

WACOSS Submission to the WAIRC State Wage Case



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Western Australian
Council of Social Service Inc

*Ways to make
a difference*

***Submission by the Western Australian Council
of Social Service to the Western Australian
Industrial Relations Commission on the State
Wage Case***

April 2007

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WACOSS

The Western Australian Council of Social Service Incorporated (WACOSS) is the peak body of the community service sector across Western Australia. 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.

WACOSS supports more than 290 member agencies and individuals in the provision of 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

Introduction

As the peak council of community service organisations and individuals in Western Australia, WACOSS has a particular interest in the adequacy of living standards and the quality of life experienced by Western Australians living on a low income. Increasing award rates and award minimum pay is a vital means of protecting low-income earners from poverty.

WACOSS supports the April 2007 submission from the Trade and Labour Council of WA to increase state award wages and the statutory minimum wage by \$27.60 per week. This increase will go some way to ensuring that the continuing strong economic growth being experienced in Western Australia flows on to provide strong social outcomes for the State's lowest paid workers.

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

- The phenomenon of the 'working poor'
- The rising cost of living in Western Australia and the experience of community service agencies in providing services for people living on a low income
- The demographic profile of low paid employees
- WA's gender pay gap
- Determining fair award wages

The phenomenon of the 'working poor'

The Australian Council of Social Service (ACOSS) estimates that more than two million Australians do not have a decent standard of living despite economic growth.¹ Historically, due to adequate wage safety nets and the predominance of full-time positions, being employed in Australia was a guarantor of maintaining a basic standard of living.²

Since the 1990's however, employment is no longer a guarantee of staying out of poverty, and commentators have pointed to the rise of the incidence of 'working poor' in Australia.³ Unpublished ABS data and the 2006 *Household Income and Labour Dynamics in Australia* survey found there were an estimated 356 000 households making up the 'working poor' in 2005. A total of 982 000 people, including 213 000 dependent children aged 14 or under, lived in 'working poor' households.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 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

A significant contributing factor to the increase in the incidence of working poverty in WA is the significant rise in the cost of living. Decent minimum wages provide a critical 'floor' for the incomes of many households. Without this floor, governments would struggle to prevent widespread poverty among wage-earning households. The people experiencing 'working poverty' are likely to be those who are most reliant on award wages, giving further merit to the recommendation that the minimum wage be increased by \$27.60 per week.

The rising cost of living in Western Australia

In recent years, Western Australia has been experiencing an economic boom. This has resulted in increased business investment in WA, increased revenue gains for the State Government and increases in the wages paid to workers in the mining and construction sectors. However, this 'resources boom' has also caused the cost of living in WA to soar. Since December 2004, Perth's Consumer Price Index (CPI) has grown by 9.1%,

¹ ACOSS (2007) *A Fairer Australia: Recommendations for the Federal Budget 2007-08*. Pg 5

² Saunders, P (2006) *A Perennial Problem: Employment, Joblessness and Poverty*. SPRC Discussion Paper No.146.

³ Lloyd, R., Harding, A. and Payne, A. (2004) *Australians in poverty in the 21st century*. National Centre for Social and Economic Modelling.

⁴ Davis, M (2007) *Working poor total almost a million*. The Brisbane Times, April 16 2007.

⁵ Senate Community Affairs Reference Committee (2004) *A hand up not a hand out: Renewing the fight against poverty*

much faster than in Melbourne (6.6%) and Sydney (6.8%) as well as the growth recorded nationally (7.1%).⁶

For low income earners and people experiencing disadvantage, it is important to differentiate between luxury items and the rise in the cost of essentials; such as public transport, petrol, utilities, housing and basic staple foods. Research has shown that falls in the price of luxury items (such as white goods, motor vehicles and electronic equipment) have caused a fall in the Consumer Price Index (CPI), giving a false sense of the cost of living for low income earners.⁷ In reality, a large number of Western Australian families cannot afford to buy their own home or run a car, and must use private rental and public transport. For these people, the cost of living has risen much more sharply than the already high CPI.

A recent example of this can be found in Australian Bureau of Statistics (ABS) 2007 March Quarter CPI publication. The most significant price rises in the quarter were for pharmaceuticals (+12.8%), house purchase (+1.0%) secondary education fees (+7.1%) and rents (+1.4%). Most of these price increases have a disproportionate impact upon households living on low incomes because a large percentage of their incomes are spent on basic items.⁸ The most significant offsetting price decreases in the quarter were furniture (-3.3%), overseas holiday travel and accommodation (-2.2%) and audio, visual and computing equipment (-2.4%).⁹ These price decreases will have little or no affect on most households living on a low income as most likely the items will remain beyond their means.

Another example is the increases in the cost of childcare. In the 12 months to March 2007, the cost of childcare in WA rose by 15.9%.¹⁰ For single parent households in particular, who often use up to twice the amount of formal childcare than hours worked, the expense can be one of the most significant elements of weekly expenditure.¹¹

WA's economic boom has also caused the level of disadvantage and poverty in the State to become more entrenched. The gap is widening between the high and low income earners.

Those working in WA's hospitality industry received average wage rises of only 2.4% in the 12 months to September 2006, less than half the rate of growth in the mining and construction industry and less than the rate of inflation.¹² Many people working and trying to support a family on a low wage struggle to meet the basic costs of living each week.

⁶ Australian Bureau of Statistics (2006) Western Australian Statistical Indicators, Feature Article: *Drivers of Perth's rising prices*. Pg 1.

⁷ Duffy, G (2005) *Winners and Losers: the story of costs*, Social Policy Issues Paper 2, St Vincent de Paul Society. Pg 5

⁸ Australian Bureau of Statistics (2005) *Household Expenditure Survey*. Cat No. 6530.0.

⁹ Australian Bureau of Statistics (2007) *Consumer Price Index*, March 2007 Quarter. Pg 1. Cat No. 6401.0

¹⁰ The West Australian Newspaper. (Wednesday 25th April 2007) *Parents in WA dig deep for child care*. Pg 11.

¹¹ Mance, P (2005) *To what extent to family characteristics explain childcare use in Australia for children under school age?* The Melbourne Institute.

¹² Dennis, R (2007) *The Boom for Whom? Who benefits from the WA resources boom*. Produced for the office of Senator Rachel Siewert. Pg 4.

Agencies represented by WACOSS consistently report a number of issues in relation to people living on a low income in Western Australia including:

- The number of people seeking assistance with poverty issues is growing;
- There has been a significant increase in the numbers of people seeking but not receiving services, because demand outstrips supply. This is particularly the case in the areas of housing assistance and financial and material support;
- 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 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 organisations to assist people experiencing disadvantage, particularly with regards to the provision of housing or crisis accommodation, can be thwarted by negative community attitudes towards those in poverty, particularly youth, Aboriginal people, women escaping domestic violence and people with mental and/or drug and alcohol related issues.

The 2007 *Community Sector Survey* demonstrates that the situation continues to go backwards. From 2005 to 2006 there was a 54% increase in the number of people in need that agencies had to turn away.¹³ Further, 100% of Western Australian survey respondents identified affordable long term housing as their client groups' most critical need.¹⁴

Households living on a low income are simply unable to cope with the rapid increase in Perth's median rent, up from \$189 in June 2005 to \$240 in June 2006, an increase of 27%.¹⁵ A household is considered to be experiencing 'housing stress' when housing costs exceed 30% of its gross income. A 2007 report by the Department of Treasury and Finance found that 51% of households living on a low income renting from a private landlord faced housing stress.¹⁶

The demographic profile of low paid employees

In its July 2006 submission to the Fair Pay Commission on minimum wages, ACOSS presented the following profile of low paid employees:

- The incidence of low pay is much greater for young people, and about 40-50% of the low paid are under 25 years
- It is also much greater among those with low educational qualifications
- Women are much more likely to be minimum wage earners than men

¹³ ACOSS (2007) *Community Sector Survey*. Pg 68

¹⁴ Ibid. Pg 73

¹⁵ Shelter WA (2006) *The State of Affordable Housing in WA*. Occasional Paper 2006-1. Pg 3

¹⁶ Department of Treasury and Finance (2007) *Housing Stress in WA*. Pg 18

- About one third of minimum wage earners are the sole breadwinners in their household.
- About one half of minimum wage earners are employed on a casual basis.¹⁷

These findings are similar to those submitted to the 2006 State Wage Case by the Trade and Labour Council of WA: that the majority of WA workers covered by the State award system are female (67.5%); employed on a part time basis; in non managerial positions (99.3%); and concentrated in low skill occupations (83.57%).¹⁸

WACOSS urges the Western Australian Industrial Relations Commission (WAIRC) to take these factors into consideration when determining the 2007 State Wage Case. The people affected by the decision include some of the most vulnerable and disempowered Western Australians.

The gender pay gap in WA

Western Australia currently has the highest growth (population and gross state product) and the lowest unemployment rates in the nation. The State also has one of the highest participation rates, especially for women¹⁹. Using ABS data on average wages, recent research published by Curtin University's Women in Social and Economic Research, shows that the gender pay gap in WA is significantly higher than the national gap:

At November 2006 the common ratio of the average weekly ordinary time earnings of non managerial women and men in Western Australia was equal to 74.4 per cent, or a gap of 25.6 per cent. In dollar terms this gap translates to a difference of \$317 per week or \$16 484 per annum. National gender wage gap was equal to 16 per cent. Key determinants of the gender pay gap include different bargaining power of different groups, differences in industry capacity to pay (eg. mining viz aged care), occupational and industry segregation and associated differences in the valuation attached to male and female jobs. Institutional provisions and minimum wage laws also affect the size of the gender wage gap.²⁰

Given that a component of Western Australia's *Industrial Relations Act 1979* 6 (ac) is to 'promote equal remuneration for men and women for work of equal or comparable value'; WACOSS submits that, using the equal remuneration principle, the Commission review all State award rates and order adjustments where necessary.

Determining fair award wages

Many Western Australian workers rely on increases in minimum award rates of pay to maintain and improve their standard of living against rising costs.

Qualitative research about the experience of people in poverty, confirmed that it is extremely important for "decent employment to provide access to adequate financial resources, as low wages and limited choice and opportunity meant that many low-

¹⁷ ACOSS (2006) *Submission to the Fair Pay Commission on minimum wages*. Pg

¹⁸ Trade and Labour Council of WA (2006) TLC Submissions Chapter 6: *Award workers in Western Australia*. Pg 58.

¹⁹ Preston, A & Jefferson, T (2007) *Australian Wage Determination and Gender Equity: A view from the West*. Pg Women in Social & Economic Research, Curtin University of Technology. Pg 7

²⁰ Ibid. Pg 8

income people faced huge disincentives when transferring from welfare benefits to employment.”²¹ In WA’s economic climate of rising living costs, particularly housing costs, 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.

As stated, WA currently has the lowest unemployment rate in the nation at 2.7%.²² Many economists argue that increases in minimum wage rates can result in a corresponding increase in the unemployment rate. However, Professor Plowman in his comprehensive report to the 2006 State Wage Case asserts that “...the relationship is a complex one and...the outcomes of economic analysis are mixed.”²³

WACOSS submits that the claim for a \$27.60 in award rates is both modest and fair. It will go some way to ensuring households living on a low income are not left behind by WA’s strong wage growth over the last year.

The annual average growth to December 2006 in Western Australia for average weekly earnings was an increase of 5.6% to \$879.10.²⁴ The Wage Price Index (WPI) in WA increased by 4.6% in year end terms. The national WPI increased by 4.0%. This strong wage growth has not yet been enjoyed by Western Australia’s award workers.

Conclusion

In conclusion, WACOSS supports the April 2007 submission by the Trade and Labour Council of WA; that State award rates and minimum conditions be increased by \$27.60 per week. This increase 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.

²¹ Saunders, P. and Sutherland, K. (2006) *Experiencing Poverty: The Voices of Low-Income Australians*. SPRC, University of New South Wales. Pg 10

²² ABS *Labour Force* March 2007 Cat No 6202.0.

²³ Plowman, D (2006) *Report to the Western Australian Industrial Relations Commission*. University of Western Australia. Pg 8

²⁴ WA Department of Treasury and Finance, *Economic Note Western Australian Wages December Quarter 2006*

Appendix

The following documents are enclosed in support of this submission.

- Australian Bureau of Statistics (2006) Western Australian Statistical Indicators, Feature Article: *Drivers of Perth's rising prices*. December, 2006. Cat No. 1367.5
- Australian Council of Social Service (2007) *Australian Community Sector Survey - Western Australia*. ACOSS Paper 145
- Australian Council of Social Service (2006) *Submission to the Fair Pay Commission on minimum wages*. ACOSS Paper – July 2006.
- Denniss, R. (2007) *The Boom for Whom? Who benefits from the WA resources boom?* Produced for the office of Australian Greens Senator Rachel Siewert
- Duffy, G. (2005) *Winners and Losers: the story of costs*. Social Policy Issues Paper 2, St Vincent de Paul Society
- Preston, A. and Jefferson, T. (2007) *Australian Wage Determination and Gender Equity: A View from the West*. Women in Social & Economic Research, Curtin University of Technology, Perth Western Australia.