SUBMISSION TO

THE AUSTRALIAN FAIR PAY COMMISSION
ON THE
REVIEW OF THE MINIMUM WAGE

FROM THE YOUTH AFFAIRS COUNCIL OF SA
1. **Background:**

The Youth Affairs Council of South Australia (YACSA) welcomes the opportunity to have input into the Australian Fair Pay Commission’s award modernisation process and review of the minimum wage.

YACSA is the non-government peak body representing the youth sector and young people in South Australia. YACSA was established in 1980 in response to the growing number of non-government agencies facing a range of complex youth issues and the growing number of agency workers needing to specialise in youth programs and services.

YACSA has over 300 members, representing both the youth sector and young people in SA. Its membership includes key non-government, state government and local government stakeholders and a number of youth housing and homelessness services operating within the state. YACSA works to encourage young people, and those working with and for them, to achieve meaningful improvements in the quality of young people’s lives.

YACSA advocates for the interests of young people to be taken into account in the formation of public policy. The objectives of public policy must be the elimination of poverty, exploitation, alienation and all forms of discrimination and it must lead to the expansion of opportunity for all. The first priority of this social justice approach is to guarantee the right of all to the common wealth. This means that the prime objective of our efforts, in addition to special programs for those who are disadvantaged, must be to tackle the structural causes of exclusion and intolerance.

The community entrusts governments to ensure economic policy, political processes and social programs address the basic needs and social harmony of all young people. YACSA’s concern is not only about the current rights of young people, but also what is required to safeguard the future so as not to deprive the community of the resource that it has in young people.

2. **Introduction:**

As the peak body representing young people aged 12-25 and the youth sector in South Australia, YACSA has long advocated for reform of youth wages and recognises that young people confront many issues within the labour market.

Since the mid 1980s, Australia has experienced high unemployment amongst young people. In May 2005, the South Australian 12-month average full-time employment rate for 15 to 19 year olds was 24.1%; over the past number of years South Australia has had persistently high youth unemployment and consistently recorded one of the worst youth unemployment rates amongst the states and territories.
When young people are unemployed for a sustained period they are most likely to be suffering significant material and personal hardship; the long-term costs of youth unemployment fall not only to the individual but to the community as a whole.

Casual employment in South Australia is also higher than the national average, with many of those seeking employment having to access the labour market through low-paid, casual and part-time work. One in five South Australian children is growing up in a jobless household – this, again, is higher than the national average. South Australia’s numbers of intergenerational unemployed continue to grow. Intergenerational disadvantage reinforces the importance of assisting unemployed people to gain skills and employment to improve their work opportunities.

Income support for young people is well below independent living costs, meaning that those who do not have families on which they can rely economically are forced into poverty. There is a strong assumption underpinning wages and income support for young people that they have families that are both willing and able to support them, however in many instances this is simply not the case. ‘Youth wages’ constitute clear discrimination, being payment for individuals based on their age and not their skills and qualifications or the work they undertake.

Many young people are locked out of education and training opportunities due to unaffordable fees and the associated costs of study, such as books, computers and, particularly for those from regional areas, the costs of living away from home. The low level of youth/junior wages and training wages also constitutes a significant barrier to those young people who are unable to be supported by their families during the completion of a traineeship or apprenticeship.

These issues are expanded upon further within this submission.

3. Employment:

Young people’s ability to secure suitable employment is one of the most pressing issues facing young people in South Australia. In South Australia, levels of full-time unemployment encountered by young people are routinely amongst the worst in the nation. Young people who are experiencing social disadvantage in its many forms often face increased challenges in securing suitable employment, which in turn increases a young person’s chance of experiencing longer-term disadvantage.

The effects of intergenerational unemployment have also begun to have a negative impact on young people in South Australia.

Full-time entry-level positions for graduates and school-leavers, which were once an important feature of the labour market, have sharply declined in number. The majority of employment growth is now in part-time and casual
employment. This has given rise to a new concern for young people, who are increasingly experiencing the often hidden issue of under-employment, in which workers are employed for fewer hours or in less desirable jobs than they would prefer and are qualified for.

The sector is regularly reporting a rise in casual employment in place of full-time and part-time employment, which largely leaves young people in unstable and/or inadequate jobs, often with no superannuation and leave entitlements, making their reliance on the wage component of their remuneration even greater. Casual work is often linked with reduced quality training and development opportunities. Lack of access to paid leave when necessary can also have strong impacts on young people’s physical and emotional wellbeing.

YACSA remains concerned about the complex and interwoven issues affecting young people experiencing unemployment, particularly in the long term, with marked decreases in their general social health and wellbeing now a common outcome. Simultaneously, we are anxious to ensure that those young people who are employed are remunerated on a fair and equitable basis to their colleagues and at a level that enables them to live independently of other sources of income support, via either governmental or family.

Of continuing concern to the youth sector is the maintenance of youth or junior wages, which leave young workers more vulnerable to exploitation by employers and which generally have not been found to lead to secure, full-time employment. Employers increasingly expect that young people be multi-skilled and ‘job ready’ upon leaving school, yet they are still remunerated according to age, rather than skill level. Young workers continue to pay the same amount for everyday goods and services as workers receiving full award rates, and this puts them at a significant financial disadvantage, often situating them below the poverty line and hindering their path to financial independence. Many of these have been exacerbated since the implementation of federal industrial relations reforms known as WorkChoices.

YACSA places a strong emphasis on the rights of young people to have fair access to the labour market and to high quality, rewarding and secure jobs which recognise the principle of equal pay for work of equal value.

4. Income and independent living:

One of the greatest disadvantages facing young people is disparity of income compared to the wider population. As a result of high levels of youth unemployment and diminished income support payments, young people living in low-income households are at a greater risk of poverty than middle-aged and older people, although in some areas, intergenerational poverty is taking its toll. Further, young people can be economically disadvantaged by being paid youth wages and training wages, which in many instances situate them below the poverty line.
Recent statistics show that young people have the lowest mean weekly earnings of all full-time workers. Current thinking about young people’s income requirements are significantly informed by assumptions about young people’s dependence on family and their productivity as workers. Industrial policy justifies youth and training wages by assuming that young people are not as skilled or productive as older workers and require greater supervision. For many young people, these assumptions do not hold true. Yet, such policies greatly impact on young people’s ability to earn a living wage, despite the fact that young people pay the same prices for everyday goods and services as the rest of the population does.

YACSA considers it unethical to oblige young people to work at below-minimum wages as a condition of survival however, outside of the issue of youth wages, members are increasingly reporting that young people eligible for the minimum wage are being paid below these levels by unscrupulous employers. In this matter, the level of the minimum wage sets an important benchmark for employers and young people on what they are entitled to expect in payment for their labour.

Employment invests people with a sense of worth and purpose, however this is significantly undermined if the level at which people are paid is insufficient to support independent living. As discussed above, in the case of young people this is all too common an experience and can provide a significant disincentive to seeking work. In addition, the experience of having one’s labour valued at less than a living wage can be disillusioning and disenfranchising to entrants into the labour market.

Through any combination of underemployment, casualisation, ‘youth wages’ and predatory employment practices, young people often find themselves working for less than a living wage. For those young people with families either unable or unwilling to support them financially, this can mean that they join the ranks of the working poor.

Whilst YACSA recognises the concerns regarding the impact of increases to the minimum wage on inflation, it is our view that those working for the least money ought not be made responsible for the excesses of others. On this basis, we exhort the Commission to consider the ability of individuals to live adequately on the minimum wage when determining its level for the forthcoming year.

5. Additional comments:

YACSA is broadly supportive of the consultation process, involving young people, that was outlined to us by the Commission at our meeting on 14 February. In particular, we were pleased at the Commission’s efforts to engage with young people living out of home and the impact of minimum wage levels on their ability do to this, however we also note the need to connect with young people who may be living at home because wage levels mean they are unable to live independently.
With respect to the issue of the Consumer Price Index (CPI), which we understand to be a consideration in the setting of the minimum wage, we reiterate our comments made in February that the formal CPI may not be an accurate representation of the living costs of young people.

In particular, accommodation costs are likely to take up a significantly greater proportion of a young person’s income than would apply for older Australians. Given the dramatic rise in accommodation costs over the past few years, young people might be surmised as experiencing a much greater cost of living increase than the CPI indicates would be the case.

Similarly, food and other basic living costs have a disproportionately higher impact on young people’s cost of living and those items that are capping CPI increases, such as reductions in the cost of technology and imports, are likely to play a marginal role in young people’s cost of living. Accommodation, food and other basic living costs have been rising significantly in both metropolitan and regional SA, with the northern areas of regional South Australia seeing an explosion in housing costs. These issues, and the disproportionate burden being carried by young people in cost of living increases, must be a consideration of the Commission in determining increases to the minimum wage.

6. Conclusion:

In closing, YACSA:
- believes that the minimum wage must be set at an adequate level to ensure the individual’s ability to meet independent living costs, based on a CPI-like basket of goods that reflects the living costs of those on low incomes;
- is concerned at the prevalence of below-award payments by some employers and considers that the minimum wage provides a vital benchmark for employers and employees in this regard; and
- believes that the road to employment for young people is through improved education and training, not by reduction in the real value of the minimum wage.