



**WACOSS**

**WA COUNCIL of  
SOCIAL SERVICE**

*Ways to make  
a difference*

**10 May**

**2016**

**Submission to the Western Australian  
Industrial Relations Commission (WAIRC)  
2016 State Wage Case**



Contact: Chris Twomey | Director Social Policy | [chris@wacoss.org.au](mailto:chris@wacoss.org.au)

Western Australian Council of Social Service Inc. | City West Lotteries House, 2 Delhi Street, West Perth, WA 6005

Phone: (08) 9420 7222 | Fax: (08) 9486 7966 | [info@wacoss.org.au](mailto:info@wacoss.org.au) | [www.wacoss.org.au](http://www.wacoss.org.au) | @WACOSS

# Contents

---

<b>1.0</b>	<b>Introduction .....</b>	<b>4</b>
<b>2.0</b>	<b>The Council’s claim .....</b>	<b>4</b>
<b>3.0</b>	<b>Income Inequality.....</b>	<b>6</b>
<b>4.0</b>	<b>The cost of living in WA.....</b>	<b>8</b>
4.1	Housing: The major cost of living pressure in WA .....	9
	Rental affordability.....	9
4.2	Transportation .....	10
4.3	Utilities .....	11
<b>5.0</b>	<b>The Impact on Specific Cohorts .....</b>	<b>12</b>
5.1	Community Sector Workers.....	12
5.2	Women.....	13
5.3	Young people .....	14
5.4	People in insecure work arrangements .....	15
<b>6.0</b>	<b>Conclusion.....</b>	<b>18</b>



## The **Western Australian Council of Social Service**

is the leading peak organisation for the community services sector in Western Australia. We represent 300 members and over 800 organisations involved in the provision of services to hundreds of thousands of individuals, families and children in our community each year.

The Council speaks with and for Western Australians who use community services, to bring their voices and interests to the attention of government, decision makers, media and the wider community.

The Council represents organisations in a diverse range of areas including:

- health;
- community services and development;
- disability;
- employment and training;
- aged and community care;
- family support;
- children and youth services;
- drug and alcohol assistance;
- Indigenous affairs;
- support for culturally and linguistically diverse people;
- housing and crisis accommodation; and
- safety and justice

Despite the introduction of the Fair Work Act 2009, many organisations in the community services sector are still incorporated entities without significant or substantial trading or financial activities, and are therefore subject to the WA Industrial Relations Commission's (WAIRC) jurisdiction.

The Council has an interest in ensuring that the wages of all low paid employees — including those employed in the community sector — keep pace with the cost of living and community standards.

## 1.0 Introduction

---

The Western Australian Council of Social Service (the Council) considers the minimum wage to be a vital means of protecting low-income workers from poverty, as well as contributing to the delivery of economic benefits to the wider Western Australian community. As the peak body of the community service sector in WA, and as an advocate for low income and disadvantaged people, the Council has a particular interest in the adequacy of living standards and quality of life experienced by Western Australians living on low incomes.

The Council's submission to the 2016 State Wage Case relies on the provisions in the *Industrial Relations Act 1979*, at Clause 50A(3)(a) for the Commission to consider in its determination of minimum rates of pay the need to:

- i. ensure that Western Australians have a fair system of wages and conditions;*
- ii. meet the needs of the low paid;*
- iii. provide fair wage standards in the context of living standards generally prevailing in the community;*
- iv. contribute to improved living standards for employees.<sup>1</sup>*

In preparing this submission, the Council has carefully considered the changing economic and workplace environment for low wage workers. We have endeavoured to ensure our submission is up to date and directly relevant to the lived experience of minimum wage workers in WA. We do so in order to provide the Commission with the best available data upon which to base its deliberations.

## 2.0 The Council's claim

---

**The Council submits that an increase of \$30 per week in the State Minimum Wage rate (and in the minimum award rates for junior employees, apprentices and trainees) is consistent with the need to maintain a fair system of wages and conditions in the current Western Australian context; and (b) a very reasonable increase which takes into account current economic conditions.**

The primary basis for the Council's claim is that the growing gap between average weekly earnings in Western Australia and the State Minimum wage rate will have a profoundly negative impact on the Western Australian community and will harm the financial resilience of low-income household in the state.

Lower levels of inequality have consistently been shown to deliver better economic and social outcomes, while at the same time enabling faster and more sustainable economic growth. If the gap between average weekly ordinary time earnings is not at the very least held stable, improving the State's financial position will take longer. Further, the broader the gap is allowed to be will only increase the burden on future generations as they seek to address this inequality.

---

<sup>1</sup> *Industrial Relations Act 1979* (WA)

Over the period of the recent mining boom, the Western Australian population experienced extraordinary increases in many non-discretionary living costs – most notably housing. While many in the WA population also benefitted from significant salary increases over the same period, these benefits were not spread equally across the population, and many low-income households fell further behind as a result. Today, many of these households are still trying to catch up.

With the end of the mining boom, and the subsequent tightening of economic and fiscal conditions in Western Australia, growth in *some* major household costs has started to slow. However, many of these costs have not fallen relative to the amount they grew over the time of the mining boom. As such, the many low wage workers who achieved little relative benefit during the boom period, have fallen further and further behind.

**While minimum wage increases in recent years have been welcomed by the Council and low wage workers in the community, the Council contends that it has been many years since a minimum wage decision has delivered demonstrable *improvement* to living standards for low-wage employees<sup>2</sup>.** In reality, minimum wage decisions have consistently fallen short of what the Council has considered necessary for low wage employees to actually keep up with cost of living increases. As a result, the standards of living of those on the lowest wages have fallen further behind community expectations and standards.

The relationship between income and (largely non-discretionary) expenditure means that every extra dollar a low-wage worker earns is more than likely to end up boosting demand for goods and services. Given the current weaker state of the Western Australian economy (relative to the period of the mining boom), the Council suggests that a \$30 per week increase in the state minimum wage will increase the spending power of those with the largest marginal propensity to consume — that is, those on lower incomes. It follows that the resulting increased spending will help drive growth in retail spending, improve consumer confidence, and help drive the economy. Increasing the adequacy of the minimum wage is arguably the most effective means of stimulating the economy, reducing inequality within our community, and maintaining community living standards.

**This year, the Council encourages the Commission to pay particular attention to the opportunity for the 2016 State Wage Case to ‘*ensure that Western Australians have a fair system of wages and conditions*’, by preventing the gap between the state minimum wage and average earnings widening, by awarding an increase of \$30 per week.**

---

<sup>2</sup> As per s50A (3)(a)iv.

### 3.0 Income Inequality

Recent ABS statistics reveal Western Australia to have the most unequal income distribution of any state and territory across Australia.

Figure 1: Gini Coefficient 2013-14 (National and States) <sup>3</sup>

	Gini Coefficient
<b>WA</b>	<b>0.371</b>
NSW	0.345
<b>Australia</b>	<b>0.333</b>
Queensland	0.325
Victoria	0.314
SA	0.291
Tasmania	0.281
ACT	0.272
NT	0.268

The Council remains concerned about the rate at which the gap between the state minimum wage rates and median pay levels has grown in Western Australia. As of November 2015, the minimum wage was only 39.78 per cent of the WA Average Weekly Ordinary Time Earnings. In November 2006, the minimum wage was 46.40 per cent of the WA AWOTE.

Figure 2: WA AWOTE vs State Minimum Wage



<sup>3</sup> ABS (2015) 6523.0 – Household Income and Wealth, Australia, 2013-14

Since 2006, AWOTE increased in WA by over 66 per cent, while the State Minimum Wage only increased by just under 35 per cent.

A \$30 increase to the minimum wage will not be enough to reverse this trend of growing inequality, but it will prevent the gap between average earnings and the minimum wage expanding. Restoring the minimum wage to a level that brings it significantly closer to 50% of AWOTE has to be our goal. The Council recognises, however, that in the current economic climate that will be difficult. Allowing the inequality within the Western Australian community to deepen, which would result from the gap between the State minimum wage and AWOTE widening, would only place exponentially greater economic strain and burden on the Western Australian community into the future, as well as increasing the likelihood that the State's economic recovery would be delayed.

Over the course of the mining boom, the poorest 10% of Western Australian households not only did not keep pace with the rise in income for the richest households, but also with middle income households.<sup>4</sup> Further, the wealthiest 40 per cent of households in WA hold around 82% of household wealth while the poorest hold under 21 per cent.<sup>5</sup> Wealth increases for low-income earners have been shown to translate to higher spending, while high-income individuals are significantly more likely to save. As a result, to increase economic participation and activity, this significant inequality must be addressed.

In February 2014, Ostry, Berg and Tsangarides from the International Monetary Fund's (IMF) Research Department released a significant report on the topic of inequality. Titled *Redistribution, Inequality, and Growth*<sup>6</sup>, one of the report's key conclusions — directly relevant to the considerations of the Commission on the State Wage Case — is the conclusion that “lower net inequality is robustly correlated with faster and more durable growth, for a given level of redistribution.”<sup>7</sup>

*(I)nequality continues to be a robust and powerful determinant both of the pace of medium-term growth and of the duration of growth spells, even controlling for the size of redistributive transfers... It would still be a mistake to focus on growth and let inequality take care of itself, not only because inequality may be ethically undesirable but also because the resulting growth may be low and unsustainable.*<sup>8</sup>

### **That is, lower levels of inequality deliver stronger economic growth.**

The report also found that that

*...redistribution appears generally benign in terms of its impact on growth; only in extreme cases are there some evidence that it may have direct negative effects on*

---

<sup>4</sup> Bankwest Curtin Economics Centre (2014) *Sharing the Boom*, p. 17

<sup>5</sup> Ibid, p. 30.

<sup>6</sup> Ostry, JD, Berg, A & Tsangarides, CG (2014) *Redistribution, Inequality, and Growth*, International Monetary Fund Staff Discussion Note

<sup>7</sup> Ibid, p.4

<sup>8</sup> Ibid, p.25

*growth. Thus the combined direct and indirect effects of redistribution — including the growth effects of the resulting lower inequality — are on average pro-growth.<sup>9</sup>*

Since 2015, Australia has been a signatory to the United Nations Sustainable Development Goals. These goals commit us to progressively achieving and sustaining income growth for the bottom 40% of the population at a rate higher than the national average.<sup>10</sup> This simply will not happen if the gap between the minimum wage and average weekly ordinary time earnings is allowed to grow.

**To this end, a modest \$30 per week increase to the level of the state minimum wage is a small but important contribution the Commission can make to mitigating further growth in the level of inequality, and thus contribute to the delivery of stronger economic and social outcomes in Western Australia.**

## 4.0 The cost of living in WA

---

The Council's members bear professional witness to the plight of low-income individuals and households – in particular, those who have struggled to achieve and maintain an acceptable standard of living by Western Australian standards, while working full time. Our members in the emergency relief and financial counselling sector report an increase in demand from working households experiencing financial hardship. A 2013 ACOSS report showed that 82% of financial support services and emergency relief for financial crisis providers have had to target their assistance or limit their service levels to manage growing demand pressures, with 63% requiring their staff to work extra hours to cope with the demand.<sup>11</sup>

As a result of the economic situation, increasing tightening of welfare access and conditionality (including non-payment periods, asset tests and movements onto lower payments) and the changing nature of work within our community (short-term contracts, insecure work and under-employment – as discussed in sections 5.4 & 5.3 below), individuals and families appear to be less financially resilient and more susceptible to financial crisis. Within this context the adequacy of the minimum wage relative to living costs is critical to their capacity to manage sufficient savings to provide a buffer against unexpected costs, personal or family crises, accidents and ill-health.

The 2015-16 WA Budget shows the impact of rising household fees and charges in 2015-16 is **an additional \$198.54** for a representative WA household.<sup>12</sup>

Increasing household fees and charges, as well as the lack of affordable accommodation for those on low incomes places significant strain on the financial resilience of those earning the minimum wage. As a result of cuts to metropolitan financial counselling services in the 2015/16

---

<sup>9</sup> Ibid, p.4.

<sup>10</sup> United Nations, 'Goal 10: Reduce inequality within and among countries, *Sustainable Development Goals*, <http://www.un.org/sustainabledevelopment/inequality/>

<sup>11</sup> ACOSS (2013) *Australian Community Sector Survey*, National Report, Paper 202

<sup>12</sup> *WA Budget 2015-16*, Budget Paper 3



WA State Budget, the support for those experiencing financial hardship has been eroded. By ensuring someone's financial resilience, the drive into expensive statutory services can be minimised, while maximising that person's economic participation.

**Without a \$30 per week increase to the level of the state minimum wage, those workers earning a minimum wage will struggle with the cost of living and may fall into financial hardship.**

## 4.1 Housing: The major cost of living pressure in WA

---

Housing — the unaffordability of the private rental market, and low supply of public and community housing relative to demand — is *the* most pressing issue facing low-income individuals and households in Western Australia. As the single largest living cost for WA households, housing is also the biggest contributor to financial hardship and the biggest risk factor for financial crisis for those on low and fixed incomes.

**Given housing accounts for the largest percentage of household expenditure, the Council submits that the unaffordability of housing in WA *must* remain a key consideration of the Commission with regards to the need (under clause 50A(3)(a) of the *Industrial Relations Act 1979*) to provide “fair wage standards in the context of living standards generally prevailing in the community.”<sup>13</sup>**

### Rental affordability

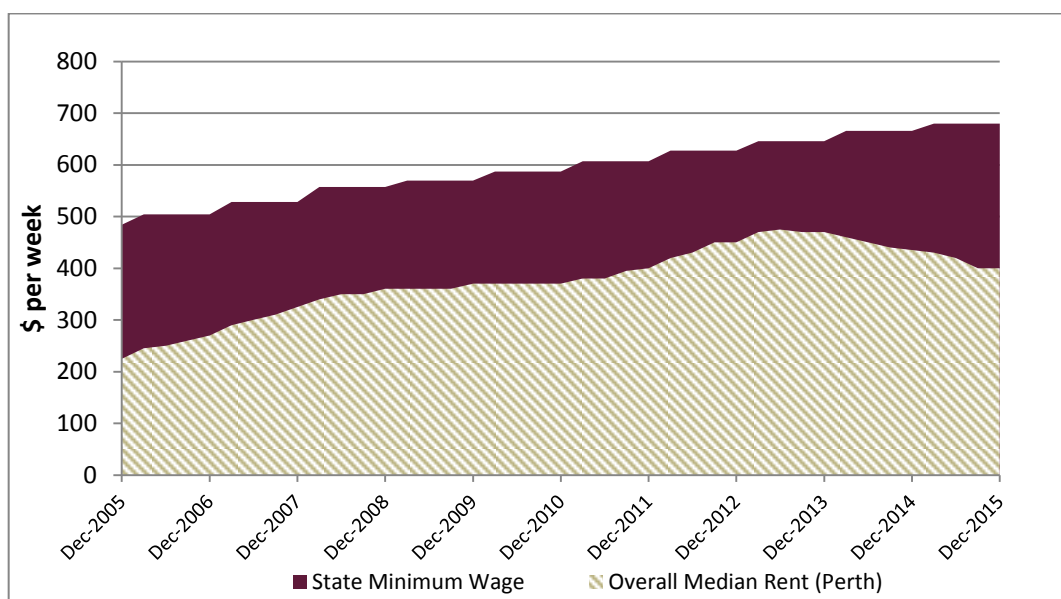
Rent currently makes up around a third of weekly expenditure for low income households. The fall in median rental has led to some improvements in modelled expenditure for different household types, but it is crucial to carefully consider how this is interpreted. It is important to note that the median rental price is a measure of the amount paid for new rentals, rather than ongoing ones. So, while someone moving into a new place might expect to pay on average \$50 per week less, those who remain in the same place are unlikely to have seen any change.

As can be seen in the graph below, while the overall median rent does not consume as much of the State minimum wage as it did during 2013, it still accounts for over 58 per cent – 20 per cent higher than it was in 2005. A household is considered to be in “housing stress” when their housing costs exceed 30 per cent of their income.

---

<sup>13</sup> *Industrial Relations Act 1979*, Clause 50A(3)(a)

Figure 3: State minimum wage vs overall median rent



When it comes to real families the key question is whether they can actually move somewhere more affordable that is still near enough to jobs, schools, family and friends - or whether they're in a position to negotiate with their landlord to secure cheaper rent. Previous increases in the minimum wage have meant those households able to secure enough work are likely to be in a marginally better financial position, but evidence from the Anglicare rental affordability snapshot still suggests there are few affordable rentals for those on low incomes. Some lucky families will move into cheaper places, but the majority are likely to be stuck with high rents for some time.

The 2016 Anglicare Rental Affordability Snapshot found that for families with two children where the parents are both on minimum wage, 39% of available rentals listed were affordable and appropriate, which is a marked improvement on previous years. However, for a couple where one adult is on minimum wage and they receive the partnered Parenting Payment and Family Tax Benefit (FTB) A & B, there were only 5% of total properties. Further, single minimum wage earners with two children had access to only 70 properties (1% of those listed), while single minimum wage earners without children would only be able to find 61 properties listed that were affordable and available. Clearly those numbers are far below the levels of housing demand we can expect from these cohorts.<sup>14</sup>

This is clear evidence that the current minimum wage is simply insufficient for single parents and for single wage earner families more generally.

## 4.2 Transportation

Low-income households are more likely to live in the outer and fringe areas of Perth, where properties tend to be less expensive.<sup>15</sup> However, 'the catch' from a cost of living-perspective, is that in the outer suburban regions, public transportation tends to be less accessible, meaning

<sup>14</sup> Anglicare Australia (2016) Rental Affordability Snapshot, p. 95

<sup>15</sup> NATSEM (2011) *The Great Australian Dream - Just a Dream? Housing affordability trends for Australia and our largest 25 cities*, p.19.

low-income households can be particularly reliant on private vehicles for transportation and face much higher transportation costs and more limited access to jobs and services.

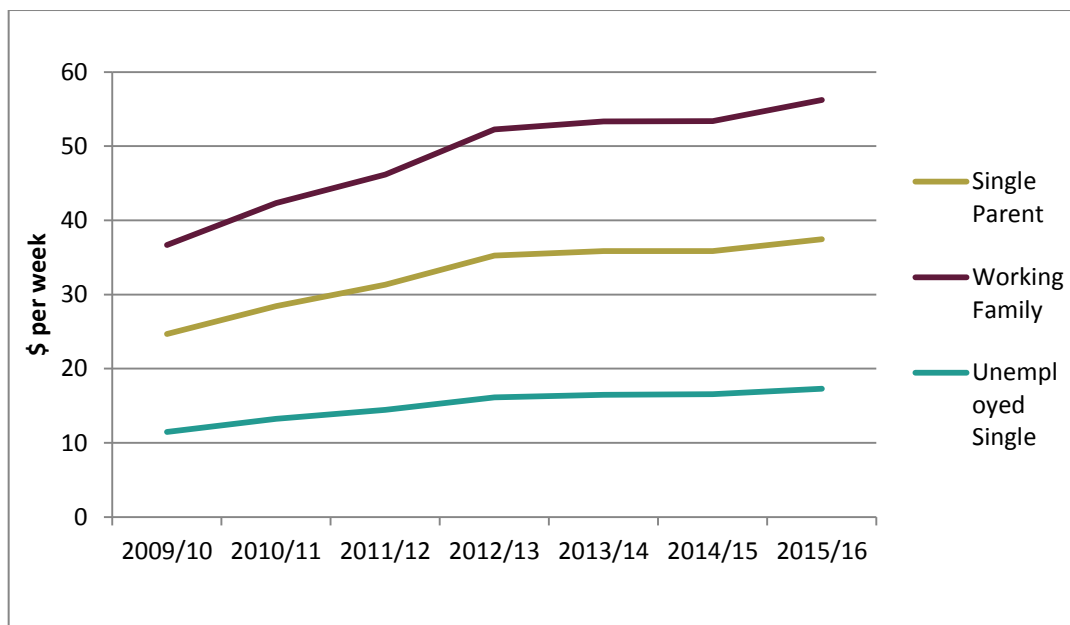
The 2015-16 WA Budget saw an increase of 2.6% in public transport fees, which are projected to continue to increase at 2.5% per annum over forward estimates<sup>16</sup>.

It should also be noted that after July 1, 2016, motorists will now pay no-fault insurance with their vehicle registration. The insurance will add **an additional \$99 per year**<sup>17</sup> to the cost of car/motorcycle registration. While the Council has in principle welcomed its introduction, as it will ensure compensation is available to any person who suffers a catastrophic injury in a motor vehicle accident, regardless of who is at fault, it must be recognised that no allowance has been given to capacity to pay. \$99 will be a significant impost on low and fixed income households, and this should be taken into account when considering what an adequate minimum wage should be.

### 4.3 Utilities

Modelling undertaken by the Council of the impact of WA’s utility prices over time on three hypothetical households, demonstrates the increased burden that they are placing on low income earners. Drawing on the State Government estimates of average usage and prices obtained directly from the utility providers for Perth residential households, the following pattern of an increased utility cost burden can be observed.

Figure 4: Utility Charges



<sup>16</sup> WA Budget 2015-16, Budget Paper 3, page 290.

<sup>17</sup> WA Budget 2015-16, Budget Paper 1, page 12.

	2011/12	2012/13	2013/14	2014/15	2015/16
Single Parent	31.33	35.26	35.84	35.86	37.47
Working Family	46.17	52.25	53.33	53.38	56.22
Unemployed Single	14.45	16.14	16.45	16.57	17.29

As demonstrated above, 2015/16 has seen a significant increase in utility costs for low income earners. The 2015-16 WA Budget saw an increase of 4.5% for residential electricity tariffs and for the full range of services, such as water supply and wastewater, provided by the Water Corporation.<sup>18</sup> For the 'representative household', these were increases of \$65.29 and \$66.50 per year, respectively.

It can be anticipated that this burden will only increase, particularly as the reforms to move the WA electricity market to 'full retail contestability' by July 2018 are progressed. Regardless of the ultimate impact that a competitive market may have on energy prices, they will have to first become cost reflective in order to attract new market entrants, which will have place significant pressure on the energy bills and cost of living more generally for disadvantaged and low income earning Western Australians.

## 5.0 The Impact on Specific Cohorts

### 5.1 Community Sector Workers

Minimum wage increases are significant for workers within the community services sector, for a number of reasons, starting with the fact that health care and social assistance industry is one of the industries with the highest number of employees earning below, at, or just above the minimum wage.<sup>19</sup> Given the high percentage of women working in the sector (as discussed in section 5.2 below), the minimum wage level has a significant impact on gender wage equity within the sector, and an increase in the minimum wage would be in-line with community concerns for greater equity.

Community sector service providers also play an important role in supporting vulnerable members of the WA community, including many who struggle to survive on low wages due to rising costs of living. **The community sector's capacity to provide quality services to support**

<sup>18</sup> WA Budget 2015-16, Budget Paper 3, page 303

<sup>19</sup> Nelms, L., Nicholson, P. & Wheatley, T. (2011) *Research Report 3/2011: Employees earning below the Federal Minimum Wage: Review of data, characteristics and potential explanatory factors, Fair Work Australia*, p.34

**vulnerable members of the community depends on the availability of suitably skilled employees, many of whom rely on award systems for their wages.**

Secondly, for a long time the community sector in WA has been under-resourced and sector employees have been significantly underpaid, resulting in the community sector itself employing a significant number of workers on low and minimum wages. In recognition that community sector wages are significantly below market-based wages and wages paid for equal or comparable work in other sectors, WACOSS supported the applications in both federal and state jurisdictions by unions (including the Australian Services Union) for an equal remuneration order<sup>20</sup> for community sector workers to attempt to redress this inequity. The subsequent State (WAIRC) and Federal (Fair Work Commission) orders required employers to pay equal remuneration payments — in addition to the minimum wage set out in the Award.<sup>21</sup>

**With specific relevance to the State Wage Case — it is important for community sector workers to receive the full benefit of a strong minimum wage increase.** The Equal Remuneration Order has been essential for enabling fair and just wages for community sector workers. Due to the aforementioned connection between the ERO and the minimum wage, as well as the rising AWOTE, in the event of a weak minimum wage increase community sector workers will effectively be losing some of the pay equity remedy they have been awarded in recent years.

We also note that there are a number of groups of community sector workers who have not benefitted from the WAIRC order, thus making minimum wage increases of even greater significance. Such workers include: social and community workers in Aboriginal organisations operating under the Aboriginal Communities and Organisations Award, and some disability sector workers either on the minimum conditions or covered by a United Voice Award.

## 5.2 Women

---

While the exact numbers of male and female workers earning the minimum wage in WA is unknown, it is broadly accepted that in Australia, “women are more likely than men to be reliant on the minimum wage.”<sup>22</sup> Also, with relevance to section 3.1 on community sector employees, it’s worth noting that women comprise approximately 85% of the community sector workforce.<sup>23</sup>

Western Australia consistently records a gender pay gap greater than rest of Australia. At November 2015, the average ordinary time earnings of male in WA were \$1,861.90 per week, whereas a female was earning \$1,401.50 per week.<sup>24</sup> Male ordinary time earnings are therefore,

---

<sup>20</sup> Details of the Equal Remuneration Order (ERO) are available [here](#).

<sup>21</sup> Fair Work Australia (2012) *Equal Remuneration Order and Equal Remuneration Case*.

<sup>22</sup> Commonwealth of Australia (2009) *Making it Fair: Pay equity and associated issues related to increasing female participation in the workforce*, House of Representatives Standing Committee on Employment and Workplace Relations, p.160.

<sup>23</sup> ACOSS (2012, September) *Reflecting Gender Diversity: An analysis of gender diversity in the leadership of the community sector: Inaugural survey results*, Prepared in partnership with YWCA Australia and Women on Boards.

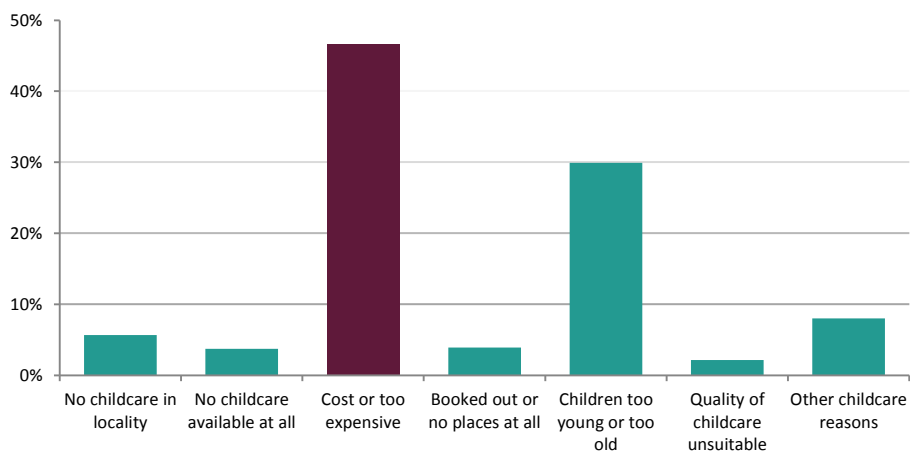
<sup>24</sup> ABS (2016) 6302.0 – Average Weekly Earnings, Australia, Nov 2015, Table 13E (WA)

24.7 per cent higher than those of females in WA, compared with a 17.2 per cent difference nationally.<sup>25</sup>

A significant contributor to the gender pay gap in Western Australia is the disproportionate responsibility women have for unpaid work (including the care of elderly people, children and adults with disability and grandchildren). A 2013 ABS report *Persons not in the labour force*<sup>26</sup>, asked people who were not currently in the labour force (but instead caring for children) *why* they were not in the labour force.

After excluding those respondents who were not in the labour force because their preference was to care for their children (described as “Prefers to look after children”), the findings of the survey question are shown in Figure 5.

Figure 5: Reasons those caring for children are not in the labour force<sup>27,28</sup>



Almost 47 per cent of respondents identified the cost of childcare as being a reason why they were not in the labour force. It is evident from this information that child care can be a significant cost of living issue for low income households. **As a result, an increase to the minimum wage that addresses this cost of living pressure is essential to promoting “equal remuneration for men and women for work of equal value”.**<sup>29</sup>

### 5.3 Young people

The continued provisions for “junior rates” are an anachronism. It is the Council’s view that the key determinant of the wage of someone under the age of 21 should be competence, rather than age.

<sup>25</sup> Ibid, Table 3 (Australia)

<sup>26</sup> ABS (2014) 6220.0 - *Persons Not in the Labour Force, Australia*, September 2013, 62200TS0015 Persons Not in the Labour Force, Australia - Main reason not working due to caring for children, Table 15.1

<sup>27</sup> Excludes those who “Prefer to look after children”; ABS (2014) 6220.0 - *Persons Not in the Labour Force, Australia*, September 2013, 62200TS0015 Persons Not in the Labour Force, Australia - Main reason not working due to caring for children, Table 15.1

<sup>28</sup> Jericho, G. (28 March 2014) [Hands up who would work if they had access to cheaper childcare](#), Guardian Australia

<sup>29</sup> *Industrial Relations Act 1979* (WA) s50A (2) (vii)

There are a number of industries which have traditionally employed significant numbers of “junior” workers under the age of 21, including the child care, hospitality, retail and fast food industries. However, in recent years, the junior rates are tending to be used with less frequency for a range of reasons. For example, due to recent staff shortages in WA, it has become rare for hospitality staff under the age of 21 to be paid junior rates. This is because many organisations need to pay higher (although often still low) rates in order to attract and retain staff.

In the child care industry, from 1 January 2014, new national regulations require all educators in centre-based and family day care services to hold (or be actively working towards), at a minimum, a Certificate III level education and care qualification. Given the new qualification (or competency) requirements which must be met by all child care staff, it is inequitable for a newly-qualified Certificate III holding 19 year old staff member to be paid less than a newly-qualified Certificate III holding 21 year old staff member.

The Council also notes the March 2014 decision by the Fair Work Commission, ruling that 20 year old workers in the retail industry with more than six months’ service will be entitled to 100 per cent pay (rather than only a percentage of the full adult rate).<sup>30</sup>

The changes to youth minimum wages in New Zealand in 2001, provides a good example of the positive impact such reform can achieve.

*Prior to [the 2001 reform], a youth minimum wage, applying to 16-19 year-olds, was set at 60% of the adult minimum. The reform had two components. First, it lowered the eligible age for the adult minimum wage from 20 to 18 years, and resulted in a 69 per cent increase in the minimum wage for 18 and 19 year olds.<sup>31</sup>*

A review of the 2001 New Zealand reforms found that:

- The average number of hours worked by both 18-19 and 20-25 year-olds remained fairly stable over the sample period.
- The rates at which 18-19 and 20-25 year-olds were studying were reasonably stable or increased slightly.<sup>32</sup>

**The Council submits that the *full rate* of increase to the minimum wage must be applied to both junior and adult wage rates. To only provide a proportion of the recommended \$30 per week increase would be unfair, as it would mean that the Commission would be failing to meet the needs of the youngest and lowest paid full-time workers.**

## 5.4 People in insecure work arrangements and underemployment

---

The growth of flexible working arrangement and the rise in the ‘uberfication’ of jobs is creating an environment of uncertainty in working hours, working conditions and in take home pay. The end result for workers is less job certainty, less income and less predictable income. This has a further impact on the support these workers may be able to expect from the social security

<sup>30</sup> SDA (21 March 2014) *Media Release: FWC rules in favour of younger workers*.

<sup>31</sup> Hyslop, D. & Stillman, S. (2004) *Youth Minimum Wage Reform and the Labour Market*, New Zealand Treasury Working Paper 04/03, p.i.

<sup>32</sup> Ibid, p.11.

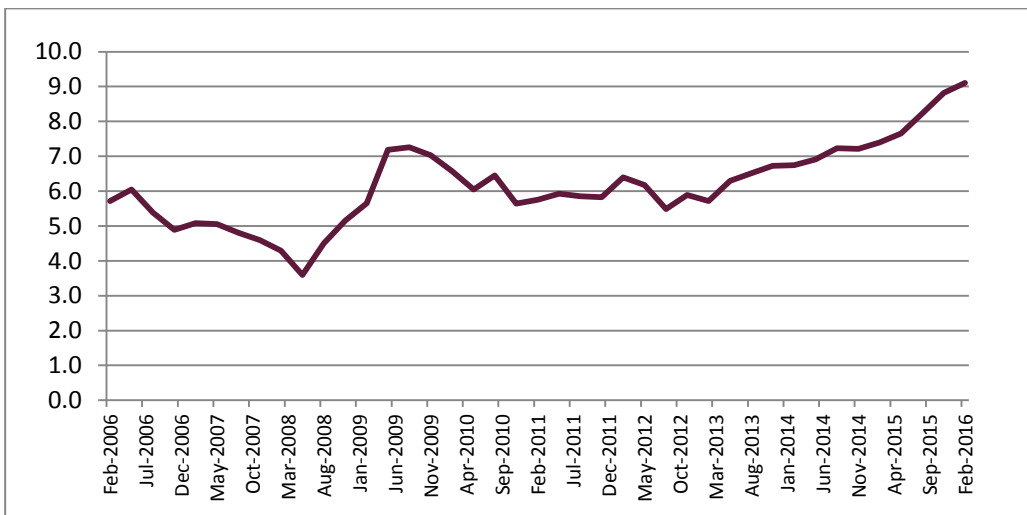
system as they find their unpredictable income moving above and below entitlement thresholds.

Recent surveys have revealed that 30 per cent of Australians are participating in some kind of flexible working arrangements involving multiple jobs and employers, including moonlighting and part-time roles.<sup>33</sup>

The end of Western Australia’s resources boom has seen a significant rise in the rate of underemployment and underutilisation of employees, and increasing casualisation of the workforce.

Underemployed people include highly skilled workers in low paying or low skilled jobs and part-time workers who would prefer to be full-time.

Figure 6: WA Underemployment Rate (Seasonally Adjusted)<sup>34</sup>



Research conducted into the effects of underemployment has revealed detrimental consequences for welfare dependence and income, with the effects even more significant for those who are deemed ‘involuntarily part-time or casually employed’.

In the foreword to the 2012 *Independent Inquiry into Insecure Work in Australia* final report, Inquiry chair Brian Howe described the situation for people employed on insecure work arrangements as follows:

*If their skills are low, or outdated, they are not offered training through work. They shift between periods of unemployment and underemployment that destroy their ability to save money...*

*For them, flexibility is not knowing when and where they will work, facing the risk of being laid off with no warning and being required to fit family responsibilities around unpredictable periods of work.*<sup>35</sup>

<sup>33</sup> Foundation for Young Australians (2015) *The New Work Order: Ensuring young Australians have skills and experience for the jobs of the future, not the past*, p. 7

<sup>34</sup> ABS (2016) *6202.0 Labour Force, Australia*, Table 23. Underutilised persons by State, Territory and Sex – Trend, Seasonally adjusted and Original



The Inquiry found that:

- Women are disproportionately represented in casual work, with 28% of all female employees working in casual employment, compared to 20% of male employees; and over half (56%) of casual employees are women;<sup>36</sup>
- Single parents (of whom the majority are also women) also tend to be highly dependent on casual and part-time work, and face significant challenges with insecure working hours and childcare arrangements — as well as unpredictable wages and social security reporting requirements; and
- There is a high level of ‘churn’ in and out of employment by a sub-section of the workforce, typified by low-skilled occupations dependent on the minimum wage.<sup>37</sup>

The high level of churn within the population of workers reliant on the minimum wage means they lack financial resilience and are at high risk of experiencing financial crisis. This increases pressure on the welfare system, and increases stress for the newly-unemployed as they attempt to navigate their way through a plethora of criteria and requirements to be considered eligible to receive unemployment benefits.

The Council notes that other parties have in the past presented the argument that increases to the minimum wage would exacerbate this situation; increase the difficulty in entering full-time work and the unemployment rate in general. In its 2014 *The Future Path of the National Minimum Wage* report, on the back over 130 research reports since 1999, the Low Pay Commission found that despite the United Kingdom having seen the low paid receive higher than average wage increases over that period there was little adverse effect on aggregate employment, and individual employment or unemployment differences.<sup>38</sup>

**The Council argues that by increasing the minimum wage, the resilience and self-sufficiency of low-paid workers would be improved, to the benefit of the national welfare system and the community more broadly.**

---

<sup>35</sup> ACTU (2012) *Lives on Hold: Unlocking the Potential of the Australian Workforce*, Independent Inquiry into Insecure Work in Australia, p.5.

<sup>36</sup> ACTU (2011) *Insecure work, anxious lives: the growing crisis of insecure work in Australia*, p.15.

<sup>37</sup> Richardson, D. (2012) *Submission to the Insecure Work Inquiry: Casual Labour - A stepping stone to something better or part of an underclass?*, The Australia Institute.

<sup>38</sup> Low Pay Commission (2014) *The Future Path of the National Minimum Wage*, p. 12

## 6.0 Conclusion

---

It is the Council's view that in order to *“ensure that Western Australians have a fair system of wages and conditions; meet the needs of the low paid; provide fair wage standards in the context of living standards generally prevailing in the community; and contribute to improved living standards for employees”*<sup>39</sup> the State Minimum Wage needs to be raised by \$30 per week for adults, junior employees, apprentices, and trainees.

The justification for such an increase is clearly linked to the significant risk of the gap between earnings of those on the State Minimum Wage and the Average Weekly Ordinary Time Earnings significantly increasing. The Council recognises the economic situation in which Western Australia currently is and it is for this reason that we do not propose action be taken to reduce that gap. If it is not at the very least held stable, improving the State's financial position will take longer and reversing this inequality later will become an increasingly momentous task.

Further, raising the wage is crucial for addressing the growth in cost of living pressures which have, over recent years, disproportionately impacted low-income individuals and households in WA. The Council has also called on the Commission to consider the positive impact raising the minimum wage would bring to improving the 'fairness' of the wage system for young people, community sector employees, women, and others in insecure work arrangements.

Critically, the changing nature of work and the increasing prevalence of short-term, insecure and part-time work, combined with increasing uncertainty in hours and more frequent transitions in and out of work for those reliant on the minimum wage means that current minimum wage rates are increasingly inadequate for large numbers of workers and households to maintain acceptable standards of living within our community.

**The Council's modest claim of a \$30 per week increase to the state minimum wage will deliver an undeniable benefit to many of the lowest-paid workers, and their families. A strong minimum wage — one which ensures people working full-time are provided with a decent living standard, well above poverty levels — benefits individuals and their families, but also delivers benefits to the Government, the community, and the Australian economy at-large.**

---

<sup>39</sup> Industrial Relations Act (1979)