Research proposals for FWA’s consideration are as follows.

Research proposal 1 – Expenditure patterns of low paid workers

Research questions
• What are the expenditure patterns of low wage workers and how do these vary for workers in various household types?
• How do expenditures patterns of low wage workers differ from those on higher pay?
• How have expenditure patterns changed over time?

As part of the annual wage reviews, the Minimum Wage Panel must have regard to a range of legislative parameters including the relative living standards and the needs of the low paid.

In its 2010-11 decision, paragraph 205 the Panel noted:

As indicated in the Annual Wage Review 2009–10 decision, wages do not by themselves directly determine the relative living standards of the majority of individual wage earners who live in households with others. The Panel expressed the view that minimum wages and the tax/transfer system are both relevant to the maintenance of an effective safety net for the low paid. The Australian Government shared this view, stating that for individuals that remain in low paid employment for lengthy periods, where they reside in low income households, minimum wage increases can (alongside the tax/transfer system) help to support their living standards.

With the upcoming release of the ABS Household Expenditure Survey (HES) (Cat. No. 6530.0) data in September 2011, research investigating the expenditure patterns of low wage workers will contribute to the evidence base on the relative standard of living of low wage workers.

Given the focus on the relative living standards and the needs of the low paid in minimum wage decisions and the length of time since information such as this has been available for research purposes, this study would be timely and of significant interest to be included in the research program.

Research proposal 2 – Job mobility and low paid work

Research questions
• To what extent do low paid workers change their jobs for higher paying jobs?
• To what extent do they lose their jobs?
• What factors contribute to positive and negative job mobility outcomes for low paid workers?
To what extent do changes in the economic environment affect low paid work and job mobility outcomes?

To what degree do job mobility outcomes relate to the diversity of today’s workforce (e.g., single parent households compared with households where both parents work)?

Understanding the changing nature of the labour market and in particular experiences of the low wage workers in low wage jobs is of continued interest to minimum wage decisions. High employee turnover rates are costly for employers and can therefore affect the likelihood of training provided for low paid workers.

As shown in the Australian Government’s Submission to the Fair Work Australia Annual Wage Review 2011, low paid employment can, on the one hand, be a stepping stone to higher paid and more stable forms of work for many workers. On the other hand, there is also a large proportion of employees who remain low-paid over two and four year periods. It is crucial therefore that minimum wage adjustments balance these considerations.

A study into low pay dynamics titled ‘Low Pay Dynamics: Do Low Paid Jobs Lead to Increased Earnings and Lower Welfare Dependency Over Time?’ by Buddelmeyer et al was published in 2007. This project examined the issues of low-pay dynamics and earnings mobility and their relation to income support. The data used in this project were from the first four waves (or years) of the Household, Income and Labour Dynamics in Australia (HILDA) Survey (2001-2004). The HILDA dataset is available up to 2010 and therefore provides an opportunity to revisit the issue of job mobility and low paid work in further detail.

Of particular interest, this project has potential to add to the body of existing evidence on wage mobility during times of economic downturn such as after the global financial crisis (GFC) that commenced in late 2008. In this regard, this project could look the degree to which job mobility changes during economic downturns and changes in the ‘precarious’ nature of low paid jobs in these periods.

Research proposal 3 – Understanding the effect of minimum wage changes in the Australian economy

Research question

What is the relationship between minimum wage changes and major economic variables such as inflation, employment, aggregate hours of work, consumption, investment etc?

There is considerable public interest in understanding how minimum wage changes flow through the Australian economy. For example, the ACTU in its submission to the 2011 Annual Wage Review (Chapter 16 of written submission) identified in its modelling that there will be little impact of their suggested increase in the minimum wage on inflation as was the case for the 2010 increase. The validity of the modelling was questioned by employer groups (in oral arguments). Also understanding the performance and competitiveness of the national economy is an important consideration for the Panel in its determination of any change to the minimum wage.

A project of this nature is likely to require financial resources, which in the current budgetary environment, are likely to be limited.

1 Australian Government Submission to the Fair Work Australia Annual Wage Review 2011, page 46.
An alternative approach may be to investigate the impact of the minimum wage on individual variables of interest. For example, the UK Low Pay Commission has investigated (as individual projects) the impact of the UK NMW on macroeconomic variables such as employment and hours of work; prices; and labour productivity and unit labour costs.