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**Submission to the Western Australian
Industrial Relations Commission (WAIRC)
2015 State Wage Case**



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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 2014 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.¹*

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 (a) consistent, as of 1st July 2015, 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 the cost of living pressures facing low-income households in Western Australia. Over the period of the recent mining boom in WA, 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 (finally) started to slow. However, many of these costs have not fallen relative to the amount they grew over the

¹ *Industrial Relations Act (1979)*

time of the mining boom, in particular. 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 employees². In reality, minimum wage decisions have consistently fallen short of what the Council has considered (and submitted has been) 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.

As our analysis in Section 4.0 will show, low-income workers are already struggling to stretch their full-time, minimum wage salaries to cover the cost of living in Western Australia. This 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.

This year, the Council encourages the Commission to pay particular attention to opportunity the 2015 State Wage Case provides to deliver '*improved standards of living for employees*', by awarding an increase of \$30 per week.

3.0 Who does an increase in the state minimum wage assist?

The minimum wage and its process of annual review and adjustment are imperative to protecting the lowest paid workers within our community. As outlined under Clause 50A(3)(a) of the Industrial Relations Act 1979, the Commission takes into account the needs of the low paid, and the need to ensure fair wage standards are provided (in the context of living standards generally prevailing in the community).

While there are no current statistics which provide comprehensive, demographic data on workers that rely on the minimum wage (and awards) specifically in Western Australia, there is useful data on employees reliant on the Federal minimum wage which it would be reasonable to assume comparable.

Research undertaken by Fair Work Australia indicated that between 10 and 11 per cent of all adult employees earned between 100% and 120% of the Federal Minimum Wage.³

² As per Clause 50A(3)(a)iv.

³ Nels, L; Nicholson, P; Wheatley, T. (2011). *Employees earning below the federal minimum wage: review of data, characteristics and potential explanatory factors*, Minimum Wages and Research Branch, Fair Work Australia.

Profiling employees below, on, or slightly above the minimum wage, the study found that:

- 51% of low paid employees (those earning below, at, or just above minimum wage) were women, compared with 47% of the total workforce;
- 58% of low paid workers were partnered, and approximately half of these had dependent children;
- 5% of those paid below or at the minimum wage were sole parents with dependent children;
- 14% of those paid below or at the minimum wage worked part-time (less than 30 hours a week);
- 11% of those paid below, at or just above minimum wage worked in the health care and social assistance industries;
- The industries which had most employees earning below, at, or just above the minimum wage were accommodation and food services; health care and social assistance; and retail trades.
- Occupations with the most employees earning below, at, or just above the minimum wage were labourers; community and personal service workers; sales workers; and technicians and trade workers.

The Council suggests that there are a number of identifiable groups within the Western Australian community for whom an increase to the minimum wage contributes to the ‘fairness’ of wages.

In this section, the Council draws the Commission’s attention to the following groups of people who benefit both from a practical cost of living perspective, but also from the ability of wage increases to contribute to a ‘fairer’ system of wages and conditions. Such community members include:

- Workers in the WA community sector;
- Women;
- Young people; and
- People in insecure work arrangements.

In section 4.0, the Council examines in detail the specific cost of living changes which have made it challenging for a single adult to achieve a ‘decent’ basic living standard, well clear of poverty levels, and in accordance with community expectations.

3.1 Workers in the WA community sector

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.⁴

⁴ 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

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 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 order⁵ 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.⁶

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. 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.

3.2 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”.⁷ 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.⁸

Western Australia consistently records the largest gender pay gap of any state in Australia — a gap much larger than the national average. The most recent figures (from November 2014) showed that the male ordinary time earnings are 34.5 per cent higher than those of females in

⁵ Details of the Equal Remuneration Order (ERO) are available [here](#).

⁶ Fair Work Australia (2012) *Equal Remuneration Order* and *Equal Remuneration Case*.

⁷ 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.

⁸ 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.

WA, compared with a 23.1 per cent difference nationally.⁹ At November 2014, the average ordinary time earnings of a male in WA was \$1,826.40 per week, whereas a female was earning \$1,358.30 per week.¹⁰

Due to factors such as caring responsibilities, women are also more likely to be in insecure work arrangements, or to move in and out of the paid workforce. This can have a significant impact on their opportunities for advancement at work; lead them to work fewer hours; receive lower income during their working years; experience higher levels of financial stress and possess a much reduced ability to invest towards retirement.

The poor economic situation of women is exacerbated in later life. In 2012, the gender gap in superannuation was 47% — at the time of retirement, women on average had \$105,000 in superannuation, compared with \$197,000 for men.¹¹ Many women are reliant on the Age Pension due to minimal retirement savings — a result of lower earnings, lower superannuation and so on. At December 2014, 55.5 per cent of Western Australian Age Pension recipients were women.¹² It is also estimated that 38 per cent of Australian women have no superannuation, making them poorly placed to fund their retirement.¹³

Given women are more likely than men to be reliant on the minimum wage, women are more likely to benefit from a decision by the Commission to increase the level of the state minimum wage. Minimum wage increases are of particular importance to women in the workforce both from an immediately practical sense relating to the cost of living, but also because increases make a small, but important contribution to ‘fairer’ wages. Research has estimated that between 1995 and 2005, minimum wage adjustments contributed to a reduction in the national gender pay gap in Australia by approximately 1.2 per cent.¹⁴

Women with caring responsibilities

Significant contributors to gender pay gap in Western Australia include the disproportionate responsibility women have for unpaid work (including the care of elderly people, children and adults with disability and grandchildren), and their lower pay relative to men. Also relevant to the earlier discussion regarding cost of living pressures on low income households, is an ABS report published in September 2013 titled *Persons not in the labour force*.¹⁵ The report included results of a survey question which asked people who were not currently in the labour force (but instead caring for children) *why* they were not in the labour force.

⁹ ABS (2015) *6302.0 Average Weekly Earnings, Australia, November 2014*, Tables 2 (Australia) & 12E (WA)

¹⁰ Ibid, Table 12E.

¹¹ Industry Super Australia (2015, March 10) *Media Release: The gender superannuation gap – without policy action now, women will retire with far less than men for decades to come*.

¹² Department of Social Services (2015) *DSS Demographic December 2014*, Australian Government.

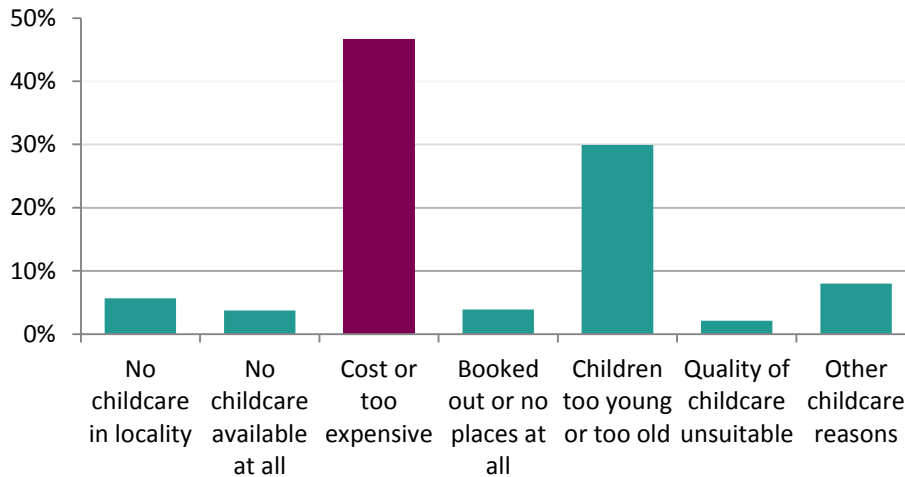
¹³ EY (2013) *The role of women in unlocking Australia's productivity potential: Productivity potential of the female workforce*

¹⁴ Austin, S., Jefferson, T., Preston, A. and Seymour, R. (2008) *Gender pay differentials in low paid employment*, Curtin University of Technology report commissioned by the Australian Fair Pay Commission.

¹⁵ 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.

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 1.

Figure 1: Reasons those caring for children are not in the labour force^{16,17}



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 — though this is certainly not the first time this conclusion has been drawn.

In 2009, the Australian Human Rights Commission published an issues paper examining the gender gap in retirement savings, titled: *Accumulating poverty? Women’s experiences of inequality over the life cycle*. The paper contended that “women who take on the responsibilities of unpaid caring and domestic work – work that delivers enormous wealth to other individuals and to the overall economy – should not be rewarded with poverty”.¹⁸

As the issues paper explained:

*Perhaps the most fundamental barrier to women’s full participation in paid work and their ability to fully benefit from the retirement income system, is the struggle to balance paid work and caring responsibilities. The onset of caring responsibilities following the birth of children has a significant impact, both on the lifetime earnings and level of paid workforce participation of women.*¹⁹

In Australia, mothers’ workforce participation continues to be low by international standards, which is evidence of the significant barriers to paid workforce participation experienced by employees with caring responsibilities. The employment rates in

¹⁶ 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.

¹⁷ Jericho, G. (28 March 2014) [Hands up who would work if they had access to cheaper childcare](#), The Guardian.

¹⁸ Australian Human Rights Commission (2009) [Accumulating poverty? Women’s experiences of inequality over the lifecycle](#), p.2.

¹⁹ *Ibid*, p.13.

Australia for women with children, particularly those under six years of age, are low by comparison with other OECD countries. The employment rate of mothers with a child under six years of age is 49.6%, compared with the OECD average of 59.2%.²⁰

There are a number of interconnected issues related to the care of children that have an impact on women's participation in the paid workforce, including:

- The unequal division of unpaid caring work;
- The limited social infrastructure to support employees with caring responsibilities;
- The lack of social and economic value placed on unpaid caring.²¹

The Council acknowledges the announcement by the Federal Minister of Social Services, Scott Morrison on Friday 8th May 2015 of an additional \$327 million proposed to be directed towards childcare for disadvantaged families.²² However, there are some as yet unresolved concerns about how introduction of new 'activity test' eligibility requirements, where parents must demonstrate 24 hours work per fortnight to be access childcare funding.²³

Early Childhood Australia have expressed concern that the proposal may "make it more difficult for some mothers trying to return to work after having a baby, as they may only pick up a small amount of paid work initially as they ease back into the workforce".²⁴

There is also concern about what the change will mean for those who do shift or casual work - as their hours are less predictable - and that it would unfairly hit low to middle income families.

"Childcare is not an incentive to work, it's actually an enabler of work," [Early Childhood Australia] chief executive Samantha Page said.²⁵

It's not yet clear exactly how many women on low wages will benefit from, or be disadvantaged by, the proposed changes to child care policy. The Council will be following these policy details as they are released and/or implemented.

3.3 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.

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

²⁰ Ibid, p.14.

²¹ Ibid, p.16.

²² Bennett, J. (2015, May 8) *Budget 2015: Scott Morrison announces extra childcare money for at-risk children*, ABC News Online.

²³ Ireland, J. (2015, March 31) *Minimum work test will block childcare for 100,000 mothers, Scott Morrison warned*, Sydney Morning Herald.

²⁴ Ibid.

²⁵ Ibid.

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).²⁶

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.²⁷

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.²⁸

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.

3.4 People in insecure work arrangements

In May 2012, the final report of the *Independent Inquiry into Insecure Work in Australia* (the Howe Inquiry) was released. The Council contends that it is important for the Commission to take into account the fact that — while there is little evidence since the 2012 ACTU Inquiry that the level of insecure employment in WA has worsened — there is also a lack of evidence to suggest that the concerning rate of insecure work in Western Australia has undergone any improvement. As such, we have chosen to reiterate a number of the key points from our 2013 State Wage Case submission.

²⁶ SDA (21 March 2014) *Media Release: FWC rules in favour of younger workers*.

²⁷ Hyslop, D. & Stillman, S. (2004) *Youth Minimum Wage Reform and the Labour Market*, New Zealand Treasury Working Paper 04/03, p.i.

²⁸ *Ibid*, p.11.

In the foreword to the Inquiry's 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.²⁹

We also know (from the Howe inquiry) 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.³⁰
- 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.
- There is also 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.³¹

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 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.

4.0 The cost of living in WA

There is a pervasive myth within the Western Australian community that we are all feeling the impact of rising living costs. However, the Council's members have borne 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, whilst working full time.

These are the workers for whom increases to the rate of the state minimum wage really count. These are the workers – including their families and children – whose long term health,

²⁹ ACTU (2012) *Lives on Hold: Unlocking the Potential of the Australian Workforce*, Independent Inquiry into Insecure Work in Australia, p.5.

³⁰ ACTU (2011) *Insecure work, anxious lives: the growing crisis of insecure work in Australia*, p.15.

³¹ 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.

wellbeing, and life outcomes are negatively impacted by wages which are not commensurate with the cost of living. These are the workers, who in spite of their commitment to full time employment, tend to lack financial resilience.

Low wages *today*, hinder the ability of households to develop financial resilience. This, in turn, increases the likelihood that that household will be less financially secure later in life, and will place increased pressure on the welfare system and wider economy into the future.

The Council’s analysis shows that the cost of essential services and items (including housing, transport, utilities and food) have increased at a much faster rate than non-essential or discretionary and luxury items (i.e. cars, computers and overseas holidays). The increase in the cost of *essential* items is hardest felt by low-income households, who spend a much higher proportion of their household income on essentials. On the other hand, the benefit of relative improvements in the cost of non-essential items tends to disproportionately benefit higher-income households who have greater disposable income.

4.1 2014 WACOSS Cost of Living Report

Each year the Council produces a *Cost of Living Report*, as a part of our role in providing advice to Governments and community service providers on a) which hardship issues are most impacting low income households, and b) which strategies are most likely to prove effective in enabling households to comfortably meet a basic standard of living. The methodology used allows us to compare how relative changes in living costs and sources of income impact upon different types of low-income households in Western Australia.

In the our 2014 Cost of Living Report, the Council examined the impact of increasing costs of living in WA for three different low- and fixed-income household types. “**Household B**” in our Report models a working family with two children. One parent works full-time while the other balances part-time work with care-giving — both are employed slightly above the minimum wage.³² Our model derived the following estimates of weekly income and expenditure for our model working family household:

Table 1: WACOSS model working family household, annual income and expenditure³³

	2011/12	2012/13	2013/14	% Difference over 1 year (2012/13-2013/14)	% Difference over 2 years (2011/12-2012/13)
Total weekly income	\$1,286.58	\$1,322.13	\$1,352.25	2.28%	5.10%
Total expenditure	\$1,258.69	\$1,309.23	\$1,342.62	2.55%	6.67%
Difference	\$27.89	\$12.90	\$9.63	0.27%	1.56%

In 2013/14, the family’s weekly income surpassed their basic living costs by only \$9.63 per week (down from \$27.89 in 2011/12). However, the fact that our calculations make no allowance for the family to save, or for unexpected or non-essential expenditure, means the financial security

³² WACOSS (2014) *2014 Cost of Living Report*, p. 5.

³³ *Ibid*, p.11.

of this family is low. This family may be just one accident, a couple of missed pay-checks or an unexpected cost (e.g. if the family's fridge or car breaks down, or an unexpected medical expense is incurred) away from a financial crisis.

A copy the Council's complete 2014 Cost of Living Report is included as Attachment 1 to this submission.

4.2 Housing: The major cost of living pressure in WA

As demonstrated in all of the most recent iterations of the Council's annual Pre-Budget Submission to the WA State Government³⁴, the need for more affordable housing remains year-in-year-out the number one priority identified by the community services sector in Western Australia.

*The implications of unaffordable housing in Western Australia are greatly concerning. A home is critical to the wellbeing of people and their life and employment opportunities. The consequences of a housing shortage will cost a great deal to governments own the track, as they attempt to address poor educational outcomes for children and the breakdown of families and relationships.*³⁵

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".³⁶

Rental affordability

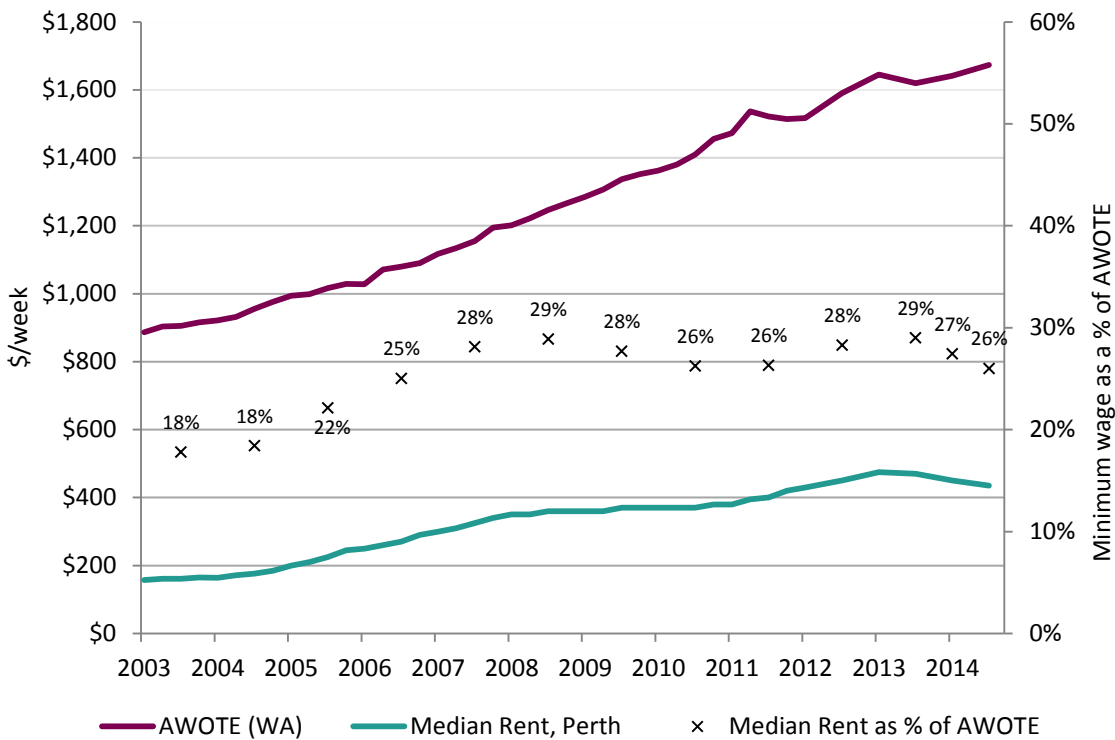
A household is considered to be in "housing stress" when their housing costs exceed 30 per cent of their income. Since 2003, the median cost of renting in Perth — as a proportion of average weekly ordinary time earnings (AWOTE) — has increased significantly. Between 2003 and 2013, median rent as a percentage of AWOTE increased from 18 per cent to as high as 29 per cent (refer to Figure 2). In December 2014, the median rental price in Perth was 26 per cent of AWOTE.

³⁴ Refer to WACOSS (2012, 2013, and 2014) *2014-15, 2015-16 and 2015-16 Pre Budget Submissions*.

³⁵ Anglicare WA (2015) *Rental Affordability Snapshot 2015: Anglicare WA, Western Australia*, p8.

³⁶ Industrial Relations Act 1979, Clause 50A(3)(a)

Figure 2: Overall Median Rent, Perth³⁷ vs AWOTE (WA)³⁸

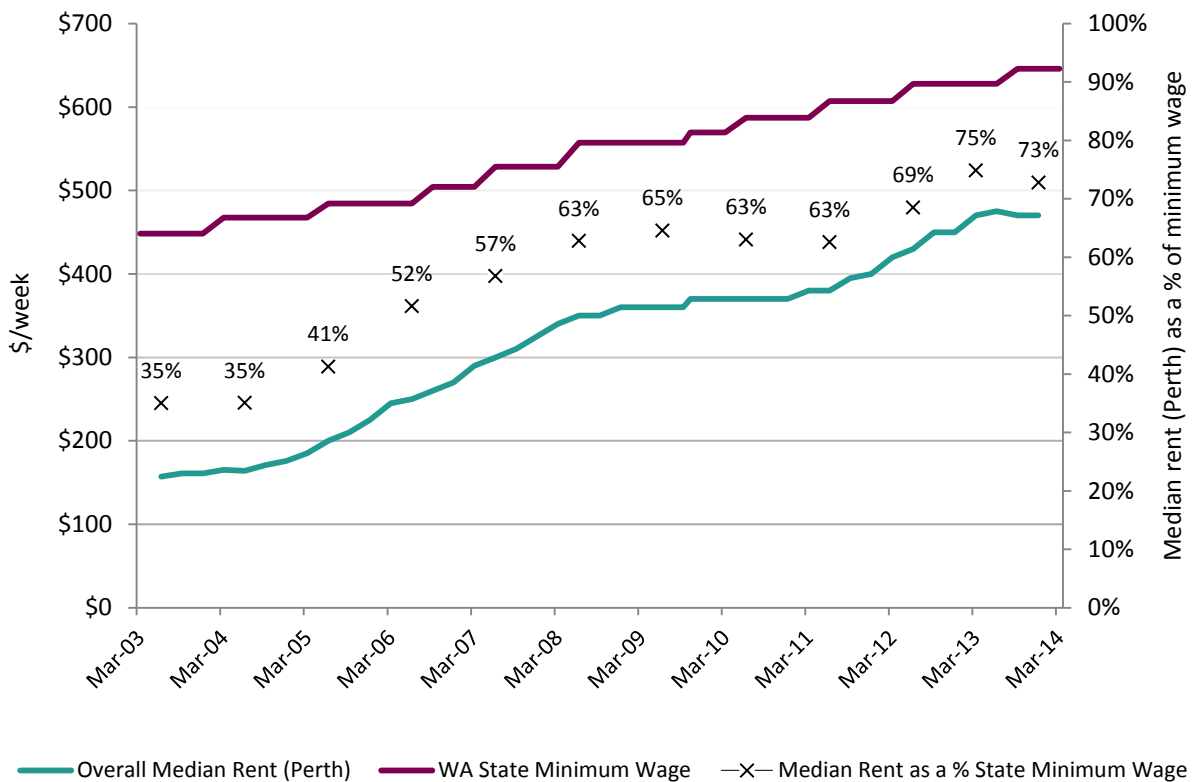


However the increase in AWOTE over the last decade has not been matched by increases in the state minimum wage. As Figure 3 shows, in 2003 median rent represented approximately 36 per cent of the state minimum wage — meaning, at that time, an employee working full time and receiving the minimum wage, was already considered to be in housing stress. However by 2013, median rent as a percentage of minimum wage had *more than doubled* to 75 per cent (latest figures have the percentage at a very high 73 per cent).

³⁷ Ibid.

³⁸ ABS (2013) *6302.0 Average Weekly Earnings, Australia, Nov 2013*, TABLE 12E. Average Weekly Earnings, Western Australia (Dollars) - Seasonally Adjusted.

Figure 3: Overall median rent (Perth)³⁹ compared with WA State Minimum Wage⁴⁰



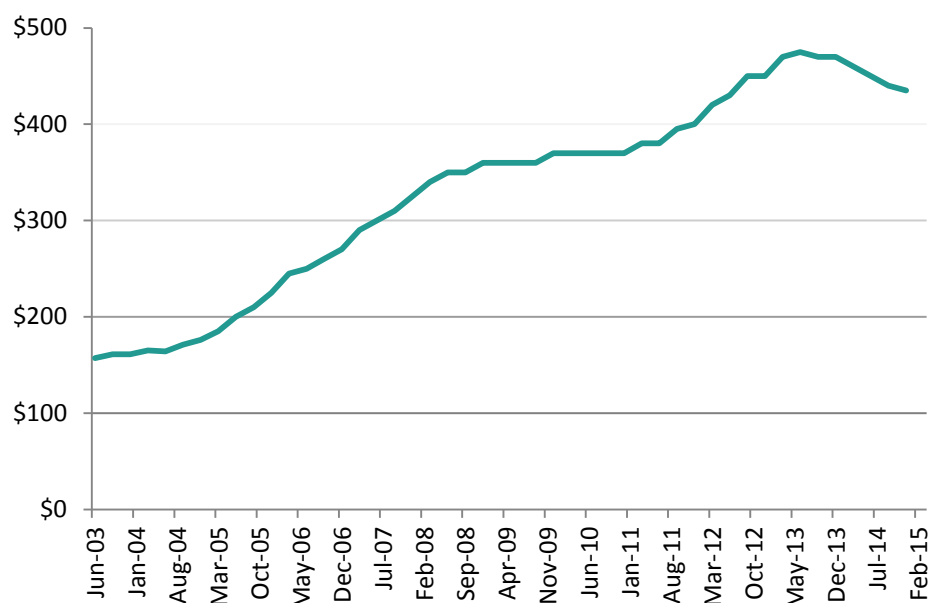
After a period of substantial rental increase in Perth, recent statistics from the Real Estate Institute of WA (REIWA) show that between June 2013 and March 2015, median rental prices in Perth have fallen 8.4% or \$40 per week.⁴¹ On face value, this appears to be good news for renters! However in reality, this decrease has provided little relief for renters at the lower-end of the income spectrum (especially since the 5 per cent decrease in median rental came on the back of a 28 per cent increase over the 2.5 years leading up to June 2013).

³⁹ REIWA (2013) *Historic Rental & Vacancy Data*.

⁴⁰ Department of Commerce (no date) [Western Australian Minimum Wage Rates 200-2012.](#); and Department of Commerce (2013) [Minimum Conditions of Employment Minimum Rates of Pay](#).

⁴¹ REIWA (2013) *Historic Rental & Vacancy Data* (available from REIWA), REIWA (2014) [Perth Listing & Rental Trends](#), and REIWA (2014) [Property Market Indicators](#).

Figure 4: Median rental price (overall), Perth⁴²



As such, it remains common for low-income individuals and households to have few options other than to go into significant housing stress and/or live in locations which tend not to be ideal in terms of providing access to employment or other services. In fact, such households are with increasingly regularity, the new face of homelessness in WA.⁴³

The *2015 Rental Affordability Snapshot*⁴⁴ — undertaken by Anglicare WA on Friday 10 April 2015 — found that while the number of properties available for rent had increased significantly on the 2013 and 2014 figures, the percentage of rental properties within Perth which were affordable, available and suitable⁴⁵ to those on the minimum wage has remained troublingly low.

⁴² REIWA (2013) *Historic Rental & Vacancy Data*.

⁴³ Community Housing Coalition of WA (2012) *The new face of homelessness in WA: what's changed? Why? Where to from here?*

⁴⁴ Anglicare WA (2015) *WA Rental Affordability Snapshot 2015*.

⁴⁵ In this survey, affordability is based on measures of housing stress. A household is considered to be in housing stress when their housing costs represent more than 30% of household income. Appropriateness is assessed on the number of bedrooms in a property (eg. a single parent with one child would need a two bedroom property).

It is important to note that Anglicare WA's assessment of appropriateness is unable to take into account where a property is located, with regards to the location of the minimum wage worker's place of employment. The result of this is that: a) The number and percentage of affordable and appropriate properties which a minimum wage-household will be able to consider in order to maintain their current employment is even lower than the figures above indicate. b) The small number of available properties means that households will most likely need to pay more than 30 per cent of their income in order to ensure housing (putting them in housing stress).

Figure 5: Affordable & appropriate rental properties available in Perth⁴⁶

Household Type	Payment Type	No. Affordable & Appropriate	% Affordable & Appropriate
Couple, two children (one aged less than 5, one aged less than 10)	Minimum Wage (x2) + FTB A	1,666	21%
Single, two children (one aged less than 5, one aged less than 10)	Minimum Wage + FTB A & B	10	0%
Single	Minimum Wage	10	0%

Anglicare WA concluded from their research that:

The best case scenario for low income earners in Perth is to be in a couple where both adults are earning minimum wage. In Perth there were 1666 affordable and appropriate properties available for couples with two children on minimum wage, making up 21% of available listings.

Single minimum wage earners with two children do not fare as well in today's rental market where there were only ten available properties (0.1% of available properties). Single minimum wage earners without children were in the same position with ten available properties. This is down 98% from 2014 when 34 properties (0.6%) were available for singles on minimum wage.

The Council acknowledges that some may consider the unaffordability of rental properties in WA to be outside of the Commission's remit, since it is not the Commission's role to implement the policy and taxation changes needed to address to the high prices. **However, the Council submits that the ongoing unaffordability of rental properties housing *must* be included in the Commission's considerations, since the determination of a 'fair' wage is directly related to workers' ability achieve a reasonable standard of living.**

Home ownership

Most Western Australians aspire to own their own home, and home ownership is important because it "provides financial security and a form of savings and lowers dependence on public assistance later in life"⁴⁷.

*Home ownership confers benefits for low-moderate income households in terms of building long-term financial wealth, and is also valued by these households for the psychosocial benefits of security, control and stability.*⁴⁸

However, low-income households have been, and are being, increasingly priced out of the housing market in Western Australia.

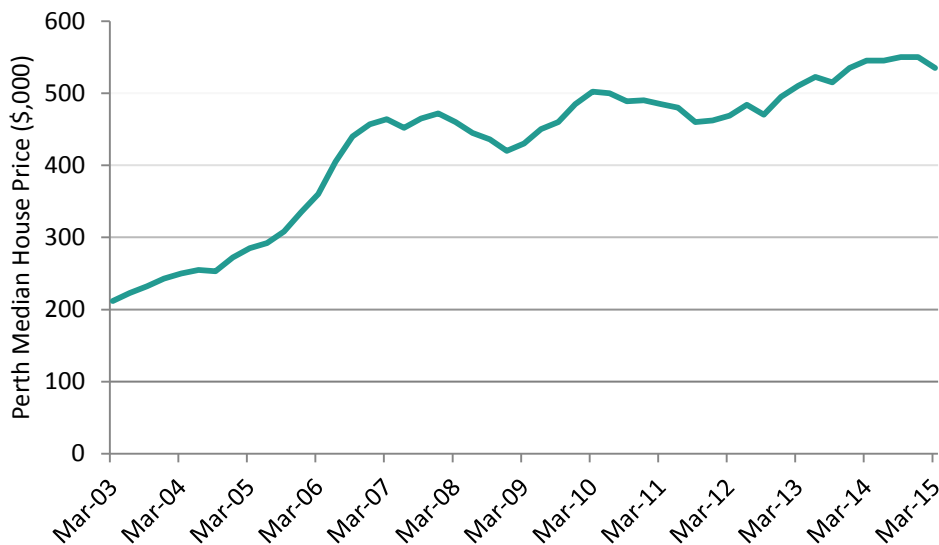
⁴⁶ Adapted from Anglicare WA (2015) *WA Rental Affordability Snapshot 2015*, p.1-2.

⁴⁷ Demographia (2013) *Demographia international housing affordability survey 2013*, p.3.

⁴⁸ AHURI (2012) *What are the benefits and risks of home ownership for low-moderate income households?*, Australian Housing and Urban Research Institute.

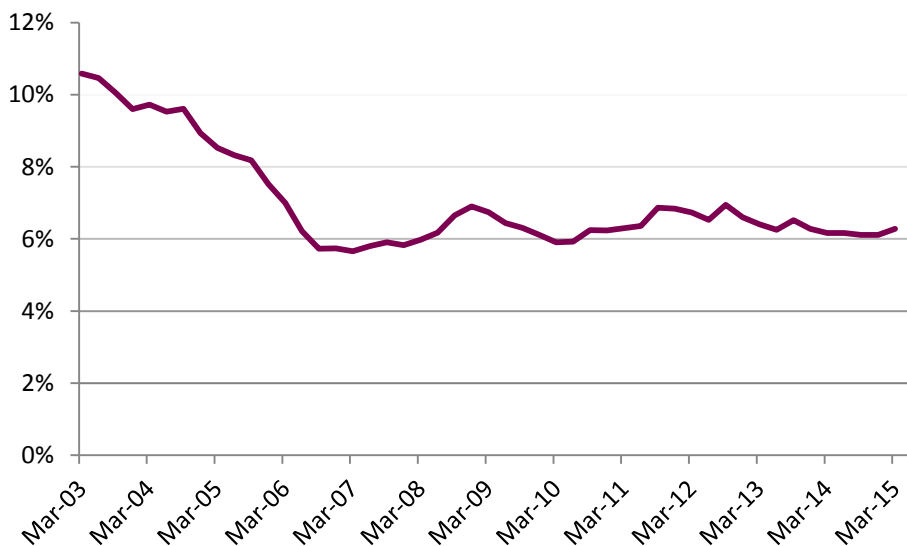
Between March 2003 and March 2015 (inclusive) — the median house price for an established dwelling in Perth grew by 152 per cent, as illustrated in Figure 6.

Figure 6: Perth median house prices - established dwellings⁴⁹



However, over the same period of time the annual salary of a minimum wage-earner as a percentage of the Perth median house price has fallen by 40.7 per cent — from 10.6 per cent in March 2003, to 6.3 per cent in March 2015 (though as Figure 7 shows, the percentage has been even lower at other points over this period).

Figure 7: WA State Minimum Wage (annualised)⁵⁰ as a % of Perth median house price⁵¹



⁴⁹ REIWA (2012) Perth median house prices - established dwellings (REIWA)

⁵⁰ Department of Commerce (no date) [Western Australian Minimum Wage Rates 200-2012.](#); and Department of Commerce (2013) [Minimum Conditions of Employment Minimum Rates of Pay.](#)

⁵¹ REIWA (2012) Perth median house prices - established dwellings (REIWA)

With the significant growth in house prices, low-income households face considerable challenges in entering the property market. This has significant long-term consequences for the Western Australian community given home ownership is considered to be “the number one predictor of whether you will live in poverty in retirement or not”.⁵²

Research by the Australian Housing and Urban Research Institute (AHURI) suggests that

*There is evidence that home purchase rates for low-moderate income households are declining, particularly for first time buyers and younger families. Furthermore, low-moderate income purchasers are more likely to be still paying off houses after retirement age. This has implications not only for housing policy but also across a range of policy areas including retirement incomes.*⁵³

The Council is concerned that falling levels of home ownership will deliver negative consequences for the WA community in the long term.

*In 1981–82, most low-moderate income purchasers were families with children; now they are singles and couples without children. Some of this is explained by broader demographic change, but it may also reflect the fact that it is more difficult for families with children to enter home purchase in view of their other expenditures. Given that the stabilising effects of home ownership is thought to be beneficial for families, this is a concerning development.*⁵⁴

As previously described in relation to the unaffordability of rental properties, the Council submits that the ongoing unaffordability of housing *must* be included in the Commission’s considerations, since the determination of a ‘fair’ wage is directly related to workers’ ability achieve a reasonable standard of living.

4.3 Transportation

Low-income households are more likely to live in the outer and fringe areas of Perth, where properties tend to be less expensive.⁵⁵ However, ‘the catch’ from a cost of living-perspective, is that in the outer suburban regions, public transportation tends to be less accessible, meaning low-income households can be particularly reliant on private vehicles for transportation.

On 14th May 2015, the WA State Treasurer is set to formally announce a significant increase in the cost of car registration in the *2015-16 State Budget*.⁵⁶ The Council welcomes the reason underpinning the increase – that is, the introduction of no-fault catastrophic injury cover to Western Australia’s existing compulsory third party insurance scheme. The additional premium will ensure compensation is available to any person catastrophically injured in a motor vehicle

⁵² ABC News (29 April 2014) [Age pension: How does Government financial assistance work after retirement?](#)

⁵³ AHURI (2012) [What are the benefits and risks of home ownership for low-moderate income households?](#), Australian Housing and Urban Research Institute.

⁵⁴ *ibid.*

⁵⁵ NATSEM (2011) [The Great Australian Dream - Just a Dream? Housing affordability trends for Australia and our largest 25 cities](#), p.19.

⁵⁶ Strutt, J. (2015, 23 April) [WA Budget leaks: No-fault insurance scheme, changes to concessions](#), ABC News Online.

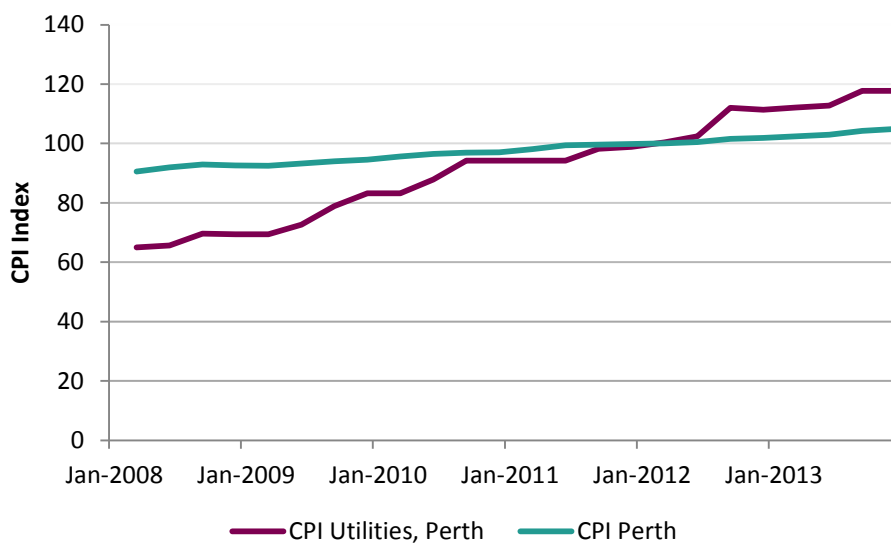
accident in WA.⁵⁷ However, the Council is concerned that the increase is unlikely to take into account the ability of low income households to pay. While we are hopeful that a concession rate will be made available to low income households, this will not be known until the release of the Budget and it is highly unlikely that any concession provided will be adequate to compensate low income households for the level of the increase in licencing costs.

It's worth acknowledging that the proposed \$109 per year⁵⁸ increase in compulsory third-party premiums would equate to additional weekly costs of approximately \$2 per week. This cost of living increase alone is equivalent to 7% of the Council's total claim of a \$30 per week minimum wage increase. This highlights the importance of delivering the Council's full \$30 per week claim, if the Commission is to seek to 'improve' employees' standards of living.

4.4 Utilities

Between December 2005 and June 2014, the CPI of utilities (including electricity, gas, and other household fuels) in Perth increased by 89 per cent. (Compared to a 28% increase for the Perth "All Groups" CPI).⁵⁹ From July 2014, the cost of electricity decreased for the first time in many years, following the repeal of the carbon tax by the Federal Government. However, as Figure 8 shows, the most recent decrease is minimal in comparison with the large increases experienced by consumers since 2009.

Figure 8: CPI (Perth) compared with the CPI of Utilities (Perth)⁶⁰



⁵⁷ Government of Western Australia (2014) *Green Paper: Options to add No-Fault Catastrophic Injury Cover to Western Australia's Compulsory Third Party Insurance Scheme*.

⁵⁸ Strutt, J. (2015, 23 April) *WA Budget leaks: No-fault insurance scheme, changes to concessions*, ABC News Online.

⁵⁹ Australian Bureau of Statistics (March 2015) *6401.0 Consumer Price Index*, Table 11 CPI: Group, Sub-group and Expenditure Class, Index Numbers by Capital City.

⁶⁰ Ibid.

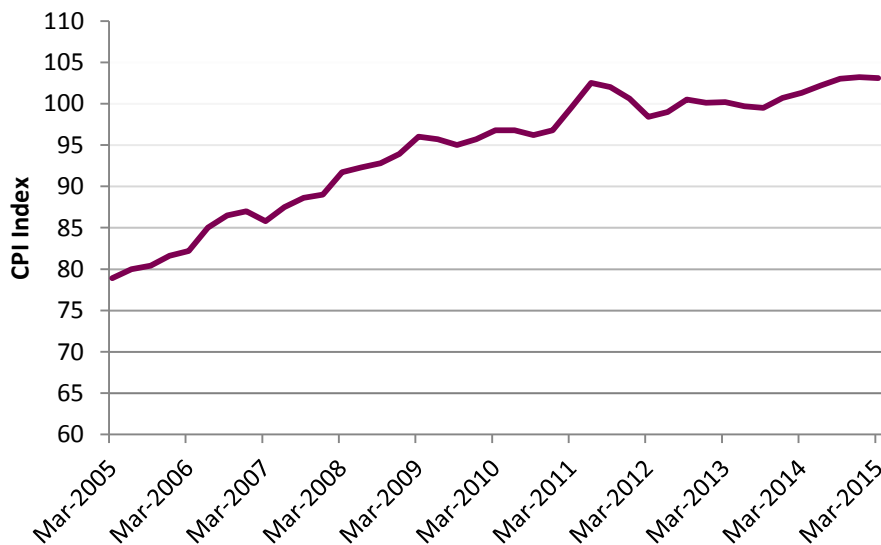
For low income households already struggling to make ends meet, there is now no end in sight to rises in the cost of utilities. According to the 2014-15 WA State Budget, further increases of 6% per year for water should be expected over the forward estimates.

While the Council’s 2014 Cost of Living Report estimated expenditure on utilities to represent only about 4 per cent of a model working household’s weekly expenditure, over the course of a year, the total cost is approximately \$2,773.⁶¹ The 2014-15 State Budget papers forecast further annual price increases over the forward estimates — 6 per cent per annum for water, and 7 per cent for electricity.⁶²

4.5 Food

After housing, food tends to represent one of the largest areas of spending for low income households. Between March 2006 and March 2015, the CPI of food and non-alcoholic beverages in Perth increased by 25.4 per cent.⁶³ In our 2014 Cost of Living Report, the Council estimated that “Household B” (a working family with two children) spends approximately 23 per cent of their weekly income (\$312.82 of \$3,152.25) on food and beverages.⁶⁴ Between 2012-13 and 2013-14, Household B’s expenditure on food grew 2.5 per cent (or \$7.68 per week).

Figure 9: CPI Numbers (Food and non-alcoholic beverages, Perth)



A 2014 study conducted in NSW examined the cost of both a typical food basket and a healthy and sustainable (H&S) food basket for households in different incomes quintiles in the western

⁶¹ WACOSS (2014) 2014 Cost of Living Report, p. 10.

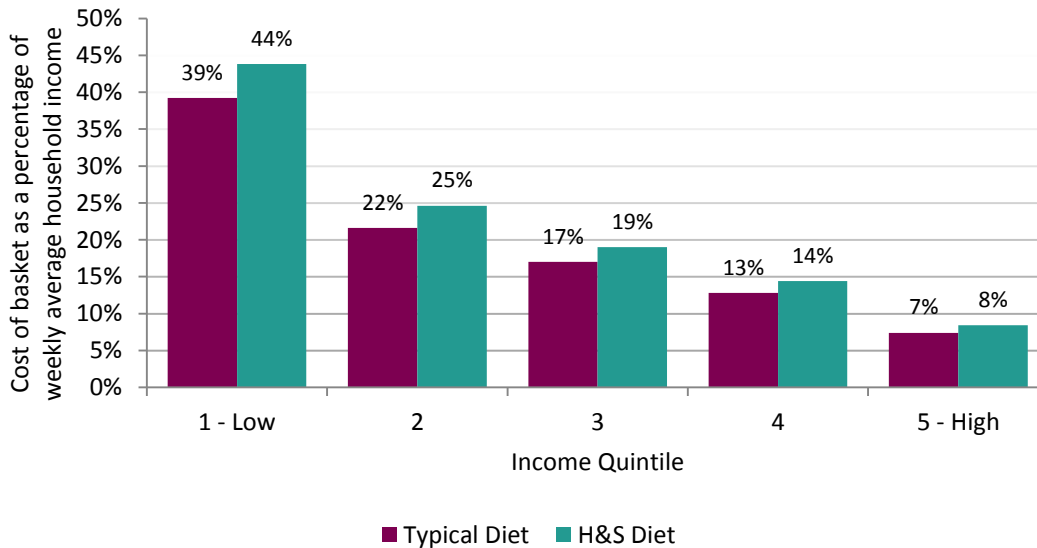
⁶²

⁶³ Australian Bureau of Statistics (2015) 6401.0 Consumer Price Index, Australia (Mar 2015), Table 11.

⁶⁴ The figures used to estimate the amount this household spends on food each week was derived from the ABS’s Household Expenditure Survey (6530.0 - Household Expenditure Survey 2009-10). These figures represent what a household is spending on food, however what is eaten in a low income household is strongly linked to income and the affordability of food. As a result, it is likely that the HES figures reflect a low income household’s tendency to buy and consume less-expensive, energy-dense foods, rather than more expensive, nutritious ones.

suburbs of Sydney.⁶⁵ As Figure 10 clearly shows, the lower a household's income, the larger the income percentage their expenditure on food and beverages accounts for.

Figure 10: Cost of the Typical and H&S basket as a percentage of weekly mean household income, by household income quintile and level of neighbourhood disadvantage



However, people facing financial stress due to wider cost of living pressures are often forced to make difficult choices — such as balancing the nutritional quality of food against its cost.

Common household responses to inadequate food supplies include food budget adjustments, reduced food intake, and alterations in types of food served. Dietary variety decreases and consumption of energy-dense foods increases. These energy-dense foods, including refined grains, added sugars, and added saturated/trans fats, tend to be of poor nutritional quality and less expensive calorie-for-calorie than alternatives.⁶⁶

As the WA Department of Health's *Food Access and Cost Survey Report* similarly describes:

Foods that are higher in kilojoules generally cost less than those that are not. There is a strong correlation between the cost of foods and their energy density. Generally, fats, oils, sugar and foods that are high in added fat and sugar are the cheapest. Perishable core foods (eg. fruit, vegetables, meats and dairy foods) that are lower energy density and higher nutrient density cost more (by weight) than those foods of higher energy density.⁶⁷

The *Food Access and Cost Survey* monitors the cost, variety, quality and availability of foods across Western Australia. The first *Food Access and Cost Survey Report* provided a detailed comparison of the price differences for essential food items in metropolitan, regional and remote locations right across Western Australia. The Report found significant differences in the

⁶⁵ Barosh, L., Friel, S., Engelhardt, K., Chan, L. (2014) *The cost of a healthy and sustainable diet – who can afford it?*, Australian and New Zealand Journal of Public Health, Vol 38, No 1.

⁶⁶ Seligman, H.K., Laraia, B.A., Kushel, M.B. (2010) *Food Insecurity Is Associated with Chronic Disease among Low-Income NHANES Participants*, The Journal of Nutrition, Feb 2010; 140(2): 304–310.

⁶⁷ WA Department of Health (2010) *Food Access and Cost Survey (FACS)*, p.11.

prices of different types of food, with more healthy and nutritious fresh foods being significantly more expensive in regional and remote areas.⁶⁸

The *Food Access and Cost Survey Report* provided a detailed comparison of the price differences for essential food items in metropolitan, regional and remote locations right across Western Australia. The Report found significant differences in the prices of different types of food, with more healthy and nutritious fresh foods being significantly more expensive in regional and remote areas. A follow-up survey was conducted in 2013, and while the Report is still being finalised,⁶⁹ WACOSS understands that this key finding regarding the cost and access to healthy food remains a significant issue.

People facing financial stress due to wider cost of living pressures are often forced to make difficult choices — such as balancing the nutritional quality of food against its cost. Nutritional poverty arises when households under financial stress persistently cannot afford nutritious food, and are forced to make unhealthy choices — buying and consuming less-expensive, energy-dense foods, instead of nutritious ones.

As a community, we should be particularly concerned by the risks that poor nutrition presents to children growing up in low income households — both in terms of the impacts on their physical and cognitive development, and in relation to their longer-term health prospects.⁷⁰ Poor diet contributes to the development of chronic disease, and as such, has long-term consequences for low-income Western Australians and the WA health system.⁷¹

With regards to the need for the Commission to ensure wages are both fair and meet the needs of the low paid, it would be negligent for the Commission not to take into consideration the long-term consequences of issues such as nutritional poverty which can result from the inability to afford nutritious food.

⁶⁸ Ibid.

⁶⁹ The Council have been informed that the report is due for release May 2015.

⁷⁰ See, for example: A) Gundersen, C., Kreider, B. (2009) *Bounding the effects of food insecurity on children's health outcomes*, Journal of Health Economics, 28:971–83. B) Whitaker, RC, Phillips, SM, & Orzol, SM (2006) *Food insecurity and the risks of depression and anxiety in mothers and behavior problems in their preschool-aged children*, Pediatrics, September 2006;118(3):e859-68. C) Rose-Jacobs, R., Black, M.M., Casey, P.H., Cook J.T., Cutts D.B., Chilton M., Heeren T., Levenson S.M., Meyers A.F., & Frank D.A., (2008) *Household food insecurity: associations with at-risk infant and toddler development*, Pediatrics, January 2008; 121(1):65-72. D) Healthway (undated) *Healthway's position on Nutrition*, Government of Western Australia.

⁷¹ See, for example: A) Seligman, H.K., Laraia, B.A., Kushel, M.B. (2010) *Food Insecurity Is Associated with Chronic Disease among Low-Income NHANES Participants*, The Journal of Nutrition, Feb 2010; 140(2): 304–310. B) Vozoris, N.T., Tarasuk, V.S., (2003) *Household food insufficiency is associated with poorer health*, The Journal of Nutrition, 2003; 133:120–6.

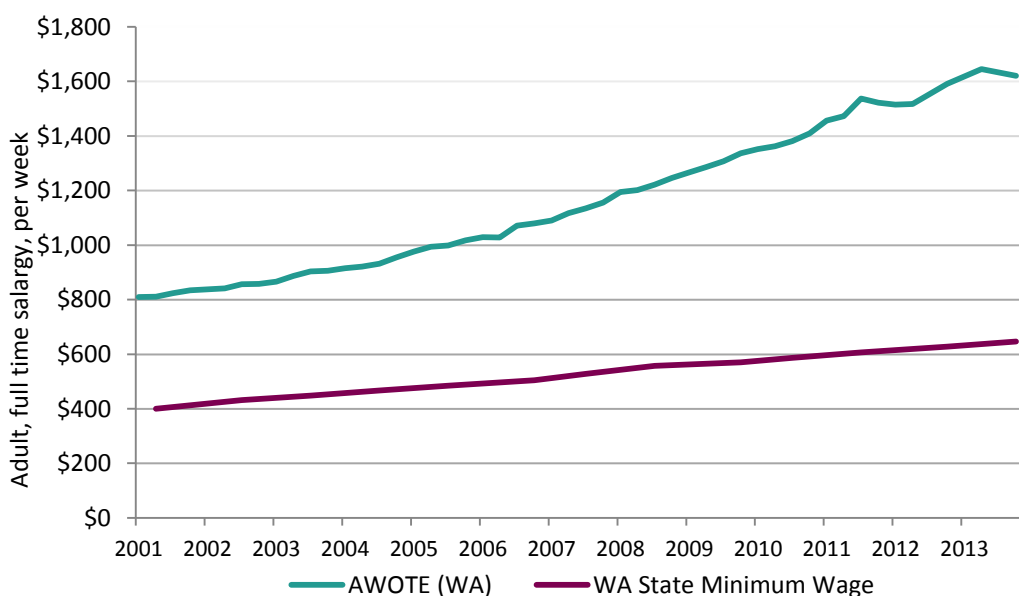
5.0 Income inequality

Much has been written about the links between high levels of inequality in a society, and social and economic outcomes. In 2012, Nobel laureate and Columbia University Professor Joseph Stiglitz wrote in his book, *The Price of Inequality* that high inequality leads to a less efficient and productive economy:

*Widely unequal societies do not function effectively, and their economies are neither stable nor sustainable in the long-term. When one interest group holds too much power, it succeeds in getting policies that benefit itself, rather than policies that would benefit society as a whole. When the wealthiest use their political power to benefit excessively the corporations they control, much-needed revenues are diverted into the pockets of a few instead of benefitting society at large.*⁷²

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. Between November 2004 and November 2014, average weekly ordinary time earnings (AWOTE) in WA increased by 75.1 per cent.⁷³ In comparison, the state minimum wage increased only 38.2 per cent (from \$467.40 to \$645.90) over the same period.

Figure 11: WA Average Weekly Ordinary Time Earnings (AWOTE)⁷⁴ & WA State Minimum Wage⁷⁵



In the early part of the last decade, the state minimum wage was maintained at or near 50 per cent of AWOTE. However in more recent years the state minimum wage as a percentage of AWOTE, has been falling significantly. Since November 2010, the minimum wage has been in the 38-42 per cent range, as shown in Figure 12.

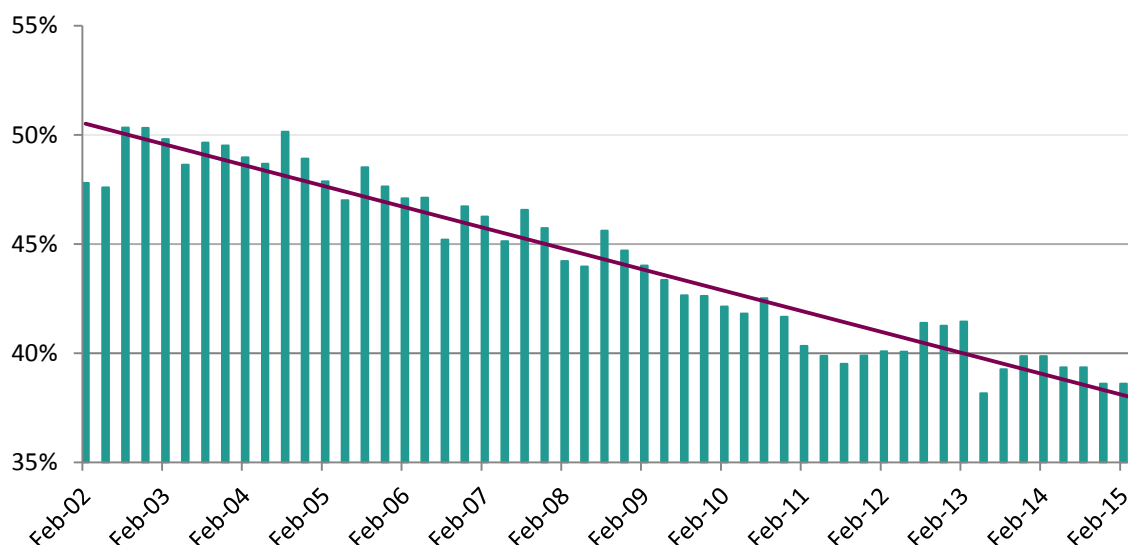
⁷² Stiglitz, J. (2012) *The Price of Inequality*, Allen Lane, p. 83.

⁷³ ABS (2015) *6302.0 Average Weekly Earnings, Australia, November 2014*, TABLE 12E. Average Weekly Earnings, Western Australia (Dollars) - Seasonally Adjusted.

⁷⁴ Ibid.

⁷⁵ Department of Commerce (no date) *Western Australian Minimum Wage Rates 2000-2013*; and Department of Commerce (no date) *Minimum pay rates for award free employees - employers*.

Figure 12: WA State Minimum Wage⁷⁶ as a percentage of AWOTE (WA)⁷⁷



The fall in the rate of the WA state minimum relative to the increase in AWOTE (refer to the trend line shown in Figure 12) is of concern to the Council in its advocacy for those vulnerable and disadvantaged members of the WA community.

Lower levels of inequality deliver better economic and social outcomes. One of the best known publications which explains why first-world countries like Australia should be concerned about growing income inequality, is *The Spirit Level: Why Greater Equality Makes Societies Stronger*, written by Richard Wilkinson of the London School of Economics and Kate Pickett of the University of York. Wilkinson and Pickett’s analysis found that almost all modern social problems — such as poor health, violence, lack of community life and mental illness — are more likely to occur in societies where the rate of inequality is higher.⁷⁸

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*⁷⁹, 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.”⁸⁰

(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

⁷⁶ Ibid.

⁷⁷ ABS (2015) *6302.0 Average Weekly Earnings, Australia, November 2014*, TABLE 12E. Average Weekly Earnings, Western Australia (Dollars) - Seasonally Adjusted.

⁷⁸ Wilkinson, R. and Pickett, K. (2011) *The Spirit Level: Why Greater Equality Makes Societies Stronger*, Bloomsbury Press.

⁷⁹ Ostry, J.D., Berg, A., & Tsangarides, C.G. (February 2014) *Redistribution, Inequality, and Growth*, International Monetary Fund Staff Discussion Note.

⁸⁰ Ibid, p.4.

*inequality take care of itself, not only because inequality may be ethically undesirable but also because the resulting growth may be low and unsustainable.*⁸¹

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.

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"*⁸² 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 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.

The Council's modest claim of a \$30 per week increase to the state minimum wage on 1st July 2015, 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.

⁸¹ *ibid*, p.25.

⁸² *Industrial Relations Act (1979)*

Appendix 1:

WACOSS 2014 Cost of Living Report