



wacoss

Western Australian
Council of Social Service Inc

*Ways to make
a difference*

**WACOSS
Submission to the
WAIRC State Wage Case**

April 2006



Submission to the WAIRC State Wage Case

April 2006

The Western Australian Council of Social Service (WACOSS) has sought and been granted leave to make a submission on the application by the Trades and Labour Council of Western Australia to increase by 4 percent award wages and allowances in State awards of the Western Australian Industrial Relations Commission.

WACOSS does not claim any special expertise in the area of industrial relations of wage fixing, however, as the peak council of community service organisations and individuals in Western Australia, we have a particular interest in the adequacy of living standards and the quality of life of low-income Western Australians. Increasing award rates and award minimum pay is a vital means of protecting low-income earners from poverty.

WACOSS supports the application by the Trades and Labour Council to increase the State award by 4 percent. A 4% increase in the minimum wage will go some way to ensuring that the strong economic growth currently being experienced in Western Australia flows on to provide strong social outcomes for the lowest paid workers in this State.

This submission will concentrate on supporting the need for a 'fair wage' based on WACOSS' experience with and research into the following issues:

- The experience of community service agencies in providing services for disadvantaged people
- The phenomenon of the 'working poor'
- Income inequality
- Rise in the cost of living
- Minimum wages and work incentives
- Determining a fair minimum wage

Background on WACOSS

The Western Australian Council of Social Service Inc (WACOSS) is the peak body of the community services sector in WA. Since 1956, WACOSS has been developing and strengthening the non-government community services sector's capacity to assist all Western Australians. At the

heart of its activities, lies the belief that the mark of a civilised community is the support and help it gives to those most in need.

WACOSS is part of a national network consisting of ACOSS and the State and Territory Councils of Social Service, who assist low income and disadvantaged people, Australia wide. ACOSS regularly intervene in the National Wage Case on behalf of low income earners Australia-wide.

WACOSS supports more than 350 member agencies and individuals in the provision social and community services to disadvantaged people and low-income earners across Western Australia. In this capacity WACOSS works with and represents a range of agencies including:

- Emergency relief agencies;
- Financial counsellors;
- Neighbourhood centres;
- Community legal centres;
- Large church-based welfare organisations;
- Disability service organisations; and
- Housing and crisis accommodations services.

Current trends in Western Australia

The agencies supported by WACOSS (as mentioned above) consistently report a number of issues in relation to people living in poverty in Western Australia, including:

- The number of people seeking assistance with poverty-related issues is growing¹;
- There has been a significant increase in the numbers of people seeking but not receiving services, particularly by agencies in the areas of community legal centres, housing assistance and financial and material support²;
- There is an increase in new groups of clients, i.e. people seeking assistance who have not previously sought assistance, and in particular a growth in the number of ‘working poor’ approaching agencies for assistance;
- People living in poverty in rural, regional and remote areas of Western Australia are ‘doubly disadvantaged’ as a result of higher living costs and reduced access to services; and
- Interventions attempted by social service organizations to assist people in poverty, particularly with regards to the provision of housing or crisis accommodation, can be thwarted by negative community attitudes towards those in poverty, particularly youth, Indigenous people, women escaping domestic violence and people with mental health and/or drug and alcohol related issues.

The experience of the agencies directly providing the services to people experiencing disadvantage is supported by a range of quantitative and qualitative research that documents the extent of disadvantage in Western Australia.

¹ Australian Council of Social Service (2005) *Australian Community Sector Survey 2005 – Western Australia*, ACOSS Paper 143

² Ibid

Working poverty

Historically Australia has ensured that the notion of the 'working poor' is a contradiction in terms, with an emphasis on ensuring that the basic wage (or wage safety net) was kept at a level that was adequate to meet the needs of working families³. In the 1970s the Henderson poverty inquiry found that less than 2% of families with an adult in full-time employment could be described as poor.

Since the 1990s, however, having employment is no longer a guarantee of staying out of poverty. Lloyd et al. point to the incidence of 'working poverty' in Australia, which is demonstrated by the proportion of those in poverty made up of people whose main source of income is wages and salary (10.7 per cent). They found that the risk of being in poverty among wage and salary earners is low but, because wage and salary earners comprise such a large share of Australian families, this small risk still represents a significant number of people.⁴

Evidence given to the Senate Inquiry into Poverty and Financial Hardship by individuals on a low wage, "indicated that for low paid employees:

- finances are always tight;
- expenditure is modest and overwhelmingly on necessities (food, clothing, housing and utilities); and
- there is an ever present financial stress, which requires the low paid to carry a level of debt in order to make ends meet and to go without things and activities associated with full and active participation in society."⁵

One explanation for the emergence of the working poor could be the increased casualisation of the workforce, as those in part time work have higher poverty rates than those working full time. However, this is not the complete story, as 4 per cent of full-time workers experience financial disadvantage and comprise a substantial 15.9 per cent of those in poverty, indicating that working poverty exists even among those with full-time jobs.

Decent minimum wages provide a critical 'floor' for the incomes of many low-income households. Without this floor, governments would struggle to prevent widespread poverty among wage-earning households.⁶ The people experiencing 'working poverty' are likely to be those who are most reliant on award wages, giving further support to the application to increase the minimum wage in Western Australia.

Two key contributing factors to the increase in the incidence of working poverty in Western Australia will be discussed in this submission: income inequality and a rise in the cost of living.

³ Saunders, P. (2006) *A Perennial Problem: Employment, Joblessness and Poverty*, SPRC Discussion Paper No. 146, The Social Policy Research Centre, University of New South Wales, Sydney

⁴ Lloyd, R., Harding, A. and Payne, A. (2004) *Australians in poverty in the 21st century*, National Centre for Social and Economic Modelling, Paper presented for 33rd Conference of Economists, 27-30 September 2004

⁵ Senate Community Affairs Reference Committee (2004) *A hand up not a hand out: Renewing the fight against poverty*, Report on poverty and financial hardship, Commonwealth of Australia

⁶ Australian Council of Social Service (2005) *ACOSS Submission to the AIRC National Wage Case*, ACOSS Info 368

Income inequality

The Senate Inquiry into Poverty and Financial Hardship confirmed that there has been increasing dispersion of earnings since 1979, with the top percentiles recording stronger growth than the bottom percentiles. Since the mid 1980s three trends were evident:

- between 1985 and 1990, earnings at the bottom fell almost continuously in real terms, while those at the top remained stable after an initial fall;
- between 1990 and 1996, earnings at the bottom initially rose, but then remained stable, while those at the top consistently increased in real terms; and
- between 1996 and 2000 earnings grew at all points, although more rapidly at the top of the earnings distribution⁷.

A study by the Social Policy Research Centre also found that inequality is on the increase. Between 1994-95 and 2000-01, mean income in the top quintile increased by \$111 a week, more than eight times the increase of \$13 a week in the lowest quintile⁸. These figures also point to the difference in relative growth in income, measured in percentages, and real growth in income measured in disposable income per week.

This increase in inequality means that almost half (47.3 percent) of the total increase in disposable income was received by those in the top quintile – implying that half of the income generated by economic growth has been of no benefit to the bottom four-fifths (in income terms) of the population.⁹

As the Australian Council of Social Service points out:

“A high level of inequality in the distribution of income does matter because it divides the community. Those with very low incomes struggle to meet their basic needs and participate in society. On the other hand, those at the top are increasingly out of touch with the experience and world-view of the majority of households. Such divisions weaken a society, and ultimately undermine economic efficiency as well because social cohesion is a pre-condition for economic development.”¹⁰

The Senate Inquiry into Poverty and Financial Hardship confirmed these sentiments, stating that ‘worsening wage inequality is a major contributor to the widening social divisions in society’, and that ‘severely limited opportunities are part of the life experiences of low wage working poor individuals and their families.’¹¹

⁷ Ibid

⁸ Saunders, P. (2003) *Examining recent changes in income distribution in Australia*, SPRC Discussion Paper No. 146, The Social Policy Research Centre, University of New South Wales, Sydney

⁹ Ibid

¹⁰ Australian Council of Social Service (2005) *ACOSS Submission to the AIRC National Wage Case*, ACOSS Info 368

¹¹ Senate Community Affairs Reference Committee (2004) *A hand up not a hand out: Renewing the fight against poverty*, Report on poverty and financial hardship, Commonwealth of Australia

Increases in cost of living

Minimum wages should assist low-paid workers to meet basic needs and keep in touch with wider living standards. However, in recent years, there have been rapid increases in the cost of goods and services in a variety of areas.

For low income earners in particular, it is important to differentiate between the rise in the cost of essentials; such as public transport, petrol, utilities, housing and basic staple foods, and luxury items, such as new consumer goods such as motor vehicles, white goods, and electronic equipment. Research by the St Vincent de Paul Society found that falls in the price of luxury items have caused a fall in the Consumer Price Index to fall, giving a false sense of the cost of living for low income earners. In reality, for the large number of Australian families who cannot afford to buy their own home or run a car, but must use private rental and public transport, the cost of living has risen much more sharply than CPI.¹²

Using the example of housing, in Western Australia there is a growing housing affordability problem. The amount of well located, affordable housing available for people on low incomes, including the working poor, is decreasing rapidly. Perth is currently experiencing a housing crisis, with affordability a major issue for both home purchasers and private renters¹³. In Australia household expenditure on rents and other dwelling services has risen 27% between 1999-2000 and 2003-2004¹⁴.

Research published in 2004 found that the number of Western Australians that were in housing stress had grown and now represents 8.6% of income earners¹⁵. The consequences of this are far reaching. In most countries, housing is a key indicator of social exclusion. Housing access and affordability is acutely linked to employment opportunities¹⁶.

Minimum wages and work incentives

Recent qualitative research about the experience of people in poverty, confirmed that it was extremely important for “decent employment to provide access to adequate financial resources, as low wages and limited choice and opportunity meant that many low-income people faced huge disincentives when transferring from welfare benefits to employment”¹⁷. The losses in benefits such as low public housing rental or healthcare cards are not always compensated by the income received in the lowest paid jobs.

¹² Duffy, G. (2005) *Winners and Losers: the story of costs*, Social Policy Issues Paper 2, St Vincent de Paul Society

¹³ Shelter WA (2004) *The State of Affordable Housing in WA*, 2004, Shelter WA, Perth.

¹⁴ Duffy, G. (2005)

¹⁵ Harding, A., Philips, B. and Kelly, S. (2004) *Trends in Housing Stress*, National ATSEM.

¹⁶ ACOSS (2003) *The Bare Necessities: Poverty and Deprivation in Australia Today* Submission to the Senate Enquiry into Poverty and Financial Hardship, ACOSS, Sydney.

¹⁷ Saunders, P. and Sutherland, K. (2006) *Experiencing Poverty: The Voices of Low-Income Australians*, Towards New Indicators of Disadvantage Project, Stage I: Focus Group Outcomes, The Social Policy Research Centre, University of New South Wales, Sydney

Determining a fair minimum wage

The Australian Council of Social Service (ACOSS) has made submissions to the National Wage Case since 1996. In 1997 they presented a detailed proposal for the establishment of a benchmark for the adequacy of minimum wages that is objectively grounded in research into the living standards and income needs of low-paid workers, and they continue to argue for such a benchmark. In their submission to the 2005 National Wage Case, ACOSS reiterated their arguments that such a benchmark should:

- be objectively constructed using contemporary social research methods and tested against indicators of actual living standards;
- set at a level that enables a single adult living alone to live in 'modest comfort' and participate fully in society in accordance with contemporary community standards (that is, a benchmark that is significantly above poverty levels).

The Social Policy Research Centre at the University of New South Wales has prepared 'budget standard estimates' of the incomes required by Australian working families to meet their needs in 2003. The research is based on earlier work commissioned by the Department of Family and Community Services in 1995.

"A budget standard estimates what is needed, in terms of material goods and services, by a particular type of family in order to achieve a particular standard of living in a particular place at a particular time. This involves identifying the basket of goods and services required to meet these needs, pricing them, and adding up the resulting expenditures to derive the family budget."¹⁸

Conclusion

In conclusion, the WACOSS supports the application by the Trades and Labour Council to increase the State award by 4 percent. A 4% increase in the minimum wage will go some way to ensuring that the strong economic growth currently being experienced in Western Australia flows on to provide strong social outcomes for the lowest paid workers in this State.

¹⁸ Saunders, P. (2004) *Updated budget standard estimates for Australian working families in September 2003*, SPRC Report 1/04, Social Policy Research Centre, University of New South Wales

Appendix

The following documents are enclosed in support of this submission

- Australian Council of Social Service (2005) *ACOSS Submission to the AIRC National Wage Case*, ACOSS Info 368
- Australian Council of Social Service (2005) *Australian Community Sector Survey 2005 – Western Australia*, ACOSS Paper 143
- Duffty, G. (2005) *Winners and Losers: the story of costs*, Social Policy Issues Paper 2, St Vincent de Paul Society
- Lloyd, R., Harding, A. and Payne, A. (2004) *Australians in poverty in the 21st century*, National Centre for Social and Economic Modelling, Paper presented for 33rd Conference of Economists, 27-30 September 2004
- Saunders, P. (2003) *Examining recent changes in income distribution in Australia*, SPRC Discussion Paper No. 146, The Social Policy Research Centre, University of New South Wales, Sydney
- Saunders, P. (2006) *A Perennial Problem: Employment, Joblessness and Poverty*, SPRC Discussion Paper No. 146, The Social Policy Research Centre, University of New South Wales, Sydney
- Saunders, P. and Sutherland, K. (2006) *Experiencing Poverty: The Voices of Low-Income Australians*, Towards New Indicators of Disadvantage Project, Stage I: Focus Group Outcomes, The Social Policy Research Centre, University of New South Wales, Sydney

In addition the following larger reports are available online at:

- Senate Community Affairs Reference Committee (2004) *A hand up not a hand out: Renewing the fight against poverty*, Report on poverty and financial hardship, Commonwealth of Australia http://www.aph.gov.au/Senate/committee/clac_ctte/completed_inquiries/2002-04/poverty/report/index.htm
- Saunders, P. (2004) *Updated budget standard estimates for Australian working families in September 2003*, SPRC Report 1/04, Social Policy Research Centre, University of New South Wales http://www.sprc.unsw.edu.au/reports/ACTU_BS.pdf