

Shorten to announce Labor's 'living wage' plan but without an amount or timing

Written by Michelle Grattan, Professorial Fellow, University of Canberra

Bill Shorten will unveil on Tuesday a process to have the Fair Work Commission phase in a “living wage”. But he will not say what it should be as a proportion of the median wage, or how long its implementation should take.

The commission would both determine the appropriate wage level and set the implementation period.

Shorten will promise a Labor government would legislate to make the commission’s “highest priority” to ensure no full-time worker need live in poverty.

The living wage – a renamed and more generous minimum wage - would directly benefit about one in ten workers – some 1.2 million people, Labor says. This includes low paid workers on junior, apprentice and disability rates of pay.

“A living wage should make sure people earn enough to make ends meet, and be informed by what it costs to live in Australia today – to pay for housing, for food, for utilities, to pay for a basic phone and data plan,” Shorten and workplace relations spokesman Brendan O'Connor say in a statement outlining the ALP policy.

Under a Labor government, the first living wage case would be part of next Annual Wage Review after parliament passed the necessary legislation. The wage increases would be phased in from the July 1 following that review.

“Labor will make sure that over time workers are paid a living wage, taking into account the capacity of businesses to pay, and the potential effect on employment, inflation and the broader economy,” Shorten and O'Connor say in their statement.

Shorten is making the pledge on a “living wage” a central part of his election pitch but he has eschewed committing to the ACTU’s policy for it to be 60% of the median wage.

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In the last five years the minimum wage averaged 54.3% of median wages.

Low wage growth has made the living wage a potent political issue for Labor. But Shorten needs to counter the government's argument that raising the minimum wage substantially would cost jobs, so he is building in flexibility for the commission.

"It will be the Fair Work Commission's responsibility to determine a fair and responsible phasing in of a living wage," Shorten and O'Connor say.

The government is already pointing to the tax cuts in next week's budget to argue it is improving workers' incomes by another means.

Liberal senator Arthur Sinodinos said on Sunday: "We'll be saying that until our policies kick in to help lift wages even further, the way to do this is through tax cuts focussed on low and middle income earners".

Under what Labor is describing as a "two step" approach, the commission would consult community organisations, business, and unions about the level and the phase in.

In considering the level, the commission would also take into account Australia's "social wage" - the tax people pay and family tax benefits and other transfer payments they receive.

In determining the phase in, the commission would examine the capacity of businesses to pay and the potential impact on employment, inflation and the economy generally.

The living wage would only apply to those getting national minimum wages. It would not automatically flow through to the 2.2 million workers on award wages, which would still be determined by the Annual Wage Review.

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“Boosting wages is good for workers and good for the economy. Consumer spending makes up 60 per cent of the Australian economy. Stagnant wages have held back spending and put a handbrake on economic growth,” Labor’s statement says.

“When low-paid workers get a pay rise, they spend it in the local shops and help small businesses. It’s good for everyone.”

O'Connor said: “Labor believes in a fair day’s pay for a fair day’s work and a living wage is fundamental to achieving that goal.

"Only Labor can be trusted to manage the economy in the interests of working people. We will restore penalty rates, stop the rorts in labour hire, protect subcontractors from being ripped off, and make sure the minimum wage is a living wage.”

Under the present legislation the Fair Work Commission in determining the minimum wage is required to take into account:

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the performance and competitiveness of the national economy, including productivity, business competitiveness and viability, inflation and employment growth;

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promoting social inclusion through increased workforce participation;

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relative living standards and the needs of the low paid;

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the principle of equal remuneration for work of equal or comparable value;

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providing a comprehensive range of fair minimum wages to junior employees to whom training arrangements apply and employees with a disability.

Michelle Grattan does not work for, consult, own shares in or receive funding from any company or organisation that would benefit from this article, and has disclosed no relevant affiliations beyond their academic appointment.

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