



SPEECH – 2008 MINIMUM WAGE DECISION 8 July 2008

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Ladies and gentlemen, good afternoon and welcome to today's announcement of the Australian Fair Pay Commission's third general Wage-Setting Decision.

Australians know that the economic circumstances surrounding this year's minimum wage decision are vastly different from those twelve months ago when the Commission last adjusted minimum wages.

The national economy is in transition and the outlook is uncertain.

The Commission notes that economic activity and employment growth are forecast to slow in the near term, while unemployment is expected to increase. These weaker conditions may disproportionately disadvantage low-paid workers in the labour market.

On the other hand, it is clear from submissions, from our research and from our nationwide consultations that households face significant pressures, including higher costs for food, fuel and housing.

In making this year's minimum wage decision, the Commission has sought to balance the impacts of a range of key trends and developments in the

economy, including inflation, employment conditions and factors affecting the safety net for low-paid workers.

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It is in this context that I announce today a further increase in Australia's minimum wages.

The Australian Fair Pay Commission grants an increase of \$21.66 per week to the Federal Minimum Wage and to all pay scales.

This decision will directly increase the wages of 1.3 million Australian workers who rely on the Commission for their wage increases. Unlike previous years, all pay scales receive the same increase.

The increase will be implemented on the first pay period on or after the 1st of October this year and will flow on to junior employees, people in training arrangements and to workers with a disability.

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The Commission is especially aware of the financial pressures on low-income households at this time. Movements in consumer prices, in particular, have placed many low-income households under considerable financial stress.

This year's minimum wage increase of \$21.66 per week, when combined with recent changes to the tax and social security system, provides low-income households with real increases in their disposable income.

Furthermore, the Commission estimates that, on average, low-paid workers will retain 76 per cent of the increase I am announcing today.

While the Commission has placed emphasis in this year's decision on the role that minimum wages play in maintaining a safety net for low-paid people, it has not overlooked the potential for the increase to add to inflationary pressures or to affect employment and unemployment.

On balance, the Commission believes that its decision will have only a minor impact upon wage and inflation outcomes in the economy as a whole.

Wages paid to the 1.3 million Australians who directly rely on the Commission's decision comprise only a small percentage of the economy's total wage bill.

Furthermore, the impact on employment and unemployment will be relatively minor in the context of current economic circumstances.

The Commission will continue to monitor the impacts of its Decision closely and publish half-yearly Monitoring Reports.

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Last year, the Commission provided eligible employers in the drought-affected agricultural sector with an option to defer payment of the 2007 wage increase.

The Commission considers that the need for a continued deferral of wage increases for employees in the agricultural industry has declined to the extent that no further deferral is necessary.

As a result, where the 2007 deferral was applied to farm workers, these employees will receive both the 2007 and 2008 increases.

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On behalf of my fellow Commissioners, I would like to thank all organisations and individuals who have contributed to the 2008 Minimum Wage Review.

Ladies and gentlemen, this year's Minimum Wage-Setting Decision is both sustainable and appropriate to current economic conditions.

It is a decision that takes into account the state of the national economy and the circumstances of low paid Australians.

I am happy to take questions.

