

Victorian Government Submission – Annual Wage Review 2019-20

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Industrial Relations Victoria

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Executive Summary

- 1 The Victorian Government has previously welcomed the Fair Work Commission's (FWC's) decisions in June 2018 and June 2019 to award a 3.5 per cent and three per cent increase respectively to the National Minimum Wage (NMW) and all award minimum wages. Those increases improved the low pay circumstances of many award reliant workers and was a significant step towards tackling income inequality.
- 2 The FWC awarded those increases in a currently similar economic context: an increase in labour productivity over the preceding five years, a stable unemployment rate, the wages price index was lower than in previous years, business conditions were positive and there was subdued inflation.
- 3 Victoria's economy has recorded above-trend growth for the preceding five years, supported by an extended period of low interest rates and strong population growth. Victoria also has one of the strongest labour markets among the states. Employment grew by 3.4 per cent in 2018-19, the fifth consecutive year of above trend growth. Consequently, the Victorian Government submits that there is capacity for the FWC to increase the NMW by at least three per cent and make a similar fair and reasonable increase to award minimum wages in the 2019-20 Annual Wage Review (AWR).
- 4 The Victorian Government continues to champion economic growth that is distributed fairly, equitably and creates opportunity for all Victorians. Economic growth driven by strong employment and higher wage growth can improve social and economic inclusion and contribute to community stability and engagement. An appropriate minimum wage helps share the benefits of economic growth throughout the community, particularly for cohorts of working Victorians who can be subject to intersecting disadvantage. The impacts for some of these groups are described below.
- 5 A strong NMW and similarly strong award rates, is essential for the economic wellbeing and social inclusion of women, to provide them with a living wage to offset their considerable unpaid work and care activities. As the Victorian Government has submitted on several occasions, increases to the NMW and all award minima is a key lever to address the gender pay gap across all industry sectors, but particularly in female dominated and growing sectors, such as Health Care and Social Assistance.

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- 6 Young people constitute a large cohort of the Victorian workforce on award or minimum wages. An increased minimum wage and corresponding increase to award wages can provide greater economic benefits and stability to young people – leading to broader social and health benefits. It would also improve the earning capacity of young people, reduce their cost of living pressures and increase discretionary spending and further strengthen the Victorian economy.
 - 7 People with disability are more likely to be on the minimum wage than people without disability. In addition, people with disability often have higher expenses in conjunction with a lower income. Thus, a strong minimum wage is critical to the economic inclusion and participation of people with disability.
 - 8 Aboriginal Victorians are also more likely to earn wages that are on or near the minimum wage. They are also more likely to live in regional areas and have a younger population than non-Aboriginal Victorians, both factors in earning lower wages.
 - 9 An increase to the NMW will benefit those Aboriginal Victorians who earn low wages, to help offset rising rents and other living costs, to allow them to support their families and to save for retirement. This is particularly important for Aboriginal Victorians who experience intersecting discrimination.
 - 10 Increasing the NMW will provide key support to older working people on low incomes to enable them to save for retirement and to support themselves in terms of housing and other living costs. A strong NMW would also help to compress the income inequality of older people. This is particularly important in the context of an ageing population and an ageing workforce
 - 11 An increase to the NMW will help to compress the wage gap. Further, an increase to the minimum wage can provide a general incentive to increase labour force participation and enable greater economic participation by those groups more exposed to disadvantage. This is particularly important for groups already more likely to earn low wages, such as people from culturally diverse backgrounds, Aboriginal Victorians, younger people and older people, and women. A higher NMW will help reduce inequality and poverty, address economic challenges, and help reduce intergenerational disadvantage.
 - 12 The Victorian Government submits that in its 2019-20 AWR, the FWC should increase the NMW by at least three per cent and provide a fair and reasonable increase to all other award minimum wages in the 2019-20 AWR.

Victorian Government Submission to the Annual Wage Review 2019-20

1 Introduction

- 1.1 The Victorian Government makes this submission to assist the Fair Work Commission (FWC) in the exercise of its functions in setting minimum wages for employees in the national workplace relations system.
- 1.2 The FWC must ensure that modern awards, together with the National Employment Standards, provide a fair and relevant minimum safety net of terms and conditions.
- 1.3 In establishing and maintaining a safety net of fair minimum wages, the FWC is required to consider:
 - the performance and competitiveness of the national economy, including productivity, business competitiveness and viability, inflation and employment growth;
 - promoting social inclusion through increased workforce participation;
 - relative living standards and the needs of the low paid;
 - the principle of equal remuneration for work of equal or comparable value; and
 - providing a comprehensive range of fair minimum wages to junior employees, employees to whom training arrangements apply and employees with a disability.¹
- 1.4 These matters are dealt with and supported by research and data throughout this Submission

2 Submission

- 2.1 According to the most recently available Australian Bureau of Statistics (ABS) figures released in January 2019, in May 2018, 22.5 per cent of Australian employees were reliant upon minimum award wages. This is an increase in award reliant employees from 20.4 per cent in 2014, and 16.4 per cent in 2012.
- 2.2 Over two million Australian workers are currently reliant on award minimum rates of pay and therefore dependent on the outcomes of the Annual Wage Reviews directly. Many more workers are indirectly affected, through flow-on wages broadly based on the minimum wage. Given the evidence of the decline in collective bargaining, the FWC's

¹ *Fair Work Act 2009*, s.284(1).

Annual Wage Review decisions have continuing and increasing significance. Increased award reliance together with low wages outcomes from bargaining, mean that the Annual Wage Review is the key government policy lever available to redress the decline in wages growth and the means to distribute productivity gains to Australian workers.

- 2.3 Further, notwithstanding increases to the NMW and other award minima, many workers are suffering ‘wage theft’ and there is increased precariousness and job insecurity, due to factors such as the growth of the ‘on-demand’ economy, meaning that as well as a fair and reasonable increase, there is an urgent need to enhance enforcement against those employers deliberately doing the wrong thing.
- 2.4 The Victorian Government submits that in its 2019-20 Annual Wage Review (AWR), the FWC should increase the NMW by at least three per cent and award a fair and reasonable increase to all other award minimum wages in the 2019-20 AWR.


3 Performance and competitiveness of the international, Australian and Victorian economies

3.1 Introduction

- 3.1.1 The Victorian Government continues to champion economic growth that is distributed fairly, equitably and creates opportunity for all Victorians. Inclusive growth driven by strong employment and higher wage growth improves social and economic inclusion and contributes to community stability and engagement. An appropriate NMW helps share the benefits of economic growth throughout the community, particularly for marginalised cohorts of working Victorians.
- 3.1.2 Victoria’s economy has recorded above-trend growth for the past five years, supported by an extended period of low interest rates and strong population growth. Victoria also has one of the strongest labour markets among the states. Employment grew by 3.4 per cent in 2018-19, the fifth consecutive year of above trend growth. Consequently, the Victorian Government submits that there is capacity for the FWC to increase the NMW by at least three per cent and make a fair and reasonable increase to award minimum wage in the 2019-20 AWR.

3.2 International outlook

- 3.2.1 Towards the end of 2019, global growth appeared to be stabilising after trade tensions between the United States and China had led to a slowdown in global trade, investment and industrial production during the year. In its January 2020 update, the International Monetary Fund (IMF) had forecast global growth to improve to 3.3 per cent in 2020 from 2.9 per cent in 2019. Since then, the outbreak of COVID-19, and responses to contain its spread, have significantly weakened the near-term outlook for the global economy. Economic activity in China, the world’s second-largest economy, appears to have slowed sharply in February due to quarantine efforts, with emerging trade, supply chain, financial market and confidence spillovers to the global economy. While China was the epicentre of the COVID-19 outbreak, to date there have also been significant outbreaks



in South Korea, Italy and Iran, with confirmed cases in over 80 other countries. While the economic impacts of COVID-19 remain very uncertain, growth will likely be considerably lower than previously anticipated. On 4 March 2020, the IMF stated that, while the economic impacts are difficult to predict, global growth in 2020 will be below that of 2019 – implying at least a 0.4 percentage point decline in growth. This followed the OECD’s downward forecast revision for global growth of 0.5 percentage points due to COVID-19. Assuming the global outbreak is contained, and relatively short-lived, global economic growth can be expected to gradually recover, and be considerably stronger in 2021 than in this year.

- 3.2.2 Real wage growth in most advanced economies remains subdued despite signs of labour market tightening and low unemployment rates in 2019. The IMF attributes this partly to weak productivity growth and excess labour market capacity that is not reflected in headline unemployment rates.

3.3 Australian outlook

- 3.3.1 Economic conditions in the Australian economy remain positive, although real GDP growth has been subdued in recent years due to weakness in household consumption and declines in dwelling investment. While there are signs of recovery in established housing market conditions in some states that would ordinarily support household consumption spending and dwelling investment, the 2019-20 bushfires and COVID-19 are likely to drag on near term growth. The coronavirus outbreak is having a significant effect on the Australian economy, particularly in the education and tourism sectors. Increased uncertainty is also affecting domestic spending, which may be further impacted by volatility on the global financial markets. Australia’s commodity exports could also be affected with weak growth in China.
- 3.3.2 The Australian economy expanded by 1.9 per cent in 2018-19, the lowest rate of growth since 2009, driven by declines in business and dwelling investment and slower growth in household consumption. The slowdown in consumption is consistent with several years of low growth in household income and the sharp decline in the housing market since 2017.
- 3.3.3 As with the global economy, the COVID-19 outbreak will lead to lower growth in the Australian economy, while the medium-term effects remain highly uncertain. Tourism and international education exports are being significantly affected. The impact on supply chains, exports and consumer and business confidence may also be considerable. This follows the recent bushfires over the summer of 2019/20, which had devastating human, environmental and economic impacts in affected regions.
- 3.3.4 The effects of these developments are yet to appear in economic data. However, over 247,000 jobs were created in the year to January 2020 and the unemployment rate dropped 0.1 percentage point to 5.2 per cent in year average terms. In the 2019-20 MYEFO, the Commonwealth Treasury revised its unemployment rate forecasts up by 0.25 percentage points for 2019-20 and 2020-21, to 5.25 per cent, reflecting higher labour force participation.

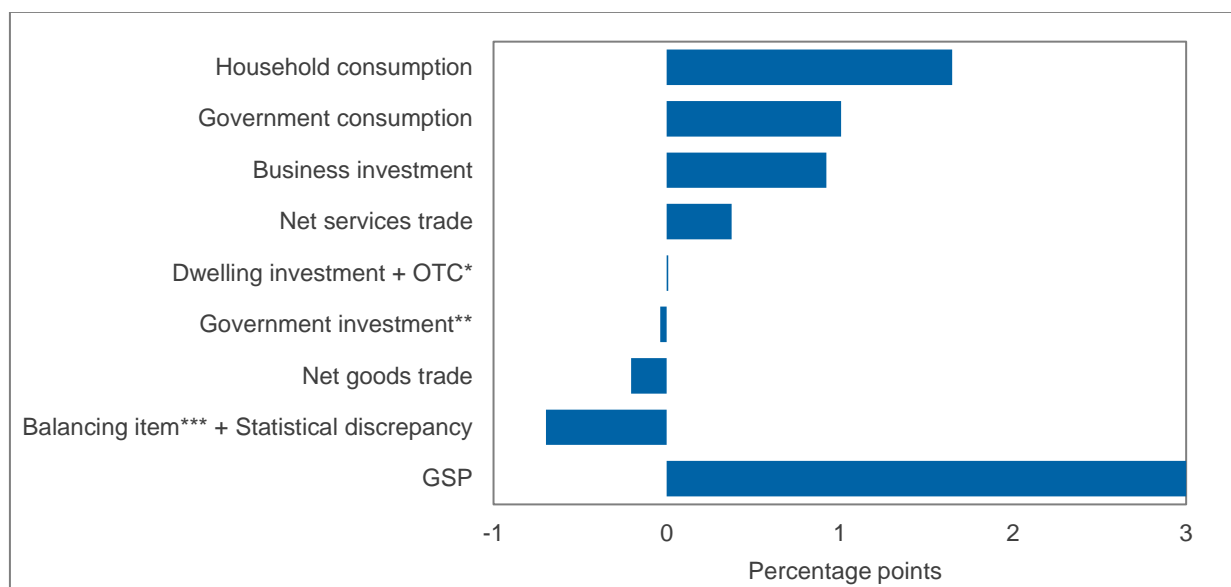
3.3.5 Wages growth remains low and inflationary pressures are weak. Both are expected to gradually increase as the labour market continues to strengthen, but at a slower pace than previously forecast. Average annual wages growth was 2.4 per cent in 2018-19, slightly below the forecast of 2.5 per cent in the 2018-19 Commonwealth Budget.

3.3.6 In the 2019-20 MYEFO, the forecasts for national wages growth was revised down by 0.5 percentage points for 2019-20 and by 0.75 percentage points for 2020-21, as tighter labour market conditions have not generated the expected wage pressures.

3.4 Victoria’s current conditions and outlook

3.4.1 Victoria’s economy has recorded an above-trend rate of economic growth for five consecutive years. Real gross state product (GSP) grew by 3.0 per cent in 2018-19, led by household consumption, public demand and business and dwelling investment, while ownership transfer costs subtracted from growth (Figure 1).

Figure 1: Contribution to Victoria's GSP growth, 2018-19²



Source: ABS Cat. No. 5220, Department of Treasury and Finance, Victoria.

3.4.2 The December quarter national accounts showed Victoria’s state final demand grew by 1.3 per cent over the year to December 2019, a moderation amid national and global economic headwinds. More recently, the 2019-20 bushfires and the coronavirus outbreak have affected Victorian economic conditions. Bushfires have affected East Gippsland and North East Victoria and caused difficult circumstances and tragic losses in some communities. This has affected rural exports and tourism earnings in the summer season. COVID-19 presents additional challenges. Victorian tourism and education export sectors will be directly affected by restrictions on travel following the

² *Ownership transfer costs (OTC) includes stamp duty, real estate agent and lawyer fees, local government charges and other property transaction costs. **Excludes some investment delivered via public-private partnerships which is measured by the Australian Bureau of Statistics as business investment. ***The balancing item reflects inventory changes, interstate trade and a balancing item discrepancy.

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- outbreak of COVID-19 in China. There may be broader effects on the economy the longer the outbreak lasts.
- 3.4.3 Despite these near-term challenges, property market conditions are strengthening. After significant price falls over 2018 and early 2019, prices have already returned to their previous peak. This should provide some support to the outlook for housing construction in later 2020.
- 3.4.4 The medium-term outlook for Victoria's economy remains positive, supported by strong fundamentals. Population growth remains strong, the state has a diverse industry structure, and the economy benefits from a highly skilled workforce. In addition, the State's finances are resilient – as underscored by its AAA credit rating.
- 3.4.5 Household consumption is expected to make the largest contribution to GSP growth in the medium term consistent with ongoing improvements in household income and housing prices. Victoria's household consumption grew by 2.6 per cent in 2018-19 and was the largest increase among the states. However, the 2019-20 bushfires and the ongoing COVID-19 outbreak will drag on near term household consumption growth. This will be partly offset by the positives from ongoing strong population and employment growth, and recent cuts to interest rates.
- 3.4.6 Dwelling investment made a small contribution to GSP growth in 2018-19 while falls are expected over much of 2019-20. The falls in house prices over 2018 and early 2019 have contributed to a large decline in dwelling approvals, especially for high-density projects, and this has reduced the pipeline of residential construction activity.
- 3.4.7 However, there are recent signs of improvement in the established residential property market. Improving housing market conditions are likely to support new construction activity from 2020-21, rather than in 2019-20, reflecting a lag between the two, especially for apartments.
- 3.4.8 Demand for government services and infrastructure has increased in recent years in line with Victoria's population growth. The contribution of public demand to GSP growth has been strong and is likely to continue in 2019-20. This is led by the Government's large pipeline of infrastructure spending and state and Commonwealth spending on services.
- 3.4.9 Business investment was strong in 2018-19 led by growth in all major sub-components. Engineering construction activity increased because of Government spending on infrastructure as well as private investment in renewable energy generation projects. Victoria's strong population and employment growth has underpinned high levels of non-residential construction activity particularly in office buildings, industrial premises and health and education facilities.
- 3.4.10 Victoria's exports of goods and services rose in 2018-19, led by an increase in service exports, which grew by 10.8 per cent. Imports also rose, although by less than exports; goods imports were subdued, consistent with the moderation in consumer spending.

The recent bushfires and the outbreak of COVID-19 are expected to weigh on service exports in the near term.

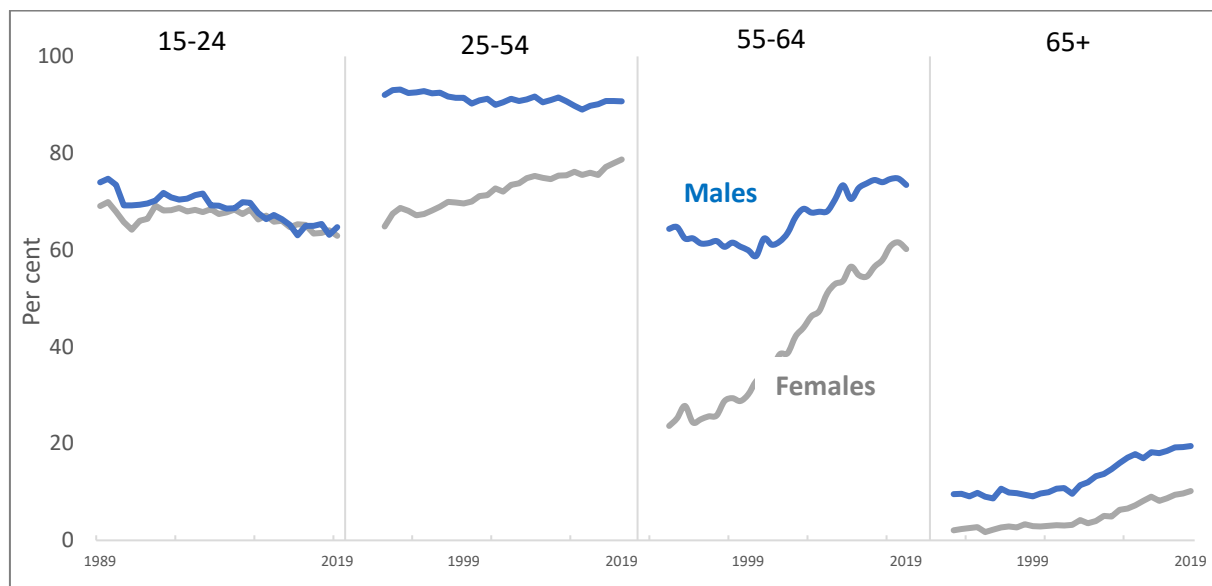
- 3.4.11 Conditions in Victoria's labour market are positive, with solid growth in employment, record rates of labour force participation and a low unemployment rate. Employment rose by a strong 3.4 per cent in 2018-19, supporting a decline in the unemployment rate to an 11-year low of 4.6 per cent in year-average terms.
- 3.4.12 Wage growth has remained subdued despite the strength in employment in recent years, partly due to strong growth in labour supply. Both Victorian and national wages growth have been below 3.0 per cent for five consecutive years, and similar trends have been observed in many developed economies.
- 3.4.13 Inflation pressures remain subdued, with the Melbourne consumer price index (CPI) rising by 1.7 per cent in 2018-19, like the national increase. Ongoing low wages growth, strong competition in the retail sector, and weakness in housing costs are some of the factors contributing to low inflation outcomes. Inflation remains below the Reserve Bank of Australia's 2–3 per cent target band.
- 3.4.14 Victoria's population grew by 2.1 per cent in the year to the June quarter 2019, compared with growth of 1.5 per cent for Australia. Population growth in recent years has been driven by strong levels of both net overseas and interstate migration, which reflects Victoria's strong economic conditions relative to the other states.

3.5 Victoria's labour market

- 3.5.1 Conditions in Victoria's labour market are positive. Employment growth in Victoria has been above-trend since mid-2015 and the employment to population ratio is around the highest on record.
- 3.5.2 Employment growth continues to outpace growth in working-age population in Victoria. Year-average employment rose by 3.3 per cent in the year to January 2020 supporting a decline in the unemployment rate to 4.8 per cent. Employment for both men and women increased in the same period.
- 3.5.3 In 2018-19, employment grew in 15 of the 19 industries in Victoria. Jobs increased most in Public Administration and Safety, Healthcare and Social assistance, Professional, Scientific and Technical Services, and Administrative and Support Services, but decreased in Accommodation and Food, Agriculture, Manufacturing and Retail Trade industries.
- 3.5.4 Employment growth in Victoria is forecast to moderate slightly but remain above trend in 2019-20. Leading indicators suggest demand for labour will moderate from previous high rates. Job vacancies fell in the three months to November and over the year. Employment intentions in the NAB survey have moderated but remain above long-term averages.

- 3.5.5 Strong labour demand has been met by an increase in labour supply. More people are entering the workforce as opportunities arise, particularly women aged 25–45 years and older workers (Figure 2).
- 3.5.6 Rising participation among females and older workers has helped offset the negative impact of the ageing population on workforce participation. The participation rate averaged 66.3 per cent in the year to January 2020, up from 65.6 per cent in the previous year. The participation rate is expected to remain elevated over the medium-term.
- 3.5.7 The participation rate of women in the labour force has increased from 45 per cent in late 1980s to 60 per cent in 2019. Close to half of all employed females currently work part time.

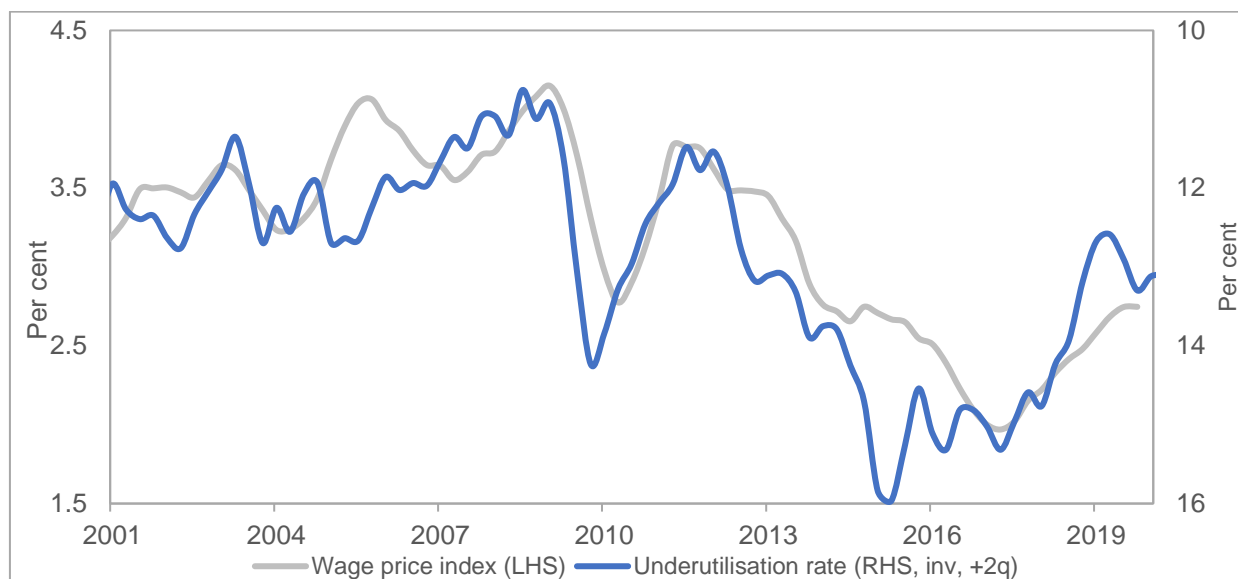
Figure 2: Labour force participation rate by age cohort and gender, financial year average



Source: ABS Cat. No. 6291.0.55.001

- 3.5.8 Victoria’s labour force underutilisation rate – which measures both unemployment and underemployment – increased slightly over the year to January 2020 in line with increased labour supply and moderating labour demand (Figure 3). The underutilisation rate averaged 13.2 per cent in the year to January 2020 up from 12.9 per cent a year earlier. Despite the increase, Victoria’s labour force underutilisation rate was the second lowest among the states and below the national average.
- 3.5.9 The increase in the underutilisation rate has been driven entirely by the underemployment rate whilst the unemployment rate fell in Victoria. The underemployment rate rose from 8.1 per cent to 8.4 per cent in the year to January 2020, driven by an increase in both male and female underemployment. Despite the increase, the Victorian underemployment rate is the second lowest among the states.
- 3.5.10 Increase in the underutilisation rate has weighed on wages growth. Victorian wages growth is subdued by historical standards although it remains the highest in the nation.

Figure 3: Underutilisation and annual wages growth – Victoria – 1999 to 2019



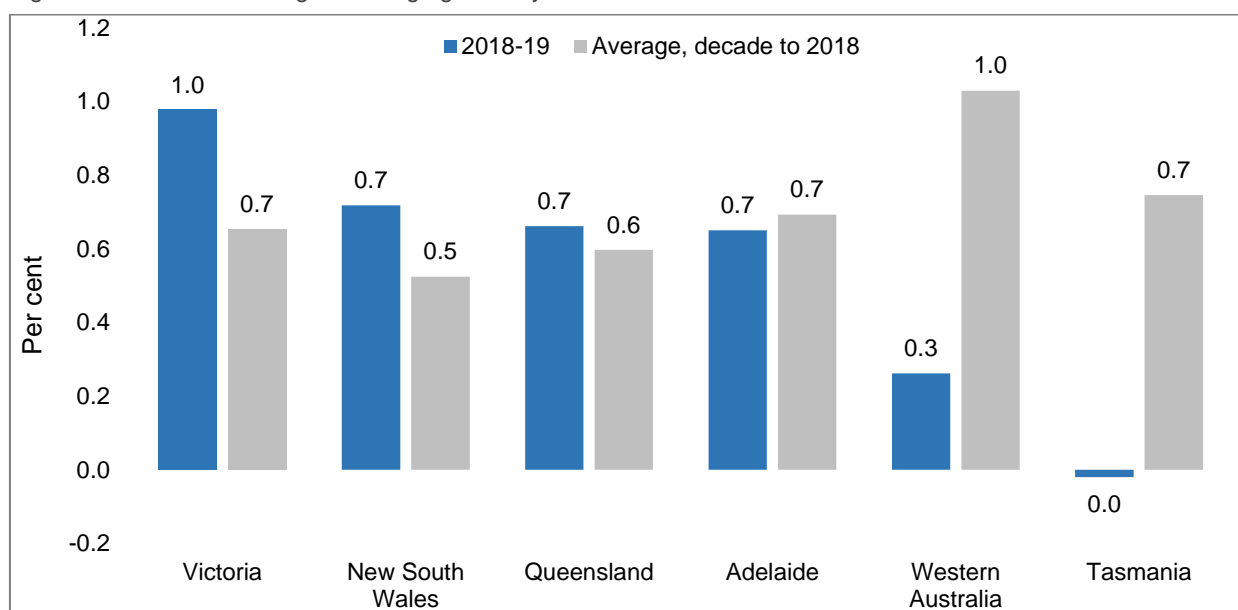
Source: ABS Cat. Nos. 6202 and 6345

3.6 Victoria’s wages growth and inflation

3.6.1 With nominal wage growth rising to 2.7 per cent in 2018-19, and inflation of 1.7 per cent, real wages growth increased to 1.0 per cent in Victoria in 2018-19 supported by strong labour market conditions and reduction in spare capacity in the labour market. The result was the highest among the states and exceeded the decade average of 0.7 per cent.

3.6.2 Real wages growth was weakest in Tasmania while other states recorded growth ranging from 0.3 per cent to 0.7 per cent (Figure 4:).

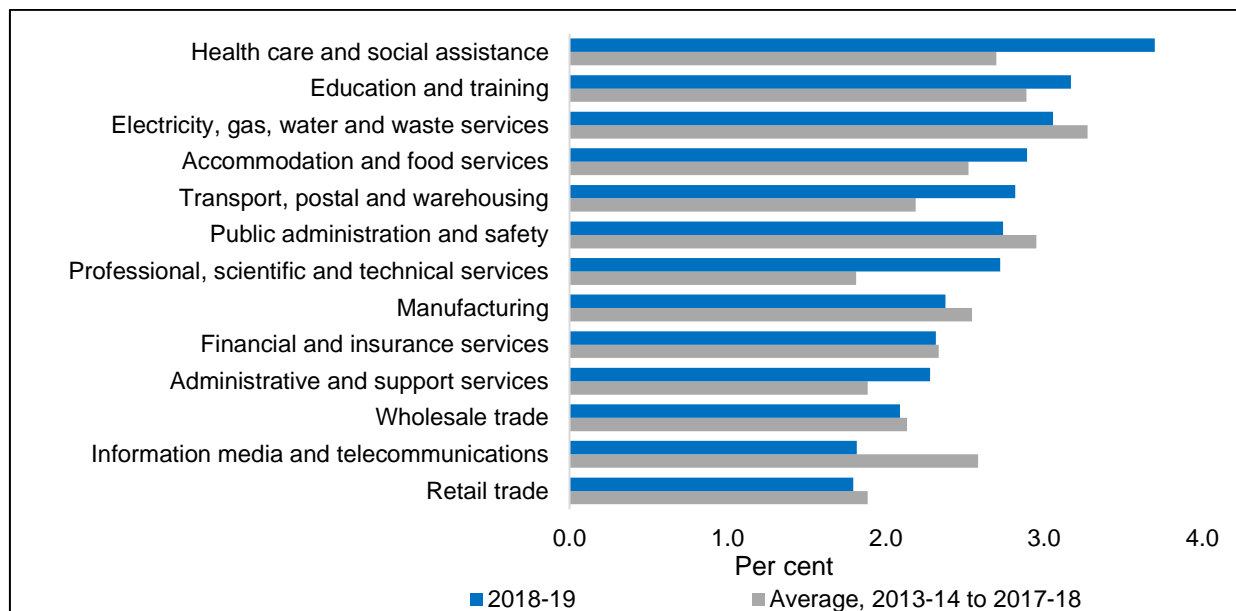
Figure 4: Annual average real wage growth by state



Source: ABS Cat. No. 6345, ABS Cat. No. 6401, Department of Treasury and Finance Victoria

3.6.3 Wages growth was mixed across Victorian industries in 2018-19. Health care and social assistance (3.7 per cent) and education and training (3.2 per cent) had the highest wages growth while retail trade and information media and telecommunications industry recorded the lowest growth rate, both at 1.8 per cent (Figure 5:).

Figure 5: Average annual wages growth by industry, Victoria^(a)



Source: ABS Cat. No. 6345 (unpublished data provided on request by the ABS to the Department of Treasury and Finance Victoria). Note: (a) Data is unavailable for the six industries not included in Figure 5.

3.6.4 Inflation was below the RBA’s target band of 2-3 per cent for the fifth consecutive year in 2018-19. Ongoing low wages growth, strong competition in the retail sector, and weakness in housing costs are some of the factors contributing to low inflation outcomes.

3.6.5 Nominal wage growth has remained subdued despite the strength in employment in recent years, partly due to strong growth in labour supply. However, with labour demand expected to remain robust, and the unemployment rate forecast to remain below its estimated trend rate for the next few years, wage growth is still expected to gradually increase over the medium term.

3.7 Global productivity growth trends

3.7.1 Productivity growth is a key determinant of rising real incomes and living standards in the long term. The Victorian Government recognises the need to improve productivity by focusing on strategies that encourage innovation, investment and a supportive environment for jobs.

3.7.2 Productivity growth fell sharply in advanced economies following the global financial crisis and has remained sluggish since then.³ According to the IMF, the slowdown reflects both legacies of the crisis and structural headwinds that existed before the crisis, including aging workforces, slowing global trade and weaker human capital accumulation.⁴

3.8 Productivity in Australia and Victoria

3.8.1 Australia's performance in the most recent completed productivity cycle has improved relative to the previous cycle but remained sluggish.

- In the most recently completed cycle, Australia's multifactor productivity (MFP) growth averaged 0.8 per cent, with a stronger result than the previous cycle, but down from the 1998-99 to 2003-04 cycle.
- Australia's labour productivity growth averaged 1.7 per cent over the most recently completed productivity cycle, a slight improvement over the 2003-04 to 2011-12 cycle, but down from the 1998-99 to 2003-2004 cycle.

3.8.2 Victoria's productivity performance has followed similar trends to the national average however labour productivity growth has been poor compared to the rest of Australia (Figure 6):

- Victoria's average MFP growth improved to 0.8 per cent in the most recently completed cycle, up from an average of -0.3 per cent during the 2003-04 to 2011-12 cycle. This, however, was down from an average of 1.1 per cent during the 1998-99 to 2003-04 cycle.
- Similarly, Victoria's average labour productivity growth increased to 0.9 per cent in the most recent cycle, up from 0.7 per cent in the previous cycle, but down substantially from the 2.8 per cent over the 1998-99 to 2003-04 cycle.

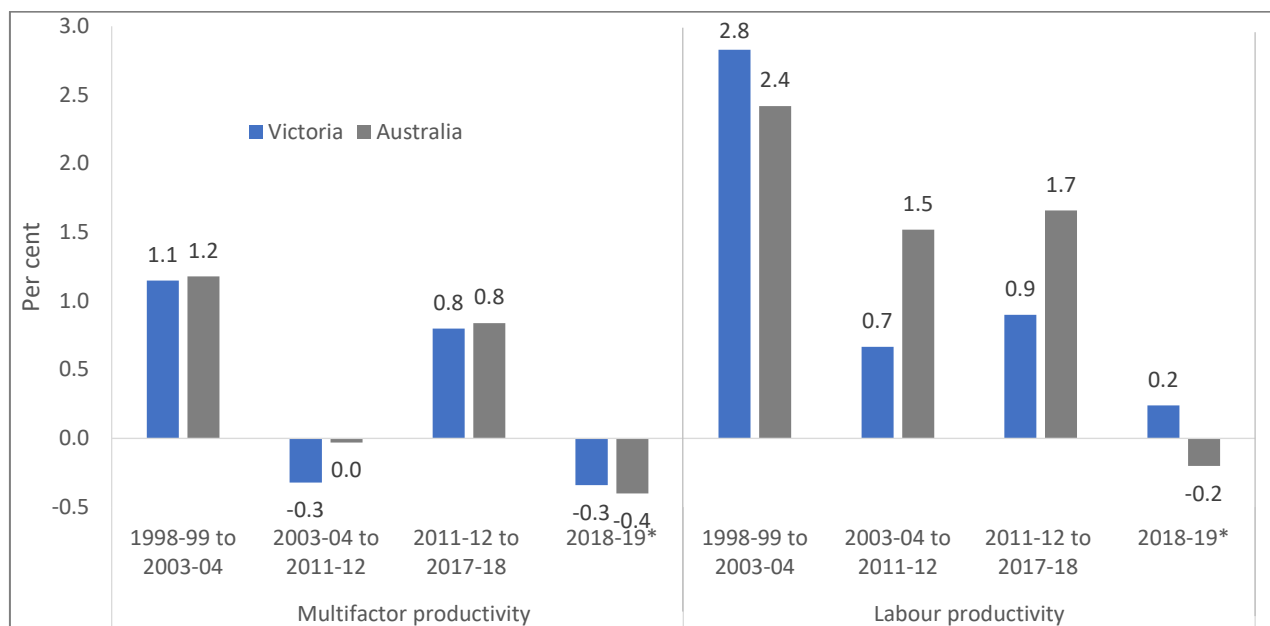
3.8.3 Victoria's relatively weak productivity performance can be partly explained by its industry composition. Victoria has a relatively low concentration of industries with strong productivity growth (such as mining), and a higher concentration with lower productivity growth (such as retail trade). This presents structural challenges to productivity growth.

3.8.4 Despite the weakness in Victoria's productivity performance, labour productivity growth has still outpaced growth in real wages. Since 2011-12, labour productivity growth has averaged 0.8 per cent in Victoria, while real wages growth has averaged 0.6 per cent.

³ Adler, G., Duval, R., Furceri, D., Kilç Çelik, S., Koloskova, K., and Poplawski-Ribeiro, M. (2017) 'Gone with the Headwinds' *Gone with the Headwinds: Global Productivity. USA: International Monetary Fund.* <https://doi.org/10.5089/9781475589672.006>

⁴ Adler, G., Duval, R., Furceri, D. Kilç Çelik, S., Koloskova, K., and Poplawski-Ribeiro, M. (2017) p. 5

Figure 6: Productivity growth by productivity cycle, Victoria and Australia^(a)



Source: ABS Cat. No. 5260.0.55.002, Department of Treasury and Finance Victoria.

Note: (a) Only includes sixteen market sector industries, productivity calculated on an hours worked basis. *Inc

4 The living standards and the needs of the low paid

4.1 Summary

- 4.1.1 The Victorian Government maintains its position that addressing income inequality, especially at the poorest decile level, is an important part of efforts to strengthen economic inclusion. Economic and social policy levers that can be used by government to reduce income gaps include taxation, government benefits and minimum wage policies.
- 4.1.2 The Victorian Government submits that maintaining the rates of the NMW and all award minima is imperative particularly where there is increasing employer reliance on the outcomes of the AWR to determine the wages and salary increases for employees, including those engaged on individual contracts. Thus, the AWR is the key policy lever to ensure the wages growth of low paid workers and the economic benefits that flow from this.

4.2 Wages growth and labour productivity

- 4.2.1 In its recent report about ‘reigniting productivity and inclusive income growth’,⁵ McKinsey & Company (McKinsey) notes that Australia has “enjoyed a 27-year streak of uninterrupted economic growth” and “the results have been the envy of the world”, while undertaking significant structural reforms, such as increasing labour market flexibility

⁵ Taylor, C., Carrigan, J., Noura, H., Ungur, S., van Halder, J. and Singh Dandona, G. (2019a) *Australia’s automation opportunity: Reigniting productivity and inclusive income growth*. McKinsey & Company – March 2019. Accessed from: <https://www.mckinsey.com/featured-insights/future-of-work/australias-automation-opportunity-reigniting-productivity-and-inclusive-income-growth>

and transitioning to a service based economy. However, “despite a recent slight uptick, both income and wealth inequality in Australia are at or below the average for advanced economies, and well below levels in the United States”.⁶

- 4.2.2 As the Victorian Government has highlighted in its recent submissions to the AWR, there has been a recent decoupling of wages growth and labour productivity, which has been confirmed by McKinsey as follows:

*While the macro story of the last three decades is overwhelmingly positive, the most recent decade has been less impressive, with slower growth fueled by less inclusive drivers. This shift in gears has produced **small and less equitable gains** (emphasis added).⁷*

- 4.2.3 McKinsey presents data from the ABS’s National Accounts and Household Income and Wealth catalogues that shows the mean real income change between 1995 and 2008 was 3.6 per cent per year, whereas between 2008 and 2016, this was 0.3 per cent, with a corresponding rate of productivity growth in that latter period of 1.1 per cent and conclude that:

The impact on Australians has been painful, with almost no meaningful increase in average real incomes in almost a decade. Income growth has essentially collapsed, inching ahead at just 0.3 per cent a year. This sharp slowdown has coincided with a slight uptick in income inequality.⁸

- 4.2.4 McKinsey continue by noting that, historically, productivity and wages growth move “in tandem”, but “worryingly” (in the past decade) both indicators have not only declined but are now diverging. This separation of the historical correlation between productivity and wages growth is “raising concerns about the fairness of how benefits from growth are being shared”, given that “productivity growth has run at three to four times the rate of wage growth”. This suggests to McKinsey, that employers have “invested” their productivity gains (albeit small) elsewhere, rather than apply them to wage increases for their workers.⁹

- 4.2.5 This analysis follows a suite of research reports from the Reserve Bank of Australia (RBA) that have raised similar concerns about the recent downturn in wages growth and the role that award minimum wages can play in ensuring that wages growth is improved, maintained and more aligned with productivity growth. As McKinsey conclude: “the closer these two measures track, the more inclusive and sustainable a nation’s economic growth”.¹⁰

⁶ Taylor, C., Carrigan, J., Noura, H., Ungur, S., van Halder, J and Singh Dandona, G. (2019b) *Executive Summary: Australia’s automation opportunity: Reigniting productivity and inclusive income growth*. McKinsey & Company – March 2019. p. 5-6. Accessed from: <https://www.mckinsey.com/~media/McKinsey/Featured%20Insights/Future%20of%20Organizations/Australias%20a%20automation%20opportunity%20Reigniting%20productivity%20and%20inclusive%20income%20growth/AUO%20Automation-SUMMARY.ashx>

⁷ Taylor, C. et al (2019b) p. 6-7

⁸ Taylor, C. et al (2019b), p. 6

⁹ Taylor, C. et al (2019b), p. 7

¹⁰ Taylor, C. et al (2019b), p. 7

- 4.2.6 Recent in-depth analysis of ABS Wages Price Index (WPI) data by RBA staff, Bishop and Cassidy (June 2019), assesses the nature of wages growth across all wage setting methods: awards, enterprise bargaining agreements and individual contracts. A feature of this analysis by the RBA is that low wages growth has contributed to a decline in the growth of household income and consumption, and associated decline in inflation. The RBA notes that, significantly, in a period of sustained decline in wages growth, award mechanisms are returning the strongest wage outcomes.¹¹
- 4.2.7 From 2012 to 2016, the RBA shows that the decline in the WPI was across all pay setting methods. However, the RBA acknowledges that the FWC's recent increases to the NMW and other award minima has improved wages growth, which has partially 'passed through' to employees engaged under individual contracts.¹²
- 4.2.8 Employees under individual contracts have constituted approximately 40 per cent of the workforce for the past twenty years, are almost exclusively found in the private sector and are more likely to be employed by a small and medium sized enterprise in the business services sector. The coverage of individual contracts is bifurcated between relatively low paid workers who are paid close to relevant award rates and highly paid employees, such as professionals and managers.¹³ In its analysis of the WPI data, the RBA concludes that the "share of jobs on individual contracts for which pay is influenced by award decisions has more than doubled since 2012".¹⁴
- 4.2.9 In the case of wage increases for award reliant employees, the RBA asserts that the AWR wage increases are generally passed onto employees by an employer and that incremental increases in award wage rates have not adversely affected working time and jobs for award reliant employees. Further, recent FWC decisions in the AWR have supported wages growth for employees with lower skill levels – and therefore the lower paid.¹⁵

4.3 Low wage growth and superannuation

- 4.3.1 As the Victorian Government has recently highlighted in its submission to the Commonwealth Government's Review of the Retirement Income System, many Australians will not save enough independently or earn enough from their superannuation accounts to have a comfortable retirement life.¹⁶ The biggest barrier to retirement savings is not having enough disposable income to invest after deducting living expenses. Lack of disposable income has been exacerbated by a significant

¹¹ Bishop, J. and Cassidy, N. (2019) 'Wages Growth by Pay-setting Method' *Reserve Bank of Australia: Bulletin – June 2019* (20 June 2019). Accessed from: <https://www.rba.gov.au/publications/bulletin/2019/jun/pdf/wages-growth-by-pay-setting-method.pdf>

¹² Bishop, J. and Cassidy, N. (2019), p. 67

¹³ Bishop, J. and Cassidy, N. (2019), p. 70

¹⁴ Bishop, J. and Cassidy, N. (2019), p. 81

¹⁵ Bishop, J. and Cassidy, N. (2019), p. 70

¹⁶ Victorian Government (2020) *Submission to the Commonwealth Government's Review of the Retirement Income System* (10 February 2020). Accessed from: <https://treasury.gov.au/sites/default/files/2020-02/industrialrelationsvictoria100220.pdf>

slowing in wage growth in Australia over the past five years.¹⁷ Further, there is data showing that only eight per cent of people ‘topped up’ their superannuation balance, which in part, may reflect the lack of disposable income people feel they have available to invest for retirement purposes.¹⁸

4.4 The ‘on-demand’ workforce and low pay

- 4.4.1 As well as low wage growth in recent years, there is growing non-compliance with the payment of award minimum wage rates, particularly in some sectors, a decline in wage determination via collective bargaining arrangements, compounding adverse impacts in some sectors due to penalty rate reductions, increased award reliance and an increase in alternative work arrangements, where workers may not be eligible or able to access standard protections.¹⁹
- 4.4.2 The ‘on-demand’ economy has become embedded in the Australian and Victorian community contemporaneously with key labour market shifts. The Victorian On-Demand Inquiry (On-Demand Inquiry) is exploring the arrangements covering workers in the on-demand workforce, looking at the legal status of people working with or for online companies or platforms in Victoria. The On-Demand Inquiry is examining allegations and determinations concerning contracting arrangements and whether these arrangements are being used to avoid workplace laws and other statutory obligations, including the protections and benefits of the award minimum wage system.²⁰
- 4.4.3 In research commissioned by the On-Demand Inquiry, it has become apparent that marginalised cohorts of workers (students, people with disabilities, temporary and permanent residents) are overrepresented in the ‘gig economy’ sectors and a significant cohort of these workers are unemployed and rely heavily on their income from their ‘gig’ work to supplement their benefits.²¹
- 4.4.4 Further, there is a strong indication that certain cohorts of ‘gig workers’, who are already marginally or precariously attached to the workforce, find the income derived from their ‘gig’ work is ‘essential’ or ‘important’: the unemployed, full time homemakers/ unpaid carers, volunteers, students, people with a disability, and people with less than Year 12 education levels. Whereas, the income is a ‘nice to have’ for retirees, employees, people with an undergraduate or postgraduate degree and people with no disability.

¹⁷ Parliament of Australia (2019) *The extent and causes of the wage growth slowdown in Australia*. Accessed from: https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1819/Wage_Slowdown

¹⁸ MLC Quarterly Australian Wealth Sentiment Survey Q4 (2015). Accessed from: http://news.nab.com.au/wp-content/uploads/2016/02/Wealth_Sentiment_Survey_Q4_2015-FINAL.pdf

¹⁹ Victorian Government (2019) *Submission to the Annual Wage Review 2018-19*, p. 7. Accessed from: <https://www.fwc.gov.au/documents/wage-reviews/2018-19/submissions/vicgov-sub-awr1819.pdf>

²⁰ Department of Premier and Cabinet, *Inquiry into the Victorian On-Demand Workforce*: <https://engage.vic.gov.au/inquiry-on-demand-workforce>

²¹ McDonald, P., Williams, P., Stewart, A., Oliver, D. and Mayes, R. (2019) *Digital Platform Work in Australia: Preliminary Findings from a national survey* (18 June 2019). Queensland University of Technology, the University of Adelaide, and the University of Technology, Sydney: Commissioned by the Department of Premier and Cabinet. Accessed from https://s3.ap-southeast-2.amazonaws.com/hdp.au.prod.app.vic-engage.files/6915/6081/7253/Digital_Platform_Work_in_Australia_-_Preliminary_Findings_18_June_2019.pdf

4.4.5 The heavy reliance on gig work for an income, particularly in the transport and delivery sector, is also compounded by low levels of pay (on or below the national minimum wage) and the workers themselves incurring the costs of insurance and fees to operate from a platform that controls the supply of their work (Table 1).²²

Table 1: Average approximate amount per hour earned by type of work on main platform

Type of work	Median (\$ per hour)	Trimmed Mean (\$ per hour)	Number
Professional services	40.00	56.85	102
Clerical and data entry	20.00	19.85	39
Creative and multimedia	34.00	40.12	42
Sales and marketing support	40.00	53.09	28
Software development and technology	30.00	46.21	44
Writing and translation	21.00	27.91	56
Caring	23.50	21.60	50
Transport and food delivery	20.00	22.19	120
Skilled trades work	30.00	41.53	35
Odd jobs and maintenance work	23.00	26.93	57
Education	40.00	37.25	11
Personal services	45.00	45.65	6

Source: McDonald, P. *et al* (2019)

5 The principle of equal remuneration for work of equal or comparable value

5.1 Summary

5.1.1 Award minimum wages are significant for gender pay equity. The Victorian Government submits that the FWC should continue to take the opportunity to influence the wage outcomes of Victorian women, who are over-represented in low pay cohorts, are predominantly award reliant due to the industries and occupations they work in, and experience persistently higher levels of insecurity of both income and employment due to higher levels of casual engagement within the workforce.

5.1.2 As the Victorian Government has submitted on several occasions, increases to the NMW and all award minima in Annual Wage Reviews, are key levers to address the gender pay gap across all industry sectors, but particularly in low paid, female dominated and growing sectors, such as Health Care and Social Assistance.

²² McDonald, P., Williams, P., Stewart, A., Oliver, D. and Mayes, R. (2019), p. 18

- 5.1.3 Further, certain cohorts of women, such as those with a disability, those who are older, and those who are primary carers, may face barriers to full economic participation that can expose them to higher levels of financial insecurity. Therefore, strong minimum wages provide a safety net, and in the longer term, adequate retirement income for these cohorts of women.

5.2 The Victorian Gender Equality Strategy

- 5.2.1 Gender equality benefits people of all genders. On 5 December 2016, Victoria's first Gender Equality Strategy, *Safe and Strong* was released, initiating landmark reforms to deliver gender equality, and address sexism and violence against women.²³ The Victorian Government is leading the way towards gender equality with sustained, enduring and measurable action, including the introduction of legislation to support this.
- 5.2.2 The *Gender Equality Act 2020* was enacted on 25 February 2020 and will commence on 31 March 2021. The Act aims to improve workplace gender equality across the Victorian public sector, universities and local councils. It will also lead to better results for the Victorian community through improved policies, programs and services. The Act aims to 'level the playing field' so that Victorians can have equal rights, opportunities, responsibilities and outcomes.²⁴

5.3 Gender pay equity

- 5.3.1 The Workplace Gender Equality Agency (WGEA) collects pay data annually from non-public sector organisations with 100 or more employees, covering more than 4 million employees in Australia. This data includes superannuation, bonuses and other additional payments. However, approximately 45 per cent of workers in Victoria are employed by a small to medium sized enterprise (SME) and are therefore not captured by the WGEA monitoring and reporting.
- 5.3.2 As part of its action plan for 2019-20, the Victorian Government's Equal Workplaces Advisory Council (EWAC) has committed to identify areas for pay equity improvement among SMEs.²⁵ It will use information from this research to develop strategies and educational products to support SMEs as they address pay inequity and reduce the gender pay gap further in Victoria, particularly in industry sectors that are award reliant, such as (broadly), the community services sector.
- 5.3.3 As the FWC has recognised, the gender pay gap, and the experience of women in the Australian workforce more generally, is influenced by several factors:

[656] ... the gender pay gap arises from a range of circumstances and is evident in a number of industry sectors. Age and the method of setting pay are also operative factors in the extent of the gender pay gap. There are a higher proportion of women

²³ For further information about the Victorian Gender Equality Strategy: <https://www.vic.gov.au/women/gender-equality/a-victorian-gender-equality-strategy.html>

²⁴ For further information about the Gender Equality Act: <https://www.vic.gov.au/gender-equality-bill>

²⁵ For further information about the Equal Workplaces Advisory Council: <https://www.vic.gov.au/equal-workplaces-advisory-council>

reliant upon award wages at the lower end of the pay scale. At the higher award classifications, women are more likely to be paid the award rather than the bargained rate than are men. Further, the gender pay gap is highest at the higher end of the pay scale among non-award reliant employees.²⁶

- 5.3.4 At May 2019, women's average weekly ordinary full-time earnings across all industries and occupations was \$1,484.80 compared to men's average weekly ordinary full-time earnings of \$1,726.30. The full-time total remuneration gender pay gap based on current WGEA data is 21.3 per cent, meaning men working full-time earn \$25,717 a year more than women working full-time.
- 5.3.5 Analysis of the latest data collected by the WGEA²⁷ in 2019, indicates that there has been a slight narrowing of the gender pay gap in Australia, particularly in Victoria. However, the persistent differences between women's and men's average weekly full-time earnings across all industries, including the private and public sectors, shows that across Australia the gender pay gap is:
- Highest in Financial and Insurance Services with 24.4 per cent, followed by Professional, Scientific and Technical Services with 24.3 per cent and Health Care and Social Assistance with 23.9 per cent.
 - Lowest in Retail Trade with 3.9 per cent and Public Administration and Safety with 4.9 per cent.
- 5.3.6 Between May 2018 and 2019, the largest gender pay gap increases were in Professional, Scientific and Health Care Services (+2.0 pp); and the most substantial gender pay gap reductions were in Rental, Hiring and Real Estate (-4.5 pp), Mining (-4.2 pp), and Retail (-2.4 pp).

5.4 Women, casualisation and low pay

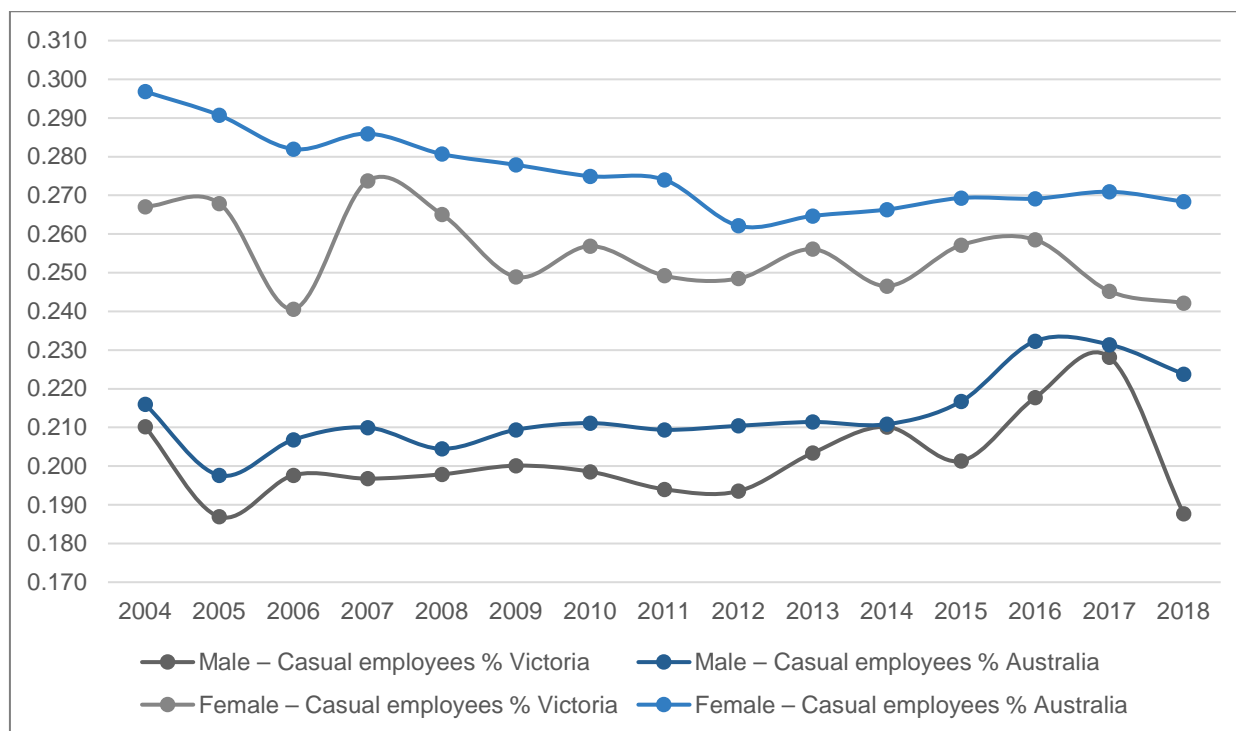
- 5.4.1 A close examination of the available ABS data shows that there is a gendered aspect to the casual and potentially precarious workforce in Australia and Victoria. In 2004, approximately 21 per cent of male employees were casually engaged in both Australia and Victoria. In 2018, these figures had decreased to nearly 19 per cent and just over 22 per cent of male employees in Victoria and Australia respectively.
- 5.4.2 However, for females, in 2004, nearly 27 per cent and 30 percent of employees were engaged casually in Victoria and Australia, dropping to just over 24 per cent and nearly 27 per cent (in 2018), respectively. These figures for female casual employees in both 2004 and 2018 are notably higher than male rates – and in 2018, the female rate of

²⁶ Fair Work Commission (2017) *Annual Wage Review 2016-17 Decision* (C2017/1), paragraph 656. PR0002017, Melbourne, 6 June 2017

²⁷ The WGEA collects pay data annually from non-public sector organisations with 100 or more employees, covering more than 4 million employees in Australia. This data includes superannuation, bonuses and other additional payments.

casual employment remains higher than men throughout the period between 2004 and 2018 (Table 4 and Figure 7).

Figure 7: Proportion of casual employees in Victoria and Australia by gender (2004 to 2018)



Source: ABS Cat. No. 6333.0 Characteristics of Employment, Australia, August 2019

5.4.3 Further, an analysis of the ABS data on the income of casual employees, compared to those employees engaged on an ongoing and full time basis, reveals that between 2004 and 2019, casual hourly earnings as a proportion of full time earnings has dropped by around ten per cent in Victoria from nearly 87 per cent in 2004 to just over 76 per cent in 2019.

5.4.4 Across Australia, the gap in earnings between casual and full time, ongoing employees widened by nearly seven per cent in Australia in 14 years: from over 84 per cent in 2004 to nearly 78 per cent in 2019. Given that women remain significantly more likely to be engaged as casual employees than men, the decline in casual hourly earnings (compared to full time and ongoing employee earnings) will disproportionately affect female workers.

Figure 8: Casual employee earnings as a proportion of full-time earnings (2004 to 2019)



Source: ABS Cat. No. 6333.0 Characteristics of Employment, Australia, August 2019

5.5 Health Care and Social Assistance – a feminised sector

5.5.1 The Healthcare and Social Assistance sector (which includes most community services) is Victoria's biggest employer, employing 402,000 people. It has also experienced the fastest employment growth of any industry in Victoria: in the five years to 2015, jobs in this industry increased by 56,200.²⁸ This growth is expected to continue with an additional 64,000 health care and social assistance jobs projected by 2020, an almost 16 per cent increase.²⁹

5.5.2 Broadly, the industry workforce is highly feminised, remains lower paid than other occupations, is characterised by high levels of casual and part-time work, and often short-term contracts with uncertainty of renewal. The community services sector employs five per cent of the total Victorian workforce, with 161,000 people employed in 2016. This has increased from 150,650 in 2015.³⁰ Most of this workforce is employed part-time or casually (44 per cent part-time, 24 per cent casual).³¹

²⁸ Australian Bureau of Statistics (2017) Catalogue No. 6921.0.55.003 *Labour Force, Australia. Detailed, Quarterly* (May 2017)

²⁹ Australian Government, Department of Employment. *Labour Market Information Portal*: <http://lmip.gov.au/>

³⁰ Victorian Council of Social Service (2018) *Jobs of the future: Victoria's vibrant community services industry*, (September 2018). Accessed from: <https://vcoss.org.au/wp-content/uploads/2018/08/VCOSS-2018-Jobs-of-the-Future-Report.pdf>

³¹ Victorian Council of Social Service (2018)

5.5.3 Part-time work is prevalent in this industry, especially among women, whereby 50 per cent of women work part-time compared to 28 per cent of the already relatively small proportion of men in the industry (Table 2).

Table 2: Health and Social Assistance workforce by gender and engagement (February 2018)

Engagement	Persons ('000s)	Percentage	Men ('000s)	Percentage	Women ('000s)	Percentage
			355.0	21.0	1334.3	79.0
Full-time	931.5	55.1	256.4	72.2	675.1	50.6
Part-time	757.9	44.9	98.7	27.8	659.1	49.4
Total	1689.3	100.0	355.0	100.0	1334.3	100

Source: ABS Cat. No. 6202 Labour Force Survey

5.5.4 The Health Care and Social Assistance sector is award reliant. A deeper analysis of the WGEA data shows that the gender pay gaps are pronounced for managers in the sector at 20.5 per cent, based on full time employment and total remuneration; with the gender pay gap for non-managers, based on full time employment and total remuneration at nearly 16 per cent (Table 3). These relatively wide gender pay gaps for all occupations are in a sector that has historically been and remains (as outlined above), a highly feminised workforce, characterised by a high level of precarious employment.

Table 3: Health Care and Social Assistance – Gender pay gaps by occupational category (2014 to 2019)

Occupational category	Health Care and Social Assistance (%)						All industries (%)
	2014	2015	2016	2017	2018	2019	2019
Total remuneration – all occupations	16.4	18.1	14.7	15.7	16.1	15.9	20.8
Base salary – all occupations	14.6	16.1	13.7	14.6	14.4	14.1	15.5
All Managers	23.1	25.5	20.9	21.4	20.1	20.5	25.1
Key management personnel	25.5	26.4	20.0	21.1	22.2	19.7	24.4
Other executives/general managers	21.2	20.2	15.0	17.5	15.9	18.7	22.3
Senior managers	15.5	14.9	13.9	16.4	14.9	16.7	18.2
Other managers	11.5	19.6	11.7	10.7	9.6	9.5	21.3

Source: WGEA Data Explorer (2019)

5.6 Women working in the disability sector

5.6.1 As for the community services sector, disability workers are mostly women. The introduction of the NDIS is creating new challenges for an already low-paid community services sector, which impacts on those disability workers. Disability workers are generally paid close to the minimum wage, with the current NDIS pricing structure putting further pressure on wages. The current prices have prompted concern from some suppliers about being able to continue to provide services.

5.6.2 The introduction of the NDIS is changing disability work to become more on-demand and casual, putting further economic pressure on workers. The NDIS is changing the structure of disability work to an on-demand, casual workforce, where workers are paid

per job and have no guarantee of a minimum number of hours or consecutive hours. This is likely to increase underemployment, as well as putting additional financial pressures on disability support workers, for example additional travel requirements and inconsistent gaps between jobs, for which they may not be financially compensated.³²

- 5.6.3 Due to demand from the introduction of the NDIS, disability support work is a rapidly growing sector of employment. An increase to the minimum wage will help to support disability support workers in this increasingly uncertain work environment, to help them cover additional costs such as travel and address challenges such as underemployment. It is critical to support workers in this sector, who are mostly women, to earn an adequate wage, and to be able to support themselves in retirement.

5.7 Older women

- 5.7.1 Older women often face age-based and gender-based discrimination in employment which can restrict opportunities to attain well-paid positions, and are also more likely to be carers, particularly primary carers.³³ The labour force participation rates of primary carers are more than 20 per cent lower than the general population.³⁴
- 5.7.2 The low rates of income and superannuation for single older women make them at greater risk of homelessness. Between 2011 and 2016 there has been a 30 per cent increase in the number of older women experiencing or at risk of homelessness, and a 63 per cent increase in older women accessing specialist homeless services.³⁵ As the Australian Human Rights Commission notes: “Limited services are available for older women who are renting, working and have modest savings. The moment they are unable to work and pay their rent, they are likely to be homeless.”³⁶ This is compounded by older women’s experience of violence, including violence of a financial, emotional, verbal or physical nature, and financial insecurity more broadly.

³² Ipsos Public Affairs (2018) *Understanding the workforce experience of the NDIS: Longitudinal Research Project – Year One*. Research commissioned by the Department of Premier and Cabinet (Victoria) and conducted by Ipsos Public Affairs. Accessed from: <https://www.vic.gov.au/ndis-longitudinal-workforce-research-report-2018>. Baines, D., Macdonald, F., Stanford, J. and Moore, J. (2019) *Precarity and Job Instability on the Frontlines of NDIS Support Work*. The Centre for Future Work at the Australia Institute (September 2019). Accessed from: <https://apo.org.au/sites/default/files/resource-files/2019/11/apo-nid268796-1399576.pdf>. NDIS (2019) Market Position Statements. Accessed from: <https://www.ndis.gov.au/providers/working-provider/market-information/market-position-statements>. RMIT University and Greenacres (2019) *Where Secure Employment Meets Clients’ Needs: Greenacres Disability Services Workforce Innovation Project* (May 2019). Accessed from: https://workforce.nds.org.au/media/projects/media/GDS_Report_U4b7oXw.pdf. Cortis, N., Macdonald, F., Davidson, B. and Bentham, E. (2017) *Reasonable, necessary and valued: Pricing disability services for quality support and decent jobs*. Prepared for Health Services Union, Australian Services Union and United Voice (June 2017). Accessed from: https://www.arts.unsw.edu.au/sites/default/files/documents/NDIS_Pricing_Report.pdf

³³ Australian Bureau of Statistics (2018) Catalogue No. 4430.0 *Survey of Disability, Ageing and Carers* (2018), ‘Summary of Findings: Carers’

³⁴ Centre of Excellence in Population Ageing Research (2019) *Maximising Potential: Findings from the Mature Workers in Organisations Survey*. CEPAR Industry Report, December 2019. Accessed from: <http://cepar.edu.au/sites/default/files/Findings-from-Mature-Workers-in-Organisations-Survey-Dec-2019.pdf>

³⁵ Australian Human Rights Commission (2019) *Older Women’s Risk of Homelessness: Background Paper*. Accessed from: <https://www.humanrights.gov.au/our-work/age-discrimination/publications/older-womens-risk-homelessness-background-paper-2019>

³⁶ Australian Human Rights Commission (2019)

5.8 Women with disability

- 5.8.1 Women with disability are less likely to be in paid employment, and they are paid less than men with disability and women and men without disability. The economic challenges faced by women make them more vulnerable to poverty, particularly in retirement. In addition to poorer employment outcomes, barriers to economic participation include being overrepresented in public housing³⁷ and a lower likelihood of owning their own home than men with disability.
- 5.8.2 Women with disability also experience a higher rate of violence and abuse. They are more than 40 per cent more likely to experience domestic violence than women without disability.³⁸ Rates of abuse are higher for women with intellectually disability.³⁹
- 5.8.3 Women with disability face both gender-based and disability-based discrimination in the workforce. Women with disability report experiencing more discrimination than men with disability, affecting their employment and social participation, with 10.3 per cent of women with disability reporting discrimination compared with 8.8 per cent of men.⁴⁰

5.9 Carers and unpaid workers

- 5.9.1 Due to their caring responsibilities, carers are more likely to work part-time or to be disengaged from the workforce.⁴¹ In 2018, 70.9 per cent of carers were in the labour force, but only 66 per cent were employed.⁴² The changes in caring requirements can make it difficult to maintain constant employment and can affect a carer's ability to save and accumulate superannuation.⁴³
- 5.9.2 An increasing number of carers source their primary income from wages or salary, but they are still more likely than non-carers to earn a low income. In 2018, 56.1 per cent of carers sourced their primary income from wages or salary, an increase from 53 per cent. However, primary carers are more likely to live in a household in the lowest two quintiles, twice as likely as non-carers at just over 50 per cent compared with 25.6 per cent.
- 5.9.3 Women's unpaid work peaks between the ages of 35-44, which limits opportunities for career development and accessing better paid employment. Women do a larger share of unpaid work in the home, spending on average 32.9 hours per week on unpaid work

³⁷ Salthouse, S. and Frohmader, C. (2004) *'Double the Odds' – Domestic Violence and Women with Disabilities*, Women with Disabilities Australia

³⁸ Women with Disabilities Australia (2017) *Submission: Special Rapporteur on violence against women, its causes and consequences*. Disabled People's Organisations Australia (January 2017)

³⁹ Salthouse, S. and Frohmader, C. (2004)

⁴⁰ Australian Bureau of Statistics (2018) Catalogue No. 4430.0 *Survey of Disability, Ageing and Carers – Summary of Findings: Disability*

⁴¹ Zeppel, M. et al (2019) 'More carers' leave may help Australians look after elderly parents and stay in work' *The Conversation* (28 November 2019)

⁴² Australian Bureau of Statistics (2018) Catalogue No. 4430.0 *Survey of Disability, Ageing and Carers – Summary of Findings: Carers*

⁴³ Lewis, R. (2019) 'Family aged care 'workers' need help' *The Australian* (18 November 2019)

and childcare, 13.8 hours more than men.⁴⁴ This includes 9.3 more hours per week on childcare.

- 5.9.4 Between 35 and 44 per cent of women are also more likely to work part-time, or in casual or insecure work, and are therefore more likely to be on low or minimum wages. This leads to financial penalties in the longer term such as reduced incomes and less superannuation.
- 5.9.5 Under-valuing unpaid care can lead to poorer women's health and wellbeing, limits workforce participation and is related to low rates of pay in industries such as childcare and community services.⁴⁵
- 5.9.6 An increase to the minimum wage would benefit carers and those undertaking unpaid work and would have flow on benefits to those who they are caring for. An increase in the minimum wage for this group would be particularly important to address the gender pay gap due to barriers to career advancement, and to support older women to retire with adequate superannuation.

6 Providing a comprehensive range of fair minimum wages to junior employees, employees to whom training arrangements apply and employees with a disability

6.1 Summary

- 6.1.1 Young people (18 to 24 years) make up a significant percentage of minimum wage workers in Victoria. An increase in the minimum wage could provide incentives for more young people to enter the labour force, as the benefits of work relative to study and transfer payments become greater. A strong minimum wage also contributes to the economic wellbeing of apprentices.

6.2 Young people

- 6.2.1 At 10.3 per cent, the Victorian youth unemployment rate is lower than the national youth unemployment average but is well above Victoria's general unemployment average of 4.7 per cent.⁴⁶ In Victoria, young people comprise 13.3 per cent of the state's population and 19.94 per cent of its working population.⁴⁷ An analysis of 2016 census data finds that of all Australians working on the minimum wage, young people (aged 15-24) accounted for 42.84 per cent of this group.

⁴⁴ Deloitte Access Economics (2018) *Modelling the value of unpaid work and care*. Office for Women, Department of Health and Human Services

⁴⁵ Women's Health Victoria (2018) *Spotlight on Women and Unpaid Care*

⁴⁶ Department of Treasury and Finance (2019) – As at September 2019

⁴⁷ Australian Bureau of Statistics (2019) *Catalogue No. 6291.0.55.001* – 12 months moving average LM1 July 2019

- 6.2.2 Young people continue to experience barriers to employment leading to them seeking entry level or lower paying roles. Young people can face barriers to employment due to lack of work experience, education and the number of jobs available.⁴⁸
- 6.2.3 These challenges mean that young people can be more vulnerable to work in lower paid roles so that they can gain employment.⁴⁹ In Victoria, sales assistants and store persons; food, hospitality and tourism; and labourers, factory and machine workers are still the top majority destinations for year 12 completers.⁵⁰ Employees in these industries traditionally rely on award wages.
- 6.2.4 Young people experience higher rates of employment instability and vulnerability than older cohorts. Employed young people are more likely to be working on a casual basis compared to the broader working population⁵¹ with 65 per cent working as casual employees.⁵² While casual employment is not necessarily temporary, ABS data indicates that casual employees experience greater income fluctuations than permanent employees.⁵³
- 6.2.5 Young people are likely to be engaged in part-time employment and work in ‘gig’ economy work in higher proportions than other cohorts.⁵⁴ ‘Gig’ work does not provide an hourly or frequent salary and provides a low payment for services. Young people – along with migrants – are vulnerable to wage theft and illegal practices by employers including the frequent underpayment of wages, leave and entitlements,⁵⁵ particularly in the hospitality industry.
- 6.2.6 Gender affects wage outcomes for young people: 63.3 per cent of employed young men are engaged in full-time employment (compared to 36.7 per cent of young females) while 57 per cent of employed females work part-time.⁵⁶ Higher rates of part-time employment for females may partly reflect their increasing tendency – particularly in Victoria⁵⁷ – to pursue post-year 12 studies and the flexibility part-time employment provides. Part-time work however results in lower pay rates which continue into tertiary

⁴⁸ Foundation for Young Australians (2018) *The New Work Reality*. Accessed from: https://www.fya.org.au/wp-content/uploads/2018/06/FYA_TheNewWorkReality_sml.pdf

⁴⁹ Department of Jobs and Small Business (2019) *Australian Jobs 2019*, pp. 15 and 16

⁵⁰ Department of Education and Training Victoria (2018) *On Track 2018: Destinations of Victorian School Leavers*

⁵¹ Gilfillan, G. (2018) *Characteristics and use of casual employees in Australia*. Department of Parliamentary Services. Accessed from:

https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1718/Casual_EmployeesAustralia

⁵² Wilkins, R., Laß, I., Butterworth, P. and Vera-Toscano, E. (2019) *The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 17*. Melbourne Institute: Applied Economic & Social Research. Accessed from: https://melbourneinstitute.unimelb.edu.au/_data/assets/pdf_file/0011/3127664/HILDA-Statistical-Report-2019.pdf


⁵³ Gilfillan, G. (2018)

⁵⁴ McDonald, P., Williams, P., Stewart, A., Oliver, D. and Mayes, R. (2019)

⁵⁵ McKenzie, M. (2018) ‘The Erosion of Minimum Wage Policy in Australia and Labour’s Shrinking Share of Total Income’ *Journal of Australian Political Economy* (No. 81), pp. 52-77

⁵⁶ Australian Bureau of Statistics (2019) Catalogue No. 6921.0.55.003 6291.0.55.01 – Data cube LM1 (June 2019)

⁵⁷ Department of Education and Training Victoria (2018) *On Track 2018: Destinations of Victorian School Leavers*

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- education. For example, female university graduates are more likely to be working part-time and to be paid 4.8 per cent less than male graduates.⁵⁸
- 6.2.7 Lower wage and employment levels negatively affect social, economic and health outcomes of young people. Insecure employment and fewer working hours for young people have both short- and long-term implications for their social and economic inclusion including: fewer professional development opportunities, fewer or no leave entitlements, higher proportion of income spent on cost of living expenses and less security for housing (renting or paying a mortgage).
- 6.2.8 Low wage growth and cost of living pressures have affected the living and discretionary spending of young people. For example, young people are spending more on essential items than previous generations⁵⁹ and are more likely to rely on wages as their main or sole income source⁶⁰ (as opposed to older generations that may have income from investments).
- 6.2.9 Wage stagnation, lower wage growth or employment insecurity can have both economic and health implications for young people including housing, health and mental health effects. This in turn creates longer term challenges for young people and all cohorts working in minimum wage or award reliant occupations – with higher costs of living reducing their capacity to save money for a mortgage which creates ongoing living expenses due to renting later in life.
- 6.2.10 Low wages also impact on the financial stability of young people meaning that they spend disproportionately higher levels of their income on cost of living such as rent, bills and groceries with less money for discretionary spending.
- 6.2.11 Young people are also living at home with their parent(s) for longer. As at 2017, 56.4 per cent of young males and 53.9 per cent of young females are living at home (increases of 9.2 and 17.4 per cent respectively since 2001).⁶¹ While this may in part be due to increasing numbers of young people studying, this is also attributable to fewer employment opportunities and reduced financial security.
- 6.2.12 Young people constitute a large cohort of the Victorian workforce working at an award or minimum wage. An increased minimum wage and corresponding increase to award wages would provide greater economic stability to young people – leading to broader social and health benefits. It would also positively impact the earning capacity of young people, reduce their cost of living pressures and increase discretionary spending and further strengthen the Victorian economy.

⁵⁸ Quality Indicators for Learning and Teaching (2019) '2018 Graduate Outcomes Survey National Report' *Graduate Outcomes Survey*

⁵⁹ Australian Bureau of Statistics (2017) *Catalogue No. 6530.0: Household expenditure survey, Australia: Summary of results 2015-16*

⁶⁰ Wood, D. and Griffiths, K. (2019) *Generation Gap: Ensuring a fair go for younger Australians*. Grattan Institute

⁶¹ Wilkins, R., Laß, I., Butterworth, P. and Vera-Toscano, E. (2019). Young people defined as 18-29 year olds.

6.3 Summary

6.3.1 People with disability are more likely to be on the minimum wage than people without disability. People with disability often have higher expenses in conjunction with a lower income. Thus, a strong minimum wage is critical to the economic inclusion and participation of people with disability.

6.4 People with disability

6.4.1 People with disability are more likely to earn low incomes which are either on or near the minimum wage. Further, people working at Australian Disability Enterprises (ADEs) earn even lower incomes than the minimum wage. Recent figures from the National Disability Insurance Agency indicate 30 per cent of working people on the National Disability Insurance Scheme are paid the industry minimum.⁶² People with disability also face higher costs for physical and adaptive assistance, which requires a larger share of disposable income than for people without disability.

6.4.2 There has been an increase in the educational attainment and workforce participation of people with disability. Between 2015 and 2018, there has been an increase in the proportion of people with disability completing year 12 or above, bachelor's degree or above, and an advanced degree or diploma.

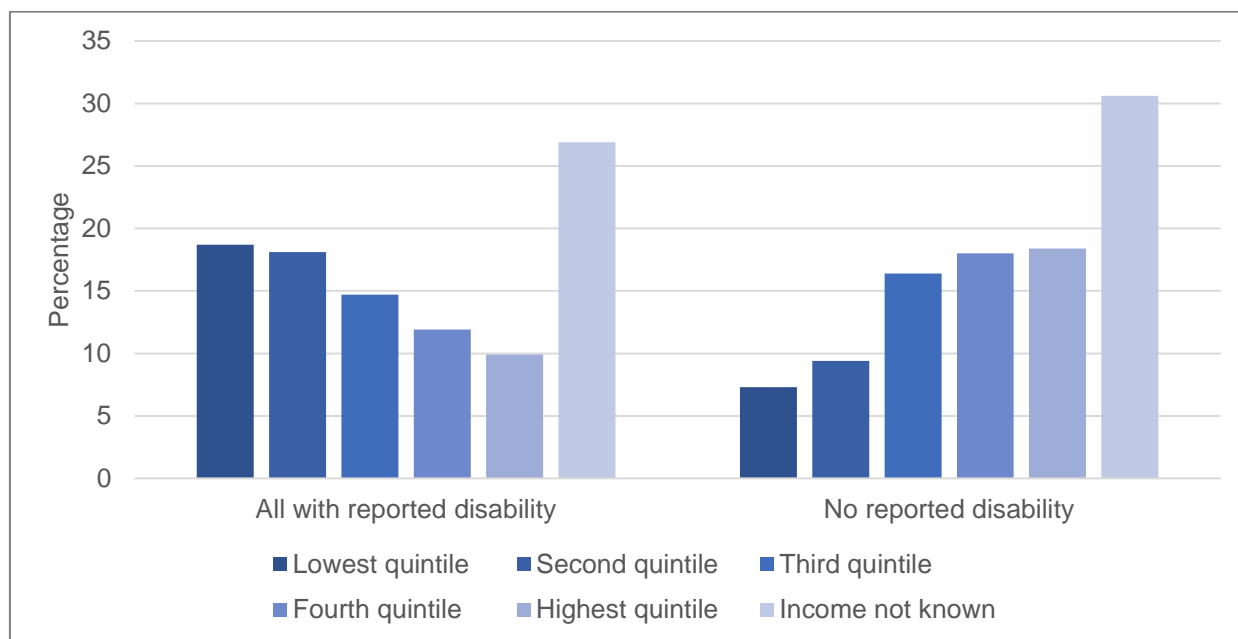
6.4.3 However, the increase in educational attainment has not led to an increase in employment opportunities or income:

- The unemployment rate for people with disability has remained stable since 2015, while it has decreased for people without disability.
- People with disability are more likely to live in households with lower equivalised gross household incomes. In 2018, 50.2 per cent of people with disability lived in a household in the lowest two quintiles, more than double those without disability (24 per cent) (Figure 9).⁶³

⁶² Dalzell, S. (2019), 'Thousands of workers on the National Disability Insurance Scheme underpaid, new figures reveal' *ABC News*, 1 August 2019

⁶³ Australian Bureau of Statistics (2018) Catalogue No. 4430.0 *Survey of Disability, Ageing and Carers – Summary of Findings: Disability*

Figure 9: Household income of Victorians with disability



Source: 2018 Survey of Disability, Ageing and Carers

- 6.4.4 Overall, the rate of disability increases with age, intersecting with other challenges such as age-based discrimination and lower employment prospects. For people with disability on low incomes, disability increases the likelihood of living in poverty in retirement.
- 6.4.5 The available data trends highlight that people with disability are committed to educational attainment and workforce participation. An increase to the minimum wage would reduce the inequality of outcomes of people with and without disability, allow people with disability to increase their participation in the economy and allow them to afford physical or other adaptive assistance (such as counselling for mental disability). It would also allow people with disability to save funds for retirement.
- 6.4.6 People with disability are more likely to be on the minimum wage than people without disability. In addition, people with disability often have higher expenses in conjunction with a lower income. Thus, a strong minimum wage is critical to the economic inclusion and participation of people with disability.

7 Promoting social inclusion through increased workforce participation

7.1 The role of minimum wages in promoting economic inclusion

- 7.1.1 A fair minimum wage assists groups on low incomes by providing a wage floor from which other wages are determined. It enables those on low incomes to meet their needs, and to be socially and economically included. A fair minimum wage assists those marginalised cohorts on low wages to contribute to the economy in Victoria and more broadly, leading to greater economic growth. An increase to the minimum wage can also provide an incentive to increase labour force participation.

- 7.1.2 People whose identity crosses two or more marginalised cohorts experience intersectional disadvantage and discrimination. They are disproportionately more likely to be low paid, to be in tenuous working arrangements, underemployed, unemployed, and affected by underpayment of wages. Marginalised cohorts can include people from culturally diverse backgrounds, Aboriginal Victorians, people with disability, younger and older people, and women.
- 7.1.3 Australia has a high life satisfaction, ranking tenth out of 35 OECD countries.⁶⁴ There are, however, still several cohorts in Australia that are excluded, particularly from economic and social participation. There is increased competition for fewer jobs.⁶⁵ Between 2003 and 2016 the wealth of the highest 20 per cent of households grew 53 per cent, while that of the lowest group declined by nine per cent.⁶⁶ This suggests that wages are not keeping pace with household and cost of living expenses – with the minimum wage unable to keep workers out of poverty.⁶⁷
- 7.1.4 In Victoria, there are some groups that are more likely to be on low wages due to barriers to employment. These groups include Aboriginal Victorians, people with disability, older people, young people and people experiencing intersecting disadvantage.
- 7.1.5 Barriers may be a result of issues such as discrimination, violence, gender pay gaps, physical and geographic barriers, an increase in casual and insecure work and underemployment, as well as obligations to care for children and other family members. In addition, people from these groups are more likely to face other economic challenges such as the rising cost of living, stagnant wages, insecure housing, the predatory nature of payday lenders and an increased likelihood of poverty in retirement.
- 7.1.6 The employment and other economic challenges faced by these groups make an increase to the minimum wage critically important to reduce disadvantage, and the likelihood of them experiencing poverty. An increase to the minimum wage will contribute to their economic security, autonomy, dignity and health outcomes.

7.2 Aboriginal Victorians

- 7.2.1 Aboriginal Victorians are more likely to earn wages that are on or near the minimum wage. The majority (56.4 per cent) of employed Aboriginal Victorians earn in lower personal income brackets (\$1-\$199 per week), compared with 41 per cent of non-Aboriginal Victorians. In addition to discrimination, some of the factors influencing this are outlined below.

⁶⁴ Organisation for Economic Cooperation and Development (2017) *OECD Life Index: Australia*. Accessed from: <http://www.oecdbetterlifeindex.org/countries/australia/>

⁶⁵ Anglicare Australia (2019) *Jobs Availability Snapshot 2019*. Accessed from: <https://www.anglicare.asn.au/docs/default-source/default-document-library/jobs-availability-snapshot-2019.pdf?sfvrsn=4>

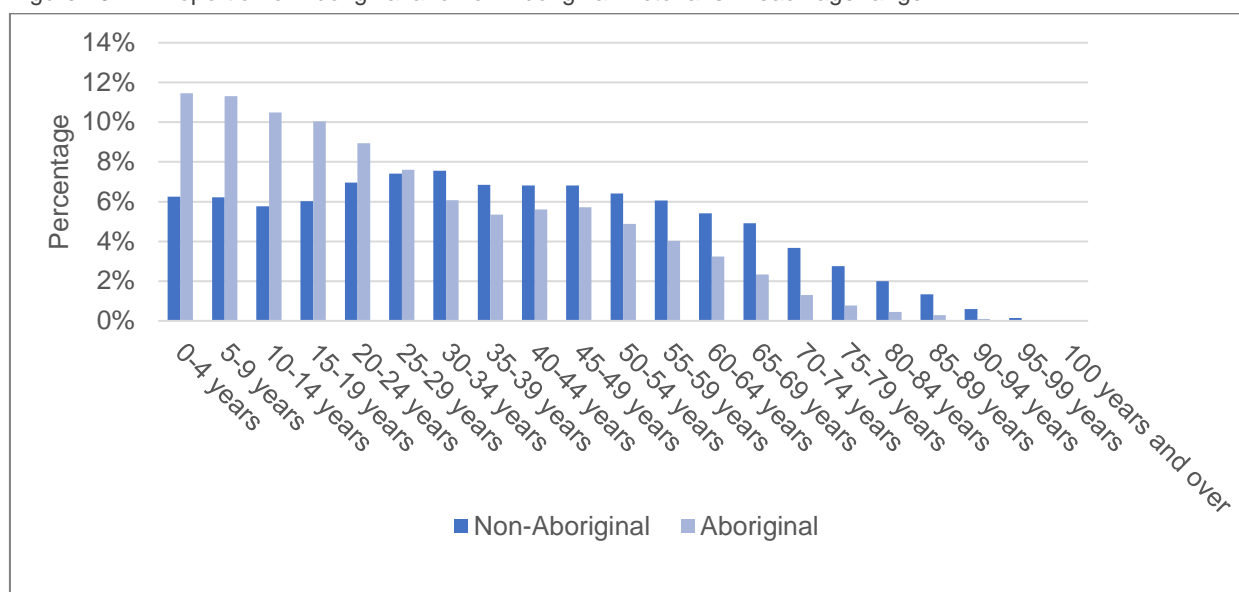
⁶⁶ Australian Council of Social Service and University of NSW (2018) *Inequality in Australia 2018*. Accessed from: https://www.acoss.org.au/wp-content/uploads/2018/07/Inequality-in-Australia-2018_Factsheet.pdf

⁶⁷ McKenzie, M. (2018) pp. 52-77

7.2.2 A larger proportion of Aboriginal Victorians live in rural and regional Victoria than the non-Aboriginal population, with 49.1 per cent of the Aboriginal Victorian population living in non-metro areas compared with 23.7 per cent of the non-Aboriginal population.⁶⁸ Living outside metropolitan Melbourne is associated with a greater likelihood of earning the minimum wage, since higher education institutions and higher paid jobs are concentrated in inner metropolitan areas.⁶⁹

7.2.3 Aboriginal Victorians are a younger population than non-Aboriginal Victorians. 52.2 per cent of Aboriginal Victorians are aged under 25 years, compared to 31.1 per cent of the non-Aboriginal population (see Figure 10). Young people are more likely to earn the minimum wage as they are seeking entry-level positions in the workforce, and more likely to access casual and insecure work.

Figure 10: Proportion of Aboriginal and non-Aboriginal Victorians in each age range



Source: ABS Census 2016

7.2.4 A larger proportion of Aboriginal Victorians hold qualifications which are more likely to lead to lower paid professions:

- 41 per cent of Aboriginal Victorians had completed Year 12 as their highest qualification compared with 34.4 per cent of non-Aboriginal Victorians.
- 22 per cent of Aboriginal Victorians had completed a certificate III / IV qualification compared with 16.5 per cent of non-Aboriginal Victorians.
- 16.9 per cent of Aboriginal Victorians had completed their secondary education to year 9 and below compared with 10.2 per cent of non-Aboriginal Victorians.⁷⁰

⁶⁸ Australian Bureau of Statistics (2016) *Census of Population and Housing*

⁶⁹ Terrill, D. and Somek, D. (2018) *A tale of two cities—why inclusive growth matters*. Deloitte Access Economics. Accessed from: <https://www2.deloitte.com/au/en/blog/shaping-future-cities/2019/tale-two-cities-inclusive-growth-matters.html>

⁷⁰ Australian Bureau of Statistics (2016) *Census of Population and Housing*

7.2.5 A higher proportion of Aboriginal Victorians of working age are employed in roles and industries that are more likely to be low paid:

- 16.1 per cent of Aboriginal Victorians work as community and personal service workers in Victoria compared with 10.7 per cent of non-Aboriginal Victorians.
- 12.9 per cent of Aboriginal Victorians work as labourers compared with 9 per cent of non-Aboriginal Victorians.
- 14.2 per cent of Aboriginal Victorians work as technicians and trade workers compared with 13.3 per cent of non-Aboriginal Victorians.
- A higher proportion of Aboriginal Victorians also work in industries which are often award reliant such as health care and social assistance, construction, public administration and safety, and accommodation and food services.⁷¹

7.2.6 The impact of lower wages for Aboriginal Victorians are compounded by other economic factors:

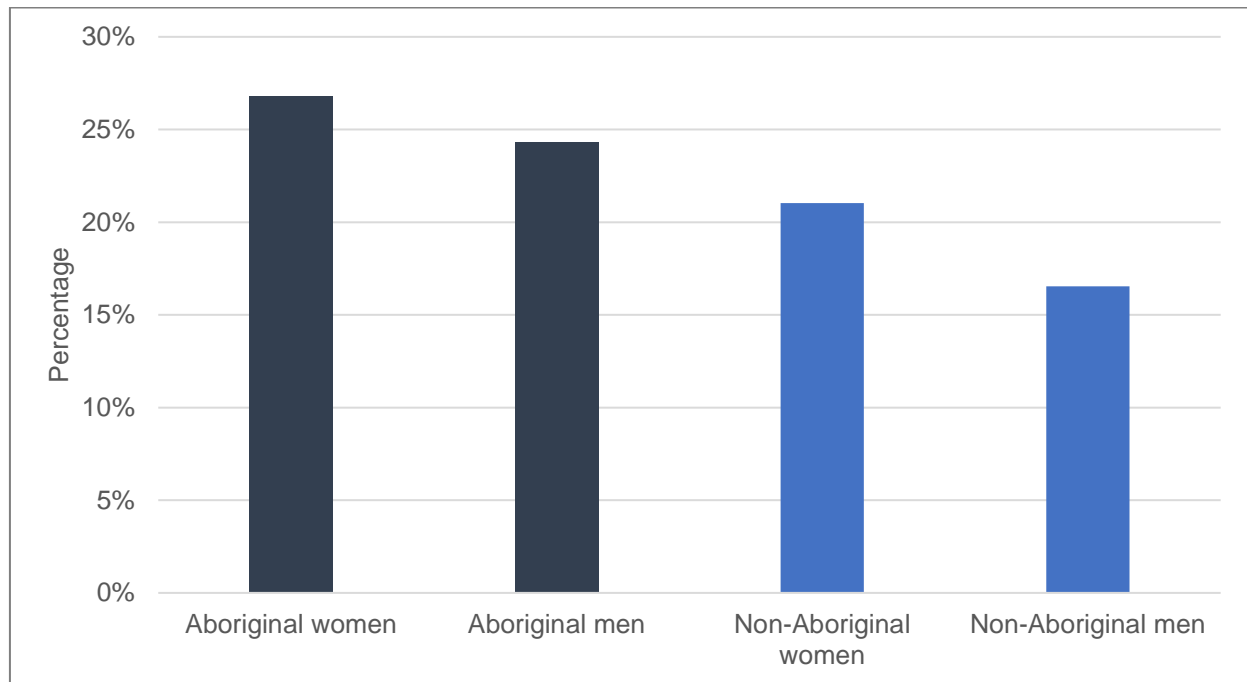
- Households tend to be larger, so a worker on the minimum wage is more likely to financially support a large number of people in the household.
- More households are living near or below the poverty line – particularly in rural areas.
- Aboriginal Victorians are more likely to rent, with high house prices and wage stagnation reflecting an increasing trend across the board for renting rather than home ownership.⁷²

7.2.7 Aboriginal women in Victoria are more likely to be on the minimum wage than Aboriginal men or non-Aboriginal women and men (Figure 11).

⁷¹ Australian Bureau of Statistics (2016) *Census of Population and Housing*

⁷² Australian Bureau of Statistics (2016) *Census of Population and Housing*

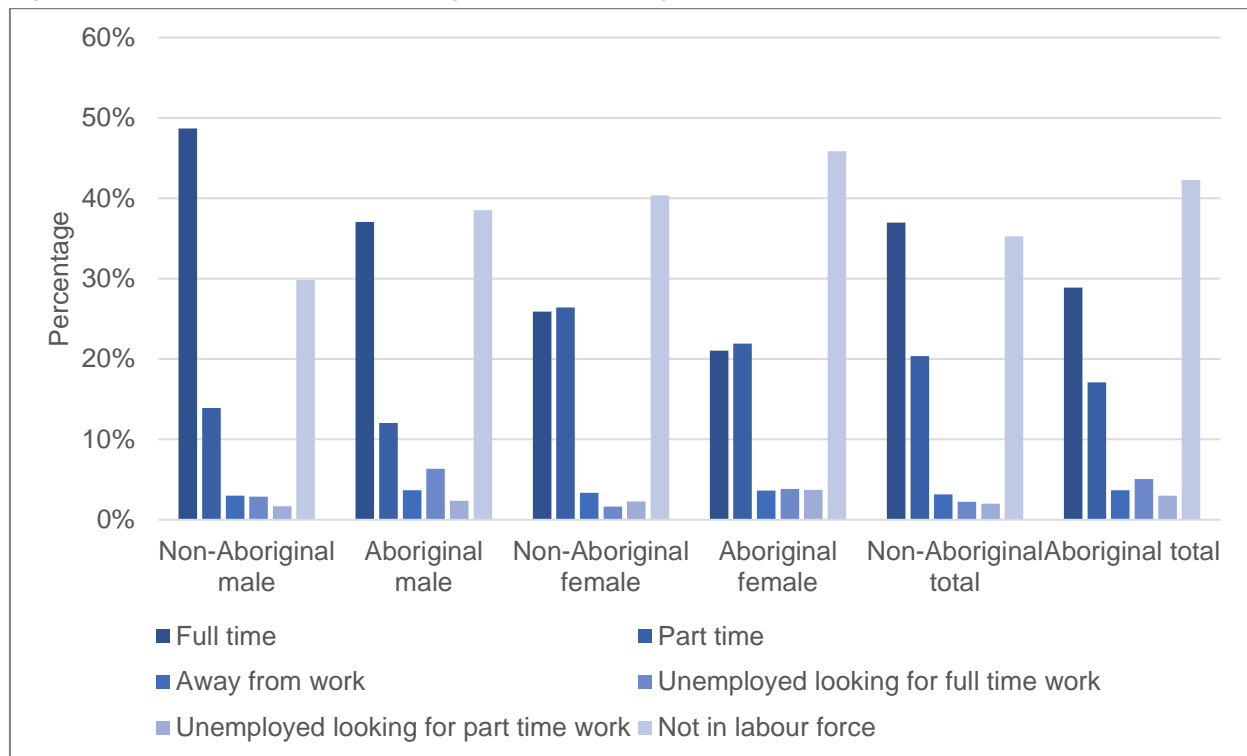
Figure 11: Proportion of Aboriginal and non-Aboriginal Victorians on the minimum wage



Source: ABS Census 2016

7.2.8 In employment, Aboriginal women face both race-based and gender-based discrimination. They are less likely to be in full-time employment and have lower levels of labour force participation than Aboriginal men, and non-Aboriginal women and men in Victoria (Figure 12).

Figure 12: Labour force status of Aboriginal and non-Aboriginal Victorians



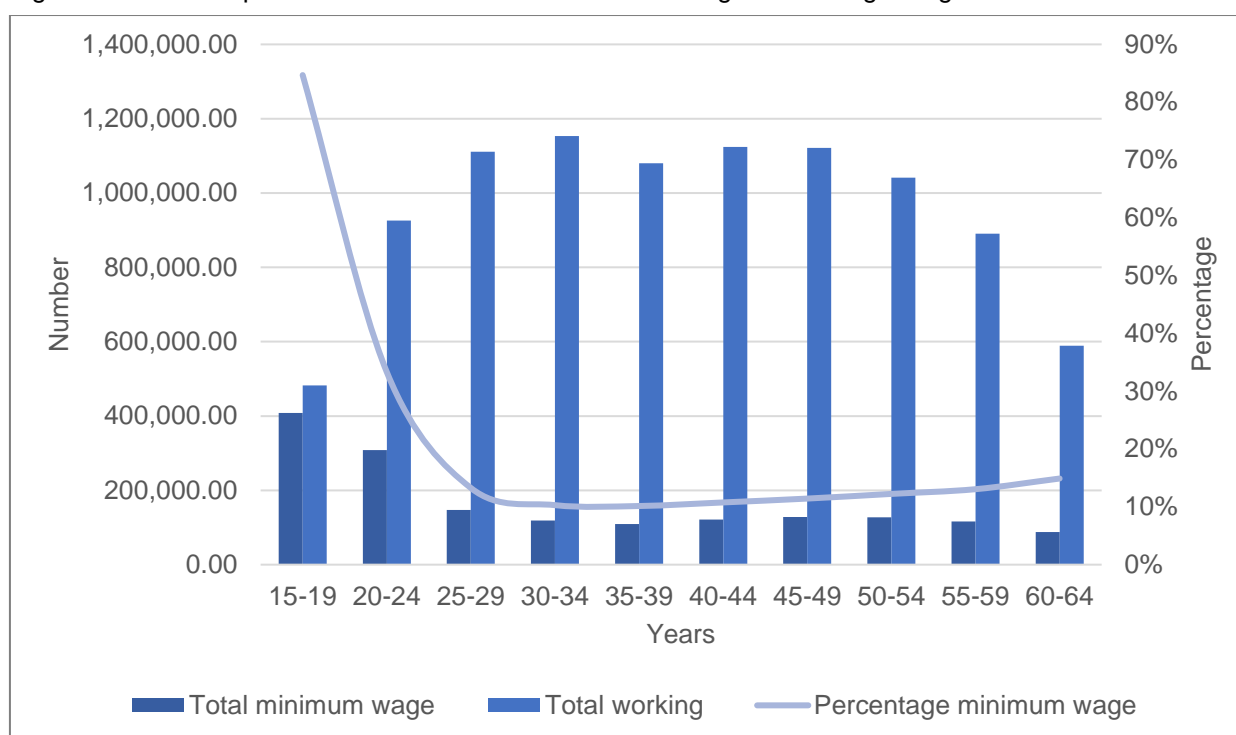
Source: ABS Census 2016

7.2.9 An increase to the minimum wage is likely to greatly benefit Aboriginal Victorians who earn low wages, to offset rising rents and other living costs, to allow them to support their families and to save for retirement. This is particularly important for Aboriginal Victorians who experience intersecting discrimination, such as Aboriginal women.

7.3 Older people

7.3.1 The likelihood of being on the minimum wage gradually increases from age 40 onwards (Figure 13). The labour force participation rates of mature adults are growing⁷³ and with the population continuing to age, there is likely to be a growing cohort of older people earning low incomes, who are less likely to be able to support themselves in retirement.

Figure 13: Proportion of Victorians on the minimum wage in each age range



Source: ABS Census 2016

7.3.2 Australia’s population is ageing, and becoming more reliant on superannuation, wages and salary. The percentage of people in Australia aged 65 and over has increased from 13.3 per cent in 2009, to 15.9 per cent in 2018. Older people are becoming less reliant on the age pension (56.9 per cent in 2018, down from 62.9 per cent in 2015), and more reliant on superannuation (20.6 per cent in 2018, up from 17.6 per cent in 2015), wages or salary (8.2 per cent in 2018, up from 6.9 per cent in 2015).

⁷³ Centre of Excellence in Population Ageing Research (2019) *Maximising Potential: Findings from the Mature Workers in Organisations Survey*. CEPAR Industry Report, December 2019. Accessed from: <http://cepar.edu.au/sites/default/files/Findings-from-Mature-Workers-in-Organisations-Survey-Dec-2019.pdf>

- 7.3.3 Income inequality is high among people aged 65 and over, with those renting most vulnerable to poverty. In 2018, 68.1 per cent of Australians aged 65 and over lived in low-income households, compared with 6.7 per cent living in high-income households.⁷⁴ Income inequality for people in this age bracket was very high in comparison with the national average.⁷⁵ However, income measures need to be adjusted for the lower living costs of those who own their own home. In 2018, 72.3 per cent of people in this age bracket owned their homes outright, while 10.3 per cent had a mortgage, 12 per cent rented and 5.4 per cent lived rent-free.⁷⁶
- 7.3.4 In addition, older people are more likely to have some disability, and to require assistance for health care, property maintenance and household chores.⁷⁷ These assistance requirements can present a financial burden for older people who are on low incomes.
- 7.3.5 Increasing the minimum wage will provide key support to older people on low incomes, particularly women, and other marginalised groups who are renting, to enable them to save for retirement and to support themselves in terms of housing and other living costs. A strong minimum wage would also help to compress the income inequality of older people. This is particularly important in the context of an ageing population.

7.4 Culturally diverse communities

- 7.4.1 Australia is considered a culturally diverse country, and in Victoria 30 per cent of Victorians are first generation migrants,⁷⁸ who are primarily based in Melbourne. However, migrants have trouble in achieving upward financial mobility.⁷⁹ Twenty-four per cent of those born overseas in non-English speaking countries are in the bracket of the lowest 20 per cent of incomes.⁸⁰
- 7.4.2 According to 2016 Census data only 56 per cent of people born overseas were employed compared to 62 per cent of Australian born adults.⁸¹ For recent migrants the employment to population ratio is 51 per cent – contrasted with 71 per cent across the general Victorian population.⁸²

⁷⁴ Australian Bureau of Statistics (2018) Catalogue No. 4430.0 *Survey of Disability, Ageing and Carers – Summary of Findings: Older People*

⁷⁵ Wilkins, R. and Lass, I. (2018) *The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 16: The 13th Annual Statistical Report of the HILDA Survey*. Melbourne Institute: Applied Economic and Social Research. Accessed from:

https://melbourneinstitute.unimelb.edu.au/data/assets/pdf_file/0005/2839919/2018-HILDA-SR-for-web.pdf

⁷⁶ Australian Bureau of Statistics (2018) Catalogue No. 4430.0 *Survey of Disability, Ageing and Carers – Summary of Findings: Older People*

⁷⁷ Australian Bureau of Statistics (2018) Catalogue No. 4430.0 *Survey of Disability, Ageing and Carers – Summary of Findings: Older People*

⁷⁸ Australian Bureau of Statistics (2018) *Understanding migrant outcomes – Insights from the Australian census and migrants integrated dataset, Australia 2016*

⁷⁹ Rajendran, D., Farquharson, K. and Hewege, C. (2017) 'Workplace integration: the lived experiences of highly skilled migrants in Australia' *Equality, Diversity and Inclusion – An International Journal*

⁸⁰ Australian Council of Social Service and University of NSW (2018) *Inequality in Australia 2018*

⁸¹ Australian Bureau of Statistics (2018) Catalogue No. 2071.0 *Census of Population and Housing: Reflecting Australia – Stories from the Census, 2016*

⁸² Australian Bureau of Statistics (2016) *Australian Census and Migrants Integrated Dataset*

- 7.4.3 Migrants experience employment challenges that limit their earning capacity. Culturally diverse communities experience high rates of underemployment or unemployment⁸³ and are frequently working in lower paid, insecure positions.⁸⁴ Migrants face employment challenges which can limit their earning capacity. For example, the education or work experience of a migrant in another country may not be recognised in Australia. This leads to challenges in gaining suitable employment and – in many cases – leads to employment in lower paid, service industry roles. Two out of five recent migrants are employed in three service industries: accommodation and food services (16.9 per cent); health care and social assistance (11.9 per cent); professional, scientific and technical services (11.6 per cent).⁸⁵ Several occupations within some of these industries pay at minimum or award wages.⁸⁶
- 7.4.4 A strong minimum wage incentivises the continued economic participation of migrants and strengthens the economy. The economic participation of temporary migrants has broader positive impacts for Australian workers including increased wages and labour force participation.⁸⁷ Migration also supports an ageing, shrinking Australian workforce. Migrant workers make important contributions to the labour market in both high-and low-skilled occupations.

7.5 People living in rural and regional, outer suburban areas

- 7.5.1 People living in rural and regional Victoria as well as outer suburban Melbourne are more likely to be on or near the minimum wage. Well-paid employment is more concentrated in inner metropolitan Melbourne. Limited transport options in outer metropolitan, rural and regional areas make it more difficult for people to access well-paid jobs.⁸⁸ In addition, people with lower levels of education travel shorter distances to work, and therefore have more limited opportunities to access higher paid employment.⁸⁹
- 7.5.2 There is a strong spatial dimension to where employment opportunities are located – areas of entrenched disadvantage are likely to have poor and low paid employment options. Groups with additional barriers to employment, such as limited English skills or a history of experiencing discrimination, tend to be clustered in areas with limited employment options. The SEIFA index demonstrates how attributes of socioeconomic

⁸³ Victorian Council of Social Service (2019) *Sustainable employment for disadvantaged jobseekers*. VCOSS Submission to the Parliament of Victoria's Economy and Infrastructure Standing Committee Inquiry (August 2019). Accessed from: <https://vcoss.org.au/wp-content/uploads/2019/09/VCOSS-Submission-Inquiry-into-Sustainable-Employment-for-Disadvantaged-Jobseekers-190816.pdf>

⁸⁴ Fulcher, J. and Scott, J. (2011) *Sociology*. Oxford University Press – Higher Education Division

⁸⁵ Australian Bureau of Statistics (2016) *Australian Census and Migrants Integrated Dataset*

⁸⁶ Rajendran, D. Farquharson, K. and Hewege, C. (2017). Brell, C. and Dustmann, C. (2019), 'Immigration and Wage Growth: The Case of Australia' *Reserve Bank of Australia: Low Wage Growth Conference*. Accessed from:

<https://www.rba.gov.au/publications/confs/2019/pdf/christian-dustmann.pdf>. Misko, J. (2012) *The role of qualifications in foreign labour mobility in Australia*. Adelaide: National Centre for Vocational Education Research

⁸⁷ Committee for Economic Development of Australia (2019) *Effects of temporary migration: Shaping Australia's society and economy*. Accessed from: <https://www.ceda.com.au/Research-and-policy/All-CEDA-research/Research-catalogue/Effects-of-temporary-migration>

⁸⁸ Murphy, A. (2019) 'Lack of transport hurting jobseekers' *Sunraysia Daily* (13 December 2019)

⁸⁹ Meekes, J and Hassink, W. (2019) *Endogenous Local Labour Markets, Regional Aggregation and Agglomeration Economies*. Melbourne Institute Working Paper No. 21/19 (December 2019) Accessed from: <https://melbourneinstitute.unimelb.edu.au/publications/working-papers/search/result?paper=3258410>

disadvantage are spatially linked, including low incomes, low skilled occupations, low rents and limited transport options. Areas of high disadvantage include Dandenong in metropolitan Melbourne, and Norlane, north of Geelong.

- 7.5.3 Increasing the minimum wage will help to compress the wage gap and enable greater economic participation by groups living in areas of disadvantage. This is particularly important for groups already more likely to earn low wages, such as people from culturally diverse backgrounds, Aboriginal Victorians, younger and older people, and women.

8 Submission conclusion

- 8.1 Over two million Australian workers are directly reliant on minimum rates of pay and therefore dependent on the outcomes of the Annual Wage Reviews directly, and indirectly, many more. With the decline in collective bargaining, the FWC's Annual Wage Review decisions have continuing and increasing significance.
- 8.2 Due to increased award reliance and reductions in wages outcomes for low (and higher paid) cohorts of workers – who can also experience intersecting disadvantage in the workforce – the Annual Wage Review is the key government policy lever that can redress the decline in wages growth and the means to distribute productivity gains to Australian workers. Further, and even with increases to the NMW and other award minima, many workers are suffering 'wage theft' and there is increased precariousness and job insecurity, due to factors such as the growth of the 'on-demand' economy.
- 8.3 The Victorian Government submits that in its 2019-20 AWR, the FWC should increase the NMW by at least three per cent and award a fair and reasonable increase to all other award minimum wages in the 2019-20 AWR.

9 Appendix – Data tables

Table 4: Proportion of casual employees in Victoria and Australia by gender (2004 to 2018)

Year	Casual employees – Male		Casual employees – Female	
	Victoria	Australia	Victoria	Australia
2004	0.210	0.216	0.267	0.297
2005	0.187	0.198	0.268	0.291
2006	0.198	0.207	0.241	0.282
2007	0.197	0.210	0.274	0.286
2008	0.198	0.204	0.265	0.281
2009	0.200	0.209	0.249	0.278
2010	0.199	0.211	0.257	0.275
2011	0.194	0.209	0.249	0.274
2012	0.194	0.210	0.248	0.262
2013	0.203	0.211	0.256	0.265
2014	0.210	0.211	0.247	0.266
2015	0.201	0.217	0.257	0.269
2016	0.218	0.232	0.259	0.269
2017	0.228	0.231	0.245	0.271
2018	0.188	0.224	0.242	0.268

Table 5: Casual employee earnings in Victoria and Australia as a proportion of full-time earnings (2004 to 2019)

Year	Victoria	Australia
2004	0.866	0.844
2005	0.821	0.821
2006	0.834	0.844
2007	0.845	0.849
2008	0.825	0.825
2009	0.835	0.822
2010	0.857	0.829
2011	0.794	0.804
2012	0.812	0.815
2013	0.821	0.816
2014	0.748	0.782
2015	0.784	0.781
2016	0.765	0.791
2017	0.781	0.771
2018	0.792	0.804
2019	0.762	0.776