

# Submission to the Fair Work Commission on the Minimum Wage



28 March 2024



## **About ACOSS**

The Australian Council of Social Service (ACOSS) is a national voice in support of people affected by poverty, disadvantage and inequality and the peak body for the community services and civil society sector.


ACOSS consists of a network of approximately 4,000 organisations and individuals across Australia in metro, regional and remote areas.

Our vision is an end to poverty in all its forms; economies that are fair, sustainable and resilient; and communities that are just, peaceful and inclusive.



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# Summary

ACOSS welcomes the opportunity to make this submission to the Annual Wage Review. ACOSS is an interested party in these proceedings with expertise in poverty, employment policy and income support policy. Our long-standing interest in minimum wages stems from their impact on poverty and inequality in Australia.

The National Minimum Wage (NMW) is \$883 per week, \$23.23 per hour, or around \$46,000 per year. Last year's minimum wage increase determined by the Fair Work Commission was 5.75 per cent (\$47 per week).<sup>1</sup>

## Key points:

The following key points are elaborated in our submission.

### Recent trends in earnings inflation and the labour market

- Over the last two years a tight labour market lifted average nominal wages but real average wages fell dramatically under pressure from high inflation.
- Recent minimum wage increases have helped shield low paid workers from inflation.
- Over the longer-term, minimum wages declined relative to median earnings, but they have begun to catch up recently.
- Inflation is declining but unemployment is rising.
- There is no sign of a price-wage spiral.

### Living standards of minimum wage households

- In 2022 and 2023, the cost of living increased markedly.
- As minimum wage increases have only just kept up with inflation, more low-paid workers face financial hardship.
- Low-paid workers are especially vulnerable to inflation in housing costs.
- Poverty has risen among wage-earning households.
- Budget Standards research indicates that families on the minimum wage lack sufficient income for the essentials.

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<sup>1</sup> Fair Work Commission (2023): [Summary of decision, Annual Wage Review 2022-23](#). Melbourne.



## The impacts of minimum wages

- Adequate minimum wages reduce poverty directly by lifting the incomes of low-paid workers and their families.
- Adequate minimum wages, along with Family Tax Benefits, reduce child poverty
- Along with a tight labour market, recent minimum wage increases have reduced earnings inequality.
- Minimum wages reduce the gender pay gap.
- There is no automatic relationship between minimum wages and employment levels.
- Higher minimum wages improve pay equity and help ease chronic labour shortages in care services.

## Recommendations

We recommend that:

1. The Commission should increase real minimum wages substantially to ease financial hardship and significantly reduce the gap between them and median pay levels.
2. Decisions on the level of minimum wages should be informed by benchmark estimates of the cost of attaining a 'decent basic living standard' for a single adult according to contemporary Australian standards.
3. A reasonable benchmark for the adequacy of minimum wages in comparison with wages across the community would be at least 60% of the fulltime median wage.
4. The combined effect of the minimum wage and family payments on the extent of poverty among families with children, including reductions in family payments, should also be expressly considered in setting minimum wages.
5. The FWC should continue to commission research and hold consultations with stakeholders to develop and update a robust set of indicators of a minimum adequate living standard for people in low-paid work. It should regularly assess the living standards of individuals and households receiving minimum wages against median household disposable incomes, poverty lines, budget standards and deprivation indicators, including financial stress indicators.
6. Minimum wage rates for young people, apprentices and trainees, and people with disability under the Supported Wage System should continue to be increased at least in line with the rise in the minimum wage for adults.

# 1. Recent trends in earnings, inflation and the labour market

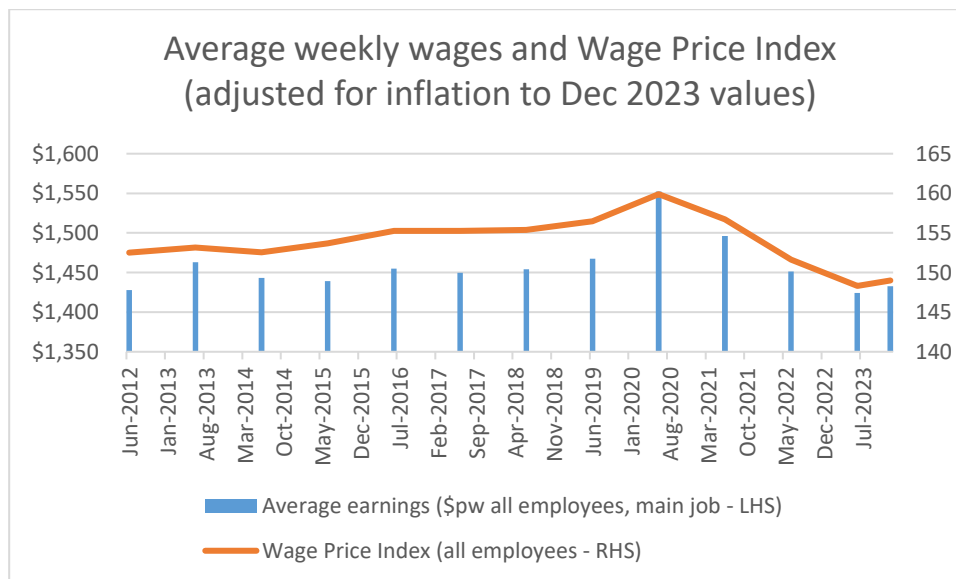
Over the last two years a tight labour market lifted average nominal wages but real average wages fell dramatically under pressure from high inflation

Over the two years from June 2021 to June 2023, unemployment averaged 3.8%, the lowest level for 50 years. Under tight labour market conditions, average weekly total earnings (for all employees) and the Wage Price Index rose strongly (by 3.6% and 3.3% per year respectively).<sup>2</sup>

Regrettably, these wage gains were overwhelmed by inflation, which averaged 6.3% per year. Consequently, over the last two years employees have faced the largest decline in real average earnings for at least the last 30 years.<sup>3</sup> Average weekly earnings fell (on average) by 4.2% per year and the Wage Price Index fell by 4.9% per year.

In the second half of 2023, average earnings and the Wage Price Index grew faster than consumer price inflation for the first time since 2020, as inflation edged downwards.

**Figure 1**



Sources: ABS *Average weekly earnings* (all employees total earnings); ABS *Wage Price Index* (total hourly wages, all employees); ABS, *Consumer Price Index, Australia*.

Note: Average earnings in dollars per week (left side) and Wage Price Index (right side), adjusted to December 2023 values using the Consumer Price Index. The Wage Price Index measures changes in wages paid for a fixed 'basket' of occupations, abstracting from changes in the composition of the labour force, working hours, and individual earnings (for example as people are promoted).

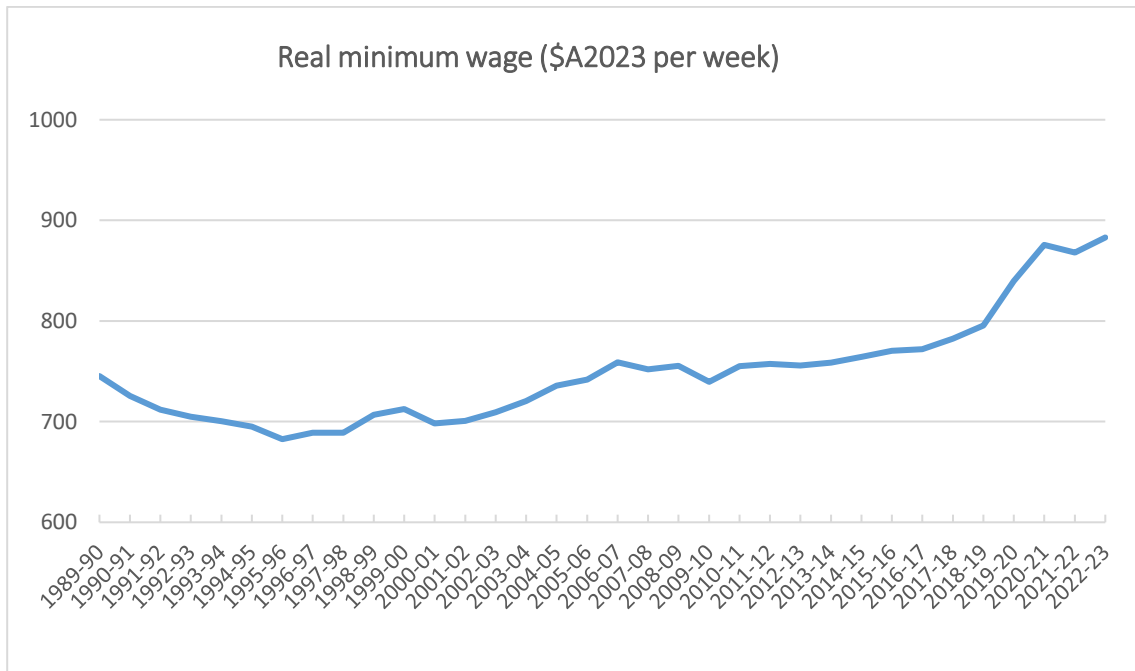
<sup>2</sup> ABS: *Labour Force Australia; Wage Price Index; Average Weekly Earnings*.

<sup>3</sup> ABS, *Consumer Price Index, Australia*.

## Recent minimum wage increases have helped shield low paid workers from inflation

From December 2021 to December 2023, the real value of the National Minimum Wage rose modestly from \$867 to \$883 per week (Figure 2).

**Figure 2**



Sources: Fair Work Commission and ABS, *Consumer Price Index, Australia*.

Note: Calculated in December of each financial year.

## Over the longer-term, minimum wages declined relative to median earnings, but they have begun to catch up recently

One measure of the adequacy of minimum wage is its relationship to median fulltime earnings. For many years after the introduction of the National Minimum Wage in 1996, increases in the minimum wage fell well behind growth in the fulltime median wage.

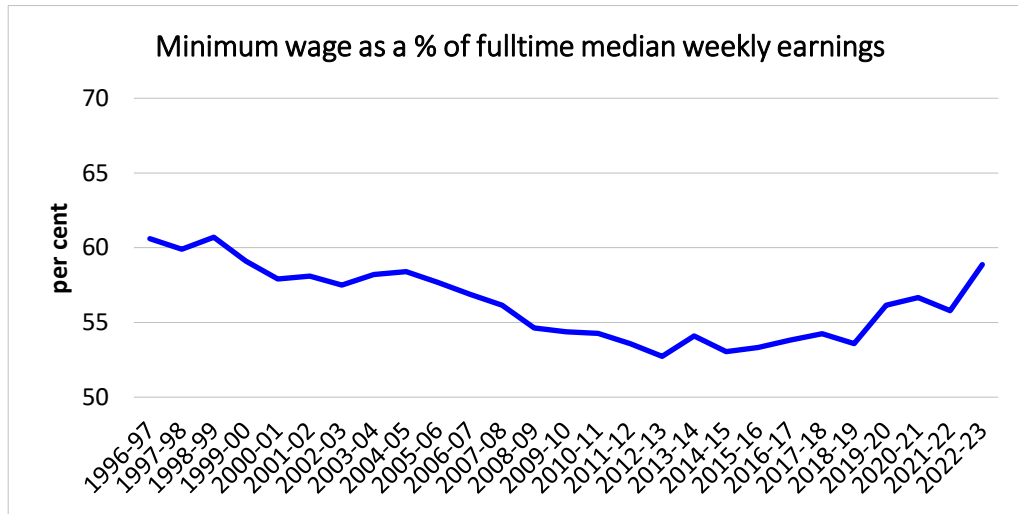
In 1996 the minimum wage was over 60% of median earnings, whether measured on an hourly or weekly basis:

- On a *weekly* basis (using the ABS *Employee Earnings and Hours* statistical series), the minimum wage fell from 61% of full-time median weekly earnings in 1996 to around 53% in 2012. Since then, there has been a welcome narrowing of the gap between minimum and median wages, though the minimum wage is still just below 60% of the median wage, at 58.9% (Figure 3a).



- On an *hourly* basis (using the ABS *Characteristics on Employment* series), it declined from 62% of the median hourly wage in 1997 to 52% in 2021, then rose to 54% in 2022 (Figure 3b).<sup>4</sup>

**Figure 3(a) Minimum wage as a percentage of median weekly fulltime earnings**



Sources: Fair Work Commission; ABS 6337, *Employee earnings* (median weekly total earnings of fulltime employees).

**Figure 3(b) Minimum wage as a percentage of median hourly fulltime earnings**



Source: Fair Work Commission (2024), *Statistical Report, Annual wage review 2023-24*, based on the ABS [Characteristics of Employment](#) series.

<sup>4</sup> On explanation for the difference between the statistics in Figures 3(a) and 3(b) is changes in the weekly working hours of the 'median' employee.

## Inflation is declining but unemployment is rising

Inflation declined substantially in the second half of 2023 and now sits at 3-4% per year if we annualise the increase in consumer prices for the last two quarters. This is close to the Reserve Bank's (RBA) target range.

People seeking employment or more paid working hours are paying a heavy price for this reduction in inflation, as unemployment and underemployment rise under pressure from excessive increases in official interest rates designed to curb inflation. The RBA expects unemployment to rise to 4.4% by 2025, an increase in approximately 120,000 people out of paid work since it began to lift interest rates in mid-2022.<sup>5</sup>

We welcome the Government's commitment in its Employment White Paper to restore full employment, defined as a labour market in which people seeking employment or more paid hours can secure them without searching for too long.<sup>6</sup>

Regrettably, progress towards full employment (as defined in this way) is now jeopardised. ACOSS has consistently argued that the RBA and Government should commit to explicit full employment targets and give equal consideration to this alongside the Bank's inflation target.<sup>7</sup>

## There is no sign of a price-wage spiral

High inflation in Australia and elsewhere through 2022 and the first half of 2023 was triggered by supply constraints related to COVID19, the war in Ukraine and the temporary boost to incomes from COVID19 economic stimulus measures such as early release of superannuation and JobKeeper Payment.

While there is evidence to suggest that some businesses have taken the opportunity of higher inflation to lift or restore profit margins, there is no evidence that compensatory wage increases are contributing to inflation - or will do so in the foreseeable future.<sup>8</sup>

The RBA expects that aggregate wage growth will decline during 2024 and labour market conditions weaken further:

*"We expect wage growth to be around its peak and to decline gradually in line with the easing labour market."* (Kohler M 2024, [The outlook for inflation and employment](#). Address to the ABE Annual Forecasting Conference, Sydney 13 February 2024, Reserve Bank of Australia, p4)

While the Bank is concerned about the impact of slow growth in productivity since the COVID lockdowns on unit labour costs, it notes that shifts in productivity are difficult to

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<sup>5</sup> Calculations based on RBA unemployment estimates and labour force data (Reserve Bank of Australia 2024, *Statement on Monetary Policy February 2024*; ABS, *Labour Force, Australia*).

<sup>6</sup> Australian Government (2024), [Working future](#). Canberra.

<sup>7</sup> ACOSS (2022), [Jobs and Skills Summit statement](#). Sydney.

<sup>8</sup> Fels A (2024), [Inquiry into price gouging and unfair pricing practices](#). Australian Council of Trade Unions. Melbourne.

measure and that productivity is likely to improve as some of the disruptions to business brought about by lockdowns and supply bottlenecks unwind:

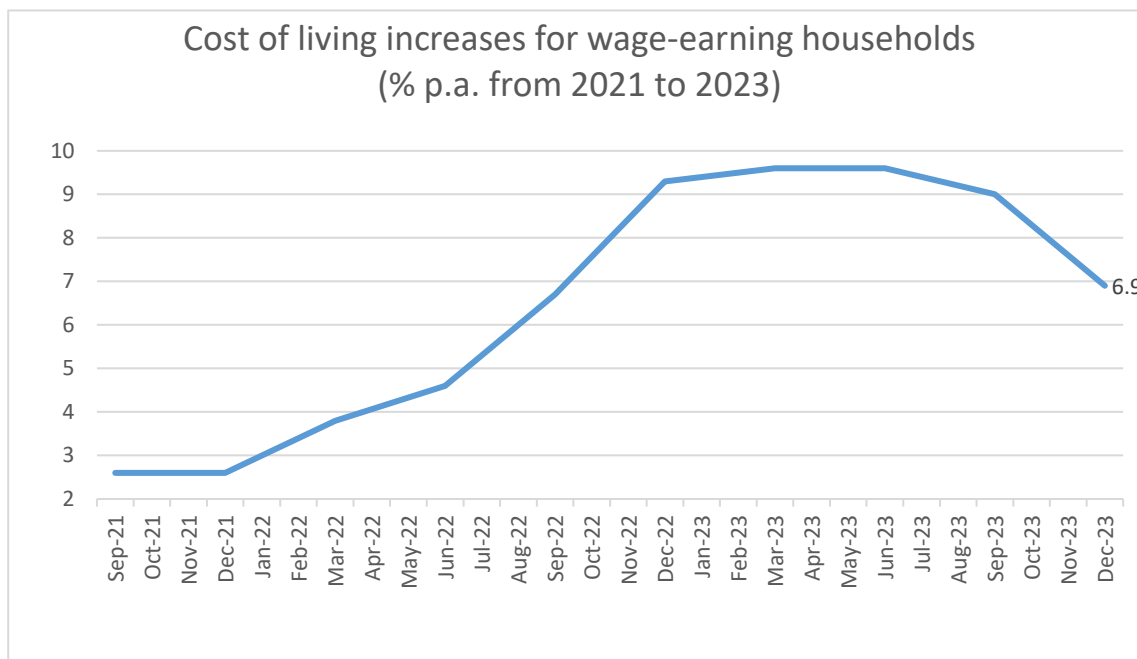
*“While it is difficult to forecast productivity growth, much of the recent weakness in productivity has likely been a by-product of the pandemic and the economic cycle and so can be expected to unwind over the next few years. Examples of these temporary factors are the capacity challenges faced by firms related to pandemic or weather disruptions, capital shallowing (as the increase in hours worked outpaced growth in the capital stock) and additional employee training required given the high turnover and jobs growth we’ve seen in a very tight labour market.” (Kohler M 2024 *ibid*, p4)*

## 2. Living standards of minimum-wage households

In 2022 and 2023, the cost of living increased markedly

Figure 4 shows annualised increases in the cost of living for households receiving wages, which rose from less than 3% in 2021 to a peak of over 9% in 2022-23 and have since moderated to 6.9%.

**Figure 4**



Source: ABS Cost of Living Indexes (2023)

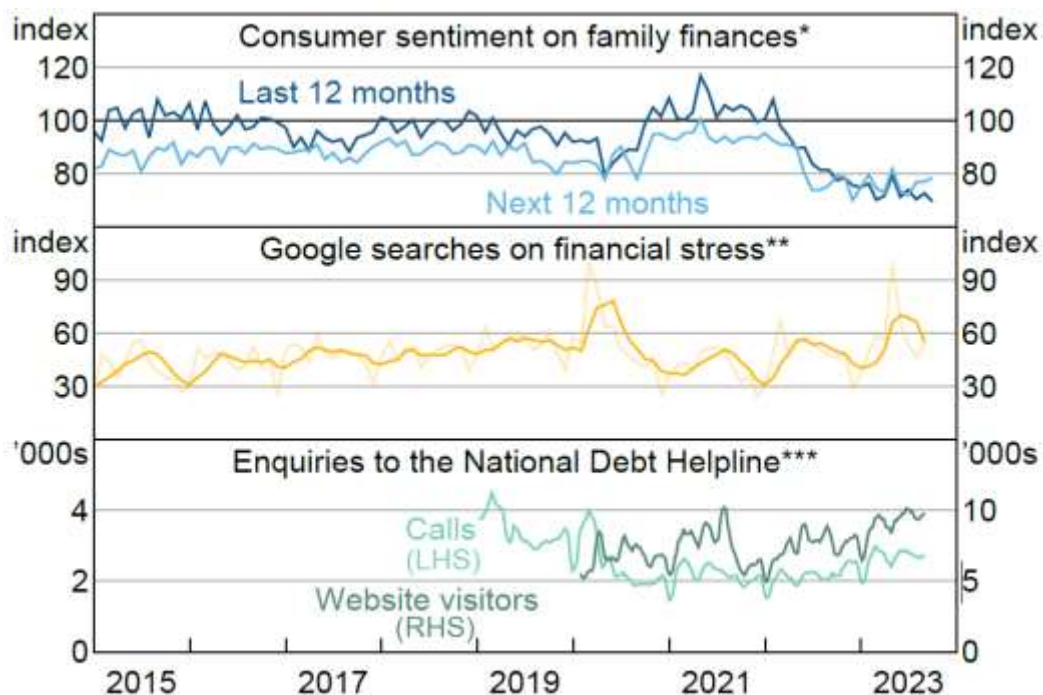
Note: Unlike the Consumer Price Index, this measure captures increases in home mortgage payments.

## As minimum wage increases have only just kept up with inflation, more low-paid workers face financial hardship

For the past two years, people with low incomes - including those on income support payments such as the \$55 a day Jobseeker Payment and low-paid workers and their families - have been caught in a vice between sluggish growth in incomes and increases in costs, especially housing costs.

Figure 5 shows trends in financial stress indicators for Australian households generally, indicating a marked increase in financial strain since inflation rose in 2022.

**Figure 5: Trends in financial stress indicators**



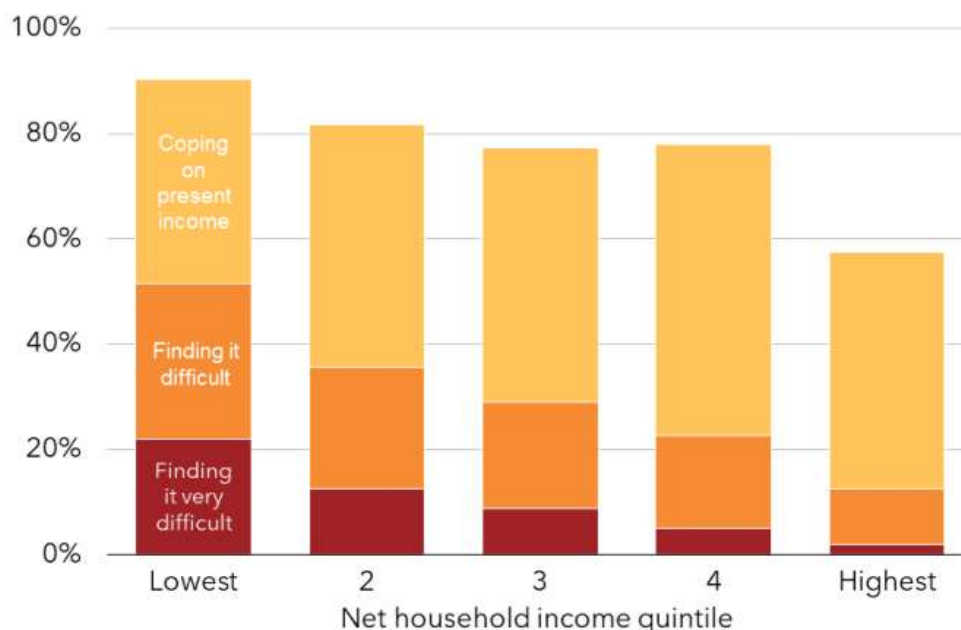
Source: RBA Financial stability review, October 2023.

Households in the lowest 40% ranked by disposable income are generally under the greatest financial pressure because they lack the financial buffers, including savings, that shield those with higher incomes and assets from hardship (Figure 6).<sup>9</sup> In contrast to higher-income households, they are more likely to have to choose between three decent

<sup>9</sup> Research by the Commission indicates that a majority of award-reliant employees (as distinct from those receiving close to the national minimum wage) were located in the second and third quintiles of the equivalent disposable income distribution for *all households*, and in the first and second quintiles of that for *employee households* (Jiminez C & Rozenbes D (2017), *Award reliant workers in the household income distribution*. Fair Work Commission.)

meals a day and paying the rent – as distinct from foregoing holidays, meals out or private school fees.<sup>10</sup>

**Figure 6: Level of financial stress by net household income quintile, August 2023**



Source: Wood D, Chan I & Coates B (2023), *Inflation and inequality: How high inflation is affecting different Australian households*. RBA Annual Conference, Sydney, 25–26 September 2023.

Note: Households are ranked by equivalent disposable income.

As inflation rose between 2021 and 2022, the share of *low-paid employee households* reporting one or more financial stress indicators rose from 20.3% to 26.9%:

- the proportion '*unable to raise \$3000-4000 in a week for something important*' rose from 8.3% to 10.6%.<sup>11</sup>

### Low-paid workers are especially vulnerable to inflation in housing costs

The main cost pressure facing most households of working age today is rapid growth in home prices and rents. People with low incomes renting their homes are under particular financial stress.

Around half (46%) of low paid workers reliant on awards rent their homes.<sup>12</sup> In 2021, people in the lowest 40% of households by income who rented their homes spent an

<sup>10</sup> Wood D, Chan I & Coates B (2023), *Inflation and inequality: How high inflation is affecting different Australian households*. RBA Annual Conference, Sydney, 25–26 September 2023.

<sup>11</sup> Household, Income and Labour Dynamics in Australia Survey, Waves 18–22, cited in Fair Work Commission (2024), *Statistical report—Annual Wage Review 2023–24* Version 1.

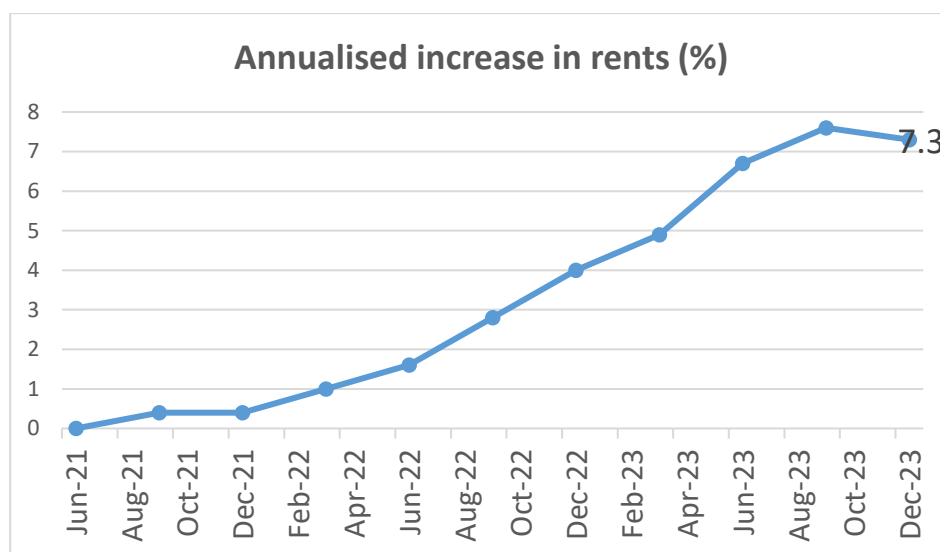
<sup>12</sup> Yuen, K et al. (2018): *Characteristics of workers earning the national minimum wage rate and of the low paid*. Fair Work Commission, Melbourne.

average of at least 30% of their disposable income on rent (27% if they received Commonwealth Rent Assistance). This proportion is likely to be much higher now due to recent increases in rents.<sup>13</sup>

Over the past year, increases in housing rents have put huge pressure on low-income budgets:

- Advertised rents rose by 8.4% on average through the year to October 2023.<sup>14</sup>
- When existing leases are included, average rents rose by 7.3% through the year to December 2023 (Figure 7).

**Figure 7**



Source: ABS Consumer Price Index Australia  
Annual increase in the housing rent component of the CPI.

At the same time, higher interest rates and home prices have lifted home mortgage payments sharply:

- Most mortgagors have experienced an increase in their minimum scheduled payments of 30% to 60% since the first increase in the cash rate in May 2022.<sup>15</sup>
- In 2023, 43% of the lowest quartile of mortgagors by household income (those with up to \$78,000 in household disposable income) spent at least one third of their income on mortgage repayments.<sup>16</sup>

<sup>13</sup> Reserve Bank of Australia (2021), *Submission to House of Representatives Standing Committee on Tax and Revenue Inquiry into Housing Affordability and Supply in Australia*. Sydney.

<sup>14</sup> Corelogic (2023), *Quarterly Rental Review*, October 2023. The median asking rent nationally was \$588 per week.

<sup>15</sup> RBA (2024), *Financial Stability Report*, March 2024.

<sup>16</sup> RBA (2023), *Financial Stability Report*, October 2023.



The rising cost of this key essential of life should be considered in setting minimum wages.

### Poverty has risen among wage-earning households

Research undertaken by ACOSS and UNSW Sydney indicates that poverty among wage-earning households has been increasing:

- In 2019-20, 38% of people below the 50% of median income poverty line and 41% of those below the 60% of median income poverty line were in households whose *main income was wages*, up from 32% and 34% respectively in 2014-15.<sup>17</sup>
- Similarly, in 2019-20, 38% of people in poverty (1,275,000 people, based on the 50% of median income poverty line) were in households *whose main income-earner was employed* - 21% where the main earner was employed fulltime and 17% where they were employed part-time.

Among all people in households whose main income-earner was employed fulltime, 5% were in poverty, rising to 19% where the main earner was employed part-time.<sup>18</sup>

The Commission's research indicates that single parents employed part-time and single-earner couples (with or without children) whose only private income is the minimum wage typically have incomes below the 60% of median income poverty line, and that those incomes have fallen further below that poverty line since 2018.<sup>19</sup>

### Budget Standards research indicates that families on the minimum wage lack sufficient income to cover the essentials

ACOSS welcomes the Commission's use of Budget Standards research to help assess the adequacy of minimum wages, combined with government income supports.

A recently published update of Budget Standards research by the Social Policy Research Centre at UNSW Sydney is very informative.<sup>20</sup> This research uses expert judgement and input from focus groups of people directly affected to draw up minimum household budgets. These are compared with the incomes available to hypothetical families whose only private income is the (fulltime or part-time) minimum wage. Housing costs are based on Sydney

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<sup>17</sup> ACOSS & UNSW Sydney (2022), *COVID, inequality and poverty in 2020 and 2021*.

<sup>18</sup> The equivalent statistics for the 60% of median income poverty line are as follows: 1,730,000 or 41% of people in poverty in households mainly reliant on wages; 26% of people in poverty in households whose main earner was employed fulltime, and 16% where they were employed part-time (ACOSS & UNSW Sydney 2023, *Poverty in Australia: 2023 Who is affected?* forthcoming).

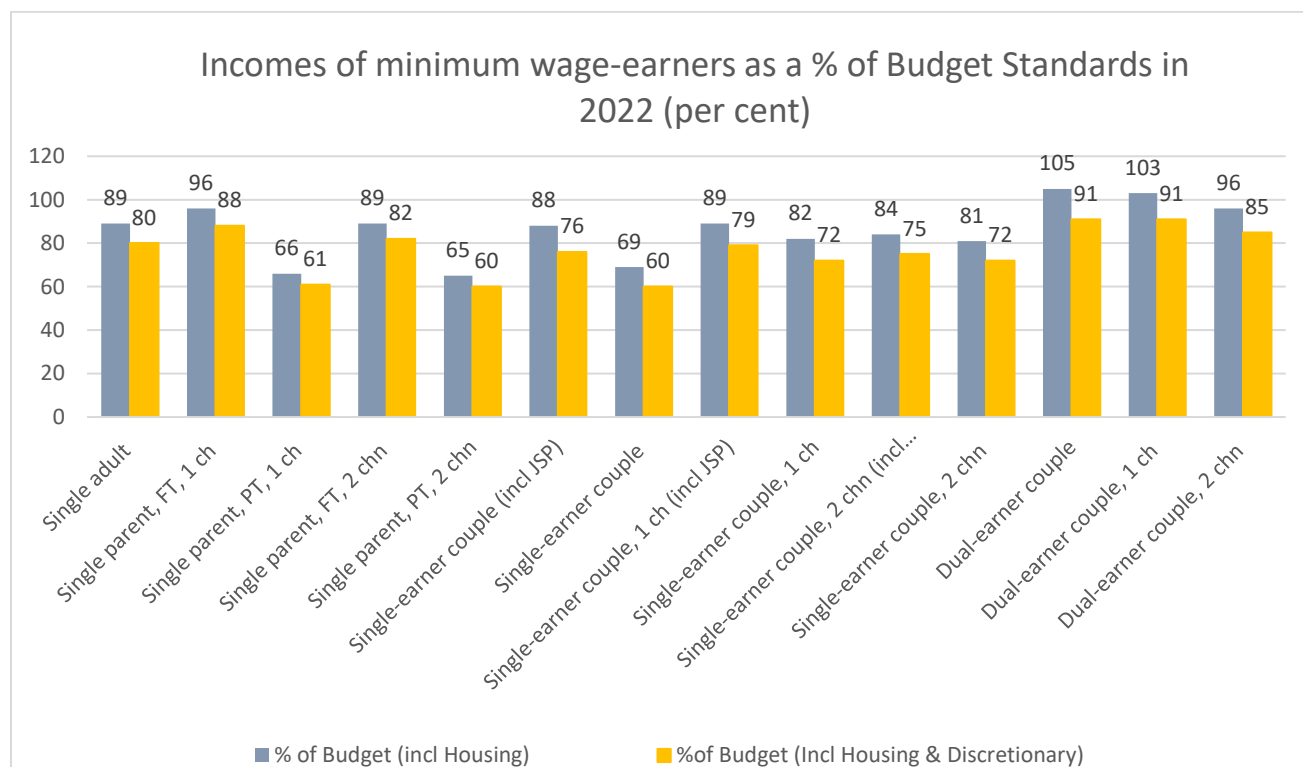
<sup>19</sup> Fair Work Commission (2024), op cit.

<sup>20</sup> Bedford, M; Bradbury, B & Naidoo, Y (2023), [Budget Standards for Low-Paid Families](#). Report prepared for the Fair Work Commission, Melbourne, Australia.

rents. Two sets of budget standards are estimated based on the cost of essentials, and the cost of essentials plus modest allowances for discretionary expenses (Figure 8).<sup>21</sup>

Consistent with the Commission’s own analysis comparing family incomes with the 60% of median income poverty line, couples and sole parent families had incomes well below an ‘adequate’ level in 2022. The research finds that, among the hypothetical families surveyed, only dual-wage families have disposable incomes *above* the relevant Budget Standards (over 100% in Figure 8).<sup>22</sup>

**Figure 8**



Source: Fair Work Commission (2023), *Statistical report—Annual Wage Review 2022-23*.

Note: Two sets of budget standards are estimated based on the cost of essentials, and the cost of essentials plus modest allowances for discretionary expenses

<sup>21</sup> Rents are set at the 40th percentile of Sydney rents for homes of suitable size for each family type. The ‘discretionary items’ are non-essential items derived from actual consumption patterns of households with low incomes. They include allowances for alcohol and tobacco consumption, average gambling losses, a small allowance for workers eating lunch out and a weekend meal outside the house, and a minimal budget for international travel. See Bedford, M; Bradbury, B & Naidoo, Y (2023), op cit.

<sup>22</sup> When the budget standard for a low-paid single adult is updated to December 2023 using the CPI, it rises to \$948 per week (Fair Work Commission 2024, op cit). However, if Budget Standards are only updated using the CPI they are likely to fall behind increases in community living standards and expectations within around five years. It is necessary within that time to update the detailed budgets to ensure they are up-to-date and relevant.



### 3. The impacts of minimum wages

#### Adequate minimum wages reduce poverty directly by lifting the incomes of low-paid workers and their families

While minimum wages cannot target poverty as precisely as social security payments, they are mainly paid to the lowest 50% of households of working age ranked by income.

Research undertaken by the Commission found that 60% of minimum wage earners were in the lower half of the income distribution for households where at least one member was employed.<sup>23</sup> Further, 43% of low-paid workers who are reliant on Award rates of pay were the sole or main income-earner in their household and 35% had one or more dependent children.<sup>24</sup>

#### Adequate minimum wages reduce poverty indirectly by making room for adequate income support payments

While at present the maximum rates of unemployment payments are less than half the full-time minimum wage, a higher minimum wage creates more room for the substantial increases in social security payments that are needed to reduce poverty.

Figure 9 shows that there is a reasonably consistent historical relationship between minimum wages and unemployment payments. Between 1995 and 2010, unemployment payments for a single adult with no dependent children sat in a narrow band between 43-44% of the minimum wage (before tax). Before the pandemic in 2019, JobSeeker Payment was just 38% of the minimum wage, suggesting there is considerable scope to increase it without weakening rewards for employment.<sup>25</sup>

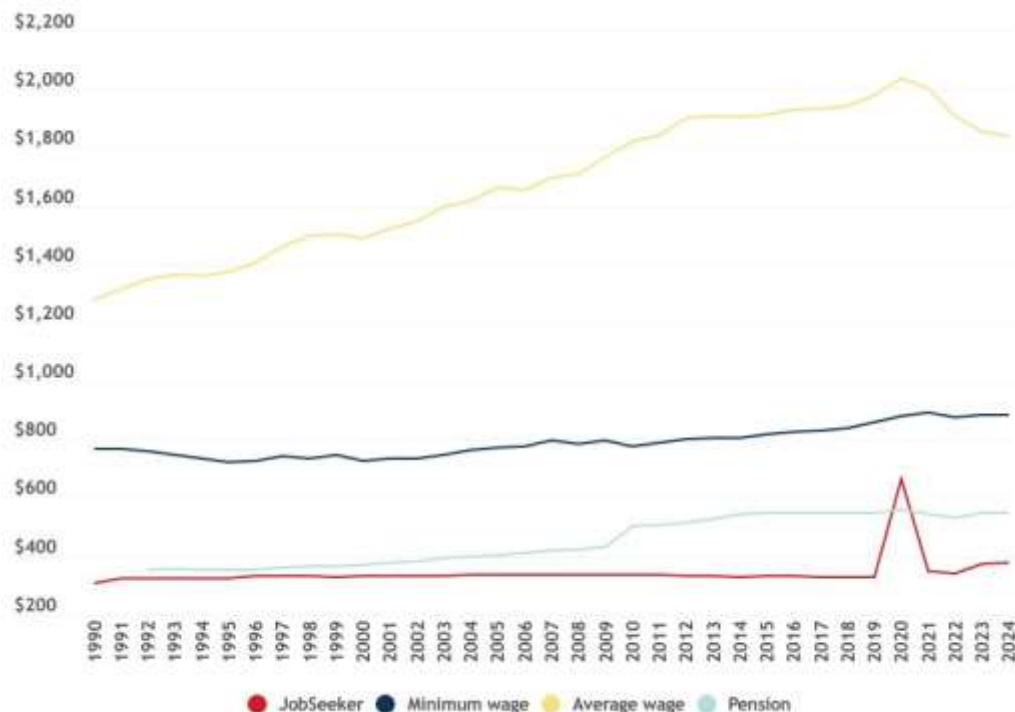
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<sup>23</sup> Jiminez C & Rozenbes D (2017), op cit.

<sup>24</sup> Wilkins R & Zilio F (2020), *Prevalence and persistence of low-paid award-reliant employment*. Fair Work Commission Research Report 1/2020.

<sup>25</sup> Department of Human Services (2019), [A guide to Australian Government payments](#), DHS, Canberra; Workplace Info (2020): [History of national increases](#), Workplace Info, Sydney. This historical link between minimum wages and social security payments helps explain why higher minimum wages are associated in international comparisons with lower levels of child poverty, even though only a minority of poor households in most OECD countries benefit directly from minimum wages (OECD 2021, Family Database. Paris).

**Figure 9 Historical comparison of JobSeeker Payment rate with wages and pensions (\$2023)**



Source: Department of Social Services (2024) *A guide to Australian Government Payments*; Australian Bureau of Statistics (2024) *Consumer Price Index, Average Weekly Earnings, Australia*; Fair Work Australia (2023) *Minimum Wages*

There is an urgent need to substantially increase Jobseeker and other working-age income support payments which sit well below the poverty line. ACOSS is calling for the Government to increase JobSeeker Payment for single people (currently \$55 a day) to at least the pension level (currently \$80 a day) and index these payments and Family Tax Benefit to wage movements to ensure people on the lowest incomes can meet their basic living costs.<sup>26</sup>

In addition, base payments should be supplemented by adequate family payments and appropriate and adequate supplementation for the additional costs of private rent, disability and raising children alone.

<sup>26</sup> ACOSS (2022), [Addressing inadequacy of income support: Briefing note](#). Sydney

## Adequate minimum wages, along with Family Tax Benefits, reduce child poverty

Around one third (35%) of low paid award-reliant workers are parents with dependent children. <sup>27</sup> To support themselves and their children, they rely heavily on the minimum wage and Family Tax Benefits.

Family Tax Benefits supplement income from employment for households with dependent children, raising the disposable incomes of low-paid households. However, over the last decade governments have reduced these payments (cutting \$12 billion from Family Tax Benefits alone between 2009 and 2016), leaving families with low incomes more reliant on wage increases, especially minimum wage increases.

Since 2009 Family Tax Benefit (Part A) for low-income families has been indexed to CPI only rather than wage movements, reducing payment levels since then by over \$13 per week for each child under 12 years and over \$17 per week for each older child. <sup>28</sup>

Child poverty has already increased over the past two decades, and will continue to rise, if minimum wages and family payments do not increase in line with wage increases generally.<sup>29</sup>

## Along with a tight labour market, recent minimum wage increases have reduced earnings inequality

Over the two financial years from June 2021 to June 2023, the unemployment rate averaged 3.8%, the lowest level in 50 years. <sup>30</sup>

Tighter labour market conditions disproportionately benefited workers with lower qualifications. From the time that unemployment peaked during COVID lockdowns in March 2020 through to May 2023:

- Their unemployment rate fell from 14% to 9%, while lower-skilled job vacancies rose from 2% of all employment to 5.5% (Figure 10).

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<sup>27</sup> Wilkins R & Zilio (2020), op cit.

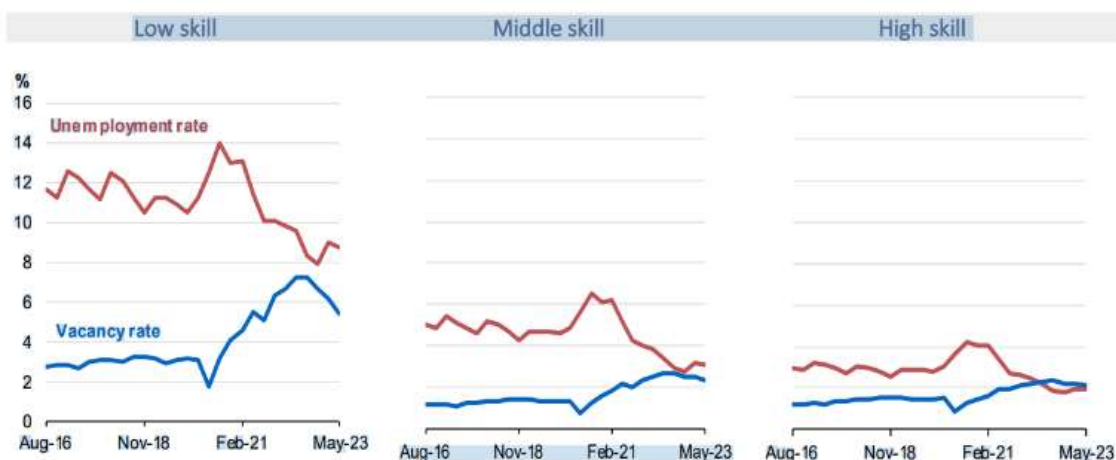
<sup>28</sup> Whiteford, P (2018), *Social Security since Henderson*. in Saunders P (2018), [Social Security Reform: Revisiting Henderson and Basic Income](#), Melbourne University Press, Melbourne.

<sup>29</sup> Davidson, P et al. (2022), [Poverty in Australia 2020 – Part 1: Overview](#), ACOSS/UNSW Poverty and Inequality Partnership, Sydney.

<sup>30</sup> ABS, *Labour Force, Australia*.

**Figure 10**

*Unemployment and job vacancies by skill level (2016-2023)*



Source: Australian government (2023), *Working Future, Employment White Paper*. Canberra.  
Note: Unemployment and job vacancies as a percentage of the labour force.

Forthcoming research from the Poverty and Inequality Partnership between ACOSS and UNSW Sydney indicates that this tighter labour market *together with the Commission's minimum wage decisions* led to a marked reduction in earnings inequality between 2021 and 2023: <sup>31</sup>

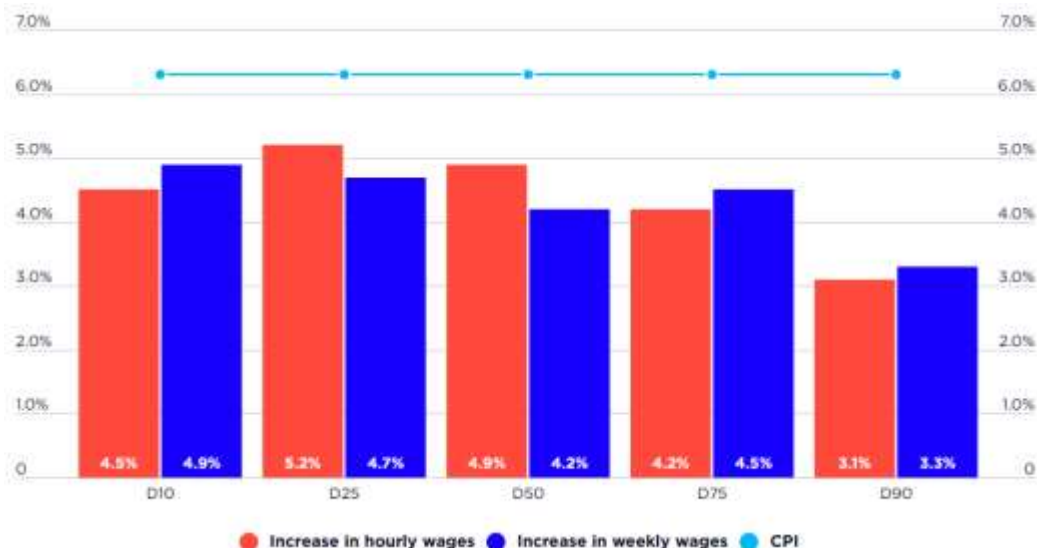
- Weekly wages before inflation grew one-and-a-half times as fast for low paid employees as for high paid employees.
- Nominal weekly earnings for the upper bound of the lowest 10% of wage-earners rose by an average of 4.9% per year compared to 4.2% for the median wage and 3.3% for the lower bound of the highest 10% (Figure 11).

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<sup>31</sup> Davidson P, Bradbury B & Wong M (2024), *Inequality in Australia*. ACOSS and UNSW Sydney (forthcoming). The Commission increased the national minimum wage by 5.2% in 2022 and 5.75% in 2023. (Fair Work Commission, [Annual wage review, summary of decision](#)).

Recent evidence from the United States indicates that low unemployment there has reduced earnings inequality. Autor et al find that 'Disproportionate wage growth at the bottom of the distribution ... reversed the rise in aggregate wage inequality since 1980 by approximately one quarter, as measured by the 90-10 ratio' (Autor D, Dube A & McGrew A 2023, [The Unexpected Compression: Competition at Work in the Low Wage Labor Market](#). MIT Working Paper, March 2023, p34).

**Figure 11 Average annual increase in earnings and inflation from 2021-2023 (%)**



Source: Davidson P, Bradbury B & Wong M (2024), *Inequality in Australia*. ACOSS and UNSW Sydney (forthcoming).

Note: Data are from ABS 6337 *Employee Earnings* (all employees in main job) and ABS *Consumer Price Index, Australia*.

### Minimum wages reduce the gender pay gap

ACOSS warmly welcomes the Commission’s establishment of an expert panel on gender pay equity.

Minimum wages play an important role in reducing the gender pay gap, which is caused by a combination of unequal sharing of caring roles, the over-representation of women in relatively low-paid caring occupations (including in the community services sector), and discrimination against women in hiring and promotions:

- More than half (55%) of low-paid award-reliant workers are women.<sup>32</sup>
- Minimum wage increases from 1995 to 2005 were estimated to reduce the gender pay gap by 1.2 percentage points.<sup>33</sup>

From May 2021 to May 2023 the gender wage gap for average weekly cash earnings for all employees fell from 30% to 27.5%, the fastest rate of decline in a two-year period over the

<sup>32</sup> Wilkins & Zilio (2020), op cit.

<sup>33</sup> Fair Work Commission (2020), [Statistical report- Annual Wage Review 2019-20](#), FWC, Sydney; Austin et al. (2008): [Gender pay differentials in low-paid employment](#), Australian Fair Pay Commission, Canberra.

last decade.<sup>34</sup> Along with a tight labour market, minimum wage increases have contributed substantially to this narrowing of the gender pay gap.

### There is no automatic relationship between minimum wages and employment levels

Increases in minimum wages awarded by the Commission in recent years have had no discernible impact on aggregate employment. International evidence generally supports the view that modest increases in minimum wages have little or no adverse impact on employment.<sup>35</sup>

### Higher minimum wages improve pay equity and help ease chronic labour shortages in care services

As the peak organisation in the non-government community services sector, ACOSS has a particular interest in employment issues in community services.

The vast majority of employees in the community services sector (82%) are women. Consistent with the treatment of caring work more broadly, their work is undervalued, despite being highly skilled.

In 2021, 33% of employees in health care and social assistance were award reliant (up from 17% in 2010), making it one of four major industries with a high share of award-reliant workers - the others being retail, accommodation and food services and administrative and support services.<sup>36</sup>

We welcomed increases in pay for community workers arising from the Commission's equal remuneration decision in 2012, which were phased in up to 2020.<sup>37</sup> Further increases are likely to be needed over time to improve the quality of community services by helping avert shortages of skilled workers.

Despite recent increases in unemployment and under-employment, employers in the care and community sectors face serious ongoing recruitment and retention challenges as employment continues to grow strongly in those sectors. In 2023, 70% of employers recruiting people to positions in health and community services industry reported recruitment difficulties.<sup>38</sup>

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<sup>34</sup> Difference between average weekly female and male cash earnings for all employees (ABS 2023, [Gender pay gap guide](#)).

<sup>35</sup> Dube, A (2019): [Impacts of minimum wages: review of the international evidence](#), HM Treasury, London.

<sup>36</sup> Fair Work Commission (2022), op. cit.

<sup>37</sup> Fair Work Australia (2012), [Decision, Equal Remuneration Case](#).

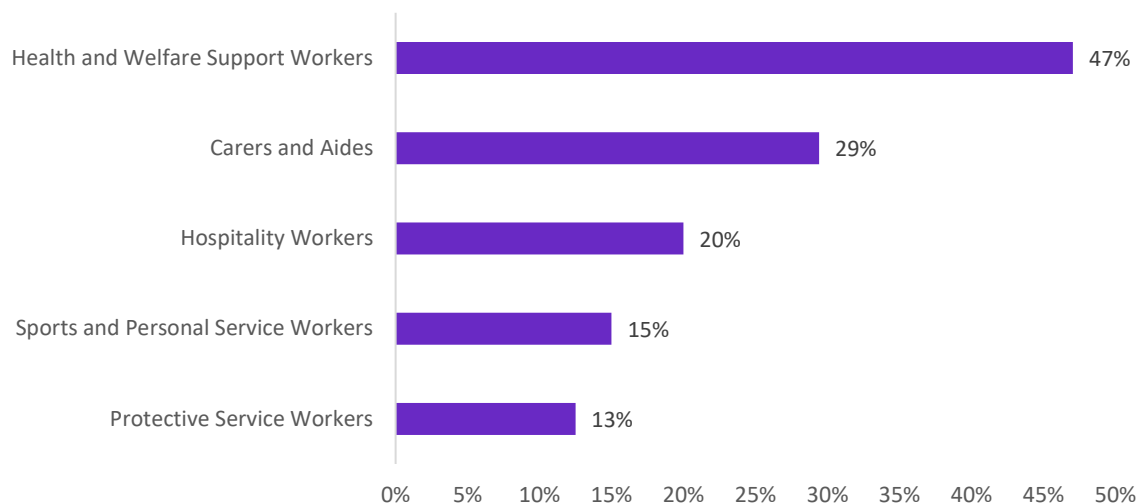
<sup>38</sup> Jobs and Skills Australia (2024), [Recruitment Experiences and Outlook Survey – 2023 in Review](#). Canberra.

Jobs and Skills Australia reports that:

"shortages for Community and Personal Service Workers in the health, care and support sectors are considerable". (Jobs and Skills Australia (2023), [2023 Skills Priority List, Key Findings Report](#), p13)

Figure 12 shows the high proportion of occupations in shortage in 'health and welfare support' (47%) and 'carers and aides' (29%).

**Figure 12: Proportion of occupations in shortage on 2023 SPL, by Community and Personal Service Workers occupation sub-group**



Jobs and Skills Australia (2023), [2023 Skills Priority List, Key Findings Report](#). Canberra.

Inadequate hourly wages along with unsociable working hours are key contributing factors to labour and skills shortages in care and community services.<sup>39</sup>

The Department of Social Services estimates that by 2024, 80,000 more care workers will be needed in National Disability Insurance Scheme (NDIS)-funded services:<sup>40</sup>

- Yet annual workforce turnover in NDIS services is 17% to 25%. In a recent survey of NDIS workers, 39% of respondents were dissatisfied with their pay levels compared with 37% who were satisfied.

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<sup>39</sup> ACOSS (2024) [Submission to the Department of Prime Minister and Cabinet on the Draft National Care and Support Economy](#), Sydney; Committee for Economic Development of Australia (2021), *Duty of Care: Meeting the Aged Care Workforce Challenge*.

<sup>40</sup> Department of Social Services (2021), *NDIS National Workforce Plan: 2021–2025*.



- For most NDIS workers, low pay is exacerbated by inadequate and insecure paid working hours. Among those surveyed, 45% had unpredictable working hours and among permanent employees the average working week was just 22 hours.<sup>41</sup>

We warmly welcome the establishment of an expert panel within the Commission for the community and care sector and the recent decision to lift minimum wages for aged care workers. Lifting the minimum wages across award reliant sectors is another way to help resolve pay inequity and labour shortages in the care and community services sector.

## 4. Recommendations

We recommend that the minimum wage be increased consistently and substantially to reduce the gap between the minimum wage and the median wage. While we do not recommend specific increases in minimum wages, the rest of our recommendations focus on how the needs of people on low pay can best be assessed, and the respective roles of wages and social security in sustaining a decent standard of living.

Our starting point is that the minimum wage should be designed to at least provide a decent living standard, well above poverty levels, for a single adult; and that the tax-transfer system should meet the basic costs of raising children in a low-income family.

The minimum wage should not be directly designed to cover the costs of children because that role is best performed by the social security system. In assessing the living standards of low-paid workers and their families, the Commission should take account of both minimum wages and social security payments, especially Family Tax Benefits. Nevertheless, it is vital that the minimum wage and family payments together are sufficient to prevent a family from falling into poverty.

The minimum wage itself should be set well above poverty levels for a single adult, in keeping with Australian policy tradition and the desirability of maintaining an appropriate gap between maximum social security payments and minimum wages.

In addition to these measures, an appropriate benchmark for the adequacy of the minimum wage is to compare it with the full-time median wage. A reasonable goal would be to restore its value to at least 60% of the fulltime median wage.

We do not propose that minimum wages be tied to a single measure of income adequacy such as a poverty line or budget standard. The Commission needs flexibility to take account of the other factors including the state of the economy, employment incentives and employment. Nevertheless, the adequacy of minimum wages can only be objectively assessed with reference to benchmarks grounded in thorough independent research on living standards. ACROSS welcomes the Commission's use of updated poverty lines, financial stress indicators and expenditure patterns of low-paid workers in the Annual Wage Review Statistical Reports, and its commissioning of Budget Standards research.

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<sup>41</sup> Cortis N & Toorn D (2020), *Working in new disability markets: A survey of Australia's disability workforce*, Social Policy Research Centre, UNSW Sydney.





**ACOSS recommends that:**

- The Commission should increase real minimum wages substantially to ease financial hardship and significantly reduce the gap between them and median pay levels.
- Decisions on the level of minimum wages should be informed by benchmark estimates of the cost of attaining a 'decent basic living standard' for a single adult according to contemporary Australian standards.
- A reasonable benchmark for the adequacy of minimum wages in comparison with wages across the community would be at least 60% of the fulltime median wage.
- The combined effect of the minimum wage and family payments on the extent of poverty among families with children, including reductions in family payments, should also be expressly considered in setting minimum wages.
- The FWC should continue to commission research and hold consultations with stakeholders to develop and update a robust set of indicators of a minimum adequate living standard for people in low-paid work. It should regularly assess the living standards of individuals and households receiving minimum wages against median household disposable incomes, poverty lines, budget standards and deprivation indicators, including financial stress indicators.
- Minimum wage rates for young people, apprentices and trainees, and people with disability under the Supported Wage System should continue to be increased at least in line with the rise in the minimum wage for adults.