



AUSTRALIAN CHAMBER OF COMMERCE AND INDUSTRY

Opinion Piece by ACCI Workplace Relations Manager Scott Barklamb for the "Australian Financial Review" - Long May Arcane AIRC Rest - 8 June 2005

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By Scott Barklamb –Workplace Relations Manager, Australian Chamber of Commerce and Industry

On Tuesday, June 7, 2005, a century-old ritual that has impeded business and economic growth in Australia was finally put to rest. The Australian Industrial Relations Commission handed down the 2005 National Wage Case Decision (Safety Net Review), its last such decision.

As a result of this little understood, quasi-judicial process, hundreds of thousands of small to medium businesses will be obliged to now pay their employees \$17, or 3.6 per cent, more a week.

The increase is not based on productivity and efficiency improvements or any consideration of the financial state of the businesses.

The decision taken yesterday will add \$1.4 billion to our national wages bill. Australia's small businesses will have to finance this increase somehow. Many of them are struggling in fiercely competitive markets. The decision is yet another significant, above inflation, wages slug from a commission they've never met and probably have no involvement with (unless they have been unfortunate enough to have suffered an unfair dismissal claim).

From past experience, sometimes costs can be passed on to clients and consumers (ie. the public, increasing inflation), sometimes staff will lose the hours or overtime they rely on.

Perhaps a decision to take on extra staff might be deferred. Some small business people may decide this is the last straw and throw in the towel.

Small and medium-sized businesses, who overwhelmingly carried the direct burden of decades of National Wage Case increases, might ask how the decision to impose yet another substantial wage increase on them was reached.

This is a reasonable question and the reality is that very few in our community ever understood the ins and outs of the very arcane and old fashioned process that was a National Wage Case.

Although it is a tribunal, the commission, which has functioned since 1904, set minimum wages very much like a court. It adhered to the rules of evidence. It took submissions from

litigants. Often, the people representing employers and employees were lawyers. Many of its members have a legal background.

A National Wage Case effectively put employers on trial. The charge was simple paying wages that were too low. Employers then had to defend themselves against this charge.

At the end of this piece of industrial theatre, the judges the commissioners weighed up the evidence and, in accordance with their statutory duties, decided whether the defendant the nation's employers was guilty as charged. Under the system that was finally killed off yesterday, they invariably were.

This was a bizarre way to set a key part of our nation's social or economic policy. No other country approached things this way. Our system of minimum wage setting was an accident of history, out of step with international best practice.

The status quo in Australia did not yield balanced outcomes or decisions that were made with the benefit of the best possible advice and information.

For example: an eminent economist was extensively cross-examined in the 2005 case. As with any cross-examination the intention was to destroy the credibility of his evidence. The ultimate outcome was that he was not allowed to provide the AIRC with the benefit of his expertise and perspectives.

The creation of the Australian fair pay commission to take over setting minimum wages offers an opportunity for Australia to take a bold step forward in economic and social policy.

Employers are confident the commission will not be captive to the approaches of the past. We look forward to a two-way conversation with eminent economists rather than the previous one-sided, highly formal court case. This will provide an opportunity to examine afresh the key questions of what minimum wages Australia needs, what levels they should be set at, and what protection lower-paid employees actually require.

We can now reconsider the balance between increasing minimum wages on the one hand, and the impact on jobs and productivity on the other.

Minimum wages should in future better support agreement-making, which is the best way to improve productivity, efficiency and sustainable wages growth.

The ultimate aim must be for as many as possible of Australia's 1.6 million minimum-wage employees to move off minimum wages and take advantage of the benefits of bargaining with their employers.