



wa council of
social service

Submission to the Western Australian
Industrial Relations Commission

2021 State Wage Case

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About WACOSS

The Western Australian Council of Social Service is the peak body for the community services sector and works to create an inclusive, just and equitable society. We drive social change with communities, through collective action and policy formulation, strengthening community services and influencing decision makers to ensure justice and equity.

With WACOSS members and the broader sector, we advocate with and on behalf of those who are the furthest from levers of power and influence, to amplify their concerns and seek justice, to create a society that genuinely works for the benefit of all and not just the few.

Tackling difficult issues, systems, behaviours and attitudes that contribute to inequality and exclusion, WACOSS develops evidence-based social policy and research to inform and influence government decision-making to change the lives of those facing adversity.

1.0 Introduction

The Western Australian Council of Social Service (WACOSS) considers the minimum wage to be a vital means of protecting low-income workers from poverty, which also delivers economic benefits to the wider Western Australian community. An adequate and appropriate minimum wage level supports a decent standard of living for working people and their families. It ensures a fair and inclusive economy that enables us all to thrive. As the peak body for the community service sector in WA, and as an advocate for people experiencing marginalisation, disadvantage and hardship, WACOSS has a particular interest in the adequacy of living standards and quality of life experienced by Western Australians living on low incomes.

WACOSS's submission to the 2021 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 system of fair wages and conditions of employment; and*
- ii. meet the needs of the low paid; and*
- iii. provide fair wage standards in the context of living standards generally prevailing in the community; and*
- iv. contribute to improved living standards for employees; and*
- v. protect employees who may be unable to reach an industrial agreement; and*
- vi. encourage ongoing skills development; and*
- vii. provide equal remuneration for men and women for work of equal or comparable value.¹*

In preparing this submission, WACOSS has carefully considered the changing economic and workplace environment for low-wage workers, and the health of the wider economy. We have reviewed the state of knowledge in related areas and considered the latest research and analysis to ensure our submission is up to date and directly relevant to the lived experience of minimum wage workers in WA. We do so in order to provide the Commission with the best available data and analysis upon which to base its deliberations. This year we have also analysed the latest data on the impacts of the COVID-19 pandemic and associated economic impacts on employment conditions.

2.0 WACOSS's claim

WACOSS submits that an increase to the State Minimum Wage rate of 4 per cent or \$30.40 per week is consistent with the need to meet the needs of the low paid and to contribute to improved living standards for employees; and is a sensible and measured increase in the context of the state of the Western Australian economy.

Western Australia is back in business. That is the unavoidable message from State Government media statements, and S&P Global Ratings and Moody's credit reports. Our state has certainly been successful in weathering many of the economic impacts of COVID-19 that have been seen elsewhere, and on a number of metrics is even performing more strongly than it had been prior to the pandemic.

¹ *Industrial Relations Act 1979* (WA)

At the same time, however, many Western Australians and in particular those who are low paid, are facing significant living cost pressures and increased financial hardship.

The primary basis for WACOSS's claim, as a result, is that our proposed increase to the State Minimum Wage is needed in order to in order to meet the needs of the low paid and to contribute to improved living standards for employees.

For low paid workers in WA, the cost of housing has skyrocketed, leading to a significant affordability crisis. The median rent for a unit now accounts for over 51 per cent of the State Minimum Wage, while the median rent for a house is nearly 57 per cent. Community service organisations are inundated with calls from people seeking assistance to address their rental situation.

At the same time, households have faced increasing costs in other areas, such as food and beverages, which add to the financial burden low paid workers are facing. The evidence shows that low income households who experience a sudden additional expense are likely to lower their food budget, or skip meals, to compensate. Increasing the minimum wage and the purchasing power of low-wage working families can help protect households against food insecurity, help low-wage earners afford a more nutritious and sufficient diet, and may help alleviate the growing trend of food insecurity across the state.

Child poverty rates in WA have also continued to increase, rising almost five percentage points over the last decade. 94,000 children in WA are growing up in families living below the poverty line. In this submission, we have highlighted many examples where single parents on the minimum wage are unable to meet their living costs, including a real life example from someone who was kind enough to share their story with WACOSS.

By increasing the minimum wage so that workers are provided with a decent standard of living, well above poverty levels, we can make our economy more inclusive and sustainable, and ensure its benefits are shared more broadly. The evidence from the COVID-19 crisis shows very clearly that the stimulus boost to lower income households in 2020 provided by JobKeeper Payments and JobSeeker Supplements had a significant impact on the strength and resilience of our economy.

WACOSS recognises that, as a result of the high level of uncertainty faced by the WA community last year, the WA Industrial Commission determined that it was necessary to delay the increases to the state minimum wage and award rates until the first pay period after 1 January 2021. It is the contention of WACOSS that Western Australia is now in a significantly more secure position than it was 12 months ago, meaning that the necessity for such a further delay is not present. WACOSS further contends that the data and analysis in this submission demonstrates why an increase from 1 July 2021 is necessary in order to meet the needs of low paid workers in Western Australia.

With clear evidence of Western Australians experiencing significant living cost pressures, WACOSS considers a 4 per cent or \$30.40 per week increase to be essential in meeting the needs of the low paid and to contribute to improved living standards for employees.

3.0 The Cost of Living in WA

The ability of low-income households in WA to achieve and maintain a basic standard of living is the focus of the annual WACOSS *Cost of Living Report*, which has been produced since 2007. Through this research, we seek to provide a picture of the challenges low-income households face year by year as they endeavour to ensure their living costs do not exceed their income.

The 2020 Cost of Living Report modelled five low-income household-types, and examined the adequacy of their income to afford a basic standard of living in line with agreed community standards during the previous financial year. The 2020 Report, which included the period in which the Federal and State Governments introduced a range of financial supports, demonstrated the significant impact that an increase in income has on low-income household's capacity to be able to meet the living standards generally prevailing in the community.

As their income is represented as a weekly figure, averaged out across the financial year, it should be recognised that this extra financial support means the households' income would have been much lower in the first part of the year and much higher in the second. Food and beverage costs rose sharply for the model households, as did rental payments for the second year in a row. Without the coronavirus supplements and economic support payments, these cost increases would have left these households in a highly precarious position.

Weekly income and expenditure of our model households

	Income	Expenditure	Net Position
Single Parent Family	\$1,070.11	\$958.86	\$111.25
Two Parent Family	\$1,524.07	\$1,322.75	\$201.29
Unemployed Single	\$378.37	\$330.52	\$47.85
Age Pensioners (Renters)	\$786.72	\$709.60	\$77.11
Age Pensioners (Home Owners)	\$721.58	\$609.74	\$111.84

Source: WACOSS *Cost of Living Report 2020*

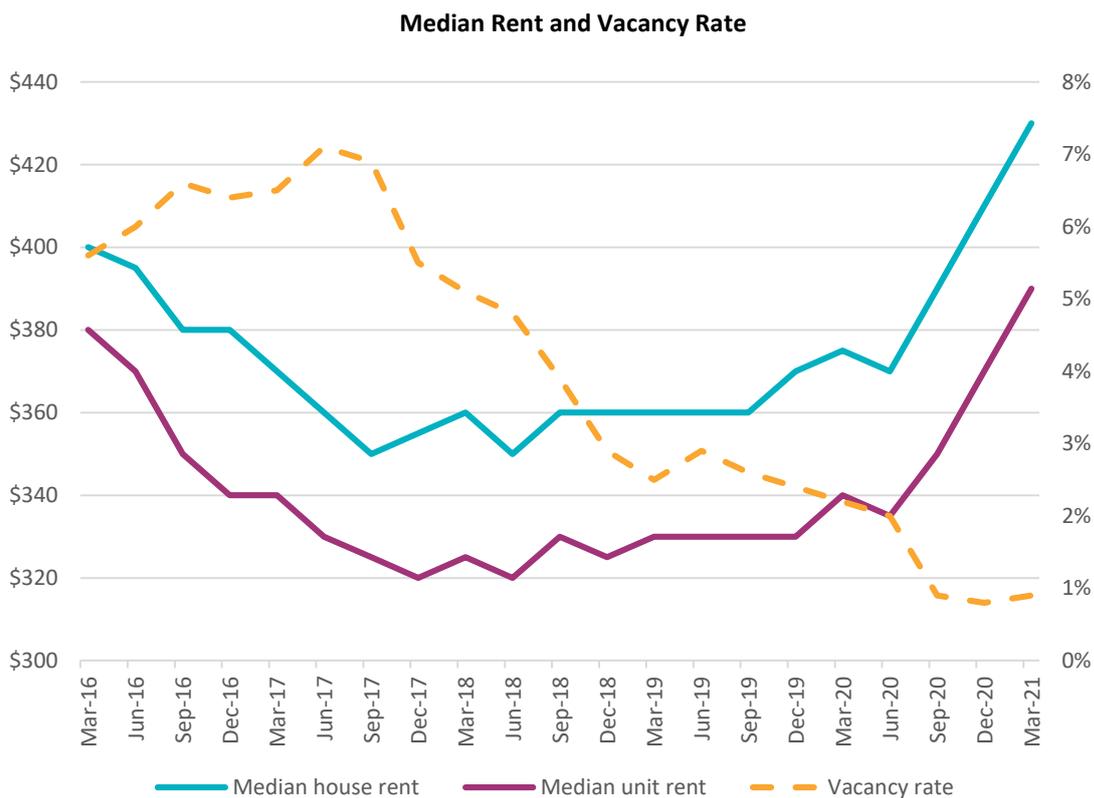
At the time of this State Wage Case, WA finds itself in the position that those increases in costs remain present, but the financial supports have been removed. In the following we present data demonstrating the impact of these cost of living increases, with a particular focus on the areas of housing, food and energy. As noted by WACOSS in previous SWC submissions, while it is a valuable indicator, CPI is fundamentally a measure of the changes in the prices of a fixed basket of goods and services, rather than changes in the minimum expenditure needed to maintain a certain standard of living. As a result, there are inherent limitations in using CPI and inflation measures alone to draw inferences about the real living cost pressures faced by low-income households. We consider it particularly important to separate out and highlight the key areas of expenditure for minimum wage households this year due to the volatility in the Perth CPI figures, resulting in particular from the WA Government's \$600 electricity credit, as noted by the ABS.²

² Australian Bureau of Statistics (2021) 'Capital city highlights,' *Consumer Price Index, Australia*, March 2021

3.1 Housing

Access to safe, secure and affordable shelter is essential for people to be able to fully engage in our community. Stable tenancies are crucial to support positive outcomes in areas like health and wellbeing, education and employment. Conversely, insecurity and instability in housing creates the circumstances for increased hardship and entrenched disadvantage.

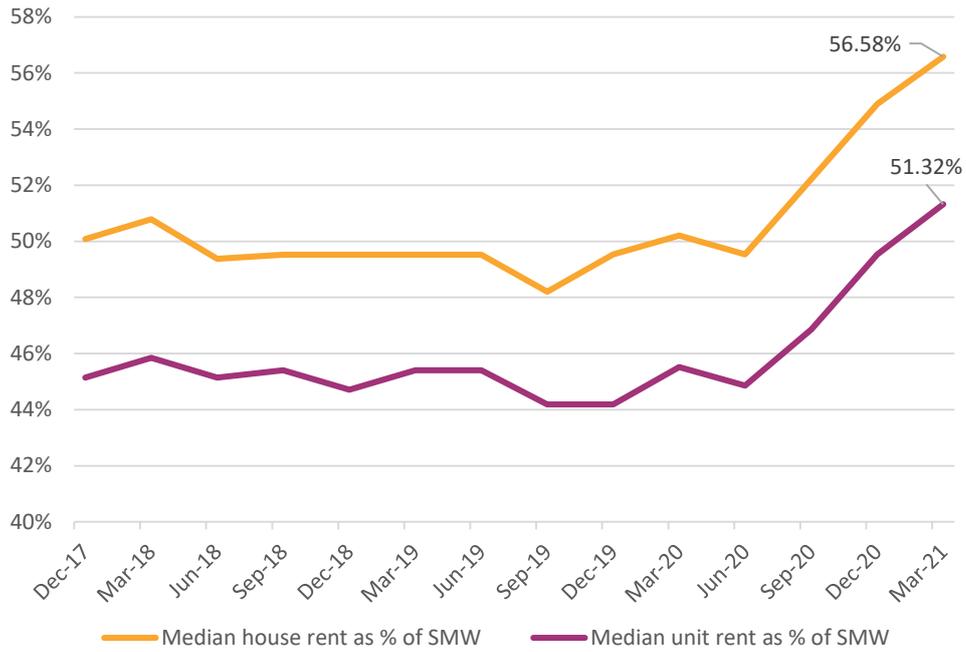
Median rents in Perth have been increasing since the end of 2018, with 2020 seeing a sizeable uptick. At the same time, the rental vacancy rate has been in freefall since 2017. Adding to this pressure, the COVID crisis saw a significant number of Western Australians returning home in 2020.



Source: REIWA data

The weekly median rent for a unit accounts for *over 51 per cent* of the State Minimum Wage, while the median rent for a house is nearly 57 per cent. Households are considered to be in “housing stress” when their housing costs exceed *30 per cent* of their income and their earnings are in the bottom 40 per cent of equivalised disposable income (which is the case for minimum wage earners). If a household earning a minimum wage is paying over 51 per cent of their income on rent in a median rental property, then they most certainly qualify as being in *severe* housing stress.

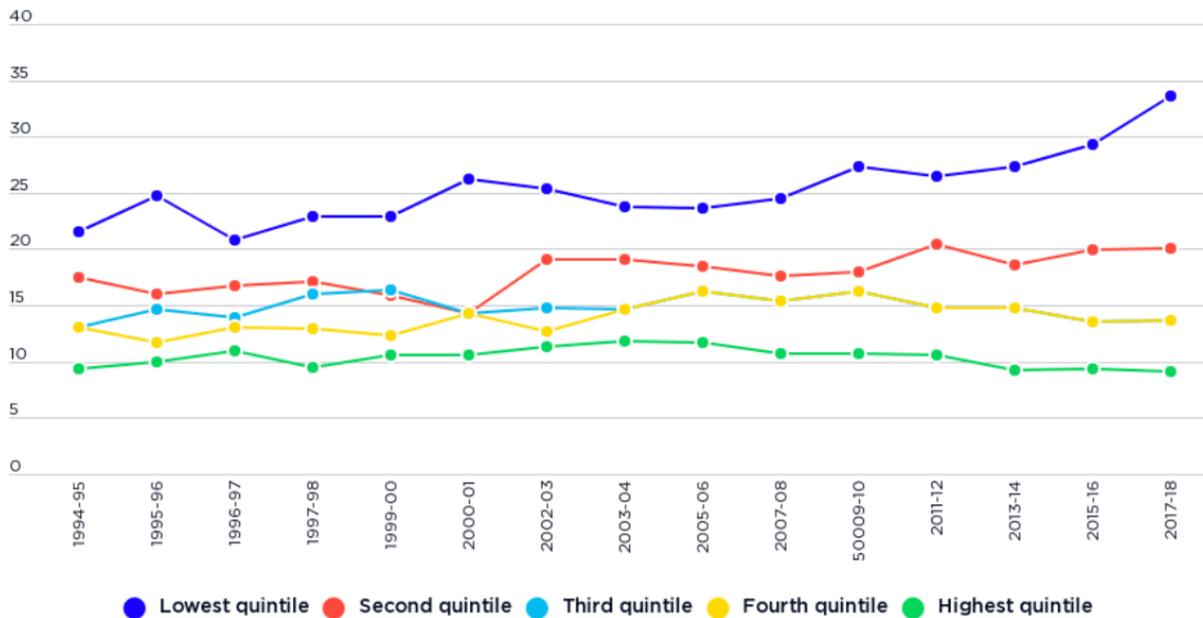
Median Rent and the State Minimum Wage



Source: Calculations based on REIWA and WA Department of Commerce data

Housing costs have a disproportionate impact on those living on the lowest incomes. An examination of the ABS Survey of Income and Housing data reveals the substantial increase in the cost to income ratio for households on the lowest incomes since 2011-12, while those on the highest saw their cost to income ratio decline since 2007-08.³

Housing costs as a proportion of gross household income, Australia 1994-95 to 2017-18



Source: ACOSS/UNSW (2020)

³ ACOSS/UNSW Poverty and Inequality Partnership (2020) [Poverty, Property and Place: A geographic analysis of poverty after housing costs in Australia](#), City Futures Research Centre & the Social Policy Research Centre

When housing costs for private renters are taken into account to reveal what households have left to spend on other living expenses, the East Pilbara has the highest percentage of private renter households in poverty. The Roebuck region of the Kimberley rates as the area with the tenth highest percentage of private rent households in poverty after housing costs across Australia.⁴

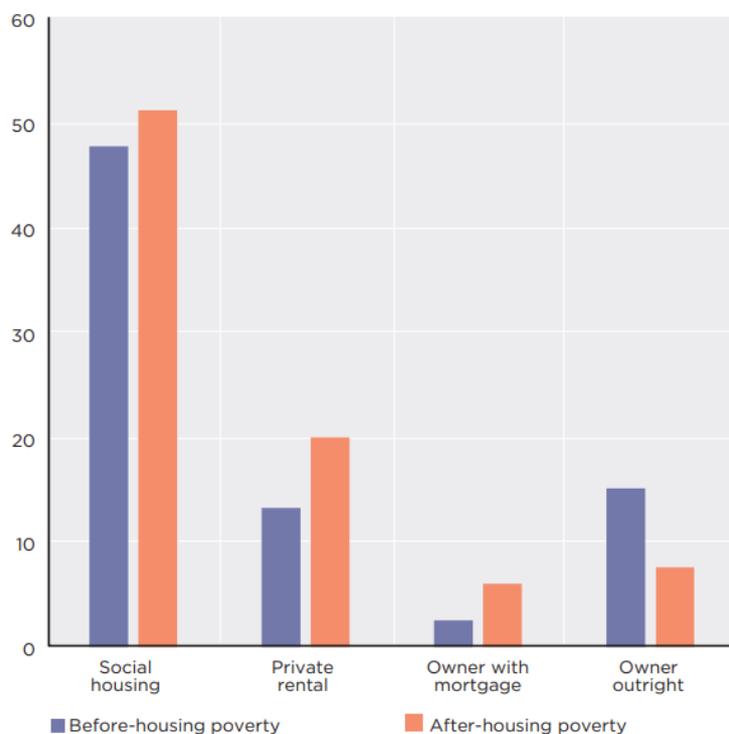
Top 10 SA2s by percentage of private renter households in poverty after housing costs 2015-16

SA2	State/Territory
East Pilbara	WA
Ravenswood	TAS
Carlton	VIC
Bridgewater-Gagebrook	TAS
Cooloola	QLD
Fairfield	NSW
Elizabeth	SA
Mudgee Region – East	NSW
Forster-Tuncurry Region	NSW
Roebuck	WA

Source: ACOSS/UNSW (2020)

The HILDA data also reveals that, both before and after housing costs are factored in, social housing tenants can be observed to have the highest rates of poverty.

Relative poverty rates by housing tenure type, 2018



Source: HILDA (2020)

⁴ ACOSS/UNSW (2020) *Poverty, Property and Place*

They are followed by private renters and then those who own their homes without a mortgage. The after-housing cost measure, however, decreases the poverty rate for the latter group from 15 per cent to 7.5 per cent, while for private renters it increases from 13 to 20 per cent.⁵

Across the Perth metropolitan region, higher levels of poverty can be observed around the urban periphery, typically within the middle and fourth poverty rate quintiles. The areas with the highest poverty rates after housing costs, however, are centred in areas like Girrawheen and Mirrabooka, Bentley and Wilson, Beckenham and Kenwick, Armadale and Gosnells, Calista and Parmelia, Cooloongup and Mandurah.⁶

The annual *Anglicare Rental Affordability Snapshot* takes a ‘snapshot’ on a given day of the rental market and examines whether the properties being advertised are both *affordable* for a range of different low income types and whether those properties are *appropriate* for the composition of their household.⁷

The *2020 Rental Affordability Snapshot* took place over 27-28 March 2021. The report found that only 48 or 1.5 per cent of properties advertised for rent in Perth were affordable and appropriate for a single on the minimum wage. Due to slightly lower rents in the South West and the Great Southern, 2.4 per cent of properties in that area were affordable and appropriate, though that only equated to 6 actual properties. No properties were affordable and appropriate for a single person on the minimum wage in the North West.

Affordable and Appropriate Properties by Region and Household Type

Household Type	Payment Type	Perth Metro		South West and Great Southern		North West	
		#	%	#	%	#	%
Single	Minimum Wage	48	1.5%	6	2.4%	0	0%
Single, two children	Minimum Wage + FTB A & B	59	1.8%	24	9.6%	0	0%
Couple, two children	Minimum Wage + Parenting payment (partnered) + FTB A & B	878	27.2%	144	57.8%	19	8.7%
Couple, two children	Minimum Wage + FTB A	235	7.3%	62	24.9%	7	3.2%
Total number of properties		3,228		249		218	
Median rent per week		\$430		\$370		\$550	

Source: Anglicare WA (2021) *Rental Affordability Snapshot – Western Australia*

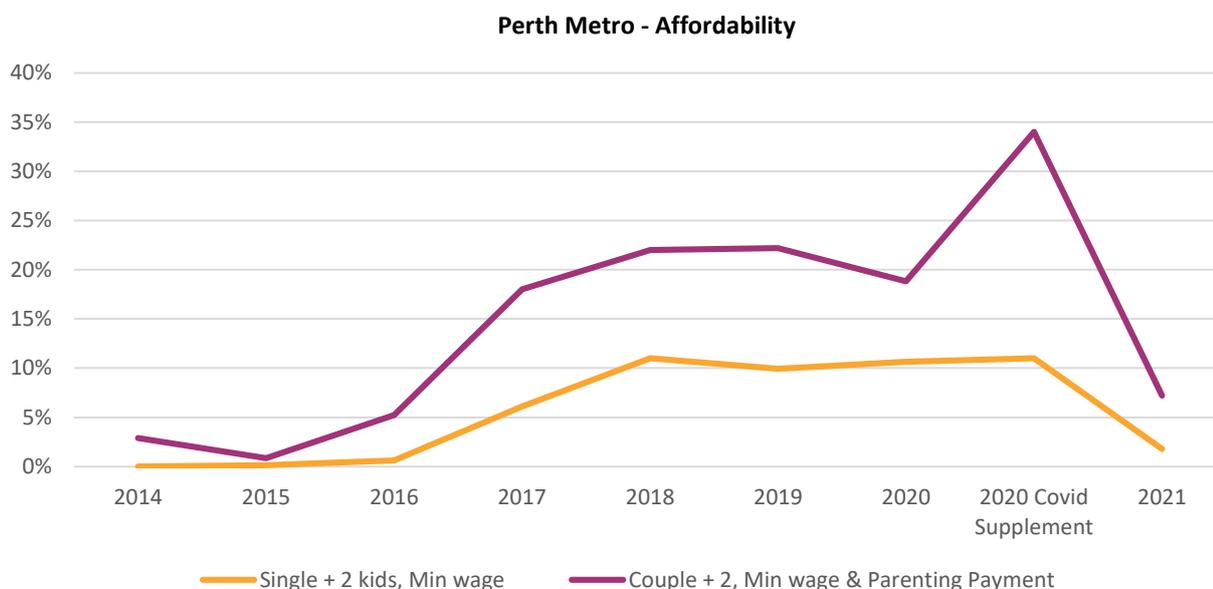
⁵ Roger Wilkins et al (2020) *HILDA*

⁶ ACOSS/UNSW (2020)

⁷ Anglicare WA (2021) *Rental Affordability Snapshot – Western Australia*

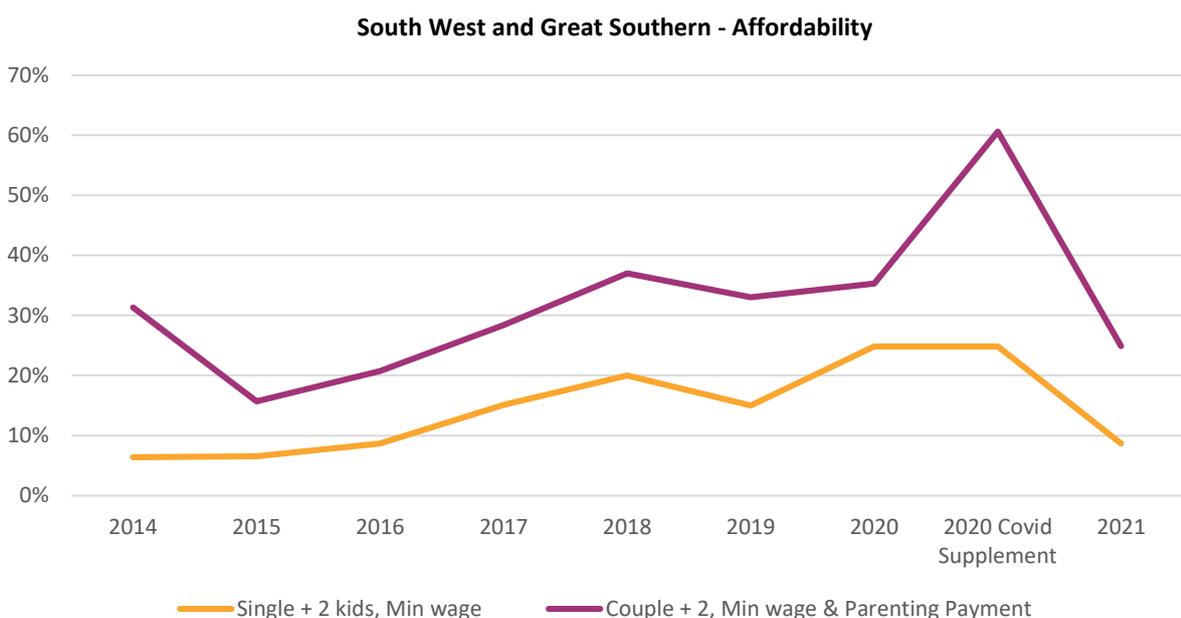
Since 2020, the report found that median rents had increased in the Perth Metro area by 16 per cent from \$370 to \$430, in the South West and Great Southern by 12 per cent from \$330 to \$370, and in the North West by 17 per cent from \$470 to \$550.

Over the last twelve months, Perth couples living on the minimum wage and in receipt of the Parenting Payment (meaning they are caring for a child under 6) saw a drastic drop in the affordability of rental properties, from 34 per cent to 7 per cent, as a result of escalating rental prices and the cessation of the Coronavirus Supplement. A single parent on the minimum wage, supporting two children, saw a drop in affordability from 11 per cent to 1.8 per cent.



Source: Anglicare WA (2021) *Rental Affordability Snapshot – Western Australia*

Couples in the South West and Great Southern living on the minimum wage and in receipt of the Parenting Payment saw a drop in affordability from 60.6 per cent to 24.9 per cent. A single parent on the minimum wage, supporting two children, saw a drop in from 24.8 per cent to 8.7 per cent.



Source: Anglicare WA (2021) *Rental Affordability Snapshot – Western Australia*

In the North West, couples living on the minimum wage and in receipt of the Parenting Payment saw a drop in affordability from 12 per cent to 2.8 per cent, while single parents on the minimum wage, supporting two children, saw a drop in from 6 per cent to zero per cent.



Source: Anglicare WA (2021) *Rental Affordability Snapshot – Western Australia*

The findings of this snapshot make clear how unaffordable the rental market has become for people on the minimum wage in WA. What is important to note, is that this snapshot took place on the last two days that the moratorium on evictions and rental increases was in place. What has already become apparent for community services, is that since the moratorium’s end this already dire situation has *drastically worsened*. Rental prices are predicted to continue to rise by an additional 10 to 15 per cent throughout 2021.⁸

A targeted survey of service providers who deliver frontline services to people who have been or are facing eviction, or had their rent significantly increase as a result of the rental moratorium lifting, was undertaken in April 2021 by WACOSS and Shelter WA.⁹

The survey was completed by community housing providers, homelessness services, support services and outreach, and tenancy support providers including intensive family support workers, and agencies providing emergency relief. Regions covered included Perth metro, South West, Wheatbelt, the Midwest and Gascoyne and the Peel.

When asked about the impact on their services in the month leading up to the end of the moratorium, 100 percent of those services reported an increase in number of calls for assistance, and 86 per cent reported an increase in the number of people they are unable to assist and have had to turn away.

When asked for the reasons people provided for contacting their services, these were:

⁸ REIWA (2021) ‘Strong property market conditions expected in WA in 2021’, Online article. Available at: <https://reiwa.com.au/about-us/news/strong-property-market-conditions-expected-in-wa-in-2021/>

⁹ <https://www.shelterwa.org.au/data-shows-impact-on-people-and-services-in-the-lead-up-to-rental-moratorium-lifting/>

- Trouble finding an affordable rental home (100 per cent)
- Facing eviction (71 per cent)
- Increase in rental prices (100 per cent)
- Unable to pay bonds (43 per cent)
- Income not covering the basic necessities (86 per cent)

One service reported a 500 per cent increase in the number of calls for assistance that they receive each day, with another reporting that they now receive 50 calls a day for private tenancy support. A service stated that *“A single mother of five children has had a rent increase from \$350 per week to \$550 per week. The likelihood is that the mother and her five children are expecting to be homeless.”*

As housing costs are the single largest component of the household budget for most households, and hence impact disproportionately on the cost of living for lower income and minimum wage households, it is critical to take into account housing affordability when considering the adequacy of the minimum wage.

The more of their income that households must dedicate to covering housing costs, the less they will be able to spend on other essentials like food, energy and health. It can also mean that any slight increase in their rent can have a dramatic impact on their ability to stay in a property and maintain the important connections they have established throughout their local community, along with their proximity to jobs and services.

Homeowners with a mortgage in Western Australia are also facing significant strife. As of September 2020, Perth had the highest city-wide average mortgage ‘delinquency’ rate of the four largest cities in Australia. That rate is determined by the number of accounts that are 30 days past due. In the outer-suburbs of Perth, those rates were more than 100 per cent higher than the city average.¹⁰

Regional analysis conducted by Shelter WA earlier this year found that 20 per cent of homeowners with a mortgage in the Mining and Pastoral region (Kimberley, Pilbara, North West Central and Kalgoorlie) were in mortgage stress. In the South West region (Mandurah, Albany, Vasse, Warren-Blackwood, Murray-Wellington, and Collie-Preston), 21 per cent of all mortgage holders are experiencing mortgage stress.¹¹

Australians experiencing financial vulnerability, hardship and bill stress for the first time as a result of COVID-19 impacts are often over-leveraged and are more likely to take out loans than those experiencing long-term hardship. Compared to other mortgage holders, those experiencing ‘emerging hardship’ were more likely to defer their mortgage repayments during the six-month COVID loan deferral period, indicating an inability to pay due to the financial impacts of COVID-19. Those seeking mortgage payment relief also have relatively high outstanding mortgage balances (which have now accrued additional interest and fees), and are over-leveraged compared to other mortgage holders, placing them at increased risk of financial insecurity and debt.¹²

¹⁰ Tawar Razaghi (2020) ‘The postcodes where Australians are most behind on mortgage repayments’, *Domain*, Online article. Available at: <https://www.domain.com.au/news/the-top-postcodes-around-australia-behind-on-mortgage-repayments-1011924/>

¹¹ Shelter WA (2021) *Heat Map Survey: Homelessness & Housing Stress*, Unlock Housing

¹² Core Data Research (2020) “How to recognise the new face of financial hardship”, Online article. Available at: <https://www.coredata.com.au/blog/how-to-recognise-the-new-face-of-financial-hardship/>

3.2 Food

Low income is the strongest and most consistent predictor of food insecurity. Food insecurity is the state of being without regular access to a sufficient quantity of safe, nutritious food to meet an individual or household's nutritional needs. It often corresponds with lower access to other basic needs, such as safe and affordable housing and secure employment as well as increased use of healthcare. Ongoing food insecurity has been demonstrated to manifest in negative health outcomes for Australian adults, including malnutrition, obesity, diabetes, cardiovascular, some cancers and other diet-related disease, as well as poorer mental health.¹³ Children in food insecure Australian households demonstrate poorer health and education outcomes, including emotional and behavioural issues as well as more missed days of school.¹⁴ Low income, food insecurity and illness are inextricably linked.

Research suggests that the prevalence of food insecurity in Australia is anywhere between 4 per cent and 36 per cent of the total population depending on the definition and measurement used,¹⁵ reaching as high as 90 per cent among certain vulnerable groups.¹⁶ A higher prevalence of food insecurity has been reported among asylum seekers, Aboriginal and Torres Strait Islander peoples, female-headed single-parent households, households facing financial stress, people with disabilities, and those experiencing mental health issues, homelessness, unemployment and low socioeconomic status.¹⁷ Middle income families who have recently had a drop in income and who have high living expenses may also experience food insecurity due to a lack of available funds to allocate to food purchases.¹⁸

Low wages and competing living expenses act as compounding barriers to food security for lower-income households. The household food budget is considered to be more flexible compared to other fixed household and health expenses, such as rent, utility and medical bills, such that a household receiving a low disposable income that experiences a sudden additional expense is likely to lower their food budget, or skip meals, to compensate.¹⁹ As well as being associated with lower total food consumption, low income is associated with poor quality dietary intake. A number of studies have examined the cost of 'healthy' food and assessed its affordability for low socio-economic households,²⁰ finding that 'healthy' diets are difficult to afford for low-income households.

¹³ Ramsey R., Giskes K., Turrell G., Gallegos D. Food insecurity among adults residing in disadvantaged urban areas: Potential health and dietary consequences. *Public Health Nutr.* 2012; **15**:227–237. doi: 10.1017/S1368980011001996.

¹⁴ Ramsey R., Giskes K., Turrell G., Gallegos D. Food insecurity among Australian children: Potential determinants, health and developmental consequences. *J. Child Health Care.* 2011;**15**:401–416. doi: 10.1177/1367493511423854

¹⁵ Butcher, Lucy. M., Maria M. Ryan, Therese A. O'Sullivan, Johnny Lo and Amanda Devine 2018. What Drives Food Insecurity in Western Australia? How the Perceptions of People at Risk Differ to Those of Stakeholders. *Nutrients* 10. doi: 10.3390/nu10081059

¹⁶ McKay, Fiona and Matthew Dunn 2015. Food security among asylum seekers in Melbourne. *Australian and New Zealand Journal of Public Health* 39: 344-349. doi: 10.1111/1753-6405.12368

¹⁷ Lindberg, Rebacca, Mark Lawrence, Lisa Gold, Sharon Friel and Olivia Pegram 2015. Food insecurity in Australia: Implications for general practitioners. *Australian Family Physician* 44: 859-862.

¹⁸ Burns, C. (2004). A review of the literature describing the link between poverty, food insecurity and obesity with specific reference to Australia. Melbourne: *Victorian Health Promotion Foundation.*

¹⁹ Booth S, Smith A. Food security and poverty in Australia -- challenges for dietitians. *Australian Journal of Nutrition & Dietetics.* 2001;**58**(3):150–6.

²⁰ French SA, Harnack L, Rydell S, Mitchell NR, Oakes MJ. (2017) Financial incentives and purchase restrictions in a food benefit program affect the types of foods and beverages purchased: Results from a randomized trial. *IJBNPA*;14:127. <https://doi.org/10.1186/S12966-017-0585-9>.

Increased Odds of Experiencing Food Insecurity for Minimum Wage Earners

Recent research by Kent et al. (2020) analysing socio-demographic predictors of food insecurity in Tasmania found household income above AU\$80,000/year to be seemingly protective against food insecurity, and income below AU\$40,000 per year to be associated with a two-fold increase in the odds of food insecurity.²¹ Seeking to understand whether the COVID-19 pandemic further exacerbated economic vulnerabilities and food insecurity among Tasmanian households, Kent et al. (2020) examined the prevalence of food insecurity among respondents receiving COVID-19 related Australian government benefits (JobKeeper or JobSeeker). In comparison to those who were employed and not receiving government benefits, respondents who were receiving the JobKeeper government support payment of \$750 per week had 20 per cent higher odds of experiencing food insecurity. Those who were receiving Jobseeker support payments (\$565.70 per week) had a three and a half-fold increase in the odds of experiencing food insecurity.

For comparison purposes, an adult aged 21 years or above in Western Australia receiving the minimum wage and working full time receives a weekly income of \$760 per week - comparable to the weekly JobKeeper rate - and an annual income of \$39,520, before tax. In addition, consumer prices in Perth are 8.32 per cent higher than in Hobart, with grocery prices in Perth 5.84 per cent higher than in Hobart.²² Applying Kent et al's (2020) findings to the Western Australian context and taking into consideration the relatively higher cost of living, it seems reasonable to conclude that an adult working full-time at the minimum wage rate is not adequately protected against food insecurity, and at greater risk of food insecurity compared to higher-income earners. For adults under 21 working full time and receiving a lower weekly rate, the odds of experiencing food insecurity are likely much higher.

Kent et al. (2020) concluded that:

“as loss of income was a major factor in our analyses, effective government responses should center around providing opportunities for secure employment that pays a living wage, rather than a minimum wage.”²³

Corroborative research analysing wage-setting policies, employment and food insecurity in 139 countries suggests that wage-setting policies may be an important intervention for addressing risks of food insecurity among low-income workers.²⁴

Minimum Wage Earners and Food Stress

Food affordability is defined as the amount of money a household spends on food, relative to that household's income. A common indicator of unaffordability is when food costs 30 per cent or more

²¹ Kent K, Murray S, Penrose B, Auckland S, Visentin D, Godrich S, Lester E. (2020) Prevalence and Socio-Demographic Predictors of Food Insecurity in Australia during the COVID-19 Pandemic. *Nutrients*.; 12(9):2682. <https://doi.org/10.3390/nu12092682>

²² Budget Direct, 2021. <https://www.budgetdirect.com.au/interactives/costofliving/compare/hobart-vs-perth/>

²³ Kent et al. (2020)

²⁴ Reeves, A., Loopstra, R., & Tarasuk, V. (2021). Wage-setting policies, employment, and food insecurity: A multilevel analysis of 492 078 people in 139 countries. *American Journal of Public Health*, 111(4), 718-725.

of disposable income.²⁵ More recently, 25 per cent of disposable income has been posited as the level where after ‘food stress’, a similar concept to housing stress, occurs.²⁶

According to Suncorp’s 2020 Cost of Food report,²⁷ the average food spend per week (including groceries, dining out, alcohol, takeaway food, coffee, specialist health foods and supplements) for Western Australia households is \$266. This is higher than the national average of \$237 per week. For a full-time worker 21 years or above receiving the minimum wage, this amounts to almost 40 per cent of their total weekly income after tax (\$668) and increases to 54 per cent of the total income for workers aged 18. Maintaining a diet in line with community standards is simply not achievable on a full-time minimum wage, unless spending on other basic needs is greatly reduced or subsidised elsewhere. Low-income households faced with allocating 25-30 per cent of their income to food purchases would have to forgo many of the items on which other Australian households can comfortably consume.

COVID-19 and food insecurity

COVID-19-induced loss of employment and income saw a dramatic rise in numbers of ‘newly food insecure groups’²⁸ made up of those locked out from JobSeeker and JobKeeper payments, by virtue of their employment or visa status. These new cohorts included international students, migrant workers as well as many among the newly unemployed who had not previously utilised food charity services. According to the Foodbank Hunger Report 2020, food charities have seen a significant increase in the demand for food relief. In 2019, 15 per cent of Australians experiencing food insecurity were seeking food relief at least once a week. In 2020 this has more than doubled to 31 per cent.²⁹ Although charities are seeing demand for food relief become more erratic and unpredictable, overall numbers are up by an average of 47 per cent. Millions of Australians are evidently living day-to-day with very little financial safety net, possibly one pay cheque away from being able to put food on the table.

The *Emergency Relief Food Access Service (ERFAS)*³⁰ reports that emergency food relief needs are continuing to increase across Western Australia. March 2021 saw a month-on-month increase of 19 per cent of people accessing emergency relief (and a 126 per cent increase from November), reflecting increased community hardship linked to the progressive winding back of COVID supports. During March 2021, 932 clients and 515 children were assisted and provided with 1,119 emergency relief pathways worth \$62,960 in material support. 6 per cent of these clients (n=56) were employed.

²⁵ Barosh L, Friel S, Engelhardt K, Chan L. (2014) The cost of a healthy and sustainable diet--who can afford it? *Aust N Z J Public Health*, 38(1):7–12.

²⁶ Landrigan, T. J., Kerr, D. A., Dhaliwal, S. S., & Pollard, C. M. (2018) Protocol for the Development of a Food Stress Index to Identify Households Most at Risk of Food Insecurity in Western Australia. *International journal of environmental research and public health*, 16(1), 79. <https://doi.org/10.3390/ijerph16010079>

²⁷ SunCorp, (2020). <https://www.suncorpgroup.com.au/news/news/cost-of-food-trends-australia>

²⁸ Foodbank (2020) Foodbank Hunger Report 2020. Available online: <https://www.foodbank.org.au/wp-content/uploads/2020/10/FB-HR20.pdf>

²⁹ Ibid

³⁰ Emergency Relief and Food Access Service: <https://www.financialcounsellingnetwork.org.au/emergency-relief-and-food/>

For people on low-incomes receiving income support, increases to income via the Coronavirus Supplement have had a significant effect on the daily amount and quality of food consumed. In May 2020, the *Raise The Rate* campaign surveyed 955 people on JobSeeker Payment, Youth Allowance, Parenting Payment, and Austudy, who were receiving the Coronavirus Supplement. Their responses highlighted the positive, tangible benefits of increased income, particularly on people’s ability to cover essential food costs and other vital expenses.

Impact of Increased Income on Consumption of Fruits and Vegetables

Prior to the introduction of the Coronavirus Supplement	After the introduction of the Coronavirus Supplement
60% of people said they do not eat fresh produce	93% reported they could afford more fresh fruit and vegetables; 86% reported they could afford more meat
75% of people said they skipped meals because of a lack of funds	The number of people skipping meals due to a lack of funds dropped by over half, to 33%
20% of people saying they were skipping at least one meal per day	83% reported that they were eating better
66% of people had less than \$14 a day to live on, after paying their rent or mortgage	59% were now able to save up for major household items for better food storage like fridges and freezers

Source: ACOSS and Raise the Rate Campaign (2020)³¹

Increasing the minimum wage and the purchasing power of low-wage working families can help protect households against food insecurity, help low-wage earners afford a more nutritious and sufficient diet, and may help alleviate the growing trend of food insecurity across the state.

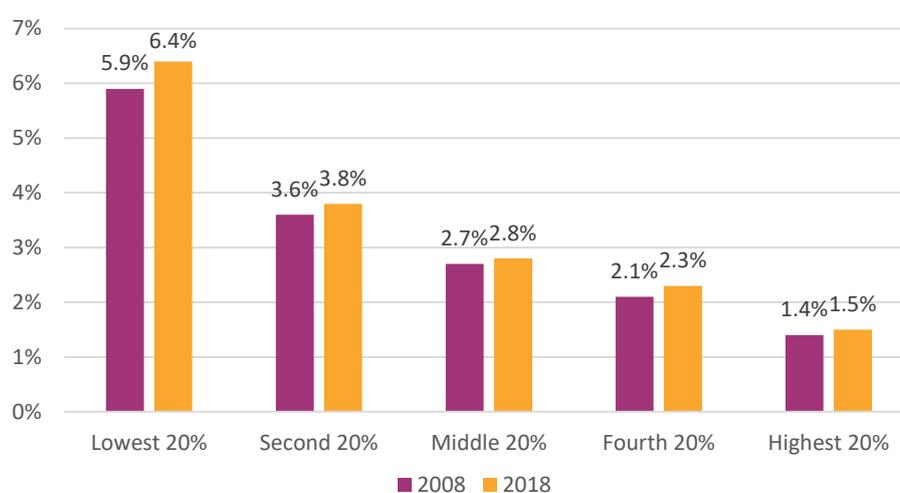
³¹ ACOSS and Raise the Rate Campaign (2020) Survey Of 955 People Receiving The New Rate Of JobSeeker And Other Allowances. Available online: <https://www.acoss.org.au/wp-content/uploads/2020/06/200624-I-Can-Finally-Eat-Fresh-Fruit-And-Vegetables-Results-Of-The-Coronaviru...pdf>

3.3 Energy

Mounting unpaid bills and utility disconnections can have a significant impact on people’s wellbeing, from feelings of shame, the stress of trying to stretch their income as far as possible, and the difficult decisions they have to make as to what to prioritise, such as not eating or not cooling their homes during the heights of summer. It also impacts their ability to access affordable credit in future.

The cost of energy disproportionately impacts households on the lowest incomes, as they spend a higher percentage of their disposable income on energy bills and have little, if any, capacity to absorb additional costs.

Electricity and gas expenditure as a percentage share of income by disposable income quintiles (Australia-wide)



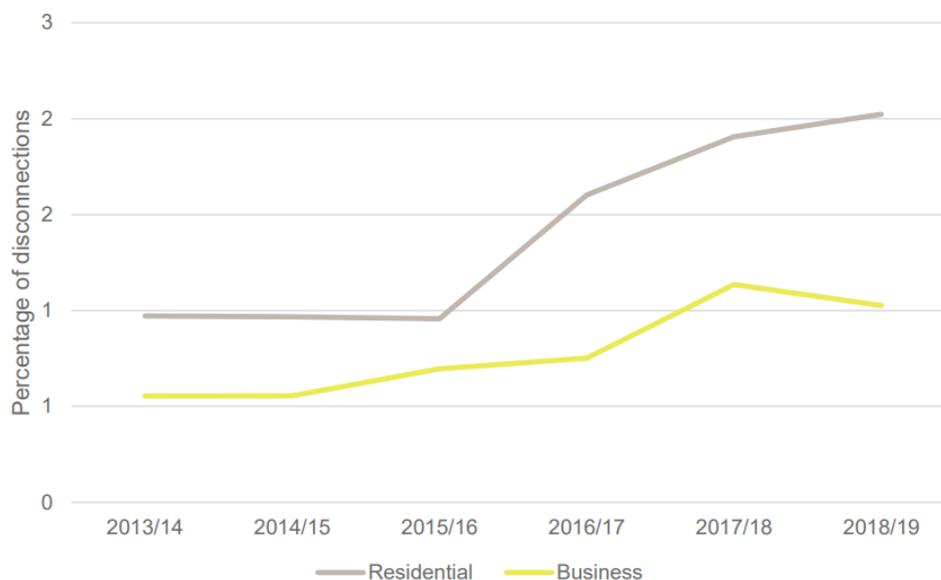
Source: ACOSS and the Brotherhood of St Laurence (2018)

As noted by the *Economic Regulation Authority WA*, disconnection data is a “valuable indicator of how affordable energy is to customers.”³² In March 2020, a disconnection moratorium was put in place by the State Government to assist electricity residential customers experiencing hardship as a result of COVID-19. As a consequence, disconnections for electricity residential customer decreased in 2019/20 for the first time in three years. The disconnection moratorium has now been extended until 30 June 2021. However, during the three years prior to the moratorium, the percentage of electricity disconnections has increased, with 2018/19 seeing it exceed 2.0 per cent for the first time since the *Economic Regulation Authority WA* commenced reporting on electricity retailer performance in 2007.³³

³² Economic Regulation Authority (2020) *Annual Data Report – Energy Retailers 2018/19*

³³ WACOSS (2020) [Cost of Living Report](#)

Percentage of residential and business electricity customer disconnections 2014 to 2019



Source: Economic Regulation Authority WA (2020)

Number and percentage of residential electricity customer disconnections 2014 to 2019

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Number	9,235	9,412	9,774	15,935	19,743	21,212
Percentage	0.97	0.97	0.96	1.60	1.91	2.02

Source: Economic Regulation Authority WA (2020)

Western Australia continued to have the highest residential electricity disconnection rate among the comparable jurisdictions of New South Wales, Victoria and South Australia, with the gap between WA and the next highest widening by 0.7 percentage points in 2018/19.

Residential gas disconnections decreased in 2018/19, though this was solely due to the decrease reported by Alinta Energy. WA continued to have the highest residential gas disconnection percentage across comparable jurisdictions.

The data collected by the *Economic Regulation Authority WA* relating to electricity customers on hardship programs, granted more time to pay and on instalment plans makes clear that the affordability of energy has been a significant challenge in WA.

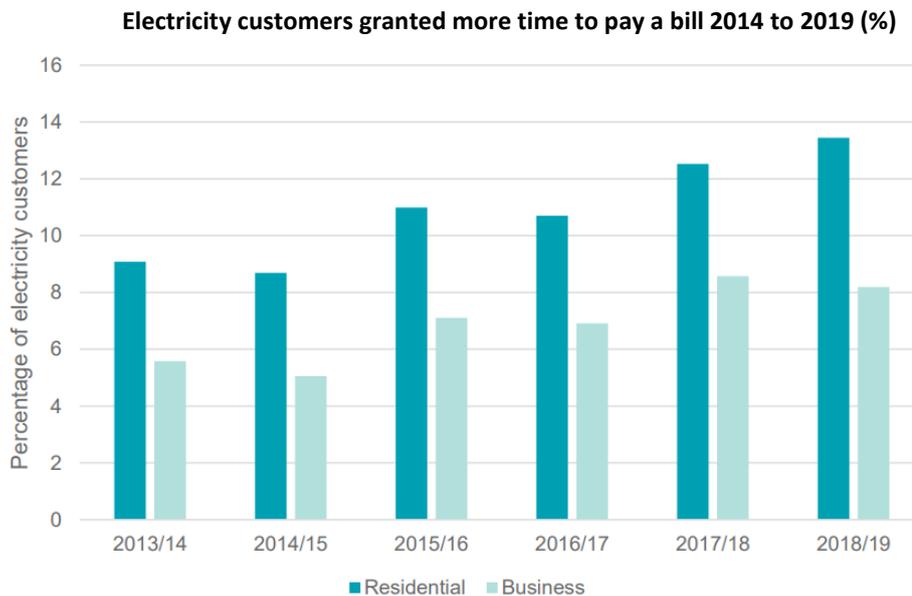
From 2017 to 2019, the total number of electricity customers on a hardship program increased by 60.5 per cent.

Number and percentage of electricity customers on a hardship program at 30 June 2017 to 2019

	2016/17	2017/18	2018/19
Number	21,948	31,552	35,218
Percentage	2.21	3.04	3.36

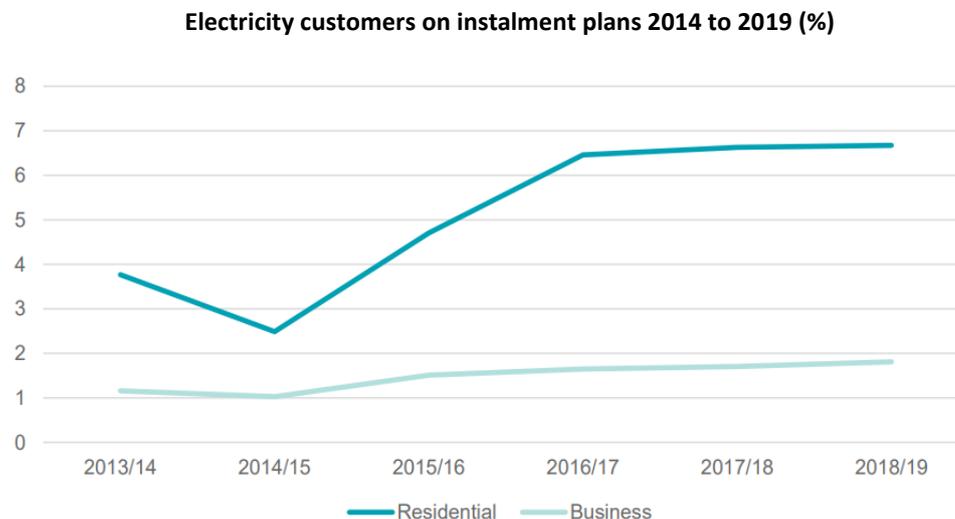
Source: Economic Regulation Authority (2020)

The percentage of residential customers granted more time to pay a bill. In 2018/19 was the highest it had been in the past six years, at 13.4 per cent.



Source: Economic Regulation Authority (2020)

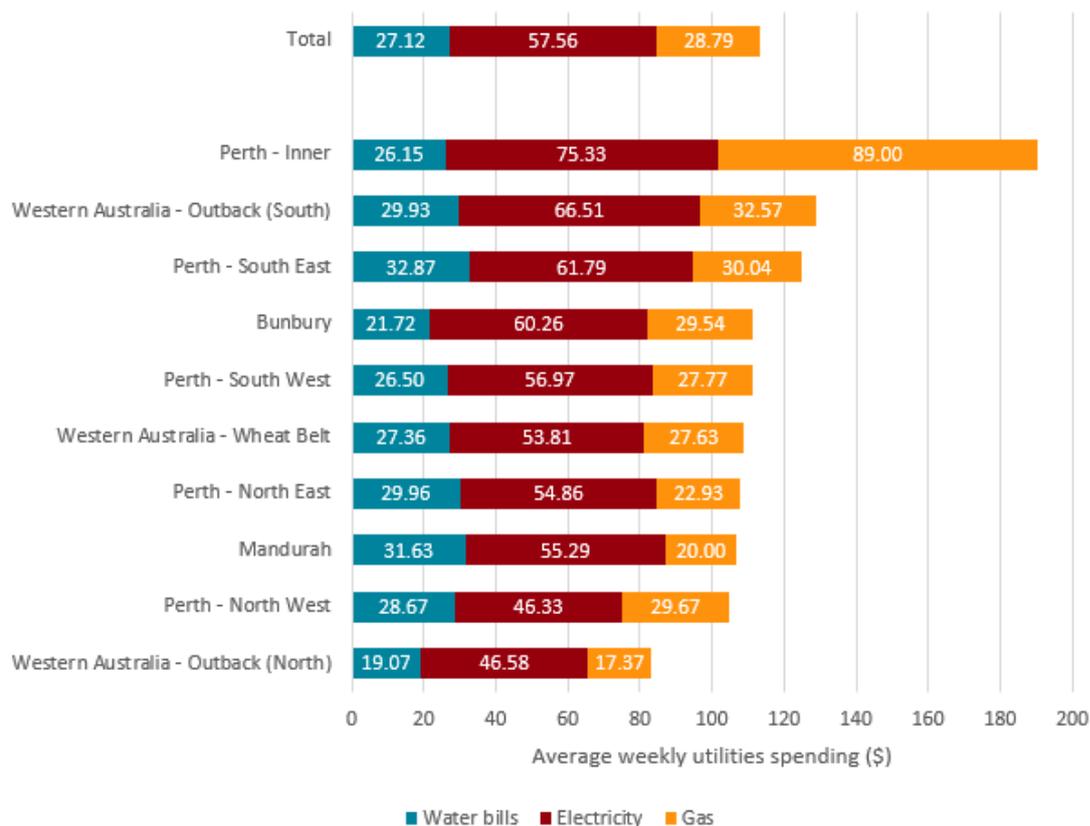
The percentage of residential customers needing to go on instalment plans due to difficulties in paying their energy bills in 2018/19 was also the highest reported in the past six years, at 6.7 per cent.



Source: Economic Regulation Authority WA (2020)

Analysing data for clients seeking support from the *Financial Counselling Network of WA* in 2019, we were able to see that the average household in financial debt was spending around \$113 per week on utilities, of which on average \$58 is electricity, \$27 is water and \$29 is gas. Households were spending slightly more on utilities on average in Outback South (\$129) and Perth South-East (\$125), and slightly less in Outback North (\$83) and Perth North West (\$105).

Breakdown of weekly spending on utilities for financial counselling clients by location



Source: Financial Counselling Network of WA (2019)

One of the earliest actions taken by the Western Australian Government to provide economic assistance for households as the scale of the COVID-19 pandemic began to become apparent, was to announce a \$305 boost to the Energy Assistance Payment, effectively doubling its value. At the same time, the WA Government announced a freeze on all State household fees and charges, including electricity, water, motor vehicle charges, the emergency services levy and public transport fares.³⁴ This freeze followed a decision in the previous State Budget to hold increases to household fees and charges at 2 per cent, the lowest increase in 13 years.

Two weeks later, the State Government unveiled further support for households, including bringing forward the boost payments to the then current financial year, rather than being paid from 1 July 2020, and a moratorium on electricity disconnections or water restrictions for people experiencing

³⁴ Hon Mark McGowan MLA, Hon Ben Wyatt MLA (2020) '[COVID-19 economic response: Relief for businesses and households](#)', *Media Statements*, Government of Western Australia

financial hardship. It was also announced that no interest would be charged on deferred bill payments for Synergy and Horizon Power customers.³⁵

From 1 November 2020, all WA households also received a one-off \$600 credit on their residential electricity bill, funded from the Bell Group settlement.³⁶ The impact of this credit on the electricity bills of households will show in the modelling undertaken for next year's WACOSS Cost of Living Report.

Importantly, we are now at a point where most households will have used up that \$600 credit, and some energy retailers have recommenced disconnecting customers. Without that credit and support, households are once again having to grapple with the unaffordability of energy that had resulted in Western Australia having the highest disconnection rate in the nation. As such, a rise in the minimum wage is essential so that those on low incomes are able to cover their power bills and maintain their living standards.

³⁵ Hon Mark McGowan MLA, Hon Ben Wyatt MLA (2020) ['\\$1 billion COVID-19 economic and health relief package unveiled'](#), *Media Statements*, Government of Western Australia

³⁶ Hon Mark McGowan MLA, Hon Ben Wyatt MLA, Hon Bill Johnston MLA (2020) ['Every WA household to receive a \\$600 electricity bill credit'](#), *Media Statements*, Government of Western Australia

3.4 Costs in the Regions

It is important when considering the adequacy of the minimum wage that differences in the cost of living for regional areas is taken into account, particularly in the north of the state.

Limitations of the data on detailed household expenditure patterns in the *ABS Household Expenditure Survey* mean there is insufficient detail to confidently extend the WACOSS Cost of Living household models to individual regions within WA. While the data below accurately reflects the differences in *costs* of essential items, we recognise that low income households living in these regions will, where possible, change their *actual* expenditure patterns to compensate, so they can balance their weekly budget.

Analysis of rental costs for the four model households based on *REIWA market data* is included in the table below. It is important to note that availability can become an even more critical factor in regional areas with smaller housing markets and a more limited range of choice. While our analysis reflects the projected costs for the type of appropriate housing assumed in the four models, real households may not be able to secure appropriate housing at that rate in some regional centres, and hence would be forced to compromise on either the appropriate dwelling size for their household composition, or on its affordability.

Weekly Expenditure across the Regions - RENT										
	Perth	Gascoyne	Goldfields Esperance	Great Southern	Kimberley	Mid West	Peel	Pilbara	South West	Wheat -belt
Single parent & Age pensioners	\$283.68	\$163.63	\$251.81	\$248.20	\$308.76	\$164.26	\$230.56	\$330.44	\$250.75	\$228.65
Two parent family	\$313.44	\$250.75	\$311.31	\$299.20	\$475.58	\$248.20	\$270.09	\$515.95	\$292.19	\$233.33
Unemployed person (1/3 rd share)	\$104.48	\$83.58	\$103.77	\$99.73	\$158.53	\$82.73	\$90.03	\$171.98	\$97.40	\$77.78

Source: Calculations based on REIWA market data

The Mid West is the most affordable region to rent in for the single parent and age pensioner model households, with rental costs for units lower by \$118.42 per week for those household types than in Perth. The Wheatbelt is slightly more affordable than the Mid West for the working family and unemployed person, as a result of slightly lower median rental costs for houses in the region, but higher costs for renting units.

The Pilbara is the most expensive region for the single parent and age pensioner model households, spending \$46.76 more each week than their equivalents in Perth. The Pilbara is also the most expensive region for the working family and unemployed single models to rent in, followed by the Kimberley.

Weekly Difference from 2018/19 across the Regions - RENT										
	Perth	Gascoyne	Goldfields Esperance	Great Southern	Kimberley	Mid West	Peel	Pilbara	South West	Wheat-belt
Single parent & Age pensioners	\$4.24 1.52%	-\$13.38 -7.56%	\$1.06 0.42%	-\$1.06 -0.43%	-\$3.62 -1.16%	\$1.70 1.05%	-\$9.14 -3.81%	-\$1.70 -0.51%	\$6.37 2.61%	\$35.13 18.15%
Working family	\$7.44 2.43%	-\$17.64 -6.57%	\$11.05 3.68%	\$3.19 1.08%	\$4.89 1.04%	\$4.67 1.92%	-\$0.42 -0.16%	\$55.25 11.99%	\$13.81 4.96%	-\$8.50 -3.51%
Unemployed person	\$2.48 2.43%	-\$5.88 -6.57%	\$3.68 3.68%	\$1.06 1.07%	\$1.63 1.04%	\$1.55 1.91%	-\$0.14 -0.16%	\$18.41 11.99%	\$4.61 4.97%	-\$2.83 -3.51%

Source: Calculations based on REIWA market data

The cost of renting a house in the Pilbara spiked during 2019/20, though unit rental costs remained relatively stable. Conversely, advertised rents for units in the Wheatbelt increased dramatically, while those for houses dropped slightly. The South West also saw substantial increases in rental costs across the board, though rents remain lower than they are in the Perth metropolitan area. The Gascoyne was the only region that appeared to see any substantial decrease in rental costs during the financial year.

Weekly Expenditure across the Regions – FOOD AND BEVERAGES										
	Perth	Gascoyne	Goldfields Esperance	Great Southern	Kimberley	Mid West	Peel	Pilbara	South West	Wheat-belt
Single parent	\$216.50	\$227.11	\$227.54	\$210.00	\$242.69	\$226.67	\$215.42	\$229.70	\$217.80	\$215.42
Two parent family	\$312.28	\$327.58	\$328.21	\$302.91	\$350.07	\$326.96	\$310.72	\$331.33	\$314.15	\$310.72
Unemployed person	\$95.78	\$100.48	\$100.67	\$92.91	\$107.37	\$100.28	\$95.30	\$101.62	\$96.36	\$95.30
Age pensioners	\$191.56	\$200.95	\$201.33	\$185.82	\$214.74	\$200.57	\$190.61	\$203.25	\$192.71	\$190.61

Source: Calculations based on ABS 2015/16 HES, 2020 CPI and 2019 RPI data

The cost of food and beverages is the highest in the Kimberley, followed closely by the Pilbara. Food prices in Peel, the Wheatbelt, the Southwest and Great Southern regions are all comparable to Perth metropolitan prices. Food prices in the Mid West and Gascoyne are slightly higher, but still lower than in the Kimberley and Pilbara.

Weekly Expenditure across Network Areas - ELECTRICITY					
	SWIS	Gascoyne/ Mid West	Goldfields Esperance	Kimberley	Pilbara
Single parent	\$15.27	\$17.70	\$12.60	\$36.69	\$40.68
Working family	\$33.63	\$36.50	\$30.49	\$58.84	\$63.53
Unemployed person	\$8.98	\$9.94	\$7.94	\$17.39	\$18.95
Age pensioners	\$23.00	\$25.43	\$20.33	\$44.42	\$48.41

Source: Calculations based on usage data supplied by Horizon Power.

All model households are paying substantially more for electricity in the Pilbara and the Kimberley than those in the Southwest Interconnected System (Perth, Peel, Southwest and Great Southern). Model households in the Gascoyne/Mid West are spending slightly more than those in the SWIS, with the electricity expenditure of model Goldfields/Esperance households noticeably lower.

As the Uniform Tariff Policy means that Horizon Power customers are charged for electricity at the same rate as Synergy customers, these divergences are the result of different levels of energy consumption. Climatic conditions outside of the SWIS have a significant impact on the amount of energy required to maintain temperatures in homes at a liveable and comfortable level.

The high level of energy consumption and the resultant size of the bills, combined with their seasonal and intermittent nature, mean that low-income households in regional areas can be at substantial risk of bill shock, with the likelihood of falling into utility debt even higher during the peak summer period.

Weekly Expenditure across the Regions – WATER

	Perth	Gascoyne	Goldfields Esperance	Great Southern	Kimberley	Mid West	Peel	Pilbara	South West	Wheat-belt
Single parent	\$7.78	\$9.64	\$8.93	\$5.40	\$13.48	\$8.38	\$7.35	\$13.64	\$8.06	\$7.86
Working family	\$9.46	\$11.34	\$10.81	\$6.66	\$16.57	\$10.16	\$8.95	\$16.76	\$9.79	\$9.55
Unemployed person	\$3.15	\$3.78	\$3.60	\$2.22	\$5.52	\$3.39	\$2.98	\$5.59	\$3.26	\$3.18
Age pensioners	\$3.89	\$4.82	\$4.47	\$2.70	\$6.74	\$4.19	\$3.67	\$6.82	\$4.03	\$3.93

Source: Calculations based on average regional residential usage data supplied by the Water Corporation

Households in the Great Southern Region are on average spending the least on water, followed by those in the Peel and Wheatbelt regions. Tariff cap policies mean that up to the first 300kL in 'country south' and 500kL in 'country north', residential water consumption charges are no more than metropolitan charges, after which the charges reflect the cost of providing services in the different country schemes. The lower water expenditure in those regions is thus a direct result of lower consumption.

Pilbara households are spending the most on water. For example, our working family are paying on average 74 per cent more per week or an extra \$7.30 per week. In 2018/19, Kimberley households were spending the most on average, but a drop in water usage has relegated them to second highest spot this year.

3.5 Financial Stress and Hardship

The economic impacts of COVID-19 have impacted a significant proportion of Australian households financially. These impacts include job losses, reductions in working hours, having to close their businesses, or lower returns on investments affecting the incomes of self-funded retirees. Subsequently, there are significant levels of concern among Australians about their current and future financial wellbeing.

The ABS Household Impacts of COVID-19 Survey is a longitudinal survey that collects information from the same panel of households each month. The January 2021 release of Household Impacts of COVID-19 Survey³⁷ collected information on household financial stresses and actions taken in response. One in six (16 per cent) Australians reported their household took one or more financial actions to support basic living expenses in January 2021.

Of the Australians that took a financial action to support basic living expenses:

- 9 per cent drew on accumulated savings or term deposits
- 4 per cent sold household goods or jewellery
- 3 per cent increased the balance owing on their credit card by \$1,000 or more.

In addition, 8 per cent of Australians reported their household was unable to pay one or more selected bills on time over the last three months.

Preliminary data from the *2020-21 ABS Survey of Income and Housing (SIH)* on the June 2020 quarter demonstrates that financial stress increased for households with employment earnings as their main source of income. The proportion experiencing at least one indicator of financial stress rose to 37 per cent in the June 2020 quarter, up from 31 per cent in the previous three quarters.³⁸

Household markers of financial stress during this period included:

- Being unable to raise \$2,000 within a week for an emergency (from 16 per cent to 20 per cent).
- Seeking financial help from friends or family (from 11 per cent to 14 per cent).
- Seeking assistance from welfare or community organisations (from 2 per cent to 4 per cent).

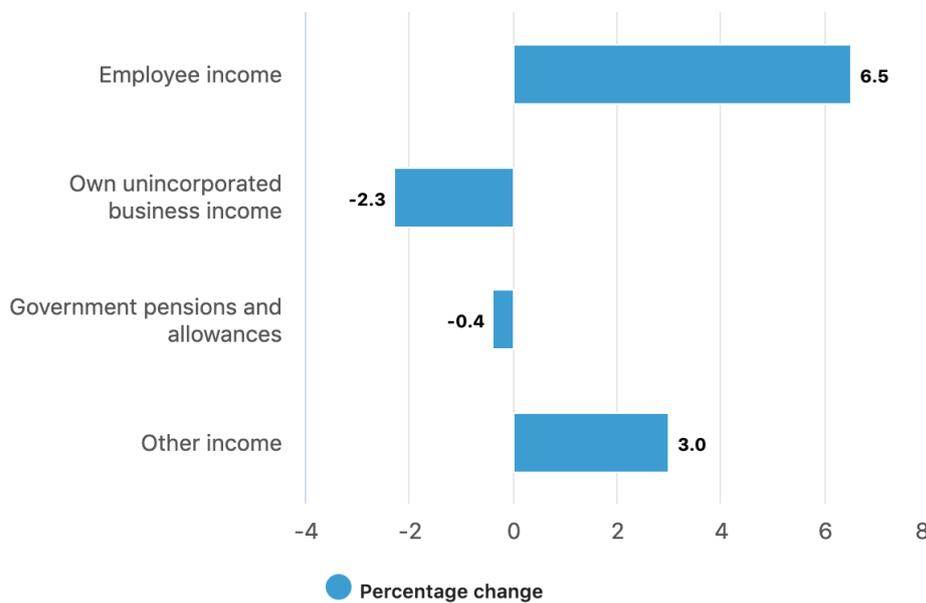
More households with employment income drew down on savings or term deposits (from 8 per cent to 11 per cent), and increased the balance owing on credit cards by \$1,000 or more (from 4 per cent to 7 per cent).³⁹

³⁷ ABS (2021) Household Impacts of COVID-19 Survey, Reference Period: January 2021. Available online: <https://www.abs.gov.au/statistics/people/people-and-communities/household-impacts-covid-19-survey/jan-2021>

³⁸ ABS (2020) Household financial resources, Reference Period: June 2020. Available online: <https://www.abs.gov.au/statistics/economy/finance/household-financial-resources/jun-2020>

³⁹ Ibid.

**Percentage point change in experience of at least one
financial stress indicator, main source of household income,
June quarter 2020(a)**



Change since previous three quarters.

Source: Australian Bureau of Statistics, Household financial resources June 2020

This trend reversed for the September 2020 quarter, where fewer households experienced at least one indicator of financial stress (32 per cent), potentially reflecting the positive financial impact of the introduction of the Federal Government’s JobKeeper wage subsidy payment and Coronavirus Supplement to JobSeeker.

AMP’s 2020 Financial Wellness Report provides a longer-term analysis of the impact of financial stress on Australian workers.⁴⁰ The findings are based on a survey of more than 2,100 Australians, conducted between June and July 2020, are weighted using ABS data to reflect Australia’s broader workforce. The report detailed how severe and moderate levels of financial stress are impacting 1.8 million Australian workers, with nearly half feeling financially stressed for an average of six and a half years or more.⁴¹ The research, which has been conducted by AMP biannually since 2014, further suggests that the gap between the financially well and those stressed is getting wider over time.

Women are experiencing rates of financial stress at almost double that to men, with approximately *one in five* female employees reporting severe or moderate levels of financial stress, compared to 11 per cent of male employees. Younger women are particularly at risk, with 23 per cent of those aged 18 to 34 reporting severe or moderate levels of financial stress this year - almost three times the number of male employees (eight per cent) in the same age group. 26 per cent of workers in the hospitality industry reported being severely or moderately stressed, with retail the second most

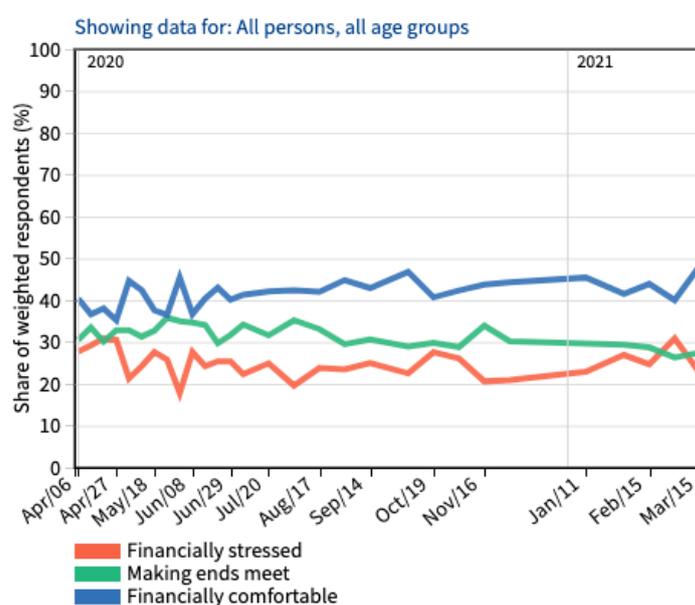
⁴⁰ AMP (2020) [1.8 million Australian workers suffering prolonged financial stress, costing \\$31 billion in lost productivity](#)

⁴¹ *Ibid.*

affected industry at 23 per cent.⁴² These are industries with higher rates of casualization and a greater dependence on minimum wage conditions.

The 'Taking the Pulse of the Nation' survey conducted by the Melbourne Institute, surveys Australians every week to capture information about their financial position and their experiences dealing with the COVID-19 pandemic. The latest survey results, Wave 29 (15-20 March, 2021) and Wave 30 (5-10 April, 2021), reveal that the proportions of people experiencing financial stress and mental distress are still high, with about *one in three* Australians still reporting being in financial stress and are having difficulties paying for essential goods and services. A similar number of respondents responded that they were 'making ends meet'.⁴³

How would you describe your current financial conditions in terms of paying for essential goods and services? Taking the Pulse of the Nation Survey



Source: Melbourne Institute (2021) Taking the Pulse of the Nation Tracker.

When people have limited means or resources to help them alleviate their financial crisis are experiencing financial distress or hardship they may turn to emergency relief services for material services, information and referrals. WACOSS operates a free online directory of community service providers for people looking for emergency relief and assistance, called *WAConnect*. The directory allows us to track real time search results of emergency and community relief providers, including food relief, financial counsellors, emergency accommodation and other services as well as searchers by individuals in hardship seeking assistance.⁴⁴

From 1 January 2021 to 31 March 2021, the directory saw 64,500 searches for services, with 80 per cent of the people that accessed the platform over that period having never used *WAConnect*

⁴² *Ibid.*

⁴³ Melbourne Institute (2021) Taking the Pulse of the Nation Survey, 2021 Survey Results: Wave 29 (15-20 March) and Wave 30 (5-10 April), Available online: https://melbourneinstitute.unimelb.edu.au/_data/assets/pdf_file/0005/3773975/Taking-the-Pulse-of-the-Nation-15-20-March-and-5-10-April.pdf

⁴⁴ <https://waconnect.org.au/>

before. The most searched for services included: help with food (30 per cent), overdue bills assistance (5 per cent), help with accommodation (4 per cent), financial assistance (4 per cent) and rent assistance (4 per cent). Nearly half of all searches on WACconnect were made by new users seeking help with food, overdue bills assistance, rent and financial assistance.

The number of people accessing the platform increased by 10 per cent from the same period in 2020, with the number of visits increasing by 9.5 per cent. Increased demand for services is indicative of a growing number of Western Australians requiring assistance with immediate basic needs.

A 4 per cent increase to the level of the state minimum wage is necessary to ensure low income workers are able to meet their living costs and to prevent these workers from experiencing financial stress and hardship.

4.0 Inequality and Poverty

4.1 Relative Poverty

Relative poverty is a useful concept for demonstrating the percentage of the population lacking the income or resources required to participate in the lifestyle and consumption patterns enjoyed by others across Australian society.

The Fair Work Commission's Expert Panel said in its 2019-20 Decision:

“Assessing the needs of the low paid involves analysing the extent to which low-paid workers are able to purchase the essential items necessary for achieving a decent standard of living for them and their families, and to allow them to participate in community life, assessed against contemporary norms. The risk of poverty is also relevant in addressing the needs of the low paid. Consistent with previous Review decisions, we accept that if the low paid live in poverty then their needs are not being met. In measuring poverty we continue to rely on poverty lines based on a threshold of 60 per cent of median equivalised household disposable income and that those in fulltime employment can reasonably expect to earn wages above a harsher measure of poverty.”⁴⁵

The *Poverty in Australia 2020* report⁴⁶, published by the Australian Council of Social Service (ACOSS) in partnership with the University of New South Wales, indicates that poverty was increasing among wage-earning households prior to COVID-19. Utilising data derived from the *ABS 2017-18 Survey of Income and Wealth*, the report includes estimates of poverty among people in households where wages were the main source of income. The report provides an analysis of poverty based on two thresholds; 50 per cent and 60 per cent of median equivalised household disposable income, after housing costs. Analysis primarily focused on those living on after-tax household incomes below 50 per cent of the median level, suggesting that key poverty rate findings would be higher when using the 60 per cent threshold (as demonstrated in the table below).

Key findings of the report include:

- The poverty rate for people in households whose reference person has earnings from fulltime employment has increased, from 4 per cent in 2009 to 6 per cent in 2017
- The poverty rate among households with children whose reference person is employed fulltime is significantly higher, at 10 per cent in sole parent families and 7 per cent among couples with children
- Households relying on a single part-time wage are more than twice as likely as those relying on a fulltime wage to be in poverty
- Among households with children whose reference person is employed part time, the rate of poverty is 11 per cent in sole parent families and 20 per cent among couples with children
- Families on low wages with children to support are among the largest groups in poverty

⁴⁵ Fair Work Commission (2020), *Annual Wage Review 2019-20 decision*, page 85. <https://www.fwc.gov.au/awards-agreements/minimum-wages-conditions/annual-wage-reviews/annual-wage-review-2019-20>

⁴⁶ ACOSS and UNSW Sydney (2020) *Poverty in Australia 2020: Part 2 - Who is affected?* http://povertyandinequality.acoss.org.au/wp-content/uploads/2020/05/Poverty-in-Australia-2020-Part-2---Who-is-affected_Final.pdf

Since minimum wages are above the poverty lines for a single adult, assuming a full-time working week, those in households with a reference person employed fulltime living below the poverty line are likely to rely on a single wage to support a partner and/or children, or to be paid below the minimum wage. The report therefore suggests that the costs of children dramatically change the adequacy of people’s wages in protecting families from poverty. In such cases, fulltime wages together with Family Tax Benefits, are insufficient to lift families with children out of poverty.

Profile of poverty - percentages and numbers of people below poverty lines after housing costs by labour force status (2017-2018)

Labour force status	Percentage of all people below poverty lines		Number of people below poverty lines, excl. self-employed	
	50% of median	60% of median	50% of median	60% of median
Employed full time	24.4	26.2	655 000	1 091 000
- Single with children	6.1	5.8	40 000	63 000
- Couple with children	72.1	74.4	473 000	812 000
- Other	21.7	19.8	142 000	216 000
Employed part time	13.9	15.3	375 000	637 000
- Single with children	9.3	15.7	35 000	100 000
- Couple with children	50.5	41.2	189 000	262 000
- Other	40.2	43.1	151 000	275 000
Employed	38.3	41.6	1 030 000	1 728 000
Unemployed	8.0	5.9	215 000	247 000
Not in labour force, under 65 years	18.7	24.2	941 000	1 179 000
Not in labour force, 65 years+	35.0	28.3	503 000	1 005 000
All people in poverty	100.0	100.0	2 689 000	4 158 000

Source: ACOSS and UNSW Sydney (2020) Poverty in Australia 2020: Part 2 - Who is affected?

Lived Experience of Poverty

In the Western Australian context, the *100 Families WA* research project provides evidence of how it is possible for families to remain in entrenched disadvantage when a family member may be working fulltime. *100 Families WA* is an in-depth study of entrenched disadvantage in Western Australia utilising a unique combination of longitudinal quantitative and qualitative data. Baseline surveys with 400 family representatives identified by service delivery agencies as experiencing entrenched disadvantage took place between November 2018 and April 2019. The baseline survey examined a number of key domains including: demographics, family and household composition, income, employment status, material deprivation and wellbeing and quality of life, among others.

One in twenty (5.5 per cent) family members reported that they were, at the time of survey, working in a job of 35 hours or more per week. The report states:

“In terms of explaining why 5.5% of family members are experiencing entrenched disadvantage while working full-time, it may be that those with full-time employment have only recently attained it and are thus beginning a pathway out of disadvantage, it may be

that their hours were temporarily high at the time of survey, or it may be that the level of income they are receiving is simply too low to support their family, despite working full-time.”⁴⁷

While there are a multitude of reasons why someone working full-time could slip below the poverty line (high housing costs, supporting children on a single-income etc.), the fact that more than a million Australians employed fulltime are still in poverty⁴⁸ might indicate that the minimum wage is currently not enough. Recent data detailing the increase in secondary employment corroborates this. Pre-COVID, around 2.1 million Australians had more than one job, and this rate has been increasing over time.⁴⁹ While most single job holders work close to a standard working week (between 35-40 hours), the Productivity Commission estimates multiple job holders are almost twice as likely to work 50 or more hours a week⁵⁰ in an attempt to hedge against insecure work arrangements and income volatility. Stagnant wage growth coupled with increasing costs of living are also likely to be driving the increase in the number of Australians who rely on multiple jobs to cover living expenses.⁵¹

4.2 The Impacts of Poverty on Children

When families are experiencing sustained poverty or financial disadvantage, children are more likely to experience a number of adverse outcomes, which can have lifelong impacts. According to recent research by the Bankwest Curtin Economic Centre (BCEC),⁵² the absence of adequate income and economic resources within a household can impact a child’s development and yield significant differences in child outcomes across various domains, including mental health, language development and early learning. The impacts of child poverty persist once formal schooling commences, meaning children growing up in poverty are less likely to achieve the educational outcomes (and in turn employment outcomes) that then limit their overall life outcomes, passing on disadvantage to the next generation.

The BCEC report *The Early Years: Investing in Our Future, Focus on Western Australia*, shows that families with children under the age of five are more likely to be living in poverty compared to other families, and that this trend has been increasing over the last decade.

⁴⁷ 100 Families WA (2020) *Baseline Report*. <https://100familieswa.org.au/resources/100-families-wa-baseline-report>

⁴⁸ ACOSS and UNSW Sydney (2020) *Poverty in Australia 2020: Part 2 - Who is affected?* http://povertyandinequality.acoss.org.au/wp-content/uploads/2020/05/Poverty-in-Australia-2020-Part-2---Who-is-affected_Final.pdf

⁴⁹ McKelle Institute (2020) [Many jobs, little support: Multiple Jobholders and the COVID-19 recession](#)

⁵⁰ Abhayaratna, J., Andrews, L., Nuch, H. and Podbury, T. (2008), *Part Time Employment: the Australian Experience*, Staff Working Paper, Productivity Commission.

⁵¹ ABC (2019). [Low wages are forcing Australians into insecure work, multiple jobs, ACTU says](#)

⁵² Cassells R., Dockery M., Duncan A., Kiely D., Kirkness, M., Twomey C., Nguyen T., and Seymour, R., (2020) *The Early Years: Investing in Our Future, Focus on Western Australia Report Series, No. 13, August 2020.* <https://bcec.edu.au/publications/the-early-years-investing-in-our-future/>

Relative adult and child poverty rates, WA and Australia: 2003-04 to 2017-18

WESTERN AUSTRALIA - Relative poverty rates (%) Assessed at 50% of median equivalised AHC income								
	2003-04	2005-06	2007-08	2009-10	2011-12	2013-14	2015-16	2017-18
Adults	9.6	10.9	11.8	12.0	10.8	9.1	11.9	12.1
Children	11.4	10.4	13.5	15.6	12.0	12.4	16.0	14.9
Children under 5	18.9	13.1	20.5	18.7	15.8	16.5	22.5	20.7
People	10.1	10.7	12.2	12.9	11.1	9.9	12.9	12.9

Child and adult poverty counts, WA and Australia: 2003-04 to 2017-18

WESTERN AUSTRALIA - Relative poverty rates (%) Assessed at 50% of median equivalised AHC income								
	2003-04	2005-06	2007-08	2009-10	2011-12	2013-14	2015-16	2017-18
Adults	137,600	157,900	181,500	195,900	187,500	164,200	219,300	222,400
Children	56,000	50,900	67,600	84,300	67,800	73,800	99,300	94,000
Children under 5	22,700	15,000	25,900	25,800	23,300	25,400	35,300	33,000
People	193,600	208,800	249,100	280,200	255,300	238,000	318,600	316,400

Source: BCEC (2020)

As the table above shows, currently more than one in five children under the age of five in Western Australia are living in poverty. According to the report,

“The growth in child poverty in Western Australia looks to have been driven by a combination of high housing costs, greater costs of childcare and falling real after-housing costs income.”⁵³

At the family level, the risk of poverty depends on employment stability and the quality of the job held by one and/or both parents. The increase in parental precarious employment, particularly among female-headed sole-parent households, may affect their ability to support healthy child development. While addressing child poverty requires a suite of policy levers that address the nature of prevailing employment, social security and welfare conditions, increasing the minimum wage may help alleviate the impact of precarious employment on workers and families’ material living conditions.

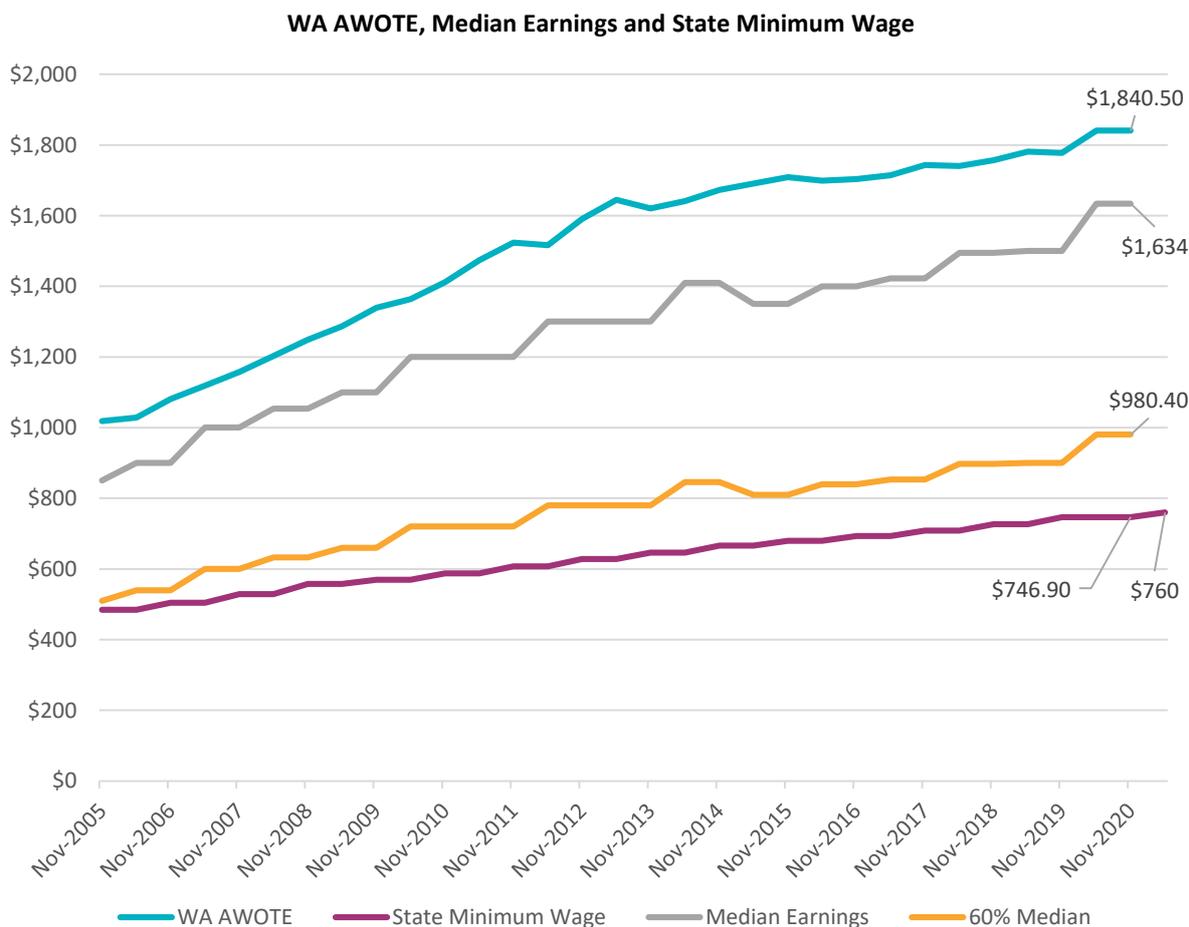
An increase to the state minimum wage would be an important step towards enabling those in low-income households to improve their financial resilience, enabling them to respond more effectively to changing employment and financial circumstances. A lack of resilience and a concomitant increase in financial hardship means both an increase in reliance on financial counselling and emergency relief services (who are already reporting high levels of unmet need), and a reduction in labour market responsiveness – both of which impact adversely on the strength of our economy and the well-being of low paid workers and their families.

⁵³ *Ibid*, page 141.

4.3 Income Inequality

Income inequality has a significant negative impact on society, both socially and economically, being linked not only to the undermining of community cohesiveness, but also to having a statistically significant adverse effect on economic growth.⁵⁴

The growth in the gap between the state minimum wage rates and median pay levels has contributed to income inequality in Western Australia. The delay to the adjustment to the state minimum wage across 2020/2021 means that comparisons must be made between the WA Average Weekly Ordinary Time Earnings (AWOTE) measured in November 2020 and the state minimum wage applied in February 2021 and may not account for changes to the AWOTE during this period. As of February 2021, the minimum wage was only 41.3 per cent of the November 2020 WA AWOTE figure. In November 2005, the minimum wage was 47.6 per cent of the WA AWOTE. In comparison, the National Minimum Wage comprises 44 per cent of Australia-wide seasonally adjusted average weekly earnings as of November 2020.



Source: ABS 6302.0, 6333.0, and WA Department of Commerce

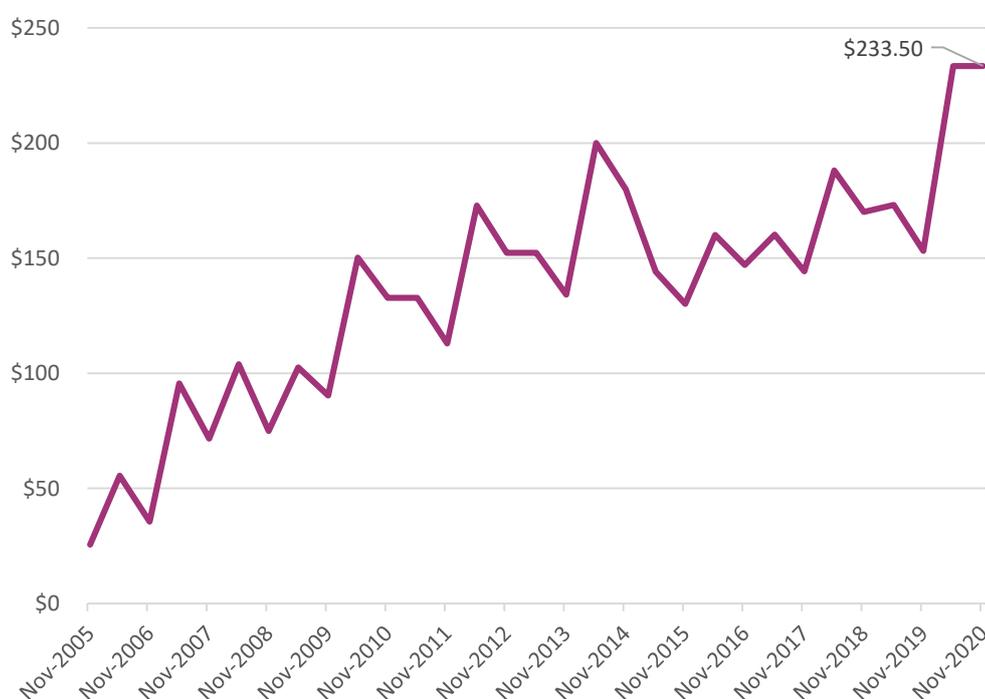
⁵⁴ OECD (2015) 'The Impact of Income Inequality on Economic Growth', In It Together: Why Less Inequality Benefits All, OECD Publishing, <http://dx.doi.org/10.1787/9789264235120-en>

The Fair Work Commission’s Expert Panel has consistently adopted:

“A threshold of two-thirds of median adult full-time ordinary earnings is the benchmark we use to identify who is ‘low paid’.”⁵⁵

The SMW has not kept pace with relative poverty thresholds such as 60 per cent of the median, with the gap increasing over recent years. It is evident from the figure below that there is a significant nominal dollar gap between the SMW and the poverty line based on a threshold of 60 per cent of median. The SMW is currently \$220.40 below the 60 per cent of median earnings poverty line for November 2020. Minimum wages have fallen sharply as a proportion of both average and median full-time earnings over the past 15 years. This growing gap between the state minimum wage rates and median pay levels attests to increasing income inequality in Western Australia.

Dollar gap between SMW and 60% of median earnings



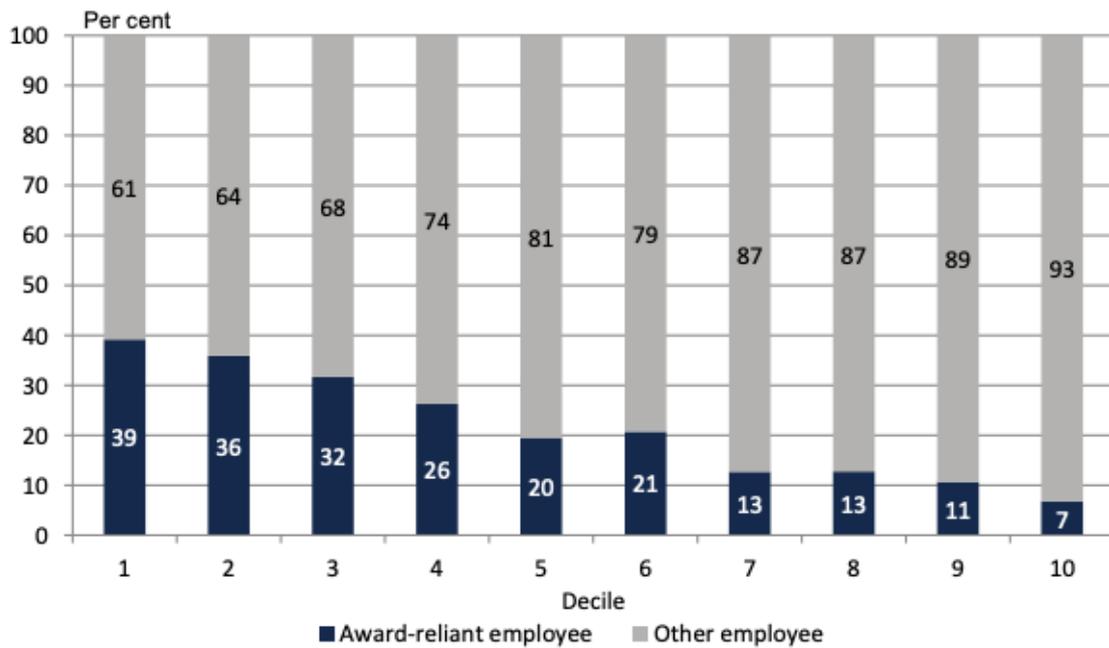
Source: ABS 6333.0 and WA Department of Commerce

Minimum wages (including wages specified through the modern awards) are disproportionately important to the total incomes of low-income households. Jimenez and Rozenbes (2017) found that “... award reliant employees [are] more likely to be located across the bottom half of the household income distribution, and especially across the bottom three income deciles than across higher deciles.”⁵⁶

⁵⁵ Fair Work Commission (2020), *Annual Wage Review 2019-20 decision*, page 85. <https://www.fwc.gov.au/awards-agreements/minimum-wages-conditions/annual-wage-reviews/annual-wage-review-2019-20>

⁵⁶ Jimenez, C. and Rozenbes, D. (2017) Award-reliant workers in the household income distribution, MWRG Research Report 1/2017, February, Fair Work Commission, Australia. <https://www.fwc.gov.au/documents/sites/wagereview2017/research/awardhousehold.pdf>

Household income deciles by award reliance



Source: Jiminez and Rozenbez (2017)

Examining characteristics relating to the household, Jiminez and Rozenbes (2017) showed that the majority of award-reliant primary earners and secondary earners were also located in the bottom half of the household income distribution. Further, primary earners, in couples or as lone persons, were relatively more likely to be located in lower income households than secondary earners. Award-reliant employees with dependent children were also relatively more likely to be located in the bottom half of the household income distribution than award-reliant employees without dependent children. An increase to the minimum wage would therefore lift the incomes of lower income households, contributing to greater income equality.

The positive link between the level of the minimum wage (as a ratio of the median wage) and income equality is supported by existing empirical literature and confirmed by new analysis of country-level data. For example, Joe and Moon (2020) investigate the impact of the effective minimum wage, defined as the log difference between the minimum and the median wages, on wage inequalities across OECD countries.⁵⁷ They demonstrate that minimum wage increases alleviate the wage inequality at the lower end of the wage distribution. The magnitude of this effect is larger for women than for men, implying that minimum wage increases can help reduce the gender wage gap (as further detailed in the subsequent section). This last observation can be explained by the fact that there are more female workers than male workers who are award reliant (across Australia, this is 56 per cent – 44 per cent respectively).

While the absolute level of Australia’s minimum wage is still among the higher of the OECD countries, the erosion of the *minimum wage bite* (that is, the ratio of minimum wages to overall labour compensation as best measured by the median wage) in Australia has been among the most dramatic of any country. Analysis by MacKenzie (2018) compares minimum wages across countries

⁵⁷ Joe, D., & Moon, S. (2020). Minimum wages and wage inequality in the OECD countries *. *East Asian Economic Review*, 24(3), 253-273. doi:http://dx.doi.org.ezproxy.library.sydney.edu.au/10.11644/KIEP.EAER.2020.24.3.379

by considering their ‘bite’. According to her analysis, Australia’s minimum wage as a fraction of median wage was for a long time the highest in the OECD, but has declined over the last four decades at the same time that minimum wage bites in most other OECD countries have risen.⁵⁸

In 2002 Australia ranked third among OECD countries according to the minimum wage bite, but by 2019 ranked 12th (out of 29 OECD countries with minimum wages). Australia has therefore been drifting down towards the middle of the range of OECD countries, as measured by the minimum wage bite. NMW and ABS data shows a steady decline in the minimum wage bite—from 64.5 per cent in September 1995 to 52.7 per cent in 2012.⁵⁹ In this same period, earnings inequality has grown and the incidence of low pay has risen. The stagnation of real minimum wages and subsequent decline in the minimum wage bite, when coupled with rising cost of living for low waged households, is at odds with the stated formal objective for minimum wage policy as formulated in legislation – *to meet the needs of the low-paid and provide a standard of living in line with those of the broader Australia community.*

4.4 Gender Wage Gap

Compared to men, women suffered disproportionate job losses resulting from COVID-19 lockdowns. More women than men have reported working zero hours, losing their jobs or facing difficulty finding work due to COVID, often combined with a greater increase in their hours of unpaid care work.⁶⁰ Far too many low-paid women in insecure and casualised jobs were also locked out of the Australian government’s JobKeeper wage subsidy due to its design: 200,000 Australian women who work in the food services, accommodation, and retail trade sectors alone missed out on the JobKeeper payment due to its exclusion of casual employees.⁶¹

According to The Centre for Future Work, the gender pay gap narrowed between November 2019 and May 2020 as women lost thousands of low-paid jobs.⁶² However, the disproportionate concentration of women in newly-created casual jobs, typically with lesser hours, security and pay when compared to men’s paid work, is now returning the gender pay gap back to almost equal its pre-pandemic dimensions. There are different ways of measuring the gender pay gap. The Centre for Future Work’s more holistic measurement of the gender pay gap, using total average earnings data (including both full-time and part-time workers, and bonuses and overtime as well as ordinary time wages), indicates that the gender pay gap is now 31.2 per cent across all jobs.⁶³ This high figure underscores women’s significantly lower earnings relative to men’s in Australia, which have ramifications for lifetime earnings, superannuation earnings and security in retirement, or the ability for women to escape violent and coercive relationships.

⁵⁸ McKenzie, M. (2018) ‘The Erosion of Minimum Wage Policy in Australia and Labour’s Shrinking Share of Total Income’ *Journal of Australian Political Economy* No. 81, pp. 52-77. https://australiainstitute.org.au/wp-content/uploads/2020/12/Labour_Share_Symposium_McKenzie.pdf

⁵⁹ Commonwealth of Australia (2020) [Wage developments in Australia](#)

⁶⁰ Workplace Gender Equality Agency. (2020). *Gendered impact of COVID-19*. <https://www.wgea.gov.au/topics/gendered-impact-of-covid-19>

⁶¹ Dwyer (2020). [COVID19 – Impact on Women: The need for effective and equitable recovery policies and interventions.](#)

⁶² Pennington, A (2021) Women’s Casual Job Surge Widens Gender Pay Gap, Briefing Paper. The Australia Institute: Centre for Future Work

⁶³ Ibid.

As stated in a 2017 report by the Workplace Gender Equality Agency (WGEA) and Bankwest Curtin Economics Centre:

At a macroeconomic level, gender pay gaps can depress economic growth and productivity. At an individual level, it slows down the rate of wealth accumulation by women relative to men. The ramifications reverberate across the life course, with women bearing greater exposure to poverty and disadvantage at every age. Within the context of an ageing population in which women are disproportionately represented, gender pay gaps and gender wealth gaps not only pose significant risks for the economic wellbeing of Australian women, they also have important implications for social equity and fiscal sustainability.⁶⁴

WGEA calculates the gender pay gap as the difference between women’s and men’s average weekly full-time equivalent earnings, expressed as a percentage of men’s earnings. Western Australia continues to have the widest gender pay gap at 22.9 per cent, which is significantly higher than the national gender pay gap of 16.3 per cent (See below).⁶⁵

Fulltime Adult Weekly Ordinary Earnings gender pay gap by state and territory, November 2019 – November 2020.

State/Territory	Nov 2019	Nov 2020	Difference (pp)
Western Australia	22.4%	22.9%	0.5
Northern Territory	13.0%	13.9%	0.8
New South Wales	14.1%	13.4%	-0.7
Queensland	15.8%	13.4%	-0.7
Victoria	9.4%	10.9%	1.5
South Australia	10.4%	8.3%	-2.2
Tasmania	8.9%	7.0%	-1.9
Australian Capital Territory	8.8%	6.3%	-2.5

Source: ABS (2021) 6302.0

This is also indicative of a highly gender-segregated workforce in Western Australia, where high paying sectors such as mining are made up of a much greater proportion of males than females. In contrast a relatively large share of females are employed in the public sector (e.g. teachers or nurses) or in sectors dependent upon public funding (e.g. community services or carers paid under the NDIS) where wages growth has been slow.⁶⁶ Gender segregation is one of the most important

⁶⁴ Workplace Gender Equality Agency, Bankwest Curtin Economics Centre (2017) Gender Equity Insights 2017: Inside Australia’s Gender Pay Gap

⁶⁵ Workplace Gender Equality Agency (2021) [Australia’s Gender Pay Gap Statistics](#)

⁶⁶ Preston, A. (2021) [The West Australian Labour Market and Gender Equality Post Covid](#). Conference Paper.

contributing factors in Australia's gender pay gap, with female-dominated industries and jobs attracting lower wages. Lower wages reflect the continued undervaluation of feminised work and skills and the historical mechanisms for setting pay in feminised industries.⁶⁷ At an industry level, gender segregation has intensified over the last two decades, particularly in health care and social assistance, and in education and training. These sectors of work tend to be lower-paid than mixed or male-dominated sectors, and the wage rates set out in modern awards for these sectors tend to be very close to the national minimum wage.⁶⁸ Women are increasingly dependent on awards to set their wages and conditions and are more reliant on such instruments than men (28.9 per cent compared to 19.6 per cent).⁶⁹

Wage data shows that, over recent years, WA wages growth has lagged behind national growth, and that WA females have been particularly disadvantaged.⁷⁰ Between May 2019 and May 2020, for example, average weekly ordinary time earnings (AWOTE) of adults employed full-time grew by 5.8 per cent and 4.5 per cent among Australian males (national) and WA males, respectively. The corresponding growth amongst WA females (employed full-time) was 2.8 per cent.

Research from various countries, including Ireland, Germany, Poland and China, indicate that minimum wage increases can lower gender wage gaps and that this effect is particularly evident at the lower tail of wage distribution.⁷¹ This is due to the higher concentration of women in low-wage sectors, such as healthcare and social services, and their overrepresentation in casual and insecure work. Women are also more likely than men to have multiple jobs due to the higher levels of non-standard, insecure, and lower-paid employment in these sectors. Minimum wage policy can and should be an appropriate tool for decreasing the existing differentials in pay between men and women, given their unequal representation among minimum wage earners and award-reliant earners in lower-paid sectors. Kahn (2015) argues that cross-country comparisons of 31 OECD countries indicate that countries with labour market institutions that produce more compressed wage distributions overall also produce lower gender wage gaps.⁷² Kahn (2015) explicitly mentions minimum wages as one of the mechanisms affecting overall wage compression.

The International Labour Organisation has found that “...given the over-representation of women in low-paying jobs, minimum wages can...make a significant contribution towards lower gender pay gaps.”⁷³ In Australia, minimum wage increases from 1995 to 2005 were estimated to reduce the gender pay gap by 1.2 percentage points.⁷⁴

⁶⁷ Charlesworth, S., and Smith M. (2018) 'Gender Pay Equity' in Stewart, A., Standford, J., Hardy, T. (eds) *The Wages Crisis in Australia: What it is and what to do about it*. DOI: <https://doi.org/10.20851/wages-crisis>

⁶⁸ Ibid.

⁶⁹ Ibid.

⁷⁰ Preston, A. (2021)

⁷¹ Majchrowska, Aleksandra & Strawński, Paweł, (2018) "[Impact of minimum wage increase on gender wage gap: Case of Poland](#)," *Economic Modelling*, Elsevier, vol. 70(C), pages 174-185.

⁷² Kahn, L. (2015) 'Wage compression and the gender pay gap', *IZA World of Labor* 2015: 150. DOI: 10.15185/izawol.150.

⁷³ International Labour Organisation (2018) "Effects on gender pay-gaps", *Minimum Wage Policy Guide*, http://www.ilo.org/global/topics/wages/minimum-wages/monitoring/WCMS_473657/lang-en/index.htm

⁷⁴ S Austen, T Jefferson, A Preston, R Seymour (2008) *Gender Pay Differentials in Low Paid Employment*, Women in Social & Economic Research, commissioned by the Australian Fair Pay Commission

4.5 Case Study – Dalia’s Story

Dalia* shared her story with WACOSS as one of the many Western Australians trying to navigate the new reality of work and employment.

A sole parent with two children under the age of 10, Dalia has been searching for sustainable employment with adequate pay to pave a pathway out of financial hardship to economic security, to support the health and wellbeing of her family. Despite persistent job searches and applications to increase her working hours, she has not been able to secure supplementary employment in addition to the 30 hours a fortnight she works at a local grocery store, which pays minimum wage.

“You may not believe how many job applications I've left everywhere. How much I'm trying every day. I need someone to see how much [people like me] are trying, and how much we're not being seen.”

The reason Dalia works at a local grocery store is economically strategic: grocery stores stay open during lockdowns. She is not at risk of losing further hours or income should government restrictions be put into place to limit COVID-19 community spread. She made this critical decision after losing her job as a support worker in a nursing home prior to the extended lockdown measures coming into effect in March 2020. Her role as a support worker paid a much higher hourly rate of \$35 per hour, but her number of rostered hours were too low to adequately cover her family’s weekly living expenses.

Dalia has more than 10 years’ professional experience in the aviation industry in her home country. Prior to the onset of the COVID-19 pandemic, she had borrowed \$1500 from friends to take an aviation security course to restart her aviation career in Australia. She aspired to undertake a graduate diploma in aviation management, but the course costs, even with her concession, and in conjunction with her limited income and existing loan, were prohibitive. With the aviation industry now severely impacted by COVID-19 and not likely to recover for many years to come, Dalia has been forced to accept jobs that pay less than her full earning potential.

In an attempt to increase her earnings, Dalia took on a second job as a kitchen hand, working two nights per week for \$22 per hour. The hourly cost of hiring a babysitter, however, proved significantly higher than her earnings (\$28), making the extra work uneconomical.

“When you are [solely] responsible for children, you have to pay for childcare. It's not easy.”

She now finds herself in deep financial hardship, where she makes personal sacrifices to ensure her children’s needs are met. Often, Dalia will stay up at night after putting her children to bed, meticulously budgeting her limited income to make it stretch across the fortnight. Her fortnightly income, including income support payments, equates to \$1200, \$700 of which goes to rent. Her rent recently increased when the rental moratorium was lifted. This leaves Dalia with \$500 a fortnight to cover essential costs such as food, petrol and school fees. With her income insufficient to meet her basic weekly living expenses, Dalia must access emergency relief from several community service organisations to help cover the costs of utility bills, groceries and emergency expenses. Inexpensive

* Name changed for anonymity.

discretionary items, such as being able to go to the cinema or a restaurant once a month, or even order a takeaway pizza for her family, are luxuries that she simply can't afford.

“How can I go have fun when I can't pay for usual expenses? It is hard.”

Her financial situation is not reflective of the immense effort and persistence Dalia puts into bettering her circumstances, nor of her skill level and accomplishments. The advent of COVID-19 means that the tenuous financial position of single mother families, like Dalia's, has become more complex and has been further eroded. Her story is emblematic of the many Western Australian workers reliant on minimum wage conditions who have had to reduce their hours or take a pay cut due to the economic fallout from the COVID-19 pandemic, while continuing to navigate the increasingly precarious and changing nature of work.

A modest 4 per cent increase to the state minimum wage translates to an extra \$24 per fortnight for Dalia and her family. In her situation, and that of many other low-paid workers in Western Australia, every dollar makes a difference.

4.6 Young People

A recent Productivity Commission report reveals that between 2008-2018, the average income of people aged 15-24 declined by 1.6 per cent per year, while the average income of people aged 25-34 declined by 0.7 per cent per year.⁷⁵ The Productivity Commission states that stagnant real wages for young people have been the main contributor to this decline, due to an oversupply of workers and an undersupply of well-paid jobs. The proportion of young people, both living and home and independently, receiving parental transfers has increased over this same period, as has the value of these transfers.⁷⁶ These transfers and additional savings from living at home may be helping to offset the decrease in young people's incomes.

Stagnating or declining real wage rates mean that young people's purchasing power is not improving (and so neither is their material wellbeing). Slow, negative or zero wages growth for young people has particular policy implications, including policy related to university tuition fees and subsidies, student debt, retirement incomes, minimum wages and equity.⁷⁷ Undoubtedly, an increase in the wage level would have a significant and welcome impact in easing the financial burden of young people with student loan debts and allow them to enhance their savings, pay for future education and skill development.

Casualisation is endemic in industries that tend to employ young people, such as hospitality, retail, and accommodation services, which have been hardest hit by COVID-19 restrictions. Half of workers aged 18-24 are on casual contracts, 79 per cent of which are concentrated in the most-affected

⁷⁵ Commonwealth of Australia (2020) [Why did young people's incomes decline?](#) Productivity Commission Research Paper, July 2020.

⁷⁶ Ibid.

⁷⁷ Birch, E., Preston, A. (2021) "The Australian labour market in 2020", *Journal of Industrial Relations*, doi:[10.1177/00221856211002224](https://doi.org/10.1177/00221856211002224)

industries.⁷⁸ A high proportion of casual employees in these industries have also held less than 12 months' service for their current employer. According to Churchill (2021), more than 46 per cent of casual employees in the accommodation and food services industry, 36 per cent of employees in retail and 33 per cent of employees in arts and recreation had been employed for less than 12 months.⁷⁹ Thus, many young people lost their jobs due to the industries they were employed in while also being ineligible for the JobKeeper wage subsidy.

The Youth Affairs Council of Western Australia (YACWA) conducted a survey on the impacts of COVID-19 on young people in Western Australia and found that 44 per cent of respondents have experienced a loss of income.⁸⁰ As such, 38 per cent are unable to buy essential supplies, 19 per cent are unable to buy essential medicine, and an overwhelming 91 per cent of respondents have experienced impacts on their mental health and stress levels.

This is particularly relevant in the context of state minimum wage case considerations, as a high proportion of young people work in industries more likely to rely on minimum wage protections. **A 4 per cent increase to the state minimum wage will help mitigate against the disproportionate impact of COVID-19 on youth employment.**

⁷⁸ Melbourne Institute (2020). 'Jobless and distressed: the disproportionate effects of COVID-19 on young Australians', *Melbourne Institute Research Insight*: 26/20, https://melbourneinstitute.unimelb.edu.au/data/assets/pdf_file/0004/3504613/ri2020n26.pdf

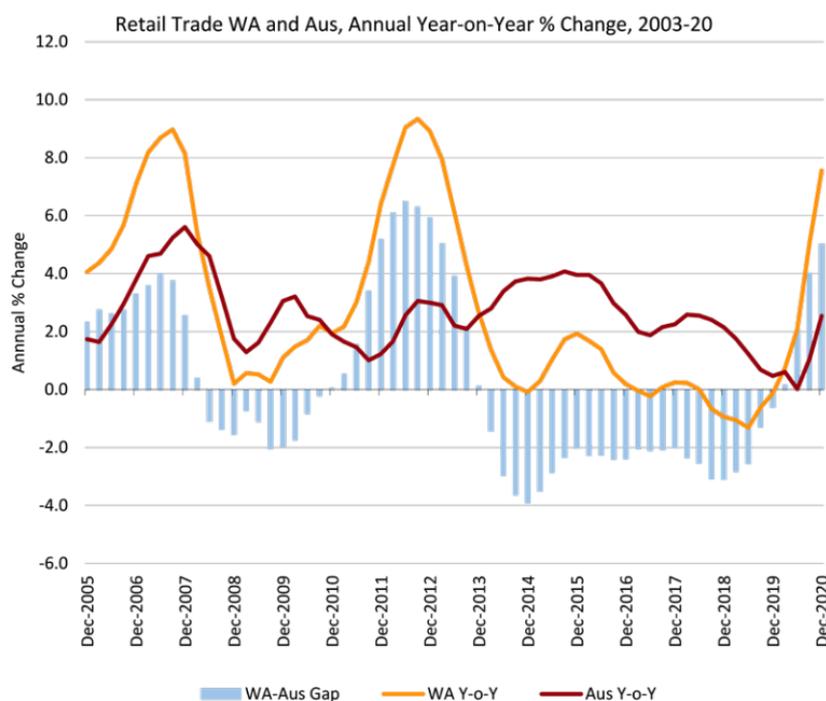
⁷⁹ Churchill, B. (2021) 'COVID-19 and the immediate impact on young people and employment in Australia: A gendered analysis', *Gender, Work and Organization*, 28 (2): 783-794, <https://doi.org/10.1111/gwao.12563>

⁸⁰ Youth Affairs Council of Western Australia (2020). 'Impacts of COVID-19 on young people in Western Australia: Feedback from the YACWA COVID-19 Youth Survey', <https://www.yacwa.org.au/wp-content/uploads/YACWA-COVID-19-Youth-Survey.pdf>

5.0 WA's Economic Environment

In conjunction with the substantial cost of living pressures being faced by the low wage workers in Western Australia, WACOSS considers the state of the economy to be such that a 4 per cent increase to the state's minimum wage would be appropriate.

On the retail front, spending in Western Australia currently outpaces where it was prior to COVID-19, with data suggesting that retail trade sales have reached historically high levels over the past two quarters. In the year up to December 2020, WA retail trade turnover grew by 7.6 per cent, which was far higher than the national growth rate.⁸¹



Source: Bankwest Curtin Economics Centre (2021)

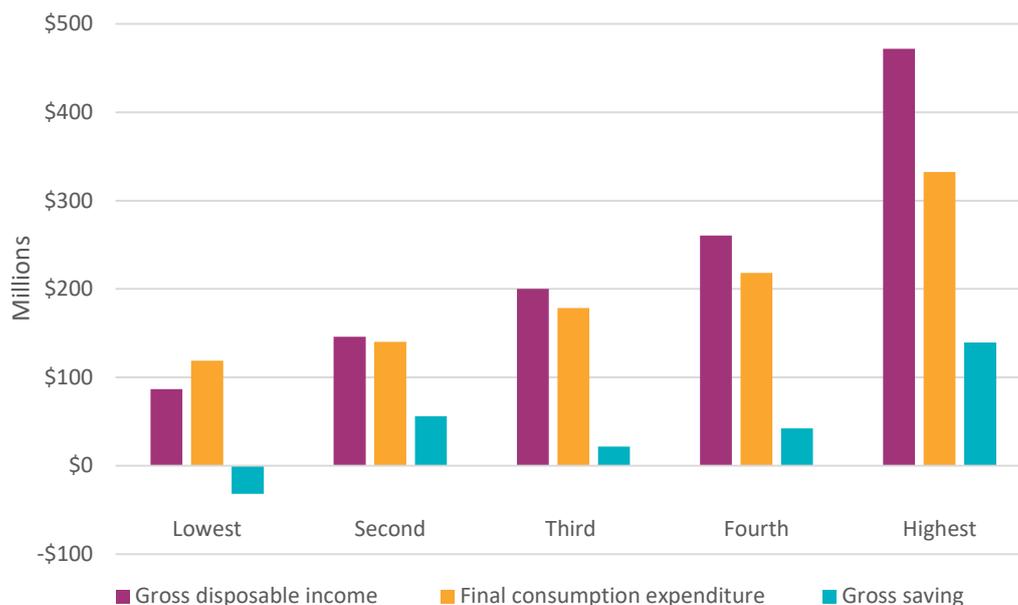
State final demand growth further demonstrates the strength of the Western Australian economy, with it growing to 4.9 per cent in the September 2020 quarter and then by a further 1.5 per cent in December 2020. It is worth noting the growth in the September quarter was driven by an 11.7 per cent increase in household consumption.⁸²

As WACOSS has noted in previous submissions, increasing the wages of lower incomes so that they have the capacity to cover their essential living costs, also directly lifts the spending and consumption of those households. The relationship between income and (largely non-discretionary) expenditure means that every extra dollar a low-wage worker earns is more than likely to end up boosting demand for goods and services, with those on the lowest incomes spending a proportionally higher amount of their earnings.

⁸¹ Bankwest Curtin Economics Centre (2021) *Quarterly Economic Commentary, March 2021*

⁸² Australian Bureau of Statistics (2021) *Australian National Accounts: National Income, Expenditure and Products, December 2020*; and Australian Bureau of Statistics (2020) *Australian National Accounts: National Income, Expenditure and Products, September 2020*

Household Income, Consumption and Saving by equivalised household income quintile, 2017-18



Source: ABS 5204.0.55.011

When those on the lowest incomes see a rise in their wages, they will spend it on much-needed essential goods and services. As the vast majority of this spending is done locally it plays a critical role in sustaining activity in the economy of their community.

While a number of factors have contributed to Western Australia's ability to weather the economic impacts of the COVID-19 pandemic, including the high price of iron ore and success in avoiding significant community transmission of the virus; the increased spending power of lower income households, as a result of increased government support for essential living costs has been a key driver of sustained economic health. The majority of those payments and supplements, however, have now ended or are in the process of being phased out. Therefore, in order to sustain consumer spending at a time that we have otherwise seen low wage growth, measures like increasing the state minimum wage are crucial to maintain consumer demand and earnings. Increases to the minimum wage are likely to have a pronounced impact on low-waged consumers' confidence, as it provides them with greater long-term income certainty.

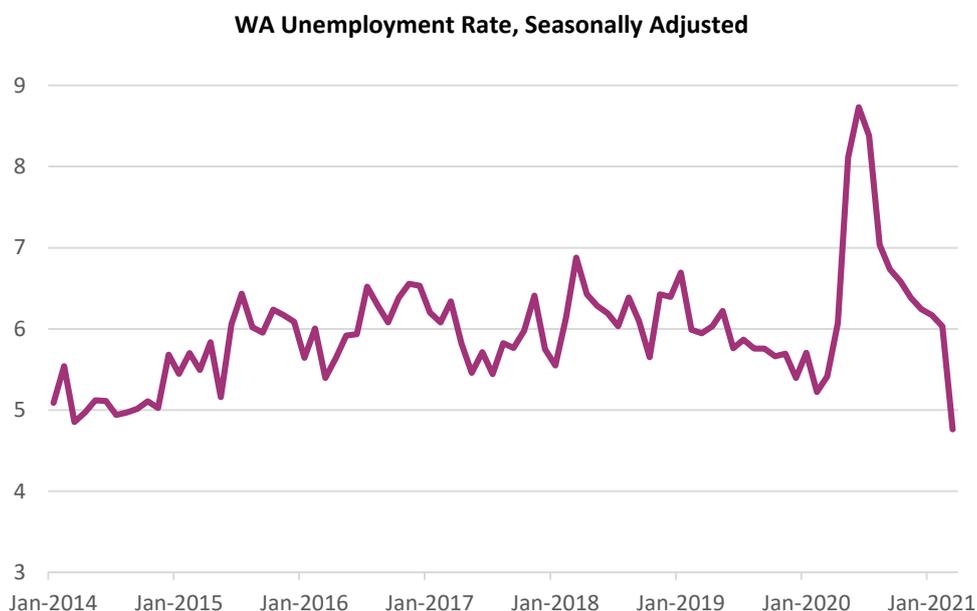
The Reserve Bank has noted that wage growth has been weakest in those industries that are most reliant on award wage increases, including retail trade, accommodation and food services. Further, it has made comment regarding slow wage growth across the economy, that in conjunction with delays to wage increases, cuts and freezes, that recent lower award wage decisions have also weighed on wage outcomes.⁸³ In response, Treasurer Josh Frydenberg has signalled a substantial shift in Commonwealth budgetary policy in the up-coming Federal budget, with the stated aim of delivering stronger wage growth.⁸⁴

⁸³ Reserve Bank of Australia (2021) *Statement on Monetary Policy – February 2021*

⁸⁴ <https://www.afr.com/policy/economy/no-budget-repair-frydenberg-goes-all-in-for-lower-unemployment-20210428-p57n5w>

Demand for labour is high, with internet vacancies increasing in the month up to March 2021 by 23.9 per cent or 5,300 job advertisements, exceeding pre-COVID-19 levels. Over the year, job advertisements had increased by 110.4 per cent or 14,500.⁸⁵

Unemployment in Western Australia is now at its lowest rate since 2013 and the is the lowest in Australia, outside of the Australian Capital Territory.



Source: ABS 6202.0

The Fair Work Commission has consistently held in its recent decisions that “modest and regular minimum wages increase do not result in disemployment effects or inhibit workforce participation”.⁸⁶ WACOSS considers that this position remains sound in the current context and that the wage increase advocated for in this submission would not lead to any disemployment effect.

An increase to the state minimum wage of 4 per cent is necessary to increase the capacity of low waged households to meet their living costs, while also being an appropriate measure in the context of the state of the Western Australian economy.

⁸⁵ National Skills Commission (2021) *Vacancy Report March 2021*

⁸⁶ [2019] FWCFB 3500

6.0 Conclusion

It is view of WACOSS 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*”⁸⁷ the State Minimum Wage needs to be raised by 4 per cent.

The State Minimum Wage has a crucial role in addressing poverty and income inequality in Western Australia. A sufficient income, coupled with safe and secure shelter, is essential for people to be able to fully engage in our community. Conversely, their absence are the foundations for entrenched disadvantage, compounding the other challenges people face.

With the significant cost of living pressures being faced by low waged households at present, a timely increase to the minimum wage is necessary. This submission has laid out in detail the scope of the challenges these households are facing in Western Australia at present and has argued that it is an increase to the minimum wage that will assist in addressing them.

This submission also contends that the relative strength of the broader Western Australian economy, with historically high retail trade, strong demand for labour and low levels of unemployment, are such that the quantum of increase proposed by WACOSS is considered and appropriate.

WACOSS’s claim of a 4 per cent increase to the state minimum wage will deliver an undeniable benefit to many of the lowest-paid workers, and their families. A strong minimum wage — one which ensures workers are provided with a decent living standard, well above poverty levels is integral for an inclusive and sustainable economy, where the benefits are shared broadly.

⁸⁷ *Industrial Relations Act (1979)*