

IN THE AUSTRALIAN CONCILIATION AND ARBITRATION COMMISSION

Conciliation and Arbitration Act 1904

and

Public Service Arbitration Act 1920

NATIONAL WAGE CASE AUGUST 1977

In the matter of an application by the Association of Professional Engineers, Australia to vary the

METAL INDUSTRY AWARD 1971 — PART III — PROFESSIONAL ENGINEERS [Print C1744]

(C.No. 1193 of 1977)

And in the matter of an application by the Australian Telecommunications Employees Association to vary the

AUSTRALIAN TELECOMMUNICATIONS COMMISSION TELECOMMUNICATIONS TECHNICAL AND TRADES STAFF (SALARIES AND SPECIFIC CONDITIONS OF EMPLOYMENT) AWARD 1975 [Print C6568]

(C No. 1194 of 1977)

And in the matter of an application by the Electrical Trades Union of Australia and others to vary the

METAL INDUSTRY AWARD 1971 [141 CAR 389]

(C No. 1196 of 1977)

And in the matter of an application by The Municipal Officers Association of Australia to vary the

MUNICIPAL OFFICERS ASSOCIATION OF AUSTRALIA (STATE ELECTRICITY COMMISSION OF VICTORIA) AWARD 1975 [Print C4802]

(C No. 1197 of 1977)

And in the matter of a direction by the President pursuant to section 15A of the Public Service Arbitration Act concerning

AUSTRALIAN TELECOMMUNICATIONS EMPLOYEES ASSOCIATION

and

THE MINISTER FOR POST AND TELECOMMUNICATIONS AND ANOTHER

in relation to wage rates

SIR JOHN MOORE, PRESIDENT

MR JUSTICE ROBINSON

MR DEPUTY PRESIDENT ISAAC

MR ACTING PUBLIC SERVICE ARBITRATOR WATSON

MR COMMISSIONER MATTHEWS

MELBOURNE, 22 AUGUST 1977

DECISION

For the June quarter 1977 the Six Capitals figure of the Consumer Price Index rose by 2.4 per cent. Consequently claims were made as described below, with any increase to operate from 15 August 1977. The claims and the attitude of parties and interveners are as follows:

Australian Council of Trade Unions and Australian Council of Salaried and Professional Associations	2.4 per cent increase plus an amount to compensate for full percentage increases not awarded in the past.
Council of Australian Government Employee Organizations and Council of Professional Associations	2.4 per cent increase.
Australian Public Service Federation	2.4 per cent increase.
New South Wales	2.4 per cent increase up to Average Weekly Earnings then a flat amount.
South Australia and Tasmania	2.4 per cent increase.
Commonwealth and Western Australia	No increase.
Victoria	Discount 2.4 per cent by 0.4 per cent for devaluation then award half, i.e. 1 per cent increase.
Queensland	Matter for Commission but if an increase a uniform percentage increase less than 2.4 per cent.
Master Builders' Federation	No increase until substantial compliance.
National Employers' Policy Committee	No increase.

No one in terms suggested that the indexation package should be abandoned.

As a result of the Commission's decision of 24 May 1977 the parties are actively involved in a thoroughgoing review of wage fixing principles in a conference under the chairmanship of the President. Central to that inquiry is the future of indexation. Inevitably

our deliberations in the present case have been influenced by the on-going nature of the review and the wish not to prejudice the possibility of consensus emerging from the discussions. We consider it would be undesirable for us to depart from the pattern which the Commission has created over the last two years or to make any statements about general principles.

Hence, as to substantial compliance we simply say that having considered the statistics and the evidence of disputation we are prepared to follow the reasoning of the May decision and conclude that there has been substantial compliance. This conclusion has been made the more difficult by certain unions openly stating that they are seeking to destroy the package and taking action in an attempt to bring this about.

Following the same approach we say that we are not at present prepared to implement the employers continuing claim for six monthly hearings nor are we prepared on this occasion to recommend the indexation of over-award payments.

The claim for catch-up was made by only two out of the four peak union councils and was not debated at any length before us. It should be clear by now that the Commission will not grant such claims and accordingly this part of the claim is dismissed.

In its last National Wage decision the Commission noted that the economic outlook continued to cause concern with no clear signs of economic recovery in sight. Since then, unemployment has worsened. Apart from a faint note of optimism from The Commonwealth, there was general agreement that the economic indicators do not point to an early recovery.

However, once again the Commission was faced with strongly conflicting views on the reasons for the continued economic stagnation. The Commonwealth blamed this on the large increase in the level of real wages during 1973/74 and 1974/75 which had distorted “key economic relationships” by greatly raising real labour costs and lowering the share of profits. Therefore, it argued, in order to allow a speedy and sustained economic recovery to take place, it was necessary first to reduce real wages and real labour costs. The Commonwealth on this occasion sought to support its analysis by comparing the movement of productivity and labour costs (including payroll tax and workers compensation charges) over the period from 1966/67 to 1975/76, to show that labour costs were excessive in relation to productivity by about 10 per cent for the year 1975/76.

Although taking a somewhat different analytical approach, in substance the private employers’ submissions were along similar lines: labour costs were too high and further wage increases led to continued “shedding” of labour as employers tried to minimise the addition to costs.

The unions on the other hand argued that the Commonwealth’s economic strategy was at fault and that no recovery could be expected without a stimulus to demand from the Government and appropriate manpower measures to deal with the existing structural unemployment. A reduction in real wages in these circumstances, it was argued, would discourage consumption spending further and adversely affect investment and employment. It was noted that the percentage increase in average weekly earnings assumed in the 1976/77 Budget strategy, had in fact eventuated despite which the anticipated improvement in unemployment had not taken place. Instead, unemployment had deteriorated. In relation to the analysis showing a gap between labour costs and productivity in 1975/76, the unions pointed

out that the figures were out of date, that the gap would have narrowed considerably since then, and that the gap was a normal feature of an economy in a state of unused capacity.

Again, on this occasion, detailed submissions were made both by the Commonwealth and the unions on the shares of profits and wages, a factor critical to the Commonwealth's argument on the restoration of normal economic relationships. The unions referred to the progressive recovery in the share of profits, the level of profits having risen at a substantially faster rate than wages and prices since September 1975. However, despite this improvement in profitability, unemployment has continued to increase. The current profit share, the unions submitted, is a little short of the average figure and is consistent with experience for the present phase of the economic cycle. Further, they argued, the normal share would be automatically restored with an expansion in economic activity.

As for the argument that the high price of labour had resulted in the shedding of labour and its substitution by capital, the unions pointed to the absence of any persuasive evidence on this issue. In any case, the unions argued, payroll tax and the special investment allowance, one raising the cost of labour and the other lowering the cost of capital, both within government control, were providing important incentives in the substitution process. Moreover, they said, the figures relating to the ratio between male and female unemployment and the numbers of unemployed persons in various industry groups contradicted this argument.

New South Wales, South Australia and Tasmania generally supported the economic submissions of the unions while Victoria, Queensland and Western Australia generally supported those of the Commonwealth and the private employers. But Victoria took the view that in all the circumstances an increase of not more than 1 per cent should be granted.

The arguments and evidence before us were essentially the same as those presented in the two National Wage Cases earlier this year. The Commission commented then that the conflicting arguments as to what is the proper course for wages placed it in a difficult position. It concluded that on the material submitted, it was not satisfied that simply reducing the real income of wage and salary earners would promote economic recovery. The submissions on this occasion reinforce this conclusion.

Although profits have not quite returned to "normal" levels, we are impressed that they have recovered progressively and significantly since the Commission introduced the indexation principles. But the recovery in profits has been accompanied by increasing rather than reduced unemployment and we are unable to conclude that it is lack of profitability which is preventing a recovery from taking place.

It may well be, as the private employers submitted, that there is a crisis in confidence but we question the view that the level of real wages is the most critical factor among the various influences currently affecting confidence. On the material before us and especially the steady recovery of profits, we are not persuaded that granting no increase at this time is an essential element in economic recovery.

However, as on the last occasion, we are faced with a C.P.I. increase which bears the effect of devaluation since November 1976. In May, 1977 the Commission said that it could not ignore the fact that the devaluation had occurred under conditions of an uncomfortably high rate of inflation and that it should as far as possible minimise any action which would reduce the benefits conferred by devaluation on the competitiveness of the Australian

economy. Nothing put to us on this occasion persuades us to take a different course and we propose to discount the June quarter C.P.I. for the effect of devaluation.

We note that in answer to a question as to the treatment of the C.P.I. in the event of an upward revaluation, the Commonwealth assured the Commission that “the Commonwealth does recognize the appropriateness of an evenhanded approach to the underlying exchange rate changes when it comes to adjusting the C.P.I. for wage indexation purposes.”

We were presented with four alternative discounting figures:

1. The Statistician’s estimate of 0.4 per cent as a measure of the extent to which prices of C.P.I. goods wholly or largely imported had increased during the June quarter.
2. The Commonwealth’s figure of 0.7 per cent ‘based merely on a judgment’ of the extent of understatement in the Statistician’s figure.
3. The A.C.T.U.’s figure of between 0.2 and 0.3 per cent on the argument that the Statistician’s figure overstated the extent of the devaluation effect.
4. The private employers figure of 0.8 per cent. This figure was based on a calculation of the contribution of imports of goods and services to the increase in the implicit price deflator of national turnover for the March 1977 quarter.

We are in some difficulty in having to choose between these alternatives and we are concerned that there is no reliable measure for the full effect of devaluation on the C.P.I. In the circumstances we believe that we should adopt the course followed by the Commission in the March quarter decision and use the Statistician’s figure to discount for the devaluation effect although we are aware that to an unknown but small extent this figure may on balance overstate or understate the full effect of devaluation.

The unions and in particular the white collar unions have pressed strongly that we should award a uniform percentage increase. In four out of the last five quarterly adjustments, the Commission applied various forms of plateau indexation which have resulted in a compression of relativities and a significant reduction in real pay for those in the upper half of the pay structure. We believe that these circumstances call for a uniform adjustment in pay on this occasion.

Accordingly, we have decided that all award rates and minimum wages will be increased by 2 per cent as from the first pay period to commence on or after today. It is not our intention that the increase be applied to overaward payments including those covered by a recommendation provision such as appears in the Metal Industry Award.

We have made this decision in the knowledge that the conference on wage fixing principles currently in progress will affect not only the future of wage indexation but also industrial relations and consequently the economy.

We should also make certain observations in view of apparent misunderstanding of the Commission’s decisions.

First, using the C.P.I. as the measure of changes in the purchasing power of money, on the most recent statistics published by the Statistician the following figures show that there has been some decline in real wages since May and June of last year.

Increase in C.P.I. (Six Capitals from June quarter 1976 to June quarter 1977	13.4%
Increase in Average Weekly Earnings (seasonally adjusted) per employed male unit from June quarter 1976 to June quarter 1977	10.8%
Increase in Adult Male Minimum Weekly Wage Rates from May 1976 to May 1977	10.9%
Increase in Adult Female Minimum Weekly Wage Rates from May 1976 to May 1977	11.8%

Second, on all the evidence and argument before the Commission, it remains highly contentious whether employment recovery would have been greater or less merely if the Commission had awarded smaller wage increases during 1976/1977. The causes of the present unemployment are complex. This is evident from the Commonwealth's own submission. In answer to a question from the Bench in connection with the arguments of Mr Hartnett for A.C.S.P.A., on the causes of unemployment, the Commonwealth through its Counsel said:

"I come now to deal briefly with a question or a suggestion made by His Honour Mr Justice Robinson as to whether the Commonwealth desired to comment on what Mr Hartnett had to say on the causes of unemployment. We would offer only a very brief observation.

In essence Mr Hartnett seems to have been arguing that most of the current unemployment stems from structural imbalances in the labour market. The fact is that a number of factors have contributed to the present unemployment situation. Certainly there are structural imbalances. The main feature is, in our submission, the slackness in economic activity which in turn is linked in limited measure to excessive real wage costs, and we have stressed this in this and previous national wage cases."

Third, we believe there is a tendency to overstate the power of the Commission to control actual wage movements. The Commission has tried to operate a set of wage principles in a difficult industrial and economic climate, and from the chaos of 1973-74, to bring order and restraint to wage fixing as an essential ingredient for economic recovery. In pursuit of the objective of an orderly system of wage determination the Commission has assumed that the only viable basis for operating such a system lies in wide consensus: and in coming to its wage decisions it has acted with considered judgment in discharging its obligations under the Act.

Form of Orders

The variations of the awards and determinations will operate from the beginning of the first pay period to commence on or after 22 August 1977. The variations of the awards will operate for a period of three months from 22 August. Minimum wages will be increased by 2%. Leading Hand rates will also be increased by 2%, as will shift allowances which are

expressed in money terms rounded off to the nearest 1 cent if on a daily or shift basis. No increase will be made to any other allowances. Junior rates prescribed only as money amounts will be increased by 2%. Weekly rates payable are to be calculated to the nearest 10 cents and annual rates to the nearest one dollar. The form of the orders necessary to give effect to the decision under the Conciliation and Arbitration Act will be settled by the Registrar with recourse to a member of this Commission, The form of the determination will be settled by the Public Service Arbitrator.