



Australian Fair Pay
Commission

Annual Report
2005-06



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Chairman

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13 October 2006

The Honourable Kevin Andrews MP
Minister for Employment and Workplace Relations
Parliament House
Canberra ACT 2600

Dear Minister

Re: Australian Fair Pay Commission - Annual Report

I have pleasure in submitting the Annual Report of the Australian Fair Pay Commission for the period 14 December 2005 to 30 June 2006, in accordance with section 28 of the *Workplace Relations Act 1996* which requires the Australian Fair Pay Commission to prepare and give to you a report on the operation of the Australian Fair Pay Commission during the financial year.

Yours sincerely

A handwritten signature in black ink, appearing to read "Ian R. Harper", with a long horizontal flourish extending to the right.

Ian R. Harper
Chairman

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Introduction

This is the first Annual Report of the Australian Fair Pay Commission (Commission).

It covers the period from 14 December 2005, when the Commission was established, to 30 June 2006.

This Report details the work undertaken to establish the Australian Fair Pay Commission as a new wage-setting body.

The Report also has historical value as it is a record of the first months of operation of a new wage-setting body, established to assume the wage-setting function that previously rested with the Australian Industrial Relations Commission (AIRC).

Chairman's review

Establishment

The Australian Fair Pay Commission (Commission) was established on 14 December 2005 as part of the new Workplace Relations System, following Royal Assent of the *Workplace Relations Amendment (Work Choices) Act, 2005*. The Commission is responsible for setting and adjusting Federal minimum and award classification wages. Its overarching objective is to promote the economic prosperity of the people of Australia.

I was appointed as Chairman designate of the Commission on 13 October 2005.

Prior to the enactment of the Work Choices legislation, the wage-setting function assigned to the Commission had been the responsibility of the Australian Industrial Relations Commission (AIRC). It is important to note however, that the Commission does not replace the AIRC. Rather, it has responsibility for setting minimum wages for employees of Constitutional corporations and employees in Victoria and the Territories that previously rested with the AIRC.

The Commission's first minimum wage determination will be concluded by the end of spring 2006. In order to undertake the work required to meet this deadline, the process of establishing the Commission and the Australian Fair Pay Commission Secretariat to support the Commission commenced on 17 February 2006, with the appointment of Ms Jennifer Taylor as Director of the Australian Fair Pay Commission Secretariat. Following this appointment, the Commission opened its offices at 595 Collins Street, Melbourne on 6 March 2006.

The next major step forward in the establishment of the Australian Fair Pay Commission took place on 27 March 2006 with the appointments of Professor Judith Sloan, Mr Hugh Armstrong, Mr Mike O'Hagan and Mr Patrick McClure as part-time Commissioners. The Commissioners collectively provide the Commission with a comprehensive base of expertise and experience gained in academic, business, workplace relations and community service environments.

I would like to place on record my sincere thanks and appreciation for the work of my fellow Commissioners and the staff of the Commission's Secretariat in ensuring that the establishment of the Australian Fair Pay Commission proceeded smoothly and to schedule.

Highlights

The first full meeting of the Australian Fair Pay Commission took place on 30 March 2006. This was an important milestone in the Commission's short history as the discussion and outcomes of the meeting gave direction to the work required to support the Commission's first minimum wages decision.

In particular, the Commission discussed the research program that would be implemented and endorsed a process that would result in the Commission being guided by the principles of:

- independence;
- openness;
- honesty;
- transparency; and
- fairness.

These core values underpin the Commission's work.

The Commission also reached broad agreement regarding the process that would be followed in making its first minimum wages decision. This included a commitment to consult extensively with a broad cross-section of the Australian community and to ensure that a wide range of opinion and comment from stakeholders was available to Commissioners to inform their decision making process.

Initiatives

The Commissioners agreed that a fully representative range of views would be sought during the consultation process and through submissions. Further, the research commissioned through the Secretariat would provide additional empirical evidence concerning issues considered to be of particular significance by the Commission.

Our approach to the consultation process will involve meetings with major stakeholders and a series of public consultations in major cities and regional Australia with interested members of the community. These consultations will be open and accessible to all with advance notice of dates and venues being provided on the Commission's website and through local media.

The first stakeholder meeting took place on 23 May 2006. By the end of the reporting period, the Commission had met with 85 stakeholder groups.

The Commission also issued a request for submissions from government, business, community organisations and individuals. By 30 June 2006, 28 submissions had been received. Submissions close on 28 July 2006.

The public consultation phase of the Commission's program will commence in July 2006.

“By the end of the reporting period, the Commission had met with 85 stakeholder groups.”

Outlook

The immediate challenge for the Commission is to have concluded its decision making process and to have announced its first minimum wage decision by the end of spring 2006.

A considerable amount of further work will be required to meet this objective, although significant progress has been made in the last few months of the current reporting period.

Utilising the research that has been commissioned, ensuring that the content of submissions received is fully considered and completing the public consultation phase will ensure a full schedule for the Commission in the first months of the next reporting period.

The Commission is required by legislation to publish its decision and also to provide the reasons for the decision. I have directed the Australian Fair Pay Commission Secretariat to develop a comprehensive information and communication strategy, a task that will commence early in the next reporting period. This strategy will come into effect when the Commission announces its first decision.

Following this announcement, the Commission will turn its attention to broadening the public's understanding of matters relevant to the Commission's wage-setting function and other matters of public interest within the Commission's remit.

Additionally, the Commission will monitor the impact of its first decision and establish a research program to assist with this process of review. The evaluation will also provide valuable information for Commissioners prior to the commencement of the next phase of the Commission's work.

Ian R. Harper
Chairman

About the Commission

The Australian Fair Pay Commission sets and adjusts Federal minimum and award classification wages to promote the economic prosperity of the people of Australia. These wages are one of the five minimum conditions that any agreement negotiated between an employer and employee must meet.

Specifically, the Commission:

- adjusts the standard Federal Minimum Wage;
- determines and adjusts minimum classification rates of pay in Australian Pay and Classification Scales;
- determines and adjusts special Federal Minimum Wages for junior employees, employees with disabilities or employees to whom training arrangements apply;
- determines and adjusts basic periodic rates of pay and basic piece rates of pay payable to employees or employees of particular classifications; and
- determines and adjusts casual loadings.

In fulfilling its wage-setting function, the Commission must have regard to the following four key considerations:

- the capacity for the unemployed and low paid to obtain and remain in employment;
- employment and competitiveness across the economy;
- providing a safety net for the low paid; and
- 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.

Any wage that is negotiated or agreed cannot be any lower than the minimum wage which is set as part of the Australian Pay and Classification Scales; or the standard Federal Minimum Wage.

The Australian Fair Pay Commission cannot lower minimum wages below the levels set by the AIRC in its 2005 Safety Net Review. These levels provide the starting point for the Australian Fair Pay Commission's deliberations.

The Commission does not have any responsibilities under the *Financial Management and Accountability Act 1997* or the *Public Service Act 1999*. It is supported by the Australian Fair Pay Commission Secretariat which is responsible for financial management and the provision of resources to facilitate the work of the Commission.

The Secretariat performs specific functions including commissioning research, managing communications, coordinating consultations and managing submissions in order to assist the five Commissioners in their wage-setting function.

“The Australian Fair Pay Commission cannot lower minimum wages below the levels set by the AIRC in its 2005 Safety Net Review.”

The Commissioners



Professor Ian Harper – Inaugural Chairman

A distinguished Australian academic economist, Professor Ian Harper was appointed inaugural Chairman of the Australian Fair Pay Commission by Prime Minister John Howard in October 2005. Appointed as Chair in a part-time capacity, Professor Harper is both Sidney Myer Professor and Executive Director of the Centre for Business and Public Policy at the Melbourne Business School. As a member of the Wallis Inquiry into financial market deregulation, Professor Harper was at the forefront of financial market reform in Australia.

Professor Harper's economic insights and expertise are utilised by governments, banks, the general business sector and leading professional firms. Professor Harper is Principal of Harper Associates Australia, a Senior Consultant with CRA International and a consultant to Corrs Chambers Westgarth, Aon Australia and Adelaide Bank.

Prior to joining the Melbourne Business School in 1993, Professor Harper was Professor of Monetary and Financial Economics in the Faculty of Economics and Commerce at the University of Melbourne. He has also held positions at the Australian National University in Canberra, Princeton University in the United States and the Reserve Bank of Australia in Sydney. In 2000, Professor Harper was elected as a Fellow of the Academy of Social Sciences in Australia in recognition of his standing as an academic economist. In 2004 Professor Harper was inducted to the ANU Faculty of Economics and Commerce Alumni Hall of Fame.

“I am pleased and proud to assume the role of Chairman of the Australian Fair Pay Commission.

“I look forward to working with my fellow Commissioners in setting and adjusting the minimum wage to promote the economic prosperity of all people in Australia.”



Hugh Armstrong – Commissioner

Hugh Armstrong was appointed an Australian Fair Pay Commissioner by Prime Minister John Howard on 27 March 2006. Mr Armstrong's industrial relations career – dedicated to advocating for the interests of workers – has spanned more than 35 years, with expertise in dispute resolution, enterprise bargaining and wage-setting.

Glasgow-born, Mr Armstrong began his career with a five-year apprenticeship before joining the British Merchant Navy as a marine engineer. After migrating to Australia, Mr Armstrong joined the South Australian Department of Marine and Harbours as a marine engineer and the Australian Government Workers Association (AGWA). He began his industrial relations career as a shop steward before being elected to office at the AGWA and then the Federated Clerks Union of Australia. Mr Armstrong's last union posting was as the Australian Services Union's National Executive President. He was awarded the 1977 Churchill Fellowship to study industrial democracy in the UK, Europe and USA.

In 1996, Mr Armstrong changed career path and was appointed Conciliation Officer with the Victorian Accident Compensation Conciliation Service, a role he held until 2004. His numerous offices include the presidency of the Industrial Relations Societies of Australia and Victoria; Executive Member of the United Trades and Labor Council (SA); Delegate to the International Labour Organisation; and Member of various Wages Boards and Conciliation and Arbitration Committees of the (then) Industrial Relations Commissions of Victoria and South Australia.

“I am very pleased by this appointment and welcome the opportunity of working with my fellow Commissioners in the public interest.”



Patrick McClure, AO – Commissioner

Patrick McClure was appointed an Australian Fair Pay Commissioner by Prime Minister John Howard on 27 March 2006. Mr McClure has been at the forefront of Australian welfare reform and has dedicated his career to addressing social justice and building social capital. In 2003, Mr McClure received an Order of Australia (AO) for services to the community.

Mr McClure has worked closely with the Federal Government as Chairman of the Federal Government's Independent Reference Group on Welfare Reform in 1999–2000, and more recently Deputy Chair of the Welfare to Work Consultative Forum. He has been a member of the Board for A New Tax System and the Prime Minister's Community Business Partnership and is President of the Social Innovation Forum of the OECD's Local Economic and Employment Development program.

Mr McClure has spent ten years as CEO of Mission Australia, managing the organisation's evolution from a small state-based entity to a top 200 company with an annual budget of \$250 million, 2,800 staff and 326 services in each State and Territory. Mr McClure has resigned from this post, effective from the end of this financial year.

Mr McClure has studied widely – from social work to theology. He holds a Master of Arts (Public Policy) and was awarded a Churchill Fellowship for a study tour of the USA, Europe and Canada in 1990.

“I have worked in the community sector most of my life and I will bring that experience – and the voice of disadvantaged and low income Australians – to my new role.

“I look forward to the challenges that are ahead and making my contribution as an Australian Fair Pay Commissioner.”



Mike O'Hagan – Commissioner

Mike O'Hagan was appointed an Australian Fair Pay Commissioner by Prime Minister John Howard on 27 March 2006. Mr O'Hagan is a respected business man. He arrived in Australia as a backpacker from New Zealand with a few hundred dollars in his pocket and today owns a successful short distance furniture removal business, MiniMovers.

Before establishing his own company, Mr O'Hagan spent eight years working for 35 different employers, an experience that helped him shape his unique approach to business. He then started buying and selling goods as a second-hand dealer. Four years later, Mr O'Hagan began his furniture removal business with \$200 and a ute. Today, MiniMovers' annual turnover exceeds \$20 million and employs 280 people.

Through various government sponsored assistance and mentoring programs, Mr O'Hagan has helped many hundreds of businesses with his commonsense approach. He is a Fellow of the Australian Institute of Management (AIM), a Fellow of the Australian Institute of Company Directors (AICD), a Director of the Heart Research Institute Association (Qld), and a member of the Small Business Advisory Panel to the Reserve Bank of Australia. Mr O'Hagan actively encourages local businesses through his involvement with Chambers of Commerce and Business Network Clubs.

“I see this as a great opportunity to add my worker and small business knowledge to the decisions that affect the lowest paid in Australia.

“I acknowledge the leadership of Professor Ian Harper, the Chair of the Australian Fair Pay Commission, and look forward to working with my fellow Commissioners.”



Professor Judith Sloan – Commissioner

Judith Sloan was appointed an Australian Fair Pay Commissioner by Prime Minister John Howard on 27 March 2006. A respected and experienced economist and company director with expertise in industrial relations, labour markets, training and migration, Professor Sloan is also a part-time Commissioner for the Productivity Commission, the Deputy Chairman of Prime Life and a Director of Santos Ltd.

Professor Sloan holds double degrees from the University of Melbourne: a first class Honours Degree in Economics and a Masters in Economics (specialising in Industrial Relations). She also holds a Master of Science degree in Economics from the London School of Economics.

Professor Sloan has held academic appointments at the University of Melbourne and at Flinders University of South Australia. She was appointed Professor of Labour Studies in 1989 and held the position of Director of the National Institute of Labour Studies from 1992 to 1998. Her previous appointments include: Deputy Chairman of the Australian Broadcasting Commission; Director of Mayne Group Limited and the South Australian Ports Corporation Board; and member of the South Australian Council of TAFE, the Trade Development Council, the Textiles, Clothing and Footwear Development Authority and the Australian Statistics Advisory Council.

Professor Sloan has published widely in books, journals and newspapers and was a regular columnist for *The Australian Financial Review* and *The Australian*.

“I am delighted to be appointed to a newly formed Commission with a clear task in this area of vital public policy and I look forward to working with Professor Harper and my fellow Commissioners.”

Research and analysis

An early priority for the Australian Fair Pay Commission was to review the Australian data and research databases with a view to deciding where additional data collection and research was required.

The Commission determined that research will be:

- commissioned in the first instance;
- staged to reflect the Commission's needs and priorities;
- focused on filling gaps in our knowledge; and
- publicly accessible after the first determination.

Some of the important preliminary research questions identified by the Commission were:

- what do we know about the impact of minimum wages on employment and unemployment?
- who are the low paid in Australia and where do they work and live?
- how are the incomes of the low paid affected by changes in minimum wages?

Under the direction of the Commission, the Secretariat issued tenders for five research projects. By 30 June 2006, one piece of research had been completed. This was a review of the economic literature on the relationship between minimum wages and employment.

It is intended that all research will be displayed on the Commission's website following the release of its first decision.

The Australian Fair Pay Commission will direct the Secretariat to develop an extensive research capability and to sponsor research and accumulate knowledge relevant to the Commission's remit. Over time, it is anticipated that the Commission will have access to a significant repository of data and expertise with regard to the setting of minimum wages and their impact in Australia.

“Under the direction of the Commission, the Secretariat issued tenders for five research projects, from which seven pieces of research were ultimately commissioned.”

Consultation

With a legislative remit to consult widely, the Commission directed the Secretariat to develop a strategy to engage with stakeholders and the Australian public which would provide the opportunity for all Australians to make known their views on the minimum wage.

The key peak bodies in wage-setting – representing employers, unions, community organisations and government – were identified and meetings held with Commissioners. These meetings afforded an opportunity for Commissioners to explain their approach to wage-setting and for stakeholders to speak directly about issues of interest and concern surrounding the minimum wage. The Commissioners also encouraged these key parties to provide research or evidence to support their submissions and identify areas of research where the Commission should focus its attention.

During May and June, Commissioners met with more than 85 stakeholders around the country. These meetings facilitated an exchange of information concerning minimum wages and the wage-setting process.

The Secretariat is also arranging similar opportunities for members of the wider Australian community to meet with Commissioners and staff of the Secretariat, with 13 public consultation round-table sessions planned for regional and metropolitan cities.

The Commission plans to hear from a wide cross-section of people, especially the low paid and their employers. A series of focus groups is also being planned to gather information and opinion from those directly affected by the Commission's decision. Site visits are also being organised to give Commissioners the opportunity to meet directly with employers and employees affected by minimum wage decisions.

Other initiatives aimed at providing Australians with opportunities to engage with the Commission are:

- its website (www.fairpay.gov.au), which facilitates feedback direct to the Commission; and
- a local call information number (1300 139 699), which operates during AEST business hours.

Submissions

In addition to the consultation process, all Australians were invited to provide a written submission to the Commission on issues surrounding minimum wages.

The Commission called for submissions on 1 May 2006, with a national advertising campaign. Detailed information about making a submission was displayed on the Commission's website.

The advertisements outlined the Commission's wage-setting remit and invited submissions focusing on the Commission's four key considerations:

- the capacity for the unemployed and low paid to obtain and remain in employment;
- employment and competitiveness across the economy;
- providing a safety net for the low paid; and
- 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.

“The Commission called for submissions on 1 May 2006, with a national advertising campaign.”

The closing date for submissions is close-of-business (5pm) Friday 28 July 2006.

As of 30 June 2006, 28 submissions had been received.

Commissioners also encouraged all stakeholders to put forward a formal submission.

Key dates and meetings

2005

- October 9** The Australian Government announces the new workplace relations system – the Workplace Relations Amendment (Work Choices) Bill 2005
- October 13** Professor Ian Harper is appointed as the inaugural Chairman designate of the Australian Fair Pay Commission
- December 7** The Workplace Relations Amendment (Work Choices) Bill 2005 is passed through the Upper House of Parliament
- December 14** The *Workplace Relations Amendment (Work Choices) Act, 2005* receives Royal Assent and the Australian Fair Pay Commission is established as an independent body to set and adjust minimum wages, minimum wages for juniors, trainees/ apprentices and employees with disabilities, minimum wages for piece workers and casual loadings

2006

- February 16** Professor Ian Harper delivers speech to the “Critical Issues Conference” at the Melbourne Business School.
- February 17** Ms Jennifer Taylor commences as Director of the Australian Fair Pay Commission Secretariat
- March 6** Opening of the Australian Fair Pay Commission offices in Melbourne
- March 27** Mr Hugh Armstrong, Mr Patrick McClure, Mr Mike O’Hagan and Professor Judith Sloan are appointed as part-time Commissioners of the Australian Fair Pay Commission
- March 30** Inaugural full Commission meeting held
- May 1** Australian Fair Pay Commission invites written submissions from interested organisations and individuals to help inform its first minimum wage decision
- May 5** Second full Commission meeting held
- May 18** Research is commissioned on *Minimum wages and employment*
- May 22** Tenders are called for research on the *Characteristics of employees on the Standard Federal Minimum Wage*
- May 23** First stakeholder meeting held
- May 25** Third full Commission meeting held
- June 2** Tenders are called for research into the *Impact of changes in net income on employment decisions and on the Interactions between wages and the tax/transfer system*
- June 6** Fourth full Commission meeting held
- June 7** Tenders are called for research on *Who are the employers of the low paid?*
- June 16** Research into *Minimum wages and employment* is completed
- June 23** Research is commissioned on the *Characteristics of employees on the Standard Federal Minimum Wage*
- June 30** Fifth full Commission meeting held

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