Submission to the Fair Pay Commission 2009
Minimum Wage Review
19 March 2009
Summary of recommendations:

1. Young Labor Action recommends that the Fair Pay Commission allow any increase in the minimum wage in 2009 to flow to youth wages, as in 2008.

2. Young Labor Action recommends that the Fair Pay Commission begin a separate inquiry into the removal of the discriminatory youth wages regime.
Junior wages are argued to be essential to maintaining the competitive position of young people in the labour market. It is the failure of many to overlook the fact that these wages are below the poverty line and creating a significant disadvantage for Australia’s youth. Young Labor Action commends the Fair Pay Commission on its reviews of the roles of Pay and Classification Scales and junior and training wages in the Australian labour market in 2007; however, we would like to see a similar process with the consultation of a youth committee during the process.

In this submission we will discuss the negative aspects of junior wages. Young Labor Action is opposed to junior wages and calls for their removal for several reasons. We would like to make the Fair Pay Commission aware of these before we discuss the 2009 Minimum Wage Review.

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Junior rates of pay are preserved percentages or rates that are significantly lower than the adult rate for many awards. In some cases this creates a slight competitive advantage within the market; however, it also puts young people in a significantly disadvantaged position socially and economically.

It has been noted by the Fair Pay Commission in their research on the issue that there is no viable alternative to junior wages because of complexity, they overvalue the work of employees, the alternatives are themselves discriminatory or have considerable cost effects. We believe that it is not reasonable to subject Australia’s youth to discrimination. Not only is our youth being discriminated against but also the older population as they are often passed over for the cheaper labour offered by junior employees.

For many young workers, their first jobs will shape their opinions and values in relation to the labour force for the rest of their lives. It is important that we shape adolescents to value their work and understand that they will be rewarded for hard work and occupational development. This is impossible when they are not valued as an adult even when they are of legal age. This is also strongly effected by the fact that most awards pay a smaller wage by percentage for a list of duties that is identical to adults paid at a higher rate in the same position. We could understand if the list of duties changed and thus the hourly rate, however this is rarely the case.

Young Labor Action understands the argument that many juniors do not have the same maturity or experience when entering the workforce. This is no reason to subject them to lower wages for the entirety of their junior employment. A lower wage during a brief period of training is an acceptable solution. However, we
believe all employees should be subjected to this regardless of age and there should be strict terms applied to the length and duties in this period.

The bargaining power of Australia’s youth needs to be recognised and accounted for in legislation determining their economic position within our society. The Henderson Poverty Line is a relevant mechanism for cross-referencing on this issue. It states that the current poverty line is at $265.98 per week excluding housing and $395.23 per week with housing as of September 20081. When taking this into consideration and comparing it with some common occupations for young people the wage gap is astounding.

**Case Study #1:** A 16 year old full-time employee under the Shop Employees (State) Award NAPSA will be paid at $240.92\(^2\) per week before tax. This is significantly under the Henderson Poverty line.

An 18 year old in the same position will receive $421.42\(^3\) before tax. This is significantly lower than an employee over 21 years of age who would receive $601.92\(^4\) per week before tax. These rates were accessed through the Workplace Authority.

**Case Study #2:** A junior employee under 16 years of age at McDonald’s (under the McDonald’s Shop Distributive and Allied Employees Association NSW Award 2006) is to be paid at $5.32\(^5\) an hour or $202.32 a week before tax. An 18 year old is entitled to $404.64 per week before tax. When compared to an employee 21 years of age or over, earning $505.80 per week before tax, this is a barely livable wage.

These are not liveable wages. The current youth wages regime barely encourages young people to work when they reap similar benefits from Centrelink programs such as the Youth Allowance scheme. There is no incentive for young people to work and there is no way that they can survive on such wages. We take into consideration that many young Australians are reliant on their parent income; however, we do not agree that this should mean young people supporting themselves are excluded from earning a reasonable income on that basis.

Also, when taking into consideration students ate TAFE and university it is important to note that they are often engaged in part-time work which significantly reduces their weekly earnings and therefore their living situation whilst engaged in study. As recently calculated ‘the labour force participation rate for full-time

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2 Pay Scale Summary – Shop Employees (State) Award [AN120499 – NSW], as at 1st October 2008, p3.
3 Pay Scale Summary – Shop Employees (State) Award [AN120499 – NSW], as at 1st October 2008, p3.
4 Pay Scale Summary – Shop Employees (State) Award [AN120499 – NSW], as at 1st October 2008, p1.
5 McDonald’s Shop Distributive and Allied Employees Association NSW Award 2006, Clause 16.2(i)
students has increased to 44 per cent from 29 per cent in 1986\textsuperscript{6}. This is extremely detrimental to the ability of working students to achieve a manageable work and study balance.

For the reasons above, Young Labor Action condemns junior wages and their effect on the living standards of Australia’s youth. We believe that they should be removed on a statutory level, especially in relation to those 18 years and over. An adolescent becomes an adult when they turn 18 and we believe that this should be reflected in their rates of pay.

We commend the Fair Pay Commission for allowing the 2008 Minimum Wage decision to flow to junior wages and encourage a similar decision this year.

This decision will greatly benefit junior employees to cope with the current economic situation in this country. Young Labor Action understands the competitiveness that junior wages provide to Australia’s youth, however, we believe this increase will create a slightly more liveable wage than at present. This will also correspond to current CPI indexes. The increasing cost of living significantly affects adolescents because they are more susceptible to economic changes due to their lower wages. As our economic climate fluctuates further it will be the youth of Australia that it hits the hardest, not only because of their lower wages but also because of their involvement in industries heavily reliant on economic prosperity. This is especially true in relation to hospitality and retail sectors.

\textsuperscript{6} P Flatau, M Dockery and T Stromback, The Economic and Social Circumstances of Australian Young People Aged 15-20 Years, Centre for Labour Market Research, report commissioned by AFPC, 2007