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IN THE AUSTRALIAN CONCILIATION AND ARBITRATION COMMISSION

Conciliation and Arbitration Act 1904

NATIONAL WAGE CASE - JUNE AND SEPTEMBER 1979 QUARTERS
DECISION NO. 1

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

METAL INDUSTRY AWARD 1971 - PART III - PROFESSIONAL ENGINEERS [163 C.A.R. 388]
(C No. 1619 of 1979)

And in the matter of an application by The Australian Public Service Association (Fourth Division Officers) to vary the

AUSTRALIAN TELECOMMUNICATIONS COMMISSION CLERICAL, MANIPULATIVE AND OTHER GRADES (SALARIES AND SPECIFIC CONDITIONS OF EMPLOYMENT) AWARD 1977 [Print D3584]
(C No. 1626 of 1979)

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

METAL INDUSTRY AWARD 1971 [Print D1611]
(C No. 1637 of 1979)

in relation to wage rates

SIR JOHN MOORE, PRESIDENT
MR JUSTICE WILLIAMS
MR JUSTICE ROBINSON
MR JUSTICE LUDEKE
MR DEPUTY PRESIDENT ISAAC
MR COMMISSIONER STANTON

MELBOURNE, 4 JANUARY 1980

REASONS FOR DECISION

Because we have not yet been able to give final consideration to all the submissions which have been put to us by the parties, but have been able to reach a conclusion as to amount we are prepared to announce today our decision on amount together with certain other matters which require to be dealt with now.

A further decision dealing with principles will be published reasonably soon as Decision No. 2.

FUTURE OF THE SYSTEM

In its decision of 27 June 1979, the Commission stated its belief that the system of wage fixation based on indexation was not working. The Commision declared that

> *" ... the actions and attitudes of various participants in the system are incompatible with its effective operation ..."*

and called on all involved to review their role and their commitment.

The Full Bench also called for an immediate conference to explore the possibility of fresh consensus.

In accordance with the intention announced in the decision, conferences were held with all parties and interveners, and on 28 September 1979 the Full Bench made the following statement:

> *"In its National Wage decision of 27 June 1979, the Full Bench called a Conference of all parties and interveners to consider, as a matter of urgency, whether indexation had a future. The stated expectation was that the Conference would be short.*
>
> *Although the President was able to chair the initial Conference on the appointed day, 4 July, his subsequent illness brought with it inevitable delay. The follow-up conferences were therefore chaired by Mr Justice Williams. All parties and interveners approached the conferences in the spirit anticipated by the Full Bench and applied their minds diligently to the issues raised. In the event, the final conference was not held until 18 September, after which, Mr Justice Williams reported to members of the Full Bench.*
>
> *The substance of this report is that while there is generally a desire for the continuance of a centralized system of wage fixation, significant differences exist on the basis on which such a system should operate. Therefore, the issues which forced us to the conclusions detailed in the June decision remain unresolved.*
>
> *Given the later than expected conclusion of the Conference, we have given earnest consideration to what course should be taken with the present proceedings. We are mindful that publication of the September quarter CPI would be expected in approximately three weeks and in accordance with the present Principles, a six-monthly review would be scheduled shortly thereafter.*
>
> *In these circimustances, this Full Bench determines that further debate on, the future of the centralized system would be most appropriately dealt within the context of the forthcoming six-monthly review.*
>
> *Meanwhile, the present Principles will continue to apply."*

It was apparent that the only interest which the participants held in common at that time was that they should not be left without a centralized system of wage determination. In the present proceedings the reaction generally has been one of alarm at the prospect of abandonment of such a system.

Despite the absence of consensus on the structure of a system and on the principles that should govern its operation, we have been influenced not only by the universal desire that a centralized system should continue but also by the suggestion that there has been a significant narrowing of differences between many of the parties.

Central to this narrowing of the gap have been the proposals for consensus put forward by the Commonwealth which amount to a radical change in its policy on wage fixation. It further indicated during the course of proceedings that it was willing to discuss variations of its proposals. The Commonwealth initiative was described by New South Wales as a significant move towards consensus and by the Council of Australian Government Employee Organizations as "an important change in the government's approach and we would hope it is an initial step towards a more rational and equitable wages policy". Indeed, CAGEO suggested that as a result of the change the unions and the Commonwealth were less far apart than at any time since the beginning of 1976. Other participants suggested the Commonwealth proposals could form the basis for further discussion in a conference convened by the Commission.

Perhaps the most important aspect of the Commonwealth proposals was the stimulus they provided for discussion on the problems and the prospects of maintaining an orderly centralized system of wage fixation. The appropriate relationship between claims for wage increases under the various Principles and the interacting cost factors involved were more fully debated in this case than previously.

The Australian Council of Trade Unions [The Australian Council of Trade Unions and the Australian Council of Salaried and Professional Associations were merged towards the end of 1979] put forward a range of proposed changes to the Principles, as did the Council of Australian Government Employee Organizations, the Council of Professional Associations and the Australian Public Service Federation. The three last-mentioned organizations affirmed their adherence to a centralized system of wage determination. The private employers also made a number of suggestions. There were substantially in accord with views expressed by them on other occasions.

All the participants including the trade unions have strongly pressed us to persevere with the system and details of the submissions will be discussed in our Decision No. 2. There is however one matter which requires special consideration at this stage. The September 1979 Biennial Congress of the Australian Council of Trade Unions carried a resolution which makes plain the trade union movement's adherence to collective bargaining as well as to a centralized system of wage determination based on indexation. It was suggested that collective bargaining and the processes of conciliation are synonymous. Conciliation of course conforms with one of the chief objects of the *Conciliation and Arbitration Act* and has continued since 1975. But those participating in negotiations either within or outside the Commission's conciliation processes, must realize that the system cannot continue to function simultaneously with unrestricted collective bargaining and that the basis of any settlement must be within the guidelines.

In this connection, we note that Article 4 of the "*Convention Concerning the Application of the Principles of the Right to Organize and Bargain Collectively"* of the International Labour Organization, contains a significant qualification; it was this Article which received much attention in the Congress policy, but the measures for the promotion of collective bargaining with which the Article deals must be *"measures appropriate to national conditions"*. In Australia *"measures appropriate to national conditions"* signify the wage fixing systems operating under various Industrial Arbitration Acts.

We do not intend that a decision of the Congress of the ACTU should be treated lightly, but we are also aware that the history of wage determination since April 1975 has shown the need to distinguish formal statements of policy on wage objectives from the actual experience.

It is also apparent that too much can be read into the policy. The ACTU itself told the Commission

> *" . . . we consider that there is almost complete compatability with the Principles enunciated in the Commission's guidelines and the stated objective of the package and ACTU policy. The policy position of the ACTU has not fundamentally changed since the introduction of indexation"*.

And later repeated

> *"It was, and is, our firm view that there is a high degree of consistency and conpatability between the essential elements of that policy and the Principles upon which the indexation package is based"*.

New South Wales also held an optimistic view of the ACTU wages policy and concluded that

> *"from these major parties (the Commonwealth and ACTU) there have been significant changes of position which provide adequate foundation for continuation of the wage indexation system"*.

Apprehension expressed by all participants at the prospect of abandonment of a centralized system and the apparent narrowing of differences between many of them must be regarded as considerations of significance. Further, as a number of parties have pointed out, no viable alternative has been put forward.

For all these reasons we do not consider that the Congress policy is sufficient reason to bring the centralized system to an end and we have decided to continue with the system at least for the time being.

Although the Commission will bear the responsibility for guiding the participants in the observance of principles, the future of a centralized system is very much a matter for the participants themselves. It will have been plain to all from the conflicting views debated in this case that at present there is no decision which the Commission can reach which would reconcile the various submissions, and it must follow that some submissions which represent substantive views will be refused. In should be apparent that a valid measure of genuine interest in maintaining the system is the extent to which it is accepted that some proposals cannot be accommodated.

Submissions on the Principles will be considered by the Commission and will be discussed in our Decision No. 2.

In the interim period the present Principles will continue to apply in their present form. In particular we are not prepared to alter Principle 1 now so the next National Wage hearing will begin after the publication of the March Quarter 1980 figures.

Some observations need to be made now on Principle 7(a) to clarify its immediate application.

PRINCIPLE 7(a)

Particular reference was made by both the private employers and the Commonwealth to the work value cases which have been considered by the Commission under Principle 7(a) during the last year and it was claimed that across-the-board increases such as those awarded in the aluminium and metal industry cases were not in accord with the intention of the Principle. On the other hand the ACTU and CAGEO welcomed the nature of the application of the Principle in those cases.

The private employers in particular were deeply concerned by the operation of the Principle. Their view of cases decided during the past twelve months and the nature of the increases awarded led them to conclude that "*... it is that Principle which at the present time most threatens the effective operation of any system based on national wage cases*".

The private employers' proposals for changes to the system including the imposition of more rigid controls upon cases in which increased wages are sought on grounds of change in the value of work. The suggested controls reflect the extent of the apprehension that Principle 7(a) is developing into a mechanism for the establishment of another tier in wage-fixing, producing substantial increases in wages. The employers admitted that to alter the Principle at this time, when only part of the workforce has benefited from work-value reviews, and when a large number of applications are known to be before tribunals or in preparation, would have serious industrial relations consequences. But it was submitted that nevertheless more rigid controls should be applied in all future cases.

It is clear that at the time the Principles were adopted in 1975 the Commission's attitude was that wage movements outside increases awarded in national wage cases must be small. A similar attitude was expressed in the Wage Fixing Principles case in September 1978 when Principle 7(a) was continued unaltered, and until the recent round of work value cases increases in wage rates awarded by the Commission outside National Wage cases were minimal. There is little doubt that these cases reflect organizational and technological changes which have accumulated during the last few years.

Our attention has been drawn to a number of work value cases in some detail. In our view the method of conducting the hearing of the metal industry case and the decision arrived at were consistent with the Principle as it now stands. That case involved detailed submissions and extensive inspections and we consider that Principle 7(a) requires the tribunal to satisfy itself either by inspection or evidence or both that the claim being dealt with falls within the Principle. The same rigorous examination must be made of all consent arrangements. Anything short of this is unsatisfactory and the mere say so of the parties is not enough. It is of course crucial that the standard of increase represented by the metal industry decision, namely $9.30 for tradesmen and $7.30 for non-tradesmen, not be exceeded. These increases were consistent with standards which had been established in a succession of earlier work value cases.

It is inherent in the Principle that where rates have been reviewed on an overall basis in accordance with its terms they fully reflect all changes in work value which had occurred up to the date of the review. In our opinion the Principle includes the necessary curbs which prevent it becoming the source of repeated increases outside national wage cases. Any subsequent application based on the Principle would necessarily proceed on the premise that the rates were correctly assessed and were up to date at the time of their assessment. Further increases in those rates could only be justified where it was established in accordance with the Principle that a significant change in work requirements had occurred since the date of the previous work value inquiry.

We do not intend to alter the terms of Principle 7(a) at this time.

As indicated earlier, the proposals for change in the Principles will be considered in Decision No. 2. In the event that our expectations about the functioning of the Principle do not materialize, it may become necessary to relist the matter for further debate.

THE APPLICATIONS

Following the movements in the Consumer Price Index of 2.7% for the June Quarter 1979 and 2.3% for the September Quarter, applications were made for variation of a range of the Commission’s awards. The applications were brought under the procedure adopted by the Commission in the Wage Fixing Principles Case of September 1978. It has been the third six-monthly hearing since that decision. The claims and attitudes of the parties and interveners were as follows:

Australian Council of Trade Unions; Council of Australian Government Employee Organizations	5.1% increase plus the proportion of CPI adjustment not previously granted
Council of Professional Associations	5.1% increase
Australian Public Service Federation	5.1% increase plus the proportion of CPI adjustment not previously granted
New South Wales	5% increase
Tasmania	5% increase with reservation about oil price discounting
Victoria	2.5% increase, contingent upon the commitment of the unions to the system
Queensland	A percentage increase less than the full movement in the CPI
South Australia	3% increase contingent upon the commitment of the unions to the system
Commonwealth; Western Australia; Northern Territory	3% increase
Private Employers	No increase
Masters Builders Federation of Australia	3% increase

In seeking an increase in rates of pay of 5.1% the unions asserted that the figure represents the increase in the weighted average of the six capital cities Consumer Price Index in the June and September quarters of 1979.

New South Wales, whilst supporting the unions' application for an increase of the full extent of the CPI, pointed out that the correct calculation is 5%. The Commonwealth took the same view as to the calculation.

The ACTU explained that it had arrived at its figure of 5.1% by compounding the published quarterly figures. It justified that approach on the grounds that had quarterly indexation continued, the 5.1% figure would have been that upon which the Commission based in total its decisions.

As this is the first occasion on which there have been differences between the parties as to the extent of the CPI movement, we state now that in any future cases we shall take the review period, whatever might be its length, as a whole and not as an aggregation of parts of that period. The movement in the CPI will be calculated by taking the Statistician's CPI index figure at the beginning of the period and expressing as a percentage of that figure, rounded off to one decimal place, the difference between it and the Statisticians' index figure at the end of the period. This method will automatically achieve the compounded effect of quarterly movements avoiding the inflated result which has appeared in this case.

The figure for which we shall have regard in this case is 5.0% as shown in the calculations submitted by New South Wales and the Commonwealth and supported by Western Australia and Tasmania.

SUBSTANTIAL COMPLIANCE

All the unions argued that there had been substantial compliance and they were supported in this submission by New South Wales and the Master Builders Federation of Australia as far as that industry was concerned. The Commonwealth said:

> *"Our examination of the available evidence in the light of the Commission's criteria for the measurement of substantial compliance leads us to submit that while earnings drift is not significant industrial disputation is of such a degree that the Commission should grant substantially less than the increase sought by the ACTU and peak councils."*

It was supported by South Australia and Western Australia. Queensland said that the amount awarded by us should be discounted because of industrial disputation but did not quantify the amount of the discount. The employers submitted that because of the overall impact of industrial disputation we should award no increase at all.

We have considered the statistical material and the information about disputes put to us by a number of parties and in particular the employers. The most recently available figures show that there has been a drop since July in the number of working days lost. The figures are as follows:

INDUSTRIAL DISPUTES: AUSTRALIA

Months	Working days lost (000's)
1979	
January	51.0
February	233.0
March	222.9
April	151.9
May	233.3
June	1582.3
July	612.8
August	241.2
September	210.8

In our June decision we took account of a number of disputes by name and at least some of them would have been reflected in the figures about industrial disputes, certainly for June. There are continuing signs of industrial unrest in some areas, including railways.

The Commonwealth produced figures on earnings drift showing that *"little or no drift is apparent over recent quarters"*. In fairness it should be added that the Commonwealth also said that the lack of wages drift might have occurred because of recent broadly based work value increases.

We remain concerned about the incidence of industrial action on claims said to be within the guidelines and we propose to discuss this question further in Decision No. 2. However, approaching the issue along the lines which we have followed since 1975 and bearing in mind the abatement of direct action on the scale referred to in our June decision and the absence of earnings drift, we consider that there has been substantial compliance.

THE ECONOMY

In our decision of June 1979, we referred to the risk of a renewed rise in the inflation rate. The movements in the June and September CPI have confirmed our fears, as the following figures show:

		Percentage increase from corresponding quarter of previous year	Percentage increase from previous quarter
1977	March	13.6	2.3
	June	13.4	2.4
	Sept.	13.1	2.0
	Dec.	9.3	2.3
1978	March	8.2	1.3
	June	7.9	2.1
	Sept.	7.9	1.9
	Dec	7.8	2.3
1979	March	8.2	1.7
	June	8.8	2.7
	Sept.	9.2	2.3

There is general agreement that wages are not to blame for this development which is explained by other factors - the Commonwealth Government's decision to raise the price of domestic oil to full import parity in one step; the continued rise in the world price of oil; and the sharp rise in world prices of meat, wool, metals and various raw materials. The influence of these factors is shown in the prices of materials used in manufacturing industry which increased as follows between June 1978 and June 1979:

All Groups	Food, live animals and tobacco	Crude material excluding fuels	Electricity gas and fuels
%	%	%	%
38.5	55.3	26.4	39.1

In part, these price increases reflect gains to certain sections of Australian rural producers and the mining industry as well as having a favourable effect on the balance of payments. After a number of depressed years, real farm income for 1978/79 is estimated to have doubled on the previous year and returned to the peak of 1973/74. Subject to the vagaries of seasons and world demand, the outlook for 1979/80 continues to be bright.

The favourable outlook of the rural and mining sectors is reinforced by the improvement in the international competitive position of Australian manufacturing and the strengthening of industrial production in this sector. In commencing on Australia's competitive position as at the end of 1978 the OECD said *"the position which existed before the sharp deterioration in 1972 and 1973, had been more than restored"*. The higher rates of inflation in most other OECD countries in 1979 as shown in the figures produced by the Commonwealth and set out below, suggest that this position has been maintained:

	Increases in Consumer Prices six months to September 1979 annual rate
United States	14.1
Japan	7.4
Germany	4.4
France	12.9
U.K.	22.6
Canada	8.6
Italy	16.8
New Zealand	20.5
Major Trading Partners (weighted average)	12.0
OECD	12.9
Australia	10.3

Although the improvement in the non-farm sector did not match that of the farm sector, the growth in Non-farm GDP rose from 1.6% in 1977/78 to 2.8% in 1978/79. The components of aggregate demand have moved in a variable fashion but overall the economy showed a more broadly based improvement in performance than in recent years. Nevertheless, weaknesses and uncertainty persist, aggravated by the prospects of accelerating inflation. The Commonwealth, although more optimistic about the economic outlook than the unions and the private employers, admitted that the non-farm sector remains "finely balanced". The most recent figures suggest a discouraging outlook in the current financial year for domestic expenditure, especially private consumption and private investment. The slowing down of the world economy is also a source of concern.

Although the level of employment has picked up during 1978/79, unemployment remains very high. On the expectations of economic growth in 1979/80, unemployment is likely to rise unless the decline in the labour force participation rate continues. This decline suggests a growing margin of hidden unemployment of persons who are discouraged by prolonged unemployment and unavailability of jobs and withdraw from the active labour force.

The Commonwealth once again made mention of what it calls "the continuing factor share imbalance", a reference to the depressed share of corporate profits and the inflated share of wages by historical levels. Indeed, various figures produced showed that the share of profits in the June quarter had returned almost to its lowest level in the last five years despite the fall in the share of wages from its peak in 1974/75.

However, the ACTU challenged the significance of these figures and made the following points with which we are in substantial agreement. There are serious statistical deficiencies in these figures and it cannot be assumed that "profitability", in the sense of rate of return on investments, has fallen to such a low level. In part, the low share of profits in the corporate sector may be attributed to a shift of profits to the unincorporated and self-employed sectors. The calculation of the profit share in the non-farm private sector which could provide a useful measure of the movement in overall profits, abounds with difficulties and must be treated with considerable reservation; but the share of wages in this sector appears to have fallen back close to historical levels. Cyclical factors may partly explain low profitability. Finally, the ACTU said gross profit figures need to be adjusted for changes in company taxation to provide a more reasonable measure of profitability.

Apart from all the statistical difficulties involved in drawing inferences from global profit share figures, the continued stagnation in the profit share is surprising in the face of a lift of at least 10% in non-farm market sector productivity since 1974/75, during which time real average earnings have, if anything, declined. We note with interest the comment in Statement No. 2 of the 1979/80 Budget in reference to the low growth of the Gross Operating Surplus of Companies in 1978/79:

> *"Such low growth is in contrast to the widely reported profit performance of a number of major companies and the generally encouraging tone of the main qualitative surveys of business performance. In the past the gross operating surplus of companies has been one of the items of the national accounts most prone to substantial revision, and it would not be at all surprising if company operating surplus eventually proves to have grown more rapidly in 1978/79 than presently estimated."*

We therefore have difficulty in relying on the material before us as evidence of "a continuing state of depressed profitability" calling for a reduction in real wages.

The Commonwealth also referred to the "wage overhang" reflecting the gap or imbalance between real labour costs and productivity since the early 1970's and resulting in a rise in real labour unit costs. The size of this gap, it was argued, acts as a restraint on the growth of employnent. Once again we were presented with conflicting measures and interpretations. The measurement of the gap seems to depend on the particular productivity and wages statistics used and the base period to which the figures are related. Productivity may be measured in various ways: the market sector or the total economy; including or excluding the farm sector; actual or trend; adjusted or not adjusted for terms of trade. Wages may be derived from the national income estimates or the average earnings series may be used. The various ways of measuring productivity and wages and the use of different base periods produce widely different results, some showing a substantial gap and others showing that the gap is now negative.

In the present proceedings, the Commonwealth, using revised average hours data, showed that the gap in 1977/78 for the non-farm market sector is only marginally less than it was in 1974/75, the year of the wage explosion. The credibility of these estimates is greatly reduced by the fact of real wage restraint and increased productivity since 1974/75. The Commonwealth's calculations for the non-farm market sector do not go beyond 1977/78.

Real wage restraint has continued since that year and productivity has continued to rise. We note that in its submission in the May/June 1979 national wage case, the Commonwealth conceded that the gap was narrowing and said in this connection:

> *"The revised civilian wage and salary earners series is still not available to enable an updating of the exercise measuring the real wage productivity gap or overhang. However, the strong growth in productivity in 1978 - that is the calendar year - makes it likely that when it is again possible to present the overhang analysis, the real wage productivity gap will be found to have closed further during the 1978 year."*

What the gap is currently and how much of it is due to wages, on the one hand, and to payroll tax and workers' compensation premiums on the other, is something on which we can only speculate.

Apart from the problems of measurement, the inference to be drawn from the overhang analysis for wage policy seems to depend on the particular economic doctrine espoused.

In view of the perplexing material on the overhang concept before us, both as to its measurement and significance for wages, we do not consider that we can rely on this concept to assist us in determining what to award in this case.

STATISTICS

Our hesitation about using statistics other than those emanating from the A.B.S. was emphasised in this case. On 20 November 1979 in the course of its submission the Commonwealth tendered a document showing real unit labour cost estimates. This was used as a basis for a further exhibit which the ACTU tendered. However, after we had reserved judgment, on 19 December 1979 we received a communication from the Commonwealth - Crown Solicitor informing us that on the instructions of the Department of the Treasury he wished to advise as far as that document was concerned *"subsequent reworking of the calculations therein has revealed an inconsistency in the use of average hours worked data in the preparation of"* that exhibit. This created a dilemma for the Commission and we seriously considered reconvening the national wage case. In the event, we had to give everyone an opportunity if they so desired to comment on the new figures.

DISCOUNTING

A number of grounds were raised for discounting: the oil price increase, lack of substantial compliance, the economic and social effects of industrial disputation and the economic effects of work value increases.

In view of the conclusion we have reached on substantial compliance, no discounting for this factor is called for. The economic and social effects of industrial disputation are allied to the question of compliance and on the material before us we do not believe that we should discount for this factor either. We deal with the remaining two items for which discounting was argued.

OIL PRICES

In our decision of June 1979, we said in respect of the rise in the price of oil:

> *"There is however widespread understanding and acceptance of the need to conserve oil in the face of a continuing world scarcity. The increase in the price of petroleum and heating oil flowing from the increase in excise is not only a reflection of the energy crisis but also an important means of mitigating it. In the present economic circumstances we are concerned about passing on the excise to wage costs. Accordingly we have decided that on this occasion, and subject to the qualifications we make, the only policy induced price increase which should be taken into account is that relating to the increased excise on oil."* [Print E267 at p. 2]

The submissions in these proceedings do not persuade us to take a different course but we are drawn by these submissions to make a number of observations.

Our decision to discount for oil prices is made in the context of the current inflationary situation. We underline what we said in June, namely, the increase in the price of oil is an important means of conserving oil in the face of a continuing world scarcity. It could also be said that these circumstances require some real sacrifice in the community's standard of living. However, in view of our comment in the June 1979 decision about the importance of revenue considerations in the Government's excise policy on oil and the industrial relations implications of such a policy, we are concerned that no measures have been taken to offset the effect of oil prices on the CPI. Our concern in this connection is reinforced by the fact that the burden of discounting falls on wage and salary earners while it would appear that other sections of the community may be able to pass on oil increases.

Turning to the calculation of the discounting factor for oil prices, we note the ACTU's submission that we should exclude from the calculations the effect on oil prices due to the higher cost of imported oil, this item, it was said, being more properly considered as an adverse movement in the terms of trade and charged against productivity. We have decided that the rise in oil prices resulting both from excise and import prices should be considered together as a special problem calling for discounting in the present economic situation.

The calculation of the discounting factor for the direct effect on the CPI of the Government's parity pricing policy and the rise in the price of imported oil is a complex process. The Commonwealth has in our view made a careful and fair calculation of these effects and in the absence of more satisfactory computation we have decided on this occasion to take the Commonwealth's figure rounded to 0.5% as the amount by which to discount for the effect of oil prices on the CPI.

The private employers argued that we should also discount for the indirect effect on the CPI resulting from the increase in costs due to higher oil prices. This proposition implies that the action of companies in passing on oil price increases should be met by a reduction in real wages. Such a course would be inequitable and we reject it.

THE ECONOMIC EFFECTS OF WORK VALUE INCREASES

Another ground advanced for discounting is that the growing incidence of broadly based work value wage increases has greatly reduced the capacity of the Australian economy to afford a general wage increase by way of indexation under Principle 1. The Commonwealth cited a long list of cases already decided and those in train, which in total cover an estimated 18% of wage and salary earners.

The effect of work value wage increases is also revealed in the Statistician's estimate of the proportion of male average award wage increases accounted for by national wage which has fallen from 97% for the year ended December 1978 to 93% for the year ended June 1979. It is fair to assume that when figures for December 1979 are available they will show that the percentage has fallen further.

We expressed our concern about the size of wage increases outside national wage in our June decision as follows:

> *"Over the past twelve months, driver classifications under numerous awards have received the same or similar increases, general increases have been granted to aircraft industry workers, airlines transport workers, stevedoring industry, oil industry and paint industry employees. Without criticising the amounts awarded or the reasons given in the various cases, it is clear that an ever increasing range of occupations in an ever widening range of industries is receiving increases which conform to a fairly standard pattern. In many other industries, including Telecom, Australia Post, vehicle and metal trades, claims have been made for general wage increases. The impact in economic terms of these developments is clearly not negligible."*

And further:

> *"Despite scrupulous adherence to the Principles in many cases, Principles 7(a) and 8 are in danger of being transformed by the joint action of unions, employers and tribunals into a fresh source of general award wage increases."*

Our concern has not abated and we have given serious consideration to discounting the CPI for these increases which quite clearly go against the expectations of the Commission and indeed of all parties and interveners when the Principles were formulated. In its decision of 30 April 1975 the Commission said:

> *"The fundamental point of agreement between the proponents and opponents of indexation is that indexation would produce grave economic results unless increases in wage costs, outside indexation and national productivity, were small."*

The nature and magnitude of technological and other changes which have affected work over the last five years and which have resulted in across-the-board wage increases could not have been forseen at the time. But should a general increase averaging $8 to $9 per week spread throughout the economy in a short period of time and should it be maintained in real terms by indexation, the economy might well become overloaded.

However, we have decided not to take action on account of these increases at this stage because the available statistical and other evidence does not permit a proper assessment of the overall magnitude and incidence of the work value wage increases, particularly as there are still many cases before various tribunals.

AMOUNT OF INCREASE

The question which remains to be decided is whether we should award less than the CPI increase discounted for oil prices. The ACTU submitted that the growth of consumption expenditure was crucial to economic recovery and that full indexation would assist in this direction. In our view, this contention oversimplifies the issue. On the material before us, it is far from clear that either full or partial indexation decisions have had any noticeable effect on the level of consumption. Those opposing full indexation argued strenuously that in coming to its decision, the Commission should have special regard to the resurgence of inflation and accordingly minimise the effect of its award on inflation.

The Commonwealth contended that to allow what it calls this *"exogenously imposed inflation"* to be reflected fully in wage movements would ensure that an *"increased rate of price inflation would be sustained long after the disappearance of its original causes"* rather than *"quickly turning to its decelerating path"*. Some sacrifice in real wages for the present, the Commonwealth argued, would allow inflation to abate quickly and ensure more speedy recovery. The equity of such an action, it suggested, is to be found in the fact that the share of wages is still above its historical level.

Ever since the Commission embarked on the indexation principles, being conscious of the importance to economic recovery of greater price stability, it has, within the limits of its statutory obligations, tried to assist in slowing down inflation. Its many partial indexation decisions were consistent with this objective. Its decision in this case to discount for the effect on the CPI of oil prices is a further example of its concern for inflation; and in moving to six-monthly CPI adjustments, the Commission hoped that cost saving would strengthen business confidence and promote recovery.

In view of the difficulty we have expressed about inferences to be drawn from statistics concerning the shares of wages and profits, we are constrained from giving weight to the Commonwealth's submission that the equity of reducing real wages in order to allow inflation to abate quickly is to be found in the fact that the share of wages is still above its historical level.

We have before us the movement in real wages since indexation began as expressed by the following figures.

Percentage Increases: March Quarter 1975 to September Quarter 1979

Average Award Rates	56.6
Average Weekly Ordinary Time Earnings	57.1
Average Weekly Earnings	56.6
CPI	58.4

The decline in real wages is shown to be more marked when a number of important award rates is examined. Furthermore, during the three quarters of 1979, the CPI has generally moved faster than wages as follows:-

Percentage Increase from Corresponding Quarter of Previous Year

		CPI	Average Weekly Earnings (seasonally adjusted)	Average Weekly Ordinary Time Earnings (seasonally adjusted)	Average Minimum Weekly Wage Rates (Adult Males)
1979	March	8.2	9.1	9.3	6.7
	June	8.8	7.4	6.5	6.8
	Sept.	9.2	7.5	7.2	7.4

In the face of these statistics and bearing in mind that the resurgence of inflation has been caused not by wages but by international factors which have brought prosperity to certain sectors of the Australian economy, we are not prepared to adopt the course proposed by the Commonwealth. In these circumstances not to compensate wage and salary earners for price increases would be unjust, would be contrary to the spirit and intent of Principle 1 and would undermine the integrity of the indexation package as a whole. We will, therefore, not depart from the objective of Principle 1 except in respect of the discount for oil prices.

Accordingly we have decided to increase all award rates by 4.5%.

CATCH-UP

Consistent with earlier decisions the claim for catch-up are refused.

DATE OF OPERATION

The unions asked that any order we make should operate from 15 November 1979. The Commission's attitude regarding retrospectivity in National Wage cases is well known and this claim is refused. The increases awarded will operate from the beginning of the first pay period to commence on or after today. The payment of monies pursuant to this decision need not be made until 31 January 1980.

OVERAWARD PAYMENTS

Overaward payments may be dealt within terms of the Wage Fixation Principles case of 14 September 1978 when the Commission said:

> *". . . we consider that it would not be inconsistent with our principles for individual members of the Commission, after hearing the employers and unions concerned and if a proper case was made out, to recommend the indexation of overaward payments when award payments are indexed."*

FORM OF ORDERS

The variations will operate from the first pay period to commence on or after today and will continue in operation for a period of six months.

Minimum wages will be increased by 4.5%.

Additional rates prescribed for leading hands will be increased by 4.5% as will shift allowances which are expressed in money terms, rounded off to the nearest one cent if on a daily or shift basis. Other allowances may be adjusted in accordance with the provisions of Principle 8(a)(ii) and 8(c)(i).

Junior rates prescribed as money amounts will be increased by 4.5%.

Weekly rates will be calculated to the nearest ten cents and annual rates to the nearest dollar.

The form of orders necessary to give effect to the decision will be settled by the Registrar with recourse to a member of this Commission.

Appearances:

J. Marsh, R. Overall and I. Watson for the Electrical Trades Union of Australia and others.
R.L. Gradwell and G. McGill for The Australian Public Service Association (Fourth Division Officers).
G.D. John and S.O. Green for The Association of Professional Engineers, Australia.
B.J. Maddern, of counsel for the Metal Trades Industry Association of Australia and others.
B.A. Ryan for the Australian Telecommunications Commission.
K.D. Marks, Q.C., and A.R.O. Rowlands, of counsel, for the Minister of State for Industrial Relations (intervening).
M. Sweeney and M. Moore, of counsel, for Her Majesty the Queen in right of the State of New South Wales (intervening).
P. Dalton, Q.C., and F. Turner. of counsel, for Her Majesty the Queen in right of the State of Victoria and others (intervening).
J.E. Murdoch for Her Majesty the Queen in right of the State of Queensland (intervening).
M.F. Gray for Her Majesty the Queen in right of the State of South Australia (intervening).
A. Pearce for Her Majesty the Queen in right of the State of Tasmania, (intervening).
J.G. Carrigg for Her Majesty the Queen in right of the State of Western Australia (intervening).
F. Marks for Her Majesty the Queen in right of the Northern Territory of Australia (intervening).
L.P. Doyle and A. Djoneff for the Australian Public Service Board (intervening).
J.S. Luckman for the Master Builders' Association of Victoria and others (intervening).
J.R. Andrews and M. Burgess for the Australian Public Service Federation, (intervening).
R.L. Gradwell and G. McGill for the Council of Australian Government Employee Organizations (intervening).
G.D. John and S. O. Green for the Council of Professional Associations (intervening).

Dates and places of hearings:

1979.
Melbourne,
November 13-16, 20-23.
Sydney,
November 29, 30.
Debember 4-6.
Melbourne,
December 12-14.