

No. C4405

IN THE AUSTRALIAN CONCILIATION AND ARBITRATION
COMMISSION

In the matter of the *Conciliation and Arbitration Act 1904-1975*

and of

the *Public Service Arbitration Act 1904-1973*

and of

NATIONAL WAGE CASE - FEBRUARY 1976

and of

THE METAL INDUSTRY AWARD, 1973
(C Nos 1128 and 1853 of 1971)
(C No. 1933 of 1974)

and of

THE METAL INDUSTRY AWARD, 1971 - PART II - DRAUGHTSMEN,
PRODUCTION PLANNERS AND TECHNICAL OFFICERS
(C No. 1909 of 1967)
(C No. 1978 of 1974)

and of

POSTAL TELECOMMUNICATIONS TECHNICIANS ASSOCIATION (AUSTRALIA)
Claimant

v.

THE AUSTRALIAN BROADCASTING CONTROL BOARD and others
Respondents

(C No. 3619 of 1974)

and of

THE PROFESSIONAL OFFICERS ASSOCIATION COMMONWEALTH PUBLIC
SERVICE and others
Claimants

v.

THE PUBLIC SERVICE BOARD and others
Respondents

(C No. 3620 of 1974)

and of

THE PROFESSIONAL ENGINEERS (GENERAL INDUSTRIES) AWARD,
1975
(C Nos 951 of 1964; 1204 of 1971; 821, 822, 1959 and 1960 of 1974)
(C No. 2031 of 1976)

Variation of awards and determinations - Rates of pay - Application of indexation Principle 1 to December 1975 Consumer Price Index - Conciliation and Arbitration Act 1904-1975, s. 34 - Public Service Arbitration Act 1904-1973. s. 15A - Decision issued.

On 30 April [Serial No. C2200], 18 September [Serial No. C2700] and 3 November 1975 [Serial No. C4736] the Australian Conciliation and Arbitration Commission (Mr Justice Moore, President, Mr Justice Robinson, Mr Justice Ludeke, Deputy Presidents, Mr Deputy President Isaac, Mr Public Service Arbitrator Taylor and Mr Commissioner Portus) issued decisions in connection with applications C Nos 1933, 1978, 3619 and 3620 of 1974.

On 19 January 1976 an application (C No. 2031 of 1976) was filed on behalf of The Association of Professional Engineers, Australia for an order varying the Professional Engineers (General Industries) Award 1975.

Applications C Nos 1933, 1978, 3619 and 3620 of 1974 came on for further hearing before the Commission in Melbourne on 3 February 1976. On the same day the Commission directed that application C No. 2031 of 1976 be joined to the other applications and the hearing proceeded accordingly.

R. A. Jolly and J. Marsh for the Australian Council of Trade Unions.

W. Richardson for the Association of Architects Engineers Surveyors and Draughtsmen of Australia.

W. L. Milford and E. Kuriata for The Professional Officers' Association Commonwealth Public Service.

P. Barnes for The Association of Professional Engineers, Australia.

B. J. Maddern, of counsel, for the Metal Trades Industries Association of Australia and others.

P. McCormack for The Australian Public Service Board.

R. L. Gradwell for the Council of Australian Government Employees Organizations (intervening).

W. Richardson for the Australian Council of Salaried and Professional Associations (intervening).

J. R. Andrews for the Australian Public Service Federation (intervening).

P. Barnes for the Council of Professional Associations (intervening).

K. D. Marks, of counsel, for the Minister for Employment and Industrial Relations (intervening)

J. A. Keely, Q.C., for Her Majesty the Queen in right of the State of Victoria and others (intervening).

J. M. Macrossan, Q.C., for Her Majesty the Queen in right of the State of Queensland (intervening).

P. Powell, Q.C., and *J. Coombs*, of counsel, for Her Majesty the Queen in right of the State of New South Wales (intervening).

L. E. Boylan for Her Majesty the Queen in right of the State of Western Australia (intervening).

A. Robinson for Her Majesty the Queen in right of the State of Tasmania (intervening).
M. F. Gray, of counsel, *D. E. Packer* for Her Majesty the Queen in right of the State of South Australia (intervening).
T. Boxall for a group of long term investors (intervening).

On 13 February 1976 the Commission issued the following decision:

As a result of our decisions of September and November 1975, three matters are before the Commission:

1. The application of Principle 1 of our indexation principles of April 1975 in respect of the December 1975 Consumer Price Index (C.P.I).
2. A review of our indexation principles generally.
3. The matter of national wage adjustment on account of productivity in accordance with Principle 6.

In the light of submissions on the procedure for hearing these matters, the Commission decided that the first issue to be determined was the application of Principle 1 in respect of the December C.P.I. increase of 5.6 per cent in addition to the carry-over of the September C.P.I. increase of 0.8 per cent under Principle 5.

Principle 1 says:

'The Commission will adjust its award wages and salaries each quarter in relation to the most recent movement of the six-capital C.P.I. unless it is persuaded to the contrary by those seeking to oppose the adjustment.'

Full adjustment of the 6.4 per cent was supported by the unions and the States of Victoria, South Australia and Tasmania.

All others opposed full adjustment but were far from unanimous on why discounting was justified and how it should be calculated. Although the private employers and the Commonwealth maintained that strictly on economic grounds no increase at all was warranted, they conceded that there should be partial adjustment. The proposals were as follows:

Private employers

Discounting for indirect taxes and government charges leaving a residue '*in the vicinity*' of 4 per cent.

Commonwealth Government

Discounting of the 6.4 per cent for economic reasons, granting '*by way of compromise*' about 3.2 per cent.

State of New South Wales

Discounting for indirect taxes on a '*conservative*' basis leaving a residue of 4.8 per cent.

State of Western Australia

Discounting by an unspecified percentage for '*budgetary factors*', the residue to be determined by the Commission.

State of Queensland

Although not '*strictly in opposition*' to the full adjustment, the State asked the Commission to '*consider whether some discounting should be made*' for indirect taxes and charges for government services.

Those proposing the exclusion of increases in indirect taxes and government charges did so on the ground of principle, namely, that actions taken by governments in raising revenue and withdrawing purchasing power should not be counteracted and turned into wage increases by the application of the unadjusted C.P.I. They also argued that the full increase would endanger economic recovery.

We think it is more appropriate that the matter of principle be debated when we review the total package. The differences noted earlier in the extent of discounting, highlight the difficulty inherent in the discounting concept. Questions relating to modifications of the C.P.I. are being examined by the Standing Tripartite Commission. Any consensus achieved would obviously be a matter of significance. For the present, we adhere to the view we expressed in our September decision that we are not persuaded that the Commission should discount the C.P.I. as suggested.

We have again had the assistance of the private employers who made a survey of cases decided in the Commission and in State tribunals which were said to deviate from our guidelines, Statistics on the incidence of strikes were also presented. They left the evaluation of all this material to the Commission. The A.C.T.U. showed that on the figures available for 1975, the rate of increase in wages was in reasonable conformity with our guidelines. Having made our own assessment, we are satisfied that there has been substantial compliance.

Although we believe that there has been substantial compliance, we must repeat what we said in April 1975, '*Violation even by a small section of industry whether in the award or non-award area would put at risk the future of indexation for all*'.

The unions submitted that there had been an expectation created in the industrial community that there would on this occasion be an increase of the whole amount. The States of Victoria, South Australia and Tasmania also said that an expectation had been created for 6.4 per cent and that in fairness it should be awarded. The private employers, whilst agreeing that an expectation had been created, argued that that expectation also included an understanding that the amount could be reduced for indirect taxes and government charges. Therefore, amongst all those important participants in this case there was agreement as to the existence of an expectation. The expectation in Western Australia must be all the stronger because most State awards contain provisions automatically applying the 6.4 per cent. On this occasion, we regard expectation as a matter deserving weight.

The remaining question is whether on general economic grounds we should grant a wage increase of 6.4 per cent and, if not, how much below this figure the increase should be. We emphasize that the context in which we are asked to consider the economy is one where the minimum increase proposed is 3.2 per cent.

The economic material presented to us showed that, on the whole, the signs are that economic recovery is slowly taking place.

In opposing the full 6.4 per cent increase, the Commonwealth argued that *'The economy is delicately poised; growth will depend crucially on the restoration and maintenance of both business and consumer confidence. Future trends in wages and prices will be critical in this respect'*. Inflation must be seen to be abating. A resurgence of inflationary cost increases would impair recovery. These contentions were generally supported by others opposing full adjustment.

In this connection, we repeat what we said in April 1975:

' . . . although the economic consequences of the Commission's actions are often referred to as though they are separate and distinct from the industrial consequences, it should be understood that there often is a high degree of interaction between the two.'

We also said:

' . . . the parties and interveners in this case . . . are all anxious to see inflation moderate and unemployment fall as soon as possible and . . . all regard the role and status of the Commission as of fundamental importance to these aims. Indeed, what they said implied that the Commission should act in a way which will promote economic recovery in a socially equitable and industrially harmonious way. To strike the right balance between economic, social and industrial considerations is a difficult task, particularly when important differences exist on the causes of the economic difficulties and how the Commission should act in the current economic circumstances. But this is the task which is reposed in the Commission by the Act under which it works.'

The Commonwealth has argued that the economic shock of administering in one quarter a wage increase such a magnitude would revive inflationary expectations, discourage consumption and investment and increase unemployment; and that increased confidence to consumers and business *'can only be achieved at this stage by an increase less than 6.4 per cent'*.

We are not persuaded by these assertions. The size of this adjustment cannot be viewed in isolation from the fact that there has been no general wage adjustment since the increase on account of the June C.P.I. The likelihood of a resurgence of inflation is not to be inferred simply from the wage increase in a single quarter and as the Commonwealth itself submitted, *'the behaviour of wages and prices over the next 12 months holds the key to a sustained economic recovery'*. Moreover, the future course of the Australian economy will depend on a variety of factors which in their totality will be more important than the award on this occasion of the full wage increase.

We have said repeatedly that from the point of view of ensuring a slowing down of inflation and rapid economic recovery, the safest course would be not to add to wage costs at all. But in our view, the contribution of wage adjustments to the abatement of inflation and the promotion of economic recovery is necessarily a gradual process, and this is the approach we have taken in the application of our indexation principles. This approach is supported by the statistics in the statement made by the Commonwealth that *'Average weekly male earnings, excluding overtime, are estimated, to have increased by 12.8 per cent in the twelve months to the December quarter 1975, compared with 32.5 per cent over the corresponding period in the previous year'*.

After careful consideration of the economic material presented, we have come to the conclusion that a case has not been made on this occasion to depart from our earlier decisions to maintain real wages.

For all these reasons, we have decided to increase the wages and salaries prescribed in the awards and determinations before us by 6.4 per cent as from the beginning of the first pay period commencing on or after 15 February 1976.

Form of orders

The variation of the awards will operate for a period of three months from the beginning of the first pay period commencing on or after 15 February 1976. Weekly rates payable are to be calculated to the nearest 10 cents and annual rates to the nearest dollar. Where necessary junior rates will be adjusted by the same percentage as rates for adults, namely 6.4 per cent. The form of the orders necessary to give effect to our decision under the *Conciliation and Arbitration Act* will be settled by the Registrar with recourse to a member of this Bench. The form of the determinations will be settled by the Public Service Arbitrator.

Hearing details:

1976
Melbourne
Feb 3, 4, 5, 10, 11, 13.
Moore J., Robinson J.,
Ludeke J., Isaac D.P.,
Arb Taylor, Commr Portus.