

Submission in relation to the 2009 Minimum Wage Review

1. Introduction

This submission has been prepared by the Employment Law Centre of WA (Inc) (**ELC**). ELC is a not for profit community legal centre which specialises in employment law. It is the only free employment law service in Western Australia offering employment legal advice, assistance and representation. Each year ELC provides advice and assistance to approximately 4000 vulnerable non-unionised employees in Western Australia, many of whom are reliant upon the minimum wage.

2. Economic prosperity

2.1 Employment and competitiveness across the economy

Like most countries in the world the Australian economy is currently experiencing a downturn. Many economists predict Australia will enter into a recession this year, with the last quarter of 2008 being the worst since 2000.¹ As a consequence of the economic downturn, unemployment has risen to 5.2%, as at February 2009.² Unemployment is expected to rise to 6% by the end of 2009 and peak at 7% in 2010.³

During times of economic uncertainty and rising unemployment, employees are placed in a more vulnerable position as competition for work increases. As unemployment rises employers are placed in a more powerful bargaining position because there is increased demand for fewer jobs. In January 2009, the Seek Employment Index fell by 7.4% as a result of fewer new job advertisements and an increase in job applications.⁴ Low paid workers may find it difficult to negotiate better conditions and wages, and without an appropriate minimum wage, employees may be forced to work for lower wages or risk losing their jobs.

The Australian Fair Pay Commission (**AFPC**) should have regard to Australia's economic downturn, rising rates of unemployment and the vulnerability of minimum wage earners in setting the Federal Minimum Wage (**FMW**) for 2009.

¹ Zappone, C, 'Recession Fears as GDP Sinks' *The Sydney Morning Herald* 4 March 2009 Electronic <www.business.smh.com.au/business/> (9 March 2009)

² Australian Bureau of Statistics *Labour Force Australia, January 2009* Cat no. 6202.0 'January Key Figures' Electronic *AusStats* (Canberra : ABS, February 2009) [update with February stats]

³ ANZ, *ANZ Economic Outlook- March Quarter 2009* (2 February 2009) [page 5] Electronic <www.anz.com.au/documents/economics>

⁴ Seek, *Seek Employment Index, January 2009* (January 2009) [page 1] Electronic <www.seek.com.au/investor>

2.2 Providing a safety net for the low paid

The FMW provides a safety net for Australian workers, particularly those who are vulnerable to exploitation by their employers. This safety net should cover a basic standard of living. Increases in the cost of living should be matched by appropriate increases in the FMW to ensure that Australian workers continue to be protected from exploitation.

One measurement of the cost of living in Australia is the Consumer Price Index (CPI) which has increased by 3.7% in the last 12 months to December 2008.⁵ The FMW should be increased to reflect the changes in the cost of living. Despite the current economic situation and threat of unemployment, living costs continue to increase and the FMW should be adjusted accordingly.

2.3 The capacity for the unemployed and low paid to obtain and remain in employment

Increase in casual and part-time positions

In addition to rising unemployment, there has been a significant increase in the number of part-time and casual positions, compared to full-time positions in the past year. Seasonally adjusted monthly statistics from February 2009 show that full-time employment has decreased by 53,800 to 7,664,200 positions. Part-time employment has increased by 55,600 to 3,146,200 positions.⁶ The decrease in full time employment represents closely, the increase in part-time employment, indicating that employees are moving from full-time to part-time employment. This may be a result of the economic downturn and employees lesser bargaining position compared to that of their employers. These figures may indicate that some employers are choosing to change the structure of their workplace rather than reducing employee numbers.⁷

Disproportionate numbers of casual and part-time workers are low paid. 44.8% of all low-paid workers are employed part-time, however part-time employment occupies only 26.8% of the total workforce. Similarly, 47.7% of low-paid workers are employed on a casual basis, while casual work occupies only 17.2% of the total workforce.⁸ Part-time and casual workers still rely on the minimum wage as a safety net for their income, but they do not receive the whole minimum wage. The AFPC should have special regard to the increasing numbers of these workers reliant on the minimum wage when making its Minimum Wage Decision for 2009.

⁵ Australian Bureau of Statistics *Consumer Price Index, Australia, December 2008* Cat no. 6401.0 'December Key Figures' Electronic *AusStats* (Canberra : ABS, January 2009)

⁶ Australian Bureau of Statistics *Labour Force, Australia, Feb 2009* Cat no. 6202.0 'February Key Figures' Electronic *AusStats* (Canberra : ABS, March 2009)

⁷ Australian Fair Pay Commission *Economic and Social Indicators- Monitoring Report, July to December 2008*, page 10

⁸ The Melbourne Institute *Household Income and Labour Dynamics Australia (HILDA) Survey Release 5.0, February 2007*

3 Conclusion

It is ELC's view that the FMW should be increased in line with CPI. This would ensure a basic safety net for vulnerable employees on the minimum wage whilst enabling unemployed and low paid workers to obtain and remain in employment.

Furthermore, consideration should also be given to a range of other potentially cost neutral benefits for employees earning the FMW, such as more easily accessible health care cards, better access to more affordable child care and access to free or more affordable education and training, better access to services and information regarding employment problems and exploitation.