

IN THE TRADE DISPUTES PANEL)
OF SOLOMON ISLANDS)

Case No: L9/8 of 1998

IN THE MATTER of the Trade Disputes
Act 1981

AND IN THE MATTER of a trade dispute
referral

BETWEEN: ANZ BANK LIMITED
(Applicant/Employer)

AND: SINUW.
(Respondent/Union)

Hearing: 25th June 1998, Honiara.

Decision: 29th June 1998.

Coram: A. N. Tongarutu - Chairman
P. Sute - Employee Member
K. Beia - Employer Member

Appearance: Cecil Browne, General Manager, for the Applicant.
Tony Kagovai, General Secretary (Ag) for the Respondent.

FINDINGS

On 5th June 1998, Solicitor for the Applicant (hereinafter referred to as the Employer) gave notice of a trade dispute to the Panel pursuant to the Trade Disputes Act 1981 between itself and the Respondent (hereinafter referred to as the Union) as representative of the Applicant's employees following a breakdown of negotiations on a pay increase demand by the Union of 15 percent. The Employer offered a 5.5 percent wage increase which was rejected by the Union but the Employer refused to increase its offer.

Whilst other issues were agreed upon during the negotiations, the wages element remained a stumbling block which prevented the parties from reaching an amicable conclusion to their negotiations. The Union claims to represent 79 employees out of the 83 employees.

The Union's original claim was for a 30.3 percent wage increase which the Employer declined to accept. Following this the Union reduced its claim to 15 percent but to no avail. It was disclosed at the hearing however that the Union's marginal claim was 12 percent.

The Union's high demand for a wage increase was premised on the 20 per cent devaluation to the Solomon Islands dollar in December 1997, the retail price index and average cost of living being 10.3 percent & inflation rate of 8.5 percent. It also claimed that the Employer made a handsome profit in 1997.

In support of the Union's case Mr. Kagovai submitted a ten pages

statement by the Governor of the CBSI made at the launching of the CBSI 1997 Annual Report, SIG Statement of Wages Policy for 1998 - 1999, CBSI Retail Price Index and a newspaper article carrying a statement from the Chief Executive Officer of the ANZ Bank which showed that the ANZ Banking Group made a profit of AUD\$625 million in 1997.

On the other hand the Employer argues that the parties have a standing arrangement over the past eight to ten years whereby cost of living adjustments have been calculated at $\frac{1}{2}$ the RPI. This has always been accepted by the Union and the bank staff. In support of its submission, reference was made to the 1997 Collective Agreement between the parties which carries the following provision:

"wages review will be taken in the light of the RPI movement published by the Government Statistician covering a 12 monthly period to 31 December and also taking into account any Government policy covering wages and salary movement."

This provision in the agreement was not disputed by Mr. Kagovai except for the submission that the parties had in practice accepted the $\frac{1}{2}$ RPI formula which he dismissed and claimed that wages increase in previous years had not been calculated on a $\frac{1}{2}$ RPI. On the basis of this provision the Employer this year calculated 5.3 percent as being the $\frac{1}{2}$ RPI and was prepared to make an award of 5.5 percent backdated to 1st January 1998. The devaluation component of the Union's argument was irrelevant and not covered by the Employer as opposed to the $\frac{1}{2}$ RPI which has been an accepted arrangement between the parties and there was no reason why changes should be made this year. It was further argued that NBSI has also offered a 5.5 percent increase based on the same formula to its workers and was accepted.

According to the RPI, all items inclusive of basic necessities for the year ending December 1997 was 10.3 percent and the statistics on a 3 months average on the same period a year ago was 8.3 percent. The Union claims that its real position is a sum total of these figures which is 18.8 percent but was prepared to concede to 12 percent.

Firstly, the Panel has to consider the **Retail Price Index** component as provided for in the Collective Agreement. The RPI statistics as disclosed in Table 1 of the Price Index showed that in January 1997 the figure was 152.2 and in December of the same year it was 167.0 a difference of 14.8. The RPI for 1997 would be 9.7 percent and two thirds ($\frac{2}{3}$) of the RPI component would be 6.4 percent. Taken solely under the RPI component, the pay increase for 1998 would be 9.7 percent and if Mr. Kagovai's argument is accepted that RPI is a guiding factor exclusive of two thirds of it, then the Union's 30.3 percent or still 12 percent wage increase claim is obviously far out. Infact, the Union's original demand for 30.3 percent was unreasonable.

Secondly, the **Wage Policy** component provided for in the Collective Agreement has to be considered. Following the devaluation of the SI dollar in December 1997, the SIAC Government formulated a Wage

Restraint Policy for 1998 - 1999. It is the Government's position that competitiveness and potential income of the Solomon Islands economy must be maintained above board. In order to do so, wages must not rise faster than productivity and wage levels must not be set higher than those in competing economies because domestic production for export, or to replace imports, becomes uncompetitive and the economy is unable to grow or even to sustain the existing level of employment.

In this background, the gist of the SIG's wage policy is this:-

"Levels of pay should be negotiated according to the situation of individual enterprises, bearing in mind the overall economic circumstances of Solomon Islands. Everyone concerned in wage negotiations needs to act with restraint, and a clear understanding of the need for enterprises to be competitive to survive".

It is interesting to note that mention was made of the Trade Disputes Panel in this regard and I quote, "specific advice will be provided to the Trade Disputes Panel, and on request to SICCE and SICTU, to enable informed opinions to be developed and decisions made". When this matter came before the Panel, it had not received a copy of the Wage Policy Statement although written request had been made by the Chairman to the administrative heads in response to a newspaper article to provide the Panel with a copy of the policy. Nonetheless, this policy document confirms that there is no freeze on increase of wages in the private sector but rather, a "half way house" approach. In its June Bulletin, the Chamber Nius referred to the Wage Policy as a "catch 22" situation. Overall the Government's approach is in favour of a change in wage determination to one which is based on productivity/performance equation.

Another supporting issue raised by Mr. Kagovai was that of profit. His argument was that in 1997 the local ANZ Bank made a profit of \$1.5m and compared to Fiji and Samoa, ANZ(SI) has the best profit per capita. Part of this success was attributed to the performance of the Bank staff. Consequent upon this success the Employer donated to the Bank's Social Club in 1997 the sum of \$10,000.00. The source of this information however was not disclosed to the Panel.

But the argument on profit was dismissed by the Employer's representative as irrelevant. The press release referred to by Mr. Kagovai was not relevant to the local situation because it concerned ANZ worldwide. The employees are not under a profit sharing scheme and the bank pays on workers performance which on the other hand would appear to support Mr. Kagovai's argument that due to staff performance the bank did very well in 1997. Other expenditures referred to by Mr. Kagovai in support of the Bank's affordability included expensive staff houses, expensive security services amounting to \$3,000.00 monthly and luxurious living. These additional factors were refuted by representative of the Bank who explained that the employment and alleged extravagant living conditions of four expatriates in the managerial level which was seen to be an expensive exercise was agreed to by Melbourne under a package deal. The recent renovation of the General Manager's house which was alleged to have two(2) television sets could not

have cost the Bank half a million dollars and rental costs of two other managerial houses on a monthly rental of \$6,000.00 was within the current market value. The renovations made was on none other than the Bank's asset. Costs of maintaining security services and lights for managers residences did not amount to \$3,000.00 monthly as claimed by Mr. Kagovai and the operations manager was entitled to a hilux because she deals with transport and was a necessity in view of the harsh road conditions.

The Panel's findings on the reasons given for demanding a high wage increase is that the Union's demand was unreasonable and not within the spirit of the 1997 Collective Agreement between the parties. The Agreement contained guideline factors which are the Retail Price Index and government policy on wages. The RPI provided by the statistics submitted is far less than the Union's original claim and as such it was unreasonable of the Union to seek a higher wage claim. The issue of affordability was not categorically disputed by the Employer. However, the thrust of their case was that any wage increase must be made within the ambit of the Agreement and that the press release covered ANZ Banking Group and not relevant to the local situation and no material evidence was submitted to substantiate the alleged profit made by the SI branch. The appropriate comparison would be the wage increases in other local banks such as the Westpac with an increase of 6.25 percent and NBSI 5.5 percent.

The Panel apart from considering the submissions of the parties must also in making an award consider the requirement under Section 6(4) of the Trade Disputes Act which provides as follows:

"The Panel shall, in considering what award to make in any trade dispute, take account not only of the interests of the parties to the dispute but also of the likely effect of the award on other persons and on the economy as a whole."

The interest of the Union party is for a high wage increase but in the light of the wage restraint policy did the SINUW act with restraint by making an initial claim of 30.3 percent wage increase which was later reduced to 15 percent? The answer is No. On the other hand, the interest of the Employer is to pay on performance basis. This has to be viewed within the ambit of the Collective Agreement and the question of affordability, devaluation of the SI dollar and the wage restraint policy. Now, taking into account all these factors and section 6(4) of the Trade Disputes Act, what then is the likely effect of a 15 percent or a 5.5 percent wage increase on other persons and the economy as a whole. It is the Panel's opinion that a 15 percent award is unreasonable and will cause inflation and an imbalance whereas a 5.5 percent, whilst seemingly is reasonable, is not really fair in that the devaluation has greatly weakened the buying power of the workers. Their purchasing power must be considered whilst giving leeway to profitability and expansion of private enterprises. Whilst internationally, the ANZ Bank has made profit, there was no substantive evidence to show that the local branch made profit and if so what proportion of the AUD \$625 million. On the other hand, representative of the Employer did not categorically deny

that the local branch made profit last year. The Panel was of the opinion that the profit declared was of a general nature and that in regards to the SI branch, there was no argument advanced that it did not make profit in 1997. To some extent the performance of the staff contributed to the profit and this cannot be ruled out. The principle of reward for performance should be further explored by the parties.

The wage restraint policy states that negotiations should focus also within the situation of individual enterprises. Therefore, comparison with other local banks as a sole criteria must be treated with caution but is also a guiding factor. The Panel has invariably used a $\frac{1}{2}$ RPI calculation and finds that a 6.5 percent award is balanced and fair to both parties.

Award

The Applicant/Employer party is to pay to its workers who are members of SINUW a 6.5 percent wage increase to be backdated to 1 January 1998.

Appeal

There is a right of appeal to the High Court within 14 days on a question of law only; Unfair Dismissal Act 1992, s.12, Trade Disputes Act 1981, s.13, Trade Disputes Panel rules 1981, r.11, High court (Civil Procedure) Rules 1964, 0.30 r.3.

Panel Expenses

The Panel fixes a contribution of one hundred and fifty dollars (\$150.00) to cover the full hearing expenses of the Panel and that this sum is to be paid by the Applicant to the Solomon Islands Government within 14 days from the date of receipt of this Finding.

On behalf of the Panel

A. N. Tongarutu
CHAIRMAN/TRADE DISPUTES PANEL