

WACOSS Submission to the 2013 State Wage Case

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Council of Social Service Inc

*Ways to make
a difference*

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1.0 Background

As the peak body of the community service sector in WA and as an advocate for low income and disadvantaged people, the Western Australian Council of Social Service (the Council) has a particular interest in the adequacy of living standards and quality of life experienced by Western Australians living on a low income.

The Council represents organisations in a diverse range of areas including:

- health;
- community services and development;
- disability;
- employment and training;
- aged and community care;
- family support;
- children and youth services;
- drug and alcohol assistance;
- indigenous affairs;
- support for culturally and linguistically diverse people;
- housing and crisis accommodation;
- safety and justice; and
- advocacy.

The Council has an interest in ensuring that wages for all low paid employees, including those in the community sector, keep pace with the cost of living and community standards. The Council also has an interest in ensuring that wages for the sector's constituency, many of whom live on low incomes, are adequate.

Despite the introduction of the Fair Work Act 2009, many organisations in the community services sector are still incorporated entities without significant or substantial trading or financial activities, and are therefore subject to the WA Industrial Relations Commission's (WAIRC) jurisdiction.

For more information about the WA not-for-profit organisations and specifically employment and wages, please refer to the WACOSS website.¹

¹ Available at http://www.wacoss.org.au/policy_and_advocacy/cost_of_living/employment_and_wages.aspx

2.0 Introduction

The Council's submission to the 2013 State Wage Case relies on the provisions in the *Industrial Relations Act 1979*, at Clause 50A(3)(a) for the Commission to consider in its determination of minimum rates of pay the need to:

- (i) *ensure that Western Australians have a fair system of wages and conditions;*
- (ii) *meet the needs of the low paid;*
- (iii) *provide fair wage standards in the context of living standards generally prevailing in the community;*
- (iv) *contribute to improved living standards for employees.*²

The Council submits that an increase of \$43.00 in the State Minimum Wage rate — and in the minimum award rates for junior employees, apprentices, and trainees — is consistent with the need to maintain a fair system of wages and conditions in the current Western Australian context.

The Council considers minimum wages to be a vital means of protecting low-income workers from poverty — the benefits of which are felt by minimum wage workers, their families, their children, and society at large. It is important for the wages earned by full-time, minimum wage employees to be sufficient to ensure they have the capacity to meet their basic living costs, while living with dignity and respect. As such, the primary focus of the Council's claim is the increasing cost of living pressures in Western Australia — pressures which are having the greatest adverse impact on low income earners, such as those who rely on the minimum wage (Part A).

3.0 Income inequality in WA

One of the best known books which explains why first-world countries like Australia should be concerned about growing income inequality, is *The Spirit Level: Why Greater Equality Makes Societies Stronger*, written by Richard Wilkinson of the London School of Economics and Kate Pickett of the University of York. Their analysis found that almost all modern social problems — such as poor health, violence, lack of community life and mental illness — are more likely to occur societies where rate of inequality is higher.³

The Council is alarmed at the rate at which the gap between minimum wage rates and median pay levels is continuing to grow in Western Australia.

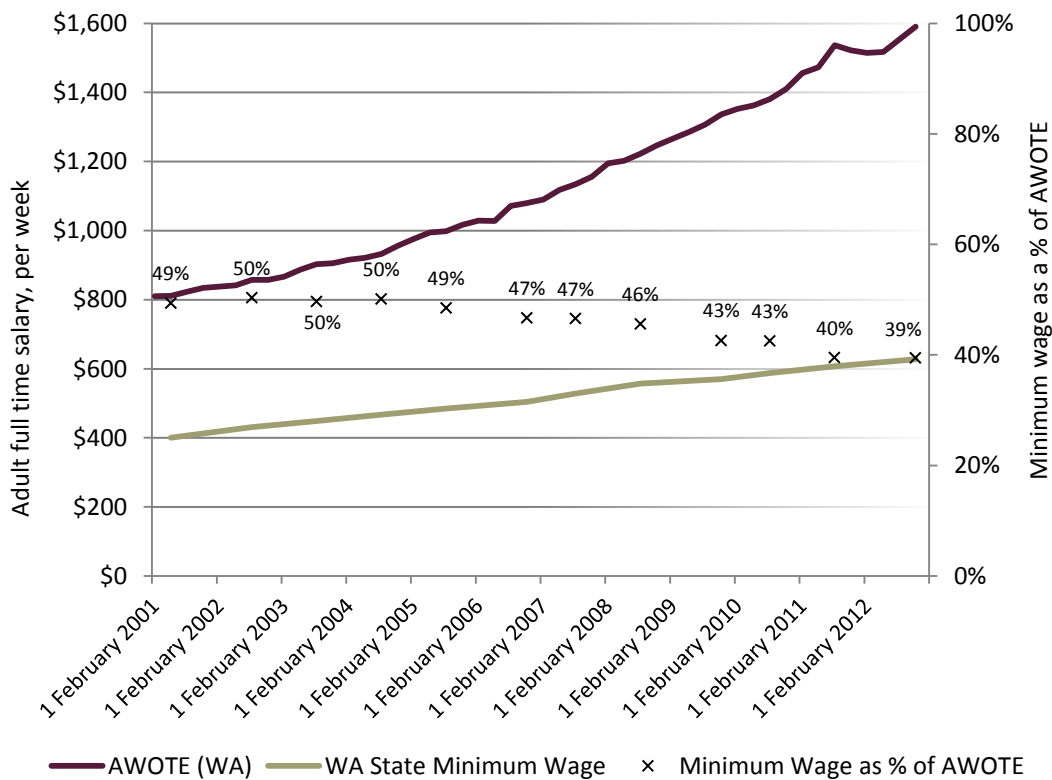
As

² *Industrial Relations Act (1979)*

³ Wilkinson, R. and Pickett, K. (2011) *The Spirit Level: Why Greater Equality Makes Societies Stronger*, Bloomsbury Press.

Figure 1 shows, the average weekly ordinary time earnings in WA (AWOTE) has increased significantly over the last 12 years. However, the state minimum wage has not kept pace with this increase in AWOTE. In the early part of the last decade, the state minimum wage was maintained at or near 50 per cent of AWOTE. However in more recent years the state minimum wage, as a percentage of AWOTE, has been falling significantly — by August 2012, the minimum wage fell below 40% of AWOTE for the first time (39.5 per cent).

Figure 1: WA Average Weekly Ordinary Time Earnings (AWOTE)⁴ compared with WA State Minimum Wage⁵

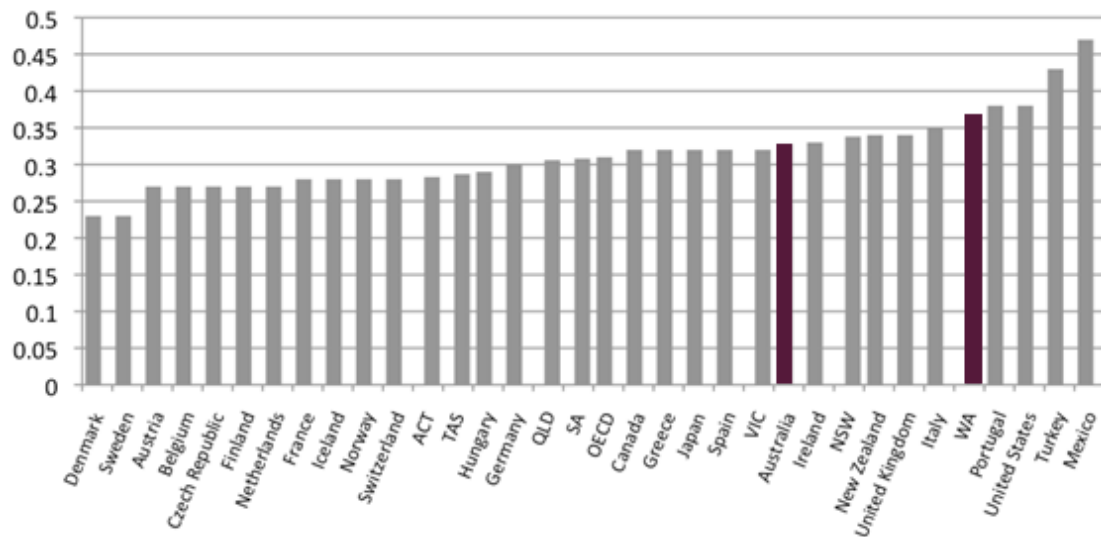


The latest figures from the Australian Bureau of Statistics (ABS), record WA as having the highest level of income inequality in the country and among some of the highest in the world. The Gini coefficient is used worldwide as a measure of income inequality in a society. Zero indicates total equality and 1 indicates maximal inequality. Western Australia has one of the highest Gini coefficients amongst OECD countries, as shown in Figure 2.

⁴ ABS (2013) 6302.0 Average Weekly Earnings, Australia, Nov 2012, <http://goo.gl/obH6b>.

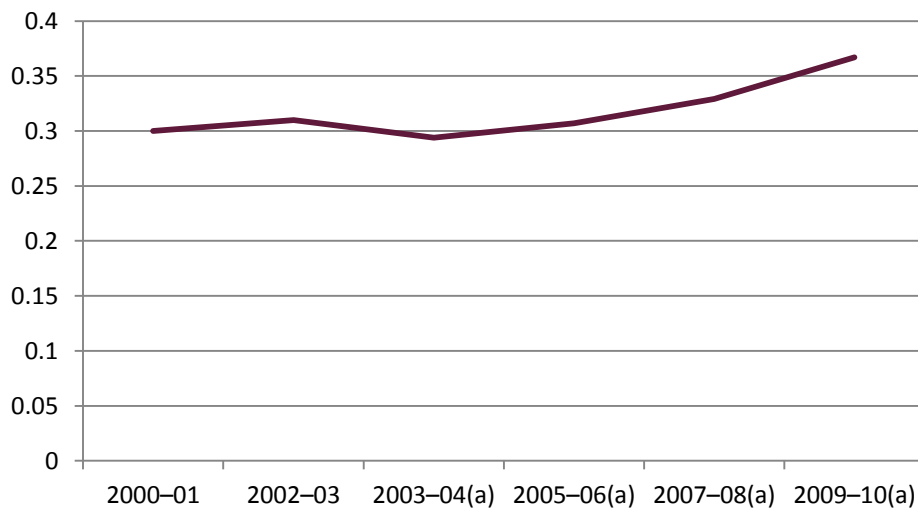
⁵ Department of Commerce (no date) Western Australian Minimum Wage Rates 2000-2011, http://www.commerce.wa.gov.au/labourrelations/PDF/Awards/M/Previous_MCE_wages_2000_2011.pdf; and Department of Commerce (2012) Minimum Conditions of Employment Minimum Rates of Pay, http://www.commerce.wa.gov.au/labourrelations/PDF/Awards/M/MCE_Wage_Rates_July2012.pdf.

Figure 2: Level of income inequality (Gini coefficient) among OECD countries (2005–08) and Australian states (2009–10)⁶



WA also has the highest Gini coefficient of any State or Territory (based on equivalised disposable household income) with a score of 0.367. The Northern Territory had the lowest with 0.277.^{7,8} As Figure 3 shows, WA’s Gini coefficient grew 22 per cent between 2000-01 and 2009-10 — marking a sharp increase in inequality within the state.

Figure 3: WA Gini coefficient (measure of income inequality)⁹



⁶ Whitford, P. (2011) Are the rich getting richer and the poor getting poorer?, *Inside Story*, <http://inside.org.au/are-the-rich-getting-richer-and-the-poor-getting-poorer/>.

⁷ See 6523.0 Household Income and Income Distribution, Australia (2009-10) Australian Bureau of Statistics, Tables 1.1A – 1.1H.

⁸ The latest Gini coefficient figures are due for release by the ABS on 26 June 2013.

⁹ 6302.0 Average Weekly Earnings, Australia, Tables 2 (Australia) & 12E (WA) <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6302.0Nov%202012?OpenDocument>

Over this same period of time, Western Australia has become a significantly more expensive place to live, with the pressure of cost of living increases being hardest felt by people on low incomes. These cost of living issues for low income people and households are discussed in detail in Part A.

Part A — The Cost of Living in WA

4.0 The cost of living in WA

Western Australians live in one of the wealthiest states of one of the wealthiest nations, at a time in world history where the living standards of the majority have never been higher. Australia's rate of GDP growth has meant that, as a society, we are now twice as rich as we were only a couple of decades ago. While most recently there has been a slow-down in some sections of the state's economy, as a state we are still in a strong economic position.

In recent years, the ABS's *Consumer Price Index* and *Household Expenditure Survey*¹⁰ has indicated that Western Australian households with medium and higher incomes have had their income increase at a faster rate than the cost of living in WA. However, analysis of this data also shows that the cost of essential services and items (housing, utilities, food, etc.) has increased at a much faster rate than non-essential or discretionary and luxury items (cars, computers, overseas holidays, etc.). The increase in the cost of essentials is hardest felt by low income households, who spend a much higher proportion of their household income on essentials. On the other hand, the benefit of relative improvements in the cost of non-essential items tends to disproportionately benefit higher-income households who have greater disposable income.

There is a pervasive myth within our community that we are all feeling the impact of rising living costs, when many of us are in fact much better off. It is the low-income individuals and households in WA who really are struggling with the increases to the *essential* costs of living and are (or are at risk of) slipping into poverty. **These are the people for whom increases to the rate of the state minimum wage really count.**

4.1 WACOSS's 2012 Cost of Living Report

Each year the Council produces a *Cost of Living Report*, as a part of our role in providing advice to Governments and community service providers on which hardship issues are most impacting low income households, and which strategies are most likely to prove effective in enabling households to comfortably meet a basic standard of living.

¹⁰ 6530.0 - Household Expenditure Survey, Australia: Summary of Results, 2009-10

In 2012, the Council's Cost of Living Report methodology was updated and expanded to examine the impact of increasing costs of living in WA for three different low-income household types:

- **Household A:** A single parent family with two children, combining part-time work and income support;
- **Household B:** A working family with two children. One parent works full-time while the other balances part-time work with care-giving — both are employed slightly above the minimum wage; and
- **Household C:** A single unemployed person who is looking for work and relies on the Newstart Allowance.

The decision to change the methodology from previous years was made to enable the Council to better explore just how relative changes in living costs and sources of income impact upon different types of low-income households in Western Australia.

The modelling of Household B is particularly relevant to the state minimum wage deliberations, as the two working adults in this household were both assumed to be employed at rates slightly above the state minimum wage. The Council found that this family, with a combined weekly income of \$1,286.75, would be facing weekly costs (rent, food, utilities, transport and other household expenses) totalling \$1,259.01 — leaving them with \$27.74 left over at the end of each week. However, this \$27.74 per week 'surplus' provides little allowance for the household to save or to enable the family to be able to respond to a crisis or unexpected costs — or even to purchase items such as birthday presents.

For a family whose income only just exceeds its expenditure, the high likelihood that additional expenses may be incurred over the course of a year means that the household will probably need to cut back its spending. It also means that the household is at risk of going into debt. The ability to have sufficient income to be able to put aside enough money to deal with a sudden crisis, the loss of insecure employment or with 'bill shock' is critical to building the financial resilience of a working family. While the resilience of a household with two incomes is higher than that of a single parent family or someone receiving welfare payments, they could still be just one accident or a couple of missed pay-checks away from financial crisis, as described below:

Snapshot: The less you earn, the more things cost

Through illness, divorce, bad luck, bad investment choices, fraud, mental-health issues, insecure work, the death of a family member, crime or natural disaster, many low-income individuals and households are just one step away from financial crisis. Many people believe that it will never happen to them — but it does happen and in many instances it catches them completely by surprise.

The irony of surviving on a low-income is that the lower your income, the more likely you are to face higher costs for goods and services.

For example:

- *When renewing your drivers' licence registration, if you can afford to pay a 12 month registration fee, you receive a discount; but if you can only afford the 6-month fee, you pay a higher rate for that period.*
- *If a household has to pay their insurance costs in monthly payments, rather than as a single annual payment, they miss out on any discounts (though this assumes the household can afford to get insurance at all).*
- *Many banks also offer accounts with increased interest rates and reduced fees — as long as the account holder ensures a minimum amount of money is deposited into the account every month. Low income households who struggle to find money to save tend to miss out on such benefits, and can often also pay higher account fees as a result.*
- *When a household has less money, they often end up buying less nutritious food. This has the potential to bring about poor health outcomes, and can often lead to increased spending on health and dental care.*
- *For someone who finds they need to move to outer suburbs to gain access to less-expensive housing options, the often unconsidered consequence is the increased transportation costs they face.*
- *A low-income household looking to purchase a car is more likely to need to purchase a second hand vehicle which, while cheaper upfront, may also be significantly less reliable. A less reliable vehicle costs more money to repair more often, and such unreliability can both disadvantage the owner by reducing access to support services, social supports or even employment.*

The true cost of a household's financial crisis is never felt solely by those within the household. It is also felt by the household's wider network of family and friends, community sector service organisations and emergency relief providers, and the business community.

A copy the Council's 2012 Cost of Living Report is included as Attachment 1 to this submission.

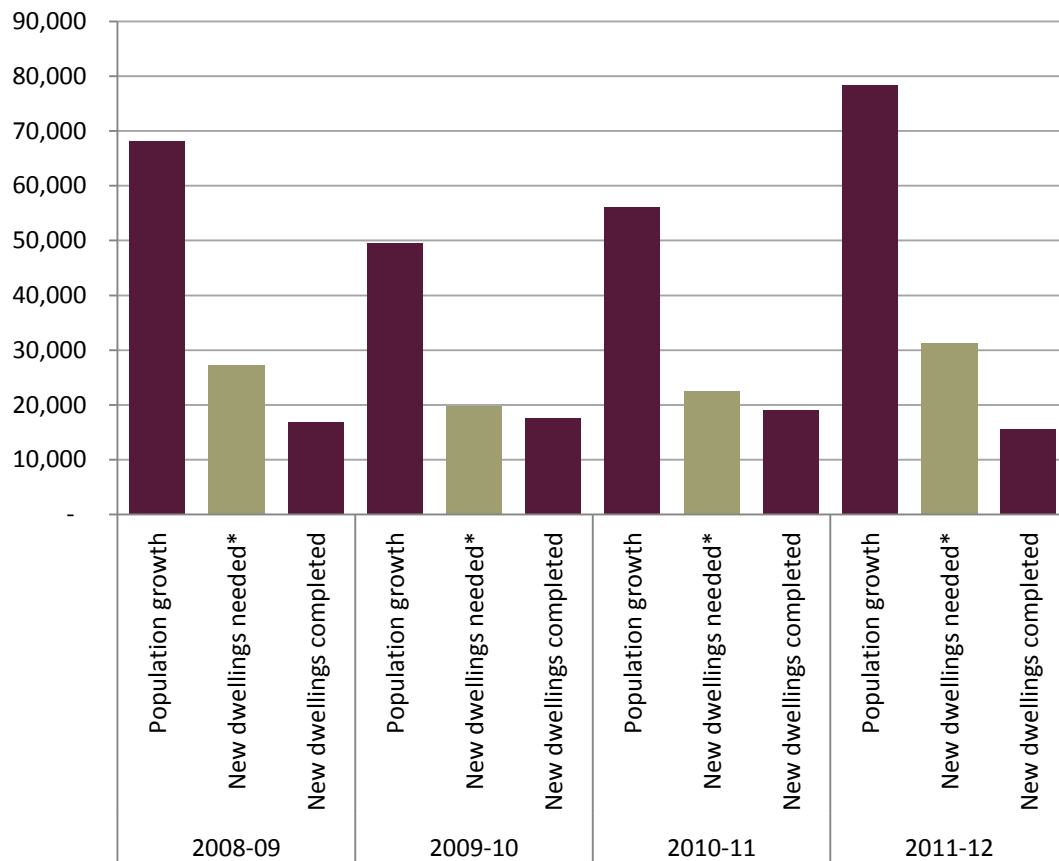
5.0 Major cost of living pressure: Housing

The lack of affordable housing and the ongoing increases in the cost of housing is the most pressing issue facing both low *and* middle income households in Western Australia at present. As the single largest living cost for WA households, housing is the biggest contributor to financial hardship and the biggest risk factor for financial crisis for those on low and fixed incomes.

Contributing to the low rate of housing availability is the disproportionate growth in the WA population, compared with the number of new dwellings built over the same period. As

Figure 4 shows, in 2011-12 the WA population grew by over 78,000, but over the same period of time, less than 16,000 new dwellings were built. Based on the average household composition in WA (2.5 people per household¹¹) this means that WA needed to have built over 22,000 new dwellings in 2011-12 to ensure housing for the population increase alone, as shown in Figure 4.

Figure 4: WA population growth¹² vs New dwellings completed¹³



* "New dwellings needed" calculated by dividing the population growth by WA average household size (2.5 people).¹⁴

¹¹ 2.5 is the "average number in household" based on ABS 653.0 Household Expenditure Survey, Australia: Summary of Results, 2009–10, Table 4: GROSS INCOME QUINTILE, Household characteristics, Western Australia.

¹² ABS (2013) 3101.0 Australian Demographic Statistics, Sep 2012, <http://www.abs.gov.au/AUSSTATS/abs@.nsf/allprimarymainfeatures/FBAC8C9AFBC52291CA25765100098272?opendocument>, TABLE 2. Population Change, Components - States and Territories (Number)

¹³ ABS (2013) 8752.0 - Building Activity, Australia, Dec 2012, <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/8752.0Dec%202012?OpenDocument>, TABLE 38. Number of Dwelling Unit Completions by Sector, States and Territories.

¹⁴ Based on ABS 653.0 Household Expenditure Survey, Australia: Summary of Results, <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6530.02009-10?OpenDocument>, 2009–10, Table 4: GROSS INCOME QUINTILE, Household characteristics, Western Australia.

5.1 Rental Affordability

Many low and medium-income households who have traditionally found long-term housing tenure in the private rental market are now bearing the brunt of the lack of affordable housing in WA. Such households are, with increasingly regularity, the new face of homelessness in WA.¹⁵

In recent years, job opportunities in the WA market have attracted a record number of domestic and overseas migrants (refer to Figure 4) which has put significant pressure on the private rental market. Median house rents are currently higher than they have ever been, and the vacancy rate is near the all-time lows.¹⁶ Recent studies of rental affordability by both Anglicare WA and the Community Housing Coalition of WA have demonstrated very clearly that there are few rental properties available in the Perth metropolitan area that are affordable to households reliant on the minimum wage.^{17,18}

According to the Real Estate Institute of WA figures, between March 2006 and March 2013 median Perth house rents in WA have increased by 92 per cent, and median Perth unit rents have increased 95 per cent (from \$250 to \$480).¹⁹ In the last 12 months alone, the median rental price in Perth has increased by 12.5 per cent, from \$400 to \$480 per week.²⁰

While rental prices have increased significantly, so have average weekly ordinary time earnings (AWOTE) in WA. As Figure 5 shows, between 2003 and 2012, median rent as a percentage of AWOTE increased from 18 per cent to 30 per cent.

¹⁵ Community Housing Coalition of WA. The new face of homelessness in WA: what's changed? Why? Where to from here? December 2012. Available online: <http://www.communityhousing.com.au/wp-content/uploads/2012/05/191212-The-New-Face-of-Homelessness1.pdf>.

¹⁶ In the March 2013 quarter, Perth had a vacancy rate of 2.4% (up from rates consistently less than 2% for the preceding year. REIWA (2013) *Property Market Indicators*, <http://reiwa.com.au/Research/Pages/Market-indicators.aspx>

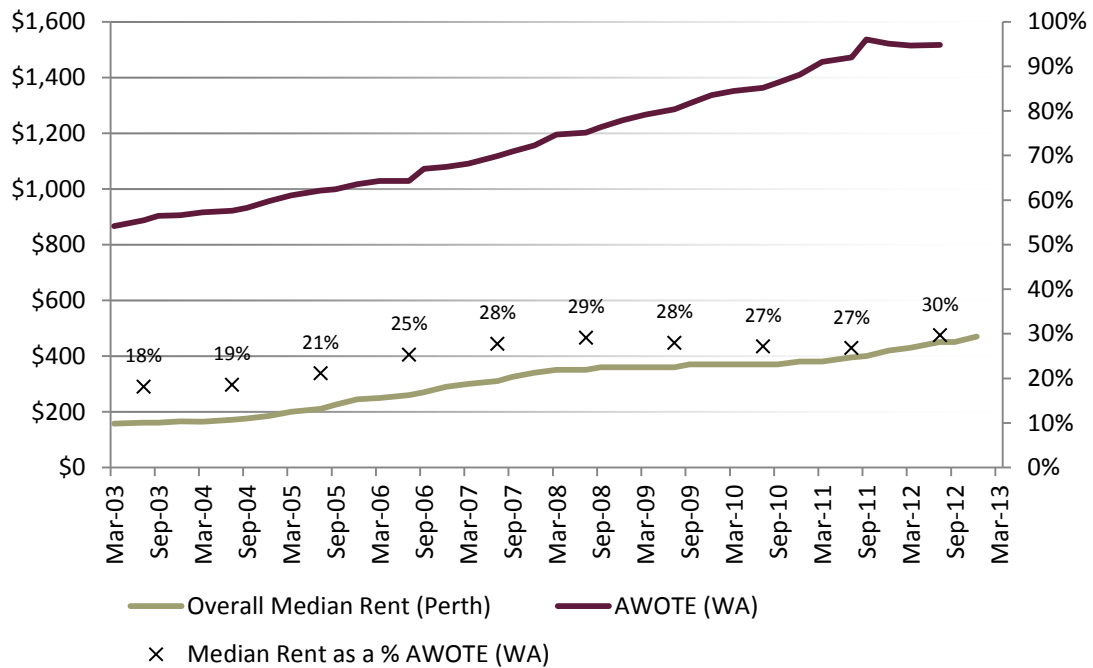
¹⁷ AnglicareWA (2013) *Rental Affordability Snapshot 2013*, <http://goo.gl/IJ4CD>

¹⁸ Community Housing Coalition of WA (April 2013) Perth Rental Affordability Survey 2013

¹⁹ REIWA (2013) *Perth Listing & Rental Trends* <http://reiwa.com.au/Research/Pages/Perth-listings-and-rental-trends.aspx>

²⁰ REIWA (2013) *Property Market Indicators* <http://reiwa.com.au/Research/Pages/Market-indicators.aspx>

Figure 5: Overall Median Rent (Perth)²¹ vs AWOTE (WA)²²

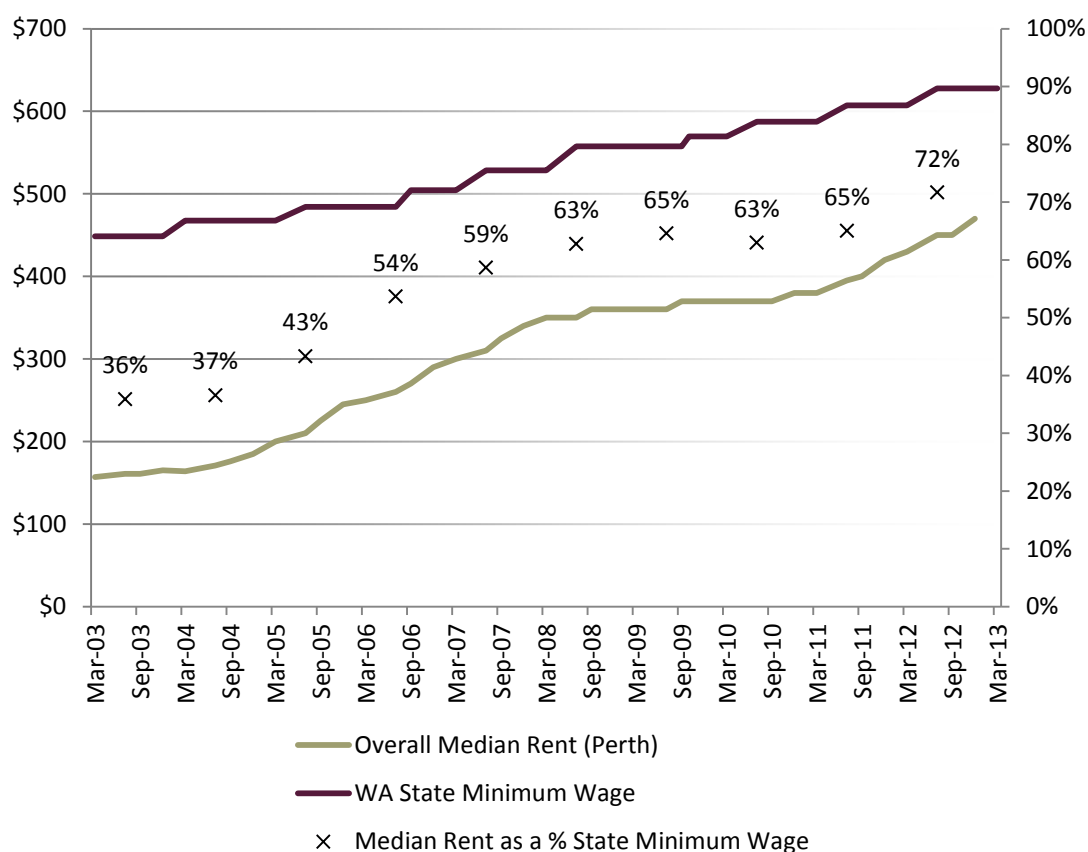


However the increase in AWOTE has not been matched by increases in the state minimum wage. As Figure 6 shows, in 2003 median rent represented approximately 36 per cent of the state minimum wage — meaning the worker was considered to be in housing stress. However by 2012, median rent as a percentage of minimum wage, had *doubled* to 72 per cent. In reality, this means that a worker earning the state minimum wage will still be in housing stress (36%) *even if* they share the rent on a median rent property equally with another person.

²¹ REIWA (2013) *Historic Rental & Vacancy Data*.

²² ABS (2013) *6302.0 Average Weekly Earnings, Australia, Nov 2012*, <http://goo.gl/obH6b>.

Figure 6: Overall Median Rent (Perth)²³ vs WA State Minimum Wage²⁴



The 2013 Rental Affordability Snapshot²⁵ undertaken by Anglicare WA on Saturday April 13, 2013 found that only a very small percentage of available rental properties within Perth were affordable, available and suitable to those on the minimum wage:

Figure 7: Affordable & appropriate rental properties available in Perth²⁶

Household Type	Payment Type	No. Affordable & Appropriate	% Affordable & Appropriate
Couple, two children (one aged less than 5, one aged less than 10)	Minimum Wage (x2) + FTB A	95	2.6%
Single, two children (one aged less than 5,	Minimum Wage + FTB A & B	2	0.1%

²³ REIWA (2013) *Historic Rental & Vacancy Data*.

²⁴ Department of Commerce (no date) *Western Australian Minimum Wage Rates 2000-2011*, http://www.commerce.wa.gov.au/labourrelations/PDF/Awards/M/Previous_MCE_wages_2000_2011.pdf; and Department of Commerce (2012) *Minimum Conditions of Employment Minimum Rates of Pay*, http://www.commerce.wa.gov.au/labourrelations/PDF/Awards/M/MCE_Wage_Rates_July2012.pdf.

²⁵ AnglicareWA (2013) *Rental Affordability Snapshot 2013*, <http://goo.gl/IJ4CD>

²⁶ Adapted from AnglicareWA (2013) *Rental Affordability Snapshot 2013*, <http://goo.gl/IJ4CD>, page 2.

one aged less than 10)			
Single	Minimum Wage	13	0.4% <i>Note: Only share accommodation available.</i>

In this survey, *affordability* is based on measures of housing stress. A household is considered to be in *housing stress* when their housing costs represent more than 30% of household income. *Appropriateness* is assessed on the number of bedrooms in a property (eg. a single parent with one child would need a two bedroom property).

It is important to note that Anglicare WA’s assessment of appropriateness is unable to take into account *where* a property is located, with regards to the location of the minimum wage worker’s place of employment. The result of this is that:

- a) The number and percentage of affordable and appropriate properties which a minimum wage-household will be able to consider in order to maintain their current employment is *even lower* than the figures above indicate.
- b) The small number of available properties means that households will most likely need to pay more than 30 per cent of their income in order to ensure housing (putting them in housing stress).

Leading up to the release of AnglicareWA’s *Rental Affordability Snapshot*, the Council and AnglicareWA worked together to examine the availability of rental properties for a range of workers employed full-time in low-income jobs (based on AnglicareWA’s housing data). The results were as follows:

Figure 8: Affordable rental accommodation available to working Western Australians²⁷

Job Type	Affordable rent per week	Number properties available	% of market available	Number properties available	% of market available
		1 bedroom not sharing	1 bedroom not sharing	1 bedroom in a share house/unit	1 bedroom in a share house/unit
Pre-school teacher	\$210	3	0.01%	51	1.40%
Qualified hairdresser	\$207	2	0.01%	48	1.30%
Baker	\$189	0	0.00%	36	1.00%
Shop assistant	\$184	0	0.00%	36	1.00%
Cleaner	\$173	0	0.00%	19	0.50%

²⁷ Pay rates were sourced from WA award rates on www.commerce.wa.gov.au with affordable rent calculated at 30% of net income.

Food processing worker	\$170	0	0.00%	19	0.50%
Tradesperson: Bricklayer, plasterer or carpenter	\$192	1	0.00%	41	1.10%
Nursing assistant (1 year)	\$182	0	0.00%	36	1.00%
Dental technician	\$191	1	0.00%	41	1.10%

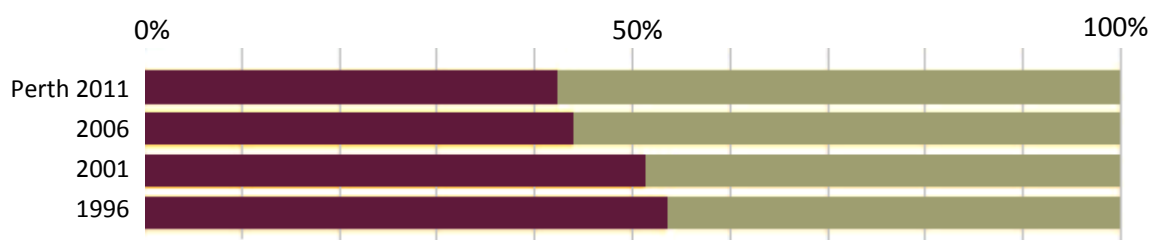
The analysis found that “the only realistic options for workers at this level of income are in share accommodation, even if their jobs involve non-standard hours and are not conducive to sharing – like a baker or cleaner.”²⁸

High rental costs are placing great pressure on low and medium-income households in WA. With there being no indication that rental prices will decrease any time soon, it is imperative that the state minimum wage increase at a rate which reflects the rising cost of living in WA. This is needed in order to minimise both the immediate and long-term negative consequences of pushing (or keeping) a significant percentage of the WA community in poverty.

5.2 Home Ownership

Housing in WA remains ‘severely unaffordable’ by international standards,²⁹ and rates of home ownership in Perth have fallen significantly since 1996.

Figure 9: Proportion of owner occupied mortgaged dwellings in Perth 1996–2011³⁰



The importance of home ownership is that it “provides financial security and a form of savings and lowers dependence on public assistance later in life.”³¹ As a result, falling levels of home ownership today, has the potential to bring for long-term negative consequences.

²⁸ AnglicareWA (5 May 2012) *Media Release: Rental Stress Reaches Further into our Community*, <https://www.anglicarewa.org.au/news/article/05052013-56/rental-stress-reaches-further-into-our-community.aspx>.

²⁹ Demographia (2012) *Demographia international housing affordability survey 2012*, Available online: <http://www.demographia.com/dhi.pdf>, page 12.

³⁰ Department of Infrastructure & Transport (2012) *State of Australian Cities 2012: Chapter 2 - Population and Settlement*, <http://goo.gl/h5RBu>, page 49.

³¹ Demographia (2012) *Demographia international housing affordability survey 2012*, Available online: <http://www.demographia.com/dhi.pdf>, page 3.

Challenges for low-income households considering entering the property market include:

- A Perth household on the estimated median income of \$80,800 with a 10% deposit would only be able to afford a property valued at \$322,000, with access to only 14% of houses and units sold.³² This means that for a 2 person, minimum wage household with a combined income of approximately \$65,000, it will be almost impossible for them to acquire and service a mortgage (assuming they are even able to save the required deposit) at current house prices.
- Approximately 13 per cent of all mortgagees, or 45,000 households, in WA are in mortgage stress.³³
- 2011-12 was the worst year on record for home repossessions. 1500 repossession applications were lodged with the Supreme Court in 2011-12, 17 per cent more than in 2010-11.³⁴

By any international comparison WA, and Australia as a whole, has an extremely small social housing system, the role of which is to cater for households for whom the private market is not providing safe, secure and affordable housing options. This issue urgently needs to be addressed by both state and federal governments. While the Council acknowledges that *addressing* this issue is not the role of the Commission, the resulting pressure that unaffordable housing puts on low-income households definitely need to be considered as the Commission considers its responsibility to “meet the needs of the low paid” and “provide fair wage standards in the context of living standards generally prevailing in the community” in its deliberations.³⁵

6.0 Other costs of living pressures

Two other essential household costs which are causing particular stress for households in WA are utilities and food.

6.1 Utilities

Between March 2008 and March 2013, the CPI of utilities (including electricity, gas, and other household fuels) in Perth increased by 72 per cent. (Compared to a 13% increase for the Perth “All Groups” CPI).³⁶

³² Housing Industry Forecasting Group (2012) *Forecast. Dwelling commencements in Western Australia*, http://www.planning.wa.gov.au/dop_pub_pdf/HFIG_October_2012_Report.pdf, page 1.

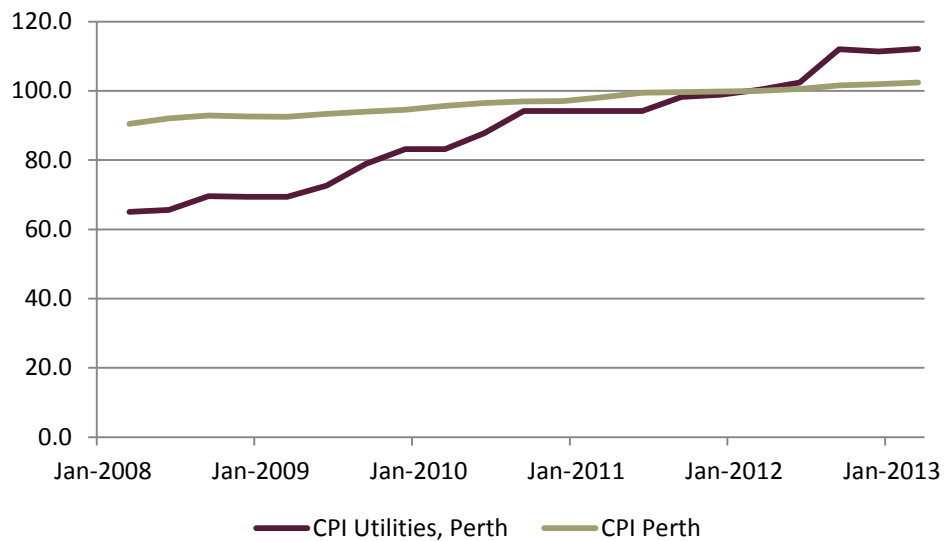
³³ Australians for Affordable Housing (2011) *Housing costs through the roof: Australia’s housing stress*, <http://housingstressed.org.au/wp-content/uploads/2011/10/Housing-costs-through-the-roof-Final-Report.pdf>, page 7.

³⁴ Supreme Court of Western Australia (2013) Statistics: Civil Property Possession Applications, <http://www.supremecourt.wa.gov.au/S/statistics.aspx?uid=2026-4991-4693-8823>.

³⁵ Industrial Relations Act 1979, Clause 50A(3)(a)

³⁶ Australian Bureau of Statistics (March 2013) 6401.0 *Consumer Price Index*, <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6401.0Mar%202013?OpenDocument>, Table 11 CPI: Group, Sub-group and Expenditure Class, Index Numbers by Capital City,

Figure 10: CPI (Perth) vs CPI of Utilities (Perth)³⁷



The dramatic increases in the cost of gas, electricity and water in recent years has meant that low income households — who spend a greater portion of their income on utility bills — are feeling the pressure of the rising cost of utilities more than other Western Australians.

This is exacerbated by the fact that many low income families rent (or own) homes that are not very energy efficient. Given their low income, they are unlikely to be able to afford the financial investment in energy efficiency measures, and if they are renting, they will most likely be precluded from making any significant energy efficiency-related changes to the property in which they reside. These factors further contribute to the systematic and disproportionate disadvantage experienced by low income households in the face of rising utility prices.

6.2 Food

People facing financial stress due to wider cost of living pressures are often forced to make difficult choices — such as balancing the nutritional quality of food against its cost.

Foods that are higher in kilojoules generally cost less than those that are not. There is a strong correlation between the cost of foods and their energy density. Generally, fats, oils, sugar and foods that are high in added fat and sugar are the cheapest. Perishable core foods (eg. fruit, vegetables, meats and dairy foods) that are lower energy density and higher nutrient density cost more (by weight) than those foods of higher energy density.³⁸

³⁷ Ibid.

³⁸ WA Department of Health (2010) *Food Access and Cost Survey (FACS)*, Accessed at: <http://goo.gl/Rv4Um>, Accessed on: 13 September 2012, page 11.

In 2010, a South Australian study found that low income households need to spend 30% or more of their household budget to be able to eat a healthy diet, compared to wealthy households which spend about 9%.³⁹

Nutritional poverty arises when households under financial stress persistently cannot afford nutritious food, and are forced to make unhealthy choices — buying and consuming less-expensive, energy-dense foods, instead of nutritious ones.

In addition, the *Food Access and Cost Survey Report* published by the WA Department of Health in 2010, provided a detailed comparison of the price differences for essential food items in metropolitan, regional and remote locations right across Western Australia. The Report found significant differences in the prices of different types of food, with more healthy and nutritious fresh foods being significantly more expensive in regional and remote areas.⁴⁰

As a community, we should be particularly concerned by the risks that poor nutrition presents to children growing up in low income households – both in terms of the impacts on their physical and cognitive development, and in relation to their longer-term health prospects. There is some evidence to suggest that dietary patterns and taste preferences established during childhood are highly likely to carry on into adult eating patterns, meaning children raised on a poor diet may continue to eat unhealthy foods even after their circumstances have changed.

Poor diet has real, long-term consequences for the cost of chronic disease to our health system, as well as reducing the well-being and life expectancy of disadvantaged families. This is an area of policy work which is of interest to the Council, and consequently we are hosting a forum titled *Current Issues in Food Security, Food Stress & Nutritional Poverty* on Monday 13 May, 2013.

With regards to the need for the Commission to ensure wages are both fair and meet the needs of the low paid, it would be negligent for the Commission not to take into account the long-term consequences of issues such as nutritional poverty which can result from the inability to afford nutritious food.

Part B — Other Issues for Consideration

³⁹ See interview with Dr John Coveney (28 September 2010) *Low earners suffering 'food stress'* ABC Adelaide Available at: <http://www.youtube.com/watch?v=fnju60g1MP8>

⁴⁰ WA Department of Health (2010) *Food Access and Cost Survey (FACS)*, Accessed at: <http://goo.gl/Rv4Um>, Accessed on: 13 September 2012.

7.0 The WA Community Sector

The level of the state minimum wage is significant to the WA community sector for a number of reasons: first, the fact that community sector service providers play an important role in supporting vulnerable members of the WA community, including many who struggle to survive on a low income, given the increasing costs of living (as described in Part A). Secondly, the understanding that the community sector itself also employs a significant number of workers on low and minimum wages. Minimum wage increases are significant for many workers within the (female employee-dominated) community sector.

7.1 Community sector funding reforms

For a long time, the community sector in WA has been under-resourced, and sector employees have been significantly underpaid — particular when compared to public sector employees undertaking similar work. As Community Employers WA wrote to the State Government in 2011:

*The community services sector in Western Australia is under resourced and sector employees significantly under paid. In 2006/07, average weekly earnings for community sector employees were 30% lower than the average full-time equivalent weekly wages for the health and community services sector in Australia.*⁴¹

Similarly, a 2010 analysis of community sector and public sector salaries in WA found that public sector base level salaries were up to 57% or \$29,210 higher than equivalent staff positions in the community sector SACS Award.⁴²

In recognition of this long held-inequity, in the 2011-12 State Budget the State Government allocated an additional funding of \$600 million over four years to support a sustainable community sector and to ensure that the Government pays a fair and appropriate price for community services purchased from the community sector.

The first injections of this new funding (known as Component 1), provided a 15% upfront, across-the-board price adjustment for all eligible existing community service contracts. The second injection of funding (Component 2) has been allocated to address issues of service sustainability which may not have been fully addressed in Component 1, and is to be phased in as contracts are developed, reviewed or renewed, or through price variations.⁴³ While this funding increase is “not intended to increase service provision or meet unmet

⁴¹ Community Employers WA (2011) 2012 Pre-Budget Submission, <http://goo.gl/Zd6OL>, page 2.

⁴² Ibid, page 2.

⁴³ Barnett, C. (2013) Sustainable Funding and Contracting with the Not For Profit Sector – Next Stage of Implementation, Hon Colin Barnett MLA, Premier of Western Australia. <http://goo.gl/h26Vg>, Accessed 7/5/2013.

demand”⁴⁴, the sector welcomed the recognition by the government of the need to ensure the payment of fair and appropriate prices to community sector service providers.

For community sector organisations who deliver services under State Government contracts, the funding increase meant they could afford to pay their employees closer to what they deserved. However, these funding increases *only* applied to the salaries of employees delivering State Government funded services. This means that for many community service organisations, the funding increase which was received for only *some* employees, was spread across an a whole organisation’s employees, meaning a 15% salary increase for all employees across the sector was unable to be achieved.

7.2 Equal Remuneration Order

A strong minimum wage increase is also important for community sector workers (those employed under state awards) because workers in the state system do not currently have access to the Equal Remuneration Order (ERO) which benefits their colleagues in the federal jurisdiction.

The ERO handed down by Fair Work Australia⁴⁵ (in 2012) requires employers to pay equal remuneration payments — *in addition* to the minimum wage set out in the Award. The structure of the ERO retains the awards rates of the pay (which are increased each year in the minimum wage case) and then requires that employers pay a transitional equal remuneration payment in addition to the minimum rates. This means it is important for community sector workers to receive the full benefit of a strong minimum wage increase. In the event of a weak minimum wage increase, community sector workers will effectively be losing some of the pay equity remedy they have just been awarded.

As a result, each December Social and Community Sector (SACS) Award employees in the Federal system receive a percentage increase, and then in July — when the federal minimum wage increase is handed down — employers must recalculate the ERO formula based on the new minimum wage rate.

The Australian Services Union (WA) currently has an application before the WA Industrial Relations Commission (WAIRC), calling for the mechanism used to calculate wage rates under the ERO to also be applied to the rates of pay for state Social and Community Services workers and for Crisis Assistance and Supported Housing Workers. In the event that this application succeeds, it is important to have a strong minimum wage increase so as to ensure the mechanism operates effectively, and genuinely phases in the true value of the remedy.

However, there are a number of groups of community sector workers who will not benefit from the current equal pay applications before the WAIRC. Such workers include: social and

⁴⁴ Ibid.

⁴⁵ Details of the Equal Remuneration Order (ERO) are available here: <http://www.fwc.gov.au/index.cfm?pagename=remuneration&page=introduction>.

community workers in Aboriginal organisations operating under the Aboriginal Communities and Organisations Award, and some disability sector workers either on the minimum conditions or covered by a United Voice Award.

As the Premier noted (in January 2013), in his foreword to the upcoming phase of community sector funding increases:

*This Government has recognised that simply thanking the community sector for the work that they do will not ensure that the ever changing and complex needs of Western Australians will continue to be met. It needed to be acknowledged that a combination of historical funding and contracting practices and a lack of a real partnership between the public and not-for-profit sectors had led to sustainability issues that threatened to compromise the quality of care provided to our community.*⁴⁶

The Council’s recommendation that the state minimum wage be increased by \$43 is consistent with the Premier’s recognition both of the importance of the community sector, *and* of the need to redress the historical (underfunding and thus) underpaying of community sector workers within the state.

With specific relevance to the State Wage Case — many community sector workers are likely to be directed affected by the Commission’s decision, in particular those who are not directly-employed under State Government contracts.

8.0 Gender

WA has the largest gender pay gap of any state in Australia — a gap much larger than the national average. In 2011, Western Australia reached a record high gender pay gap of 27.7 per cent. The most recent figures (from November 2012) showed that males are earning 26.5 per cent more than females in WA, compared with a 17.5 per cent difference nationally.⁴⁷ At November 2012, the average ordinary time earnings of a male in WA was \$1793.00 per week, whereas a female was earning \$1277.60 per week.⁴⁸

While the exact numbers of male and female workers earning the minimum wage in WA is unknown, it is broadly accepted that in Australia, “women are more likely than men to be reliant on the minimum wage”.⁴⁹ Significant contributors to this are the disproportionate responsibility women have for unpaid work (including the care of elderly people, children and adults with disability and grandchildren), and their lower pay relative to men.

⁴⁶ Ibid.

⁴⁷ 6302.0 Average Weekly Earnings, Australia, Tables 2 (Australia) & 12E (WA) <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6302.0Nov%202012?OpenDocument>

⁴⁸ Ibid, Table 12E.

⁴⁹ Commonwealth of Australia (2009) *Making it Fair: Pay equity and associated issues related to increasing female participation in the workforce*, House of Representatives Standing Committee on Employment and Workplace Relations, page 160.

In 2009, the Australian Human Rights Commission published an issues paper examining the gender gap in retirement savings, titled: *Accumulating poverty? Women's experiences of inequality over the life cycle*. The paper contended that “women who take on the responsibilities of unpaid caring and domestic work – work that delivers enormous wealth to other individuals and to the overall economy – should not be rewarded with poverty”.⁵⁰

As the issues paper explained:

*Perhaps the most fundamental barrier to women's full participation in paid work and their ability to fully benefit from the retirement income system, is the struggle to balance paid work and caring responsibilities. The onset of caring responsibilities following the birth of children has a significant impact, both on the lifetime earnings and level of paid workforce participation of women.*⁵¹

*In Australia, mothers' workforce participation continues to be low by international standards, which is evidence of the significant barriers to paid workforce participation experienced by employees with caring responsibilities. The employment rates in Australia for women with children, particularly those under six years of age, are low by comparison with other OECD countries. The employment rate of mothers with a child under six years of age is 49.6%, compared with the OECD average of 59.2%.*⁵²

There are a number of interconnected issues related to the care of children that have an impact on women's participation in the paid workforce, including:

- the unequal division of unpaid caring work;
- the limited social infrastructure to support employees with caring responsibilities;
- the lack of social and economic value placed on unpaid caring.⁵³

Due to factors such as caring responsibilities, women are also more likely to be in insecure work arrangements, or to move in and out of the paid workforce. This can have a significant impact on their opportunities for advancement at work; lead them to work fewer hours; receive lower income during their working years; experience higher levels of financial stress and possess a much reduced ability to invest towards retirement.

The poor economic situation of women is exacerbated in later life. Many women are reliant on the Age Pension due to minimal retirement savings — a result of lower earnings, lower

⁵⁰ Australian Human Rights Commission (2009) *Accumulating poverty? Women's experiences of inequality over the lifecycle*, Accessed on 7/5/2013, <http://www.humanrights.gov.au/publications/accumulating-poverty-women-s-experiences-inequality-over-lifecycle-2009>, page 2.

⁵¹ Ibid, page 13.

⁵² Ibid, page 14.

⁵³ Ibid, page 16.

superannuation and so on. At June 2011, 57.2 per cent of Western Australian Age Pensioner recipients were women.⁵⁴

With specific relevance to the State Wage Case — the Commission’s decision relating to the setting of the state minimum wage is of particular significance to female workers in WA.

9.0 Insecure Work

In May 2012, the final report of the *Independent Inquiry into Insecure Work in Australia* was released. In the foreword to the Inquiry’s final report, Inquiry chair Brian Howe described the situation for people employed on insecure work arrangements as follows:

If their skills are low, or outdated, they are not offered training through work. They shift between periods of unemployment and underemployment that destroy their ability to save money...

For them, flexibility is not knowing when and where they will work, facing the risk of being laid off with no warning and being required to fit family responsibilities around unpredictable periods of work.⁵⁵

In Australia, women are disproportionately represented in casual work, with 28% of all female employees working in casual employment, compared to 20% of male employees; and over half (56%) of casual employees are women.⁵⁶ Single parents (of whom the majority are also women) also tend to be highly dependent on casual and part-time work, and face significant challenges with insecure working hours and childcare arrangements — as well as unpredictable wages and social security reporting requirements.

The increasing rate of insecure work means that with more people likely to be moving in and out of employment, more often. For workers who (prior to a period of unemployment) were earning the minimum wage, their ability to support themselves for the period of time it takes to find new employment would be in question. Analysis presented to the Independent Inquiry into Insecure Work by The Australia Institute indicated a high level of ‘churn’ in and out of employment by a sub-section of workforce, typified by low-skilled occupations dependent on the minimum wage:

All in all around a million and a half people change their labour market status each month. That represents a monthly turnover of 12 per cent of the workforce. On those

⁵⁴ FaHCSIA (2012) *Statistical Paper No. 10 - Income support customers: a statistical overview 2011*, http://www.fahcsia.gov.au/sites/default/files/documents/07_2012/stps10.pdf, page 7.

⁵⁵ Independent Inquiry into Insecure Work in Australia (2012) *Lives on Hold: Unlocking the Potential of the Australian Workforce*, Accessed on: 7/5/2013
http://www.actu.org.au/Images/Dynamic/attachments/7626/Lives%20on%20Hold%20-%20Unlocking%20the%20potential%20of%20Australia%e2%80%99s%20workforce_v2.pdf, page 5.

⁵⁶ ACTU (2011) *Insecure work, anxious lives: the growing crisis of insecure work in Australia*, <http://goo.gl/RPrJw>, page 15.

figures one might expect that over the course of a year every employee would have experienced a change in status, however, that is not the case. As at February 2010 nine million people, roughly 82 per cent of the workforce, had worked with the same employer (or business for the self-employed) for the previous 12 months. Moreover, the median worker has worked for the same employer for three to five years, which we take to be four years. Further we can assume that the duration to date is likely to be around half the total spell of employment which suggests most employees will spend an average of eight years with the same employer. This indicates that the burden of unsuitable employment is shouldered by one group more than other⁵⁷.

The high level of churn within the population of workers reliant on the minimum wage means they lack financial resilience and are at high risk of experiencing financial crisis. This increases pressure on the welfare system, and increases stress for the newly-unemployed as they attempt to navigate their way through a plethora of criteria and requirements to be considered eligible to receive unemployment benefits.

With specific relevance to the State Wage Case — it is important for the Commission to take into account the increasing rate of insecure work in Western Australia. By increasing the minimum wage, the resilience and self-sufficiency of low-paid workers would be improved, to the benefit of the national welfare system and the community more broadly.

10.0 Youth

The continued provisions for “junior rates” are an anachronism. It is the Council’s view that the key determinant of the wage of someone under the age of 21 should be competence, rather than age.

There are a number of industries which have traditionally employed significant numbers of “junior” workers under the age of 21, including the child care, hospitality, retail and fast food industries. However, in recent years, the junior rates are tending to be used with less frequency for a range of reasons. For example, due to recent staff shortages in WA, it has become rare for hospitality staff under the age of 21 to be paid junior rates. This is because many organisations need to pay higher (although often still low) rates in order to attract and retain staff.

In the child care industry, from 1 January 2014, new national regulations will require all educators in centre-based and family day care services to hold (or be actively working towards), at a minimum, a Certificate III level education and care qualification. Given the new qualification (or competency) requirements which must be met by all child care staff, it is inequitable for a newly-qualified Certificate III holding 19 year old staff member to be paid less than a newly-qualified Certificate III holding 21 year old staff member.

⁵⁷ *Casual Labour- A stepping stone to something better or part of an underclass?* Submission to the Insecure Work Inquiry by David Richardson, The Australia Institute, (2012).

The changes to youth minimum wages in New Zealand in 2001, provides a good example of the positive impact such reform can achieve.

Prior to [the 2001 reform], a youth minimum wage, applying to 16-19 year-olds, was set at 60% of the adult minimum. The reform had two components. First, it lowered the eligible age for the adult minimum wage from 20 to 18 years, and resulted in a 69 per cent increase in the minimum wage for 18 and 19 year olds.⁵⁸

A review in 2001, of the 2001 New Zealand reforms found that

- The average number of hours worked by both 18-19 and 20-25 year-olds remained fairly stable over the sample period.
- The rates at which 18-19 and 20-25 year-olds were studying were reasonably stable increased slightly.⁵⁹

With specific relevance to the State Wage Case — the Council believes that given the decreasing relevance of junior wages in WA, the *full rate* of increase to the minimum wage must be applied to both junior and adult wage rates (and not a proportion thereof).

11.0 Conclusion

It is the Council's view that in order to "ensure that Western Australians have a fair system of wages and conditions; meet the needs of the low paid; provide fair wage standards in the context of living standards generally prevailing in the community; and contribute to improved living standards for employees"⁶⁰ the State Minimum Wage needs to be raised by \$43.00 for adults, junior employees, apprentices, and trainees.

The justification for such an increase is easy to make in light of the ongoing (and increasing) cost of living pressures which are disproportionately impacting low-income individuals and households in WA (outlined in Part A of this submission). The Council has also called on the Commission to consider the positive impact raising the minimum wage would bring specifically for young Western Australians, community sector workers, women, and others whose insecure work arrangements keep them in (or at perilous risk of falling into) poverty.

It is critical that the wages earned by full-time, minimum wage employees are sufficient to ensure workers are able to meet their basic living costs, while living with both dignity and respect. It is the Council's view that to not achieve this is to disadvantage the Western Australian community at large.

⁵⁸ Hyslop, D. & Stillman, S. (2004) *Youth Minimum Wage Reform and the Labour Market*, New Zealand Treasury Working Paper 04/03, <http://www.treasury.govt.nz/publications/research-policy/wp/2004/04-03>, page i.

⁵⁹ Ibid, page 11.

⁶⁰ *Industrial Relations Act (1979)*