



2007 Decision announcement speech

By Professor Ian Harper
Chair, Australian Fair Pay Commission
Thursday 5 July 2007

[Check against delivery]

Ladies and Gentlemen, welcome to today's announcement of the Australian Fair Pay Commission's second minimum wage-setting decision.

I am pleased to announce today a second real wage increase for Australia's lowest paid workers.

This decision follows the Commission's December 2006 wage increase and is the second increase in a ten-month period.

Once again the Commission's decision is in two parts.

From the first pay period on, or after, the 1st of October this year, Pay Scale reliant employees earning up to \$700 a week will receive an increase of \$10.26 per week.

This covers about 850,000 workers or about 8% of the Australian workforce. These workers are Pay Scale reliant—that is, they rely on the Commission's decisions for adjustments to their wages.

Those on more than \$700 a week—or more than \$36,000 a year—will receive an increase of \$5.30 per week.

This covers a further 350,000 workers or about 3% of the workforce.

These increases flow on to junior employees, employees to whom training arrangements apply and employees with a disability.

Taken together, the Commission's 2006 and 2007 increases have delivered—within a ten-month period—an additional \$37.62 per week to Australia's lowest paid workers.

This represents an increase of 7.8%—or nearly \$2,000 a year—since the final safety net adjustment brought down by the Australian Industrial Relations Commission in June 2005.

Furthermore, this increase exceeds the estimated growth in prices over the same period and is therefore a real increase in Australia's Federal Minimum Wage.

Reflecting changes announced in this year's Federal budget, most low-paid workers now have lower Effective Marginal Tax Rates.

As a result, the average low-paid worker will retain almost 75 per cent of the Commission's wage increase.

The Commission arrived at this year's wage decision after carefully considering information gathered from stakeholder meetings, targeted focus groups, and more than 70 submissions from organisations and individuals.

This was complemented by research conducted by the Australian Fair Pay Commission Secretariat and research presented in submissions.

As was the case last year, submissions offered a range of views regarding the appropriate adjustment to minimum wages.

The Commission is satisfied that the increases I am announcing today are responsible and fair. They balance the need to encourage employment with the need to provide a safety-net for low-paid Australians.

I confirm that, from this point forward, the Commission will announce an annual minimum wage-setting decision in July each year to be implemented in October.

This provides certainty for Australia's lowest paid workers and their employers.

A second important aspect of this year's minimum wage review concerns the circumstances of Australia's farmers.

The Commission has taken into account the impact of Australia's worst drought in more than a century.

The Commission has decided to grant a once-off deferral of this year's minimum wage increase to those Australian farm businesses most severely affected by drought.

Farm businesses which qualify for an Exceptional Circumstances Interest Rate Subsidy under the existing drought relief arrangements may defer the increase in minimum wages announced today.

This deferral applies only to classification minimum wages above the Federal Minimum Wage. It does not apply to the Federal Minimum Wage itself.

This measure is designed to protect jobs in drought affected regions of Australia and does not preclude farm businesses from passing on the increase if they are able.

The deferral applies for a maximum of 12 months or until a farm business ceases to qualify for the Exceptional Circumstances Interest Rate Subsidy, whichever comes first.

The Australian Fair Pay Commission is directed to promote the economic prosperity of the people of Australia.

The Commission has an important role in setting minimum wages so as to encourage ongoing employment and contribute to an adequate safety net for low-paid Australians.

This is a delicate balance.

Both inflation and unemployment have fallen since December last year, and the Wage Price Index did not see the anticipated spike in the March quarter following our first decision.

Furthermore, the labour force participation rate has increased and 80,000 more workers have entered the labour force since December 2006.

By these measures at least, it seems that our 2006 decision, in addition to delivering real wage increases for the lowest paid, produced no adverse employment or inflation outcomes for the economy as a whole.

The Commission expects the same to be true of its 2007 wage-setting decision.

The Commission will continue to monitor the impact of its decisions by assessing the effects on a range of economic and social indicators.

Today's decision acknowledges the sensitivity of low-paid employment to changes in wage levels as well as the incentives for individuals to seek and remain in employment.

It also takes into account:

- the short time period since the Commission's first decision;
- the fact that the economy and labour market have continued to perform strongly;
- movements in consumer prices;
- as well as the potential impact on unemployment and inflation.

And importantly, the decision takes into account the requirement to provide a safety net for low-paid Australians.

On behalf of my fellow Commissioners, I would like to thank all organisations and individuals who contributed to the 2007 decision-making process.

Ladies and Gentlemen, this decision delivers a responsible and fair outcome for Australia.

ENDS