

**Fair Work Commission
C2019/1**

**Victorian Government Submission
to the Annual Wage Review 2018-19**

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Executive Summary

1. The Victorian Government continues to champion economic growth that is distributed fairly, equitably and creates opportunity for all Victorians. Inclusive growth driven by strong employment and higher wage growth improves social and economic inclusion and contributes to community stability and engagement. An appropriate minimum wage helps share the benefits of economic growth throughout the community, particularly for vulnerable cohorts of working Victorians.
2. The Victorian Government welcomed the Fair Work Commission's (FWC's) decision in June 2018 to award a 3.5 per cent increase in the National Minimum Wage and all award minimum wages for 2017-18. That increase improved the low pay circumstances of many award reliant workers and was a significant step towards tackling income inequality.
3. The 2017-18 increase of 3.5 per cent was awarded in an economic context where there had been an increase in labour productivity over the last five years, the unemployment rate was relatively stable, the wages price index was considerably lower than in previous years, business conditions were positive and there was subdued inflation. In making that decision, the FWC noted that: *Compared to the position at the time of the 2016–17 Review, the economic indicators now point more unequivocally to a healthy national economy and labour market. The recent data has shown strong growth in full-time employment together with a high participation rate.*¹

Victorian economic outlook

4. The Victorian Government submits that similar reasoning can and should be applied for 2018-19, given the current overall strong economic context, but also, that there is additional impetus to do so – specifically, despite this positive climate, wage growth is not keeping pace, reliance on award wages continues to increase, and there remains a significant gender pay gap.
5. Victoria's economy has grown at an above trend rate for four consecutive years, and 2017-18 marked the 26th year of uninterrupted growth. Real gross state product grew by 3.5 per cent in 2017-18, which was stronger than forecast in the 2018-19 Budget (3.0 per cent). Household consumption, public demand and business investment were the major contributors to growth, supported by strong population growth and low interest rates.
6. Victoria has one of the strongest labour markets among the states. Employment grew by 2.7 per cent in 2017-18, the fourth consecutive year of above trend growth. Both unemployment and underemployment have declined over the cycle, though tightening conditions have not resulted in material wage pressures.
7. There is some weakness in Victoria's productivity performance, but labour productivity growth has still outpaced growth in real wages. Since 2011-12, labour productivity growth has averaged 0.7 per cent in Victoria, while real wages growth has averaged 0.5 per cent.

¹ Fair Work Commission [2018] FWCFB Decision – Annual Wage Review 2017-18 (C2018/1) para [60]. Accessed from: <https://www.fwc.gov.au/documents/sites/wagereview2018/decisions/2018fwcfb3500.pdf>

8. Both Victorian and national wages growth have been below 3.0 per cent for four consecutive years. Whilst similar trends have been observed across many developed economies, wage deceleration in Australia has been particularly pronounced, compared with other OECD countries, especially since 2013.

Changing labour market, gender pay equity and vulnerable cohorts of workers

9. There are other factors that also support the Victorian Government's submission on increases to the National Minimum Wage and award wages. As well as historically low wage growth, there is growing non-compliance with the payment of minimum wage rates, particularly in some sectors, a decline in wage determination via collective bargaining arrangements, compounding adverse impacts in some sectors due to penalty rate reductions, increased award reliance and an increase in alternative work arrangements, where workers may not be eligible or able to access standard protections.
10. In relation to growing non-compliance with minimum wage rates, the Victorian Government advocates for and supports the work of the Fair Work Commission (FWC) and provision of extra resources and powers to underpin its work. The Victorian Government has committed to making wage theft a crime and will punish employers who deliberately underpay or don't pay their workers.
11. The 'on-demand' economy has become embedded in the Australian and Victorian community contemporaneously with key labour market shifts. The Victorian On-Demand Workforce Inquiry is exploring the arrangements covering workers in the on-demand workforce, looking at the legal status of people working with or for online companies or platforms in Victoria. The Inquiry will examine allegations and determinations concerning contracting arrangements and whether these arrangements are being used to avoid workplace laws and other statutory obligations, including the protections and benefits of the award minimum wage system.
12. The Victorian Government has consistently opposed the reduction of penalty rates under the Fair Work safety net, due to the adverse impact on vulnerable, low paid workers. Compounding reductions in penalty rates cause significant hardship for low paid workers in the retail and hospitality sectors and affect award-reliant, low paid workers, including young workers and women who make up more than half the workforce in these sectors.
13. The Victorian Government has accepted the recommendations from the report of the recent Victorian Parliamentary Inquiry into Penalty Rates and Fair Pay and advocates for the Commonwealth Government to legislate to restore penalty rates in the relevant awards to their previous levels. The Victorian Government also supports changes to the Fair Work Act to ensure a modern award cannot be varied in a way that would, or would be likely to, reduce the take-home pay of an employee covered by the award.
14. Award minimum wages are significant for gender pay equity. The Victorian Government submits that the FWC should again take the opportunity to improve the wage outcomes of Victorian women, who are over-represented in low pay cohorts, are predominantly award reliant due to the industries and occupations they work in, and experience persistently

higher levels of income and employment insecurity due to higher levels of casual engagement with the workforce.

15. The Victorian Government believes that vulnerable and disadvantaged groups of Victorians have the same right as other Victorians to share in economic growth and prosperity. The role of minimum wages in addressing inequality has significance for a range of disadvantaged cohorts, some of whose incomes are among the lowest in the community. In the case of young people, an increase in the minimum wage is an incentive to enter the labour force.

Low pay and earnings inequality

16. The Victorian Government argues that the most effective way to lower income inequality is by reducing disparities at the bottom deciles of the income distribution. This has a greater positive impact on economic performance than focussing on reducing top inequality. There has been a relative decline in wages in Australia since 2013, which has led to growing income inequality across the states and real wage growth is stagnating. Recent economic research confirms this deceleration in wages growth.
17. In its recent submissions to the Annual Wage Review, the Victorian Government submitted that FWC should consider action that can address the narrowing gap between the National Minimum Wage and the poverty line and calls on the FWC to do so again in the AWR 2018-19.
18. Current data shows that the enterprise bargaining wages premium over award rates appears to be diminishing. Coupled with the national increase in award reliance that has occurred from 2010 to 2018, the Victorian Government submits there is an increasing importance placed on the Annual Wage Review process and the outcome of its decisions.

Conclusion

19. There are nearly 2.3 million Australian workers directly reliant on minimum rates of pay and therefore dependent on the outcomes of the Annual Wage Reviews and indirectly, by reference, many more.
20. Given last year's AWR decision, in a similar economic context, the Victorian Government submits that the FWC has an opportunity in the 2018-19 AWR to again improve the wage outcomes of low paid, award reliant employees, some of whom are exposed to poverty, without adverse effects on business, the economy and the working hours and employment of vulnerable cohorts of workers in the Australian workforce.
21. The Victorian Government submits that in its 2018-19 AWR, the FWC should increase the National Minimum Wage to \$20.00 per hour. The FWC should also award a fair and reasonable increase to all award minimum wages in the 2018-19 AWR.

Victorian Government Submission to the Annual Wage Review 2018-19

Introduction

22. The Victorian Government makes this submission to assist the Fair Work Commission (FWC) in the exercise of its functions in setting minimum wages for employees in the national workplace relations system.
23. The FWC must ensure that modern awards, together with the National Employment Standards, provide a fair and relevant minimum safety net of terms and conditions.
24. In establishing and maintaining a safety net of fair minimum wages, the FWC is required to consider:
 - the performance and competitiveness of the national economy, including productivity, business competitiveness and viability, inflation and employment growth;
 - promoting social inclusion through increased workforce participation;
 - relative living standards and the needs of the low paid;
 - the principle of equal remuneration for work of equal or comparable value; and
 - providing a comprehensive range of fair minimum wages to junior employees, employees to whom training arrangements apply and employees with a disability.²
25. These matters are dealt with and supported by data throughout this Submission

Submission

26. According to Australian Bureau of Statistics (ABS) figures released in January 2019, in May 2018, 22.5 per cent of Australian employees were reliant upon minimum award wages. This is an increase in award reliant employees from 20.4 per cent in 2014, and 16.4 per cent in 2012.
27. This makes nearly 2.3 million Australian workers directly reliant on minimum rates of pay and therefore dependent on the outcomes of the Annual Wage Reviews and directly, by reference, many more. The FWC should note that the impact of its decision in the community has increasing significance, due to increased award reliance and reductions in wages outcomes for low paid cohorts of workers (particularly those affected by the reductions in penalty rates). Further, and even with increases to the National Minimum Wage, many workers are suffering 'wage theft' and there is increased precariousness and job insecurity, due to factors such as the growth of the 'on-demand' economy.
28. The Victorian Government submits that in its 2018-19 AWR, the FWC should increase the National Minimum Wage to \$20.00 per hour. The FWC should also award a fair and reasonable increase to all award minimum wages in the 2018-19 AWR.

² Fair Work Act 2009, s.284(1).

Part 1: Performance and competitiveness of the international, Australian and Victorian economies

Summary

29. The Victorian Government continues to champion economic growth that is distributed fairly, equitably and creates opportunity for all Victorians. Inclusive growth driven by strong employment and higher wage growth improves social and economic inclusion and contributes to community stability and engagement. An appropriate minimum wage helps share the benefits of economic growth throughout the community, particularly for vulnerable cohorts of working Victorians.
30. The Victorian Government welcomed the FWC's decision in June 2018 to award a 3.5 per cent increase in the National Minimum Wage and all award minimum wages for 2017-18. That increase mitigated the low pay circumstances of many award reliant workers and was a significant step towards tackling income inequality.
31. The 2017-18 increase of 3.5 per cent was awarded in an economic context where there had been an increase in labour productivity over the last five years, the unemployment rate was relatively stable, the wages price index was considerably lower than in previous years, business conditions were positive and there was subdued inflation.
32. The Victorian Government submits that similar reasoning can and should be applied in the current overall strong economic context, and that there is additional impetus to do so – despite this positive climate, wage growth is not keeping pace, reliance on award wages continues to increase, and there remains a significant gender pay gap.
33. The Australian and Victorian current and forecast economic conditions can support increasing the National Minimum Wage to \$20.00 per hour and a fair and reasonable increase to all award minimum wages in the 2018-19 AWR. The Australian economy expanded by 2.8 per cent in 2017-18 and the labour market is strong. In Victoria, the economy has grown above trend for four consecutive years, with household consumption, public demand and business investment major contributors to this growth. Victoria has one of the strongest and most broadly-based labour markets among the states.
34. However, while wages growth has recently improved slightly, real wages growth remains close to zero and is outpaced by labour productivity growth. The Victorian Government submits that this slowdown in wages growth is due to structural factors such as an increase in the supply of labour and a reduction in workers' bargaining power.

International outlook

35. Global growth rose by an estimated 3.7 per cent in 2018 according to the International Monetary Fund (IMF). The global economy has expanded steadily in 2018, although momentum has moderated. Global growth forecasts for 2019 and 2020 were revised downward by 0.2 percentage points and 0.1 percentage points to 3.5 per cent and 3.6 per

cent respectively in the IMF's January World Economic Outlook. The downward revision reflects slowing economic activity in advanced economies, rising trade tensions and a weaker economic outlook for some emerging markets.

36. Real wage growth in most advanced economies remains subdued despite signs of labour market tightening, reduced output gaps and low unemployment rates. The IMF attributes this partly to weak productivity growth and excess labour market capacity that is not reflected in headline unemployment rates. Inflation for advanced economies is forecast to slow to 1.7 per cent in 2019 from an estimated 2.0 per cent in 2018, in line with a soft outlook for wages growth and slower economic growth.

Australian outlook

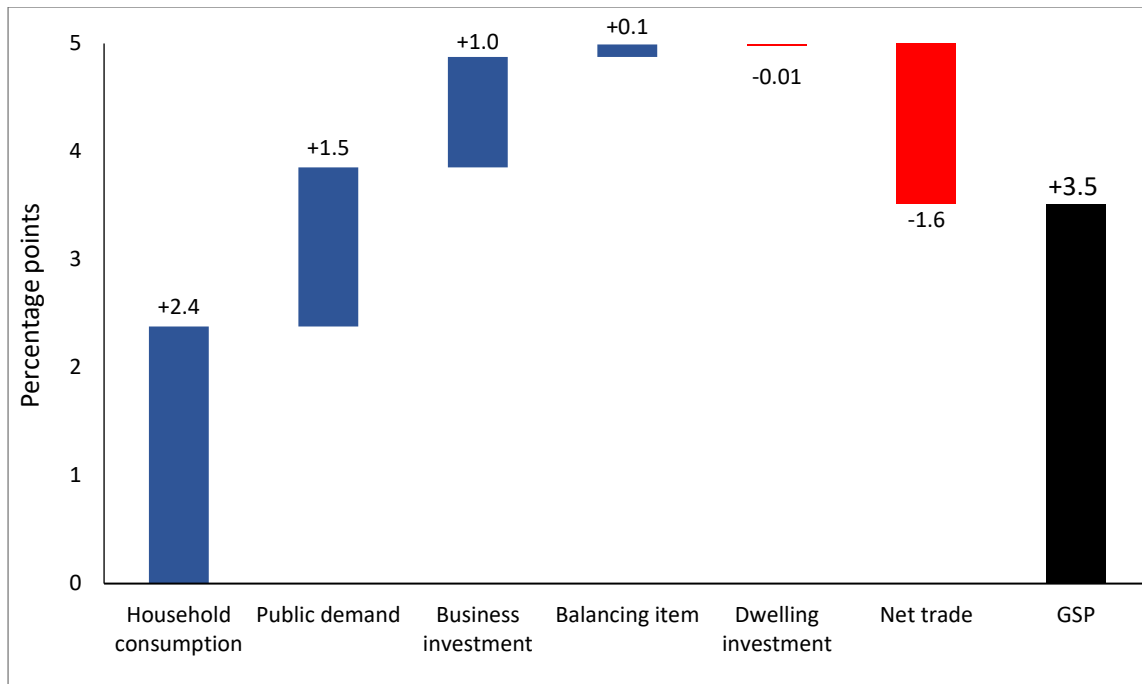
37. The Australian economy expanded by 2.8 per cent in 2017-18 on the back of strengthening household consumption and non-mining business investment. In the 2018-19 Mid-Year Economic and Fiscal Outlook (MYEFO), the Commonwealth Treasury revised 2018-19 growth down 0.25 percentage points to 2.75 per cent, reflecting a softer start to the year. Economic growth is forecast to rise by 3.0 per cent in 2019-20, with household consumption, exports and non-mining business investment all contributing to a stronger outcome.
38. Australia's labour market is strong. Over 317,000 jobs were created in the year to January 2019, and the unemployment rate dropped 0.5 percentage points to 5.0 per cent over the same period. In the 2018-19 MYEFO, the Commonwealth Treasury revised its unemployment rate forecasts down 0.25 percentage points for 2018-19 and 2019-20, to 5.0 per cent.
39. Wages growth remains low and inflationary pressures are weak but are expected to gradually increase as the labour market continues to strengthen. Average annual wages growth was 2.1 per cent in 2017-18, below the forecast of 2.25 per cent in the 2017-18 Federal Budget. National wages growth was revised down by 0.25 percentage points for 2018-19 and 2019-20 in the 2018-19 MYEFO, as tighter labour market conditions have not generated the expected wage pressures.
40. Household consumption represents a key risk to outlook for the Australian economy. The downturn in the housing market could lead to negative sentiment among households, which may constrain spending. Consumers have been funding part of their consumption with savings, supporting consumption expenditure.

Victoria's current conditions and outlook

41. Victoria's economy has grown at an above trend rate for four consecutive years, and 2017-18 marked the 26th year of uninterrupted growth. Real gross state product (GSP) grew by 3.5 per cent in 2017-18, which was stronger than forecast in the 2018-19 Budget (3.0 per cent). Household consumption, public demand and business investment were the

major contributors to growth, supported by strong population growth and low interest rates (Figure 1).

Figure 1: Contribution to Victoria's GSP growth, 2017-18



Source: ABS Cat. No. 5220, Department of Treasury and Finance, Victoria

42. While the outlook for Victoria's economy is positive, growth is expected to moderate as the economic cycle matures. Victoria's GSP growth is expected to ease to 3.0 per cent in 2018-19, reflecting a slowdown in population growth and consumer spending. Growth is expected to return to its trend rate of 2.75 per cent from 2019-20 onwards (Table 1).

Table 1: Victoria's 2018-19 Budget Update economic forecasts^(a)

	2017-18	2018-19	2019-20	2020-21	2021-22
	Actual	Forecast	Forecast	Projection	Projection
Real GSP growth	3.5	3.00	2.75	2.75	2.75
Employment growth	2.7	2.50	2.00	1.75	1.75
Unemployment rate	5.6	4.75	5.00	5.25	5.50
Inflation	2.3	2.25	2.50	2.50	2.50
Wages	2.3	2.75	3.00	3.25	3.50
Population growth^(c)	2.2 ^(b)	2.1	2.0	1.9	1.9

Source: ABS Cat. Nos. 3101, 5220, 6202, 6345, 6401; Department of Treasury and Finance Victoria

Notes: (a) Percentage change in year average terms compared with previous year, except for the unemployment rate (see note (b)) and population (see note (c)). Forecasts are rounded to the nearest 0.25 percentage points, except for population (see note (c)). Projections for 2020-21 and 2021-22 represent long-run average growth rates, except for the wage price index, which remains below trend in 2020-21, and population growth, which remains above trend by 2021-22. (b) Estimate as actuals are not yet available. (c) Annual growth to the June quarter, rounded to the nearest 0.1 percentage points.

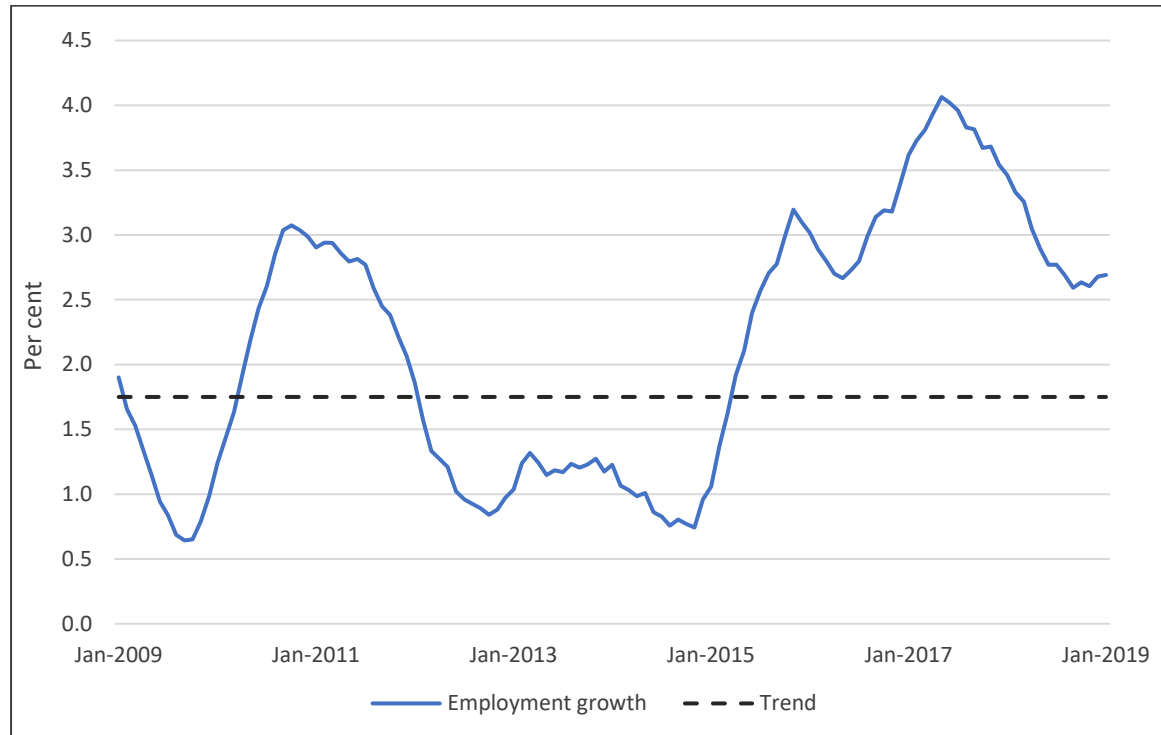
43. Victoria's household consumption grew by 3.8 per cent in 2017-18, which was strongest among the states, reflecting strong population and employment growth and a reduction in the household savings ratio. Growth in consumer spending is expected to slow in 2018-19 due to tighter credit conditions, slowing population growth and rising household savings.
44. Melbourne's dwelling prices have moderated since peaking in late 2017, partly due to tightening credit conditions and a slowdown in investor demand. Despite weaker property values, dwelling investment has remained at elevated levels. However, a recent slowdown in building approvals and uncertainty surrounding future property values poses a risk to construction activity from 2019-20. A downturn in dwelling investment is expected to eventually follow the decline in dwelling prices, and uncertainty surrounding the housing market remains a downside risk to Victoria's economic outlook.
45. Public demand has supported growth throughout Victoria's current economic cycle. Public investment rose 10.5 per cent in 2017-18, while public consumption grew by 5.5 per cent. A significant pipeline of public infrastructure projects is expected to support Victoria's economic growth in the near-term.
46. Business investment grew by 9.7 per cent in 2017-18, contributing 1.0 percentage points to GSP growth. Strong business conditions have supported commercial and other non-residential building construction, and investment in machinery and equipment. Business investment is expected to slow in 2018-19 as economic conditions moderate.
47. Victoria is a net importer, and net trade detracted from GSP growth in 2017-18. A strong rise in merchandise imports of 9.2 per cent reflected strength in consumer spending in 2017-18. The contribution from net trade is expected to improve in 2018-19 but remain negative, as a weak Australian dollar supports export growth.
48. Victoria has one of the strongest labour markets among the states. Employment grew by 2.7 per cent in 2017-18, the fourth consecutive year of above trend growth. Both unemployment and underemployment have declined over the cycle, though tightening conditions have not resulted in material wage pressures.
49. Wages growth in Victoria improved to 2.3 per cent in 2017-18 after reaching a low of 2.0 per cent in 2016-17. Both Victorian and national wages growth have been below 3.0 per cent for four consecutive years, and similar trends have been observed across many developed economies.
50. Victoria's inflation forecast was revised downwards to 2.25 per cent in the 2018-19 Budget Update, reflecting subdued price pressures in the September 2018 quarter. Inflation is forecast to rise to 2.50 per cent in 2019-20, slightly earlier than the RBA expects national inflation to reach the mid-point of its policy target range.
51. Victoria's population grew by 2.2 per cent in the year to the June quarter 2018, compared with growth of 1.6 per cent for Australia. Population growth in recent years has been

driven by strong levels of both net overseas and interstate migration, which reflects Victoria's strong economic conditions relative to the other states.

Victoria's labour market

52. Labour market conditions in Victoria are strong. Employment growth in Victoria has been above-trend since mid-2015, representing one of the longest periods of above-trend growth in the State's modern history. Victoria's unemployment rate has fallen by 1.0 percentage points over the past year, to reach 4.5 per cent in January 2019 (Figure 2).

Figure 2: Employment growth – Victoria – January 2009 to January 2019

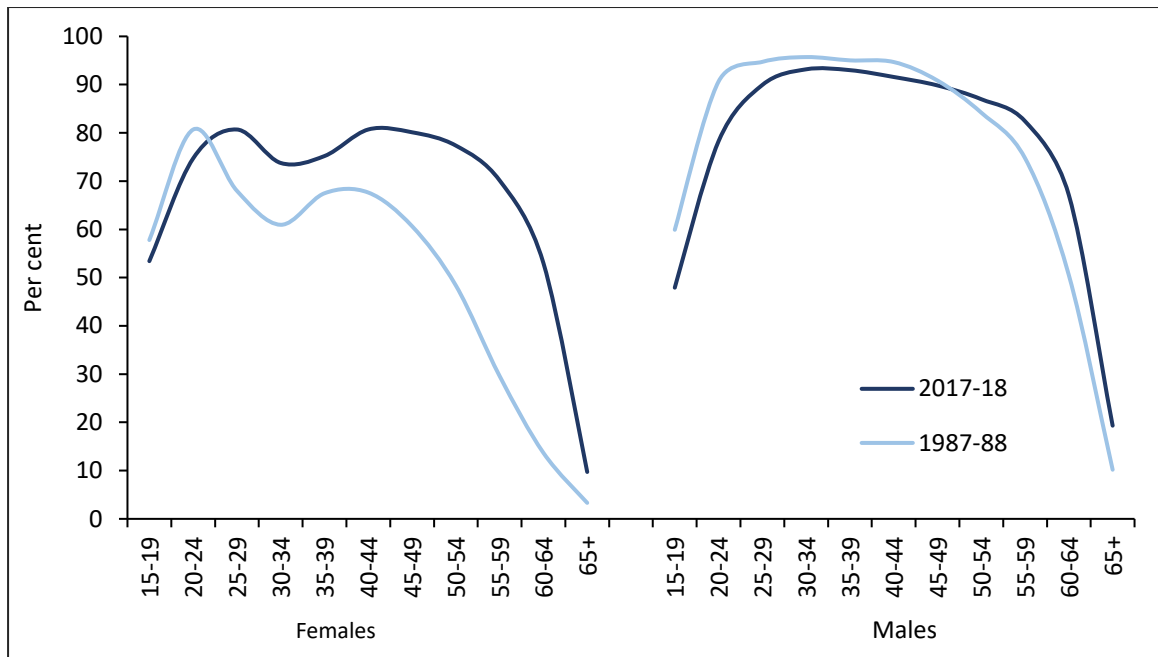


Source: ABS Cat. No. 6202; Department of Treasury and Finance Victoria

53. The strength in Victoria's labour market is broad based. The unemployment rate in regional Victoria reached a record low 4.3 per cent in December 2018, and the unemployment rate was below 5.0 per cent in 14 of Victoria's 17 labour market regions.
54. Employment growth in Victoria is forecast to remain above trend through 2018-19 and 2019-20. Leading indicators suggest demand for labour will remain strong in the near-term. Surveyed hiring intentions reached a 10-year high in the June quarter 2018 and remained well above the historic average in the December quarter. ABS job vacancies increased by 16.1 per cent in the year to November 2018.
55. Strong demand for labour in Victoria has encouraged people to enter the labour force, resulting in the participation rate averaging 65.9 per cent in 2017-18. Rising participation among females and older workers has helped offset the negative impact of the ageing

population. The participation rate is expected to remain elevated over the medium-term (Figure 3).

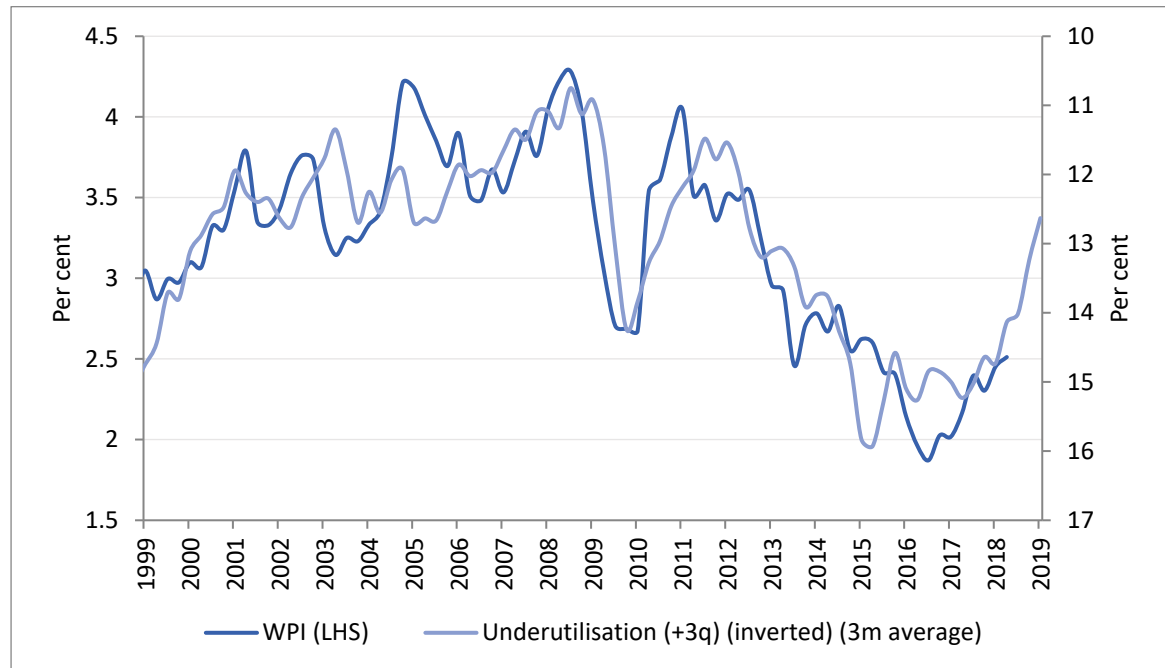
Figure 3: Labour force participation rate by age cohort and gender



Source: ABS Cat. No. 6291.0.55.001

56. Strong labour market conditions have driven Victoria’s unemployment rate to fall significantly over 2018, eroding some of the spare capacity in the labour market. The unemployment rate was 4.5 per cent in January, while the number of unemployed persons was around 160,300. The unemployment rate is expected to remain below its estimated natural rate of around 5.5 per cent until 2021-22, as spare capacity in the labour market is slowly eroded, and wages growth returns to trend.
57. Victoria’s underutilisation rate declined to 12.4 per cent over the three months to December 2018. Spare capacity has been absorbed as demand for labour has been strong, while supply of labour (from both population growth and labour force participation) has softened (Figure 4). However, underutilisation remains above the long-term average.

Figure 4: Underutilisation and annual wages growth – Victoria – 1998 to 2018



Source: ABS Cat. Nos. 6202 and 6345

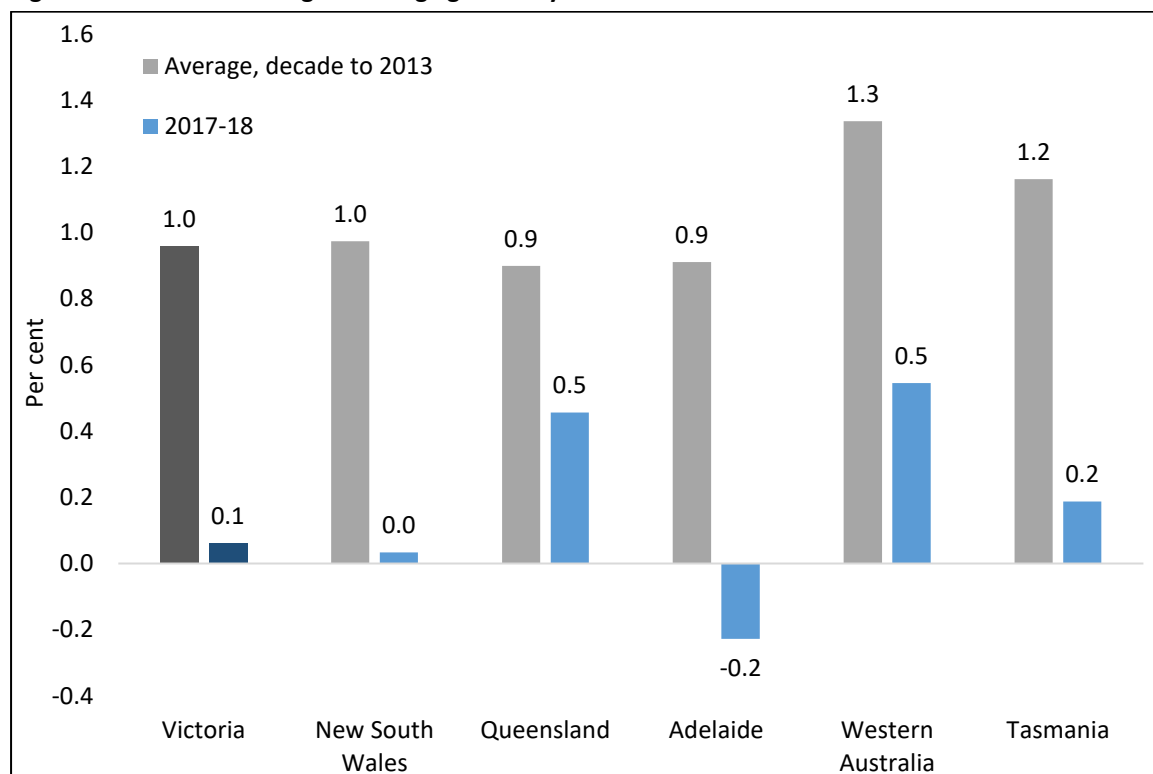
58. Despite the drop in Victoria’s unemployment rate, labour force underutilisation remains elevated, signalling a potential oversupply in the market for employment. In this environment, there is downward pressure on wages growth reflecting an apparent preference amongst workers to accept longer work hours over higher wages.

Victoria’s prices and wages growth

59. Real wages growth in Victoria was close to zero in both 2016-17 and 2017-18 despite strong labour market conditions. This is consistent with trends observed in other national and international jurisdictions (Figure 5:).

60. Real wages growth was weakest in South Australia, New South Wales and Victoria in 2017-18, while wages in the mining states of Western Australia and Queensland exhibited a slight rebound as economic conditions recovered.

Figure 5: Annual average real wage growth by state

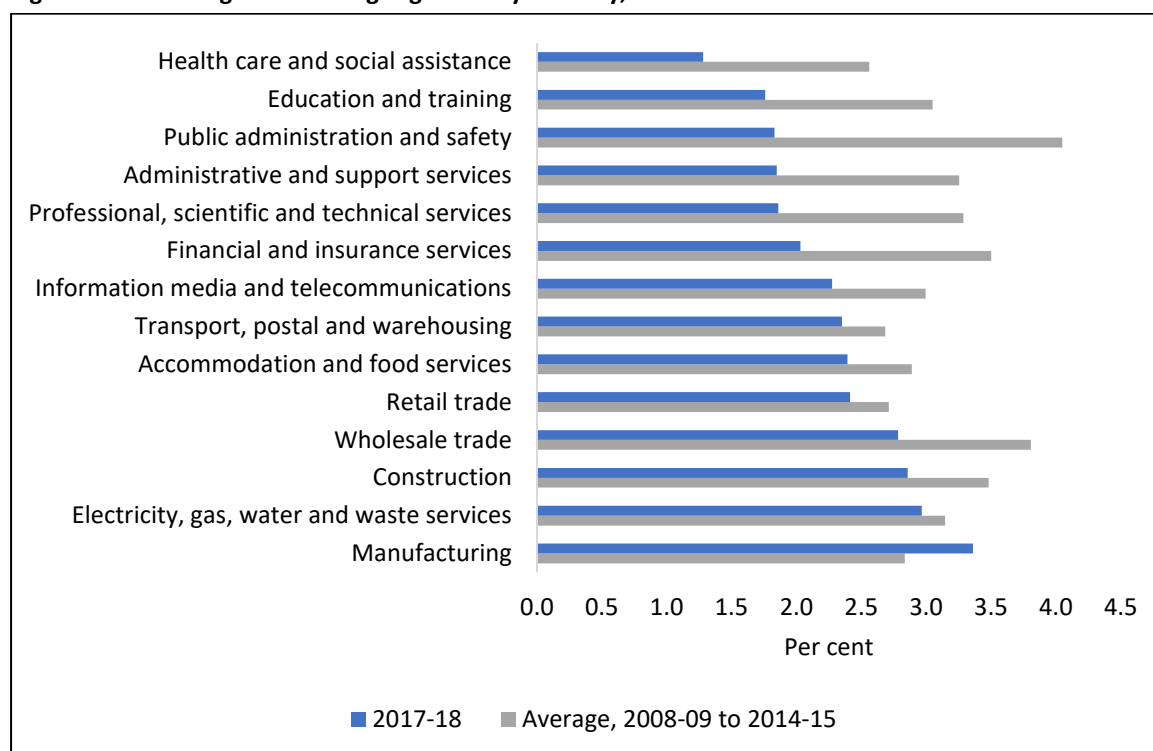


Source: ABS Cat. No. 6345, ABS Cat. No. 6401, Department of Treasury and Finance Victoria

61. Spare capacity in the labour market accounts for some of the recent slowdown in wages growth but does not fully explain the decline. The slowdown may be due to structural factors, such as an increase in the supply of labour (from immigration) and a reduction in workers' bargaining power.³
62. Wages growth across Victorian industries was mixed in 2017-18. Health care and social assistance (3.4 per cent) and education and training (3.0 per cent) had the highest wages growth in 2017-18. However, three of Victoria's four largest employers by industry (retail trade; construction; and professional, scientific and technical services) exhibited wage growth of 1.8 per cent or lower in 2017-18 (Figure 6).

³ Lowe, P. (2018) *Productivity, Wages and Prosperity*. Reserve Bank of Australia: Address to the Australian Industry Group (13 June 2018) Melbourne. Accessed from: <https://www.rba.gov.au/speeches/2018/sp-gov-2018-06-13.html>

Figure 6: Average annual wages growth by industry, Victoria^(a)



Source: ABS Cat. No. 6345 (unpublished data provided on request by the ABS to the Department of Treasury and Finance Victoria). Note: (a) Data is unavailable for the five industries not included in Figure 6.

63. Inflation was below the RBA's target band of 2-3 per cent in 2017-18 for the fourth consecutive year. Non-tradables inflation has been influenced by rises in the tobacco excises and utility bills that have partly offset subdued growth in housing rents and a reduction in child care costs. Tradables inflation has remained low reflecting the declining terms of trade and heightened competition in the retail sector.
64. Inflation is expected to gradually return to the mid-point of the RBA's 2-3 per cent target band as spare capacity in the economy is absorbed and wage growth normalises.
65. Looking forward, wages are expected to gradually strengthen over the next four years. This outlook is dependent on the anticipated pace and extent of the reduction in spare capacity in the labour market. In the 2017-18 Budget Update, Victorian wages growth across the forward estimates were 0.25 percentage points higher compared to the 2018-19 Budget. This reflects a decline in the rates of unemployment and underemployment and continued strong demand for labour.

Global productivity growth trends

66. Productivity growth is essential to improve living standards. Productivity growth drives per capita growth in economic output without the need for more people to work, or workers to work more hours. The Victorian Government recognises the need to improve productivity by focusing on strategies that encourage innovation, investment and a supportive environment for jobs.

67. There has been a slowdown in global productivity growth in the decade since the financial crisis. The IMF estimates that multifactor productivity growth remains below pre-financial crisis levels in three quarters of advanced economies, with growth dropping to 0.3 per cent, down from a pre-crisis average of about 1.0 per cent.⁴ The IMF estimates that GDP in advanced economies would be about 5 per cent higher if multifactor productivity growth had not slowed, which is the equivalent of adding more than another Japan to the global economy.⁵
68. The IMF has identified three major global headwinds to recent productivity growth.
- a. **The ageing population.** The population is aging in most advanced economies, which weighs on productivity growth through negative effects on innovation.
 - b. **A slowdown in global trade.** Global trade increases competition, which encourages firms to invest in new technologies and more efficient business practices. Trade also encourages the sharing of new technologies across borders.
 - c. **Legacies of the financial crisis.** Unlike normal economic slowdowns, deep recessions leave permanent scars on multifactor productivity. Many firms entered the crisis with high levels of debt and were subsequently forced into fire sales of assets, including physical and intellectual investment, with lasting effects on productivity.

Productivity in Australia and Victoria

69. Australia's recent productivity performance has been poor.
- a. Australia's multifactor productivity (MFP) averaged 1.2 per cent during the 1998-99 to 2003-04 productivity cycle but averaged just 0.3 per cent since. In 2017-18, Australia's MFP grew by 0.5 per cent, below the long-term average of 0.9 per cent.
 - b. Australia's labour productivity growth has averaged 1.3 per cent per year since 2011-12, down from an annual average of 2.0 per cent during the 1998-99 to 2003-04 cycle.
70. Victoria's productivity performance has followed similar trends to the national average. Labour productivity growth has been notably poor compared to the rest of Australia (Figure 7).
- a. Victoria's MFP growth slowed to 0.8 per cent in the current incomplete cycle from an average of 1.2 per cent during the 1998-99 to 2003-04 productivity cycle.

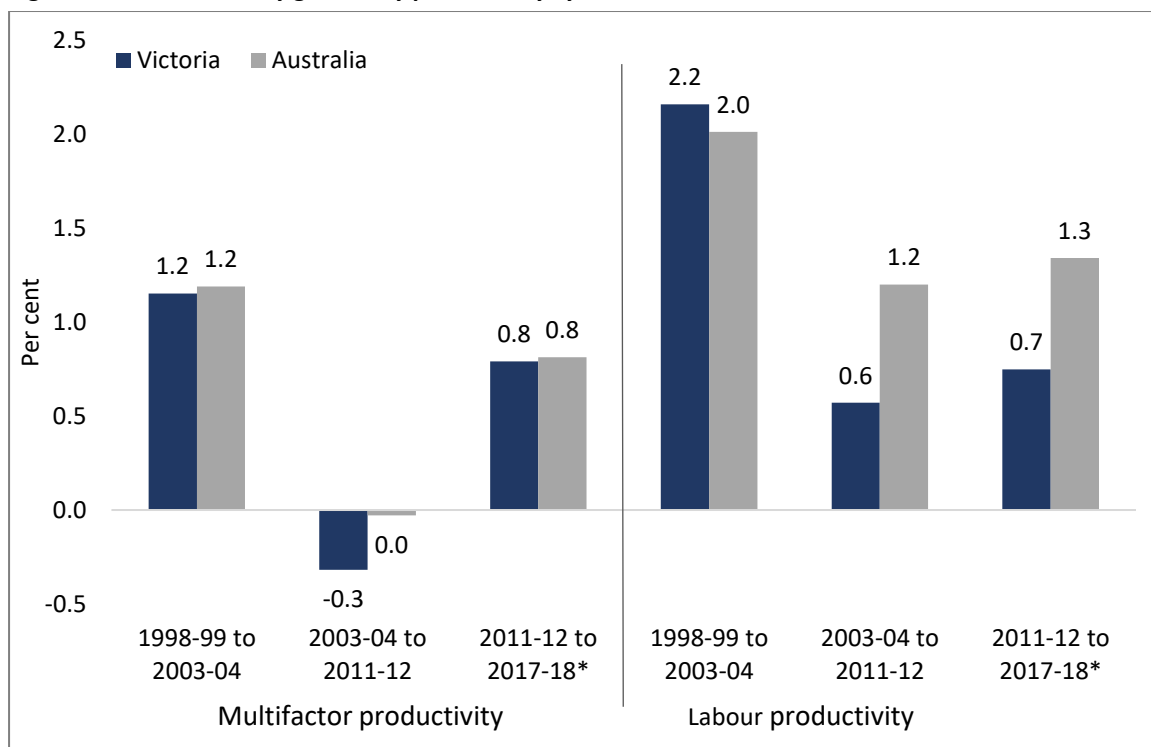
⁴ Adler, G., Duval, R. A., Furceri, D., Çelik, S. K., Koloskova, K. and Ribeiro, M. (2017), *International Monetary Fund – Staff Discussion Note 17/04* (3 April 2017) "Gone with the Headwinds: Global Productivity". Accessed from: <https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2017/04/03/Gone-with-the-Headwinds-Global-Productivity-44758>.

⁵ Lapgarde, C. (2017) *Reinvigorating Productivity Growth*. Accessed from: https://www.imf.org/en/News/Articles/2017/04/03/sp040317-reinvigorating-productivity-growth#_ftn2

- b. Victoria's labour productivity growth has declined from an average of 2.2 per cent during the 1998-99 to 2003-04 productivity cycle to 1.3 per cent in the current incomplete cycle.

71. Victoria has a relatively low concentration of industries with strong productivity growth (such as financial and insurance services), and a higher concentration of those with lower productivity growth (such as retail trade), presenting a structural barrier to productivity growth.

Figure 7: Productivity growth by productivity cycle, Victoria and Australia^(a)

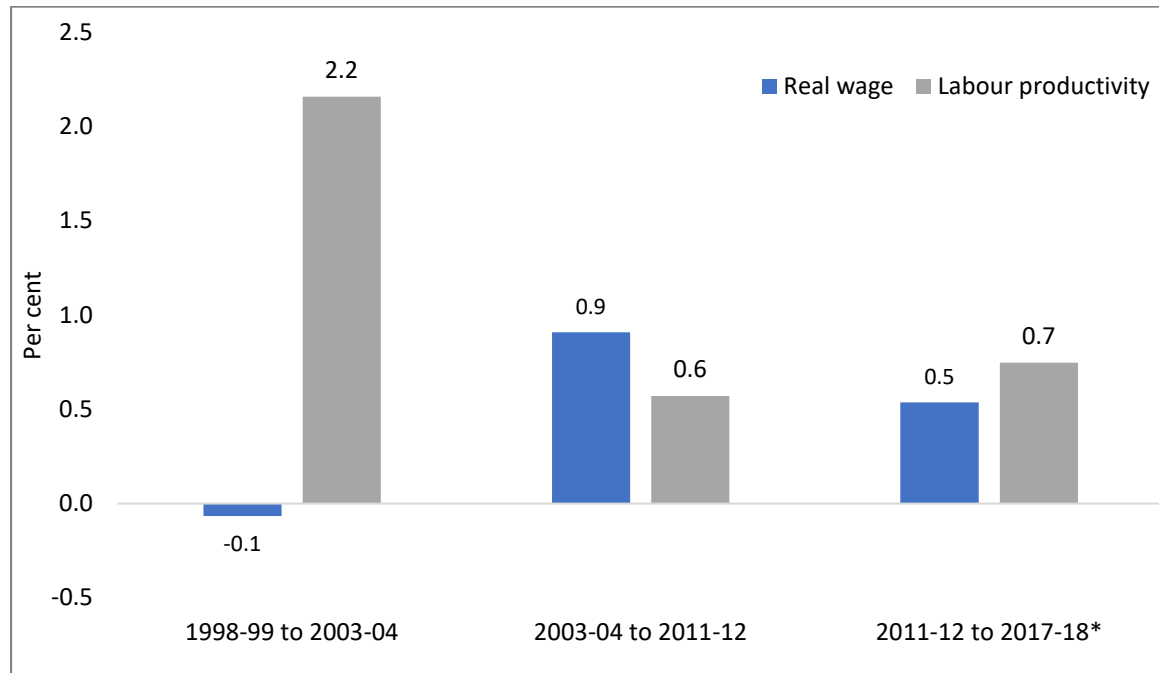


Source: ABS Cat. No. 5260.0.55.002, Department of Treasury and Finance Victoria. *Incomplete productivity cycle.

Note: (a) MFP covers market-sector industries only and excludes, health, education and government; labour productivity covers the entire economy.

- 72. The 2018-19 Budget Update anticipates Victoria's labour productivity growth will slowly strengthen over the next few years but will not reach the historical average.
- 73. Despite the weakness in Victoria's productivity performance, labour productivity growth has still outpaced growth in real wages. Since 2011-12, labour productivity growth has averaged 0.7 per cent in Victoria, while real wages growth has averaged 0.5 per cent (Figure 8).

Figure 8: Productivity growth and real wages¹ growth, Victoria²



Source: ABS Cat. Nos. 5260.0.55.002, 6345, 6401; Department of Treasury and Finance Victoria.

*Incomplete productivity cycle.

Notes: 1. Real wage growth is calculated as wage price index growth adjusted for CPI inflation. 2. MFP covers market sector industries only, labour productivity covers the entire economy.

Part 2: The living standards and the needs of the low paid

Summary

74. The Victorian Government maintains its position that addressing income inequality, especially at the poorest decile level, is an important part of efforts to strengthen economic inclusion. Economic and social policy levers that can be used by government to reduce income gaps include taxation, government benefits and minimum wage policies.
75. The Victorian Government also notes that the 'on-demand' economy has become embedded in the Australian and Victorian community contemporaneously with key labour market shifts such as historically low wage growth, growing non-compliance with payment of minimum wage rates, particularly in some sectors, a decline in wage determination via collective bargaining arrangements and increased award reliance.
76. The Victorian Government has consistently opposed the reduction of penalty rates under the Fair Work safety net, due to the adverse impact on vulnerable, low paid workers. Compounding reductions in penalty rates cause significant hardship for low paid workers in the retail and hospitality sectors and affect award-reliant, low paid workers, including young workers and women who make up more than half the workforce in these sectors. The report of the recent Victorian Parliamentary Inquiry into Penalty Rates and Fair Pay confirms this position.
77. The Victorian Government refers to ABS data indicating that there is a continued, increased and significant reliance on awards as a pay setting mechanism, with 22.5 per cent of Australians and 20.7 per cent of Victorians now directly reliant on awards to set their pay, and indirectly, by reference, many more. Although the gap is slightly decreased, there remains a level of income inequality between low paid workers, who are generally award reliant and those on average weekly earnings or above, usually set by collective agreement or individual arrangement. Community and personal service workers, the majority of who are women, make up most of the award reliant and low paid cohort in Australia.
78. The Victorian Government submits that the enterprise bargaining wages premium over award rates continues to diminish. Coupled with the national increase in award reliance that has occurred from 2010 to 2018, the Victorian Government submits that there is an increasing importance placed on the Annual Wage Review process and the outcome of its decisions.

Low pay, award reliance and earnings inequality

79. The Victorian Government continues to champion economic growth that is distributed fairly, equitably and creates opportunity for all Victorians. Inclusive growth driven by strong employment and higher wage growth improves social and economic inclusion and contributes to community stability and engagement. An appropriate minimum wage helps

share the benefits of economic growth throughout the community, particularly for vulnerable cohorts of working Victorians.

On-Demand Workforce

80. The Victorian Government notes that the ‘on-demand’ economy has become embedded in the Australian and Victorian community contemporaneously with key labour market shifts such as historically low wage growth, growing non-compliance with minimum wage rates, particularly in some sectors, a decline in wage determination via collective bargaining arrangements and increased award reliance.⁶
81. The Victorian On-Demand Workforce Inquiry, which commenced in October 2018, is seeking to improve understanding of the on-demand workforce in Victoria.⁷ Digital platforms that connect workers to consumers and businesses are providing Victorians with greater choice and flexibility, but there is currently very little information available about the size of the industry or conditions of the workforce.⁸
82. A key focus of the On-Demand Workforce Inquiry is to explore the arrangements covering workers in the on-demand workforce, looking at the legal status of people working with or for online companies or platforms in Victoria. This will include reviewing the application and effective enforcement of workplace laws – including workers’ compensation, superannuation and health and safety laws for these workers.⁹
83. Even with increases to the National Minimum Wage, many workers are suffering ‘wage theft’ and there is increased precariousness and job insecurity, due to factors such as the growth of the ‘on-demand’ economy.

The role of minimum wages in reducing income inequality

84. The Victorian Government maintains its position that addressing income inequality, especially at the poorest decile level, is an important part of efforts to strengthen economic inclusion. Economic and social policy levers that can be used by government to reduce income gaps include taxation, government benefits and minimum wage policies.
85. According to Lyons (2018), Australia has historically been the exception regarding minimum wage levels in that “the relatively high minimum wage and our essentially

⁶ Inquiry into The Victorian On-Demand Workforce, *Background Paper*, December 2018. Accessed from: https://djpr.vic.gov.au/_data/assets/pdf_file/0011/1751258/11895-E4729-DEDJTR-IRV-On-Demand-Inquiry-Report_V6_WEB.pdf

⁷ The Inquiry’s Terms of Reference can be accessed from: <https://djpr.vic.gov.au/what-we-do/industrial-relations/inquiry-into-the-victorian-on-demand-workforce>

⁸ The Victorian Government previously set up an inquiry into the Labour Hire Industry and Insecure Work. This inquiry found widespread evidence of underpayment and mistreatment of workers.

⁹ The Victorian Government notes that the final report of the Senate Select Committee on the Future of Work and Workers was tabled on 20 September 2018. The Committee found that workplace laws have not kept pace with technological change, allowing business models to emerge, in the ‘gig economy,’ to avoid employer responsibilities and worker entitlements and protections. Further, the Committee concluded that the definition of an employee under workplace laws should be broadened to cover the on-demand workforce and provide those workers with access to protections under Australia’s industrial relations system.

unique system of awards arbitrated by workplace tribunals were key reasons our country has had relatively low inequality in earnings”.¹⁰ Until 2005, the Australian ‘minimum wage bite’¹¹ was the highest in the OECD. However, this has changed dramatically over the last twenty years with the minimum wage bite falling sharply, earnings inequality growing and the incidence of low pay rising.¹² This decline in the minimum wage bite has occurred “during both economic booms and times of slower growth”.¹³

86. Further, and as the Victorian Government has submitted in several Annual Wage Reviews, “the incidence of low paid work (not just at the minimum wage) is significantly gender-biased, particularly in certain industries”.¹⁴ These industries include the hospitality and retail sectors, whose workers continue to have their wages reduced due to the compounding reductions in penalty rates.
87. The Victorian Government has consistently opposed the reduction of penalty rates under the Fair Work safety net, due to the adverse impact on vulnerable, low paid workers. Compounding reductions in penalty rates cause significant hardship for low paid workers in the retail and hospitality sectors and affect award-reliant, low paid workers, including young workers and women who make up more than half the workforce in these sectors. The report of the recent Victorian Parliamentary Inquiry into Penalty Rates and Fair Pay confirms this position.¹⁵
88. The Victorian Government has accepted the Inquiry recommendations and advocates for the Commonwealth Government to legislate to restore penalty rates in the relevant awards to their previous levels. The Victorian Government also supports changes to the Fair Work Act to ensure a modern award cannot be varied in a way that would, or would be likely to, reduce the take-home pay of an employee covered by the award.
89. According to Stanford (2018) (Table 2) real wages in Australia is stagnating and there has been a rapid deceleration in wages growth since 2013, which due to structural factors and is not a cyclical phenomenon. While labour productivity has slowed in the period 2013-18, the rate is less than the change in the measures of wage deceleration, with a decoupling of the rates in real labour productivity and wages.
90. This wage deceleration is particularly pronounced in Australia, which, according to Stanford (2018) ranks thirtieth in average annual nominal wage growth for OECD countries. Stanford concludes that: *More active structural and policy measures will be*

¹⁰ Lyons, T. (2018) “Minimum wages” in Stewart, A., Stanford, J. and Hardy, T. *The Wages Crisis in Australia*. p. 74. The University of Adelaide Press. Accessed from: www.adelaide.edu.au/press.

¹¹ The relationship of the minimum wage either to average full-time wages or to medium full time earnings.

¹² Lyons, T. (2018) p. 75

¹³ Lyons, T. (2018) p. 75

¹⁴ Lyons, T. (2018) p. 82

¹⁵ Parliament of Victoria – Legislative Assembly: Penalty Rates and Fair Pay Select Committee (July 2018) *Inquiry into penalty rates and fair pay – Final Report*. Accessed from: <https://www.parliament.vic.gov.au/penaltyratesfairpay>

necessary both to support wage growth, and to ensure that workers receive higher real incomes in line with their improving productivity.¹⁶

Table 2: Measures of wage deceleration

Wage outcome measures	Average annual growth		
	2000-13	2013-18	Change (%)
Wages price index	3.7	2.2	-1.5
Average weekly earnings	4.5	1.5	-3.0
New enterprise bargaining agreements	4.0	3.1	-0.9
Average hourly compensation (national accounts)	4.8	1.8	-3.0
Unit labour cost	2.9	0.6	-2.2
Average real wages (WPI/ CPI)	0.9	0.3	-0.6
Potential wage determinants			
Consumer price index (CPI)	2.8	2.0	-0.8
Real labour productivity	1.4	1.1	-0.3

Adapted from: Stanford, J. (2018) p.32.

Employee earnings and method of setting pay

91. The importance of award minimum wages has been highlighted by the Victorian Government in other recent submissions to the Annual Wage Reviews, noting the continued, increased and significant reliance on awards as a pay setting mechanism. Australian Bureau of Statistics (ABS) biannual data on wages outcomes by method of setting pay shows that as of May 2018, there had been an increase in award reliant non-managerial employees across Australia to 22.5 per cent in 2018 from 15.2 per cent in 2010.¹⁷
92. ABS data across Australia demonstrates the disparities between award rates and wages determined by collective agreement and by individual arrangement. There is a level of income inequality between low paid workers, who are generally award reliant and those on average weekly earnings or above, usually set by collective agreement or individual arrangement.
93. In May 2018, the widest ratio in average weekly total cash earnings is found when comparing award only wages (\$1,272.10) to wages outcomes under collective agreements (\$1,770.50) at 72 per cent.¹⁸ Across all methods of setting pay and form of engagement with the workforce, women earned less than men (Table 3).

¹⁶ Stanford, J. (2018) "Charting wage stagnation in Australia" in Stewart, A., Stanford, J. and Hardy, T. *The Wages Crisis in Australia*. p. 38. The University of Adelaide Press. Accessed from: www.adelaide.edu.au/press.

¹⁷ ABS Cat. No. 6306.0 *Employee Earnings and Hours, Australia, May 2018*. Released 22 January 2019. Accessed from: <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6306.0/>. Department of Jobs and Small Business (2018) *Trends in Federal Enterprise Bargaining – September Quarter 2017*. Australian Government (10 January 2018) p. 10. Accessed from: https://docs.jobs.gov.au/system/files/doc/other/trends_s17_0.pdf

¹⁸ ABS Catalogue No. 6306.0 *Employee Earnings and Hours: Average weekly and hourly total cash earnings of non-managerial Employees by method of setting pay (May 2018)*. Released 22 January 2019.

Table 3: Average weekly total cash earnings by method of setting pay, gender and engagement (May 2018)

Average weekly total cash earnings (\$)	Award only	Collective agreement	Individual arrangement	All methods of setting pay
Males				
Permanent or fixed term employees	1,332.00	1,891.40	1,806.60	1,799.50
Casual employees	1,275.80	1,860.10	1,794.80	1,628.50
All male employees	1,319.20	1,890.20	1,805.90	1,788.00
Females				
Permanent or fixed term employees	1,244.30	1,598.90	1,465.60	1,483.50
Casual employees	1,128.10	1,491.50	1,751.00	1,419.70
All female employees	1,230.80	1,596.90	1,476.50	1,480.70
Persons				
Permanent or fixed term employees	1,282.40	1,770.50	1,684.30	1,671.80
Casual employees	1,221.50	1,769.90	1,782.90	1,565.10
All persons	1,272.10	1,770.50	1,689.20	1,665.60

Source: ABS Cat. No. 6306.0

94. According to the ABS employee earnings and hours data of May 2018, the following are key findings regarding Award only employees:

- There were 2,232,900 non-managerial employees paid by Award only in Australia and their average weekly total cash earnings was \$787.70.
- Employees in the Health care and social assistance industry made up the largest proportion of all non-managerial employees paid by Award only, followed by the Accommodation and food services industry (20.3% and 15.5% respectively).
- The average weekly total cash earnings were \$1,050.30 for employees in the Health care and social assistance industry and \$553.40 for employees in the Accommodation and food services industry.¹⁹
- Community and personal service workers made up the largest proportion of all non-managerial employees paid by Award only at 23.9 per cent with average weekly total cash earnings of \$671.30, followed by Labourers at 17.3 per cent with average weekly total cash earnings of \$632.70.

95. As outlined in Table 4 below, New South Wales accounted for the highest number of Award only employees in Australia (40%), who were also paid the highest average weekly total cash earnings at \$898.00 or 114 per cent of the Australian average. In May 2018, Victoria accounted for 20.7 per cent of Award only employees, earning an average of \$700.20 per week – or 89 per cent of the Australian average of \$787.70.

¹⁹ ABS Catalogue No. 6306 *Employee Earnings and Hours: Average weekly and hourly total cash earnings of non-managerial Employees by method of setting pay (May 2018)*. Released 22 January 2019. Accessed from: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Latestproducts/6306.0Main%20Features3May%202018?opendocument&tabname=Summary&prodno=6306.0&issue=May%202018&num=&view=>

Table 4: Non-managerial employees paid by Award only and all non-managerial employees, average weekly total cash earnings and number of employees – States and Territories, May 2018

States and Territories	Non-managerial employees paid by award only Average weekly total cash earnings (\$)	Non-Managerial Employees Paid by Award Only Number of Employees ('000)	All non-managerial employees Number of employees ('000)
New South Wales	898.00	904.0	3,168.4
Victoria	700.20	462.9	2,609.3
Queensland	724.60	426.7	1,905.0
South Australia	744.90	165.0	652.2
Western Australia	650.80	162.1	1,083.2
Tasmania	845.60	66.7	192.4
Northern Territory	770.30	17.6	107.0
Australian Capital Territory	551.40	27.8	199.1
Australia	787.70	2,232.9	9,916.5

Source: ABS Cat. No. 6306.0

96. The current data from the Department of Jobs and Small Business's *Trends in Federal Enterprise Bargaining* report (September 2018) indicates that wage outcomes from collective agreements across all sectors measured as average annualised wage increases remain historically low at 2.7 per cent – 0.8 percentage points below the 2017-18 increase to the National Minimum Wage and all award minima (Table 5).²⁰

Table 5: Average annualised wage increases for agreements current on 30 September 2018

All current enterprise agreements	June Quarter 2018 (%)	September Quarter 2018 (%)	Change (% points)
All sectors	2.8	2.7	-0.1
Private sector	2.9	2.7	-0.2
Public sector	2.6	2.6	0.0

Source: Department of Jobs and Small Business' *Trends in Federal Enterprise Bargaining* (September 2018)

97. The Victorian Government submits that this data shows that the enterprise bargaining wages premium over award rates continues to diminish. Coupled with the national increase in award reliance that has occurred from 2010 to 2018, the Victorian Government submits that there is an increasing importance placed on the Annual Wage Review process and the outcome of its decisions.

²⁰ Department of Jobs and Small Business (2018) *Trends in Federal Enterprise Bargaining Report – September 2018*. Accessed from: https://docs.jobs.gov.au/system/files/doc/other/september_2018_trends_report_0.pdf

Part 3: The principle of equal remuneration for work of equal or comparable value

Summary

98. Award minimum wages are significant for gender pay equity. The Victorian Government submits that the FWC should again take the opportunity to influence the wage outcomes of Victorian women, who are over-represented in low pay cohorts, are predominantly award reliant due to the industries and occupations they work in, and experience persistently higher levels of insecurity of both income and employment due to higher levels of casual engagement within the workforce.
99. There is a gender pay gap across all cohorts of women engaged in the workplace in Victoria. Women are disproportionately paid lower incomes in all groups, including Aboriginal women, women with disability, women from CALD communities, young women and older women. A larger proportion of women in all groups work in lower paid industries, are more likely to work part time or in casual employment (which have a much higher likelihood of being paid the minimum wage) and generally have a weaker bargaining position due to their intersecting disadvantage.
100. The Victorian Government submits that a strong minimum wage is critical for women from vulnerable cohorts to compress both the gender gap as well as gaps due to ethnicity, ability, age and other areas of discrimination. A strong minimum wage provides meaningful opportunities for women from all backgrounds to participate in the workforce and contributes to their social inclusion. A strong minimum wage is also essential for women to provide them with a living wage to offset their considerable unpaid work and care activities.

Gender pay equity

101. On 5 December 2016, Victoria's first Gender Equality Strategy, *Safe and Strong* was released, initiating landmark reforms to deliver gender equality, and address sexism and violence against women.²¹ The Victorian Government is leading the way towards gender equality with sustained, enduring and measurable action.
102. The Victorian Government is embedding gender equality in all its decisions and actions, as well as modelling gender equality in the workplace, and ensuring efforts to improve gender equality are sustained over time. In March 2017, the Victorian Government established the Equal Workplaces Advisory Council, a key Founding Reform of the Gender Equality Strategy, in recognition that gender equality is essential to economic prosperity and that gender inequality has a significant economic (as well as social) cost.

²¹ For further information about the Victorian Gender Equality Strategy: <https://www.vic.gov.au/women/gender-equality/a-victorian-gender-equality-strategy.html>

103. Reporting to the Minister for Industrial Relations, the Council is addressing gender equality at the workplace, particularly pay equity, by:
- identifying government action that will promote the achievement of gender equality, including addressing gendered occupational segregation;
 - identifying, promoting and publishing good practice examples of where initiatives are working to promote gender equality in the workplace, across the public and private sectors; and
 - considering issues and linkages relating to pay equity, equality and productivity, building human resources capacity and achieving equitable outcomes for women and men.²²

Gender pay gap

104. Women make up 60-70 per cent of workers in lower paid occupations such as clerical and administration, community and personal services and sales.²³ Women also undertake 70 per cent of part-time work and experience a higher level of underemployment than men (12 per cent compared to 7.4 per cent for men).²⁴

105. As the FWC has recognised:

[656] ... the gender pay gap arises from a range of circumstances and is evident in a number of industry sectors. Age and the method of setting pay are also operative factors in the extent of the gender pay gap. There are a higher proportion of women reliant upon award wages at the lower end of the pay scale. At the higher award classifications, women are more likely to be paid the award rather than the bargained rate than are men. Further, the gender pay gap is highest at the higher end of the pay scale among non-award reliant employees.²⁵

106. The gender pay gap in Australia persists. As outlined in Table 6 and Figure 9, in the decade between May 2008 and May 2018, the female to male ratio of full time adult ordinary time earnings across all industries has narrowed by only one percentage from 84 per cent to 85 percent. Notably, in some female dominated industries, such as Education and training, the gap has increased slightly from 90 to 89 per cent; and in Health care and social assistance, the gap is particularly wide at 75 per cent in May 2018. The widest gender pay gap continues to be exhibited in the Financial and insurance services sector at 73 per cent in May 2018; however, this represents a narrowing of the gender pay gap in the sector from 67 per cent in May 2011 and 2012.

²² For further information about the Equal Workplaces Advisory Council:

<https://economicdevelopment.vic.gov.au/about-us/overview/advisory-bodies/the-equal-workplaces-advisory-council>

²³ Australian Council of Trade Unions (2016) *The Gender Pay Gap Over the Life Cycle*. March 2016. Accessed from: <https://www.actu.org.au/media/886499/the-gender-pay-gap-over-the-life-cycle-h2.pdf>

²⁴ ABS Catalogue No. 6202.0 Table 23. Underutilised persons by State, Territory and Sex

²⁵ Fair Work Commission (2017) *Annual Wage Review 2016-17 Decision* (C2017/1), paragraph 656. PR0002017, Melbourne, 6 June 2017.

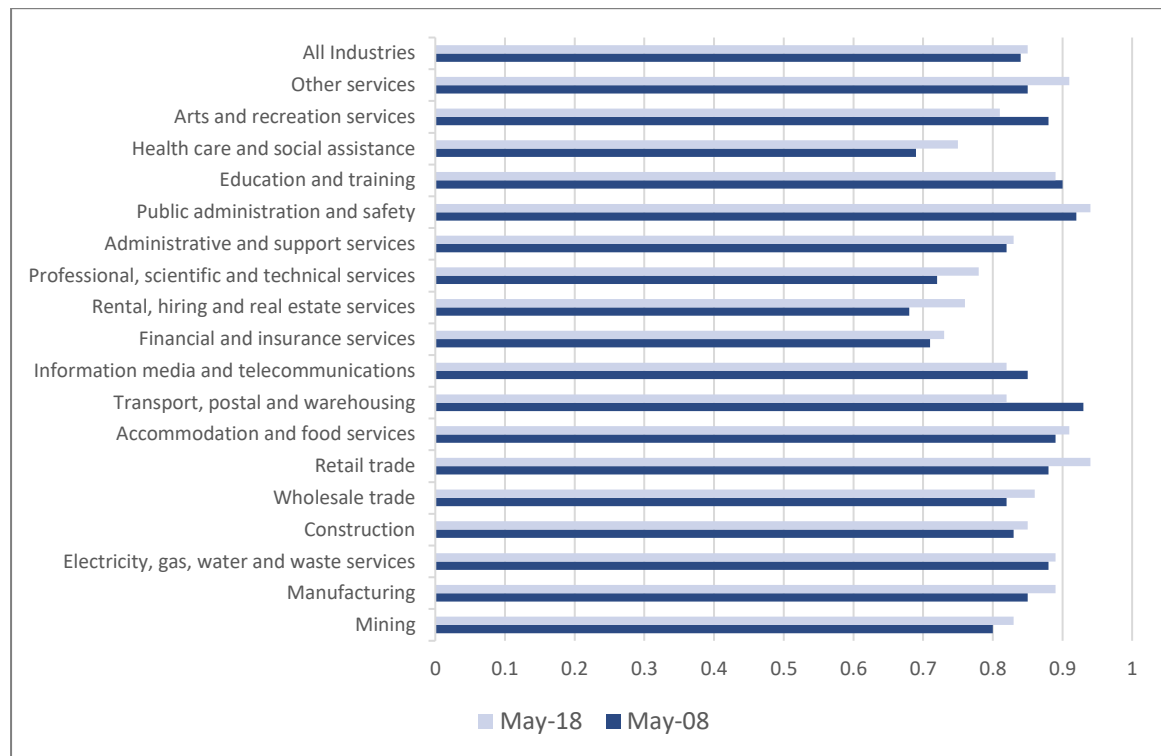
107. According to this ABS data, in award reliant industries, such as Accommodation and food services and Retail trade, the gender pay gaps are relatively narrow compared to other sectors at 91 per cent and 94 per cent respectively in May 2018. For both sectors there has been a narrowing of the gap over the decade from May 2008, by two and six percentage points, which shows the importance of role of the annual wage review process for women in these sectors, albeit they are low paid.

Table 6: Female to male rate ratio of mean full time adult ordinary time average weekly earnings, by Industry for May 2008 – May 2018

Industry	May 2008	May 2009	May 2010	May 2011	May 2012	May 2013	May 2014	May 2015	May 2016	May 2017	May 2018
Mining	0.80	0.78	0.76	0.79	0.78	0.77	0.76	0.80	0.81	0.83	0.83
Manufacturing	0.85	0.84	0.85	0.81	0.82	0.85	0.83	0.81	0.84	0.89	0.89
Electricity, gas, water and waste services	0.88	0.88	0.86	0.85	0.85	0.87	0.88	0.91	0.88	0.90	0.89
Construction	0.83	0.79	0.81	0.81	0.82	0.77	0.81	0.82	0.81	0.77	0.85
Wholesale trade	0.82	0.81	0.79	0.80	0.82	0.90	0.85	0.85	0.82	0.85	0.86
Retail trade	0.88	0.86	0.86	0.94	0.92	0.88	0.90	0.86	0.90	0.91	0.94
Accommodation and food services	0.89	0.86	0.87	0.88	0.91	0.92	0.92	0.93	0.90	0.88	0.91
Transport, postal and warehousing	0.93	0.92	0.95	0.92	0.85	0.84	0.84	0.87	0.84	0.82	0.82
Information media and telecommunications	0.85	0.85	0.82	0.80	0.80	0.82	0.81	0.79	0.80	0.82	0.82
Financial and insurance services	0.71	0.73	0.68	0.67	0.67	0.69	0.70	0.69	0.70	0.70	0.73
Rental, hiring and real estate services	0.68	0.67	0.74	0.73	0.75	0.77	0.71	0.74	0.75	0.77	0.76
Professional, scientific and technical services	0.72	0.72	0.72	0.72	0.73	0.70	0.75	0.76	0.77	0.76	0.78
Administrative and support services	0.82	0.82	0.82	0.86	0.88	0.90	0.82	0.89	0.91	0.85	0.83
Public administration and safety	0.92	0.92	0.92	0.92	0.92	0.93	0.93	0.93	0.93	0.94	0.94
Education and training	0.90	0.91	0.91	0.89	0.89	0.87	0.88	0.88	0.88	0.89	0.89
Health care and social assistance	0.69	0.69	0.72	0.70	0.69	0.68	0.69	0.72	0.76	0.78	0.75
Arts and recreation services	0.88	0.85	0.85	0.81	0.84	0.84	0.85	0.80	0.81	0.78	0.81
Other services	0.85	0.83	0.82	0.88	0.86	0.90	0.90	0.88	0.90	0.91	0.91
All Industries	0.84	0.83	0.83	0.82	0.82	0.82	0.82	0.82	0.84	0.85	0.85

Source: ABS Cat. No. 41250 *Gender Indicators*, Australia, September 2018.

Figure 9: Female to male rate ratio of mean full time adult ordinary time average weekly earnings, by Industry for May 2008 and May 2018



Source: ABS Cat. No. 41250 *Gender Indicators*, Australia, September 2018.

Vulnerable cohorts of women and the minimum wage

108. There is a gender pay gap across all cohorts of women engaged in the workplace in Victoria. Women are disproportionately paid lower incomes in all groups, including Aboriginal women, women with disability, women from CALD communities, young women and older women. A larger proportion of women in all groups work in lower paid industries, are more likely to work part time or in casual employment (which have a much higher likelihood of being paid the minimum wage) and generally have a weaker bargaining position due to their intersecting disadvantage.

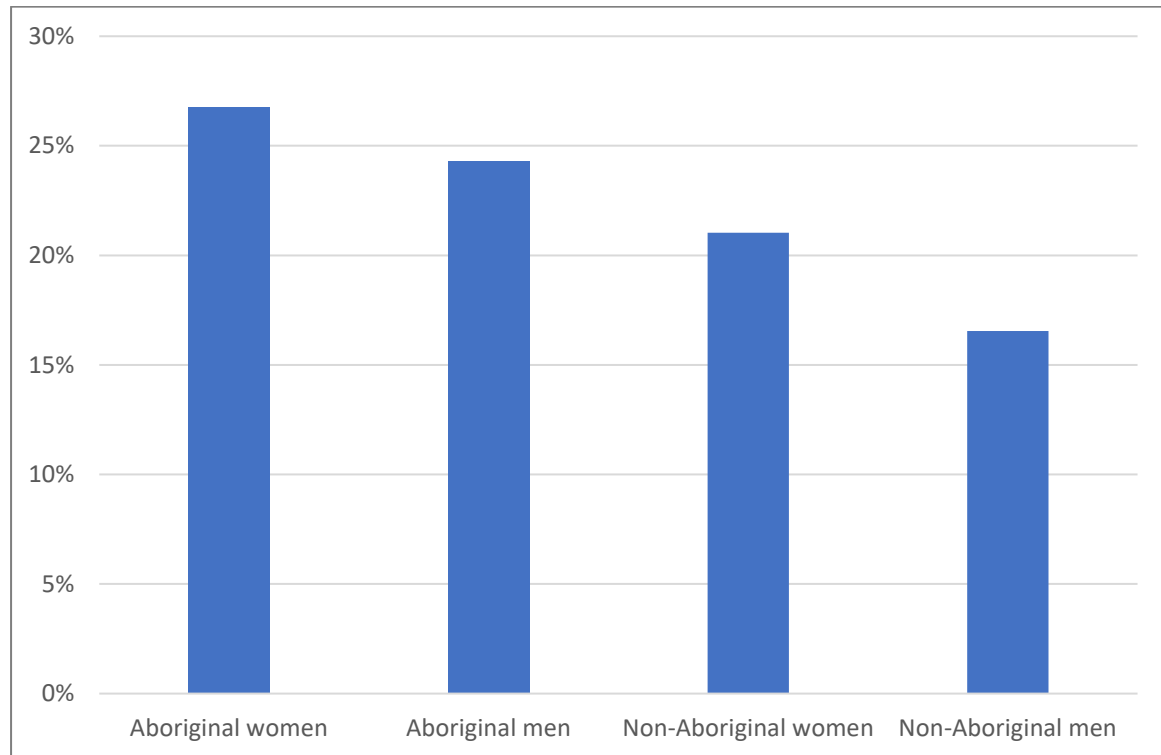
109. A strong minimum wage is critical for women from vulnerable cohorts to compress both the gender gap as well as gaps due to ethnicity, ability, age and other areas of discrimination. A strong minimum wage provides meaningful opportunities for women from all backgrounds to participate in the workforce and contributes to their social inclusion.

Aboriginal women

110. Based on the ABS 2016 Census data, Aboriginal women are more likely than Aboriginal men, and non-Aboriginal women and men, to be on the minimum wage (Figure 10).²⁶

²⁶ Australian Bureau of Statistics, Analysis of 2016 Census data for Victoria.

Figure 10: Proportion of Aboriginal women on the minimum wage (2016)

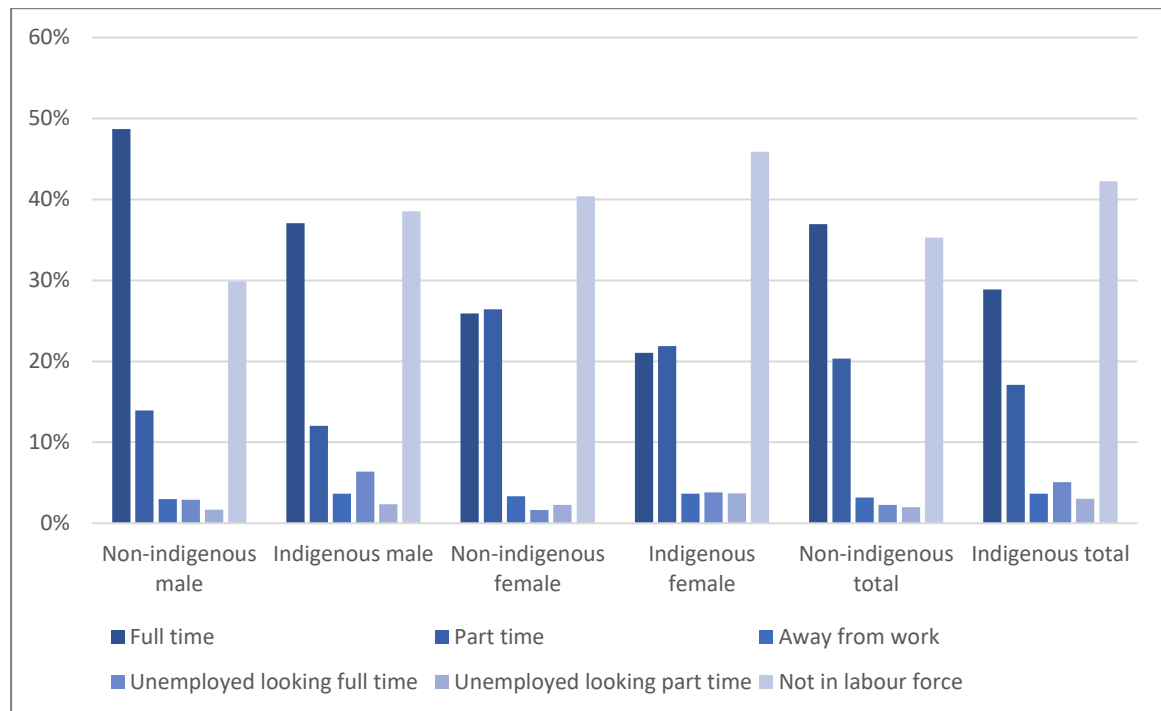


Source: ABS Census 2016

111. Aboriginal women are also much more likely to be outside the labour force. A high proportion of Aboriginal Victorians are aged under 20 years of age, suggesting that a higher birth rate and the caring role performed by Aboriginal women may prevent them from participating in the labour force. Fertility has been noted more broadly in Australia as a significant factor in Aboriginal women’s lower workforce participation (Figure 11).²⁷

²⁷ Hunter, B. and Daly, A. (2008) *Interactions between crime and fertility in the labour supply of Indigenous Australian women*, CAEPR, March 2008.

Figure 11: Labour force status by proportion of Aboriginal and Non-Aboriginal women and men in Victoria (2016)



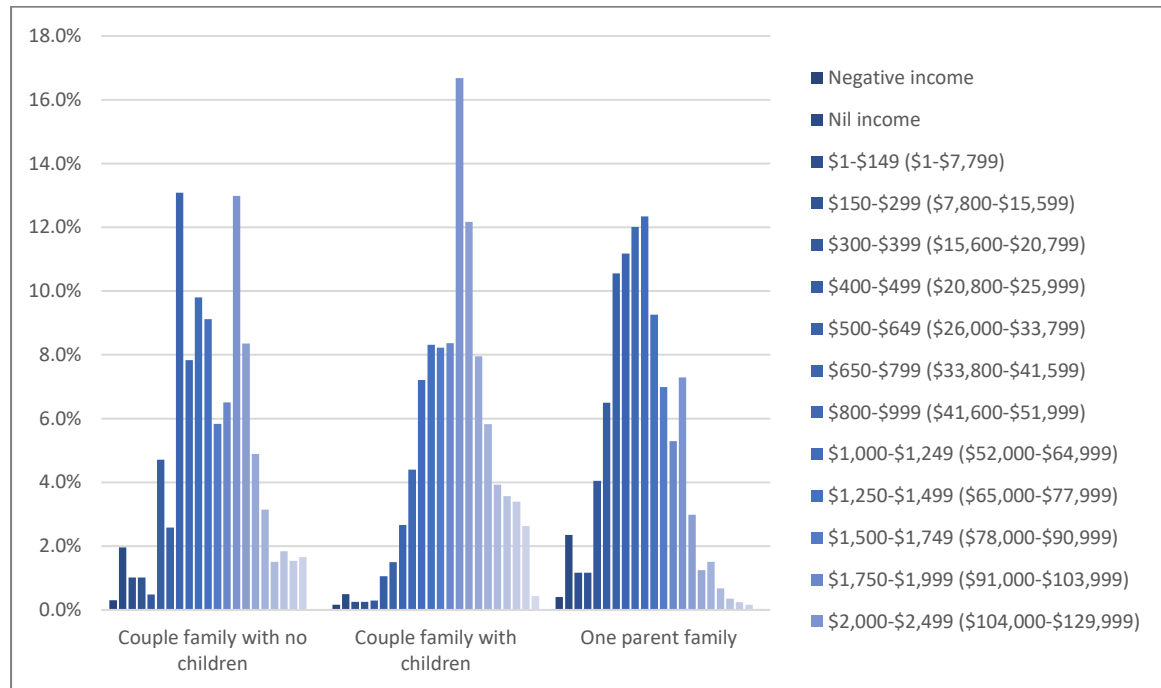
Source: ABS Census 2016

Women as single parents

112. According to the 2016 Census, female single parents made up 82 per cent of the total number of lone parents in Australia. One parent families are overrepresented in low household incomes compared with couple families (with and without children) and underrepresented in higher household incomes (Figure 12).²⁸

²⁸ Australian Bureau of Statistics, analysis of 2016 Census data for Victoria.

Figure 12: Household income per week/ annum by household type (2016)



Source: ABS Census 2016

113. The caring responsibilities of single mothers prevents them from working full time, and they are more likely to be in part time and casual roles. These work arrangements are more likely to be on the minimum wage, which may support several children in addition to the working mother. Government policies, such as welfare to work, and low-income support payments, create additional barriers to social and economic inclusion. Families headed by single mothers are at higher risk of poverty as well as greater disadvantage in housing, employment and social participation.²⁹
114. A strong minimum wage increases the social inclusion and workforce participation of single mothers by reducing the gender gap as well as addressing other areas of social and economic disadvantage.

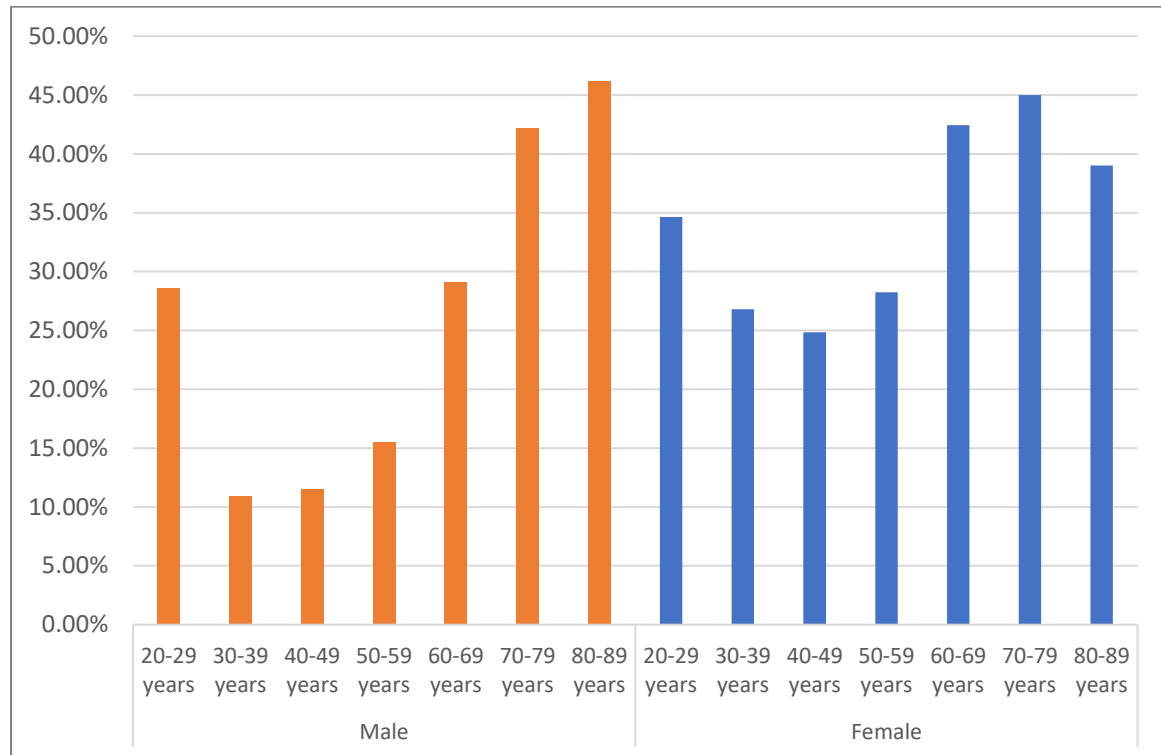
Young women

115. Young women are more likely to earn the minimum wage than young men (Figure 13). A gender pay gap exists from the start of most working women’s lives. Even after tertiary education, the median starting salary of female and male graduates is \$56,400 and \$60,000 respectively.³⁰

²⁹ McLaren, J., Maury, S. and Squire, S. (2018) *Outside Systems Control My Life: The experience of single mothers on Welfare to Work*. Women’s Research, Advocacy and Policy Centre. Accessed from: https://goodshp.org.au/media/2188/outside-systems-control-my-life_single-mothers-stories-of-welfare-to-work.pdf.

³⁰ Quality Indicators for Learning and Teaching (2016) *2016 Graduate Outcomes Survey* (November 2016). Accessed from: <https://www.qilt.edu.au/about-this-site/graduate-employment>.

Figure 13: Distribution of income at or below \$399 per week by age and gender (2016)

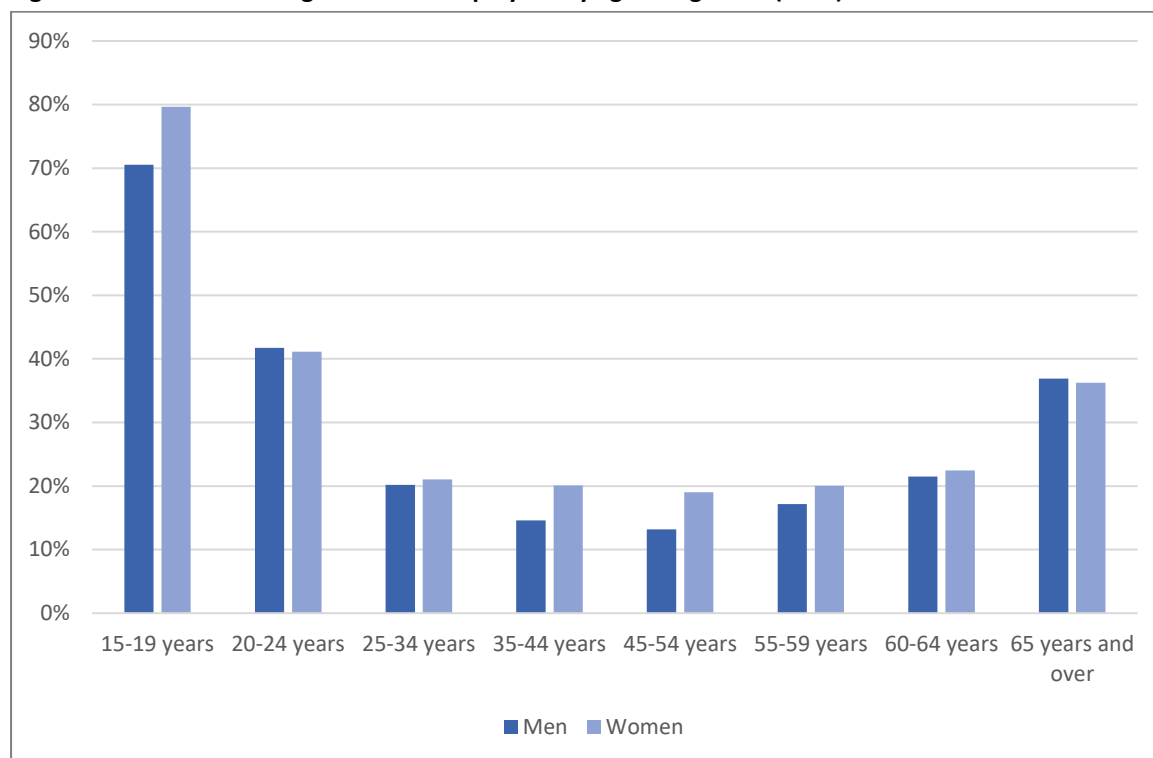


Source: ABS Census 2016

116. Young women are disproportionately concentrated in jobs in the service industry that pay low wages, such as retail and sales, and hospitality and tourism. These industries are more likely to employ people on a casual basis (Figure 14). An ACT study from 2018 found that young women are also more likely to experience unlawful work conditions and to have less bargaining power in the workplace.³¹

³¹ Unions ACT (2018) *Sick of it: What young women feel about wage-theft, harassment & casualised work* (September 2018). Accessed from: <https://www.weareunioncbr.org.au/2018-young-women-at-work/>.

Figure 14: Percentage of casual employees by age and gender (2016)



Source: ABS Census 2016

117. A strong minimum wage is important for young women to compress the gender pay gap for young workers. It provides opportunities for young women to participate in the workforce and progress in their careers to higher pay levels.

Older women

118. The cumulative effects of the gender gap in incomes mean that older women retire with much lower savings and superannuation than men. Australia's gender gap in superannuation is currently 39 per cent.³² In addition, women's workforce participation is often interrupted due to child rearing responsibilities. Older women also face discrimination in employment due to age and gender, which reduces their ability to contribute to the workplace. Older women workers have lower workforce participation rates than men, averaging 57.2 per cent in 2016, compared with 66.9 per cent of men.³³

119. As a result, older women are at a high risk of falling into poverty in retirement, particularly if they are not partnered when they retire. Older single women are the most likely of all

³² Committee for Economic Development Australia (2018) *Connecting people with progress: securing future economic development* (November 2018). Accessed from: <http://www.ceda.com.au/CEDA/media/General/Publication/PDFs/FullReport-CEDA-Connecting-people-with-progress-November-2018-Final.pdf>.

³³ Office for Women, Department of Health and Human Services (2017) *Older Victorian women – Issues Paper*.

cohorts of Australians to be living below the poverty line, with 29 per cent living below the poverty line in 2015.³⁴

120. This issue is likely to remain prevalent, with the gender pay gap persisting for women and superannuation not being paid to women on maternity leave, meaning that they will continue to have lower savings than men in retirement in future. A strong minimum wage is therefore critical for the economic participation of older women, by helping to compress the gender pay gap and provide a living wage to reduce the risk of older women falling into poverty in retirement.

Women from culturally and linguistically diverse (CALD) communities

121. Women from CALD communities face multiple barriers to workforce participation due to gender-based and racially-based discrimination, as well as experiencing all the disadvantages pertaining to gender and non-English-speaking migration. Cultural expectations may increase the likelihood of women not participating in the workforce, or the wider community more generally, due to child care and other family responsibilities, which exacerbates their social exclusion.³⁵ Due to cultural and language barriers, women who have experienced domestic violence may not access support and other services, further disadvantaging them in workforce participation and social inclusion.³⁶ The workforce participation rate for women from CALD communities is low, at 47.3 per cent, substantially lower than that for women generally (59.2%) as well as men from CALD communities (69.5%).³⁷
122. For those women who are working, they are overrepresented in insecure and low wage jobs, which are more likely to be paid at (or below) the minimum wage. Research by the Victorian Equal Opportunity and Human Rights Commission indicates that women from CALD communities are particularly vulnerable to sexual harassment, which affects their social inclusion and workforce participation, isolating them in their workplaces and making it less likely that they will transition to higher paid employment.³⁸ A strong minimum wage is a key component of the economic and social wellbeing of CALD women.

Women in regional and outer suburban areas

123. Women living in rural and regional Victoria are more likely to be on the minimum wage than men in rural areas, and people in metropolitan Melbourne (Figure 15). A 2017 report by the Sex Discrimination Commissioner found larger gender gaps in leadership, economic

³⁴ Office for Women, Department of Health and Human Services *Older (2017) Victorian women – Issues Paper*.

³⁵ Federation of Ethnic Communities' Councils of Australia (2012) *Women's Policy Statement: Supporting Australian Women from Culturally and Linguistically Diverse (CALD) Backgrounds*. Accessed from: <http://www.fecca.org.au/images/stories/pdfs/fecca%20womens%20policy%202012.pdf>.

³⁶ Federation of Ethnic Communities' Councils of Australia (2012) *Women's Policy Statement: Supporting Australian Women from Culturally and Linguistically Diverse (CALD) Backgrounds*. Accessed from: <http://www.fecca.org.au/images/stories/pdfs/fecca%20womens%20policy%202012.pdf>.

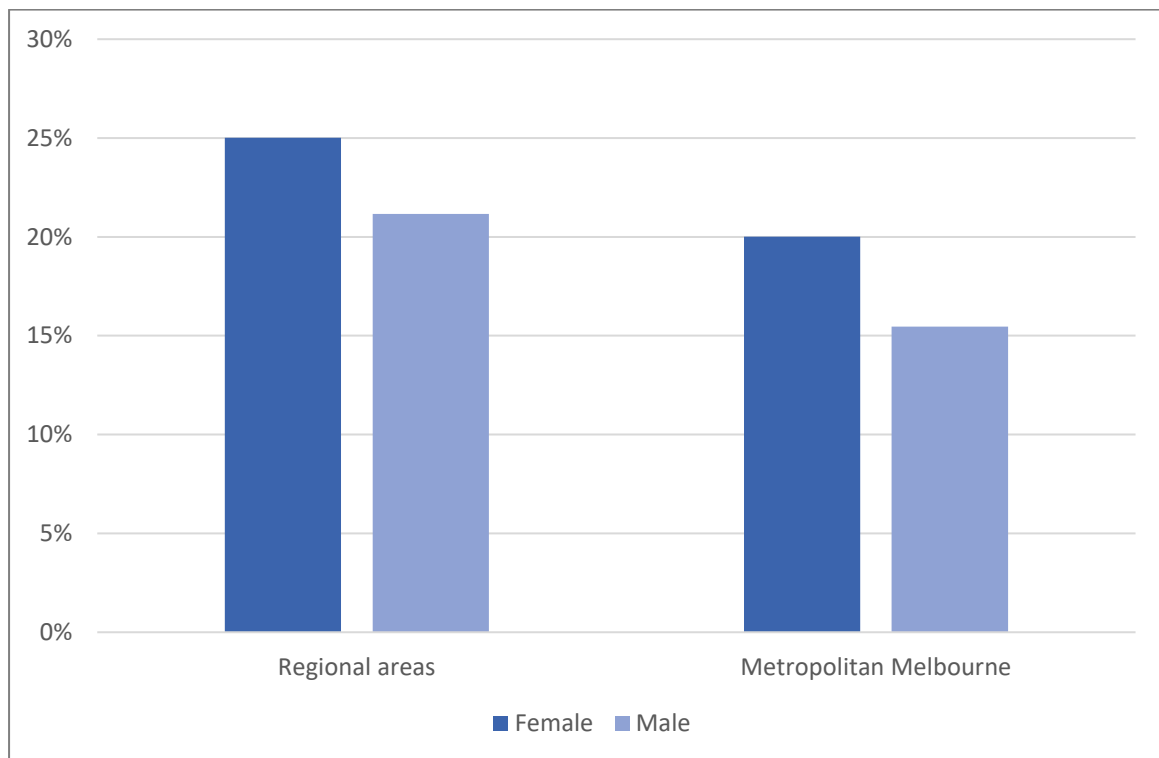
³⁷ ABS Labour Force data, Cat. No. 6291.0.55.001, February 2017 12 month average of original data, persons aged 15 years and over, <http://womensworkforceparticipation.pmc.gov.au/culturally-and-linguistically-diverse-women>

³⁸ Mok, J. "Barriers to CALD women: Education and Employment", Australian Federation of Graduate Women Inc. Undated.

security and education in rural and regional areas of Australia, and higher levels of discrimination, violence and sexism towards women.³⁹

- 124. Women in rural and regional areas are less supported to complete educational qualifications, limiting their access to higher education and well-paid employment. Women often work without pay in family businesses and have little to no superannuation or other entitlements. Studies have found a high tolerance of sexism and discrimination towards women in male-dominated industries such as agriculture and mining.⁴⁰
- 125. A study by Deloitte Access Economics found that women living in outer suburban areas of Melbourne have a 7.2 percentage points lower workforce participation rate than areas within 10 kilometres of the CBD, due to longer commutes making it more difficult for both parents in a couple to work.⁴¹ Since women do the majority of caring work in families, they have a shorter ‘spatial leash’ that limits how far they can commute to a job.⁴²

Figure 15: Percentage of employees on minimum wage by gender, regional and metropolitan Victoria (2016)



Source: ABS Census 2016

³⁹ Australian Human Rights Commission (2017) *A conversation in gender equality* (March 2017). Accessed from: https://www.humanrights.gov.au/sites/default/files/document/publication/AHRC_conversation_gender_equality_2017_2.pdf.

⁴⁰ Australian Human Rights Commission (2017) *A conversation in gender equality* (March 2017). Accessed from: https://www.humanrights.gov.au/sites/default/files/document/publication/AHRC_conversation_gender_equality_2017_2.pdf.

⁴¹ Terrill, D. and Somek, D. (2018) *A tale of two cities—why inclusive growth matters* Deloitte Access Economics (September 2018). Accessed from: <http://blog.deloitte.com.au/tale-two-cities-inclusive-growth-matters/>.

⁴² Kelly, J. and Mares, P. (2013) *Productive cities: Opportunities in a changing economy* Grattan Institute (May 2013). Accessed from: https://grattan.edu.au/wp-content/uploads/2014/04/188_productive_cities.pdf.

126. A strong minimum wage is crucial for women in regional and outer suburban areas to provide them with viable opportunities for participation in the workforce that enhance their economic wellbeing. Compressing the gender gap by increasing minimum wages assists regional and outer suburban women's social inclusion.

Unpaid work, women and the minimum wage

127. Unpaid work and care form a large part of women's contribution to the workforce. Victorian women spend on average 32.9 hours per week on unpaid work and care, 13.8 more hours than men, including an additional 9.3 hours per week on childcare.⁴³ The length of time spent is higher for people from lower socioeconomic status, those from culturally and linguistically diverse backgrounds, and people living in regional areas.
128. The high proportion spent in unpaid work, which peaks for the highly productive age group of 35-44, impacts negatively on women's paid workforce participation by reducing their ability to work full time. Women, particularly in the 35-44 age group, are much more likely to work part time, or in casual and insecure work, due to their unpaid and care responsibilities, which is highly correlated to being paid low, or minimum, wages.⁴⁴ This is even more likely for women from low socioeconomic backgrounds.
129. A strong minimum wage is therefore essential for the economic wellbeing and social inclusion of women, to provide them with a living wage to offset their considerable unpaid work and care activities. It is particularly important for women from low socio-economic backgrounds, such as Aboriginal women, CALD women, and women living in regional areas.

⁴³ Deloitte Access Economics (2018) *Modelling the value of unpaid work and care*. Report prepared for Office for Women, Department of Health and Human Services (October 2018).

⁴⁴ Deloitte Access Economics (2018).

Part 4: Providing a comprehensive range of fair minimum wages to junior employees, employees to whom training arrangements apply and employees with a disability

Summary

130. Young people make up a significant percentage of minimum wage workers in Victoria. An increase in the minimum wage could provide incentives for more young people, particularly women, to enter the labour force, as the benefits of work relative to study and transfer payments become greater. A strong minimum wage also contributes to the economic wellbeing of apprentices.
131. People with disability are more likely to be on the minimum wage than people without disability. People with disability often have higher expenses in conjunction with a lower income. Thus, a strong minimum wage is critical to the economic inclusion and participation of people with disability.

Victorian youth employment and unemployment

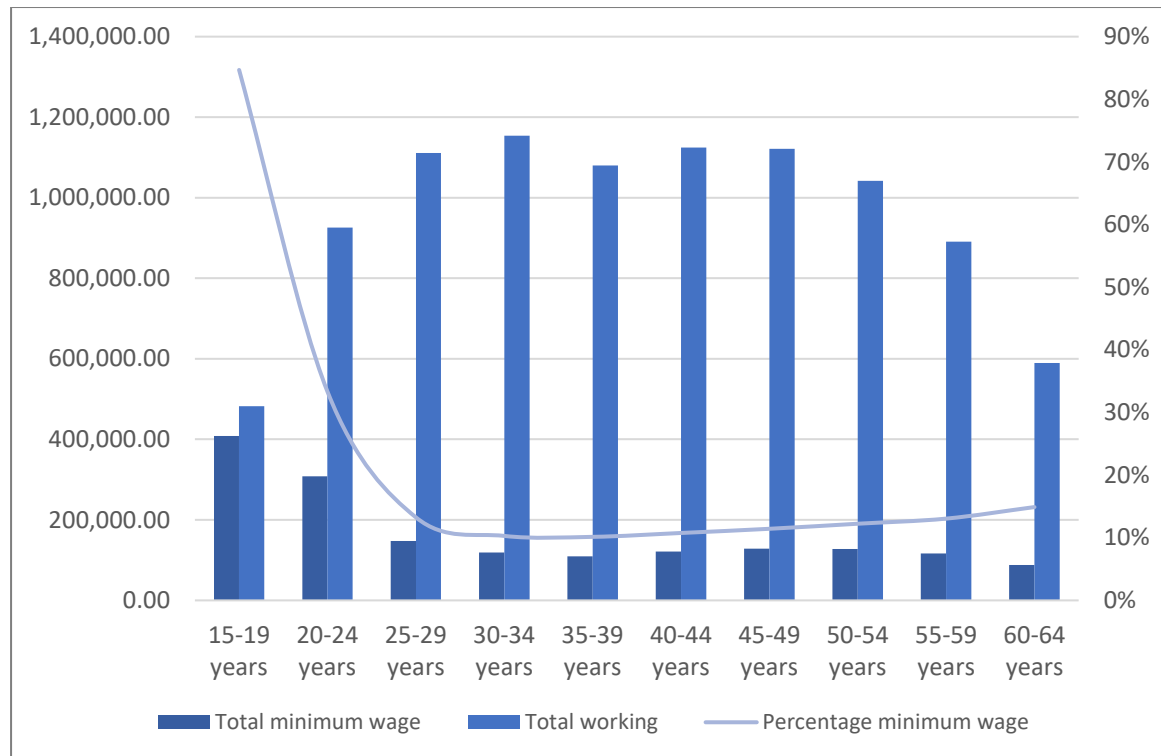
132. An increase in the minimum wage could provide incentives for more young people, particularly women, to enter the labour force, as the benefits of work relative to study and transfer payments become greater. A strong minimum wage also contributes to the economic wellbeing of apprentices.
133. In the year to January 2019, 9.4 per cent of young Victorians were not in full-time education and were either unemployed or not in the labour force. Victoria's youth labour force participation rate averaged 64.7 per cent in the year to January 2019. Participation was highest among those not studying full-time (85.4 per cent) and lowest for those attending full-time education (49.4 per cent). In the year ending January 2019, 57.5 per cent of Victoria's youth were in full-time education.
134. Year-average youth employment increased by 14,900 persons (+3.1 per cent) over the year to January 2019, led by an increase in full-time employment of 12,700 persons (+6.3 per cent) and part-time employment of 2,200 persons (+0.8 per cent). This compared to year-average employment growth of 2.7 per cent across the rest of the labour market over the same period.
135. Victoria's youth unemployment rate fell to an average of 11.1 per cent over the year to January 2019, down from 13.1 per cent a year ago and below the national average of 11.7 per cent.

Young people and the minimum wage

136. Young people make up a significant percentage of minimum wage workers in Victoria (Figure 16). This is partly due to young people seeking entry-level positions due to a lack of

work experience, as well as young people working part time while studying. Young people aged 20 to 24 are far more likely to work part-time compared with 40 years ago.⁴⁵

Figure 16: Percentage and number of minimum wage employees by age range (2016)



Source: ABS Census 2016

137. Some young people will transition from the minimum wage to higher wages as they gain experience and qualifications. The current employment market, however, is characterised by decreasing job security, higher rates of youth unemployment (particularly in regional areas), and an increase in casual, temporary, part-time and freelance work modes.⁴⁶ Casualisation is particularly prevalent in food services and retail, which have a high proportion of young workers.⁴⁷ Fifty-five per cent of young people worked in casual employment in 2017.⁴⁸ As a result, young people are vulnerable to continued low wages and fewer opportunities to advance to better-paid positions.

⁴⁵ Brotherhood of St Laurence (2018) *Part-time Purgatory—Young and Underemployed in Australia* (December 2018). Accessed from: http://library.bsl.org.au/jspui/bitstream/1/11030/1/BSL_Part-time_purgatory_young_and_unemployed_Dec2018.pdf.

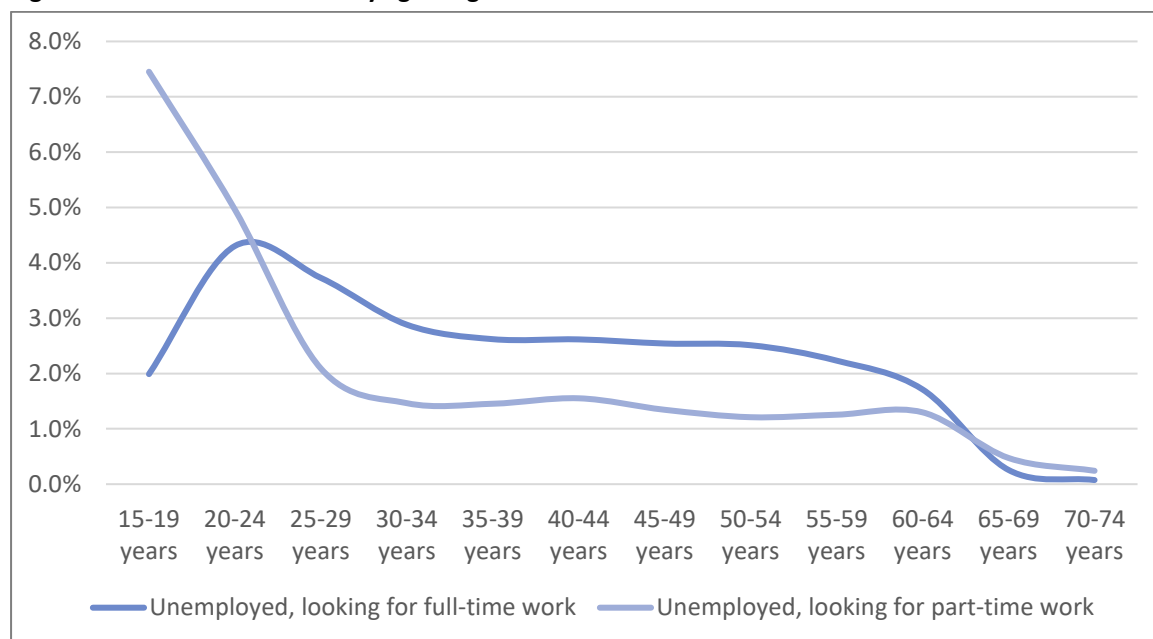
⁴⁶ VicHealth and CSIRO (2015) *Bright Futures: Megatrends impacting the mental wellbeing of young Victorians over the coming 20 years*. Accessed from: <https://www.vichealth.vic.gov.au/media-and-resources/publications/youth-megatrends-report>.

⁴⁷ Dhillon, Z. and Cassidy, N. (2018) "Labour Market Outcomes for Younger People" Reserve Bank of Australia (June 2018). Accessed from: <https://www.rba.gov.au/publications/bulletin/2018/jun/pdf/labour-market-outcomes-for-younger-people.pdf>.

⁴⁸ Dhillon, Z. and Cassidy, N. (2018)

138. In addition, young people have a high unemployment and underemployment rate,⁴⁹ much higher than older cohorts (Figure 17. Many young people struggle to gain employment and to work enough hours to support themselves. For Victorian youth, the most commonly cited barriers to finding work were school responsibilities, lack of skills/experience and lack of available jobs (identified by 18.4%, 12.9% and 10.2% of Victorian respondents respectively).⁵⁰

Figure 17: Workforce status by age range



Source: ABS Census 2016

139. The prevalence of young people in casual and part-time roles means they are less likely to have training and development opportunities, do not receive paid leave entitlements, have precarious tenure and experience a bargaining imbalance with their employer.⁵¹ Casual and freelance or ‘gig’ employment in particular leads to lower superannuation savings and a reduced likelihood of owning property, resulting in a greater likelihood of impoverishment in later life.

140. Young apprentices earn below the minimum wage, but their pay rates are indexed to the minimum wage. They are some of the lowest paid workers in Victoria. A strong minimum wage contributes to the economic wellbeing of apprentices.

141. Young women are more likely to earn the minimum wage than young men. They are disproportionately concentrated in jobs in the service industry that pay low wages, and

⁴⁹ Wilkins, R. and I. Lass (2018) *The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 16*. Melbourne Institute. Accessed from:

<https://melbourneinstitute.unimelb.edu.au/hilda/publications/hilda-statistical-reports>.

⁵⁰ Brotherhood of St Laurence (2018)

⁵¹ VicHealth and CSIRO (2015)

are subject to casualisation, such as retail and food services.⁵² Women earn less throughout their lives, leading to fewer savings and other assets in retirement.

142. An increasing number of young people are disengaging from the workforce due to a lack of jobs or mismatch with qualifications. These rates are higher for women, young people with disabilities, indigenous youth and young people with lower levels of education.⁵³
143. A strong minimum wage is therefore critical for the economic wellbeing of young people, particularly those from vulnerable cohorts, to provide them with opportunities to save, to contribute meaningfully to the workforce and for their long-term social inclusion. A strong minimum wage can also provide an incentive for disengaged young people to engage with the workforce. A strong minimum wage compresses income inequality, reducing the effect of intergenerational income disadvantage for young people from vulnerable cohorts.

The minimum wage and people with disability

144. People with disability are more likely to be on the minimum wage than people without disability. In addition, people with disability often have higher expenses in conjunction with a lower income. Thus, a strong minimum wage is critical to the economic inclusion and participation of people with disability.
145. People with disability are statistically more likely to be on, or under, the minimum wage, than people without disability. They are overrepresented in the lowest two quintiles of household income. They are more likely than people without disability to work in lower skilled occupations such as labourers, clerical and administrative workers, and less likely to be professionals or managers.⁵⁴ These occupations are more likely to have wages near or on the minimum wage. The median income of people with disability in Victoria is 22 per cent lower than persons without disability.⁵⁵
146. Having a disability often means incurring costs for physical or other adaptive assistance (such as counselling for mental disability) which takes a larger share of disposable income than for a person without disability. Many people with disability can be economically worse off when engaging in employment, if that employment is part time, casual or low-paid. This can be due to the costs associated with employment, particularly travel expenses.
147. Depending on where a person with disability lives, they may be more or less likely to have accessible transport options. Accessibility may limit the jobs they can apply for, and they may also need to live in a more expensive area to utilise accessible transport. This is particularly challenging for people living in rural and regional areas.

⁵² Unions ACT (2018)

⁵³ Dhillon, Z. and Cassidy, N. (2018)

⁵⁴ ABS (2015) *Survey of Disability, Ageing and Carers*.

⁵⁵ State of Victoria (2018) *Every Opportunity*, January 2018.

148. People with disability are less likely to be employed, and more likely to be underemployed.⁵⁶ Where a disability prevents a person from working full time or working regular hours, this may also prevent them from progressing to more senior and better paid positions.⁵⁷ People with disability have a lower likelihood of transitioning from underemployment to full employment and a higher likelihood of becoming non-employed, than people without disability.⁵⁸
149. People with disability experience a higher rate of discrimination and unfair treatment in the workplace, which can lead to lower workforce participation. The Survey of Disability, Ageing and Carers 2015 found that over one quarter of men and over one in five women avoided work in the previous 12 months because of discrimination associated with their disability.
150. Some people with intellectual disability work in Australian Disability Enterprises where their income can be below the minimum wage, but generally indexed to it, at a percentage that is based on an assessment of their productive capacity, thereby rendering them again amongst some of the lowest paid members of the workforce.
151. The rate of disability increases with age. Older people with disability are likely to experience disability-related discrimination, lower employment prospects and limited opportunities to save for funds in retirement. In addition, people with disability have a lower rate of home ownership (32%) compared with people without disability (41%), making them more likely to experience poverty in retirement.⁵⁹
152. Women with disability experience gender-based as well as disability-based discrimination and disadvantage in the workplace. Women with disability have a lower labour force participation rate of 49.4 per cent, compared with men with disability (57.8%).⁶⁰ ABS Census data on disability and employment is limited to a need for assistance with core activities, which does not encompass the full range of disability. Looking at this dataset only, a higher proportion of men requiring assistance with core activities are on the minimum wage than women, which may be due to more physical work environments. However, even in this dataset, women with disability on the minimum wage outnumber men with disabilities by more than 100,000 (Figure 18).⁶¹

⁵⁶ Milner A, King T. L., LaMontagne A.D., et al. *Journal of Epidemiol Community Health* 2017. 71:1198–1202.

⁵⁷ Australian Human Rights Commission (2016) *Willing to Work National Enquiry*. Fair Work Commission (2018) *Characteristics of workers earning the national minimum wage rate and of the low paid*, February 2018.

⁵⁸ Fair Work Commission (2018) *The characteristics of the underemployed and the unemployed*, February 2018.

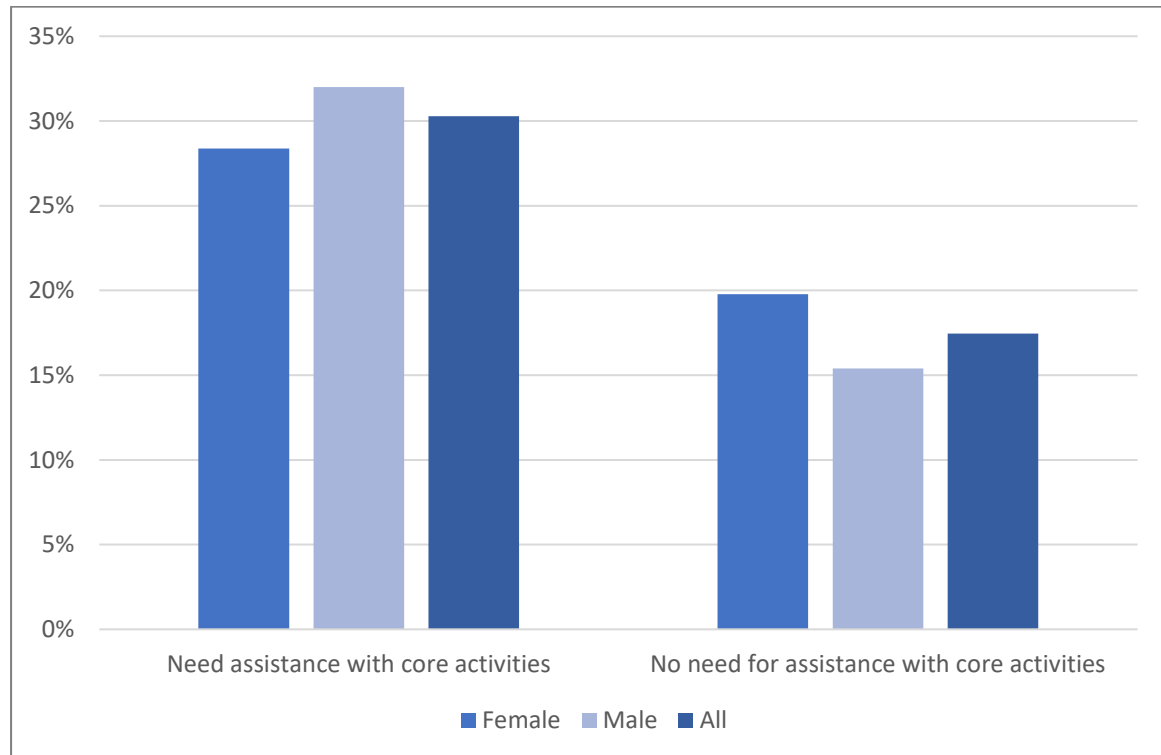
⁵⁹ State of Victoria, *Every Opportunity*, January 2018.

⁶⁰ Australian Human Rights Commission (2016) *Willing to Work: National Enquiry into Employment Discrimination Against Older Australians and Australians with Disability* (May 2016). Accessed from:

https://www.humanrights.gov.au/sites/default/files/document/publication/WTW_2016_Full_Report_AHRC_ac.pdf

⁶¹ ABS, analysis of 2016 Census data for Victoria.

Figure 18: Proportion of women and men with disability on the minimum wage



Source: ABS Census 2016

153. In all areas of social and economic participation, including housing security, income, employment and education, women with disability are disadvantaged compared to people without disability, as well as men with disability. A strong minimum wage can mitigate against further income disadvantage for women with disability and reduce their risk of poverty.

Part 5: Promoting social inclusion through increased workforce participation

Summary – The role of minimum wages in promoting economic inclusion

154. A fair minimum wage greatly assists groups on low incomes by providing a wage floor from which other wages are determined. It enables those on low incomes to meet their needs, and to be socially and economically included. A fair minimum wage assists those vulnerable cohorts on low wages to contribute to the economy in Victoria and more broadly, leading to greater economic growth.
155. People whose identity crosses two or more vulnerable cohorts experience intersectional disadvantage and discrimination. They are disproportionately more likely to be low paid, to be in tenuous working arrangements, underemployed, unemployed, and affected by underpayment of wages. Vulnerable cohorts include Aboriginal Victorians, people with disability, women, young people, LGBTI+ people, people living in regional areas, and some groups of seniors.
156. For example, indigenous Victorians with disability experience a higher rate of discrimination, both racially-based discrimination and stereotyping as well as disability-based discrimination.⁶² They are significantly less likely than non-indigenous people with disability to be employed (25.6% compared with 48.7%).⁶³
157. People experiencing multiple disadvantage are greatly assisted by a fair minimum wage, that helps to compress wage gaps due to marginality and discrimination, to earn a living wage and provide for themselves and their families, and to save for retirement.

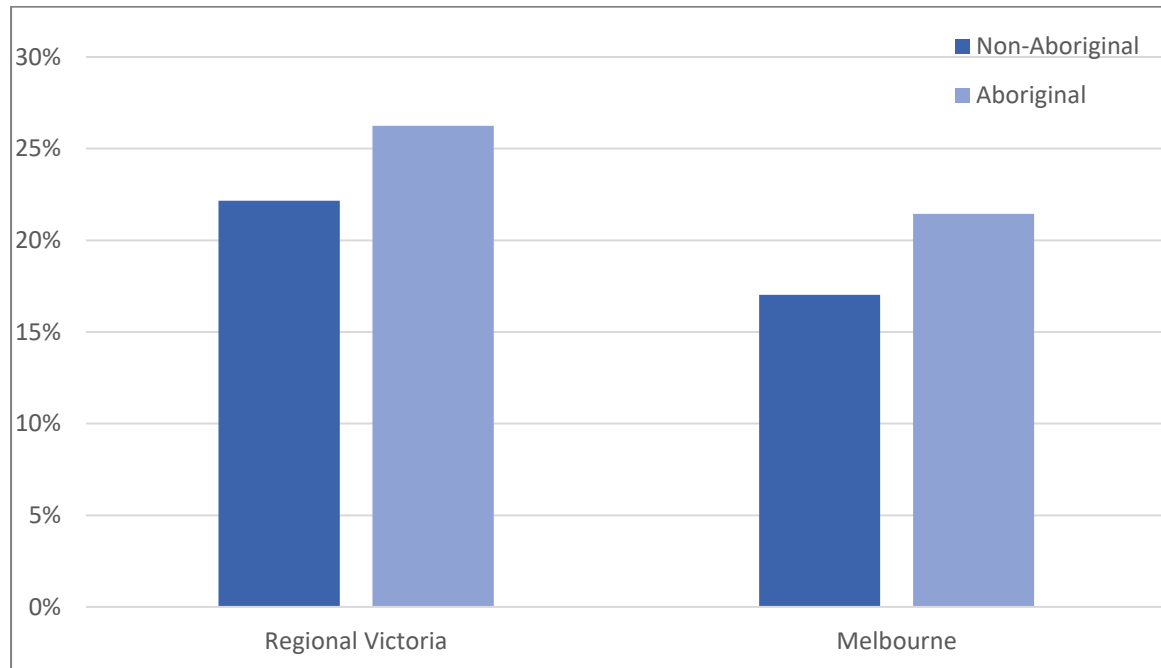
Aboriginal Victorians and the minimum wage

158. Aboriginal Victorians are more likely to be on the minimum wage across the board than non-Aboriginal Victorians. Factors affecting this include a higher proportion living outside metropolitan Melbourne, a younger age profile and lower education levels. A strong minimum wage is critical to the economic and social inclusion of Aboriginal Victorians and assists their participation in the workforce.
159. According to the 2016 census, a higher proportion of Aboriginal Victorians are on the minimum wage compared with non-Aboriginal Victorians. The likelihood is increased for Aboriginal Victorians living in rural and regional areas of Victoria, compared with metropolitan Melbourne. Aboriginal Victorians are more likely than non-Aboriginal Victorians to live in regional areas, making them more likely to be on the minimum wage (Figure 19).

⁶² First Peoples Disability Network, *Intersectional Dimensions on the Right to Health for Indigenous Peoples—A Disability Perspective*, February 2016.

⁶³ ABS, Cat. No. 4714.0 *Social and Economic Wellbeing of Aboriginal and Torres Strait Islander People with Disability*, March 2017.

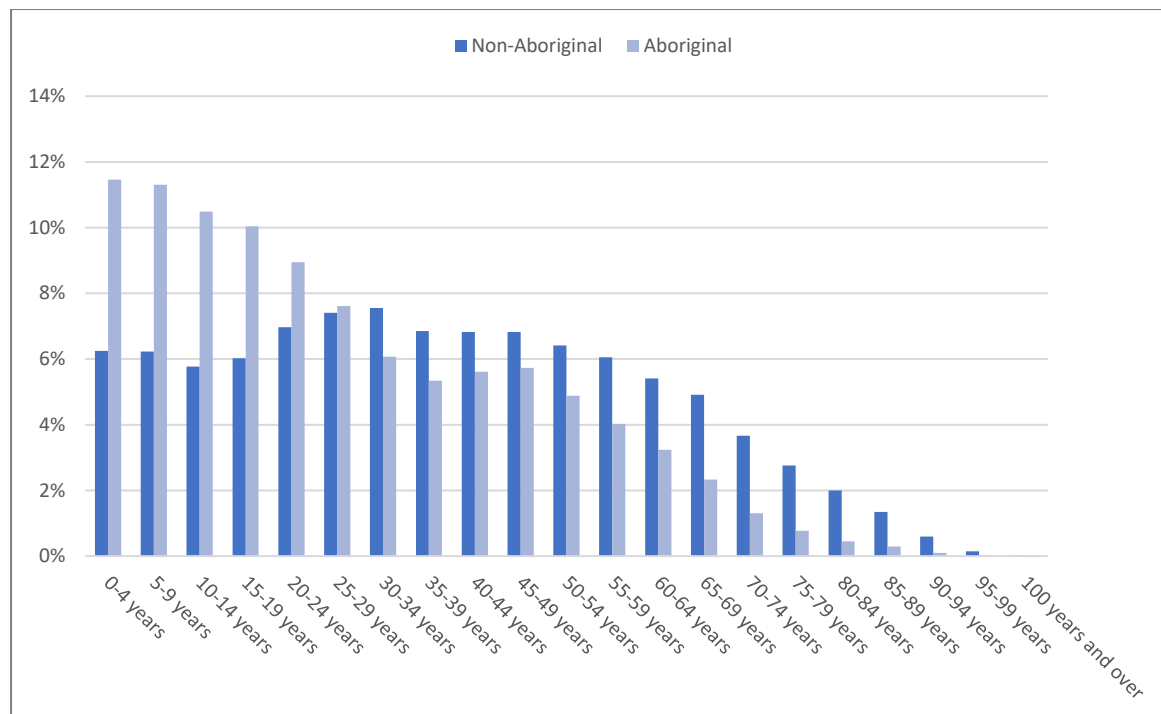
Figure 19: Proportion of Aboriginal and Non-Aboriginal Victorians on minimum wage by region (2016)



Source: ABS Census 2016

160. The median age for Aboriginal Victorians is much younger than for non-Aboriginal Victorians, with a large proportion of the population aged between 0 to 29 years (Figure 20). Young people have a much greater likelihood of being on the minimum wage, meaning that a larger proportion of Aboriginal Victorians are likely to be on the minimum wage.

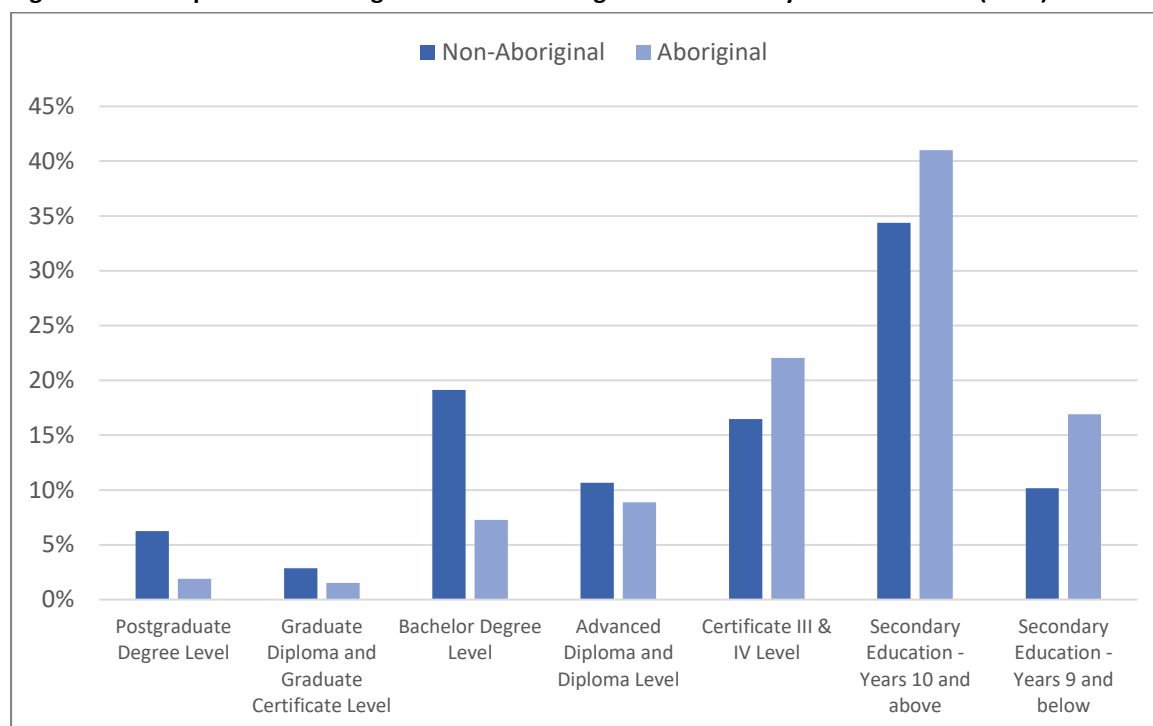
Figure 20: Age profile of Aboriginal and Non-Aboriginal Victorians (2016)



Source: ABS Census 2016

161. Aboriginal Victorians are also more likely than non-Aboriginal Victorians to have certificate level or secondary education, and less likely to have higher degree qualifications. Lower levels of education are linked to a higher likelihood of employment on the minimum wage and may pose challenges to attaining better paid positions (Figure 21).

Figure 21: Proportion of Aboriginal and Non-Aboriginal Victorians by education level (2016)



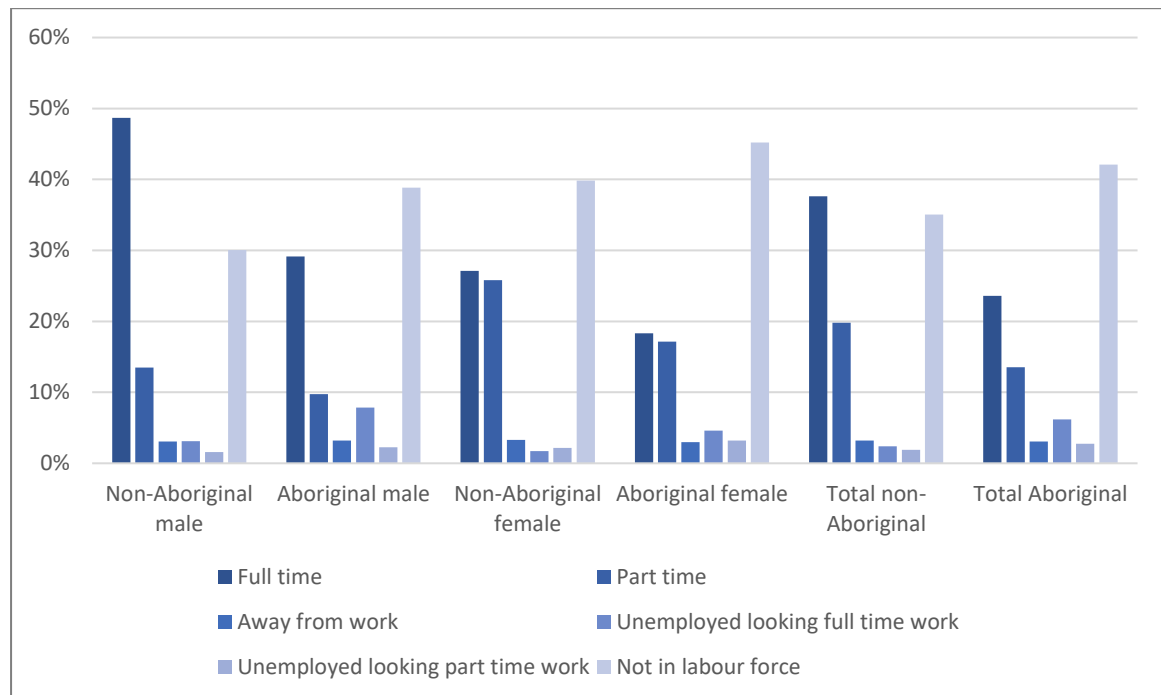
Source: ABS Census 2016

162. Aboriginal Victorians are more likely than non-Aboriginal Victorians to have more than four people living in a household, and Aboriginal households are twice as likely to have multiple families in one household than non-Aboriginal households.⁶⁴ If only one person in a household is earning an income, and supporting the household, on the minimum wage, this wage is supporting many more people than it was initially designed to support. This makes having a strong minimum wage critical to the economic wellbeing of Aboriginal Victorians.

163. A higher percentage of Aboriginal Victorians are unemployed or not in the labour force compared with non-Aboriginal Victorians. A strong minimum wage can provide an incentive to those who are not working to seek employment, since it will provide a more adequate level of income to allow them to support their families (Figure 22).

⁶⁴ ABS, analysis of 2016 census data for Victoria.

Figure 22: Proportion of Aboriginal and Non-Aboriginal Australians by labour force status and gender (2016)



Source: ABS Census 2016

CALD communities and the minimum wage

164. The minimum wage is critical for the economic and social inclusion of migrants from non-English speaking countries. Migrants from culturally and linguistically diverse (CALD) communities are much more likely to work in low-paid industries and insecure employment, and to live in areas of high unemployment.
165. Migrants are a diverse group in terms of income, with migrants from main English-speaking countries likely to be on higher incomes than both Australian-born people and migrants from non-English speaking countries.⁶⁵ Non-English-speaking migrants are also a diverse group, including humanitarian migrants, skilled migrants and short-term migrants.
166. Non-English-speaking migrants, as a group, are more likely to be on lower incomes.⁶⁶ According to the 2016 census, nearly one third of non-English speaking migrants in Victoria had no weekly income, compared with 8 per cent of people who speak English only.
167. Non-English-speaking migrants are also more likely to live in outer areas of metropolitan Melbourne that are characterised by high unemployment and other factors associated

⁶⁵ Yuen, K, Ellis, G. and Nelms, L. (2018) *Characteristics of workers earning the national minimum wage rate and of the low paid*. Fair Work Commission, February 2018. Productivity Commission (2018) *Rising Inequality? A Stocktake of the Evidence*. August 2018.

⁶⁶ Nelms, L. and Tsingas, C. (2010) *Literature review on social inclusion and its relationship to minimum wages and workforce participation*. Fair Work Australia, February 2010.

with social and economic exclusion, such as poorer quality housing and limited transport options. Transport is a critical factor for migrants to access employment.

168. Language barriers, along with a lack of recognition of qualifications, can pose significant challenges for work for non-English speaking migrants. This often results in employment in low-skilled, low paid and insecure jobs in industries such as food processing, hospitality, cleaning, construction, distribution, security, and care work.⁶⁷ Language, literacy, cultural and practical barriers lead to little bargaining power and few opportunities for advancement to better paid jobs. Migrants in this group are also vulnerable to exploitation, where they may be subject to underpayment and other substandard working conditions.
169. One migrant who is working may support many non-working family members (particularly due to high rates of unemployment), or remit money to family overseas, meaning that the minimum wage is supporting a much greater number of individuals than it was initially designed for.
170. Intergenerational effects mean that the children of CALD migrants will often experience similar disadvantage to their parents, despite having greater skills in language and Australian qualifications.
171. International students and temporary migrant workers are at high risk of earning below the minimum wage with some employers confiscating passports or threatening them with deportation if they complain. Poorly paid jobs are particularly concentrated in the food services, retail and cleaning areas, industries which are already characterised by low / minimum wages.⁶⁸
172. A strong minimum wage is therefore a critical factor in the social and economic inclusion of migrants, and their families, from CALD communities. In addition, given the high unemployment rate of migrants from CALD communities, increasing their workforce participation would have a substantial benefit for the economy.

LGBTI+ people and the minimum wage

173. Many LGBTI+ people experience discrimination, harassment and stigma in the workplace,⁶⁹ and some are more likely to be unemployed, earn less or have slower career progression than the rest of the Australian population.⁷⁰ A study by the International Labour Organization found that transgender individuals in the UK suffer the most discrimination in employment.⁷¹ Research indicates that lesbian and bisexual women,

⁶⁷ Hemingway, C. (2016) *Not just work: ending the exploitation of refugee and migrant workers*. WEStjustice.

⁶⁸ Berg, L. and Farbenblum, B. (2017) *Wage theft in Australia: Findings of the National Temporary Migrant Work Survey*, November 2017.

⁶⁹ State of Queensland (2017) *Queensland Public Sector LGBTIQ+ inclusion strategy*, March 2017.

⁷⁰ NCOSS (2015) *Beyond the myth of 'pink privilege': Poverty, disadvantage and LGBTI people in NSW*, October 2015.

⁷¹ Ozturk, M. B. and Tatli, A. (2015) "Gender identity inclusion in the workplace: broadening diversity management research and practice through the case of transgender employees in the UK" *The International Journal of Human Resource Management*.

bisexual men, and transgender people are particularly likely to experience poverty as well as workforce discrimination.⁷² This suggests that these groups in particular are more likely to be on low, or minimum wages.

174. The 2016 census indicates that gender diverse people are more likely to be economically marginalised than those in the general population. This census was the first to collect some data on gender diversity. According to sample data collected, gender diverse people tend to be younger in age, they work in a range of industries and are more likely to be highly educated than the rest of the Australian population.⁷³ They are, however, on lower median incomes (\$467 per week) compared with males (\$835) and females (\$536), suggesting that they are more likely to earn the minimum wage, or close to it. Gender diverse people also have a lower workforce participation (55%) than males (65%) but like females (56%).
175. A study by NCOSS in found that, because of homophobia and sexism, young lesbian women are less likely to secure employment, have lower personal incomes and are more likely to lose a job than heterosexual people.⁷⁴ The effects of prolonged exposure to disadvantage affects older women in the LGBTI+ community, who generally have lower savings and other resources in retirement.⁷⁵
176. Due to the higher likelihood of LGBTI+ people being in low paid jobs, a strong minimum wage is important to increase the income floor, to compress income inequality with higher-paid cohorts as well as improve the economic wellbeing and social inclusion of LGBTI+ people on low incomes. This is particularly critical for lesbian and bisexual woman, bisexual men, and transgender and gender diverse people.

Seniors and the minimum wage

177. Older workers have a slightly increased likelihood of being on the minimum wage, with the percentage of those on the minimum wage increasing gradually from age 40 onwards. The unemployment rate declines with age, as does the underemployment rate.⁷⁶ However, there is an increase in the percentage not in the labour force from age 50 onwards, suggesting that some older people may choose to disengage from the workforce due to difficulty finding work.⁷⁷
178. The HILDA report for 2018⁷⁸ noted that income inequality among people aged 65 and over is very high compared with the national average and increased substantially between 2003 and 2008. It has remained more than 0.34 since 2008. This suggests that some seniors are very well off, possibly due to an increase in the number of people retiring with

⁷² NCOSS (2015).

⁷³ ABS (2018) *Sex and gender diversity: Characteristics of the responding population*, March 2018.

⁷⁴ NCOSS (2015).

⁷⁵ NCOSS (2015).

⁷⁶ Wilkins, R. and Lass, I. (2018), *The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 16*. Melbourne Institute.

⁷⁷ Australian Bureau of Statistics, analysis of 2016 census data for Victoria.

⁷⁸ Wilkins and Lass 2018.

significant superannuation and other assets, while some are very economically disadvantaged, with their incomes declining as they retire.⁷⁹

179. Older people who are disadvantaged include single people renting, as well as other vulnerable cohorts, such as women, indigenous people, people with disability, people from CALD communities and transgender people, who are more likely to be on low wages. Their lower earning rate and fewer assets accumulated during their working lives makes them much more likely to be impoverished as seniors, working until late in life and then dependent on the pension in retirement.
180. Seniors are more likely to experience disability, which affects their economic participation and may disadvantage them in finding or continuing employment. A strong minimum wage is therefore critical for these vulnerable cohorts in their later lives to help compress the wage gap and provide an adequate wage for low-income seniors to improve their economic wellbeing and social inclusion. A strong minimum wage will assist those working later in life to save funds for retirement.

Geographic dimensions of the minimum wage

181. There are differences in the economic inclusion of Victorians based on geographic differences. Firstly, people living in regional areas in Victoria are more likely to be on the minimum wage than those in metropolitan Melbourne.⁸⁰
182. A submission to a Victorian parliamentary enquiry found that regional employees earn seven per cent less per year than metropolitan employees.⁸¹ In addition, higher paying jobs in professional areas are concentrated in metropolitan Melbourne.
183. The SEIFA (Socio-economic index for areas) index for disadvantage shows that many rural areas are considered economically disadvantaged, with a few isolated wealthy pockets of regional Victoria near Bendigo, Macedon, the Great Ocean Road and Mornington Peninsula.
184. Secondly, within Melbourne, unemployment and lower wages are more prevalent in some areas than others. Research by Jesuit Social Services and Catholic Social Services indicates that entrenched poverty and disadvantage is geographically concentrated.⁸² This includes indicators such as unemployment, domestic violence, criminal convictions and disengaged young people.⁸³
185. There has been an increasing centralisation of businesses in the Melbourne CBD, particularly since 2011.⁸⁴ In addition, Research by Deloitte Access Economics found that,

⁷⁹ Wilkins and Lass 2018.

⁸⁰ ABS, analysis of 2016 census data for Victoria.

⁸¹ Parliament of Victoria *Inquiry into penalty rates and fair pay*. July 2018.

⁸² CEDA (2018) *How unequal? Insights on inequality*, April 2018.

⁸³ SEIFA index, disadvantaged areas include Dandenong, North Geelong and Melton.

⁸⁴ Rasmussen, B. (2016) *Changing business location: Economic geography of the West of Melbourne*, Victoria University, October 2016.

due to poorer access to jobs, residents in outer suburban areas of Melbourne have lower workforce participation and earn on average 21 per cent less than people living within 10 kilometres of the CBD.⁸⁵ Workforce participation is particularly low for women living 30 kilometres from the CBD, 7.2 percentage points lower than areas within 10 kilometres of the CBD. In fact, regional centres in Victoria perform better on many economic and social indicators than outer suburban areas of Melbourne.⁸⁶

186. A strong minimum wage is crucial to reduce disparities in earnings between people living in rural and regional areas and those in metropolitan areas, and people living in inner, and outer, parts of Melbourne. It will also help to boost economic growth in outer suburban, rural and regional areas, which will increase the social inclusion and workforce participation of these areas.

⁸⁵ Terrill, D. and Somek, S. (2018) *A tale of two cities—why inclusive growth matters*, Deloitte Access Economics, September 2018.

⁸⁶ Terrill, D. and Somek, S. (2018).

Submission conclusion

187. Nearly 2.3 million Australian workers are directly reliant on minimum rates of pay and therefore dependent on the outcomes of the Annual Wage Reviews. Certain cohorts of workers who have been identified as vulnerable, rely on the National Minimum Wage and face challenges relating to their economic participation and income security including significant income equality gaps, a heavier reliance on income from wages, underemployment and a marginalised position in the labour force.
188. The National Minimum Wage and award minimum wages can play a significant role in helping to address the disadvantages faced by these cohorts. By appropriate and regular increases in minimum wages, the FWC confers upon the low paid a benefit that many would be unable to obtain through bargaining, because of their low (paid) value to employers.
189. The FWC should also note that the impact of its decision in the community has increasing significance, due to increased award reliance and reductions in wages outcomes for low paid cohorts of workers (particularly those affected by the reductions in penalty rates). Further, and even with increases to the National Minimum Wage, many workers are suffering 'wage theft' and increased precariousness due to the 'on-demand' economy.
190. The Victorian Government submits that in its 2018-19 AWR, the FWC should increase the National Minimum Wage to \$20.00 per hour. The FWC should also award a fair and reasonable increase to all award minimum wages in the 2018-19 AWR.