

Junior Rates of Pay Application (AM2024/24)

Submissions

11 July 2025

Introduction

1. On the 6th of June, the Shop, Distributive and Allied Employees' Association (**SDA**) applied to vary the minimum rates for junior employees in 3 awards, pursuant to section 157 of the Fair Work Act 2009 (Cth) (**FW Act**).
2. The three awards subject to the application (**the Awards**), are the following:
 - General Retail Industry Award (2020) (**GRIA**);
 - Fast Food Industry Award 2020 (**FFIA**);
 - Pharmacy Industry Award 2020.
3. ACCI opposes the application by the SDA on the grounds set out in this submission. However, from the outset we note that ACCI's submissions ought to be viewed in an undeniable context of Australia's extraordinarily generous wage settings. Australia has one of the highest minimum wages in the world, trailing only three countries – junior employees are paid a graduating proportion of those generous wage settings, which reflects their often nascent but growing life and professional experience.¹
4. ACCI supports the submissions of the Australian Retailers Association (**ARA**), which also oppose the application made by the SDA. In this submission, ACCI seeks to complement the submissions of the aforementioned employer group.
5. Youth unemployment already rests at a much higher rate than that of other Australians, with 9.0 per cent of youth being unemployed as opposed to 4.0 per cent of unemployment amongst the broader population.² It is counterintuitive to suggest

¹ The Rippling Team, Highest and lowest minimum wage in the world: Guide by country in 2025, 9 June 2025.

² Labour Force Figures, ABS, March 2025.

that increasing the costs associated with employing young people is going to have a positive impact on their rate of employment. To the contrary, it is well accepted that significant increases to labour costs result in disemployment outcomes.³ The SDA's application, if successful, will clearly then fail to assist with cost-of-living for those juniors who cease to be employed as a result.

6. In that context, the SDA has applied for increases to the wages of those employees on junior rates at a scale that is significant and material. For example, those employed at level 1 of the relevant awards, would effectuate the following pay increases if the application is granted:
 - 11 per cent of the current rate for those aged under 16 covered by the GRIA or the Pharmacy Industry Award;
 - 25 per cent of the current rate for those aged under 16 covered by the FFIA;
 - 25 per cent of the current rate for those aged 17 covered by all three awards;
 - 43 per cent of the current rate for those aged 18 covered by all three awards;
 - 25 per cent of the current rate for those aged 19 covered by all three awards;
 - 11 per cent of the current rate for those aged 20 covered by all three awards.
7. These represent increases of an exorbitant scale to the pay rates of junior employees, many of whom may be working their first job and lack many of the skills or, just as importantly, experience of older adults.
8. When it is further considered that the similar increases would flow through to all junior employees covered by the FFIA, those juniors covered by the Pharmacy Industry Award up to level 2, and those employed under the GRIA up to level 3, then the cost implications become even more acute and amplified.
9. It is the submission of ACCI that these pay increases will disproportionately affect small businesses, many of which operate on narrow margins and rely heavily on junior employees to remain viable. By increasing labour costs, the proposal risks placing unsustainable pressure on these businesses, potentially forcing them to reduce staff hours or close altogether.
10. This would incur the perverse outcome of harming the employment prospects of those very employees that the SDA intends to support, by reducing junior workers' access to entry-level jobs and making it harder for them to gain the experience and skills necessary for long-term employment.

³ Australian Government Submission, Annual Wage Review 2021-22, 1 April 2022 [255], 63.

11. ACCI will address the application in the following sections:

1. Inconsistency with Legislative Objects
2. Industrial Commission History of Rejecting Similar Proposals
3. Factors Supporting the Continuation of the Extant Junior Rates Framework
4. The Impact of Higher Junior Rates of Pay on Youth Employment
5. Impact on Small Businesses
6. Common Misconceptions About Junior Rates

Section 1: Inconsistency with Legislative Objectives

12. The Fair Work Commission (**the Commission**) may make a determination to vary modern award minimum wages only if it is satisfied that:
1. The variation of modern award minimum wages is justified by work value reasons, and
 2. Making the determination outside the system of annual wage reviews is necessary to achieve the modern awards objective.⁴
13. Of course, the Commission must also have regard for the object of the FW Act⁵ and must comply with the minimum wages' objective.⁶
14. Those objectives necessitate consideration of the following (our emphasis added):
- a) *"providing workplace relations laws that are fair to working Australians, promote job security and gender equality, are flexible for businesses, promote productivity and economic growth for Australia's future economic prosperity and take into account Australia's international labour obligations"⁷*
 - b) *"acknowledging the special circumstances of small and medium-sized businesses."⁸*
 - c) *"the need to promote social inclusion through increased workforce participation"⁹*
 - d) *"the likely impact of any exercise of modern award powers on business, including on productivity, employment costs and the regulatory burden"¹⁰*
 - e) *"the need to ensure a simple, easy to understand, stable and sustainable modern award system for Australia that avoids unnecessary overlap of modern awards"¹¹*
 - f) *"the likely impact of any exercise of modern award powers on employment growth, inflation and the sustainability, performance and competitiveness of the national economy"¹²*

⁴ Fair Work Act 2009, section 157(2).

⁵ Fair Work Act 2009, section 3.

⁶ Fair Work Act 2009, section 284.

⁷ Fair Work Act 2009, section 3(a).

⁸ Fair Work Act 2009, section 3(g).

⁹ Fair Work Act 2009, section 284(1)(b).

¹⁰ Fair Work Act 2009, section 134(1)(f).

¹¹ Fair Work Act 2009, section 134(1)(g).

¹² Fair Work Act 2009, section 134(1)(h).

15. **In relation to point a)**, regarding the promotion of economic growth and productivity, ACCI submits that the disemployment outcomes and cost burdens associated with the SDA's proposals render it incapable of achieving this outcome. This is discussed further in Section 4 of this submission.
16. Furthermore, noting the desire of the FW Act's objects to promote productivity, it cannot be feasible to drastically increase the rates of junior employees when productivity is, at best, in stasis or, at worst, going backwards.
17. Productivity contracted by 1.2 per cent in the year to December 2024 and is averaging near zero growth over the past 5 years. The Reserve Bank of Australia (**RBA**) is forecasting productivity will remain negative in the year to June 2025, at -0.7 per cent.¹³
18. A decision in favour of the SDA's application, particularly the sizable increases depicted at paragraph [6], would serve to facilitate the decoupling of wages and productivity growth, which is going backward. This is not compatible with the objects of the FW Act.
19. **In relation to point b)**, it is self-evident that smaller businesses are disproportionately impacted by increasing cost implications. Clearly, the SDA's application would be counterproductive to this objective.
20. **In relation to point c)**, see paragraph [5] – significantly increasing the labour costs associated with employing young Australians cannot logically have a positive increase on their employment generally, noting they are already much less attractive to businesses – a fact drawn out in current ABS employment data,¹⁴ and explored further below in these submissions.
21. **In relation to point d)**, it is undoubted that this factor weighs against a favourable view of the SDA's application.
22. The SDA's application would irrefutably impact businesses negatively by increasing the costs associated with junior employment. Record insolvencies indicate that the business community is already under a great deal of financial stress – as the RBA indicates, it is the most severe form of financial stress.¹⁵
23. Additionally, the RBA affirms that previous data shows that up to 10 times as many firms exit by ceasing to trade without going insolvent.¹⁶ Hence, increasing employment costs dramatically for junior employees will have a significant impact on

¹³ Reserve Bank of Australia, Statement of Monetary Policy, February 2025, 64.

¹⁴ Labour Force Figures, ABS, March 2025.

¹⁵ Reserve Bank of Australia, Financial Stability Review, April 2025, 56.

¹⁶ Ibid.

businesses at the current moment with the actual rate of exits likely to be much higher than insolvency data draws out.

24. Given this outcome, consideration of the above objective weighs heavily against granting the application and should be a basis upon which it is rejected.
25. **In relation to point e)**, overturning decades of precedent and possibly introducing higher disemployment for youth in a high cost, high risk economic environment is not compatible with a “stable and sustainable” modern awards system.
26. **In relation to point f)**, ACCI draws attention to three specific matters listed in the modern awards objective: employment growth, sustainability of businesses, and the competitiveness of smaller businesses.
27. Firstly, the SDA’s application would facilitate significant increases to the wages of young, inexperienced people – it is well accepted, as already referenced, that significant increases to labour costs result in disemployment outcomes. It is ACCI’s view that this will have an adverse impact on the already disproportionately high rate of youth unemployment.
28. Secondly, as paragraphs 22 to 23 above note, businesses are going insolvent at record rates, which is indicative of severe financial stress in the market. Concerningly the insolvencies figure may be emblematic of many more businesses exiting without going insolvent as pointed out by the RBA.¹⁷ Increasing the costs to employers associated with hiring inexperienced, entry level workers is not going to positively contribute to the sustainability of those businesses.
29. Thirdly, broad-brush cost hikes flowing from modern awards will disproportionately impact small businesses. This harms their ability to remain competitive in the market against bigger businesses who may be able to absorb wage shocks. Again, consideration of this criterion weighs heavily against the granting of this application.
30. Additionally, **point f)** should, we submit, include an examination of the inflationary effects of any proposed changes. ACCI submits that labour is a major cost driver for all impacted businesses, and that any increase in staffing expenses will pass on to consumers, thereby contributing to inflationary pressures.
31. Any increase in junior wage rates will directly result in price adjustments, as businesses have limited capacity to absorb these costs internally due to fixed lease obligations, rising utility expenses, and increasing insurance premiums. Such price increases risk exacerbating existing cost-of-living pressures for consumers, who

¹⁷ Ibid.

trutely depend on goods and services provided by the Retail, Fast-Food and Pharmacy industries.

32. ACCI submits that when consideration is given to paragraphs [12] to [32] above, the Commission should find that they weigh strongly against the SDA's application. Consequently, the SDA's proposals should not be accepted.
33. The object of the FWA is to establish the minimum terms and conditions of employment, serving as a "guaranteed safety net" for employees. ACCI acknowledges that junior employees have specific protections under this framework; however, the variation sought by the SDA would extend beyond the intended scope of the "safety net."
34. As outlined in section 3, junior employees up until the age of 21 generally experience higher living standards and are less burdened by the costs of daily living. This is due, in part, to many still living at home and not assuming the full cost of independent living. Given these circumstances, the proposed change would shift the focus of the "safety net" from its intended purpose, imposing a higher financial burden on businesses than necessary.
35. While ACCI acknowledges that this position may not reflect the circumstances of all junior employees, modern awards are not capable, nor are they intended, to address the nuances of the circumstances of each individual worker. As the Commission is aware, their purpose is to establish minimum employment standards for all.

Section 2: Industrial Commission History of Rejecting Similar Proposals

36. Applications by unions to abolish or vary the junior rates framework in Australia have already been dealt with on numerous occasions, including as recently as 2020.

37. The Commission and its predecessors have a history of recognising the importance of junior rates in the labour market framework and rejecting such applications by employee organisations, as they would have unacceptable disemployment outcomes.

38. Although the Commission is not bound by principles of stare decisis, it will generally follow previous Full Bench decisions *"in the absence of cogent reasons for not doing so"* *"as a matter of policy and sound administration."*¹⁸

39. In 1999, the Australian Industrial Relations Commission found that *"the general removal of the existing wage-rate discounts for juniors would result in significant disemployment."*¹⁹ The Commission recognised that:

*"it is almost common ground, and it is also our assessment, that some degree of discounted pay rate for entry level work continues to be necessary. It seems needed, at least as an equal opportunity measure, in the areas in which employment under junior rate classifications is most concentrated. It is probably necessary also as a reflection of the 'true value' of the work to the employer, taking account of maturation factors."*²⁰

40. In this report, the Commission rejected a similar SDA proposal to remove junior rates of pay for employees over the age of 18, finding that it was *"on the balance of all considerations... [not] a feasible alternative."*²¹

41. In the 2014 *'Junior Rates Case,'* the Full Bench highlighted the compelling reasons to retain junior rates of pay. It emphasised:

"[t]he productivity of young workers and value to employers being less than that of adult employees has been long accepted by Federal and State industrial tribunals. Junior rates reflect the general lack of experience of young employees and can act as an incentive or encouragement to employers to engage young persons, thereby allowing young persons to get a start or foothold in employment when they might

¹⁸ Cetin v Ripon Pty Ltd (2003) 127 IR 205, 214 [48].

¹⁹ Report of the Full Bench Inquiring Under Section 120B of the Workplace Relations Act 1996, Australian Industrial Relations Commission, 4 June 1999, page xiv.

²⁰ Ibid 140-1.

²¹ Ibid 207.

otherwise struggle to compete against older applicants. Further, it is generally the case that the engagement of young persons will be associated with additional costs to the employer because of training and supervision needs.”²²

42. Despite the Bench ultimately determining that junior rates should no longer apply to 20-year-olds with at least 6 months of Work experience, the Commission’s reasoning highlighted the broader importance of maintaining junior rates more generally. This can be analogised to the current SDA application, as it reinforces the principle that junior rates remain appropriate where employees are still developing their skills, experience, and value to the employer.
43. In 2020, the Commission rejected an SDA application to remove junior rates for all workers above level 1 under the 2020 GRIA, opting instead to apply the adjustment only to level 4.²³ The bench concluded that the SDA’s merit claim that junior employees would only be promoted above level 1 if competent and if their work was equivalent to an adult employee was *“unsupported by evidence”* and insufficient to satisfy the requirements of s 156(3).²⁴ This is another demonstration of the Commission’s commitment to preserving junior rates, recognising that there are valid reasons underpinning the assertion that a junior employee’s work value may be lower than that of an older employee.

²² ‘Junior rates case’ (2014) [2014] FWCFB 1846.

²³ [2020] FWCFB 6301.

²⁴ Ibid 20.

Section 3: Factors Supporting the Continuation of the Extant Junior Rates Framework

44. Section 284 requires the Commission to take into account *"a comprehensive range of fair minimum wages to junior employees."*²⁵

45. Ultimately, wages reflect total value and not just task equivalence. There are a variety of factors that make employees, up until the age of 21, less appealing to hire compared to older workers - lower wage rates seek to offset these factors and establish a fair minimum wage. The Australian Industrial Relations Commission *Junior Rates Inquiry* report acknowledges several of these considerations, all of which remain relevant today. These include the need:

*"for a more consistent level of supervision; to counter a greater exposure of the junior employee to safety risks; to provide training beyond the degree necessary for a mature employee; for the acquisition of experience before full performance standards under the nearest related classification are met."*²⁶

46. In addition, it is likely that younger employees will be less productive than their older counterparts.²⁷ This is self-evident and a natural consequence of having less experience – the more you work, the more efficient and confident you become in performing tasks. ACCI believes this is a reasonable and widely accepted observation that can be applied broadly.

47. Another factor that justifies the existence of junior rates of pay is that younger employees are often less mature than older employees. While ACCI acknowledges the generalised nature of this proposition, it nonetheless reflects the reality of modern society. For example, young people attract higher insurance premiums and face a range of other aged-based restrictions or conditions.

48. Younger employees also tend to have greater variability in their availability and exhibit higher turnover rates than their older employees.²⁸ This is the result of a range of factors, including school, sport, exams, university, TAFE, and other commitments that can limit their availability. It would be unrealistic to suggest that employers do not recognise this and will not take this into account. As a result, when choosing between a younger and older candidate to ensure reliability and continuity

²⁵ *Fair Work Act 2009*, s284

²⁶ Report of the Full Bench Inquiring Under Section 120B of the Workplace Relations Act 1996, Australian Industrial Relations Commission, 4 June 1999, page 93.

²⁷ Productivity Commission Inquiry Report (Vol 1) into 'Workplace Relations Framework', 30 November 2015, page 254.

²⁸ Job Mobility Figures, ABS, February 2024.

of business, older employees may naturally then be preferred by employers – unless junior rates are in place to offset the perceived risks of employment.

49. The matters raised in this section seek to highlight common characteristics and challenges faced by younger workers that are relevant to the justification of junior rates. These are genuine, consistent concerns that ACCI has distilled from consultation with its membership network over many decades. They are reflective of the common perception of businesses, and that perception does influence their behaviour as it relates to recruitment.
50. Additionally, both the Modern Awards Objective and the Minimum Wage Objective require the Commission to consider the *“relative living standards and the needs of the low paid.”*²⁹
51. A growing number of young Australian adults continue to live at home with their parents, resulting in living standards and financial responsibilities that differ greatly from those of older Australians. According to a Melbourne Institute Survey, 84.8% of men and 79.5% of women aged 18 to 21 live at home.³⁰ These figures have remained relatively stable since 2010 and therefore cannot be attributed to the recent spikes in cost-of-living pressures. In contrast, the proportion drops markedly for those aged between the ages of 26 and 29 to just 31.2% of men and 27.5% of women.³¹
52. It is self-evident that by living at home, young people enjoy higher living standards and are less burdened by the costs of daily living. This is a relevant consideration to which the Commission ought to have regard in its determination of this matter.
53. Evidence filed by the applicant support the above submission and clearly demonstrates that young people benefit from lower daily living costs. For instance, many of the individuals referenced still live at home and are not required to pay rent.³² Some even note that they are *“not expected to pay anything out of account.”*³³.
54. While ACCI recognises that a minority of young people in this age group live independently, it is important to recall that the modern award system of wages and the national minimum wage are a base safety net that is, by international standards, extraordinarily generous. Young workers still have access to those generous wage

²⁹ *Fair Work Act 2009*, s134; *Fair Work Act 2009*, s284.

³⁰ Melbourne Institute, *The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 21 (2023)*, page 21.

³¹ *Ibid.*

³² SDA Submission, *Witness Statements, Junior Rates Application*, 5 February 2025, 30, 66, 72, 106, 119, 256, 269, 295, 324, 352, 398, 419.

³³ *Ibid* 80, 306.

settings via a graduating approach that reflects their life and professional experience, and they should not be disturbed as proposed in this application.

55. Furthermore, according to some surveys, it is highly common for young people who do live independently to live in share houses where rental costs are diluted significantly – a 2019 survey on National Share Accommodation indicated 70% of share house living is dominated by young Australians.³⁴

56. ACCI submits that in consideration of the needs of the low paid, the Commission ought to give significant weight to the fact that young workers, as a cohort, are largely supported until the age of 21, and do not face the same cost-of-living pressures as older employees. In the few occasions where workers in that cohort do not experience that level of support, ACCI submits that there exist a comprehensive and wide range of available social supports, and that it is not the duty of the Commission to bridge any gaps in that support, by way of variations to modern awards.

³⁴ Flatmates, 2019 National Share Accommodation Survey Results.

Section 4: The Impact of Higher Junior Rates of Pay on Youth Employment

57. As has been briefly discussed in Section 1, the Commission is required to consider the *“likely impact of any exercise of modern award power on employment growth,”*³⁵ as well as the objectives of *“promoting social inclusion through increased workforce participation”* and *“the need to improve access to secure work across the economy.”*³⁶

58. Undoubtedly, the level of wage rates required to be paid to young people have a significant influence on an employer’s decision to employ. This can be shown through a basic demand principle: as the price of a good or service increases, demand for it inevitably decreases. Applied here, as the cost of employing youth labour rises, the demand for youth labour correspondingly falls. This is supported by the Productivity Commission, which in its 2015 report on the *Workplace Relations Framework* affirmed:

*“If junior wage rates are high, they increase the willingness of young people to search for jobs (the supply side), but discourage employers from hiring them (the demand side).”*³⁷

59. This impact will be even more pronounced for this group, given that demand for their employment is known to be particularly elastic - likely due to the reasons mentioned in Section 3.

60. This is evidenced in a study by P.E.T. Lewis, *The Elasticity of Demand for Labour*, in which he estimates a total elasticity of demand for labour of 0.7%, over the 40-year period between 1957 to 1997.³⁸ This implies that a 1% rise in real wages will bring about a 0.7% reduction in the demand for labour.

61. Additionally, a Staff Research Paper by the Productivity Commission in 1998 recognised that there is a *“strong and robust negative relationship between youth employment and youth wages. This relationship suggests that a 1 per cent increase in youth wages would lead to a decrease in youth employment of between 2 and 5 per cent in industries employing a relatively high proportion of youth.”*³⁹ The paper cites the likely reason as:

³⁵ *Fair Work Act 2009*, s134.

³⁶ *Ibid.*

³⁷ Productivity Commission Inquiry Report (Vol 1) into ‘Workplace Relations Framework’, 30 November 2015, page 254.

³⁸ Philip E.T. Lewis & Garry MacDonald, *The Elasticity of Demand for Labour in Australia* (2002).

³⁹ Productivity Commission, Staff Research Paper, ‘Youth wages and Employment’ (1998), page 65.

“Young workers are relatively inexperienced and may lack maturity. Their unskilled work may be readily replaced by capital. Their inexperience will also work against them where employers have the choice of more experienced workers.”⁴⁰

62. While the exact level of elasticity is uncertain, we do not present this evidence as a precise measure but rather to highlight to the Commission that the demand for youth labour is elastic, and that any increase in wages is likely to have a level of negative impact on youth employment and workforce participation. This is not a bold or controversial assertion.
63. A major franchisor operating Australia-wide, has provided ACCI with evidence highlighting the significant impact the SDA’s proposal would have on the employment of young workers in those businesses. Among the 112 franchisee survey respondents, 95% indicated that if the Commission accepts the SDA’s proposal, they will hire fewer 18- to 20-year-olds. Additionally, 85% stated they would reduce hiring of 17-year-olds, while 69% indicated they would increase hiring of workers aged 21 and older. Respondents attributed their answers to a preference for hiring older workers, citing their greater experience and maturity, the lack of necessary skills and customer service experience among juniors, and the perception that adult workers are more productive.
64. It is also well established that during economic downturns, youth employees are often the first to lose their jobs as business margins shrink. The Australia Institute’s 2022 paper, *Youth unemployment and the pandemic*, noted that young people *“have been the hardest hit in all recent economic downturns.”*⁴¹ For example, during the 2021 COVID-19 lockdowns, young people represented just 14% of the workforce but accounted for 55% of the job losses.⁴² This was largely because younger workers frequently *“... lack experience and are often undertaking study and training, restricting working options.”*⁴³
65. This observation is directly relevant to the potential cost increases that will arise if this application is granted. It will increase business costs, particularly for small businesses, creating pressure on business viability and margins which are likely to increase the potential for job losses. Where this occurs, it will likely again fall disproportionately on younger workers.
66. ACCI submits that any benefit arising from increasing youth wages will be moot if junior employees are not employed in the first place. In this regard, the application is

⁴⁰ Ibid 33.

⁴¹ Eliza Littleton & Rod Campbell, Australia Institute, ‘Youth unemployment and the pandemic’ (2022), 17.

⁴² Ibid 1.

⁴³ Ibid 19.

inherently counterintuitive and will ultimately create adverse conditions for the very individuals it purports to benefit. With the youth unemployment rate already more than double that of the general population (9.0% compared to 4.0%)⁴⁴, ACCI submits that the focus should be on matters and initiatives that are external to the Modern Award system. Such an approach, away from the Award system, enables broader scope to genuinely improve youth employment opportunities and would be of far greater benefit to this cohort, while avoiding the very real risks arising from the grant of this Application, such as increasing and exacerbating barriers to work.

The Consequences of Reduced Workforce Access for Young Australians

67. ACCI submits that the interests of young people are best served by ensuring they have access to entry-level jobs that allow them to enter the labour market. Their interests are not advanced by laws or proposals that hinder their entry into the workforce or increase the risk of job loss.

68. As demonstrated in the above section, the Application would likely lead to higher youth unemployment, resulting in a range of unintended consequences for young Australians.

69. By working, young people gain access to paid employment and the opportunity to develop valuable skills, experience, and a sense of workplace responsibility. In contrast, youth unemployment is associated with reduced economic mobility, widening skills gaps and long-term disadvantages. It is well established that *“young people who have been unemployed find it harder to obtain steady work compared with those who have been working.”*⁴⁵ This is not controversial with widespread acknowledgement among economists and policy experts that early and sustained engagement in employment improves long-term career prospects and reduces disadvantage.⁴⁶

70. Proposals that threaten to limit these early opportunities, risk exacerbating these challenges rather than alleviating them.

71. In its 2015 report, the Productivity Commission advised:

“caution about any increases to the current rates, particularly where they put at risk the early employment of more vulnerable people with lower skills. The transition from education to work is one of the critical pathways, and changes that affected

⁴⁴ Labour Force Figures, ABS, March 2025.

⁴⁵ Productivity Commission Inquiry Report (Vol 1) into ‘Workplace Relations Framework’, 30 November 2015, page 254.

⁴⁶ See, e.g., Natasha Cassidy et al, Reserve Bank of Australia, ‘Long-term unemployment in Australia’ (2020), 6.

employment of the less academically able could have adverse generational impacts.”⁴⁷

72. ACCI urges the Commission to take these considerations into account. This issue is not solely about pay differentials, but about ensuring that young Australians are given every opportunity to enter the labour market and develop the skills and responsibilities essential for their future. Increasing wage rates for junior employees’ risks driving up youth unemployment and denying many young people the opportunity to get their first foothold in the workforce – which ACCI submits is an unacceptable outcome.

⁴⁷ Productivity Commission Inquiry Report (Vol 1) into ‘Workplace Relations Framework’, 30 November 2015, page 258.

Section 5: Impact on Small Businesses

73. The Modern Awards Objective requires the Commission take into account *“the likely impact of any exercise of modern award powers on business, including productivity, employment costs and the regulatory burden,”*⁴⁸ while the Minimum Wage Objective emphasises the importance of considering *“business competitiveness and viability.”*⁴⁹ These have already been discussed at Section 1.
74. Small businesses represent 97.2% of all Australian businesses.⁵⁰ A significant portion operate on tight profit margins, with the Australian Small Business and Family Enterprise Ombudsman reporting in 2023 that *“43% of small businesses failed to make a profit and 75% of small business owners take home less than the average wage.”*⁵¹ Consequently, increased employment costs could force small businesses to reduce staff hours, cut back on hiring, or pass the additional costs onto consumers by raising product prices – each of which will have its own, undesirable economic consequences.
75. Alternatively, affected small businesses may be forced to close altogether if they are unable to absorb the increased labour costs or remain competitive in their market. This not only results in job losses, including for the very employees the proposal aims to protect, but could also weaken local economies across the country through a reduction in economic activity – the Commission cannot obviate the impacts of its decision on the national economy, this is made clear by the objects of the Act and the modern awards objective.⁵²
76. Many of these business owners have taken on significant personal and financial risk in an effort to build a better future for themselves and their families, while also supporting local jobs and economic growth. Imposing further wage burdens threatens not only the sustainability of their businesses but also the aspirations of the families who rely on them.
77. The aforementioned major franchisor’s survey also evaluated the potential impact of the SDA’s proposal on the small businesses themselves. Results indicated that 86% of respondents would reduce their workforce, 87% would increase prices, and 61% would consider selling or closing their business if the proposal were accepted. Employers surveyed expressed concerns that the SDA’s proposal is disconnected

⁴⁸ *Fair Work Act 2009*, s134.

⁴⁹ *Fair Work Act 2009*, s284.

⁵⁰ Australian Small Business and Family Enterprise Ombudsman, Number of small businesses in Australia (June 2024).

⁵¹ Australian Small Business and Family Enterprise Ombudsman, Small Business Matters (2023), 1.

⁵² *Fair Work Act 2009*, s3(a); *Fair Work Act 2009*, 134(h).

from the realities of running a small business, emphasizing that small businesses cannot absorb increased costs as easily as larger businesses.

Section 6: Common Misconceptions About Junior Rates

Misconception 1: Junior rates are discriminatory

78. ACCI categorically agrees that discrimination should be illegal where there is no basis for making distinctions between categories of people, for example, on gender or race. Both Section 153(3) of the Fair Work Act 2009 (Cth)⁵³ and Section 25 of the Age Discrimination Act 2004⁵⁴ expressly provide that youth wages are not considered discriminatory under the law. Consequently, any implication that junior rates are discriminatory lacks legislative merit and falls outside the scope of this application.
79. Additionally, Section 351 of the Fair Work Act 2009 (Cth)⁵⁵ and Section 18(4) of the Age Discrimination Act 2004 (Cth)⁵⁶ permit discriminatory provisions if they align with the 'inherent requirements' of the employment. This is consistent with Article 1 of the ILO Convention no. 111, the Convention concerning discrimination in respect of employment and occupation.⁵⁷
80. These laws support the use of junior rates of pay as lawful and non-discriminatory. Rather than paying young employees less, junior rates are intended to reflect the generally lower levels of experience, skill and productivity associated with younger workers. These factors undoubtedly relate to, and influence, the inherent requirements of the role. Once again, this reinforces the clear legislative basis that junior rates of pay are non-discriminatory, and any argument to the contrary falls outside the scope of this application.

Misconception 2: International comparisons are valid evidence

81. Previous submissions to the Commission and related papers have consistently sought to draw comparisons between Australia and other countries, mentioning examples such as New Zealand, Canada and South Korea, who have recently abolished sub-minimum wages for young people entirely, or for young people aged 18 years and over.
82. In the first instance, ACCI submits that comparisons should not be made with other countries when Australia has entirely different labour market and economic contexts. Nevertheless, these are not effective comparisons and do not support the argument to increase or remove junior rates of pay.

⁵³ *Fair Work Act 2009*, s153(3).

⁵⁴ *Age Discrimination Act 2004*, s25.

⁵⁵ *Fair Work Act 2009*, s351.

⁵⁶ *Age Discrimination Act 2004*, s18(4).

⁵⁷ ILO Convention No. 111, Convention concerning Discrimination in Respect of Employment and Occupation (1958), Article 1.

83. In New Zealand, the youth minimum wage was technically abolished in 2008, with the adult minimum wage extended to all workers over the age of 16 – except for those aged 16 or 17 who had been employed for less than three months. However, in 2013, junior rates of pay were reintroduced in the form of a ‘Starting-out wage,’ which broadened the eligibility criteria to include 16 to 19-year-olds who had been employed for less than six months. This change aimed to address concerns that the removal of discounted wage rates in 2008, contributed to rising youth unemployment between 2008 and 2013.⁵⁸ Research by the former Department of Labour suggests the abolition of the youth minimum wage in 2008 “*resulted in the loss of up to 9000 jobs for young New Zealanders.*”⁵⁹ Australia should take note of this policy reversal and recognise that adopting similar changes could increase youth unemployment.
84. In South Korea, the sub-minimum wage for workers 18 years and under was abolished in 2005. However, meaningful comparisons with Australia are limited, as South Korea’s adult minimum wage equates to approximately \$11 AUD, which is significantly lower than Australia’s. This lower wage gives South Korean employers greater flexibility to hire younger, less experienced workers without the need for junior rates. In contrast, Australia’s comparatively high minimum wage means that removing junior rates could create cost barriers for employers and reduce employment opportunities for young employees.
85. The reality is that both sides of this proposal could selectively reference countries that align with their position. However, when creating laws for Australia, we must focus on Australian circumstances and not rely on examples from countries with entirely different labour market contexts.

⁵⁸ New Zealand Youth Unemployment Rate (1991-2024), Macrotrends.

⁵⁹ Beehive Government New Zealand, The Starting-Out Wage: Q&A’s (October 2012), 1.

Conclusion

86. ACCI reiterates that the Commission should reject this application. As this submission demonstrated, granting the application will lead to unacceptable disemployment effects for young Australians and disproportionately impact small businesses that are already struggling.
87. In this regard, ACCI cannot see how the application will benefit those it purports to support, save for a potential immediate gain that will inevitably be outweighed in the medium to long term. Granting the application will be inherently counterintuitive and will ultimately be to the detriment of the very individuals it intends to support.
88. The Commission has a long history of recognising the importance of junior rates in the employment infrastructure and rejecting such applications by employee organisations. We submit that there is no evidence or ground advanced in this application that would give the Commission a sound basis to depart from previous approaches. ACCI submits that in this matter, it would be appropriate to abide by the principle of stare decisis and reaffirm the critical role of junior rates as a gateway to employment opportunities.
89. We submit that granting the application would be averse to current and future job opportunities for young people. Any benefit that would purport to arise from a significant increase to wages, will be of no benefit if junior employees are not employed in the first place. Higher wages are likely to result in reduced hiring opportunities for young workers, depriving them of the opportunity to enter the labour market and develop the skills and responsibilities essential for their future.
90. We also submit that the Commission should have significant regard to small businesses, who will be disproportionately impacted by the application if granted. Imposing additional wage burdens jeopardises not only the sustainability of these businesses and the futures of the young workers they employ, but also the aspirations of the families who rely on them.
91. We submit finally that consideration of the many legislative elements in the Act all weigh heavily against the granting of this application.
92. Having regard to the above matters, ACCI strongly urges the Commission to reject the application and not disturb the existing arrangements in the affected relevant Awards.

About ACCI

The Australian Chamber of Commerce and Industry represents hundreds of thousands of businesses in every state and territory and across all industries. Ranging from small and medium enterprises to the largest companies, our network employs millions of people.

ACCI strives to make Australia the best place in the world to do business – so that Australians have the jobs, living standards and opportunities to which they aspire.

We seek to create an environment in which businesspeople, employees and independent contractors can achieve their potential as part of a dynamic private sector. We encourage entrepreneurship and innovation to achieve prosperity, economic growth, and jobs.

We focus on issues that impact on business, including economics, trade, workplace relations, work health and safety, and employment, education, and training.

We advocate for Australian business in public debate and to policy decision-makers, including ministers, shadow ministers, other members of parliament, ministerial policy advisors, public servants, regulators and other national agencies. We represent Australian business in international forums.

We represent the broad interests of the private sector rather than individual clients or a narrow sectional interest.

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