



FAIR WORK
COMMISSION

STATEMENT

Fair Work Act 2009
s.285—Annual wage review

Annual Wage Review 2012–13 (C2013/1)

JUSTICE ROSS, PRESIDENT
SENIOR DEPUTY PRESIDENT WATSON
COMMISSIONER SPENCER
COMMISSIONER HAMPTON
MR VINES
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MR DWYER

MELBOURNE, 3 JUNE 2013

[1] The *Fair Work Act 2009* (the Act) requires the Commission’s Minimum Wage Panel to conduct and complete a review of minimum wages in modern awards and the national minimum wage in each financial year. This decision deals with the 2012–13 annual wage review and directly affects over 1.5 million employees in Australia who are reliant upon award rates of pay or the national minimum wage.

[2] The Act provides that in conducting the Review, the Panel must take into account the general objects in s.3, the modern awards objective in s.134(1) and the minimum wages objective in s.284. We have taken all of these matters into account.

[3] It is important to recognise that the range of matters the Act requires us to take into account is not limited to economic considerations. In particular we are also required to take into account relative living standards and the needs of the low paid. The submissions of the parties tended to focus, naturally enough, on those statutory considerations which support the outcome they seek. But the Act requires the Panel to take into account *all* of the relevant statutory considerations.

[4] There is often a degree of tension between the economic and social considerations which we must take into account. A substantial wage increase may better address the needs of the low paid and improve the living standards of those reliant on awards relative to those employees who are not award reliant; but it may, depending upon the prevailing economic circumstances, reduce the capacity to employ the marginalised and hence reduce social inclusion. The range of considerations we are required to take into account calls for the exercise of broad judgment, rather than a mechanistic approach to minimum wage fixation.

[5] We have decided that the considerations we are required to take into account favours an increase which will result in a small improvement in the real value of modern award minimum wages in 2013-14. We have decided to increase minimum wages by 2.6 per cent.

[6] A number of considerations have led us to award a lower increase than that determined in last year's review. While the economic outlook remains favourable, GDP growth is expected to ease to slightly below trend in 2013–14 and the unemployment rate is expected to increase slightly. Inflation is expected to remain comfortably within the RBA target range of 2–3 per cent. In addition to these considerations, the superannuation guarantee increase to apply from 1 July 2013 has also been a moderating factor in our assessment of the adjustment that should be made to minimum wages. As a result, although it would not be appropriate to quantify its effect, the increase in minimum wages we have determined in this Review is lower than it otherwise would have been in the absence of the superannuation guarantee increase. We have also had regard to the effect of the carbon price on the published CPI figures and the lower than forecast recent inflation outcome, in considering past inflation for the purpose of the current review.

[7] The national minimum wage is currently set at the minimum wage for the C14 classification. We have not been persuaded to depart from that relationship. The national minimum wage will be \$622.20 per week or \$16.37 per hour. The hourly rate has been calculated on the basis of a 38 hour week for a full-time employee. This constitutes an increase of \$15.80 per week or 41 cents per hour.

[8] The determinations and order giving effect to our decision will come into operation on 1 July 2013.

[9] A number of parties sought differential treatment in respect of the application of the outcome of this Review to certain modern awards. We have not been persuaded that these proposals have sufficient merit. The diversity of experience within the sectors seeking differential treatment tells strongly against the grant of a general exemption. The evidence does not support a conclusion that, as a whole, these industries are suffering economic circumstances which would warrant the differential treatment sought. The general matters relied upon relate to the economy as a whole and do not support differential treatment for the modern awards that have been raised with the Panel. We have, however, taken these matters into account in our consideration of the economy and in the decision more generally.

[10] There is a final matter we wish to raise.

[11] As we have mentioned, relative living standards and the needs of the low paid are among the matters we are required to take into account in setting minimum wages. While some of the minimum wage rates in modern awards have increased in real terms over the past decade, they have not kept pace with the level of wage increases generally. Relative to all measures of median and average earnings, modern award minimum wages have fallen over the past decade and earnings inequality is increasing.

[12] If not addressed, these trends may have broader implications both for our economy and for the maintenance of social cohesion in Australia.

[13] As noted in past Review decisions, *both* minimum wages and the tax-transfer system are relevant to the maintenance of an effective safety net for the low paid—each has its part to play. Minimum wages play a particularly important role in the disposable income of households that do not receive income support payments.

[14] But increases in minimum wages are a blunt instrument for addressing the needs of the low paid. A significant proportion of low paid adult employees live in middle to high income households. The tax transfer system can provide more targeted assistance to low income households and plays a significant role in alleviating the impact of earnings inequality and supporting the living standards of low-paid workers.

[15] The way in which changes in the tax-transfer system are taken into account in minimum wage fixation remains a matter of contention and we would be assisted if this matter was given some consideration by the parties in the 2013–14 annual wage review. As the Panel did in last year’s Review decision, we would also encourage the Australian Government to discuss such matters with the major parties in an effort to arrive at a consensus about the specific effect any future tax-transfer changes may have on the variation of minimum wages in next year’s review.

[16] We are aware however that the tax-transfer system has its own limitations, including its impact on incentives to work. It is for this reason, among others, that minimum wages must play their part in meeting the needs of the low paid.

[17] Our productivity performance as a nation underpins our standard of living. In this context labour productivity is relevant. As we have noted, there has recently been an increase in labour productivity. Short-term variations in productivity should be interpreted with some caution and whether the recent increase is sustained remains to be seen. It is for that reason that we have not given greater weight to recent productivity outcomes in deciding to only award a modest increase in minimum wages in this Review. If sustained, the recent improvement in labour productivity could provide the capacity to address the declining relative position of the low paid and for them to share in increasing community living standards.

[18] The matters we have identified raise substantive issues which need to be addressed in the 2013–14 review, together with a consideration of the capacity to redress the decline in the relative living standards of award-reliant employees. In next years will invite further submissions on the widening dispersion in earnings and the declining relative position of employees reliant on award wages.

[19] The timetable for the Annual Wage Review 2013–14 will be announced in the last quarter of 2013.

[20] We wish to express our appreciation to the parties who participated in the Review for their contributions and to the staff of the Fair Work Commission for their assistance.