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Low-paid may get less, says Fair Pay chief

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The chairman of the Fair Pay Commission, Ian Harper, has conceded a cut in real wages for Australia's 1.6 million low-paid workers is "certainly an outcome that could arise" when the new body hands down its first determination later this year.

Professor Harper said the new Work Choices system stipulated the ruling could not cut minimum wages below their nominal 2005 levels - set under the last such ruling by the Australian Industrial Relations Commission - but all other options were possible.

He told The Australian Financial Review the question of whether future minimum pay rises would at least match inflation lay at the "very core of what the commission has got to decide" and could not be prejudged.

"It has got to think about how minimum wages affect unemployment levels and participation in the workforce," he said. "Importantly, the commission has to also consider the minimum wage as part of the safety net for the low paid."

"Certainly, I would repudiate that the commission's task is simply to stop any increase in the minimum wage . . . there are many considerations that have to be taken on board.

"The Fair Pay Commission is going to be independent, we're going to look at the evidence and consult and make up our minds about that."

The determination will also have to encompass a major reduction and simplification of the industrial awards system and the pay scales it contains, which is being conducted by a separate taskforce.

ACTU secretary **Greg Combet** said he could not see any "case why wages for low-paid workers need to be cut and that should be ruled out immediately".

Professor Harper "should be turning his mind to how to deliver a share of

national productivity to people on minimum wages who, after all, contribute to it", Mr Combet said.

The commission is still being established and the government is expected to name its director today. But four commissioners have yet to be appointed.

Professor Harper said the ruling would be handed down in September at the earliest.

However, he would make an allowance for the time that had elapsed since the last minimum wage decision in June 2005.

"I'm well aware that by the time we get to September, it will have been about 18 months since the last determination on minimum wages, and I would want to make sure that the uncertainty is resolved sooner rather than later."

Professor Harper hoped to build public confidence in the new body and wider understanding of its role by basing its operations on its partial model, the United Kingdom's Low Pay Commission.

"The most common thing that they did was to go out into the regions and consult with people in a wide range of formats, from town hall-style formats through to meetings with individual employees and, in some cases, small groups of employees."

The commission's format will mark a dramatic departure from the AIRC's judicial-style conduct of past minimum wage cases.

It will also commission internal and external research.

Professor Harper said the key priorities for the research were:

- * The sensitivity of employers and employees to movements in the minimum wage.
- * The sensitivity of higher wage brackets to movements in the minimum wage.

- * The interaction between the minimum wage and the tax and social security systems.

On the last point, the research will investigate whether "people end up going backwards in terms of income because of what happens to their [welfare] benefits and what the tax system does to them".

However, Professor Harper said the commission would not directly call for tax and welfare policy changes, which would be left to the government.

KEY POINTS

- * The Fair Pay Commission plans to consult widely before bringing down its first wage ruling.

- * Whether future minimum pay rises at least match inflation lies at the 'very core of what the commission has got to decide'.

Caption :GRAPH: PAY SLIP Minimum wage v average earnings SOURCE: ABS PHOTO: Fair Pay Commission chairman Ian Harper

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