered arguments that the social security system may be an appropriate vehicle for targeted policies relevant to alleviating poverty, it recognized that its own capacity to address the needs of the low paid was restricted to variations in minimum wage payments.

Contextual Issues

The economy grew at 4%, up from 2.8% recorded in 2003. Unemployment figures stood at 5% in December 2004, and this was accepted as a sign that the economy was moving towards full employment. However, Watts and Mitchell (2005, p. 151) noted that labour underutilization may have been double the unemployment rate and that the labour market was far from working at capacity. Employment grew by 2.7% in the year ending June 2004. The inflation rate stood at 2.3% in the same period, the cash rate was 4.25% throughout 2004.

A federal election held in October 2005 led to the Liberal-National Party Coalition retaining a majority of seats in the House of Representatives and also gaining a Senate majority. There was an expectation that legislative changes to wage determination and industrial relations would form an important part of the incoming government's policy agenda.

Some Key submissions

The ACTU argued for an increase of \$26.60 per week to the federal minimum wage. In support of its claim the ACTU argued that, in the context of strong job growth, moderate growth in prices and wages and a growing economy, the amount of the increase is fair, both to employees and employers alike. More particularly, it was argued that \$26.60 would provide a real, but modest increase, which will help restore the relative value of after-tax wage income for the lowest paid award workers whose real after-tax wages have been essentially stagnant since 1999.

The ACCI and AiG concluded that the economy is showing more strength than last year but there is no major acceleration taking place. ACCI and AiG supported a \$10 increase, ACCI capped at the C10 level, AiG applying to all award rates. ACCI sought a 28 day notice period for employers before passing on any increase in award rates. AiG sought a new commitment to continuous improvement in productivity and efficiency

The States of New South Wales, Queensland, South Australia, Tasmania, Victoria and Western Australia and the Australian Capital Territory and Northern Territory (jointly the States and Territories) supported an increase of \$20 per week in all award rates of pay.

The Commonwealth opposed the ACTU's claim on the grounds of its magnitude and an anticipated adverse economic impact. However, the Commonwealth did not oppose an increase of up to \$10 per week in award rates up to and including the tradesperson classification - C10 (\$542.20) in the Metal Industries Award.

2005: Australian Industrial Relations Commission

Decision

On 7 June 2005 the Australian Industrial Relations Commission handed down its last national Minimum Wage decision. The decision was to increase the weekly minimum wage increase by \$17 (3.6 percent) to \$484.40 a week which is up from \$467.40 (AIRC, 2005). This translates to an hourly rate of \$12.75 up from \$12.30 for a standard 38 hour working week.

Effective date

First pay period on or after 7 June 2005. Specific 'transitional arrangements' applied to Victoria employers covered by common rule with different effective dates.

Reasons for Decision

The AIRC considered its roles in encouraging enterprise bargaining, considering the employment implication of its wage decisions and the social need for award safety net adjustments. On balance it considered that minimum wage decisions had limited impact on employment outcomes and incentives to negotiate at an enterprise level. An acknowledgement of its role in maintaining an effective safety net was acknowledged.

Contextual Issues

The world economy recorded strong growth in 2004 and conditions are expected to remain favourable notwithstanding a slowing of growth in the early part of 2005. Australia was predicted follow the world trend given the very high levels of domestic demand, in particular, household consumption and dwelling investment.

Employment was forecast to grow at a slower rate in 2005–06. The AIRC did not anticipate any real deterioration in the labour market and predicted it would remain robust.

Inflation was expected to remain within the RBA's target range of 2–3 per cent. Neither the RBA nor the Treasurer suggested that growth in award wages was linked in a significant way to any potential for inflationary earnings growth.

Some Key Arguments

The ACTU pursued a safety net adjustment of \$26.60 per week in all award rates with a commensurate adjustment in wage related allowances. The ACTU submitted that the economy remained strong, growth continued, unemployment remained at historically low levels, inflation remained at the centre of the Reserve Bank of Australia's target range, productivity, profits and business investment also continued to grow. The ACTU submitted that the Commission should be confident that granting of its claim would not diminish the continuing trend towards local level agreements.

The ACCI submitted that the Commission should reject the ACTU's claim and grant what it submitted would be a genuinely moderate level of safety net increase of \$10 per week.

The NFF supported an increase of no more than \$10 per week in the federal minimum wage. It submitted that while there is improvement from the height of the drought, significant parts of Australia were still experiencing drought conditions.

ACOSS submitted that there was no evidence before the Commission that recent minimum wage increases have weakened employment growth. Much of the ACOSS submission addressed income distribution based on notions of inequality and advocated reliance on minimum wages rather than government transfers to stave off poverty. It asserted that the

majority of low paid workers are found in the bottom half of income distribution and most in that category are women, many of whom rely on award wage increases.

2006: The Australian Fair Pay Commission

Establishment of Australian Fair Pay Commission (AFPC)

The AFPC was established on 14 December 2005 upon the commencement of the *Workplace Relations Amendment (WorkChoices) Act 2005*. The AFPC's determinations cannot be rejected by the Commonwealth government and are enforceable in the federal Court or the Federal magistrates Court.

The AFPC's key role was to set and adjust minimum wages. It assumed the wage-setting powers of the AIRC as they relate to the setting of minimum wages for employees of constitutional corporations and employees in Victoria and the territories. The AFPC's role was however, more narrowly focused than that of the AIRC, which previously could fix and vary all award wage rates not only the minimum wage. The more constrained focus was consistent with the object of *WorkChoices* amendments, which emphasized individual bargaining rather than on centralized wage fixation.

Decision

The AFPC brought down its inaugural wage-setting decision on 26 October 2006. A general pay increase to adjust the standard Federal Minimum Wage (FMW) and Australian Pay and Classification Scales (Pay Scales) as follows (AFPC, 2006):

- An increase in the standard hourly rate increased by \$0.72 per hour, from \$12.75 per hour to \$13.47. This resulted in a FMW of \$511.86.
- An increase of \$27.36 per week in all Pay Scales up to and including \$700 per week. An increase of \$0.72 in hourly rates up to \$18.42.
- An increase of \$22.04 per week in all Pay Scales above \$700 per week and an hourly increase of \$0.58 is granted to Pay Scales providing hourly rates above \$18.42.

Effective Date

1 December 2006.

Reasons for Decision

The AFPC's publication on the wage decision cited inflation, competitiveness, productivity, providing a safety net of low paid works, and the federal budget as the main determinants in the Commissions move to increase the Federal Minimum Wage. The reasons for the decision highlighted by the Commission appear to align with the wage-setting parameters of section 23 of the amended *WorkChoices* legislation⁶.

There is little in its written documentation to demonstrate how the AFPC arrived at the quantum delivered or the conclusions drawn from submissions.

⁶ The objective of the AFPC in performing its wage-setting function is to promote the economic prosperity of the people of Australia having regard to the following:

- (a) the capacity for the unemployed and low paid to obtain and remain in employment;
- (b) employment and competitiveness across the economy;
- (c) providing a safety net for the low paid;
- (d) providing minimum wages for junior employees, employees to whom training arrangements apply and employees with disabilities that ensure those employees are competitive in the labour market.

Contextual Issues

The Australian economy grew at a moderate pace, with GDP growing at 1.9 per cent over the year to the June quarter 2006. International economic conditions looked favourable, with the world economy in its fourth successive year of above-average growth. This led to an increase in commodity prices between 2004 and 2006, which provided a significant boost to national income in Australia

After a period of weakness in late 2005, employment grew at an annualised rate of around 3.4 per cent the up until June 2006, with over 75 per cent of the additional jobs being full-time. The unemployment rate fell below five per cent for the first time in 30 years in May 2006. The Consumer Price Index (CPI) increased by 4.0 per cent over the year to the June quarter 2006.

Some Key Submissions

The ACTU called for a \$30-a-week pay increase. The ACTU's seemingly large recommendation came following a six month wage freeze imposed by Employment Minister Kevin Andrews on the 7 June 2006. ACTU secretary Greg Combet said that 'by the time the government's so-called Fair Pay Commission gets around to awarding [an] increase if anything at all later this year, it's going to be about 18 months [since the last federal minimum wage increase]. And our \$30 wage increase, when you annualise it, is about \$20 a year in these circumstances, or four per cent per year. Bang on what the inflation rate currently is and we are therefore seeking no more than the maintenance of people's real wages against rising petrol prices and interest rates'.

ACOSS recommend that decision should be informed by 'benchmark' estimates of the cost of attaining a 'decent basic living standard' for a single adult according to contemporary Australian standards. Also, if social security payments for jobless people are set at poverty levels or higher, there is a need to set minimum wages at a higher level than this to preserve work incentive. ACOSS stated that the FMW of \$484 per week was about the same level, after taking into account inflation, as it was in 1989. This is because increases in minimum wages in the early 1990s were not sufficient to compensate for rises in the cost of living. After citing the favourable economic climate ACOSS recommended that there is further scope to improve real levels of minimum wages, and income support and family payments, so that those on the lowest incomes share in the improvements in living standards that most Australians have enjoyed in recent years (ACOSS, 2006, p.7).

The ACCI argued that significant increases proposed by the ACTU and others will have a significant effect on inflation, eating away the value of the wage increase and making further interest rates increases more likely. Wages rose by 4.1 percent to June 2006, so wage pressures are increasing. This means interest rate increases are more likely. There is no case for increasing minimum wages to 'keep up' with general wage increases.

2007: The Australian Fair Pay Commission

Decision

The AFPC's second national Minimum Wage Decision comprised (AFPC, 2007, p.9):

- An increase to the standard Federal Minimum Wage (FMW) and related pay scales of a rise of 27 cents per hour to \$13.74 per hour), giving a new weekly FMW of \$522.12 for a standard 38 hour week.
- The same increase to be paid to all Adult Pay Scales corresponding to a basic period pay rate of up to \$700 per week; and
- An increase of \$5.30 per week for Adult Pay Scales for a basic period rate of over \$700 per week.

The AFPC granted a deferral of Wage-Setting Decision to specified Australian Pay and Classification Scales for employees of farm businesses located in an Exceptional Circumstances declared area and where the employer is in receipt of the Farm Business ECIRS. The deferral of the general wage increase will be for a maximum period of 12 months from 1 October 2007. If a farm business ceases to be in receipt of an ECIRS, the farm business will cease to be exempt from paying the 2007 general wage increase (AFPC, 2007).

Effective Date

1 October 2007.

Reasons for Decision

The AFPC specifically noted its responsibility to consider the capacity of the unemployed to achieve and remain in employment and the need to provide a safety net for the low paid. The AFPC noted a need for further research to investigate the impact of minimum wage adjustments on labour demand. It also acknowledged forthcoming changes in to effective marginal tax rates and the expected beneficial effect this was to have on disposable income among minimum wage recipients.

The plight of the agricultural industries experiencing drought conditions was noted and viewed to be of particular concern.

Contextual Issues

Overall wage pressures were thought to have not increased markedly in recent years, despite strong employment growth and continuing falls in the unemployment rate. Growth in the Wage Price Index (WPI) increased by 1.0 per cent in the March quarter 2007 (in seasonally adjusted terms) to be 4.1 per cent higher over the year. This increase, which incorporated most of the effects on wage rates of the Commission's Wage-Setting Decision 1/2006, was lower than the market expectation of 1.3 per cent over the quarter.

The CPI increased by 0.1 per cent in the March quarter 2007 for an increase of 2.4 per cent over the year. This was well below expectations of increases of 0.7 per cent in the quarter and 2.9 per cent over the year.

Some key submissions

The ACTU petitioned for a \$28 a week increase in all Pay and Classification Scale employees on the basis of strong economic conditions: 'There will be no better time to provide real wage increases to Australia's minimum wage earners' (ACTU, 2007, p. 25).

The ACCI urged moderation, arguing that it had been only five months since the previous FMW decision took effect. A key theme explored throughout ACCI's 2007 AFPC submission was the imperative for not less than 12 months to elapse between wage increases (ACCI,

2007).⁷ The ACCI also cited the easing inflationary pressure as a reason to moderate the forthcoming FMW increase. Since *WorkChoices* regulations came into effect in March 2006, wages across the economy grew by 2.9 per cent. Subtracting headline inflation, real wages growth was 0.5 per cent and if underlying inflation is subtracted, real wages growth was 0.8 per cent. This means that wages growth not only kept up with inflation during 2006, but exceeded it.

⁷ ACCI 'AFPC Facing Key Test on Minimum Wages', April m2007 p.4

2008: The Australian Fair Pay Commission

Decision

The standard Federal Minimum Wage (FMW) and Australian Pay and Classification Scales (APCS) were varied to include (AFPC, 2008):

- an increase of \$0.57 per hour from \$13.74 to \$14.31 per hour, bringing the standard weekly FMW to \$543.78.
- an increase of approximately \$21.66 per week (\$0.57 per hour) in adult Pay Scales. The increase could be offset against any equivalent amount in rates of pay received by employees whose actual wages were determined by above minimum Pay Scale arrangements.

The deferral of the 2007 general wage increase for some employees in drought affected agricultural sector was discontinued.

Effective Date

First pay period on or after 1 October 2008.

Reasons for Decision

The AFPC noted the adverse effects of inflation on the real incomes of minimum wage workers and effects of tax cuts on the disposable income of the low paid.

Contextual Issues:

Inflation remained above the RBA's target band of 2-3%, with underlying inflation at 4.3% to the year ending March 2008. Low income earners however, had been particularly affected by increasing prices for petrol and food.

Official interest rate rose from 6.5% in August 2007 to 7.25% as of July 2008. Many commentators tipped an imminent recession in the wake of the sub prime mortgage situation in the United States. Domestic lenders lifted interest rates independently of the Reserve Bank of Australia and this was attributed to the uncertainty with the economic environment.

On 1 July 2008 the Commonwealth's *Tax Laws Amendment (Personal Income Tax Reduction) Bill 2008* came in effect. Table 4 summarises the changes. The Bill also increased the Low Income Tax Offset (LITO) from \$750 per year to \$1200 per year but maintained the threshold for its withdrawal at \$30,000. Low-income earners received half the benefit of this offset through their regular pay, rather than the previous practice of receiving the total as a lump sum when their income tax returns are assessed.

Table 4:: Income Tax Rates Effective 1 July 2008

Tax thresholds for 2007-08 (Income range)	Tax rate (%)	New tax thresholds from 1 July 2008 (Income range)	Tax rate (%)
\$0-\$6,000	0	\$0-\$6,000	0
\$6,001-\$30,000	15	\$6,001-\$34,000	15
\$30,001-\$75,000	30	\$34,001-\$80,000	30
\$75,001-\$150,000	40	\$80,001-\$180,000	40
\$150,001+	45	\$180,001+	45

Source: Tax Laws Amendment (Personal Income Tax Reduction) Bill 2008 Explanatory Memorandum

Some key submissions

The ACTU requested a \$26.00 increase in all pay scale wage rates, arguing there was a need to maintain the real value of wages for minimum wage workers (estimated to number 1.55 million). It was argued that an increase of \$26.00 would be non-inflationary due to record

profit margins. It was further argued that tax cuts in 2008/09 federal budget did not diminish the AFPC's role in ensuring adequate wage safety net. The ACTU argued that it was the role of the AFPC to set fair pay, not fair tax or transfer arrangements.

AiG proposed that minimum wages be increased for all classifications by \$13.30 per week. If July 2008 tax cuts were taken into account this would total an increase of approximately \$20 or 4.1%.

ACCI noted that the federal minimum wage was not the sole source of income for those on the minimum wage.

NFF argued for an adjustment no more than the CPI, due to potential inflationary pressures.

The Commonwealth did not submit a recommended wage increase but requested the Commission consider the balance between the potential impact of minimum wage increases on inflation, employment, the provision of a safety net and the financial needs of low-income earners.

ACOSS submitted that '[o]ver the past year low income households have been disproportionately affected by sharp increases in rents, transport and other costs. Modest improvements in the real value of minimum wages are needed to assist people on the lowest incomes to share in the improvements in living standards that most Australians have enjoyed in recent years'. ACOSS argued that minimum wages should be sufficient for a single adult to achieve a 'decent basic living standard' (ACOSS, 2008, p. 2), well clear of poverty levels, in accordance with community expectations.

2009: The Australian Fair Pay Commission

Decision

In June 2009, the AFPC decided not to award any increase in the federal minimum wage. The AFPC's decision aimed to protect jobs and support the recovery of the Australian labour force in light of the economic downturn (AFPC, 2009). The minimum wage was frozen at \$543.78 per week based on 38 hour basic period pay; the hourly wage rate remained at \$14.31 per hour.

Effective Date

1 October 2009

Reasons for Decision

The AFPC's decision to freeze the FMW was a consequence of the expectation of effects that the Global Financial Crisis would have on the Australian economy. Between mid-2008 to mid-2009 the outlook for the Australian economy and labour market was uncertain. It was expected that the Australian economy would experience its first recession since 1991. Employment growth had slowed and average working hours were declining. The unemployment rate had risen from 4.6% in June 2008 to 5.8% in June 2009. The AFPC expected the unemployment rate would continue to increase to 8.5%. With this dire outlook the AFPC was disinclined to add to the pressures already faced by employers. The AFPC stated that because of the current state of the Australian economy "the ability of employers to offer sufficient work has been curtailed and there is a heightened risk that an increase in regulated minimum wages would reduce employment and working hours" (AFPC, 2009, 24).

The AFPC identified that low-paid and low-skilled workers would become increasingly vulnerable as the economy contracted. The AFPC stated that "*during a downturn, as aggregate wage growth slows and new job opportunities diminish, minimum wage increases are estimated to have a magnified effect on unemployment, as shown in figure 6*" (AFPC, 2009, p.36-37).

The AFPC expected that the federal fiscal stimulus package scheme would be enough in the circumstances to sustain the relative living standards of low-paid workers on the minimum wage.

Contextual Issues

In 2009 in Australia, as elsewhere, policy discussion was dominated by the financial crisis and economic downturn following the collapse of Lehman Brothers in September 2008. In response to fears of a global recession, the Commonwealth government implemented a range of fiscal measures intended to boost consumer and investment spending. This included a \$950 one-off payment for low and middle income households and individuals. In a press release the Prime Minister and Treasurer stated that the purpose of the cash payments was to "stimulate consumption quickly, supporting economic activity and jobs until our nation building initiatives have an impact." Most of the payments were made during the period from mid March until early April 2009. Another scheme comprised a first home buyer's grant and a "nation building and jobs package"⁸ which focused on community infrastructure projects both of which could be expected to support employment in the construction sector.

⁸ <http://www.economicstimulusplan.gov.au/housing/pages/default.aspx> accessed 26 November 2009

Some Key Submissions

The ACTU asked for a \$21 per hour increase in the FMW based on 38 hour basic period pay, arguing that ‘[t]he slowing of the economy does not mean that minimum wages workers should suffer a cut in real wages (ACTU, 2009, p.154).’ The ACTU went on to say;

...[a]n increase in the rates of pay of minimum wages workers, which maintains their real wages, will assist to provide the needed stimulus to demand. This in itself, as part of all the other measures enacted [i.e. expansive fiscal and monetary policies], will operate to protect employment. (ACTU, 2009).

The ACCI warned against a wage increase in light of the current economic conditions in Australia and the world. The ACCI stated that ‘given the negative relationship between wages and employment it is clear that any uprating of minimum wages would accentuate the forecast rise in the unemployment rate (ACCI, 2009).’

2010: Wage Review Panel

Decision

In its first annual review of wages, the Wage Review Panel (WRP) increased national minimum wages (NMW) by \$26.14 per week; from \$543.76 to \$569.90 based on a 38 hour period pay. This represents an hourly increase of \$0.69 per hour; from \$14.31 to \$15. In percentage terms the \$26.14 increase represents a 4.8 per cent increase to the previous Federal Minimum Wage, however, the WRP awarded the increase as a flat dollar amount rather than a percentage increase.

Effective Date

1 July 2010

Reasons for Decision

The WRP noted Australia's relative economic resilience during the Global Financial Crisis. Despite many sectors of the Australia economy experiencing growth, award-reliant employees, including those receiving the minimum wage had been awarded no change to their wages since mid-2008. The WRP said;

During that time, productivity, prices and real earnings have grown but minimum wages have not. There is a strong case for a rise in minimum wages to provide a fair and relevant safety net, protect the relative living standards of award-reliant employees and assist the low paid to meet the needs (*Annual Wage Review, 2010: p74 at[334]*).

In the year to March 2010 prices throughout the Australia economy have steadily increased. In this period WPI increased by 3%, AWOTE increased by 5.8%, CPI increase by 2.9% and the ALCI increased by 1.9 %. On this evidence the WRP believed that an increase in to the NMW was warranted.

The WRP members argued that a dollar amount increase was more appropriate than a percentage increase, as low paid workers would receive relatively higher benefit than higher income earners. In making this decision the WRP stated;

We are required in particular to take the needs of the low paid into account. In light of the fact that award-reliant employees have not had an increase in wages since 2008, it is desirable that we increase award rates by the largest amount consistent with the statutory criteria (*Annual Wage Review, 2010: p75 at [337]*).

Contextual Issues

At the time of decision, some parts of Australia's economy, particularly the resources sector, were in a state of recovery following the economic downturn experience from mid-2008 amidst the global financial crisis. However, the recovery was uneven and although Australia showed strong signs of recovery during the early part of 2010 the global and domestic markets still showed signs of instability. This is perhaps illustrated by the collapse of many European financial markets in the first half of 2010 and a significant decline in the Australian stock market in May 2010 which represented the biggest downturn since the onset of the GFC in mid-2008. The early recovery in 2010 appeared to slow as the immediate effects of the Federal government's fiscal stimulus plan declined and the Reserve Bank of Australia's decision to increase interest rates by 25 basis points in March, April and May 2010 appeared to tighten borrowing and consumer spending.

Some Key Submissions

The ACTU submitted that the WRP should increase minimum wages, in both awards and minimum wage orders, by \$27.00 a week.

ACCI submitted that the NMW should be increased to \$556.40, an increase of \$12.62. In relation to modern award rates of pay, ACCI submitted that the Panel should grant an increase of not more than \$12.50 per week for employees earning up to the C10 tradesperson classification rate of \$637.60 per week. For employees earning in excess of the C10 trade rate, ACCI submitted that there should be an increase granted of \$10.50 per week.

The Women's Electoral Lobby (WEL) and National Pay Equity Coalition (NPEC) jointly recommended that the NMW be increased by \$49.00 or 9 per cent. This would set the weekly rate at \$592, a figure relative to average weekly earnings of 48.5 per cent – just short of the pre-AFPC era.

Wage-setting principles

This was the WRP's first national wages review. It was the first increase in national minimum wages since the July 2008, after the AFPC's decision to freeze wages in June 2009. The WRP's decision was made pursuant to the *Fair Work Act 2009* (the Act). Given this was the first wage determination pursuant to the Commonwealth Government's new workplace relations system, the WRP sought at length to outline the obligations, principles and considerations which it was bound by when making its decisions.

In making a national minimum wage order the WRP is bound by the minimum wages objective in s284 of the *Fair Work Act*, and, pursuant to s.294 of the *Fair Work Act* a national minimum wage order:

- (a) must set the national minimum wage; and
- (b) must set special national minimum wages for all award/agreement free employees in the following classes:
 - (i) junior employees;
 - (ii) employees to whom training arrangements apply; and
 - (iii) employees with a disability; and
- (c) must set the casual loading for award/agreement free employees.

The WRP is obliged, when making its determination, to consider the following criteria set in s284 of the Act.

- (a) the performance and competitiveness of the national economy, including productivity, business competitiveness and viability, inflation and employment growth; and
- (b) promoting social inclusion through increased workforce participation; and
- (c) relative living standards and the needs of the low paid; and
- (d) the principle of equal remuneration for work of equal or comparable value; and
- (e) providing a comprehensive range of fair minimum wages to junior employees, employees to whom training arrangements apply and employees with a disability.

The WRP must also consider the purpose of modern awards when making its determination. The FWA outlines the purpose of modern awards at s134 of the Act. This provision states that the WRP must consider:

- (a) relative living standards and the needs of the low paid; and
- (b) the need to encourage collective bargaining; and
- (c) the need to promote social inclusion through increased workforce participation; and
- (d) the need to promote flexible modern work practices and the efficient and productive performance of work; and
- (e) the principle of equal remuneration for work of equal or comparable value; and

- (f) the likely impact of any exercise of modern award powers on business, including on productivity, employment costs and the regulatory burden; and
- (g) the need to ensure a simple, easy to understand, stable and sustainable modern award system for Australia that avoids unnecessary overlap of modern awards; and
- (h) the likely impact of any exercise of modern award powers on employment growth, inflation and the sustainability, performance and competitiveness of the national economy.

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