Re: Submissions to the 2008 minimum wage review

Dear Professor Harper,

I write to you to thank you for the opportunity to contribute to the Commission's 2008 minimum wage review.

WACOSS, although not making a formal submission due to capacity constraints, endorses minimum wage increases and welcomes an increase in the real value of the Federal Minimum Wage (FMW) in the period since the final Safety Net Review decision by the Australian Industrial Relations Commission.

In addition to this, WACOSS endorses the recommendations of the Australian Council of Social Service (ACOSS) in their 2007 submission to the minimum wage review, namely;

- that benchmark estimates to obtain a decent basic standard of living be used when making decisions on minimum wage
- that the minimum wage be well above poverty levels; to ensure that employees can live in dignity, and to preserve work incentives by setting minimum wages higher than social security payments
- to take into account the effect of minimum wage and family payment on poverty in families when setting minimum wage
- to increase minimum wages in order to keep in line with general wage increases

Finally, I would like to provide you with an update to research conducted by WACOSS in August 2007 on the rising cost of living in Western Australia. This update reports that for most West Australians, wage increases are not keeping up with the soaring cost of living, meaning that even in times of great prosperity, low income earners and people experiencing disadvantage are faced with significant financial hardship.

From this research we know that from June 2006 to January 2008, household costs have increased by approximately $102/week, representing a 25% increase in basic household items. With wage increases of only 7.8% to compensate, this is leaving West Australian families worse off by $57/week. In light of this WACOSS also endorses as a bare minimum the ACTU's bid to lift wages by at least $26/week – but even this does not go far enough in a Western Australian context at present.

If you have any further questions, please do not hesitate to contact Irina Cattalini, Director Social Policy on 08 9420 7222

Yours sincerely,

Lisa Baker
Executive Director
WACOSS
The scenario below draws a picture of the effect rising living costs are having on low-income families and shows that from June 2006 to January 2008, households costs increased by approximately $102 per week just on basic living expenses. This represents a 25% price increase in the cost of the basic essentials of food and rent. During the same period average wages in WA increased by around 7.8%. This means the WACOSS scenario family is worse off by $57 per week. The net position of our family shows that for most Western Australian households, wage rises are not keeping up with the cost of living.

**Assumptions:** Household is a family with only one parent in full time employment, renting with two dependent age children. Typical additional household expenses not included in the scenario are items such as fuel, clothing and footwear, education, financial fees/insurance, motor vehicle maintenance/repairs and recreation. The table should be read in conjunction with the WACOSS August 2007 *Rising Cost of Living* in WA Report.

<table>
<thead>
<tr>
<th>Weekly expense</th>
<th>Income</th>
<th>Food and non-alcoholic beverages</th>
<th>Housing</th>
<th>Total Increase in Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>June 2006</strong></td>
<td>$565²</td>
<td>$174³</td>
<td>$240</td>
<td></td>
</tr>
<tr>
<td><strong>June 2007</strong></td>
<td>$592⁴</td>
<td>$191⁵</td>
<td>$290</td>
<td>$71 p/w</td>
</tr>
<tr>
<td><strong>Jan 2008</strong></td>
<td>$610⁶</td>
<td>$196⁷</td>
<td>$320⁸</td>
<td>$31 p/w</td>
</tr>
<tr>
<td><strong>Change from June 2006 to Jan 2008</strong></td>
<td>$45</td>
<td>$22</td>
<td>$80</td>
<td>$102 p/w</td>
</tr>
</tbody>
</table>


⁵ plus 10% rise from 2006 to 2007 in 'food and basic essentials' recorded on page 4 of The *Rising Cost of Living - WACOSS Paper* (based on ABS Average Retail Prices of Selected Items, Eight Capital Cities, June 2006 and 2007).

⁶ $610 is the figure after applying the June 07 – Dec 07 WA wage price index of 3% (calculating the 1.8 percentage rise Sept 07 quarter and 1.3 percentage rise for December quarter to footnotes two [http://www.abs.gov.au/AUSSTATS/abs@.nsf/1721ea037b99ef7f02ca2573f4000d1b99/$File/63450_dec%202007.pdf](http://www.abs.gov.au/AUSSTATS/abs@.nsf/1721ea037b99ef7f02ca2573f4000d1b99/$File/63450_dec%202007.pdf)).
