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National Pay Equity Coalition and Women's Electoral Lobby

Supplementary Submission Three

House of Representatives Inquiry into Pay Equity and Associated Issues Related to Increasing Female Participation in the Workforce

We refer to our previous Submissions and now make a further brief submission for the perusal of the Committee.

We submit that the final Decision of the Australian Fair Pay Commission not to grant any increase in the Minimum Wage will worsen the gender wage gap and disproportionately effect women.

We submit that the reasoning of Fair Pay Commission's decision was selective and, failed to recognise other evidence. The reasoning for the Decision is flawed in arguing that an increase would worsen unemployment. Not only does the Decision harm women and low paid by not granting them an increase when other workers have received annual increases of 4.6% but it also is a retrograde step in addressing the gender wage gap.

Commissioner Harper justified the Decision on the back of a Report from the Centre for International Economics commissioned by his office. In support of his case Professor Harper referred to the study that 'forecasted' that unemployment would increase by 17000 jobs if an increase in the minimum wage was granted. The Commissioners rejected submissions from the Federal Government which did not support a reduction in the real minimum wage and argued that a reduction was unlikely to be effective in stimulating employment. The AFPC also chose to ignore international research from other Organisations such as the OECD which found that 'there is no significant direct impact of the minimum wage on the unemployment rate'.

The argument that increases in minimum wages, (or even having a minimum wage at all) drive down employment has long been an argument advanced by adherents to right wing economic theory. Not only is there much evidence which has been presented to the Commission to debunk this theory but in the current climate it would also seem at odds with policies aimed to stimulate the economy. Low paid workers do spend their income in order to survive. They put money into the economy. To insist that low paid workers rely on the forecast of economists in a time when forecasts are unreliable seems even further worrying when the CIE report itself also argues that previous increases awarded by the AFPC could have helped constrain wage growth....thereby reducing inflationary pressures and leading to higher aggregate wage and lower unemployment than otherwise' .

The Decision also exacerbates the gender pay gap and pay equity. Other research by Healy, Kidd and Richardson commissioned by the Australian Fair Pay Commission seems to have not been given as much weight in this Decision. Their study shows that over the last decade much of the increase in employment and the increase in women's participation has been in the low paid sectors of the economy. They found that women and the low paid rely upon the Commission and the adjustment of awards in the setting of their wages and in turn effects the wage gender gap. The Commission

`may play an important role in determining the overall size of the gender wage gap, through its role in setting award wages’.

We also submit a study by Rubery and Grimshaw ‘Gender and the minimum wage’ for the Committees attention which highlights the importance of minimum wage setting in gender wage outcomes.

The failure to grant an increase in this Decision was also reasoned on claims that changes to the tax and transfer system have provided increases in the incomes of lower paid households. We would submit that the setting of minimum wages should not be reliant upon perceived household arrangements, these ideas do nothing for worker’s financial independence, particularly that of women and fails to pay a fair wage for work performed. It certainly transgresses all attempts to have women’s jobs properly valued and paid on a non gendered basis.

The Federal Government recognizes the importance of fixing the gender wage gap and have empowered the Committee to investigate this problem. They are also currently conducting a review of Equal Opportunity in the Workplace Agency. The importance of minimum wages and of pay setting arrangements has been made clear to the members of the Committee and we thank them for allowing representations to be made. We have also submitted that the current award modernization process and subsequent reviews does provide a means of properly valuing and paying women and workers. The Committee has many issues to consider such as the relationship between low pay and the gender gap, why is it that women’s jobs are ‘low paid’, why is their work undervalued, why is it that a bricklayer is paid \$1026.40 a week and a personal carer in a nursing home paid \$839.00, how do work and family arrangements effect women wages, how the wages gap effect women in their retirement and how best can the pay equity problem be solved? An important consideration for the Committee is the relationship between the minimum wage and the gender wage gap.

In the 1970s the Equal Pay Cases did improve the gender wage gap. More recently, equal remuneration cases in the various State industrial relations system also improved the wages for many women in such occupations as child care workers and community workers. However closing of the gap has stalled and it has in fact widened. Affirmative action policies, gender audit requirements and programs provide little improvement unless they are enforceable. Unenforceable policies and Pollyanna beliefs that stakeholders will see the light and ‘get’ that inequality is inefficient, bad for business and take action simply have not worked. The problem will be further exacerbated by this Minimum Wage Decision that allows women and low paid workers to languish below increases received by other workers in the community.

We again thank the Committee for the opportunity to make submissions.

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