YACVic’s submission to the Australian Fair Pay Commission 2009 Minimum Wage Review.
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Youth Affairs Council of Victoria

The Youth Affairs Council of Victoria (YACVic) is the peak body representing the youth sector in Victoria. YACVic provides a means through which the youth sector and young people voice their opinions and concerns in regards to policy issues affecting them. YACVic works with and makes representations to government and serves as an advocate for the interests of young people, workers with young people and organisations that provide direct services to young people. YACVic also promotes and supports the participation of young people in debate and policy development areas that most affect them. YACVic’s resources are primarily directed towards policy analysis and development, research and consultation and to meeting the information, networking, education and training needs of our constituency.

Introduction

The Fair Pay Commission’s review of the minimum wage impacts strongly on young people as many young people employed earn the minimum or a junior wage rate. YACVic welcomed the Fair Pay Commissions previous decisions to raise the minimum wage.

YACVic acknowledges that the current global economic crisis presents specific considerations to the Commission in making its 2009 minimum wage review decision. YACVic notes comments made by the Chief Executive of the Australian Chamber of Commerce and Industry, Mr Peter Anderson that they are likely to recommend to the Commission ‘the options of a low increase or no increase’\(^1\) of the minimum wage. YACVic is concerned that a freeze of the minimum wage would make young people and other low-income earners increasingly economically vulnerable. YACVic urges the Commission to

\(^1\) Schubert, M & Schneiders, B. ‘Employers favouring minimum-wage freeze’ The Age. 13/03/09. p. 2.
ensure that young people are not unfairly disadvantaged in measures to remEDIATE the impacts of the economic crisis.

It is anticipated that young people will be hit hard by the impact of the economic crisis. The Age reported on the 4th of March 2009 ‘predictions that the number of school-leavers not in a job or tertiary education will rise by 10 per cent by July next year.’ A week later the Australian reported ‘300,000 Australians aged 15 to 24 looking for work, and their ranks are swelling as business cull the least-experienced staff first.’ Employers of apprentices and trainees are all reporting a slowdown. The Age also recently reported that group training organisation the WPC Group registered a 60-70 per cent drop in available position this year but no decline in demand for jobs.

Young people will feel the impact of the economic downturn not only in terms of their own access to employment, but will be affected as family members where parents are hit by job cuts. In a paper delivered to an RMIT forum ‘The Global Financial Crisis and young people’ on Friday 13th March 2008, Associate Professor Chris Chamberlain, Director of the Centre for Applied Social Research at RMIT highlighted the relationship between financial hardship and family conflict. He reminded us that economic strain risked exacerbating family conflict, a key contributor to youth homelessness. He warned that an increase in youth homelessness may be a less obvious, but serious outcome of the global economic crisis. Alongside this risk, is the increasingly tight rental market with which young people living independently have to contend in order to avoid homelessness.

Even in times when economic conditions are generally favourable, often the needs of young people (particularly those living independently) are set to the side of analyses that focus on economic outcomes for adult individuals or families. We urge the Commission to

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2 Tomazin, F. ‘Youth to be hit hard by downturn’ The Age, 4/03/09 p.9.
4 Cooke, D. & Schneider, B. ‘Apprentices hit as sackings, downtime on rise’ The Age 4/03/09 p.3.
5 Chamberlain, C. ‘Homelessness, the policy content and the global financial crisis.’ PowerPoint presentation delivered at ‘The Global Financial Crisis and young people’ RMIT, 13/03/09.
ensure that the economic realities of young people’s lives are duly considered in this review.

In this submission YACVic will comment on the capacity of young people to obtain and remain in employment in the current economic climate, raise specific considerations regarding outcomes for young people aged 20 to 24 years, and comment on the costs of living for young people in the context of providing a safety net for the low paid. Finally YACVic will articulate its policy position relating to the discriminatory nature of junior wages and advocate for the introduction of a competence based wage system.

Economic Prosperity
The Commission has requested comment on the capacity for the unemployed or low paid to obtain and remain in employment. Research shows particular challenges in relation to young people’s access to employment, which will be exacerbated in the context of the current economic crisis. Of note is the decline in full time employment opportunities for young adults over 20.

In times of economic prosperity experienced before the current economic downturn, young people did not benefit in terms of access to employment in the same way as older Australians. The Dusseldorp Skills Forum noted in 2007 that:

> Full time jobs for Australians aged 25-64 years have risen by more than 1.270 million since 1995 but been static for teenagers and declined by 42,000 for young adults. This gap in opportunities is not a result of fewer numbers of young people entering the labour market.⁶

The Foundation for Young Australians and Education Foundation report *How Young People are Faring ‘08* reiterated the fact that:

‘Despite the largely continuous decline in the proportions of teenagers opting for the labour force rather than full-time education, full-time employment rates for this group have remained fairly constant, supporting the view that full-time employment opportunities for young Australians have fallen rather than grown over much of the last 15 years.’

The Fair Pay Commissions *Economic and Social Indicators Monitoring Report July to December 2008* illustrates that in the context of a recent drop in full-time employment rates, young adults are most hard hit:

‘Following the Commission’s third wage-setting decision, part-time employment rates increased and full-time employment rates decreased for each of (the demographic groups with a high concentration of low-skilled workers listed in the report)....The largest fall in the total employment rate was for 20-24 year olds who are not in full-time education.’

*How Young People are Faring ‘08* also notes that for both 15 to 19 year olds and 19 to 24 year olds, participation in further education and training has increased since the 1990s and youth unemployment generally has fallen. However, participation in full-time work has not increased. The report states that ‘the proportion of 20 to 24 year olds not engaged in full-time work or full-time education has been falling over the past decade, corresponding with

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7Foundation for Young Australians & Education Foundation ((2008). *How Young People are Faring ‘08: An Update about the learning and Work Situation of Young Australians*. p.ix

a rise in full-time education but not in full-time work.\textsuperscript{9} Data relating to May 2008, show 21 per cent of young adult males not engaged fully in education or the workforce. Instead they are either unemployed, working part-time or not in the labour force.\textsuperscript{10}

YACVic highlights to the Commission the importance of considering the impact of under-employment on young people reliant on the minimum wage. The problem of under-employment will be exacerbated by the economic downturn. Should the minimum wage also be frozen, young people will face increasing challenges in meeting the costs of living.

The provision of a safety net for the low paid: considerations that relate to young people

The Fair Pay Commission has also invited comment on the provision of a safety net for the low paid. Here YACVic will present some information relating to the economic wellbeing of young people highlighting the critical importance of a ‘livable’ minimum wage.

As the Commission is no doubt aware, young people are not a homogenous group. A range of varying factors influence a young person’s economic wellbeing. Amongst these factors are socio-economic status, family support, geographic isolation, discrimination, access to services and support, and engagement in education. Research shows that young people with a disability, young people from CALD backgrounds, young people in rural areas and Indigenous young people are particularly vulnerable to disadvantage.\textsuperscript{11}

Planning and Community Development, helps paint a picture of the economic wellbeing of young Victorians. The report reminds us of the central importance of being able to comfortably meet basic living costs to the wellbeing of young people at this critical time of personal and physical development:

Young people who have very limited financial resources may also have limited access to leisure and recreational opportunities...When families and young people are struggling to meet basic living costs, they may also experience difficulties in accessing the services that others take for granted, such as education, health and transport. There are strong links too between poverty, poor housing and poor health. Good-quality, well-located and affordable housing has a key role to play in helping move people out of poverty and in ensuring the wellbeing of young people...While Australia is a wealthy country by international standards, some Australians, including young people (especially those in low-income groups) remain at high risk of poverty.\(^\text{12}\)

*The State of Victoria’s Young People* highlights the importance of factoring young people’s independent status in considerations of their economic needs:

Many young people will not be financially dependent on their parents, but will benefit from their parents’ income (regardless of where they live). It is important, therefore, that an analysis of young peoples’ financial wellbeing take account of the relationship between a young person’s financial status and that of his or her household members.\(^\text{13}\)


\(^{13}\) *ibid.* p.80.
The report tells us that the dependent/independent status of young people impacts on their risk of poverty:

The poverty rate for non-dependents (aged 15-24) was higher in Victoria than for dependent young people. Among non-dependents, poverty rates were higher in those living away from home (than those who were not) and in those who were studying (compared with those who were not).\footnote{ibid. p.77.}

YACVic is increasingly concerned about the capacity of young people living independently to meet basic living costs. In a presentation to the Fair Pay Commission’s hearing process last year, YACVic highlighted the following still relevant factors impacting on the cost of living for young people, potentially exacerbated by the global economic crisis:

- The increase in rental prices and the lack of affordable housing.
- The withdrawal and winding back of the availability of services from university campuses.
- Increases in the cost of basic living items such as groceries and the increased cost of utilities.
- Young people’s risk of debt.
- Young people’s vulnerability in the workplace (evidenced in higher rates of casual employment as well as young people’s general risk of exploitation).

The State of Victoria’s Young People report draws from the Household, Income and Labour Dynamics in Australia (HILDA) survey to highlight types of financial hardship experienced by young people:

Examples of hardship included going without meals, being unable to heat their homes, having to pawn or sell something, not being able to pay the mortgage or to pay...
household bills. The most common form of hardship experienced by young people (aged 15-24) was not being able to pay gas, electricity or telephone bills on time because of a lack of money (12.2 per cent of males and 15.4 per cent of females). More that 6 per cent of young people could not pay their mortgage on time between 5 and 6 per cent had gone without meals (cited in AIHW 2007a).\textsuperscript{15}

\section*{Poverty and under-employment:}

Of key relevance to understanding young people’s vulnerability to poverty, is the relationship between poverty and under-employment. The State of Victoria’s Young People notes that:

\begin{quote}
Recent research has suggested that full-time work may be needed to ensure that incomes are higher than the poverty line. This is an important finding as many of the new jobs created over the past 20 years have been either casual or part time.\textsuperscript{16}
\end{quote}

The report cited 2007 census data to demonstrate that ‘the mean weekly earnings of young people increases with age and those in full-time employment earn more on average than those in part-time employment.’\textsuperscript{17}

\begin{footnotesize}
\begin{enumerate}
\item\textsuperscript{15} ibid. p.87.
\item\textsuperscript{16} ibid. p.83.
\item\textsuperscript{17} ibid. p.85.
\end{enumerate}
\end{footnotesize}
There are particular factors that can make young people vulnerable to poverty and disadvantage and indicators show that young people are likely to be seriously impacted by the global economic crisis in terms of access to employment, particularly full-time employment. YACVic submits that a freeze of the minimum wage would increase young people’s economic vulnerability.

The provision of minimum wages for junior employees
The Commission has invited comment on the provision of minimum wages for junior employees, employees to whom training arrangements apply and employees with disabilities that ensure that those employees are competitive in the labour market.

It is YACVic’s policy position that junior wages are discriminatory. YACVic understands that the Commission’s focus in this review is on the level of the junior wage, rather than its inherent ‘fairness’ or in-principle ‘rightness.’ YACVic has a responsibility however, to highlight to the Commission our view that a system of wage rates based on age specifically...
are in breach of the Universal Declaration of Human Rights, to which Australia is a signatory. Article 23 of the Universal Declaration of Human Rights, declares that ‘Everyone, without discrimination, has the right to equal pay for equal work.’

In a submission to the Australian Industrial Relations Commission in relation to its award modernisation process, the National Children’s and Youth Law Centre (NCYLC) highlighted that junior wage provisions are contrary to International Standards and Laws. In particular the NCYLC referred to the following standards:

- Article 32 of the United Nations’ Convention on the Rights of the Child (CROC), to which Australia is a signatory, protects young workers from economic exploitation and requires that States take legislative and administrative measures to ensure that this protection is implemented. Article 2 of CROC requires that States take appropriate measures to protect children and young people from all types of discrimination. Article 4 of CROC requires that States take measures to the maximum extent of available resources to ensure that the economic, cultural and social rights of children and young people that the Convention recognises are implemented.

- While the International Labour Organisation instruments on minimum wages do not explicitly forbid the fixing of different rates on the basis of age, its Committee of Experts stated in a General Survey of 1992 that:

  ‘..the general principles laid down in other instruments, and particularly those contained in the Preamble of the Constitution of the International Labour Organisation which specifically refer to the application of the principles of Equal Remuneration for Work of Equal Value have to be observed.’

- The International Labour Organisation Minimum Age Recommendation, 1973 (No. 146) stipulates that special attention should be given to the provision of fair
remuneration to young people, bearing in mind the principle of equal pay for equal work. (Part IV, paragraph 13(1)(a).\textsuperscript{18}

As the NCYLC also recommended in their submission to the AIRC, YACVic recommends that a competency based wage system be implemented as an alternative to the current junior wage provisions.

As it is anticipated that the Commission will be retaining junior rates of pay, YACVic would like to reiterate a recommendation made in ACOSS' 2008 submission to the Commission that minimum rates for young people, apprentices and trainees, and people with disabilities under the Supported Wage System, should be increased in line with the rise in the Federal Minimum Wage.\textsuperscript{19}

**Recommendations**

Whilst the impacts are only just unfolding, it is anticipated that young people will be hit hard by the economic crisis, particularly in terms of access to employment and training opportunities. YACVic is concerned that a freeze on the minimum wage would make young people and other low-income earners increasingly economically vulnerable. YACVic urges the Commission to ensure that young people are not unfairly disadvantaged in measures to remediate the impact of the economic crisis.

**YACVic recommends** that the Fair Pay Commission increase the minimum wage, at least to levels in line with inflation. YACVic also recommends that minimum 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 federal minimum wage.

\textsuperscript{18} National Children’s and Youth Law Centre, (2008). Submission on Award Modernisation Process to the Australian Industrial Relations Commission. Available for download from www.ncylc.org.au