

IN THE AUSTRALIAN CONCILIATION AND ARBITRATION COMMISSION

Conciliation and Arbitration Act 1904

and

Public Service Arbitration Act 1920

NATIONAL WAGE CASE MARCH 1977

In the matter of an application by the Electrical Trades Union of Australia to vary the

METAL INDUSTRY AWARD, 1971 [141 CAR 389]

(C No 146 of 1977)

And in the matter of an application by the Association of Architects Engineers Surveyors and Draughtsmen of Australia to vary the

METAL INDUSTRY AWARD 1971 PART 11 [139 CAR 917]

(C No 168 of 1977)

And in the matter of. an application by the Association of Professional Engineers, Australia to vary the

METAL INDUSTRY AWARD, 1971 - PART III (Print C1744)

(C No 154 of 1977)

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

THE AUSTRALIAN TELECOMMUNICATIONS COMMISSION TECHNICAL AND
TRADES STAFF
(SALARIES AND SPECIFIC CONDITIONS OF EMPLOYMENT) AWARD 1975

(C No 108 of 1977)

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

THE AUSTRALIAN TELECOMMUNICATIONS EMPLOYEES ASSOCIATION

and

THE MINISTER FOR POST AND TELECOMMUNICATIONS

in relation to wage rates

(C No 172 of 1977)

SIR JOHN MOORE, PRESIDENT

MR JUSTICE LUDEKE

MR DEPUTY PRESIDENT ISAAC

MELBOURNE, 31 MARCH 1977

MR PUBLIC SERVICE ARBITRATOR TAYLOR

MR COMMISSIONER NEIL

DECISION

These are claims for increases in rates of pay following upon the publication of the December quarter 1976 Consumer Price Index. The Index which would normally have been published on about 21 January 1977 was not published until 22 February 1977 and these proceedings commenced on 1 March 1977. The Index moved by 6 per cent for the quarter. This was the largest quarterly increase since indexation was introduced. The Australian Statistician has attributed 3.2 per cent of this increase directly to changes in the method of financing health insurance and 2.8 percent for other reasons.

The brief form the claims and attitudes of parties and interveners are:

Australian Council of Trade Unions	The 6 per cent increase for the December 1976 quarter plus 2 per cent catch-up for the two quarters of 1976 for which full indexation was no granted, all to operate from 15 February 1977.
Council of Australian Government Employee Organizations	6 per cent increase to operate from 15 February 1977.
Council of Professional Associations	The same as C.A.G.E.O.
Australian Council of Salaried and Professional Associations	The same as A.C.T.U.
Australian Public Service Federation	The same as C.A.G.E.O.
Australian Journalists' Association	The same as C.A.G.E.O.
New South Wales	Primary proposition - if Commonwealth Government agreed to any increase being not taxable then a much lower increase than 6 per cent. Alternative or secondary proposition - 6 per cent to a plateau of Average Weekly Earnings thereafter a flat money amount.

South Australia	2.8 per cent increase to all rates, plus 3.2 per cent to \$12,000 and then a flat money amount for this part of the C.P.I.
Tasmania	The same as South Australia.
Victoria	2.5 per cent increase to all rates.
Queensland	As to the 2.8 per cent increase, a percentage less than that amount to all rates, the figure to be determined by the Commission, no increase for the 3.2 per cent increase.
Western Australia	The same as the Commonwealth.
Commonwealth	\$2.90 increase to all for the 3.2 per cent; no increase for the 2.98 per cent.
Private employers	No increase on economic grounds but if on other grounds, minimal. No increase for the 3.2 per cent, though if any increase a flat amount of \$2.50.

Substantial compliance

Again we were given statistics on industrial disputes and on movements in rates of pay all of which are relevant to this question and have been the subject of discussion in earlier judgments.

In this case there has been no serious challenge to the unions' submission that there has been substantial compliance. The Commonwealth although viewing "*the level of industrial disputation with concern*" did "*not argue that there has been a lack of compliance*". It was supported by Western Australia. Victoria after directing our attention to its own area of employment said: "*We have not looked at the question of substantial compliance generally, and as always, that remains a matter for the Commission to consider generally, having regard to all the material that is placed before it*". Queensland said: "*It is our opinion that there has been a very high level of substantial compliance over the period since the last hearing*". New South Wales submitted that "*in the period under review there has been substantial compliance with the guidelines within the State of New South Wales*". South Australia supported by Tasmania said: "*The condition precedent for the implementing of the concept of wage indention has ... been satisfied*". The private employers after putting to us material about quite a number of strikes said, "*we are not putting ... anything other than this, that the Commission should consider whether there has been substantial compliance ...*".

The fact that no one submitted that there has not been substantial compliance does not absolve us from looking at the material and making up our own minds about it. We are still concerned at the incidence of strikes with their consequent effect on the economy as a whole including our overseas trade.

Once again the figures of rates paid show little movement outside indexation.

On balance we think there has been substantial compliance with the guidelines.

The Economy

The economy continues to cause concern and the submissions before us varied only in emphasis on the state of the economy. The A.C.T.U. said that:

“... the very severe problems still besetting the Australian economy justify some comment and analysis ... the perilous state of the economy remains, and a fillip is urgently required to stimulate demand and create employment opportunities”.

This assessment was supported by New South Wales which added that it could *“see no clear signs of recovery”*.

Victoria in a similar gloomy assessment of the economy stated that:

“Never before has Australia had to face rapid and sustained inflation combined with high and sustained unemployment. This problem has persisted for more than two years. It shows no sign of immediate improvement”.

The Commonwealth supported by Western Australia had a more hopeful outlook. It said *“1976 was a year of economic recovery but employment continues to lag”*.

The private employers made a similar overall assessment of the economy as the unions and New South Wales and Victoria. In relation to the Commonwealth's evaluation the employers said:

“True it is, as the Commonwealth has submitted, that there are some signs of economic improvement, but the signs are few and they are faint. The best that can be said is that they offer some slight encouragement to those who long since despaired of some improvement ... “

The figures which we have included in the Appendix bear out the assessment of the employers that there *“are some signs of economic improvement but the signs are few and they are faint”*.

The decline in output in the December 1976 quarter as revealed in the most recent issue of the *“Quarterly Estimates of National Income and Expenditure”* is disturbing especially in view of the sustained revival in the share of profits. Further, the unemployment position appears to have worsened, particularly if account is taken of the fall in overtime and the virtually unchanged number of employed wage and salary earners during 1976 when, on normal experience, the labour supply would have risen substantially.

The devaluation of the exchange rate since the last National Wage adjustment has brought a new stimulus to export and import competing industries and an improvement in international reserves. But the Commonwealth supported by Victoria, Western Australia and the employers has stressed the importance of keeping wage and price increases to a minimum in order to allow this stimulus to operate fully and spread the benefit of recovery to the rest of the economy, The Commonwealth emphasized that:

“ ... We will be caught in a vicious circle if the benefits of devaluation, which was made necessary by inflation, are dissipated by inflation”.

For its part, the Commonwealth claimed that it had further tightened all the instruments of economic policy under its control. The rate of recovery, it said, will depend on the movement of wages. In this connection the Commonwealth stressed the vital importance of correcting what it submitted to be a distortion in economic relationships caused by the excessive growth in wages during 1973-75. This, it argued, called for a reduction in real wages *“to a level consistent with continuing recovery and increased job opportunities”*. But the Commonwealth was not able to give a quantitative measure of the extent to which the real wage may be said to be excessive.

The Commonwealth admitted that:

“ ... if one were prepared to put up with high levels of unemployment for a somewhat longer period and leave it to the market to restore the balance between wages and profits then arguably real wages might not need to be adjusted downward at all.

“But acceptance of the Commonwealth’s view that we ought to endeavour to return to more normal employment levels rather sooner than market forces would achieve, would imply some immediate scaling down of real wages”.

The unions supported by New South Wales, South Australia and Tasmania believed that hope of early recovery depended essentially on fiscal and monetary encouragement rather than on a reduction in real wages. They saw a reduction in real pay as reducing the disposable income of wage and salary earners and further depressing consumption expenditure, notwithstanding any reasonable reduction in the savings/disposable income ratio.

Victoria, while admitting that fiscal stimulus might lead to fuller utilisation of the large degree of excess capacity currently existing and promote recovery in output and employment, argued that such stimulus would increase wage pressures and add to the risk of departure from the indexation guidelines and lead to greater inflation. Until the inflation rate was brought down below the present high level, it submitted, it would be wrong and irresponsible to take stimulatory fiscal action. The Commonwealth endorsed this view and added that fiscal action beyond present levels would of itself worsen inflationary expectations.

These views were rebutted by Mr Jolly as being inapplicable in the context of the indexation principles. The argument, he submitted

“ ... would have some force if we were operating in a decentralised wage fixation system which existed in 1974, but I fail to see the force of their argument given the present wage policies that have been adopted and are currently applied in the Commission.”

The contending arguments on what are the most appropriate actions to promote rapid recovery put us once again in a difficult position on what should be done about wages. In coming to its decision, the Commission is, of course, moved by the weight of argument and evidence, and not by the party or intervener submitting it. On the material before us, it is not clear that a reduction in real wages without immediate compensatory action from other sources will provide a stimulus for recovery. A reduction in consumption spending with further deterioration in economic activity could ensue. A further point to consider is the increased risk in these circumstances of a breakdown of our indexation package, which could

add to inflation and discourage spending even more. On the other hand, a slowing down of labour costs would help to reduce the rate of inflation and could assist recovery. It is impossible to say with any confidence how these forces would balance out.

In summarizing its submission, the Commonwealth said:

“There are four major arms of economic policy; fiscal, monetary, external and wages policies. The Commonwealth largely controls and directs monetary, fiscal and external economic policies. Consistent with the responsibility for the economic well-being of the community, the management of these policies has been directed to slowing the rate of inflation and thereby creating the pre-conditions for sustainable economic recovery. The Commonwealth’s direct control of the fourth arm, wages policy, is limited. The reality is that this Commission very largely determines the level of wages paid in Australia.

It follows that the efforts of the government in the areas of economic policy under its control can be seriously prejudiced unless the Commission’s decisions on wage adjustment are consistent with those efforts. This is even more vital in the post-devaluation situation. We submit it is imperative, therefore, that the Commission accept economic considerations as the prime determinant of the level of any adjustment awarded. We say this is full knowledge of the Commission’s responsibility in relation to the settlement of industrial disputes”.

We think this puts our task too simply. Our prime task is the prevention and settlement of industrial disputes. Sub-section 39 (2) of the Act in its present form requires that in the matter before us *“the Commission shall take into consideration the public interest and for that purpose shall have regard to the state of the national economy and the likely effects on that economy of any award that might be made in the proceedings or to which the proceedings relate, with special reference to likely effects on the level of employment and on inflation”.*

It was with such a concept in mind that the Commission embarked on the indexation principles to meet the serious industrial and economic situation which had arisen in 1974. The Commission’s view has been that the abatement of inflation and the promotion of recovery is for industrial reasons necessarily a slow process. It was aware then and is still aware that from the point of view of slowing inflation and promoting economic recovery, the safest course might be not to add to labour costs. But bearing in mind industrial considerations which, we should stress, have significant economic implications, the Commission believed that it should try as far as possible to maintain real wages by indexation.

The Commission embarked on indexation also on the assumption that its viability would depend on wide consensus and support and in particular on supporting mechanisms which would emanate from governments. In effect, it had hoped that the economic policies of governments would not be inconsistent with our indexation principles and with the objectives which underpin them.

The course of events has to some extent negated those expectations and increased our difficulties. In particular the increase in the excise on beer and cigarettes in the Federal budget of August 1975 and the change in the method of financing health services have directly added substantially to a key element in our indexation principles, namely the C.P.I.. Without these events, it is likely that the annual rate of increase of the C.P.I. would now be below 10 per cent. In the decision of April 1975 it was said that *“It goes without saying that fiscal action*

which adds to costs and prices will have a direct and rapid effect on wage movements through indexation”.

We do not intend these observations as a criticism of government economic measures. Governments must design their economic policies in accordance with their understanding of what is best for the economy. But we believe we should record that as a result of these measures we are placed in a difficult position to meet the economic requirements suggested by the Commonwealth as well as our industrial obligations under the Act. As pointed out earlier the Commonwealth referred to the four arms of economic policy namely, fiscal, monetary, external and wages policies. It submitted that *“the efforts of the Government in the areas of economic policy under its control can be seriously prejudiced unless the Commission’s decisions on wage adjustment are consistent with those efforts”*. It is also true that the fourth arm, which in the Commonwealth submission is *“very largely”* determined by the Commission, can also be prejudiced by government decisions in other arms of economic policy. In the May 1976 decision it was stated *“that costs and prices are affected not only by wages but also by other factors, especially the extent to which industrial capacity is used; and that the future of the economy will depend on a variety of actions which are outside our control and which overall will be more important than our present decision ...”*. All the evidence and argument before us in the present case have not altered our opinion in this connection.

The Commission has laid great stress on the importance of wide consensus in the operation of its wage principles and has attempted by conferences to provide a forum for consensus especially on those matters which although outside its control, are nevertheless, closely related to the viability of its wage decisions. So far, these conferences have not yielded fruit.

In constructing and applying the indexation principles, the Commission has tried to draw wage fixing out from the hazards of sectional and inflationary arrangements into a *“system”* in which wage movements are based on principles which if applied in an orderly way, would conduce to greater equity and better industrial relations and so assist the economy. It has so far not been entirely successful. Industrial disputes have not fallen as much as we might have hoped but some allowance may need to be made for the novelty of an orderly approach with the restrictions it necessarily implies on sectional actions. A period of adjustment may have been necessary. However, we believe that we have succeeded by the confidence we have generated in the system, in keeping wages and prices below the levels which otherwise might have prevailed. We note also that the sharp contraction in the share of profits is gradually being reversed. Further, while there may be reservations about certain aspects of our principles, a matter which we propose should be given fuller consideration, no party or intervener has suggested that the concept of an orderly system of wage fixation should be abandoned.

In the light of these considerations, we believe that we should determine a wage increase which offers the prospect of a continuation of a systematic approach to wages not only in the present state of high unemployment but also through to the recovery phase and beyond. We believe that what we do now will have a bearing on what we can achieve later. As was said in the decision of May 1976, we should approach *“the question of wage fixing not as the resolution of each dispute as an isolated and independent case but as the determination of inter-related matters within a ‘system’ in which short term advantages or disadvantages may have to be balanced against long term costs or gains”*.

We should add by way of emphasis that in this task we are vitally dependent on community consensus and on the support of unions and employers and on the appropriate actions which governments are willing to take.

After nearly two years of assisting to reduce progressively the rate of inflation, we are faced on this occasion with the daunting prospect of adding fuel to the inflationary trend by increasing labour costs substantially through full indexation. The dangerous consequences of such an action, especially in conjunction with the increase in costs resulting directly from devaluation, are too apparent to need elaboration. For this reason and not because we are satisfied on the material submitted that it is economically necessary to reduce the real incomes as such of wage and salary earners, we do not believe that we can responsibly grant the full 6 per cent. The circumstances confronting the country compel us once again to depart from full indexation.

December quarter C.P.I.

Health Services (Medibank)

The increase in the C.P.I. for the December quarter was 6 per cent, comprising 3.2 per cent for Medibank and 2.8 per cent for all other factors.

The Medibank part of the increase was debated separately and various proposals were made as to how it should be treated. All the unions claimed that as the 3.2 per cent was part of the C.P.I. increase our principles require that it should be applied in the same way as any other increase. The private employers asked us to consider it separately and make a specific determination about it which in their view would involve no increase or if there was to be an increase on social grounds it should be a flat money amount of not more than \$2.50. Queensland argued that none of the 3.2 per cent should be passed on. New South Wales argued that the full 3.2 per cent should not go to all because it would “*give to some better paid employees more than their proper entitlement under the wage indexation scheme*”. It submitted that the percentage apply up to the level of Average Weekly Earnings and thereafter a flat amount equal to that payable at Average Weekly Earnings. South Australia and Tasmania also asked that it be treated separately and that it be applied to a plateau of \$12,000 a year. Victoria said it saw “*no particular merit in treating the health services contribution of the December C.P.I. increase in any special way*” although it said that our decision should determine the Medibank issue.

The Commonwealth, supported by Western Australia, had an approach to this part of the C.P.I. different from any one else. It argued that it would be fair and equitable if an amount of \$2.90 per week be awarded to everyone, that being the maximum compulsory contribution payable by a single person for basic medical and hospital care. It produced figures to show that 73.3 per cent of the labour force would have to pay no more than that amount.

It also said that this approach was consistent with a Joint Press Statement of 12 June 1976 following Commonwealth Government - Union talks. Under the heading *Medibank* the following passage appears:

“The Government indicated that insofar as these changes resulted in increases in the Consumer Price Index, then, for the purpose of adjustment to award wages for movements in

the Consumer Price Index under the wage indexation principles, the Commonwealth would not be arguing that the index should be "discounted" for these particular increases".

This passage was relied on by all the unions as reinforcing their claims for the 3.2 per cent increase attributable to Medibank which in their view they were entitled to anyway.

The private employers took a quite different attitude. They argued that in essence the 3.2 per cent was, as far as wage fixing was concerned, analogous to a surcharge on income tax and therefore should not be used as a justification for increasing wages. Moreover, they said the arrangement between the Commonwealth and the unions was one in which they did not participate, so they should not be required to pay for Medibank. The arrangement between the unions and the Commonwealth was no different from any other arrangement made between two parties - it should not be forced on an unwilling third party.

However while there may well be substance to the employers' argument about the agreement between the unions and the Commonwealth the important fact from our point of view is that the agreement has created a strong expectation that the effect of Medibank will bring about a wage increase in this case. It was also suggested by the unions that because the introduction of Medibank had reduced the C.P.I. for the September and December quarters 1975 it would be illogical and inconsistent not to allow the C.P.I. increase which has occurred because of Medibank in the December quarter 1976. We recognize the logic of this argument.

We also agree with the unions that, given the Australian Statistician's treatment of the change in the method of defraying the cost of health insurance, logically the Medibank component of the C.P.I. increase is no different from any other price increase in the index. As Mr Jolly has said, the essential issue arising from the Medibank matter is the question of the form by which pay should be adjusted.

However, in this connection, we face two related difficulties. First, the magnitude of the overall increase in the December quarter C.P.I. and the extent to which we may prudently add to labour costs in the present circumstances. Second, the fact that we are able to identify the health contributions in their various forms - the levy or its equivalent at various levels of income, single and family contributions, and the different standards of medical service - sharply poses, in a way not encountered in connection with the price movements of other C.P.I. items, the difficulty of dealing with this question equitably.

To try to compensate fully those with the largest health contributions means awarding the amount indiscriminantly to all and increasing the wage bill excessively. The information before us is sparse but we note that some 73 per cent of the labour force are single contributors and \$2.90 per week is the maximum amount levied on single contributors. We believe we should protect those who most need protection and this can best be done by a flat money amount. We are aware that many single income families will not be fully compensated. But as the Commission has noted on a previous occasion in connection with the family wage concept inherent in the earlier minimum wage, a wage adjustment is not an appropriate method of doing equal justice to the single person and the family. Taxation and social service provisions allow a more satisfactory avenue. Because of what we have said about the serious inflationary consequences of a large wage increase at the present time, we have decided to award \$2.90 to all.

This increase in wages because of Medibank is intended to satisfy all union demands about health insurance. We are aware that independently of these proceedings unions have

been making claims on employers to pay for health insurance and this increase should satisfy all such claims.

Remainder of C.P.I.

Now that Medibank has been dealt with as a separate issue we turn to consider the remainder of the C.P.I. increase, namely - 2.8 per cent. The attitudes of the parties and interveners have been mentioned earlier in these reasons.

In relation to the form of the increase the Commission has stated on many occasions it is aware of the arguments for and against the concept of percentage increases. We recognize that in the long run a series of flat wage increases can lead to problems about relativities and that this effect can be ameliorated by a combination of percentage and flat increases as in plateau indexation. We are also aware that a flat rate increase will favour those in the lower income groups and in certain situations where it is considered that a full percentage increase is not possible it may be preferable to favour those groups. There is of course a variety of methods which can be used between a full percentage and a flat rate increase.

As we have noted in connection with our review of the economy, the circumstances facing the country compel us once again to depart from full indexation. We do not see any alternative to such a course if we are to avoid intensifying the rate of inflation with all the undesirable consequences for the economy, at present showing at best some signs of recovery.

To minimize the addition to labour costs while at the same time acknowledging the position of lower income groups on whom inflation falls heaviest, we have decided to grant a flat \$2.80 for the 2.8 per cent component of the C.P.I. increase, that being the application of 2.8 per cent to the Six Capitals Minimum Wage.

Catch-up

A catch-up claim was made by the A.C.T.U. and A.C.S.P.A. and was not supported by anyone. They argued that the amount of 2 per cent which was the amount by which full indexation was not awarded last year on the June and September figures should now be added. They based their case on an equity argument that they were always entitled to full indexation. The decisions on the June and September figures were made after a full hearing of all the arguments. Nothing has been put to us to persuade us to alter them and therefore this part of the claim is dismissed.

Date of operation

The unions asked that any increase should be made payable from 15 February 1977 which would give effect to the spirit of Principle 3 although a literal application of the Principle would make the date 15 March 1977, the December 1976 C.P.I. not having been published until 22 February 1977. Retrospectivity was opposed by the Commonwealth, Western Australia and the private employers. Victoria, Queensland, South Australia and Tasmania made no specific submissions about the date of operation. New South Wales said it had no submissions to make as to date of operation but said:

“We would leave that matter to be determined by the Commission in accordance with the normal principles applying to such matters”.

The question of retrospectivity has given us concern. We are conscious of the aim of Principle 3 that there should be some certainty and regularity of increases under the indexation system. But as the Commission said in its decision on the September 1976 quarter figures "retrospectivity in major cases is not normal" and retrospectivity was not then awarded. The normal practice about retrospectivity is inherent in Principle 3 which is based on the assumption that an increase will operate from a date some three weeks after the normal publication of the C.P.I. figures were not published until about a month after the usual date and although this hearing was commenced on 1 March 1977, that is within a week of publication of the figures and there was no delay in the hearing, it was not completed until 18 March.

In all the circumstances we consider we should give effect to the normal practice and make the increases we award to operate from the beginning of the first pay period to commence on or after today.

The future

There are three important points which have cropped up in virtually all indexation hearings:

1. Whether C.P.I. movements should be applied fully, or whether the C.P.I. should be discounted. This issue emerged in a stark way in the current proceedings because more than half the movement in the Index was identifiable as being related to health insurance, the cost of which can be calculated without reference to the C.P.I. In other cases, e.g., indirect taxes, import price increases etc. there are problems of identifying and measuring the extent of discounting.
2. Whether movements in the Index should be applied as a percentage to all wages and salaries or in some way which gives lesser amounts either by use of a lesser percentage, a flat amount, or a plateau. This of course relates to principle 5.
3. Whether the Commission should consider the Index quarterly or at longer periods. For instance, in this case the Commonwealth submitted that quarterly hearings should be abandoned in favour of annual or at most half-yearly hearings. If this was rejected it was submitted we should deal with the March and June quarters 1977 at the same time. The private employers also asked us to change to annual or at least six monthly hearings.

All three matters are fundamental to the package and although they keep recurring they have not had the opportunity they deserve of analysis in greater depth because of the pressure to complete the quarterly hearing as quickly as possible.

The Commission has discerned from the tone rather than the substance of submissions in recent National Wage cases, dissatisfaction with some of our present principles. To provide an opportunity for this dissatisfaction to be articulated, we outlined in the course of the present case a possible new approach and invited comment from the parties and interveners. It should be understood, of course, that we were not to be taken as necessarily favouring this approach.

The proposal was put on both a long term and short term basis. The long term was that the wage would be divided into two parts, a primary and a secondary part, something like the

old “*basic wage*” and “*margins*” though not necessarily the same in concept. Each quarter the primary part would be virtually automatically adjusted for movements in an index and only in an extreme situation would that adjustment not take place. The other part of the wage could be adjusted over a longer period-of time, say every one or two years when consideration could be given to, amongst other things, productivity and general problems of relativity.

In the short term we would announce that for two or three quarters the primary part, which we would determine, would be increased virtually automatically for movements in the C.P.I. During that period the Commission would consider an examination in depth of our wage adjustment system, including the index to be used, the level of the primary part, the methods of reviewing, the other part of the wage, the present guidelines and other relevant issues.

The A.C.T.U. opposed the idea of an inquiry as unnecessary and in particular an inquiry into the C.P.I.. It regarded the C.P.I. as the proper index for use in wage fixation and said that any consideration of change to it should be dealt with by the Standing Tripartite Commission. It opposed abandonment of total wage and pressed for full indexation each quarter as a result of changes in the C.P.I.. However it indicated willingness to participate should the Commission decide to have an inquiry.

C.A.G.E.O. agreed with the A.C.T.U. that the Standing Tripartite Commission was the appropriate body to deal with the C.P.I. and suggested that the Commission should have its normal hearing to consider the March 1977 quarter figure and could then discuss with the parties the question of the inquiry and its timetable.

A.C.S.P.A. also submitted that the question of the C.P.I. should go to the Standing Tripartite Commission.

The private employers opposed the reintroduction of a two-part wage and of any system of adjustment more automatic than the present one. They argued that the Commission would lose a great deal of flexibility and that the proposal might cause problems about relativities if only one part of the wage moved. They welcomed the idea of an inquiry into the system of wage fixation but opposed any virtually automatic adjustment as an interim measure.

The Commonwealth expressed strong support for an inquiry into the appropriateness of the C.P.I. and the possibility of a two-tier wage system. It expressed grave reservations however about the virtual automatic adjustment in the short term and submitted that any inquiry should precede any consideration of adjustment in consequence of a movement in the C.P.I. It was supported by Western Australia.

New South Wales while arguing that the C.P.I. was the best available index, said if the Commission had an inquiry it would participate in and cooperate with that inquiry. It also expressed preference for a continuation of the present system of quarterly reviews rather than the proposed virtually automatic adjustment for future quarters.

Victoria expressed support for the holding of an inquiry and indicated it would wish to participate and assist. However, it opposed the short-term virtual automatic adjustment of a primary wage.

South Australia suggested that the issues raised would best be left to debate in the next hearing following publication of the March quarter figure. If this hearing were to be long, the Commission could make an interim decision about the March quarter.

Having considered all the matters raised in argument about the proposals which fell from the Bench and in particular the lack of consensus about what should happen for the next two or three quarters we have come to the conclusion that in broad terms we should follow the suggestion made by South Australia. This will mean that on 3 May 1977 the Commission will assemble to deal with the March quarter figure and to commence an investigation into the following matters:

1. Whether the total wage system should continue or whether a two-tier system of wages should be preferable.
2. The use of an index as a satisfactory method of adjusting wages.
3. The adequacy of the Consumer Price Index for wage fixation purposes and if it is inadequate what other index is more adequate.
4. The period between general wage reviews both if the total wage is retained and if a two-tier system is found to be preferable.
5. Should any other current guidelines be altered.
6. Any other relevant issue that any party or intervener may wish to raise.

The Commission will be prepared to hear as a first step debate about the March quarter figure such a hearing should be short and should not delay the inquiry long.

The private employers have suggested that we should rule now on how the effect of devaluation on prices should be treated. We believe that this is a matter which should be left until the March quarter C.P.I. is being considered. The Commission would then be assisted by any relevant material prepared by the Statistician. The effect of devaluation can then be debated and decided. We think this is preferable to our ruling on devaluation in the present proceedings. It follows that we do not propose, certainly at this stage to make orders about the application of future adjustments to wages consequent upon movements of the C.P.I.

Form of Orders

The variations of the awards and determination will operate from the beginning of the first pay period to commence on or after 31 March 1977. The variations of the awards will operate for a period of one month from 31 March 1977.

Minimum wages will be increased by \$5.70 per week.

Junior rates prescribed as money amounts will be increased by the proportion of \$5.70 that the existing junior rate concerned bears to the existing Six Capitals Minimum Wage of \$100.70 with a maximum increase of \$5.70 per week.

Weekly rates will be calculated to the nearest 10c and annual rates to the nearest \$1.00.

Because of the form of the increase awarded by this decision allowances will not be increased.

It is not our intention that overaward payments including those covered by a recommendation provision as appears in the Metal Industry Award will be increased.

The form of the orders necessary to give effect to the decision under the Conciliation and Arbitration Act will be settled by the Register with recourse to a member of this Commission. The form of the determination will be settled by the Public Service Arbitrator.

The application before us are stood over until 10.30 a.m. on Tuesday, 3 May 1977.

TABLE 1

Unemployment and Hours of Overtime Worked per Employee

Period	Unemployed persons as a percentage of the Labour Force (Seasonally adjusted)	Percentage of Labour Force Registered as Unemployed with the Commonwealth Employment Service		Average number of hours of overtime worked per employee		
		(Seasonally Adjusted) (1)	(Without Seasonal Adjustment) (2)	(3)	Seasonally Adjusted (4)	
1975	- March		4.5		2.1	
	- April		4.7		2.2	
	- May	4.5	4.5		1.9	
	- June		4.5		1.6	
	- July		4.8		1.7	
	- Aug.	4.6	5.0		1.8	
	- Sept.		5.1		1.8	
	- Oct.		5.2		1.8	
	- Nov.	4.6	4.7		2.0	
	- Dec.		4.6		2.0	
	1976	- Jan.		4.3		2.0
		- Feb.	4.3	4.2		2.2
- Mar.			4.4		2.4	
- April			4.7		2.2	
- May		4.3	4.7		2.5	
- June			4.9		2.6	
- July			5.2		2.6	
- Aug.		4.9		4.4	2.4	

Period	Unemployed persons as a percentage of the Labour Force (Seasonally Adjusted)	Percentage of Labour Force Registered as unemployed with the Commonwealth Employment Service		Average number of hours of overtime worked per employee
		Seasonally adjusted (1)	Without seasonal adjustment (3)	Seasonally Adjusted (4)
- Sept.			4.4	2.5
- Oct.			4.4	2.4
- Nov.	4.2		4.5	2.4
- Dec.			5.4	2.2
1977 - Jan.			5.8	2.3
- Feb.	4.6		5.7	

Appendix

Notes:

The seasonal adjustment method in Column (2) is based on seasonal patterns of recent years which include years of low unemployment.

The Australian Statistician has drawn attention to the difficulties arising from making seasonal adjustments when marked changes in seasonal patterns occur.

The seasonally adjusted statistics taken from the publications of the Department of Employment and Industrial Relations are subject to the qualifications that “*no claims are made that the Series, with or without school leavers, are being satisfactorily adjusted*”. This Series was discontinued after July 1976.

Sources:

Column (1): Australian Bureau of Statistics, *Employment and Unemployment November 1976* (Ref. No. 6.4); *Unemployment, February 1977 - Preliminary Estimates* (Ref. No. 6.35).

Columns (2), (3), and (4): Department of Employment and Industrial Relations, *Monthly Review of the Employment Situation*, various issues to February 1977.

Appendix

TABLE 2

Percentage Changes in Weekly Wage Rates, Average Weekly Earnings and Consumer Price Index

Quarter	Weekly Wage Rates - Adult Males - Federal Awards		Weekly Wage Rates - Adult Females - Federal Awards		Average Weekly Earnings per Employed Male Unit			Average Weekly Ordinary Time Earnings		Consumer Price Index
	A*	B*	A*	B*	(Seasonally Adjusted)		(Seasonally Adjusted)			
					A	B	A	B		
1974 - March	1.3	13.5	4.3	25.3	2.9	16.6	3.0	16.9	2.4	13.6
- June	19.2	28.0	17.1	34.2	7.1	19.2	7.7	20.5	4.1	14.4
- Sept.	7.8	32.0	11.5	43.0	10.2	25.4	11.2	30.5	5.1	16.0
- Dec.	5.0	36.8	4.9	42.9	5.4	27.9	6.9	31.8	3.8	16.3
1975 - March	1.6	37.2	3.0	41.2	2.4	27.3	4.2	33.3	3.6	17.6
- June	4.9	20.7	7.1	29.1	2.8	22.3	3.6	28.3	3.5	16.9
- Sept.	3.2	15.5	4.6	21.0	2.6	13.8	2.8	18.5	0.8	12.1
- Dec.	3.0	13.3	2.4	18.1	4.5	12.9	2.7	14.0	5.6	14.0
1976 - March	4.3	16.2	4.4	19.6	2.3	12.8	2.0	11.6	3.0	13.4

Quarter	Weekly Wage Rates - Adult Males - Federal Awards		Weekly Wage Rates - Adult Females - Federal Awards		Average Weekly Earnings per Employed Male Unit (Seasonally Adjusted)		Average Weekly Ordinary Time Earnings (Seasonally Adjusted)		Consumer Price Index	
	A*	B*	A*	B*	A	B	A	B	A	B
- June	4.0	15.3	4.5	16.7	4.5	14.6	6.2	14.3	2.5	12.3
- Sept.	2.3	14.2	2.5	14.4	3.5	15.5	3.1	14.6	2.2	13.9
- Dec.	2.1	13.2	2.2	14.2	0.9	11.6	1.2 p	12.9 p	6.0 **	14.4

Notes: A = Increase on previous quarter

B = Increase on corresponding quarter in previous year

* Based on monthly averages

p = provisional

** Increase in the Health Services sub-group contributed 3.2 percentage points of the December quarter 1976 increase. The Australian Statistician noted that “*the indexes for this quarter include the effects of unusual increases in prices for the hospital and medical services associated with the recent changes to Medibank. This is due to increases in health fund contributions and the to the Medibank levy which, consistent with previous practice, is treated as an increase in price*”.

Sources: Australian Bureau of Statistics, *Wage Rates and Earnings*, Various issues to Nov. 1976 (Ref. No. 6.16), *Wage Rates Indexes: Dec. 1976* (Preliminary) (Ref. No. 6.37), *Consumer Price Index - Dec. Quarter 1976* (Ref. No. 9.1)

Appendix

TABLE 3

Some components of Gross Domestic Product and Gross National Expenditure

	Quarter											
	1974				1975				1976			
	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.
Gross Domestic Product (Percentage change from previous quarter)	1.5	-2.8	-1.2	1.5	-0.6	3.5	-2.7	-0.2	2.5	1.4	2.5	-1.7
Gross Private Fixed Capital Expenditure (Percentage change from previous quarter)												
Dwellings	-4.1	5.0	-9.5	-7.3	-4.6	-3.8	8.9	7.8	11.5	4.1	2.6	1.0
Other Buildings and Construction	--	-6.9	2.1	-.04	--	1.6	-4.0	-2.5	-13.2	-1.5	3.0	-11.7
All other	-1.1	-3.1	-1.5	-6.5	-1.0	6.3	-2.6	-6.4	9.1	5.2	-9.2	13.7
Increase in Stocks (\$million) Private Non-Farm	339	250	301	287	-170	-55	-160	-69	136	6	124	131
Consumption Change (Percentage change from previous quarter)												
Private	0.5	0.7	0.1	0.1	1.5	2.4	-0.1	--	-0.3	2.5	--	1.5

Gross Operating Surplus of Companies (as a percentage of Gross Domestic Product at Factor Cost)	15.3	12.7	11.0	12.3	11.8	14.1	12.2	12.2	12.4	13.8	14.1	14.0
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Quarter

	1974				1975				1976			
	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.
Wages, Salaries and Supplements (as a percentage of Gross Domestic Product at Factor Cost)	60.7	64.0	67.2	66.9	66.9	65.3	66.3	66.5	65.4	64.6	64.4	64.0

Notes - All indices based on average 1966-1967 prices and all quarterly figures on seasonally adjusted data.

Sources - Australian Bureau of Statistics, *Quarterly Estimates of National Income and Expenditure - September Quarter 1976* (Reference No. 7.5 and earlier issues); *Quarterly Estimates of National Income and Expenditure - December Quarter 1976 (Preliminary)* (Reference No. 7.6)