Australian government moves to impose further hardship on low-paid

By Terry Cook
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Reflecting the dictates of big business, the Rudd Labor government has signalled its clear intention that the Australian Fair Pay Commission (FPC) should grant only a pittance of a pay increase for the 1.1 million workers who struggle to survive on the federal minimum wage.

The FPC, the wage-fixing body set up by the previous Howard government with the brief to hold down wages, is being retained until it is replaced by Labor's own Fair Work Australia, which will serve the same purpose. The FPC is due to make its next pay decision in July.

While the government's submission to the FPC last month did not specify any amount to be imposed, it warned that wages must be contained because "increasing inflationary pressures in the economy are of concern" and "inflation has the potential to inhibit Australia's economic prosperity".

When the government evokes concerns about "economic prosperity", it means the profit margins of large corporations, not the needs of workers battling to meet increasing mortgage payments, rocketing rents and spiralling food and fuel prices on wages as low as $522.12 a week.

Over the past decade, the wages share of national income has fallen from 56 percent to less than 54 percent, while the profit share has increased from 24 to 28 percent. Yet the Rudd government demands that workers, who have no say or control over the economic system, pay the cost of a crisis that is not of their making.

Workers are not responsible for the worsening inflation. The current spiralling of prices, not only in Australia but internationally, is driven by a number of global factors, unrelated to wages, including commodity speculation and the growing demand for resources in cheap labour platforms such as India and China.

While the government has called for "wage restraint" from "everybody right across the community", its FPC submission shows that the working class will be made to shoulder the pain—particularly the lowest-paid.

The submission rolls out the same argument used by the Howard government, claiming that any improvement in wages would be a deterrent to employers taking on new labour. It states: "The Commission must therefore balance the needs of those low-income households whose minimum wage reliance is persistent, against the importance of not pricing some people out of the labour market."

There is no evidence that lowering wages has created jobs. On the contrary, the past three decades have seen hundreds of thousands of full-time jobs destroyed or replaced with low-paid, insecure part-time and casual employment. "Not pricing people out of the labour market" simply means deepening that process under conditions of a US and global recession that is certain to produce rising unemployment.

Already, facing mounting economic uncertainty and growing competition in world markets, Australian-based companies are shedding labour. Last month, more than 1,000 jobs were axed following the closure of Mitsubishi car manufacturing operations in South Australia.

The government wants the FPC to provide a springboard to suppress wage increases across all sectors. The submission warns that the FPC must avoid "setting expectations for other wage negotiations ... a higher minimum wage increase is likely to encourage higher wage outcomes in workplace bargaining negotiations."

The submission points out that around 48 percent of all federally registered collective agreements, covering about 44 percent of employees, will expire during 2008, including in the construction industry. Also affected are major car makers, Toyota and General Motors Holden, whose current work agreements have already expired, retailers Target and David Jones, and fast food giant KFC.

The submissions of major employer groups call for the minimum wage to be cut in real terms. The Australian Industry Group submission declares “the 2008 Minimum Wage Review takes place in a climate of increased economic risk and uncertainty” and calls for an increase of just $13.30 a week, bringing the minimum wage up to only $14.09 an hour.

That would be a rise of just 2.5 percent, well below the rate of inflation, which is expected to hit 4 percent when the latest Bureau of Statistics data is released in two weeks time. According to the bureau’s *2008 Year Book*, food prices jumped 6.2 percent in 2006-07, while health costs grew 4.7 percent, education 4.5 percent and housing 3.4 percent.

The Australian Chamber of Commerce and Industry is demanding that any increase be restricted to only $10 to $11 a week, while the national Restaurant and Catering Association is calling for a zero increase and a 7 percent cut in penalty rate payments for casual workers.

Significantly, workers most reliant on the minimum wage are concentrated in four industries: hospitality—accommodation, cafes and restaurants—retail, health and community services, and property and business services. Around 43 percent of minimum wage workers are employed on a casual basis.

The FPC has already taken the arguments of the government and big business on board. Last month, FPC head Professor Ian Harper—who now draws $199,830 a year for his part-time position—told the *Australian Financial Review* that while he expected unions to lobby for a higher increase, the FPC did not want to be “responsible for a rise in inflation as it would hit the very people the commission was trying to help”.

In reality, Harper and his fellow commissioners, whose lives are far divorced from those of ordinary working people, do not give a hoot about the plight of the low-paid. Last year, they delivered a miserable $10 a week increase.

The Australian Council of Trade Unions (ACTU) has called for a $26 a week increase (5 percent) to bring the minimum wage up to $548.12, before tax, or $14.42 an hour. This amount would not compensate low-paid workers for rising living costs, let alone provide any catch-up for past losses.

For every dollar received in a pay increase, the average minimum wage family loses 15 cents in income tax and the parenting payment is reduced by 60 cents. In other words, they retain only 25 percent of any increase. Even if the FPC were to award the $26 ACTU claim, these families would receive only around $6.50 per week.

Prime Minister Kevin Rudd has already dismissed the ACTU submission as an “ambit claim”—in other words so much hot air. The government is confident that the peak union body has no intention of leading any fight. The unions have already signed up to “wage restraint”. Last month, ACTU president Sharon Burrows pledged that the unions would look to “counter inflationary” measures in wage bargaining, and “work out at the bargaining table what they [employers] can afford”.

As it has always done, the ACTU will work to ensure that the 1.1 million low-paid workers remain on the sidelines while the FPC decides their fate. It will not lead an industrial and political campaign against the Rudd Labor government, any more than it did against the Howard government.

While workers remain straitjacketed, the Labor government has made clear that it will continue to intervene aggressively to ensure that workers bear the burden of collapsing financial markets, rising inflation and skyrocketing interest rates.

Last month, Workplace Relations Minister Julia Gillard declared: “Things are moving in our economy and moving in the international economy and we will take the opportunity after the May budget to further update the Fair Pay Commission on macroeconomic conditions.” In other words, the Rudd government will use the global financial crisis to advance further justifications for maintaining poverty wages.