



**youth coalition**

of the ACT

# **Submission to the Australian Fair Pay Commission Minimum Wage Review**

March 2008

Submission to the Australian Fair Pay Commission

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Thank you to the Youth Coalition team for their support.

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## **Introduction**

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The Youth Coalition of the ACT (Youth Coalition) is the peak youth affairs body in the Australian Capital Territory and is responsible for representing the interests of people aged between 12 and 25 years of age and those who work with them. The Youth Coalition works to actively promote the well being and aspirations of young people in the ACT with particular respect to their political, cultural, economic and social development. The Youth Coalition is represented on many ACT advisory structures and provides advice to the ACT Government on a range of issues related to young people and youth services.

The Youth Coalition works collaboratively with a range of other service providers and organisations, a key role being the provision of coordination and analysis of the implications of ACT policy and program decisions for young people and youth services. As the peak body for the youth sector, the Youth Coalition facilitates the development of strong linkages and promotes collaboration between the community, government and private sectors to achieve better outcomes for young people in the ACT. The Youth Coalition has a history of experience and broad range of knowledge upon which we have drawn to prepare this submission. The Youth Coalition maintains networks and runs forums for our members, young people and interested organisations and individuals.

We host a monthly forum where we discuss current issues, listen to guest speakers, participate in consultative processes (and learn about other opportunities to participate), and share information. We also hold a bi-annual Policy Forum and Conference and other forums and working parties as issues arise. We aim to inform our members of new developments, funding opportunities, reform processes and other issues through our regular E-Bulletin service, website and other avenues.

The Youth Coalition welcomes the opportunity to contribute to the Fair Pay Commission's review of the minimum wage.

## **Summary of Recommendations**

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1. The Youth Coalition recommends competency based wages be adopted as an alternative to current junior and training wage arrangements.
2. The Youth Coalition believes we must identify benchmarks by surveying actual cost of living standards, or, through the use of social and economic modelling such as poverty lines.
3. The Youth Coalition recommends that this be the basis for the formulation of minimum wages.
4. The Youth Coalition believes the viability of the community sector workforce is threatened, and recommends the minimum wages for those working in the social and community services sector be increased.
5. The Youth Coalition does not believe that raising the minimum wage will hurt the labour force, and submits that employers across most sectors in the ACT are finding it difficult to attract and retain staff at the existing wage levels.
6. The Youth Coalition does not believe raising the minimum wage will have a significant impact on inflation, and submits that wage increases at the higher of the pay scale are the most likely to be inflationary.

## **Young People in the ACT**

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Students and young people in the ACT are disproportionately affected by cost of living pressures. According to the Australian Bureau of Statistics, Canberra showed a higher rise in CPI in the last quarter relative to other capital cities. A 3.3% rise in CPI since the previous quarter puts Canberra second only to Brisbane.<sup>1</sup>

Young people in the ACT are the most likely to be affected by housing stress.<sup>2</sup> The private rental market in the ACT is the most competitive and difficult to access, with rents in the ACT the highest of all the major capital cities.<sup>3</sup> The rental property vacancy rate in the ACT is very low. In 2007, it dropped to 1.6%.<sup>4</sup> High average incomes for many older residents of the ACT distort figures of affordability, and the disparities are easily overlooked.

In the ACT and elsewhere, young people tend to be less able to work due to study or other commitments. According to the Australian Bureau of Statistics, of the 118,100 people unable to seek more hours in paid work due to study, 81% are between the ages of 18-29 years.<sup>5</sup> Many students, however, do choose to seek more work and tend to be adversely affected. 41.8% of Australian university students work full-time hours (38 hours or more) and 54.1% of students believe the paid work they do adversely affects their study.<sup>6</sup>

The Youth Coalition believes this is a reflection of the insufficiency of the minimum wage.

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<sup>1</sup> Australian Bureau of Statistics (2008) *Consumer Price Index, Dec 2007*

<sup>2</sup> Michelle Gabriel and Judith Yates (2006) *Housing Affordability in Australia*. Australian Housing and Urban Research Institute

<sup>3</sup> Ibid.

<sup>4</sup> ACT Government (2007) *Affordable Housing Action Plan*

<sup>5</sup> Australian Bureau of Statistics (2007) *Barriers and Incentives to Labour Force Participation, Australia, Jul 2006 to Jun 2007*

<sup>6</sup> Australian Vice-Chancellor's Committee (2007) *Undergraduate Student Finances in 2006*

## **Junior Employees and Training Wages**

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Young apprentices and trainees currently suffer a disadvantage. Under the National Training Wage Award, a young person aged 16 may earn as little as \$4.87 an hour, or \$185.06 a week.<sup>7</sup> The Henderson Poverty Line for single people in the labour market aged 16 and up is \$346.47 per week.<sup>8</sup> The minimum training wage is therefore just 50% of the poverty line.

The Youth Coalition believes this makes vocational education and training unattractive to young people. The current strain associated with cost of living for students and young people has long-term implications for productivity, with retention likely to suffer.

1. In the context of the ongoing skills shortage, the Youth Coalition supports the recommendation made by the National Children's and Youth Law Centre to adopt competency based wages as an alternative to current arrangements.

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<sup>7</sup> Australian Government (2007) *Pay Scale Summary – National Training Wage Award AP790899 – Fed*

<sup>8</sup> Melbourne Institute of Applied Economics and Social Research (2006) *Poverty Lines: Australia: December Quarter 2006*

## **Minimum Wages and the Cost of Living**

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Minimum wages do not reflect the increased cost of living, contributing to financial stress for many young people. Figures distributed by the Australian Bureau of Statistics show that CPI movements have disproportionately affected the key areas of

- Housing, at 4.8%
- Health, at 4.1%
- Transportation, at 5.6%
- Education, at 4.1%
- And financial services, at 4.9%<sup>9</sup>

Cost of living pressures are likely to affect 18-25 year olds disproportionately, as young people are more likely to rely on minimum wage.<sup>10</sup> Recent estimates suggest incidence of low pay are highest among people, with 40%-50% of the low paid made up of workers under the age of 25.

Young people are the most likely to be engaged in low-skilled occupations resulting in limited bargaining power. Figures from the Australian National University suggest that the lowest paid employees come primarily from the retail industry, hospitality industry or the community services sector.<sup>11</sup> The retail and hospitality industries in particular are heavily relied upon by young people across Australia.

2.1 For these reasons, the Youth Coalition believes the minimum wage must reflect current economic conditions. To meet basic levels of need, a cost of living benchmark must be identified.

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<sup>9</sup> Op cit 1

<sup>10</sup> SA Unions (2005) *Dirt Cheap and Disposable*

<sup>11</sup> ANU Centre for Economic Policy Research (2005) *Does the minimum wage help the poor?* ANU Centre for Economic Policy Research Discussion Paper 501



2.2 The Youth Coalition supports ACOSS's proposal to identify benchmarks by surveying actual cost of living standards, or, through the use of social and economic modelling such as poverty lines.

3. The Youth Coalition recommends that the cost of living benchmark be used to formulate minimum wages.

## **Sector Viability**

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According to ACOSS, 54% of community organisations in the ACT have difficulty attracting appropriate staff due to levels of pay and availability of paid hours.<sup>12</sup> Turnover in ACT community agencies is 30.7%, compared to the national average of 16.3%.<sup>13</sup>

In the ACT and elsewhere, youth workers face many systemic and organisational barriers, including being overworked, underpaid, under-resourced, under-valued, having limited supervision and limited access to professional development opportunities. In addition to this, the youth sector continues to face increasingly complex client loads as well as insufficient funding for training, recruitment and retention of workers within the sector.

Research recently conducted by the Australian National University suggest workers in the community services sector are among the lowest paid in the country, behind only the retail and hospitality industries.<sup>14</sup>

The community sector is heavily award reliant, as it does not have the capacity to search for other means of income with which to provide pay increases. The Youth Coalition believes the only way to achieve community sector parity in the ACT is to increase the minimum wage.

4. The Youth Coalition believes the viability of the community sector workforce is threatened, and recommends the minimum wages for those working in the social and community services sector be increased.

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<sup>12</sup> Australian Council of Social Service (2005) *Australian Community Sector Survey*

<sup>13</sup> Community Sector Taskforce (2006) *Towards a Sustainable Community Services Sector in the ACT*

<sup>14</sup> Op cit 11

## **Effects of Raising the Minimum Wage**

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The employment market in the ACT is very tight, with the city in full employment.<sup>15</sup> The city also faces a skills shortage, with community services and information technology having been identified as the key affected areas.<sup>16</sup>

5. In the context of the employment market in the ACT, the Youth Coalition does not believe that raising the minimum wage will hurt the labour force, as employers across most sectors in the ACT are finding it difficult to attract and retain staff at the existing wage levels.
  
6. The Youth Coalition does not believe raising the minimum wage will have a significant impact on inflation, and submits that wage increases at the higher of the pay scale are the most likely to be inflationary.

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<sup>15</sup> Australian Bureau of Statistics (2008) *6202.0 - Labour Force, Australia, Feb 2008*

<sup>16</sup> ACT Government (2007) *Budget 2007-08*