

**WACOSS Submission to the  
2012 State Wage Case**



**wacoss**

Western Australian  
Council of Social Service Inc

*Ways to make  
a difference*

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## 1.0 Background

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As the peak body of the community service sector in WA and advocate for low income and disadvantaged people, the Western Australian Council of Social Service (the Council) 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.

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

The Council also has an interest in ensuring that wages for the sector's constituency, many of whom live on low incomes, are adequate.

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.

For more information about the WA not-for-profit organisations and specifically employment and wages, please refer to the WACOSS website.<sup>1</sup>

## 2.0 Introduction

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Minimum wages are a vital means of protecting low-income workers from poverty. The wages earned by full-time, minimum wage employees should be sufficient to ensure they have the capacity to meet their basic living costs, while living with dignity and respect. However, the Council is alarmed at the rate at which the gap between minimum wage rates and median pay levels in Western Australia is continuing to grow.

The Council's submission to the 2012 State Wage Case calls for an increase to the minimum wage rate of \$42.50 per week, which is consistent with the claim made by UnionsWA in its submission. The rationale for this claim takes into account a range of cost of living pressures in Western Australia, and argues that these pressures have the greatest adverse impact on low income earners — people for whom the minimum wage rate is significant.

The Council's claim also 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>2</sup>

The Council submits that an increase of \$42.50 in the State Minimum Wage rate and the minimum award rates for junior employees, apprentices, and trainees is consistent with maintaining a fair system of wages and conditions in the current Western Australian context.

## 3.0 The Western Australian economy

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The continuing growth of the Western Australian economy has been the subject of considerable commentary. The Council are concerned that the benefits of WA's strong economic growth — and the wealth generated from the resources sector — are exacerbating financial hardship, and are not being shared with the low-income members of the Western Australian community.

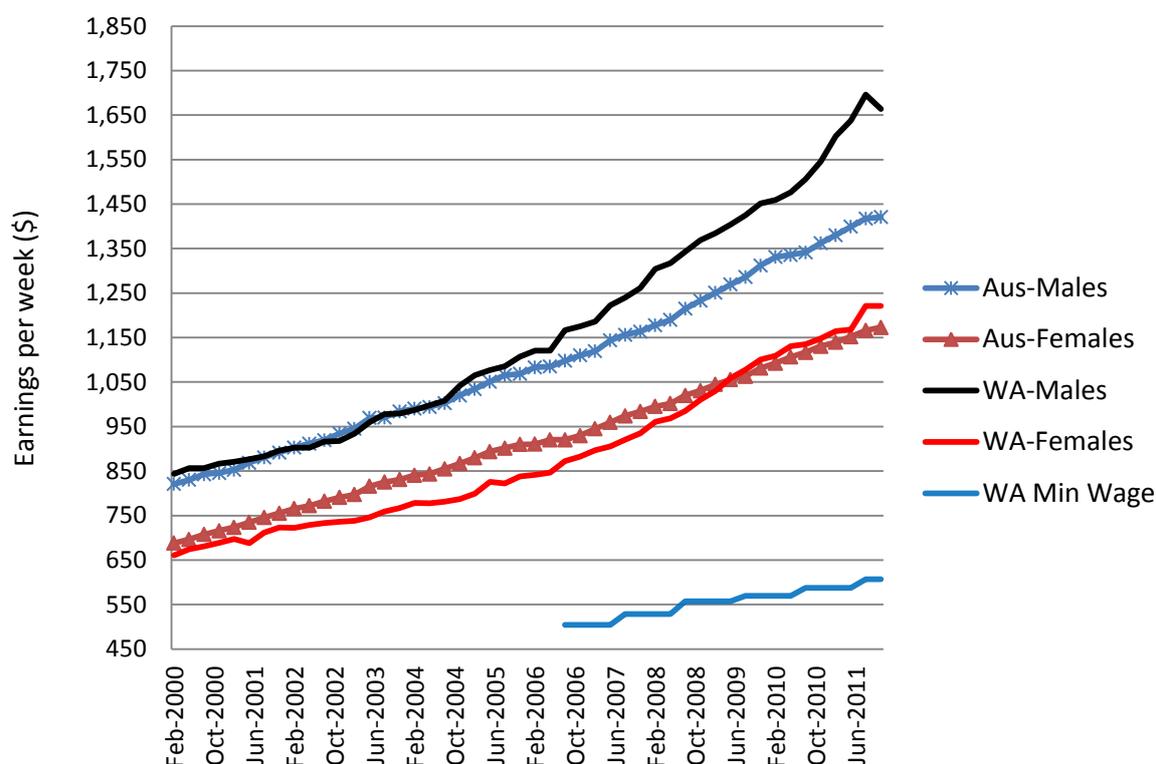
**Table 1: Comparative Economic Growth<sup>3</sup>**

	WA	Australia
Sep 2010-11	16.6%	4.9%
Dec 2010-11	11.1%	4.4%

The average weekly ordinary time earnings of males in Western Australia have continued to outpace the Australian average. Western Australian females continue to earn significantly less than their male counterparts, but also receive slightly more than the Australian average (refer to Figure 1).

Over the last three years, the WA weekly minimum wage has failed to keep pace with the average weekly ordinary time earnings of adults (refer to Figure 1), leaving those on the minimum wage falling further and further behind.

**Figure 1: Average Weekly Ordinary Time Earnings (AWOTE), Adults Employed Full-Time; & State Minimum Wage, 2011<sup>4,5</sup>**



	<b>WA Weekly Min Wage</b>	<b>% increase on previous year</b>	<b>AWOTE Adults, WA (% change)</b>	<b>AWOTE Adults, Australia (% change)</b>
2006	\$504.40	4.1%	3.4%	3.2%
2007	\$528.40	4.8%	8.7%	5.0%
2008	\$557.40	5.5%	7.5%	4.0%
2009	\$569.70	2.2%	7.0%	6.1%
2010	\$587.20	3.1%	6.0%	5.2%
2011	\$607.10	3.4%	8.1%	4.4%

Western Australia also has a high level of income inequality. The ABS Household Income and Income Distribution Survey 2009-10 reports that WA has the highest income inequality in the country.<sup>6</sup>

From 2007-08 to 2009-10, the weekly disposable income available to low-income households in WA for food, utilities, rent and other daily essentials decreased by \$18 to \$457 per week.<sup>7</sup> In the same period, the income of households in the highest income quintile increased by \$267.<sup>8</sup>

Low income families, who are struggling to keep up with cost of living pressures, not only have to choose between essential services; they also forego participation in social activities, taking vacations and pursuing hobbies. They are also ill-prepared to deal with emergencies. The table below shows the indicators of financial stress low-income families were facing in 2009-10 in comparison to other WA households.

**Table 2: Indicators of financial stress in the last 12 months<sup>9</sup>**

<b>Financial stress indicator</b>	<b>All households (%)</b>	<b>Low income households (%)</b>
Unable to raise \$2000 in a week for something important	15	21.3
Spent more money than received	15.3	18.7
Could not pay electricity, gas or telephone bills on time	13.1	19.4
Sought financial help from friends or family	7.7	9.9
Could not afford holiday for at least one week a year	24.7	38.2
Could not afford a night out once a fortnight	15.9	27.8
Could not afford friends or family over for a meal once a month	7.3	15.4
Could not afford a special meal once a week	12.2	24
Could only afford second hand clothes most of the time	10.1	14.6
Could not afford leisure or hobby activities	11.2	21.2

Geographically, the Census (2006) tells us that concentrations of low-income households (those earning less than \$500 gross per week) are located in the urban fringe along the eastern side of the City stretching from Stirling, Bayswater and Bassendean to Victoria Park, as well as in Inner Perth. Low income households are also located in Kwinana, Rockingham and Cockburn; and in the fringe suburbs of Fremantle. While it is useful to be aware of the areas where high concentrations exist, we know that people live on low incomes right across the state, throughout both metropolitan and regional areas.<sup>10</sup>

The Council urges the Commission to have regard for the fact that the economy is showing signs of strong expansion, and that minimum wage earners should benefit from this expansion. However, it must also be recognised that not everyone in this state is benefitting from the booming sectors in the economy. Not only is the wealth generated from the resources sector not being equally shared across our community, it is also exacerbating financial hardship. There are many Western Australians living on low incomes that are not benefiting from the boom and continue to be adversely affected in many ways. Low income households are particularly impacted by cost of living pressures. This is because low income households tend to have slower income growth and spend a relatively high proportion of their weekly income on essential items. The rising cost of items such as housing, utilities, transport and food have a significant impact, as demonstrated below.

#### **4.0 Cost of Living Pressures**

It is widely acknowledged that rising living costs are a major concern for most Western Australians. The WACOSS 2011 Cost of Living Report, released last November, showed that for the average household, the cost of living had pretty much kept pace with increases in household income.

In 2010-11, net income for the average household increased by \$31 per week and essential costs increased by \$32 per week.<sup>11</sup> However, the use of *average* figures can mask the difference in impact on low/middle/high income households. This is significant because low income households spend 75% of their weekly disposable income on housing, utilities and food, whereas households in the highest income quintile spend only 28% on these essentials.<sup>12</sup> In recent years, the costs of most essential services, including housing, food, electricity and water, have increased significantly — including a 57 % increase in household electricity tariffs between April 2009 and July 2011. While such increases have delivered blows to all household budgets, they put greatest pressure on those low income households for whom essential services constitute a much greater percentage of their weekly spending.<sup>13</sup>

The Consumer Price Index (CPI) indicates that prices in Perth increased by 3% from June 2010 to June 2011 and 7% over the two years to June 2011.<sup>14</sup> The headline CPI figure, however, does not provide an accurate measure of the true living costs that lower income households actually experience. This is because the CPI is based on an average price increase across a basket of items that an average household might purchase, which includes a mix of essential and discretionary or 'luxury' items. It does not take into account the spending patterns of households on lower incomes, who spend significantly more of their income on essential items, nor does it reflect how spending patterns change to reflect rising costs – as households are forced to make difficult decisions and prioritise their spending.

Increases in essential items that households cannot avoid paying for have an immediate impact on household spending patterns that relates directly to the proportion of income they need to spend on essentials. In other words, when you are on a low income, not all items in the CPI basket are equal. The analysis below shows that during the last 12 months the cost of essential services has increased significantly compared to discretionary and luxury items.

Essential items such as food, utilities, health and public transport have all risen by substantial amounts. The rise in prices is significant across utilities (electricity, gas and water) which are crucial to maintaining a decent standard of living. On the other hand discretionary items such as clothing & footwear, motor vehicles and household appliances have decreased in price, delivering benefits only to those who can afford them.

**Table 3: 2009-11 costs of essentials compared to discretionary items<sup>15</sup>**

<b>Generally discretionary items</b>	<b>% change</b>	<b>Essential items</b>	<b>% change</b>
Alcohol & tobacco	+13%	Food	+7%
Clothing & footwear	-1%	Rent	+7%
Household appliances	-5%	Electricity <sup>2</sup>	+36%
Motor vehicles	-1%	Gas and other household fuels	+31%
		Water and sewerage	+17%
		Health	+9%
		Public transport	+6%
		Education	+13%
		Insurance and financial services	+9%

Furthermore, it has become evident that many middle income individuals and families are also struggling financially, placing increased pressure on community service organisations that are geared

towards those on lower incomes. The reports of increasing demand for services and support from financial counselling services and emergency relief agencies not only indicate an increase in the level and complexity of demand, they also show that financial hardship is creeping up income brackets. Increasingly, lower to middle income households (who are struggling to keep up with mortgage repayments and the rising cost of living) are running down their financial reserves and reducing their resilience. Many families may now be only one crisis or two missed pay checks away from financial hardship.

The Council 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.

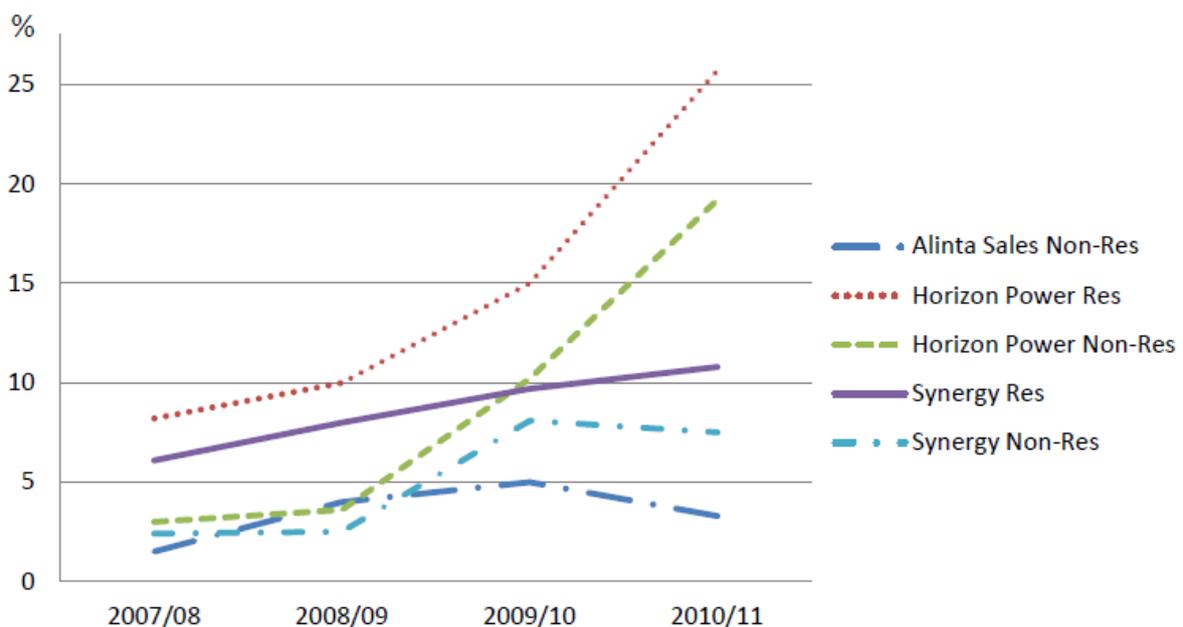
#### 4.1 Cost of Utilities

For low income and vulnerable Western Australians, the cost to access essential services such as electricity, water and gas, consumes a high, disproportionate percentage of their income. As a consequence, many are unable to pay utility bills on time and without additional assistance, end up in debt or, in the worst cases disconnected from an essential service.

In 2010-11, comparisons with other jurisdictions showed that Western Australia had the second highest rate of electricity disconnection.<sup>16</sup>

The number of customers disconnected due to non-payment of an energy bill is a clear indicator of financial stress. In 2010-11, the total number of electricity disconnections increased by 137% (from 0.38 to 0.9 per 100 customers).<sup>17</sup>

**Figure 2: Percentage of electricity customers granted more time to pay a bill<sup>18</sup>**



Additionally, in the last financial year 19,417 referrals were made to financial counsellors because people had difficulties paying utility bills, compared to 9,456 referrals in the previous year.<sup>19</sup> By the end of June 2011, the utility companies had referred a total of 33,040 households for financial

assistance since the Hardship Utility Grants Scheme (HUGS) commenced in August 2008. Unfortunately, prices of essential services in WA are likely to continue to rise, adding even greater pressure to already struggling households.

The Western Australian Government announced a projected increase of 29% for electricity prices by 2015 in the 2011 State budget. In addition, WA Treasury modelling (from August 2011) indicated that the proposed \$23 per tonne price on carbon will add an additional 7% to the cost of electricity for a 'representative' household (together with a 1% increase in water charges and a 1.9% increase in public transport costs).<sup>20</sup> In April 2012, WA's Economic Regulation Authority released its draft report on retail electricity tariffs, indicating that electricity prices were expected to increase by a further 15.8% in 2012/13 (including an 8.2% increase attributed to the introduction of the carbon price on July 1, 2012).<sup>21</sup>

In this context it is also important to note that low income households are often living in older and less energy efficient housing stock and/or rental housing, are more likely to rely on older and more inefficient appliances, and are less likely to be able to invest in efficiency measures. Taken together with the fact that low income households spend a greater proportion of their income on utilities, this means that they are disproportionately affected by rising utility costs.

## **4.2 Cost of Housing**

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Housing costs represent a substantial proportion of weekly household budgets in Western Australia, and is a key driver of cost of living pressures in WA.

The Council notes the figures included in UnionsWA's 2011 submission to the State Wage Case which compares the State Minimum Wage to the median rents for units and houses. Minimum wage earners are spending a staggering 64.7% of their weekly wage on rental housing accommodation (59.6% on rental unit accommodation).<sup>22</sup> The Council 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.

The most recent Australian Council of Social Service Community Sector Survey revealed that over 94% of organisations surveyed identified housing and homelessness services as the most acute area of unmet need.<sup>23</sup>

### **4.2.1 Home Ownership**

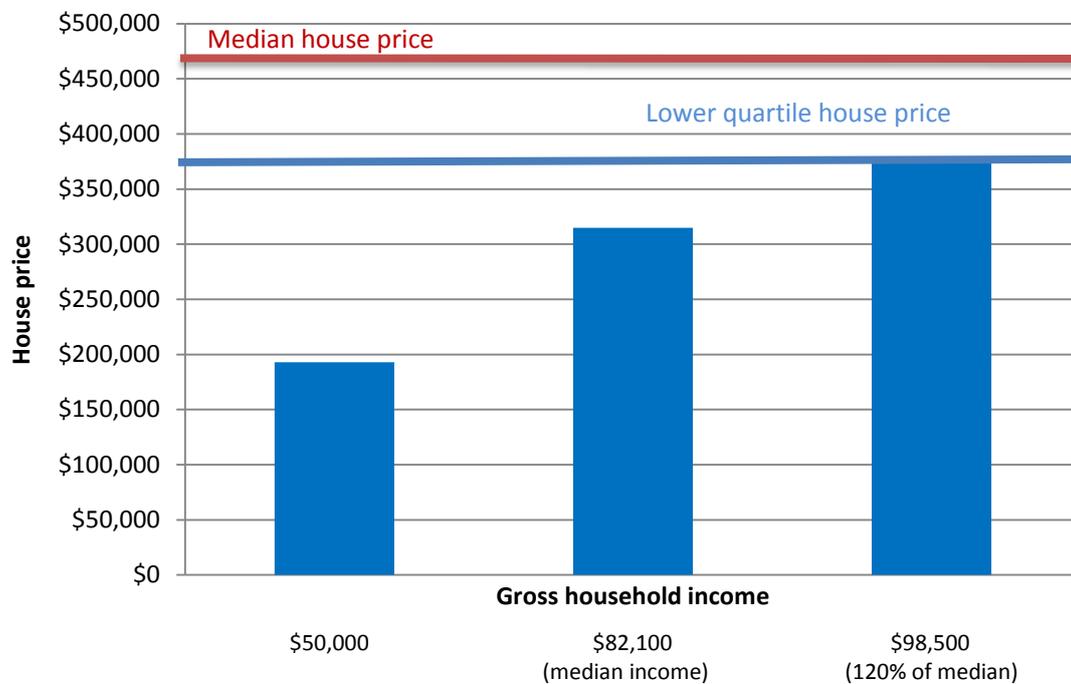
According to a recent report by the University of Canberra, 90,000 households in WA are experiencing housing stress and paying 30% or more of their incomes on mortgage repayments or rent. Perth had the second highest level of mortgage stress of any capital city, with 13% of total mortgagees in housing stress.<sup>24,25</sup> This is not surprising given the high cost of homeownership in WA.

The median price to purchase a house in Perth was \$462,000 in the December 2011 quarter.<sup>26</sup> While this represents a fall from the historic high of over \$500,000 in early 2010, the dream of home ownership still remains well beyond the aspirations of many Western Australian households.

High house prices mean people require larger loans to purchase their own homes. An average loan of \$325,000<sup>27</sup> at a standard variable interest rate of 7.56%<sup>28</sup> repaid over 25 years requires monthly repayments of \$2,414.<sup>29</sup> This means that a household would require a gross annual income of

\$86,900 per year to avoid being in housing stress. This compares with an average household income of \$84,250<sup>30</sup> and is well beyond the means of those on low incomes.

**Figure 3: What a household in Perth can afford, December Qtr 2011<sup>31</sup>**



The increasing number of Civil Property Possession Applications before the Supreme Court is a stark indication of the pressures on some WA households. There were 461 repossession applications before the Supreme Court in the September Quarter 2011, the highest number recorded and 68% higher than September 2009.<sup>32</sup>

#### 4.2.2 Rental Market

Due to the shortage of social housing stock<sup>33</sup> and the unaffordability of homeownership, many low income families are forced to rent in the private rental market. With the high cost of private rent it was estimated that in 2006, 62% of low and moderate income households in Western Australia were in rental stress. This equates to 38,174 households paying 30% or more of their income on rent. A quarter of low and moderate income households were in extreme housing stress, paying more than 50% of their income on rent.<sup>34</sup> Given the increase in rental costs since the 2006 Census, this figure is likely to be significantly higher when the 2011 Census results become available.<sup>35</sup>

Rental costs in Perth and across regional WA remain at historical highs, with the private rental vacancy rate falling to 2.3%.<sup>36</sup> REIWA data indicates the median weekly rent for Perth in the December 2011 quarter was \$400 per week – an increase of 8.1% from 12 months earlier.<sup>37</sup> This median weekly rent also represents 65.9% of the 2011 weekly WA State Minimum Wage. Rents in regional centres and towns across the Pilbara and Kimberley continue to far outstrip those in the metropolitan area.<sup>38, 39</sup>

Two community organisations have recently undertaken reviews of rental affordability in Western Australia. In April 2012, Anglicare WA announced that, after analysing print and online advertisements for 3,828 private rentals across the state, only 29 properties were affordable for people on benefits or pensions; less than 1 per cent of the market. They found that the majority of affordable properties were located in the South of WA. In their media release 'Working Families Can't Pay the Rent' they stated:

*For the first time the capacity of minimum wage earners to pay market rents was included in the review. It was discovered that less than 2 per cent of the market was affordable for families on a minimum wage in Perth. These results demonstrate that the issue of rental affordability extends beyond just those on benefits and is a serious problem for minimum wage earners too. Anglicare WA CEO Ian Carter said "This is our first look at the rental market from the perspective of minimum wage earners and the results are bleak. These are self-sufficient individuals and families who work for a living, but the market is climbing too steeply for them to keep up".*

*In the north of the State not a single property was found to be affordable to families – including those with two earners on the minimum wage. The average weekly rent across the Pilbara and Kimberley was a staggering \$1374 per week.<sup>40</sup>*

These results reflect similar findings to the study conducted a month earlier by the Community Housing Coalition of WA, which assessed rental affordability for workers on the WA State Minimum Wage and a selection of retail workers. The study showed that it was not just people receiving Centrelink benefits that are struggling in Perth's tight rental market. The analysis of the 2,400 properties listed on the Real Estate Institute of WA's website revealed that just 12 rentals were affordable to an adult on the WA State Minimum Wage and just 26 were affordable to a full time retail employee receiving the maximum award rate of pay for their industry.<sup>41</sup>

The high cost of housing has resulted in an increasing number of Western Australian households seeking assistance from financial counsellors or emergency relief agencies because they are unable to pay their bills. Around 45% of financial counselling clients are those in the private rental market.<sup>42</sup>

### **4.3 Cost of food**

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The affordability of food is key a determinant of food choice, making 'food stress' both a financial and health issue for low income households. Food stress, like housing stress, refers to the situation where households need to pay 30% or more of their household income to eat healthy and nutritional food.

In 2010, the Department of Health (Western Australia) released its *Food Access and Cost Survey* report which said "(f)ood has a direct influence on health and the prevention of non-communicable disease through improving nutrition is a public health priority".<sup>43</sup> The report considered the food stress experienced by WA families on low income (welfare-dependant) and found that:

*The proportion of weekly income that would be spent on food to purchase a food basket consistent with Australian Dietary recommendations was much greater for welfare recipients. Welfare recipients would need to allocate about half of their disposable income to food compared to only 16 per cent for the average income earner.<sup>44, 45</sup>*

A South Australian study undertaken in 2010 showed that food stress disproportionately affected low-income households in Adelaide. This research showed that low income households need to spend 30% or more of their household budget to be able to eat a healthy diet compared to wealthy households which spend about 9%. As healthy food is more expensive low-income households are more likely to purchase unhealthy processed foods that are high in fat and are strongly linked to obesity, heart disease and diabetes.<sup>46,47</sup> There is a compelling argument that the short term economic 'gains' to employers through keeping minimum wages unreasonably low come at the cost of a significant impost on the health budget and the wider economy in the longer term.

Forthcoming research into food stress by WACOSS will examine the extent to which low-income households in Perth are affected by food stress and develop a robust measure of the cost of good nutrition. Food stress is likely to be even more pronounced for low-income household in regional WA, particularly the Pilbara and Kimberley, where the price of healthy food is significantly higher.<sup>48</sup>

## **5.0 Other considerations**

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The Council contends that the cost of living pressures on low income earners relying on the minimum wage are significant and justify the \$42.50 increase in minimum wage being sought.

In addition, the Council would like to draw the Commission's attention to a number of other specific considerations relating to particular segments of the labour force in Western Australia.

### **5.1 The community services sector**

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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 industry.<sup>49</sup> 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, the Council 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. In addition, Government funding contracts, on which many organisations in the sector are reliant, often provide no scope for employers to offer above-Award rates of pay. 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. The Council calls upon the Commission to have particular 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.

## 5.2 Regional, rural and remote

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The 2011 *Regional Price Index* produced by the Western Australian Department of Regional Development and Lands, “identifies the differences in the price of selected goods and services (the basket of goods and services) between regional town centres and Perth”.<sup>50</sup>

The index below shows the differences in price between regions, using Perth as the base, and rating other localities above or below the base. The regions’ index numbers are as follows:

- Pilbara (+37.1 per cent)
- Kimberley (+20.0 per cent)
- Gascoyne (+9.3 per cent)
- Goldfields (+5.1 per cent)
- Mid West (+2.2 per cent)
- Wheatbelt (+1.0 per cent)
- Great Southern (+0.2 per cent)
- South West (+0.2 per cent)
- Peel (-0.1 per cent)<sup>51</sup>

*The Pilbara and Kimberley produced the highest indices compared to Perth for the entire basket of goods and services. These differences (37.1 and 20 per cent respectively) are primarily due to significant housing costs, driven by high private rental costs and insurances in these regions. The remainder of the regions fluctuated within a 10 per cent range with the Peel slightly lower than Perth prices, at -0.1 per cent. The Peel produced the lowest indices compared to Perth.*<sup>52</sup>

The Council draws the Commission’s attention to the Regional Price Index because of the importance of considering the additional cost of living burden faced by low income households in regional Western Australia.

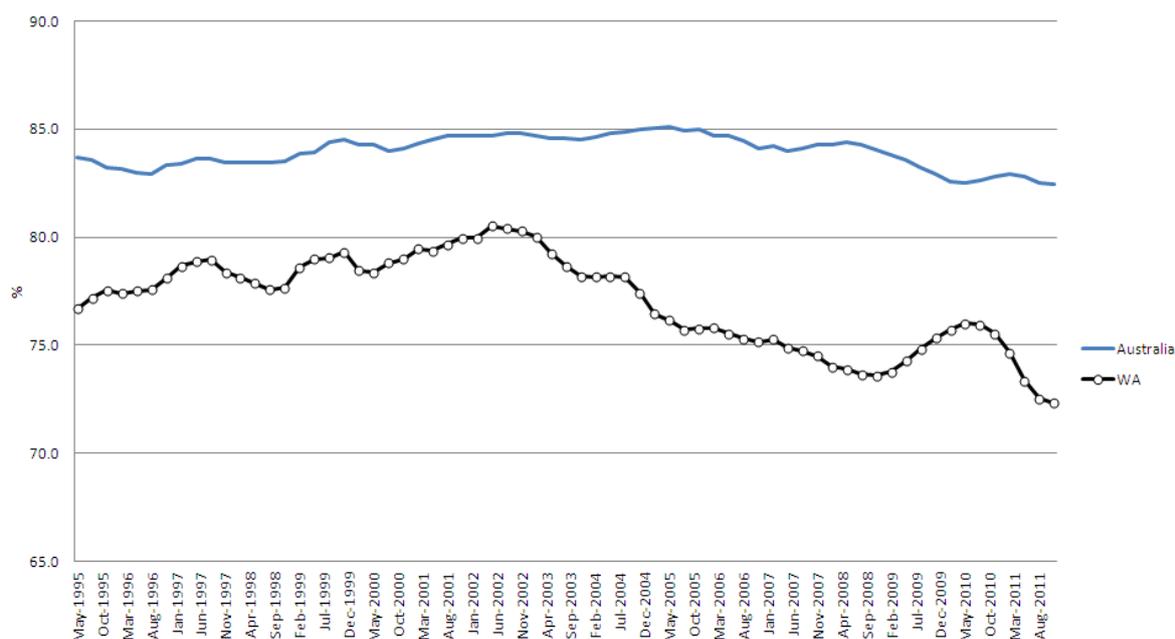
## 5.3 The gender pay gap in WA

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At present, WA has the largest gender pay gap of any State in Australia, a gap much larger than the national average. At November 2011, Western Australia recorded a gender pay gap of 27.7% compared to the national average of 17.6%. This translates to an annual \$23,015 gender wage gap for full-time employees (not including superannuation and other entitlements).

The chart below compares the gender pay gaps for WA and for Australia since 1995.<sup>53</sup>

**Figure 3: Gender Wage Ratio, Australia and WA (AWOTE Women/Men Employed Full-Time)<sup>54</sup>**



WA has had a larger gender pay gap 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. 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.

To reduce the gender pay gap in WA, it is vital that minimum wages keep pace with community standards, as women are over-represented in low paid jobs and continue to bear an unequal responsibility for unpaid caring roles. Further erosion of the minimum wage relative to average wages will see the gender pay gap in WA continue to grow. Section 50 (3)(a)(vii) of the *Industrial Relations Act 1979*, which refers to the need to “provide equal remuneration for men and women for work of equal or comparable value” provides the Commission with the mandate to consider this.

#### 5.4 Young people and entry level wages

The Youth Affairs Council of Western Australia (YACWA) is the peak non-government youth organisation in Western Australia, and a WACOSS member. YACWA has shared with the Council particular concerns that they have regarding the sub-minimum wages paid to many young people in WA:

*The Youth Affairs Council of Western Australia (YACWA) views the existence of youth wages as a form of age-based discrimination and supports the abolition of youth wages in all industries. YACWA rejects the notion that higher youth wages will lead to increased youth unemployment. In spite of the widespread use of junior wages, youth unemployment in Western Australia remains at a disappointingly high 16.2%. Research indicates that “wages do not appear to be a major factor in determining youth employment numbers”<sup>55</sup>. After a 60% increase in youth wages in 2001, New Zealand did not experience higher rates of youth unemployment and in fact enjoyed a slight increase in youth employment and workforce participation thus highlighting*

*the flawed nature of any argument against increasing youth wages based on the potential for higher unemployment rates<sup>56</sup>.*

*These economic factors aside, youth wages are a form of discrimination and should be treated as such. Youth wages run contrary to the principle of equal pay for equal work and have serious detrimental social implications for young people and can make it prohibitively difficult for young people to pay for rent, transport and even food. These wages undermine reasonable living standards and offend our society's egalitarian sense of a fair go. Young people, aged 18-21 are, for all intents and purposes, adults. If they are being paid less than other employees in their industry simply because of their age then they are experiencing discrimination.*

The Council support YACWA's assertion that *youth wages* are inherently discriminatory, and calls on the Commission to also provide those on youth wages, apprentices and trainees with the full (\$42.50) increase, rather than only a proportion of any increase to the minimum wage.

## **5.5 Unemployment and underemployment**

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The Council submits to the Commission that adequate minimum wages make a significant contribution to economic growth and efficiency through the mobilisation of additional labour, including from income recipients, second earners in middle income households and mature aged people seeking a part time job. Given that 30% of Australian jobs, and roughly half of all low-skilled workers are part time, minimum wages play an important and increasing role in strengthening the incentive for these people to work part time. It is likely that this will be crucial in the coming years as supply of labour dwindles due to population ageing. Increasing the labour force participation of income support recipients will become a core objective of public policy – as evidenced by the Federal Government announcement in the 2011 Budget requiring long-term unemployed to almost double their work experience obligations or risk losing benefits.

The Council welcomed the Federal Government's 2012 Budget announcement that from July 1 2012, the tax-free threshold will be increased from \$6,000 to \$18,200, and that the Low Income Tax Offset (LITO) will be reduced from \$1,500 to \$445.<sup>57</sup> Changes to the tax transfer system such as this provide incentive for labour force participation but should not be used to argue down just minimum wage levels.

### **5.5.1 Unemployment**

Increases in minimum wages are an effective way to improve incentives for jobless people. Research conducted by the former Australian Fair Pay Commission indicates that work incentives improved significantly for typical jobless households from 2005 to 2008, due to increases in minimum wages and changes to the taxes and transfer system.<sup>58</sup> The minimum wage itself should be set well above poverty levels in keeping with public policy tradition and the need to maintain a gap between maximum social security payments and minimum wages to preserve work incentives.

The Council also asks the Commission to recognise that minimum wage increases have a direct and definite impact on the lives of those receiving them. The Council 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 Western Australians.

The strength of the WA economy and its demand for skilled labour is reflected in the low unemployment rate and high employment growth. WA continues to record the lowest unemployment rate of all the states, with the most recent ABS trend unemployment rate in January 2012 at 4.2% compared to the national rate of 5.2%.<sup>59</sup>

### **5.5.2 Underemployment**

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

The latest ABS Labour Market Statistics report records Western Australia's (seasonally adjusted) underemployment rate as 6.3% in February 2011, an increase from 5.6% in February 2010.<sup>60</sup> Similarly, in April 2012, 10.2% of the Western Australia's workforce was under-utilised compared with 9.9% in February 2011.<sup>61</sup>

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. Underemployed individuals also tend to lack bargaining power in the workplace, which reinforces the significance of an increase in the minimum wage rate.

The Council therefore urges the Commission to have regard for the high number of underemployed Western Australians, and the positive impact a modest minimum wage increase will have on these vulnerable workers.

## **6.0 Conclusion**

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The Council thanks the Commission for the opportunity to provide input into the wage setting process for 2012. As a minimum, we endorse the UnionsWA call to increase the minimum wage by \$42.50 per week, to provide a basic safety net for vulnerable employees on the minimum wage whilst enabling unemployed and low paid workers to obtain, and remain in, employment. We offer our support for their submission.

The Council urges the Commission to give regard to the well-documented impact of cost of living increases for low income earners in Western Australia, and to take into account the burden experienced by low income earners as the prices of essential items such as housing and utilities increase.

Minimum wages must be sufficient to ensure low income earners have the capacity to meet their basic living costs, while living with dignity and respect. The Council submits that an increase of \$42.50 in the State Minimum Wage rate (and the minimum award rates for junior employees, apprentices, and trainees) is a consistent and fair increase given the current Western Australian context.

## 7.0 Endnotes

<sup>1</sup> Available at [http://www.wacoss.org.au/policy\\_and\\_advocacy/cost\\_of\\_living/employment\\_and\\_wages.aspx](http://www.wacoss.org.au/policy_and_advocacy/cost_of_living/employment_and_wages.aspx)

<sup>2</sup> *Industrial Relations Act (1979)*

<sup>3</sup> Presentation by Professor Alison Preston, *WACOSS Emerging Issues Community Sector Leaders Forum* (4 April 2012)

<sup>4</sup> Graph and table both from presentation by Professor Alison Preston, *WACOSS Emerging Issues Community Sector Leaders Forum* (4 April 2012)

<sup>5</sup> State wage adjustments apply from 1 July each year; AWOTE % change calculated for year to May using seasonally adjusted data from ABS Catalogue 6302.

<sup>6</sup> The Gini coefficient is used worldwide as a measure of income inequality in a society. Zero indicates total equality and 1 indicates maximal inequality. WA has the highest Gini coefficient of any State or Territory with a score of 0.367. The Northern Territory had the lowest with 0.277. See *6523.0 Household Income and Income Distribution, Australia (2009-10)* Australian Bureau of Statistics, Tables 1.1A – 1.1H.

<sup>7</sup> *6523.0 ABS Household Income and Income Distribution Survey (2009-10)* Australian Bureau of Statistics, WA Table 1.1E.

<sup>8</sup> *Ibid.*

<sup>9</sup> *Ibid.*, WA Table 30,

<sup>10</sup> The results of the 2011 Census are due to be released in June 2012, and in it the Council expects to see further evidence of the growing inequality in Western Australia.

<sup>11</sup> *The Rising Cost of Living in WA* (December 2011) Western Australian Council of Social Service, Available at: [http://www.wacoss.org.au/Libraries/P\\_A\\_Cost\\_of\\_Living\\_Cost\\_of\\_Living\\_in\\_WA\\_Papers/WACOSS\\_Cost\\_of\\_Living\\_Report\\_2011.sflb.ashx](http://www.wacoss.org.au/Libraries/P_A_Cost_of_Living_Cost_of_Living_in_WA_Papers/WACOSS_Cost_of_Living_Report_2011.sflb.ashx), page 14.

<sup>12</sup> *6530.0 Household Expenditure Survey 2009-10, WA : Table 5*, Australian Bureau of Statistics

<sup>13</sup> Note however that there were significant increases in electricity prices just before and just after the reporting period – since April 2009 the total cumulative price increase has been 57%.

### Cumulative impact of rising domestic electricity tariffs A1.

Date	Increase	Cumulative effect
1-Apr-09	10%	110%
1-Jul-09	15%	126.5%
1-Apr-10	7.5%	135.9%
1-Jul-10	10%	149.5%
1-Jul-11	5%	156.9%

Note that the ABS Consumer Price Index figure for rising energy costs (36%) in Table 1 are calculated between June 2009 and June 2011, which does not include the 15% increase in April 2009 or the 5% increase in July 2011.

<sup>14</sup> *Consumer Price Index: Table13* (2011) Australian Bureau of Statistics

<sup>15</sup> *ABS Consumer Price Index, Australia* (September 2011) Cat 6401.0, Table 13, Perth

<sup>16</sup> *2010/11 Annual Performance Report Energy Retailers* (March 2012) Economic Regulatory Authority: Western Australia, page iii.

<sup>17</sup> *Ibid.*, page ii. This increase in disconnections was driven by a 169% increase in disconnections by Synergy.

<sup>18</sup> *Ibid.*, page 8.

<sup>19</sup> *Hardship Utility Grant Scheme (HUGS) Report to the HUGS Steering Committee* (April – June 2011) Department for Child Protection

<sup>20</sup> WA Treasury modelling of a \$23 per tonne carbon price suggests:

	<b>Before Carbon Tax \$</b>	<b>% change</b>	<b>\$ change</b>	<b>Household cost \$</b>
<i>Electricity</i>	1,590.80	7.0	111.36	1,702.16
<i>Water Charges</i>	1,342.34	1.0	13.25	1,337.59
<i>Transperth Fares</i>	1,020.50	1.9	19.50	1,040.00
<b>Total</b>	<b>3,935.64</b>	<b>3.7</b>	<b>144.11</b>	<b>4,079.75</b>

A “representative” household has the following consumption levels:

- 6,259 kWh of electricity pa
- 270 kilolitres of water pa
- Five standard 2-zone Transperth fares and ten Transperth school fares per week

*What is interesting about the above assumptions is that if you normally catch public transport, you’ll actually be worse off than if you normally drive.*

[http://www.treasury.wa.gov.au/cms/uploadedFiles/Treasury/Publications/Preliminary\\_Assessment\\_Impact\\_Proposed\\_Carbon\\_Tax\\_on\\_WA\\_August2011.pdf](http://www.treasury.wa.gov.au/cms/uploadedFiles/Treasury/Publications/Preliminary_Assessment_Impact_Proposed_Carbon_Tax_on_WA_August2011.pdf)

<sup>21</sup> *Media Release: Economic Regulation Authority Releases Draft Report on Retail Electricity Tariffs* (4 April 2012) Economic Regulation Authority, Available at:

<http://www.erawa.com.au/cproot/10292/2/20120404%20Media%20Statement%20-%20ERA%20Releases%20Draft%20Report%20on%20Retail%20Electricity%20Tariffs.pdf>

<sup>22</sup> *2011 State Wage Case Submission* (2011) UnionsWA.

<sup>23</sup> *Australian Community Sector Survey: Paper 173, Volume 9 – Western Australia*, (2011) Australian Council of Social Service, Available at: [http://acoss.org.au/images/uploads/ACSS\\_Report\\_Volume\\_9\\_WA.pdf](http://acoss.org.au/images/uploads/ACSS_Report_Volume_9_WA.pdf), page 18.

<sup>24</sup> *Housing costs through the roof: Australia’s housing stress* (2011) Australians for Affordable Housing, Available at: <http://housingstressed.org.au/wp-content/uploads/2011/10/Housing-costs-through-the-roof-Final-Report.pdf>, page 7.

<sup>25</sup> The latest report by Fitch Ratings also indicates that mortgage stress has increased in WA. The mortgage delinquency rate in the six months to March 2011 had increased to 1.99 per cent, up from 1.94 per cent. The South West maintained its number two spot as the second worst performing region in Australia, with the delinquency rate climbing from 2.8 per cent from the last report to its current 2.93 per cent. See: *Mortgage stress rises in WA – Fitch Ratings report* (15 June 2011) Perth Now, Available at: <http://www.perthnow.com.au/business/mortgage-stress-rises-in-wa-fitch-ratings-report/story-e6frg2ru-1226075535370>.

<sup>26</sup> *Property Market Indicators* (17 January 2012) Real Estate Institute of WA

<http://reiwa.com.au/Research/Pages/Market-indicators.aspx>

<sup>27</sup> Average loan size is for Western Australia owner occupation and purchase of new dwellings. See *5609.0 Housing Finance* (September 2011) Australian Bureau of Statistics, Available at:

[http://www.ausstats.abs.gov.au/ausstats/meisubs.nsf/0/68281EA48C8FB4D3CA257942000ECOCC/\\$File/56090\\_sep%202011.pdf](http://www.ausstats.abs.gov.au/ausstats/meisubs.nsf/0/68281EA48C8FB4D3CA257942000ECOCC/$File/56090_sep%202011.pdf).

<sup>28</sup> This is the average standard variable rate of the four major banks as at 1 December 2011: Commonwealth 7.56%, ANZ 7.55%, NAB 7.47% and Westpac 7.61%.

<sup>29</sup> Calculations made using REIWA’s *Loan Repayment Calculator*. Available online:

<http://reiwa.com.au/Faq/Calculators/Pages/What-will-my-repayments-be.aspx>.

<sup>30</sup> *6302.0 Average Weekly Earnings* (August 2011) Australian Bureau of Statistics, Table 12E

<sup>31</sup> Presentation to 2012 ACOSS Conference by Greg Cash — Affordable Housing Strategy 2010-2020, Department of Housing.

<sup>32</sup> *Civil Property Possession Applications* (2012) Supreme Court of Western Australia, Available at:

<http://www.supremecourt.wa.gov.au/content/about/statistics.aspx#link5>.

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- <sup>33</sup> As of June 2011 there were 24,136 applications for public housing, representing approximately 51,000 people. The number of applications is almost double the number in 2004 when there were 12,779 applications. The average waiting time to secure a tenancy was 113 weeks. See *WACOSS Pre-Budget Submission 2012-13: Closing the Social Divide*. Available online: [http://www.wacoss.org.au/Libraries/P\\_A\\_State\\_Budget\\_PreBudget\\_Submission/WACOSS\\_Pre\\_Budget\\_Submission\\_2012-13\\_-\\_Closing\\_the\\_Social\\_Divide.sflb.ashx](http://www.wacoss.org.au/Libraries/P_A_State_Budget_PreBudget_Submission/WACOSS_Pre_Budget_Submission_2012-13_-_Closing_the_Social_Divide.sflb.ashx).
- <sup>34</sup> *A quick guide to housing facts and figures* (2010) Shelter WA, Available at: [http://www.shelterwa.org.au/documents/WA\\_Quick\\_Guide\\_final.pdf](http://www.shelterwa.org.au/documents/WA_Quick_Guide_final.pdf), page 4.
- <sup>35</sup> *More than a roof and four walls* (30 June 2009) Social Housing Taskforce, Western Australia, Available at: <http://www.housing.wa.gov.au/Pages/SearchResults.aspx?k=Social%20Housing%20Taskforce%20Report>, page 10.
- <sup>36</sup> *Property Market Indicators* (17 January 2012) Real Estate Institute of WA, Available online: <http://reiwa.com.au/Research/Pages/Market-indicators.aspx>.
- <sup>37</sup> Ibid.
- <sup>38</sup> REIWA indicates that the median rent in Broome for the June Quarter 2011 was \$620 per week. The Pilbara Development Commission lists the minimum, maximum and average rents for centres and towns across the Pilbara in its *Pilbara Housing and Land Snapshot Residential and Commercial – Quarter Ending June 2011*, Available at: [http://www.pdc.wa.gov.au/media/80564/2011q2%20housing%20&%20land%20snapshot%20\(hals\).pdf](http://www.pdc.wa.gov.au/media/80564/2011q2%20housing%20&%20land%20snapshot%20(hals).pdf)
- <sup>39</sup> *Property Market Indicators* (17 January 2012) Real Estate Institute of WA, Available online: <http://reiwa.com.au/Research/Pages/Market-indicators.aspx>.
- <sup>40</sup> Media Release: *Working Families Can't Pay the Rent* (30 April 2012) Anglicare WA, Accessed at: <http://www.anglicarewa.org.au/news/article/30042012-56/working-families-can-t-pay-the-rent.aspx>, Accessed on: 4/5/2012.
- <sup>41</sup> *Perth Rental Affordability Survey* (April 2012), Community Housing Coalition WA Accessed at: <http://www.communityhousing.com.au/resources/CPRAS.pdf>, Accessed on: 4/5/2012.
- <sup>42</sup> *Hotline Statistics* (2011) Financial Counsellors Association of WA.
- <sup>43</sup> *Food Access and Cost Survey (FACS): Western Australia* (2010) Tim Landrigan & Dr Christina Pollard, Department of Health, Western Australia. Available at: <http://www.public.health.wa.gov.au/cproot/4115/2/Food%20Access%20and%20Costs%20Survey%202010.pdf>, page 11.
- <sup>44</sup> Ibid.
- <sup>45</sup> Estimates of weekly disposable household income come from the ABS's 2007-08 Household Expenditure survey. Weekly welfare payments were estimated using Centrelink's online calculators. Both estimates were obtained two reference families — a two-parent family and a single parent family, each with two children.
- <sup>46</sup> See interview with Dr John Coveney, *Low earners suffering 'food stress'* (28 September 2010) ABC Adelaide Available at: <http://www.abc.net.au/news/video/2010/09/28/3023946.htm?site=adelaide>.
- <sup>47</sup> For a discussion on the relationship between nutrition and health in Western Australia see *Health and Wellbeing of Adults in Western Australia 2010: Overview and Trends* (2011) P. Davis & S. Joyce, Department of Health, Western Australia, pp.41-6. Available at: [http://www.health.wa.gov.au/publications/documents/Health\\_and\\_Wellbeing\\_Adults\\_WA2010\\_Overview\\_Trends.pdf](http://www.health.wa.gov.au/publications/documents/Health_and_Wellbeing_Adults_WA2010_Overview_Trends.pdf). For a discussion about the relationship between low socio-economic position and health see *An Explanation of Socioeconomic Differences in Physical and Mental Functioning in the Western Australian Population* (2007) S. Johnson, A. Daly, N. Mullan and M. Phillips. Available at: <http://www.health.wa.gov.au/publications/documents/Predicting%20PCS%20and%20MS.pdf>.
- <sup>48</sup> See the Department of Regional Development and Lands' *Regional Price Index 2011* for a comparison of metropolitan and regional food prices. Available online: <http://www.rdl.wa.gov.au/publications/Documents/RegionalPriceIndex2011.pdf>.

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<sup>49</sup> 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

<sup>50</sup> *Regional Price Index 2011* (2012) Department of Regional Development and Lands, Available at: <http://www.rdl.wa.gov.au/publications/Documents/RegionalPriceIndex2011.pdf>, page 2.

<sup>51</sup> Ibid, page 2.

<sup>52</sup> Ibid, page 2.

<sup>53</sup> Presentation by Professor Alison Preston, *WACOSS Emerging Issues Community Sector Leaders Forum* (4 April 2012).

<sup>54</sup> Ibid. Sourced from ABS 6302, seasonally adjusted. Smoothed using a four quarter moving average.

<sup>55</sup> *Minimum wages, training wages and youth employment* (1999) J. Mangab & J. Johnston, *International Journal of Social Economics* 26 (1/2/3), pages 415-429.

<sup>56</sup> *Youth Minimum Wage Reform and the Labour Market* (2004) D. Hyslop & S. Stillman, Unpublished mimeo, Researchers in New Zealand Treasury and New Zealand Department of Labour, page 2.

<sup>57</sup> *Budget 2012-13: Budget Paper No. 1, Budget Strategy and Outlook* (8 May 2012) Commonwealth of Australia, Available at <http://budget.apf.gov.au/2012-13/content/bp1/download/bp1.pdf>, Page 1-20.

<sup>58</sup> *Interactions between wages and the tax-transfer system: Report for the Fair Pay Commission* (2006) National Centre for Social and Economic Modelling

<sup>59</sup> *6202.0 Labour Force: Tables 1-9* (January 2012) Australian Bureau of Statistics

<sup>60</sup> *6202.0 Labour Force: Table 23* (April 2012) Australian Bureau of Statistics, Available at: <http://abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6202.0Apr%202012?OpenDocument>

<sup>61</sup> Ibid.