SUBMISSION BY THE
NSW COMMISSION FOR CHILDREN
AND YOUNG PEOPLE
TO THE AUSTRALIAN FAIR PAY COMMISSION
MINIMUM WAGE DETERMINATION

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1. THE COMMISSION FOR CHILDREN AND YOUNG PEOPLE

1.1 The Commission for Children and Young People (‘the Commission’) was established by the Commission for Children and Young People Act 1998. Section 10 of the Act lays down three statutory principles which govern the work of the Commission:

(a) the safety, welfare and wellbeing of children are the paramount consideration;
(b) the views of children are to be given serious consideration and taken into account; and
(c) a co-operative relationship between children and their families and community is important for the safety, welfare and wellbeing of children.

1.2 Section 11(d) of the Act provides that one of the principal functions of the Commission is to make recommendations to government and non-government agencies on legislation, policies, practices and services affecting children.

2. IMPACT OF LOW MINIMUM WAGES

2.1 The Commission does not consider that lowering minimum wages is the solution to increased employment in Australia. Nor is it considered that it will increase prosperity for those families who are living in households with incomes in the bottom half of the Australian population.

2.2 NATSEM’s 2005 report into the labour market and its transformation over the last two decades found that the main beneficiaries of new job opportunities have been university graduates, who have taken up 70% of all new jobs created in the last twenty years. In comparison, the unskilled labour category of work gained only 12% of all new jobs, amounting to a growth of only 4% in unskilled jobs.¹

2.3 It appears that the structure of the Australian labour market, influenced by the requirements for a competitive developed economy, is moving increasingly further from a low-wage labour market. Therefore, it is unrealistic to expect that lowering wages is the solution for the unemployed. Grimshaw and Carroll (2002) found that with the introduction of a minimum wage in the UK, firms were as likely to increase employment as to decrease employment. That is, the minimum wage had no discernable directional impact on firms’ employment decisions.²

2.4 UNICEF has found a positive relationship between low wages and child poverty. This is not surprising as while most of the lowest income decile is comprised of people who do not work, there is still a significant portion of low-paid workers in the poorest of the population. Leigh estimates that 23% (excluding retirees) of the poorest households include low-wage workers. About one third of low-wage workers are the sole worker in their household. However, low-wage workers are found across all income deciles, which is sometimes obscured by data which only measures total household incomes.

3. FAIR WAGES FOR YOUNG PEOPLE

3.1 The importance of skills based career paths and stable jobs for young people

3.1.1 NATSEM’s analysis of the last two decades of growth, cited earlier, demonstrates the huge importance of job creation that provides skills development and career paths for young people. For young people who wish to enter the labour force after leaving school (early or at Year 12), the transition from school to work has become increasingly difficult over the last two decades. Teenagers comprise 41 per cent of sub minimum wage workers, while workers aged 15-24 years account for 32 per cent of minimum wage workers. In May 2004, unemployment rates for Australians aged 15-19 years were more than three and a half times higher than for adults. Full-time employment for young people had not increased at all since 1995, and for young adults has declined by 10 per cent.

3.1.2 While it appears that most young people achieve a positive transition from school to work, and from part-time and casual employment to full-time employment, it is clear that a number of young people will struggle, be at risk of unemployment and become trapped in cycling between low-paying jobs, part-time work and unemployment. The Australian Council for Educational Research (ACER) has found that for school leavers who do not go to university, about 10 per cent of males and 19 per cent females are at risk of not finding full-time work within five years of school exit. If this includes part-time work and part-time employment, 6 per cent of males and 8 per cent of females are at risk of no work at all.

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3.1.3 It is often argued that low-wage jobs improve access to employment for young people. However, the Commission considers that the emphasis should be on policies that will allow more young people to gain from growth in overall economic prosperity. Over the last two decades the two groups that have not done well with a general growth in prosperity have been young workers and low wage workers. Clearly, we should encourage a labour market that provides stable and adequately remunerative jobs.

3.1.4 If the objective, for young people, is to find full-time and better paying jobs, the research on low-wage jobs as a conduit to higher-paying jobs is less than encouraging. Research in the UK has found that low paid work and unemployment have almost an equally large negative affect on the probability of finding a higher paid job. Richardson concludes that one requirement is to improve inducement to employers to provide training.

3.1.5 The ACER research found that apprenticeships, in particular, provide an excellent route to full-time employment, with 90 per cent of apprentices in full-time employment by their fourth year. Traineeships were less successful, with only 77 per cent of trainees securing full-time work, compared with an overall average of 72 per cent for all young people who do not enter university.

3.1.6 The Commission has reservations that a policy that simply promotes low wages for young people will deliver improved outcomes in the longer-term. In the shorter term, we consider it would disadvantage young people’s livelihoods.

3.2 Disadvantages of a single, uniform junior rate of pay

3.2.1 The 1999 Australian Industrial Relations Commission’s Junior Rates Inquiry surveyed 196 awards and found that 118 had junior rates. Within the approximately 60 per cent of awards with junior rates, there is variation as to the percentage of adult rates received at particular ages and in hourly rates of pay measured as a percentage of adult rates.

9 Ibid. p. 53
10 Ibid. p. 66
11 ACER, op. cit., p. 31
12 Australian Industrial Relations Commission Junior Rates Inquiry (1999) Report of the Full Bench Inquiring under S120B of the Workplace Relations Act 1996, Australian Industrial Relations Commission, Canberra. It is difficult to obtain up to date information on the number of awards with junior rates, but there is little reason to think that the incidence of junior rates in federal awards has changed markedly since 1999.
3.2.2 The following table shows a breakdown by age at which adult rates start to be paid in 111 awards with junior rates examined in the 1999 Australia Industrial Relations Commission’s Junior Rates Inquiry.13

<table>
<thead>
<tr>
<th>Age</th>
<th>16 Years</th>
<th>17 Years</th>
<th>18 Years</th>
<th>19 Years</th>
<th>20 Years</th>
<th>21 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>1.8%</td>
<td>1.8%</td>
<td>18.0%</td>
<td>22.5%</td>
<td>42.3%</td>
<td>100%</td>
</tr>
<tr>
<td>(2)</td>
<td>(2)</td>
<td>(20)</td>
<td>(25)</td>
<td>(47)</td>
<td>(111)</td>
<td></td>
</tr>
</tbody>
</table>

(The figure in brackets denotes the number of awards upon which the accumulation is based)

3.2.3 These variations make it difficult to establish a ‘benchmark’ junior minimum wage or wages. Scaled pay for different ages of young people in one award, difference in exit ages across awards as well as different pay rates and the fact that many young people currently earn adult rates, means that it would not be possible to establish one single minimum junior wage without either significantly decreasing the rate for many juniors or increasing costs to employers.

3.3 Minimum rates of pay cannot be considered in isolation from the Australian Fair Pay Commission Standard

3.3.1 The minimum wage cannot be considered in isolation from the Australian Fair Pay Commission Standard which sets five minimum conditions for an Australian Workplace Agreement (AWA): a minimum hourly rate, sick leave, parental leave, annual leave, and maximum weekly hours of work.

3.3.2 The Office of the Employment Advocate’s recent survey of 250 agreements, found that 100 per cent had one or more award conditions removed. The most common provisions removed were leave loading (64 per cent), penalty rates (63 per cent) and shiftwork loading (52 per cent).14 This indicates that wages covered by AWAs are declining.

3.3.3 Given that much of the work performed by children and young people is of a casual and non-standard shift nature, a loss of penalty and shift allowances has a disproportionate and negative impact on children and young people.

3.3.4 In addition, children and young people are particularly disadvantaged in the bargaining process, making this group even more vulnerable as AWAs become more common.15

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13 Ibid., p. 77.
15 This was found in the NSW Commission for Children and Young People (2005) Children at Work, NSW Commission for Children and Young People, Sydney. The Commission’s research is supported by other studies by ACIRRT, SA Unions and JobWatch Victoria, revealing young people have a limited knowledge of their employment rights and little capacity to defend their interests. See Australian Centre for Industrial Relations Research and Training (ACIRRT) (2005) Young People at Work Survey, University of Sydney, Sydney; SA Unions (2005) Dirt Cheap and Disposable, SA.
3.4 Casual loading

3.4.1 The increase in casual jobs is of particular importance to young people, as many are reliant on casual work. Campbell has found that only 19.6 per cent of casual workers are dependent students. The majority of the casual workforce is drawn from non-dependent young people and prime-age working men.  

3.4.2 The AFPC should protect the casual loading rates, in particular with attention to the fact that many other components of wages, such as penalty rates and shift allowances are being eroded at present.

4. RECOMMENDATIONS

4.1 The minimum wage is a crucial factor in supporting many children, and protecting against increased poverty for children. It is recommended that the AFPC set a high standard for minimum wages, and not allow erosion of the current minimum wage.

4.2 The AFPC does not institute a single, uniform junior rate of pay.

4.3 Any determinations should, at the minimum, protect all current wages that may exceed any new determinations.

4.4 The AFPC conducts further research into the extent and impact of the removal of penalty and allowance rates in AWAs on wages of children and young people.

4.5 The AFPC investigates and implement mechanisms to develop skills-based career paths.

4.6 The AFPC protects casual loading.


REFERENCES


Andrew L. (2005) *Does Raising the Minimum Wage Help the Poor*, Centre for Economic and Policy Research, Australian National University, Canberra


Australian Centre for Industrial Relations Research and Training (ACIRRT) (2005) *Young People at Work Survey*, University of Sydney, Sydney


Brosnan, P. (2005) *Can Australia Afford Low Pay*, Griffith University, Queensland


SA Unions (2005) *Dirt Cheap and Disposable*, SA Unions, Adelaide