

## Submission to the WAIRC in relation to the State Wage Case for 2011

### Introduction

1. On 15 April 2011, the Western Australian Industrial Relations Commission (**WAIRC**) issued application 2 of 2011 of its own motion. The application seeks to make a State Wage Order pursuant to section 50A of the *Industrial Relations Act 1979* (WA) (**IR Act**) to determine rates of pay for the purposes of the *Minimum Conditions of Employment Act 1993* (WA) (**MCE Act**) and state awards.
2. 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 service in Western Australia offering legal advice, assistance and representation in relation to employment law. Each year ELC provides advice and assistance to approximately 5000 vulnerable non-unionised employees in Western Australia. Of the employees that ELC advises, over 22% earn less than \$25,000 per annum.<sup>1</sup>

### Summary

3. An adequate minimum wage protects employees from poverty. In ELC's view, it is imperative that all Western Australians employees earn a wage which allows them to meet the basic costs of living and participate in the community with dignity.
4. ELC endorses the Trades and Labour Council of WA (**TLCWA**)'s position that the minimum wage should be increased by at least 5%.

### Considerations the WAIRC must take into account

5. Under section 50A of the IR Act, on making its minimum wage order, the WAIRC shall take into consideration the following
  - (a) a system of fair wages and conditions of employment for Western Australians;
  - (b) the needs of the low paid;
  - (c) fair wage standards in the context of living standards generally prevailing in the community;
  - (d) improved living standards for employees;
  - (e) protection of employees who may be unable to reach an industrial agreement;
  - (f) ongoing skills development;
  - (g) equal remuneration for men and women for work of equal or comparable value;

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<sup>1</sup> This statistic is based on data collected during the period July 2010 to December 2010.

- (h) the state of the economy of Western Australia and the likely effect of its decision on that economy and, in particular, on the level of employment, inflation and productivity in Western Australia;
- (i) to the extent that it is relevant, the state of the national economy;
- (j) to the extent that it is relevant, the capacity of employers as a whole to bear the costs of increased wages, salaries, allowances and other remuneration;
- (k) relevant decisions of other industrial courts and tribunals; and
- (l) any other matters the Commission considers relevant.

### **The state of the national economy**

6. It is generally accepted that the Australian economy has experienced significant growth throughout 2010 and the beginning of 2011, exceeding even the more optimistic forecasts for post GFC recovery.
7. The economy has continued to grow in 2010-2011. Australian GDP increased 2.7% through the year to the December quarter 2010 (in seasonally adjusted terms).<sup>2</sup>
8. The unemployment rate in Australia has dropped further since the 2010 State Wage Case, falling to 5.0% in January 2011 where it has remained for the month of February.<sup>3</sup> Australia's unemployment rate is amongst the lowest of any major advanced economy in the world.<sup>4</sup>
9. Consumer prices have continued to increase. The ABS Consumer Price Index (**CPI**) rose 3.3% through the year to the March quarter 2011, compared with a rise of 2.7% through the year to the December quarter 2010. In WA, CPI in the year to the December quarter 2010 rose by 2.6%.<sup>5</sup>
10. While the economy has strengthened, certain events and trends have prevented employees from reaping the full benefit, with low wage earners being the most affected in many instances.
11. Both fixed and variable interest rates for residential borrowing have risen over 2010 and the beginning of 2011, in some instances above the Reserve Bank's official cash rate. Increased mortgage stress will be passed on to those in the rental market, who are more likely to be low wage earners but without the financial leverage of property owners to adapt to price increases.
12. ELC submits that, in light of the strength of the Australian economy, the minimum wage could safely be increased without the risk of causing any significant increase in the rate of unemployment. In fact, it has been found in research undertaken by the Centre for International Economics (**CIE**) for the Australian Fair Pay Commission that previous decisions to increase the minimum wage had a very small effect on the rate of unemployment - CIE found that the federal wage-setting decisions from 2006 to 2008 resulted in unemployment being a mere 0.05 of a percentage point higher at the end of 2009.<sup>6</sup>

<sup>2</sup> Australian Bureau of Statistics (**ABS**), *Australian National Accounts: National Income, Expenditure and Product*, December 2010, Catalogue No. 5206.0, Canberra, ABS, 2011.

<sup>3</sup> ABS, *Labour Force*, Australia, March 2011, Catalogue No. 6202.0, Canberra, ABS, 2011.

<sup>4</sup> OECD, *OECD Employment Outlook 2010 – Moving Beyond The Jobs Crisis*, OECD Publishing, 2010, Table A: Harmonised unemployment rates in OECD countries.

<sup>5</sup>, *Consumer Price Index*, Australia, March 2011, Catalogue No. 6401.0, Canberra, ABS, 2011.

<sup>6</sup> P M Downes and K Hanslow, Centre for International Economics, *Modelling of the Macroeconomic Impact of the Fair Pay Commission's Minimum Wage Decisions*, Research Report No. 12/09, June 2009, see e.g. p. 7.

13. ELC submits that the minimum wage should be increased as households that are reliant on the minimum wage are under mounting pressure due to increases in consumer prices that have occurred in the last year. In 2011, a sustainable increase in the minimum wage will have a minimal effect on unemployment rates, is in line with CPI increases and will ensure vulnerable employees are provided with a living wage and basic safety net.

### Relative living standards and needs of low paid

14. As discussed above, the CPI rose 3.3% through the year to the March quarter 2011. The Analytical Living Cost Index (**ALCI**)<sup>7</sup> for employee households also rose 4.5 % for the year to December quarter 2010 (compared to 0.4% for the year to December quarter 2009).<sup>8</sup>
15. Both Fuelwatch in WA and the Australian Institute of Petroleum statistics detail recent short and medium term fuel price increases. Fuelwatch statistics suggest that fuel prices are at a 27 month high and indicate a sharp increase (relative to the previous 12 months) from January 2011.<sup>9</sup> The Australian Institute of Petroleum evidences the same sharp recent increase since Jan 2011,<sup>10</sup> accelerating even more rapidly in the last few weeks, presumably in response to unrest in the Middle East that does not appear to be resolved soon.
16. In Western Australia, energy costs are expected to rise sharply in 2011. A report from the Western Australian Office of Energy in 2009 noted that consumer energy prices were not reflective of the costs of production and that increases in consumer prices were necessary.<sup>11</sup> Western Australians experienced a tariff increase from electricity provider Synergy of 10% shortly after the last State Wage Case, only approximately three months after the previous tariff increase of 7.5%.<sup>12</sup> In line with the 2009 report, it is expected that significant further increases will be introduced in 2011.
17. A report published by WACOSS in August 2010 highlights the pressures experienced by low income earners in Western Australia.<sup>13</sup> It states:

*In recent years, our estimates have shown that income levels have not kept paces with increases in living expenses, meaning that the family has continued to fall further and further behind. In the past year, there has been some easing of cost of living pressures compared to previous years... However, not all key goods and services have reflected this easing. Most evidently, prices of essential services continued to increase.*<sup>14</sup>
18. The report notes that utility costs increased by \$329.93 or 27.3% from July 2009 to July 2010. It foreshadows an increase in utility costs in WA of \$1,001.84 or \$44.26% from July 2010 to July 2014.<sup>15</sup>
19. Increases in the cost of living are most keenly felt by low-paid employees. In relative terms, low income earners will experience a greater reduction in purchasing power than high income earners where there is an increase in living costs. An increase in living costs potentially decreases living standards where there is no comparable increase in household income, particularly amongst the low paid.

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<sup>7</sup> The ALCI measures changes over time in the purchasing power of the after-tax incomes of households.

<sup>8</sup> ABS, *Analytical Living Cost Indexes for Selected Australian Household Types*, December 2010, Catalogue 6463.0, ABS, 2011.

<sup>9</sup> FuelWatch historical Price Search from January 2008 to March 2011 accessed at <http://www.fuelwatch.wa.gov.au/fuelwatch/pages/public/historicalPriceSearch.aspx> on 18 March 2011.

<sup>10</sup> Australian Institute of Petroleum, *Average Weekly Prices for the 40 Weeks to Sunday, 13 March 2011*, accessed at <http://www.aip.com.au/pricing/retail/ulp/index.htm> on 18 March 2011.

<sup>11</sup> Government of Western Australia Office of Energy, *Electricity Retail Market Review*, January 2009

<sup>12</sup> [http://www.synergy.net.au/at\\_home/prices.xhtml](http://www.synergy.net.au/at_home/prices.xhtml) accessed on 18 March 2011.

<sup>13</sup> Western Australian Council of Social Services, *The Rising Cost of Living in WA*, August 2010, [http://www.wacoss.org.au/Libraries/P\\_A\\_Cost\\_of\\_Living\\_The\\_Rising\\_Cost\\_of\\_Living\\_in\\_WA\\_August\\_2010.sflb.ashx](http://www.wacoss.org.au/Libraries/P_A_Cost_of_Living_The_Rising_Cost_of_Living_in_WA_August_2010.sflb.ashx), accessed on 4 May 2011.

<sup>14</sup> Above n 13 p. 5.

<sup>15</sup> Above n 13 p. 12.

20. ELC is concerned that Western Australian employees who rely on the current minimum wage are at risk of falling below the poverty line. According to the recent Henderson poverty line for a family comprising two adults, one of whom is working, and two dependent children, the poverty line is \$803.79 per week.<sup>16</sup> The current state adult minimum wage is well below the poverty line, being just \$587.20 per week.

21. The Australian Council of Social Services (**ACOSS**) states:

*An increasing number of Australian households live in income poverty while at least one member of that household is in paid employment. Known as 'working poor', there were approximately 389 600 Australians living in these conditions in 2005-06, an increase of 9.4% since 2003. While some of these households had a member working full-time, most have only part-time employment. ABS figures show that the proportion of part time employees increased from 19 per cent of the labour force to 29 percent between 1987 and 2010. Between 1990 and 2007, the proportion of casual employees rose from 19 percent to 25 percent. 59% of working poor households are couples with children.*<sup>17</sup>

22. ELC supports ACOSS' recommendation of an adequate minimum wage to reduce poverty among working households.<sup>18</sup>

23. The increases in consumer prices and changes in the purchasing power of employee households discussed above have placed additional pressure on households that are reliant on the minimum wage. On this basis, ELC submits that the minimum wage should be meaningfully increased to account for increases in consumer prices and other increases in the cost of living.

#### **Equal remuneration for men and women for work of equal or comparable value**

24. In requiring the WAIRC to take into account the principle of equal remuneration for work of equal or comparable value, section 50A of the IR Act provides for consideration of issues of pay equity.

25. Gender pay equity in particular is an issue that consistently arises in discussions of pay equity. As women are over-represented in low paid jobs, an increase in the state minimum wage would go some way towards addressing gender pay inequity.<sup>19</sup>

26. According to the Equal Opportunity for Women in the Workplace Agency, on average Australian women working full-time earn 16.7% less than men working full time.<sup>20</sup> In Western Australia, the gender pay gap is even more significant, with women earning an average weekly ordinary time earnings (**AWOTE**) of \$1137.90 compared to men earning \$1498.10 AWOTE, being a gap of 24.1% as at August 2010.<sup>21</sup> A recent publication notes that the State's current gender pay gap is as high as 25.6%.<sup>22</sup>

27. ELC submits that the state minimum wage should be increased as a way of addressing, amongst other things, gender pay inequity.

<sup>16</sup> Melbourne Institute of Applied Economic and Social Research, *Poverty lines: Australia*, ISSN 1448-0530, September Quarter 2010.

<sup>17</sup> Australian Council of Social Services, *Poverty Report 2010*,

[http://acoss.org.au/images/uploads/ACOSS\\_poverty\\_report\\_October\\_2010.pdf](http://acoss.org.au/images/uploads/ACOSS_poverty_report_October_2010.pdf), page 3, accessed on 5 May 2011.

<sup>18</sup> Above n 17 p.3

<sup>19</sup> S Austin, T Jefferson, A Preston and R Seymour Women in Social & Economic Research (WiSER)

Curtin University of Technology, *Gender Pay Differentials in Low-Paid Employment*, Research Report No. 3/09, October 2008, see e.g. p. 33.

<sup>20</sup> Equality for Women in the Workplace Agency, *Gender Workplace Statistics at a Glance* fact sheet dated March 2011, [http://www.eowa.gov.au/Information\\_Centres/Resource\\_Centre/Statistics/GenderWorkplaceStats\\_4\\_11-Onlineversion\(EKMP\).pdf](http://www.eowa.gov.au/Information_Centres/Resource_Centre/Statistics/GenderWorkplaceStats_4_11-Onlineversion(EKMP).pdf), accessed 10 May 2011.

<sup>21</sup> ABS, *Average Weekly Earnings*, Australia, August 2010, Catalogue no. 6302.0, Table 11E, Canberra, ABS, 2011.

<sup>22</sup> K McDonald, *WA's gender pay gap 'shameful'*, *The West Australian*, 9 March 2011.

## Promoting social inclusion through workforce participation

28. According to research conducted by Fair Work Australia (**FWA**), “[i]t is clear that workforce participation offers benefits and has the potential to enhance social inclusion.”<sup>23</sup> Paid work “is considered to promote social inclusion by increasing people’s resources (such as income, access to goods and services and human capital), developing their social networks and support, and improving their mental and/or physical health.”<sup>24</sup>
29. Further “[m]inimum wages may play a role in providing the financial incentives for people to take up, or increase their hours in, jobs paid at minimum wages, or may enhance social inclusion through their role in providing a safety net.”<sup>25</sup>
30. It ELC’s experience that participation in employment maintains personal dignity and pride, sense of self-worth and connection to the community. A minimum wage that allows those reliant upon it to live with dignity and enjoy secure employment is vital for social inclusion.

## Conclusion

31. It is ELC’s view that the state minimum wage should be increased. In this regard, we endorse the submission of the TLCWA which argues for a 5% increase. 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.

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<sup>23</sup> Lucy Nelms and Dr Constantine Tsingas, Minimum Wage and Research Branch, Fair Work Australia, *Literature review on social inclusion and its relationship to minimum wages and workforce participation*, Research Report 2/2010, February 2010, p. 36.

<sup>24</sup> Above n 7 p. 4.

<sup>25</sup> Above n 7 p. 36.