Background

As the peak body of the community service sector in WA, WACOSS has a particular interest in the adequacy of living standards and quality of life experienced by Western Australians living on a low income.

WACOSS represents organisations in a diverse range of areas including:

- health;
- community services and development;
- disability;
- employment and training;
- aged and community care;
- family support;
- children and youth services;
- drug and alcohol assistance;
- indigenous affairs;
- support for culturally and linguistically diverse people;
- housing and crisis accommodation;
- safety and justice; and
- advocacy

As part of a national COSS network, WACOSS supports the Australian Council of Social Service’s (ACOSS) submission to the Australian Fair Pay Commission (the Commission), and endorses the recommendations made in 2008. WACOSS’ submission is made to illustrate some of the pertinent issues relating to minimum wages and poverty, employment, and income support. We also wish to make explicit the link between minimum wages and the community services sector, along with the impact the global financial crisis is having on minimum wage earners in Western Australia.

WACOSS thanks the Commission for the opportunity to input into the annual minimum wage setting process, and encourages ongoing consultation with all relevant stakeholders in future decisions.

WACOSS also welcomes the Commission’s undertaking of research in order to inform its decisions, and maintains that this practice should inform future decisions.
Introduction

The income paid under the minimum wage, and accompanying awards is vital to ensure that workers are protected by minimum standards. Minimum wages are a vital means of protecting low-income workers from poverty. The wage earned by full-time minimum wage earners should be high enough to ensure they have the capacity to meet their basic living costs, while living with dignity and respect.

The Commission’s overarching objective: to promote the economic prosperity of the people of Australia, can be advanced with regard to:

- the capacity for the unemployed and low paid to obtain and remain in employment;
- employment and competitiveness across the economy;
- providing a safety net for the low paid; and
- minimum wages for junior employees, employees to whom training arrangements apply and employees with disabilities that ensure those employees are competitive in the labour market.

WACOSS endorses the principles and information provided by ACOSS suggesting that the Commission considers the following:

- decisions on the level of minimum wages should be informed by ‘benchmark’ estimates needed to attain a decent basic standard of living, according to contemporary Australian standards;
- the benchmarks should 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;
- the effect of minimum wage and family payment on poverty in families should be taken into account when setting minimum wage;
- adjustments to minimum wages provide only a modest contribution to wages growth, and minimum wage earners should not bear the burden of wage restraint;
- the Commission should increase minimum wages in order to keep in line with general wage increases, so minimum wage earners do not fall behind; and
- minimum wage rates for young people, apprentices and trainees, and people with disabilities under the Supported Wage System, should continue to be increased in line with the rise in the federal minimum wage.1 2

Who relies on minimum wages in Western Australia?

The federal minimum wage is currently $14.31 per hour, $543.78 per week, or approximately $28,280 per year.3 This represents an increase of $21.66 per week from the previous year.

The incidence of low pay is generally greater for young people and women, and for those with low educational qualifications. In addition, about one third are sole breadwinners, and two fifths are the highest earner in their household.4

2 ACOSS Submission to the Fair Pay Commission on Minimum Wages (2009).
Low paid employees come mainly from retail, hospitality and community service industries. Currently in Western Australia, there are approximately 160,000 people employed in the retail industry, 110,000 in health and community services, and 45,000 in hospitality.\(^5\)

As the peak body for the community services sector in WA, WACOSS is concerned about the sector’s ability to attract and retain staff. Many organisations in the sector are small, lacking the organisational infrastructure that facilitates detailed enterprise-level bargaining. As a result, the sector has been disproportionately reliant on wages and conditions in awards and Australian Pay and Classification Scales. The Commission therefore has a direct role in influencing wages for employees in the sector. WACOSS calls upon the Commission to have regard for low paid employees in the community services sector, and the relative inability of the sector’s employees and employers to engage in bargaining, when determining the federal minimum wage.

The ACOSS submission to the Commission last year reports that many workers in this sector rely on the Pay Scales for their wages. With approximately 12% of Pay Scale reliant employees working in health and community services, the industry ranks as the fourth largest employer of these workers. A major reason for this is that Government funding contracts often provide no scope for employers to offer above-award rates of pay, notwithstanding the qualifications and skills required of their employees, and labour shortages in the sector.

Staff working in the sector are severely undervalued. WACOSS estimates that the community services sector is 30% under-funded.\(^6\) The majority of shortfall relates to funds required to ensure agencies have the capacity to meet fair and just salary rates.

Research undertaken in 2008 by the WA Network of Alcohol and other Drug Agencies (WANADA), the WA Association of Mental Health (WAAMH), the Peak of Women’s Health and the Women’s Council for Domestic and Family Violence Services, for example, shows that 85% of employees in the drug and alcohol, domestic violence and women’s health fields have post-school qualifications. Of these, only 4% earn more than the average weekly wage. This undervaluing of the sector is also a gender pay equity issue, since 81% of workers in this underpaid sector are female.

Research conducted by WACOSS this year found that increasing funding for the community services sector would significantly reduce the gender pay gap in WA. Without increased funding, employees (most of whom are women) will continue to receive unequal pay for work of equal or comparable value to that performed by other sectors.\(^7\)

On 21\(^{st}\) November 2008, 29 community sector employers launched the Community Employers WA (CEWA) organisation. CEWA will be registered under the Industrial Relations Act and has been established to enable community employers to advocate for fair and just wages for their staff.

Minimum wages and living standards

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\(^6\) WACOSS Pre Budget Submission 2009 -10, p3

The living standards of low income households rest on three foundations: employment, minimum wage levels, and income support payments. All three play a vital role in preventing poverty. Policies that rely too heavily on one to the exclusion of the others pose risks for people on low incomes.\(^8\)

Those experiencing ‘working poverty’ (persons employed but living below the poverty line) are likely to be the most reliant on award wages and welfare benefits, which are also not covering rises in the cost of living. This gives rise to the recommendation that the minimum wage be increased by reference to a figure that more accurately reflects average growth in wages. This will go some way to ensuring low income groups keep up with growth across the labour market.

One of the Commission’s broad objectives in setting the federal minimum wage is to provide a safety net for the low paid. This includes the benchmarking of minimum wages to indicators of individual and household living standards, including any effect on income poverty and on the ability of people to afford the essentials that comprise a ‘decent basic living standard’ in Australia today. This benchmarking of living standards should arguably take account of the Australian ethos that wages should be enough for people to live and work with dignity, and that large inequalities of income are unacceptable.

ACOSS’ submission to the Taxation Review Panel (2008), p.29 states:

An adequate level of minimum wages is needed to ‘make room’ for social security payments that are high enough to prevent poverty, while preserving work incentives. …minimum wages should be benchmarked to a ‘decent’ adequate living standard, well above poverty levels, that allows a single adult to live in modest comfort. An example of one such benchmark is The ‘Modest but Adequate’ Budget Standard developed by the Social Policy Research Centre. When indexed to December 2006 using the CPI, the ‘Modest but Adequate’ Budget Standard for a single adult was $512 per week, after tax. This is consistent with the Australian tradition of setting minimum wages well above subsistence levels, and it allows for social security payments to be set above poverty levels. Benchmarking minimum wages to the needs of a single adult is appropriate because wages cannot effectively take account of the cost of dependents.

Cost of living

In August 2008, WACOSS completed further research around cost of living pressures (intensified as a result of the mining and resources boom), and the impact this was having on low income West Australians. Headline figures showed that from 2006 to 2008, household costs increased by approximately $132 per/week, or 23%, just on basic living expenses. During the same period, average wages in WA increased by $61, or 10.7%. Western Australians can also expect their electricity bills to increase by approximately $390 in 2009/10\(^9\), meaning that average household costs will rise to approximately $140 per week. This figure does not take into account probable increases in the cost of other utilities such as water and gas.

In its submission to the Commission earlier this year, WACOSS endorsed a 26% increase to the federal minimum wage, but noted that even this fell short of what was needed to protect the State’s most vulnerable families. While the resources boom has diminished, price pressures on WA consumers remain high, especially in key areas such as food and rents.

\(^8\) ACOSS Submission to the Fair Pay Commission on Minimum Wages .p. 40

\(^9\) Using figures based on Minister for Energy’s Media Release of (29.01.2009), indicating a 52% electricity price increase for the 2009/10 financial year.
Case Study

The following case study is provided to highlight the complex challenges faced by many minimum wage earners in WA.

A single parent has two children aged 10 & 8. She works 38 hours per week, earning $16.60 per hour. In order to minimise the need to pay for out-of-school, she works two jobs.

Total income per fortnight is $1,765, consisting of:

Employment - $1216 per fortnight ($31,600 p/a)
Superannuation - $109 (net $27,760 p/a
Family Tax Benefit – approx $440 (assuming no child maintenance received – or lower if maintenance is paid, though total income would be higher).

Minimum expenses per fortnight, consisting of:

Accommodation, fuel, food and healthcare - approximately $1368.¹⁰

However, other expenses such as utilities, telephone and unforeseen irregular expenses are additional costs.

She is dependent on the Family Tax Benefit to make her financial situation work.

In addition to managing a stringent budget as a sole parent, this person faces the constant challenge of working two jobs each with different employment conditions, negotiating the Taxation system, and maintaining eligibility for Centrelink payments (as well as a Health Care card)

The case for single low-income earners is considerably more difficult, as they do not have access to Family Tax Benefits to assist them to keep up with the cost of living.

Minimum wages and employment

WACOSS acknowledges that slowing economic growth has begun to flow on to the labour market.¹¹ However, the effect of minimum wages on unemployment is still somewhat unclear. Conversely, we know that minimum wage increases have a direct and definite impact on the lives of those receiving them. WACOSS supports ACOSS’ view that risking the living standards of those on minimum wages is not worth uncertain gains in employment, especially in such uncertain and rapidly deteriorating economic conditions.

While low-skilled employment growth has slowed over the second half of 2008, growth in the number of employees in community services has generally been above that for all employees.¹² Despite this increase, the sector has experienced a sustained workforce shortage over the years, due in part to the insufficient wages paid to its employers.

¹⁰ Figures derived from WACOSS Cost of Living paper; The Boom is Bust for 400 000 Of Us. (2008)
As economic conditions worsen and demand for community services increases, the sector continues to provide employment prospects for thousands of Western Australians. It is vital, therefore, that employees continue to receive modest increases in the federal minimum wage.

**Minimum wages, income support and work incentives**

For the unemployed and low paid to obtain and remain in employment, minimum wages must be adequately increased to ensure there is a wide enough incentive gap to move into employment and out of income support.

Figures from the ABS Economic Resources summary for WA show that from 1997 to 2007, recipients of the labour market program allowance have steadily decreased. This gives weight to the argument that sustained increases to the federal minimum wage have a real impact on and are an incentive for low paid workers to remain in employment.

**Disadvantaged jobseekers – young people; people with disabilities; apprentices and trainees; people living in regional, rural and remote areas.**

WACOSS shares ACOSS' view that apart from ‘training wages’, lower than minimum wages should only be paid to specific groups in the workforce in exceptional circumstances. If below minimum wages become too widespread, there is a risk that the minimum wage will be undermined. In addition, there is a danger that minimum wage workers will be displaced in favour of groups on sub-minimum wages.13

Young people are generally paid less than adult minimum wages. Although unemployment among young people has declined over the past two decades, many still struggle to progress from school to secure employment. However, this is due mainly to such factors as poor educational outcomes and social disadvantage rather than the level of minimum wages for young people. There is no evidence to suggest that minimum wage levels for young people have adversely affected their employment prospects relative to others workers in other age groups.

Regional labour market inequalities, including differences in unemployment rates, are less pronounced in Australia than in other wealthy countries. This problem is best addressed by structural adjustment policies (such as retraining of displaced workers in regions where major industries decline) rather than by allowing employers in high-unemployment regions to pay wages below the national minimum. Wages are already generally lower in rural and regional areas than in capital cities.

Regional WA has experienced significant wage pressures due to the mining boom. In the Pilbara in particular, there is going to be a change in the composition of the workforce as the boom times come to a relatively sudden end. In south west WA, we are already seeing the impact on contractors and their workforces. In January this year, BHP announced they would shed 1800 jobs as they suspended operations at their nickel mine in Ravensthorpe. WA especially will continue to feel this sharp decrease in business activity from the mining sector.

Managing these changes will be different to past structural adjustment programs as most of the staff affected do not reside near their site of employment. The impact is going to be seen across the nation. Improvements to the federal minimum wage

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must be complimented by coordinated Government retraining and redeployment programs.

Only 43% of people with disabilities are employed, compared with 72% or the workforce age population in general. This is due in part to the assumed lower productivity of workers with disabilities, but it cannot be attributed as the only factor. If workplaces were better equipped to facilitate workers with disabilities, they may in fact prove to be highly valuable and productive in their workplace.

To address the lower productivity levels of some people with disabilities, Australia has a Supported Wage Scheme. WACOSS supports the extension of the scheme to assist more employees with disabilities in a broader range of industries. WACOSS also endorses improvements to the strategy in order to increase the employment prospects of workers with disabilities.

Global financial crisis

The impact of the global financial crisis is beginning to be evident. Unemployment figures released recently by the Australian Bureau of Statistics show that from January to February 2009, the unemployment rate in WA has risen to 4.2% - a staggering increase of 10,900 people. Economic growth has slowed for the second successive quarter, with many economists nation-wide declaring Australia is well and truly in a recession.

Agencies on the ground report sharp increases in demand for their services, and this looks set to continue. The WA No Interest Loans Scheme (WA NILS), which provides assistance to low income households to purchase essential items, is processing applications at 3 times the rate they were in October/November 2008, increasing from approximately 50 per month to 150.

Relationships Australia reports an increase in the number of people presenting with relationship difficulties, and attributes these difficulties to financial stress and unemployment. They have also noted an increase in the number of people requesting a fee waiver, whereby clients either pay a reduced amount, or are not charged for service.

The Consumer Credit Legal Service reports an increasing number of clients experiencing negative equity in their home as a result of declining house prices. The majority of clients are low income earners who bought into the housing market in the past three years.

House repossessions have also increased in WA. In the last financial year, there were 686 applications for property repossession. This number, though seemingly small, represents a worrying trend, as it shows an increase of 233 repossessions in the previous 12 months. Figures released by the Supreme Court of Western Australia show that 251 repossession applications were lodged in the July-September quarter of 2008. This represents an increase of 88% on the corresponding quarter in 2007.

A drop in interest rates has provided some reprieve to those able to manage their mortgage repayments without resorting to using micro credit solutions. However, others are still incurring high levels of personal debt as a result of using credit cards.

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to manage their financial situation. Low income people are also disproportionately represented in this group. Modest increases to the federal minimum wage are vital, so that West Australians in mortgage stress are somewhat protected from falling further into housing stress and severe financial hardship. Increases in the federal minimum wage may also play an important part in preserving consumer confidence in an increasingly uncertain market.

WACOSS acknowledges the Commission’s hesitation in committing to minimum wage increases in the current economic climate. However, we maintain that these increases are a necessary element in protecting all vulnerable Western Australians from falling further into poverty and debt cycles. The burden of wage restraint should not fall upon the most disadvantaged wage earners in Australia.

**Conclusion**

WACOSS again thanks the Commission for the opportunity to input into this process. We support and endorse the recommendations made by ACOSS. We have also endeavoured to highlight issues relevant to Western Australia, and hope our submission has been of use in this way.

**Attachments**

WACOSS (2008) *Close the Gender Pay Gap: Value Community Services*