

**WACOSS Submission to the
Western Australian Industrial Relations
Commission**

State Wage Case 2010



wacoss

Western Australian
Council of Social Service Inc

*Ways to make
a difference*

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Background

As the peak body of the community service sector in WA, WACOSS has a particular interest in the adequacy of living standards and quality of life experienced by Western Australians living on a low income.

WACOSS 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;
- safety and justice; and
- advocacy

As a result of new federal industrial relations laws, in particular the *Fair Work Act 2009*, the pay and employment conditions of some low paid workers may be governed differently.

Despite the changes, 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.

WACOSS has an interest in ensuring that wages for employees in the sector keep pace with the cost of living and community standards. WACOSS also has an interest in ensuring that wages for the sector's constituency, many of whom live on low incomes, are adequate.

For more information about the industrial relations system and WA not-for-profit organisations specifically, please read our factsheet, available on the WACOSS website.¹

¹Factsheet available at http://www.wacoss.org.au/images/assets/publications_factsheets/Industrial_Relations_System_and_WA_Not_for_Profit_Organisations.pdf

Introduction

Minimum wages are a vital means of protecting low-income workers from poverty. The wage earned by full time minimum wage earners should be sufficient to ensure they have the capacity to meet their basic living costs, while living with dignity and respect.

WACOSS' submission to the 2010 State Wage Case shares similar principles with Trades and Labour Council of WA (TLCWA)'s submission. At a minimum, we endorse their claim of 5.5%, or \$31.33 per week. The rationale for this claim takes into account a range of economic pressures in Western Australia, such as:

- A significant increase in the price of utilities;
- An increase in CPI in the year to March 2009 of 3.4%; and
- AWE in WA in the year to March 2009 increasing by 7.2%.

WACOSS submits that the Commission should increase the State minimum wage rate and award wage rates for junior employees, apprentices, and trainees by a proportionate amount, having regard to the Minimum Conditions of Employment (MCE) Act, the relativities maintained within each award, and the methodology applied previously by the Registrar.

The cost of living for low-income earners

WACOSS supports the TLCWA's comments around the continuing improvement of the West Australian economy, and urges the Commission to have regard for the fact that the economy is showing signs of recovery, and that minimum wage earners should benefit from this recovery. However, there are many West Australians living on low incomes who continue to feel the adverse effects of the economic downturn, despite the positive signs of recovery.

Perth (and indeed the whole of WA) continues to be an expensive city in which to live, reflected by the CPI figures for Perth over the past five years. Currently, the headline CPI increase for Perth in the year to March 2009 is 3.4%, while the rest of Australia (weighted average of eight capital cities) is 2.9%.

Bearing the CPI increases in mind, WACOSS has long argued that the headline CPI figure is inadequate as a measure of the cost of living for low income earners. This inadequacy is due to the composition and weighting of the basket of goods used to calculate the CPI. Price movements in goods and services that form a small part of low-income earners' budgets (for example, luxury goods and financial services) can offset price rises in vital goods and services such as food and housing.

Increases in the year to March 2010 for WA are;

- Food by 0.8%;
- Housing by 5.3%;
- Health by 5.6% and
- Education by 7.8%.

While the ABS' approach yields a useful and accurate measure of overall consumer price movements, WACOSS urges the Commission to have regard to the composition of low-income earners' budgets when judging the adequacy of any proposed minimum wage increase with respect to the cost of living.

In order to highlight some of the cost pressures for low income West Australians that the CPI might not adequately reflect, WACOSS tracks cost of living pressures through the publication of its annual cost of living report. An updated copy of this paper is due in August 2010, and the 2009 paper is attached.

Table 1 shows the dollar increases in the cost of utilities, with more increases set to be announced in the 2010/11 State Budget.

Table 1: Estimated Financial Impact of Increased Charges based on Treasury Representative Household Model								
09/10 Budget and State Government Media Statements								
Item	Increase	2007/08	Increase	2008/09	Increase	2009/10	Increase	2010/11
Utilities								
Electricity	\$0.00	\$748.51	\$74.85	\$823.36	\$194.50	\$1017.86	\$101.78*	\$1119.64*
Gas	\$0.00	\$390.00	\$39.00	\$429.00	\$135.61	\$564.61	\$-	-
Water: Consumption and Annual Supply Charge	\$30.78	\$218.10	\$19.00	\$237.10	\$23.73	\$260.83	\$-	-
Water: Sewerage	-\$11.61	\$503.67	\$17.22	\$520.89	\$21.87	\$542.76	\$-	-
Water: Drainage	\$4.24	\$59.44	\$3.47	\$62.91	\$4.19	\$67.10	\$-	-
Total Increase on Previous Year	\$23.41		\$153.54		\$403.63	\$2,453.16	\$101.78	

WACOSS also notes with interest section 9.3 of TLCWA's submission, which compares the State Minimum Wage to the median rents for units and houses. Minimum wage earners are spending a staggering 64.1% of their weekly wage on rental accommodation. WACOSS would also like to note the ABS' housing affordability ratio, which states that households have affordability problems if they are in the bottom 40% of income distribution and have housing costs above 30% of disposable income.²

WACOSS submits that the Commission must have regard to the true cost of living for low-income employees when determining the appropriate increase in minimum wages. An approach that merely examines the 'headline' CPI figure is inadequate. An approach that merely aims to preserve the real value of the minimum wage by adjusting it by headline CPI (3.4%) will in fact represent a reduction in the minimum wage's real value.

² TLCWA Submission to the WAIRC State Wage Case 2010. (p.7-8).

The community services sector

A significant number of low-income employees are employed in the community services sector. Currently in Western Australia, there are approximately 110 000 people employed in the health and community services industry³. While it is difficult to ascertain the jurisdictional coverage of these employees, it is likely that a significant number of them fall within the State industrial relations system.

The community services sector (and the human services industry more broadly) includes a number of unincorporated entities and incorporated organisations that are not constitutional corporations. The Commission's decision with respect to minimum wage adjustments will have a tangible impact on the living standards of employees in these sectors.

As the peak body for the community services sector in WA, WACOSS is concerned about the adequacy of wages in the sector, and the sector's ability to attract and retain staff. Many organisations in the sector are small, lacking the organisational infrastructure that facilitates enterprise-level bargaining. As a result, the sector has been disproportionately reliant on wages and conditions in awards. The Commission therefore has a direct role in influencing wages for employees in the sector. WACOSS calls upon the Commission to have regard for low paid employees in the community services sector, and the relative inability of the sector's employees and employers to engage in bargaining, when determining the minimum wage.

The gender pay gap in WA

WA has the largest gender pay gap of any State in Australia, a gap much larger than the national average. The GPG in WA is 27.4%, which means that on average for every dollar earned by a full time male employee, a full time female employee earns only 72.6 cents. The national GPG is 17%⁴.

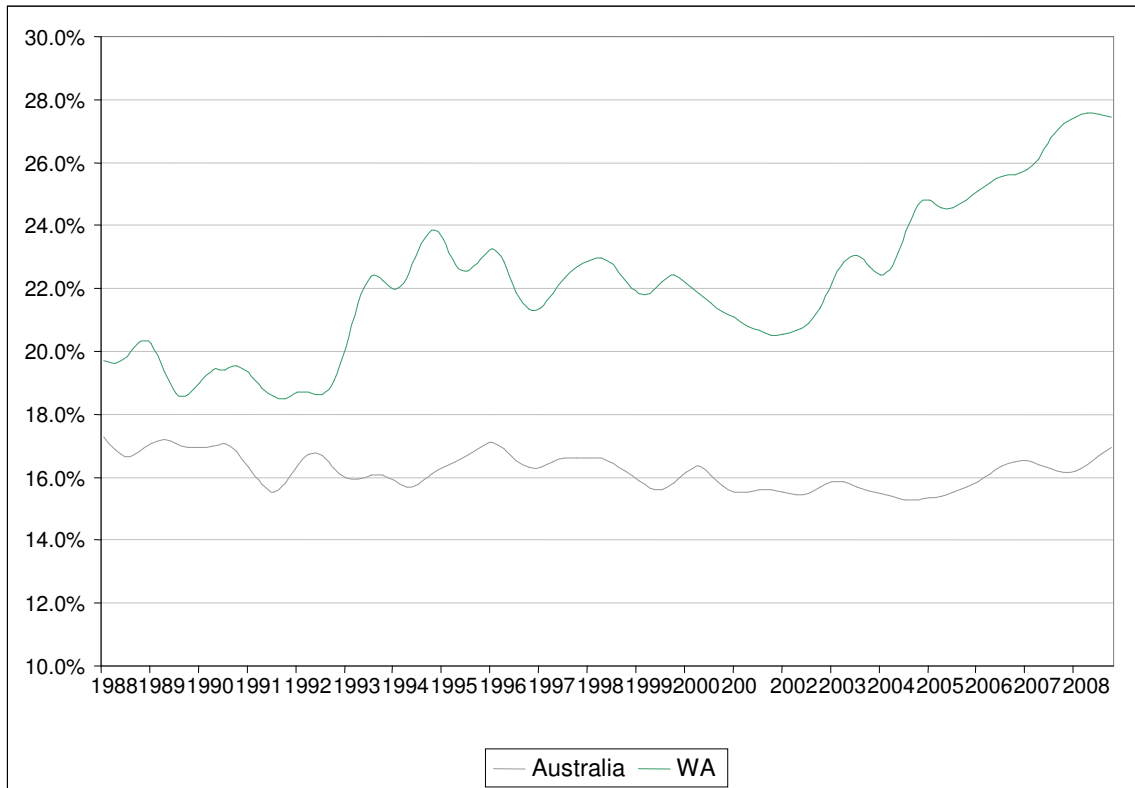
WA has had a larger GPG than the national average since the late-1980s, and the difference between the State gap and the national gap increased considerably in the early 1990s. To reduce the gender pay gap in WA, it is vital that minimum wages keep pace with community standards. Further erosion of the minimum wage relative to average wages will see the gender pay gap in WA continue to grow.

The chart below compares the gender pay gaps for WA and for Australia. The chart shows that the national gender pay gap has remained relatively constant for the last two decades, fluctuating between 15% and 17%, whereas the gap in WA has increased significantly.

³ Derived from ABS, *Labour Force, Detailed Quarterly*, E06_Aug94 – Employed Persons by Industry Group, Sex, State, Status in Employment, Cat. No.: 6291.0.55.003

⁴ ABS, *Average Weekly Earnings*, 6302.0, November 2009.

CHART 2: Gender pay gaps in WA and Australia over time⁵



Minimum wages, unemployment and underemployment

The effect of minimum wages on unemployment is still somewhat unclear. Conversely, we know that minimum wage increases have a direct and definite impact on the lives of those receiving them. WACOSS supports ACOSS' view that risking the living standards of those on minimum wages is not worth uncertain gains in employment, especially in what is still an uncertain labour market for many vulnerable West Australians.

As the economy starts to recover from the global downturn, unemployment figures are beginning to stabilise and are comparatively low. WA continues to record the lowest unemployment rate of all the mainland states, with the most recent ABS unemployment trend data is tracking at 5.0%, compared to the national rate of 5.3%.⁶

Young people continue to face labour market disadvantage on a number of fronts. While the WA youth unemployment rate is lower than the national average, it is still higher across Australia (25.4%) than the national unemployment average (19.9%).⁷

Pockets of high regional unemployment exist in WA:

- Armadale 7.4%
- Rockingham 8.1%
- Wanneroo 7.9%
- Port Hedland 6.8%
- Broome 6.5%⁸

⁵ ABS, *Average Weekly Earnings*, 6302.0, November 2008.

⁶ ABS, *Labour Force*, 6202.0, April 2010.

⁷ ABS, *Labour Force*, 6202.0, April 2010. Table 16

Age, gender and ethnicity also feature in disproportionately high rates. As previously stated, WACOSS submits that the Commission should increase the State minimum wage rate and award wage rates for junior employees, apprentices, and trainees by a proportionate amount, having regard to the MCE Act, the relativities maintained within each award, and the methodology applied previously by the Registrar.

Underemployment

While the current unemployment figures are showing positive signs of recovery, they mask growing ranks of underemployed men and women who are still feeling the impacts of involuntary changes to their employment status during the economic downturn.

Unemployment in WA rose rapidly during the economic downturn. In October 2009, it was at its highest since 2003, and it was the first time since January 2004 that WA's unemployment rate had been higher than the national average.⁹

Underemployment has increased in prominence in recent years. The latest ABS Labour Market Statistics report shows that in November 2009, 13.5% of Australia's workforce was under-utilised, compared with 11% in November 2008.¹⁰

WACOSS urges the commission to have regard for the growing numbers of underemployed West Australians, and the positive impact a modest minimum wage increase will have on these vulnerable workers.

It is sometimes ignored, but the consequences of underemployment are very real. If a person wants and needs to work full time, but can only obtain part time work, they can easily find themselves facing financial hardship, defaulting on their mortgage payments, or unable to meet other important financial commitments.

Conclusion

WACOSS thanks the Commission for the opportunity to provide input into the wage setting process for 2010.

As a minimum, we endorse the TLCWA's claim of increasing the minimum wage by 5.5% (or \$31.33 per week), and offer our support of their submission.

Attachments

WACOSS 2009, *Close the Gender Pay Gap: Value Community Services*.
WACOSS 2009, *Cost of Living Paper*.

⁸ ABS, *Labour Force*, 6202.0, April 2010. Table 16

⁹ 8 October 2009. WACOSS media release "Unemployment in WA highest since 2003".

¹⁰ ABS. April 2010. Australian Labour Market Statistics report, See [http://www.ausstats.abs.gov.au/Ausstats/subscriber.nsf/0/9E0CFE203CFECA18CA2576F700154B6B/\\$File/61050_apr%202010.pdf](http://www.ausstats.abs.gov.au/Ausstats/subscriber.nsf/0/9E0CFE203CFECA18CA2576F700154B6B/$File/61050_apr%202010.pdf)