

Australian Council of Trade Unions Commentary on *One Hundred Years of Dynamic Minimum Wage Regulation: Lessons from Australia, the United Kingdom and the United States*.

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Australia's union movement has been one of the few continuous proponents of and participants in minimum wage fixation from the outset. Today, the minimum wages framework as encompassed in the Annual Wage Review is a simultaneous source of pride and frustration for trade unionists around the country. On the one hand, we are proud that workers' united effort – from the shop floor to the streets to the halls of power - led to the establishment and defence of an independent institution that could hear worker's voices in fixing their wages and the conditions under which their work could be performed. There is little doubt, particularly following the disastrous experiment of the *WorkChoices* laws in 2006, that the dismantling of the architecture for fixing minimum wages and conditions would not be tolerated by Australian society.

So why the frustration? Shouldn't we be satisfied that we live in a social democracy where independent minimum wage fixation is a political consensus? Yes and no. The frustration is borne of the fact that the minimum wage fixation framework as we see it today is not progressive – it is a merely a reflection of the outer limits of a consensus reached in another era, the testing of which is admirably recounted in this working paper. This is a more complex problem than one which boils down only to a bare argument that minimum wages are “too low”. Australia's policy framework is simply not designed to address the basic issues of fairness, subsistence and work value that arise throughout people's working lives in a society where the *Harvester* man and the work he performed is the exception rather than the rule among the groups of workers who are most directly dependent on minimum wages and award conditions.

Today's typical award dependent worker in receipt of a minimum wage is woman in service industry, most likely in a small business, working less than full time hours, most likely employed as "casual", possibly with little certainty week to week about her hours and income and no paid leave entitlements.¹ Her highest level of skills attainment is likely between Year 12 and Certificate IV. She may be on partial income support with one or more dependents, is likely to be partnered and where she is she has a relatively even chance of being the sole or main income earner in the household rather than a secondary earner (43% vs 57%), which may vary from week to week depending on the hours and income security of her partner.² She is possibly as far from the *Harvester* man as one can imagine, and she fits like a square peg into the round hole that is our legacy bound wage fixation framework.

Many of the characteristics that identify our typical minimum wage and award dependent worker as so typical are the very features that make securing her a decent standard of living a job that sits in the too hard basket of Australia's policy making institutions. The work she performs in a service industry was valued in the award system decades ago by using the limited manual tasks performed by blue collar men in factories, building sites engineering workshops as a reference point. The legal requirement that she find a male comparator performing work of equal or comparable value as assessed under those traditional concepts to reverse this³ means she has little practical chance of addressing gender based undervaluation in her pay structure, yet the Annual Wage Reviews suggest that this is her only option.⁴ The fact the she works only part time hours to sustain herself and possibly others sets her outside the scope of the

¹ See Appendix 1 to the ACTU Initial Submission to the 2019-2020 Annual Wage Review, which is based on ABS *Employee Earnings and Hours* data from 2018.

² Wilkins R & Zilio F (2020), *Prevalence and persistence of low-paid award-reliant employment*, Melbourne Institute of Applied Economic and Social Research, Fair Work Commission Research Report 1/2020, February.

³ See [2015] FWCFB 8200

⁴ [2018] FWC 3500 at [35] to [38].

minimum wage system's acceptance that "those *in full time* employment can reasonably expect a standard of living that exceeds poverty levels"⁵. Being partnered or having a dependent sets her outside the single person household used as the reference point for the assessment of living standards and needs used in Annual Wage Reviews. The variability in her hours in and income is treated as a matter for bargaining over her conditions, which is rare among smaller business particularly in service industries, and as problem for the tax-transfer system to fix, which over the medium term has become less capable of meeting her needs.

The above is not to suggest that minimum wage workers derive no benefit from minimum wage increases, or that they should be assumed to have the same characteristics. All working people must have a safety net and the Annual Wage Review regularly demonstrates, through some sophisticated modelling, that workers in numerous different living arrangements and circumstances retain a benefit from lifting their wages notwithstanding other policy interactions. The point of the analysis is that both the industrial wage and the social wage need progressive reform to match the reality and diversity of Australian's working lives. The more recent developments in the United Kingdom and United States, referred to in this working paper, give some cause for optimism that sound policy work and activism can combine to build the political will to improve the situation for all Australians.

⁵ [2019] FWCFB 3500 at [200]