

IN THE AUSTRALIAN CONCILIATION AND ARBITRATION COMMISSION

Conciliation and Arbitration Act 1904

and

PUBLIC SERVICE ARBITRATION ACT 1920

In the matter of the

NATIONAL WAGE CASE - AUGUST 1976

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 II
(C No. 3244 of 1976)

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

AUSTRALIAN TELECOMMUNICATIONS COMMISSION TELECOMMUNICATION
TECHNICAL AND TRADES STAFF (SALARIES AND SPECIFIC CONDITIONS OF
EMPLOYMENT) AWARD 1975
(C No. 3253 of 1976)

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

METAL INDUSTRY AWARD 1971
(C No. 3254 of 1976)

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

METAL INDUSTRY AWARD 1971 - Part III
(C No. 3259 of 1976)

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

DETERMINATION No. 2 of 1939
(C No. 3269 of 1976)

in relation to increasing rates in accordance with the Consumer Price Index for the June 1976 quarter.

On 12 August 1976 the Commission (Sir John Moore, President, Mr Justice Robinson, Mr Justice Coldham, Mr Public Service Arbitrator Taylor and Mr Commissioner Paine) issued the following decision:

The Consumer Price Index for the June quarter having increased by 2.5% the Australian Council of Trade Unions, the Council of Australian Government Employee Organisations, the Australian Council of Salaried and Professional Associations and the Council of Professional Associations asked us to increase all award wages and salaries by that amount. Their applications were supported by the Australian Public Service Federation, The Australian Journalists Association and by the States of New South Wales, South Australia and Tasmania. These applications were opposed by the Commonwealth Government which suggested that although on economic grounds no increase would be justified, if we were for other reasons disposed to grant a general increase, it should be one of a number of alternatives which would equate to 30% indexation. The Commonwealth was supported by the State of Western Australia. The State of Victoria proposed that the increase should be 1.25%, being half of the June quarter C.P.I. movement. The Master Builders' Federation of Australia indicated support for the plateau system which the Commission used in May, and relating that to current figures this would involve a 2.5% increase up to \$129 and an amount of \$3.20 per week thereafter.

The general body of private employers made no positive submission on form or amount. However, they argued that the Commission's decision should be influenced not only by the state of the economy but also by the material on non-compliance with the principles, which in their submission was "*sufficient to cause the Commission to seriously consider rejecting the claims in whole, or in part.*" In final submission, they summarised their views in this way:

"In all the circumstances, it is our submission that if the Commission does come to the conclusion that there has been substantial compliance, the economic situation makes it abundantly clear that the economic constraints insist that the industrial relations increase must be of a moderate and indeed, a minimal size."

In its decision of 28 May last the Commission said:

". . . in formulating a set of principles for wage fixation we have tried to approach the question of wage fixing not as the resolution of each dispute as an isolated and independent case but as the determination of interrelated matters within a 'system' in which short term advantages may have to be balanced against long term, costs or gains."

The issues before us must not therefore be seen as requiring solution in isolation, but as part of a larger whole. Since April 1975 there have been a series of decisions culminating in the 28 May case which form a chain and this decision must be seen as part of that chain. Each link however, has emerged from a decision by the Commission on the merits of a particular situation. We therefore regard ourselves as not only giving a decision which is part of a pattern, but also which is based on the facts and submissions of the present case.

Except for two matters raised by the private employers, no one has asked us to change any of the principles of wage fixation which emerged from those decisions and in fact these proceedings have only occupied 5 sitting days. This confirms the view expressed on 28 May that "*everyone who has appeared before us has quite scrupulously endeavoured to present material considered appropriate in as reasonable and short form as possible.*"

We will now deal with those two matters.

The employers asked us to make a statement that in the future there would be discounting of the C.P.I. for increases in indirect taxes and government charges. If that request failed, they asked that those who seek to have increases in the index occasioned by indirect taxes and government charges taken into account for wage adjustment purposes should be required to prove their claim positively. The arguments were based on the grounds that it would be inequitable for one group only in the community, namely wage and salary earners, to have their incomes adjusted for such increases and that it would defeat government policy to do so. They sought to ensure that no expectation would in future be created in the minds of employees that such increases would be reflected in wages.

The Commonwealth Government did not take as absolute a stand as the private employers. It still is of the view that it should be open to argument in any case that where increases for indirect taxes or government charges have been reflected in the C.P.I. the index should be discounted only for specified indirect taxes or charges.

The unions not only opposed the employers claim on its merits but also submitted that it was not open to any party to re-open the principles in proceedings which were merely for the purpose of dealing with the C.P.I. movement.

We were informed that the Standing Tripartite Commission has agreed that no consensus can be reached on discounting the index.

We are faced with much the same situation as the Bench was in May last and we have come to the same conclusion. It was not suggested that the movement of the C.P.I. now under consideration should be discounted for indirect taxes or government charges. We are of the view that *“the Commission should do no more than observe that it is open to any party or intervener on a future relevant occasion, in the words of the Commonwealth, ‘to explain and justify the degree of adjusting it proposes’.”*

The second matter raised by the employers was that consideration of the index should take place six monthly. This they said would give the community a respite from regular wage increases, would save employers large sums of money (the amount of any increase for one quarter) and would abate inflation. Although this proposal could give a financial breather to employers, it would delay any further general increase for six months and might create an atmosphere in which the total package could not survive and the very considerations relied on by the employers might be defeated. We are therefore not prepared to accede to this request.

We turn now to deal with the question of substantial compliance which is an overriding requirement. A dismal picture of industrial disputation emerged from both statistical and other material put to us by the employers.

The latest quarterly statistics available disclose that in the March quarter 1976 there were 592 industrial stoppages which meant 506,500 working days lost. That compared with 577 industrial stoppages and 322,700 working days lost for the corresponding quarter in the preceding year. The employers gave us considerable detail of some of these disputes, together with others which have occurred since March. The statistics record only stoppages of ten man days or more and therefore all stoppages are not recorded nor are bans and limitations. We wonder whether the trade union movement in its totality really wants the indexation package, or if it does, whether there is sufficient realization of the behaviour necessary to make it work

effectively. On each occasion since April 1975 on which the Commission has granted an indexation increase, it has emphasised the fragility of the package and we now repeat and underline that warning. The Commission's attempt to provide an equitable, disputation continues. The cumulative effect of such disputation must be to worsen inflation and to further endanger employment. Despite the incidence of stoppages, bans and limitations the statistics indicate that the increase in earnings in ordinary hours of work has been only of the order of increases in the C.P.I.. This contrasts with the position about a year ago when earnings were increasing at a much greater rate than the C.P.I..

Mr. Jolly contended that the incidence of stoppages was influenced by differences in interpretation of the Commission's principles, particularly in the non-wage area. He contended that employers applied the guidelines too stringently. We point out that the Commission is available either in conciliation or arbitration for the resolution of differences and that stoppages need not occur.

All in all, we are prepared to accept that there has been substantial compliance with the principles but we do this with some doubt and with the apprehension that if industrial unrest does not diminish the package may have to be abandoned.

The submissions about the economy did not differ except as to emphasis. Mr. Jolly said, *"The A.C.T.U. holds the view that there are no clear signs of economic recovery in Australia. At best we would submit that the Australian economy could be described as being at the bottom of an economic slump"*. On the other hand, the Commonwealth Government said, *"The situation is of an economy in which early signs of recovery have appeared, but which is still very depressed and beset by rapid inflation"*.

The private employers said, *"In our view this task (determining the wage level) cannot be approached without a recognition of the fact that the Australian economy is still in a difficult situation. The Australian economy still suffers from two evil influences. These are the unacceptably high level of inflation and the unacceptably high level of unemployment."*

The economy is in much the same position as it was when the Commission last considered it in the May proceedings. The fact that it remains much the same means that the position is doubly serious because it has persisted for a further three months. There are some signs such as the increase in private investment which could indicate, as the Commonwealth said, early signs of recovery but on balance we think that we should treat the economy as the Commission did in its May decision. For the economy to recover, two interrelated matters, namely inflation and unemployment must improve. Comparison of the June quarter 1974 to the June quarter 1975 against the corresponding period 1975 to 1976 shows the rate of inflation in Australia has fallen from 16.9% to 12.3%, but this fall has not been to the same degree as that of most of our major trading partners.

This is likely to affect not only our overseas trade but also overseas investment. The whole economic situation gives cause for grave disquiet but in particular we are concerned with the present level of unemployment which touches not only the economy but also industrial relations. As Mr. Jolly said, *"The labour market in Australia is seriously depressed and shows no sign of improvement."* Recent statistics regarding unemployment are:-

Month	% of labour force registered as unemployed	Total unemployed (000's)	Unfilled vacancies (000's)
1976 - Jan.	4.3	257.7	29.1
1976 - Feb.	4.2	252.3	27.1
1976 - Mar.	4.4	268.9	21.8
1976 - Apr.	4.7	281.8	22.0
1976 - May	4.7	286.2	21.8
1976 - June	4.9	296.8	21.7
1976 - July	5.2	315.3	22.3

(Seasonally adjusted data)

We have reached the same conclusion as was reached on 28 May that “. . . we should proceed cautiously in order to avoid, if possible, prolonging unduly by our decision the hardship to which a large section of the community including wage and salary earners have been exposed.”

In seeking to persuade the Commission that an increase approximating 30% of the C.P.I. was appropriate, the Commonwealth Government submitted that the “community at large understands and accepts the need for action in the wages field that will assist in winding down inflation and restoring the economy. This points to an important change in circumstances since May which warrants a firmer step in the direction which has already been taken”. These views conflict with those expressed by the combined trade union movement.

In the absence of an actual or imputable consensus on the community view, we are left to evaluate as best we can, the views of the parties on the interacting industrial and economic considerations bearing on our decision.

However, there seems to be evident a growing understanding of the importance of consensus in the wage fixing area. Mr. Sweeney, on behalf of the New South Wales Government, said:

“In Australia public consensus is a vital and necessary attribute if policy of wage fixation is to be successful. It is particularly important in this country because of the particular provisions of the Constitution giving power over conciliation and arbitration not to the government but to this Commission.

In these circumstances, we believe that steps should be taken to explore the possibility of achieving consensus on short, medium or long term objectives for the administration of the indexation package. Unions, employers and Governments have shown a remarkable flexibility and amendability to change in their attitudes to indexation since it was first introduced. In light of his role in past and current procedures designed to achieve consensus on aspects of indexation, the President of the Commission may be able to play an initiating coordinating role.

The present proceedings have been characterised by agreement that the economy will not recover without a change in the present saving habits of consumers and by disagreement on how that change can be achieved. We believe consumers buy or not on the basis of the security which presently faces them and/or their assessment of that security in future which

includes the level of current income, its likely continued purchasing power, continuity of employment and anything which might cause instability in any of these areas.

For the present quarter there is no doubt that consumers generally will have a higher disposable income and this will apply whatever we do with indexation as a result of this decision. The reason for this situation is the twin benefits applying from 1 July 1976 of full tax indexation and improved family allowances.

We are ever conscious of the point and purpose of the indexation package. Subject to substantial compliance we will continue to apply our independent and reasoned assessment of the arguments of those opposing full percentage indexation. In the absence of consensus, full percentage indexation remains the objective of the package and the criterion to which those opposing must direct their arguments. In this connection we point out that in recent quarters the incidence of stoppages, bans and limitations in support of campaigns to “beat” the indexation guidelines has acted as a factor supporting the economic arguments for less than full indexation.

In the light of the unions analysis of the economy which puts Australia “*in the midst of a very severe recession*” it is essential that each union member and each union official evaluates the impact any stoppage, ban or limitation may have on the viability of full indexation in any given quarter.

We have decided that once again the increase in the C.P.I. of 2.5% should not be distributed to everyone. We have taken into account the fact that the May decision affected relativities for those above \$125 per week (\$6,521 per annum) and we consider a different approach to be appropriate on this occasion. Accordingly we will apply the 2.5% to the lowest wage in the Metal Industry Award for Melbourne, namely \$98 per week and the resulting \$2.50 (\$130 per annum) will be payable to those receiving up to and including \$166 per week (\$8,660 per annum). For those above that amount the increase will be 1.5%. This will mean that those whose award rates are between \$98 and \$166 per week will receive amounts ranging from 2.5 to 1.5 per cent and those above \$166 per week will receive 1.5%. This amounts to approximately twice the cost of the figure preferred by the Commonwealth Government but in our view any amount less than we have awarded would have put at risk the indexation package and any more would be economically unwise.

Having regard to the nature of our decision it is not the intention of the Bench that the increase that we have awarded be applied to overaward payments including those covered by a recommendation provision such as appears in the Metal Industry Award.

Form of orders

The variations of the awards and determinations will operate from the beginning of the first pay period to commence on or after 15 August 1976. The variations of the awards will operate for a period of three months from 15 August 1976. Leading hand rates will be increased by 2% with a maximum of 20 cents and shift allowances which are expressed in money amounts will be increased by 2% rounded off to the nearest 1 cent if on a daily or shift basis.

Junior rates prescribed only as money amounts will be increased by 2%. Weekly rates payable are to be calculated to the nearest 10 cents and annual rate to the nearest \$1. We have awarded 2% to these rates because that percentage is appropriate to the pattern of increase we have awarded to wages and salaries. No increase will be made to any other allowances. The form of the orders necessary to give effect to the decision under the Conciliation and Arbitration Act will be settled by the Registrar with recourse to a member of this Commission. The form of the determination will be settled by the Public service Arbitrator.

TABLE 1

Persons Registered as Unemployed with the Commonwealth Employment Service and Hours of Overtime Worked per Employee

Period	Percentage of Labour Force registered as Unemployed (Seasonally Adjusted)	Average number of hours of overtime worked per employee (Seasonally Adjusted)
1975 - March	4.5	2.1
- April	4.7	2.2
- May	4.5	1.9
- June	4.5	1.6
- July	4.8	1.7
- August	5.0	1.8
- September	5.1	1.8
- October	5.2	1.8
- November	4.7	2.0
- December	4.6	2.0
1976 - January	4.3	2.0
- February	4.2	2.2
- March	4.4	2.4
- April	4.7	2.2
- May	4.7	2.5
- June	4.9	2.6
- July	5.2	

Notes The seasonal adjustment method used in this table 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 above 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.”

Source: Department of Employment and Industrial Relations, *Monthly Review of the Employment Situation*, various issues.

TABLE 2

Percentage Changes in Weekly Wage Rates 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 (Seasonally Adjusted)		Average Weekly Ordinary Time Earnings (Seasonally Adjusted)		Consumer Price Index (six capitals)	
	A*	B*	A*	B*	A	B	A	B	A	B
1973 - March	2.5	11.1	1.5	9.2	1.7	9.8			2.1	5.7
- June	5.7	13.8	9.3*	15.2	4.7	11.5			3.3	8.2
- Sept.	4.6	16.0	4.7	17.7	4.8	13.9		9.2	3.6	10.6
- Dec.	1.3	14.9	5.0	21.9	3.3	15.3	5.8	14.2	3.6	13.2
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	2.4	21.7	2.9	27.4	3.5	16.9
- Sept.	3.2	15.5	4.6	21.0	3.1	13.8	3.5	18.5	0.8	12.1
- Dec.	2.9	13.2	2.4	18.1	4.8	13.3	3.1	14.3	5.6	14.0
1976 - March	4.2	16.1	4.4	19.6	2.4p	13.3p	1.7p	11.6p	3.0	13.4
- June									2.5	12.3

Notes - A = Increase on previous quarter B = Increase on corresponding quarter in previous year

* Based on monthly averagesp = Provisional

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

TABLE 3

	Quarter										
	1973			1974			1975			1976	
	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.
<u>Gross Private Fixed Capital Expenditure</u> (Percentage change from previous quarter)											
Dwellings		-1.0	-4.1	-5.3	-9.6	-6.5	-4.1	-1.3	8.7	7.7	2.0
Other Buildings and Construction		6.5	-	-6.9	2.1	-0.4	0.4	1.6	-4.8	-2.5	-14.1
All other		10.7	-1.1	-3.1	-1.5	-6.5	-1.0	6.3	-0.8	-6.4	8.0
<u>Increase in Stocks</u> (\$ million)											
Private non-farm	-83	82	339	350	301	287	-166	-104	-191	-110	33
<u>Consumption Change</u> (Percentage change from previous quarter)											
Private			0.5	0.7	-0.7	-0.1	1.5	1.9	-0.5	-0.5	0.1
<u>Gross Operating Surplus of Companies</u> (as percentage of Gross Domestic Product at Factor Cost)	16.2	15.2	14.8	12.9	10.8	12.3	10.5	13.6	12.2	12.4	11.3
<u>Wages, Salaries and Supplements</u> (as a percentage of Gross Domestic Product at Factor Cost)	58.2	59.9	61.2	64.2	67.8	67.3	68.5	66.0	66.5	66.7	66.8

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

Source - Australian Bureau of Statistics, *Quarterly Estimates of National Income and Expenditure - March Quarter 1976* (Reference No. 7.5).