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Submission to the Western Australian Industrial Relations Commission (WAIRC) **2014 State Wage Case**



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1.0 About WACOSS

As the peak body of the community services sector in WA and as an advocate for low income and disadvantaged community members, the Western Australian Council of Social Service (the Council) has a particular interest in the adequacy of living standards and quality of life experienced by Western Australians living on a low income.

The Council represents organisations in a diverse range of areas including:

- health;
- community services and development;
- disability;
- employment and training;
- aged and community care;
- family support;
- children and youth services;
- drug and alcohol assistance;
- indigenous affairs;
- support for culturally and linguistically diverse people;
- housing and crisis accommodation;
- safety and justice; and
- advocacy.

Despite the introduction of the Fair Work Act 2009, many organisations in the community services sector are still incorporated entities without significant or substantial trading or financial activities, and are therefore subject to the WA Industrial Relations Commission's (WAIRC) jurisdiction.

The Council has an interest in ensuring that the wages of all low paid employees — including those employed in the community sector — keep pace with the cost of living and community standards.

2.0 Introduction

The Council's submission to the 2014 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 fair system of wages and conditions;*
- ii. meet the needs of the low paid;*
- iii. provide fair wage standards in the context of living standards generally prevailing in the community;*
- iv. contribute to improved living standards for employees.¹*

The Council submits that an increase of \$35 in the State Minimum Wage rate (and in the minimum award rates for junior employees, apprentices, and trainees) is consistent with the need to maintain a fair system of wages and conditions in the current Western Australian context.

The argument presented and range of issues facing minimum wage workers in WA addressed by the Council in this submission remain substantially the same as in our submission to the 2013 State Wage Case. We have carefully assessed the changing economic and workplace environment for these workers, incorporated and given due consideration to new or interesting data that has become available in the interim, 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 upon which to base its deliberations in the best interest of not only minimum wage workers and their families, but also the wider Western Australian community.

The Council considers minimum wages to be a vital means of protecting low-income workers from poverty — the benefits of which are felt by minimum wage workers, their families, their children, and society at large. It is important for the wages earned by full-time, minimum wage employees to be sufficient to ensure they have the capacity to meet their basic living costs, while living with dignity and respect. As such, the primary focus of the Council's claim are the increasing cost of living pressures in Western Australia — pressures which are having the greatest adverse impact on low income earners, such as those who rely on the minimum wage (as addressed in Part A of this submission).

Ultimately, the Council's conclusion is that the living standards of the lowest paid members of our community have not improved in any significant way in the last 12 months, and that the current minimum wage does not currently reflect a 'fair wage' in the context of living standards generally prevailing in the community.

¹ *Industrial Relations Act (1979)*

3.0 Income inequality in WA

In February 2014, Ostry, Berg and Tsangarides from the International Monetary Fund's (IMF) Research Department released a significant report on the topic of inequality. Titled *Redistribution, Inequality, and Growth*², one of the report's key conclusions — directly relevant to the considerations of the Commission on the State Wage Case — is the conclusion that “lower net inequality is robustly correlated with faster and more durable growth, for a given level of redistribution.”³

*(I)nequality continues to be a robust and powerful determinant both of the pace of medium-term growth and of the duration of growth spells, even controlling for the size of redistributive transfers... It would still be a mistake to focus on growth and let inequality take care of itself, not only because inequality may be ethically undesirable but also because the resulting growth may be low and unsustainable.*⁴

That is, lower levels of inequality deliver stronger economic growth.

The report also found that that

*...redistribution appears generally benign in terms of its impact on growth; only in extreme cases are there some evidence that it may have direct negative effects on growth. Thus the combined direct and indirect effects of redistribution — including the growth effects of the resulting lower inequality — are on average pro-growth.*⁵

This is an important finding coming from one of the world's leading economic institutions directly concerned with economic growth and international prosperity. Critically, the report debunks the prevailing myth — that has long been a mainstay of industry submissions arguing for downward pressure on minimum wages — that reducing inequality robs the rich of incentives to invest and the poor of incentives to work. It is also consistent with the work of Nobel prizewinning economist Joseph Stiglitz, who warns that inequality can make growth more volatile and create the unstable conditions for a sudden slowdown in GDP growth.⁶

The Bankwest Curtin Economics Centre's recent *Sharing the Boom* Report provides significant analysis on the nature and impact of both income and wealth inequality within Western Australia,⁷ finding that:

Over the last six years, WA incomes have outpaced national averages, even when accounting for taxes and household size. In terms of absolute values, WA ranks third in both median and mean incomes, second only to the ACT and NT.

² Ostry, J.D., Berg, A., & Tsangarides, C.G. (February 2014) [Redistribution, Inequality, and Growth](#), International Monetary Fund Staff Discussion Note.

³ Ibid, p.4.

⁴ Ibid, p.25.

⁵ Ibid, p.4.

⁶ Joseph Stiglitz, [The Price of Inequality](#) (2012).

⁷ Bankwest Curtin Economics Centre, [Sharing the Boom: the distribution of income and wealth in WA](#), 2014.

However, income growth across the boom period has seen income inequality increase significantly, as the richer households sprint away from the rest of the distribution. The boom may be benefiting many households, with rising employment participation, decreasing unemployment and generally higher incomes, but the poorest households in WA are being left behind. This does not mean that the boom is not being shared, but rather it is being shared too unequally.

Low-income households are falling behind all others at a faster rate in WA than Australia, which raises concerns about those living in these households and the decreasing standard of living that they are likely to be experiencing relative to the rest of WA's population.⁸

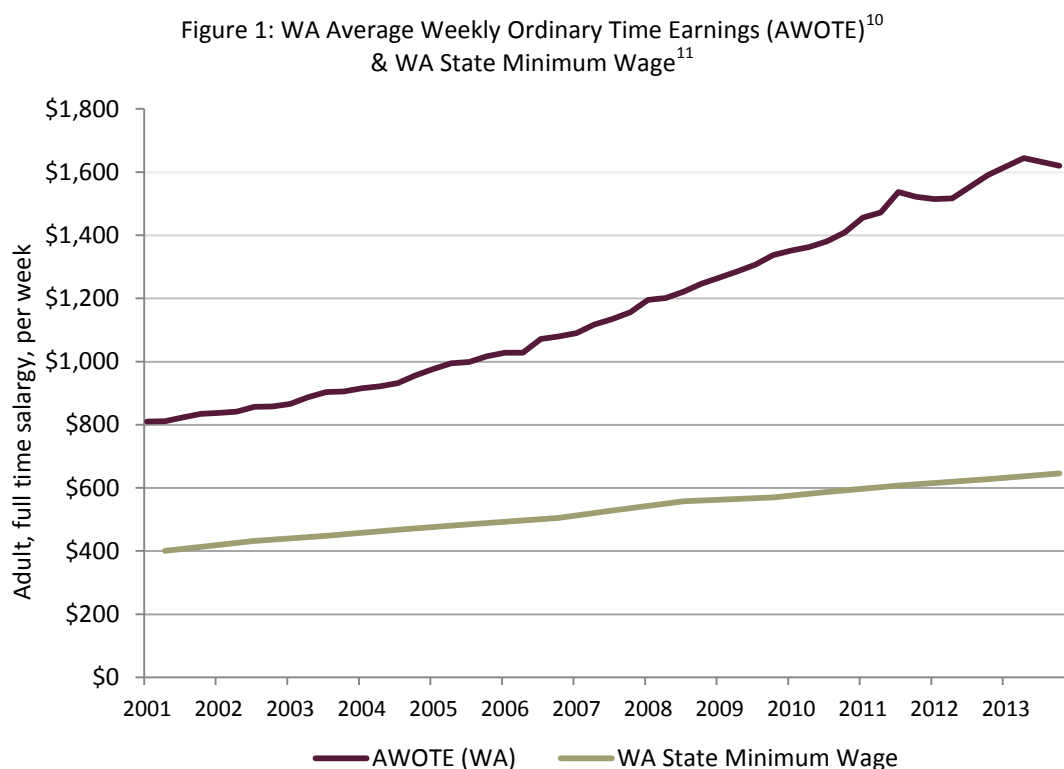
Lower levels of inequality also deliver better social outcomes. One of the best known publications which explains why first-world countries like Australia should be concerned about growing income inequality, is *The Spirit Level: Why Greater Equality Makes Societies Stronger*, written by Richard Wilkinson of the London School of Economics and Kate Pickett of the University of York. Wilkinson and Pickett's analysis found that almost all modern social problems — such as poor health, violence, lack of community life and mental illness — are more likely to occur in societies where the rate of inequality is higher.⁹

The Council remains concerned about the rate at which the gap between the state minimum wage rates and median pay levels is continuing to grow in Western Australia. Between November 2003 and November 2013, AWOTE increased by 79 per cent (from \$905.50 to \$1,620 — an additional \$714.50 per week).

The state minimum wage has not kept pace with this increase in AWOTE. Between November 2003 and November 2013, the state minimum wage only increased 44 per cent (from \$448.40 to \$645.90 — an additional \$197.50 per week).

⁸ Ibid, p 60.

⁹ Wilkinson, R. and Pickett, K. (2011) *The Spirit Level: Why Greater Equality Makes Societies Stronger*, Bloomsbury Press.

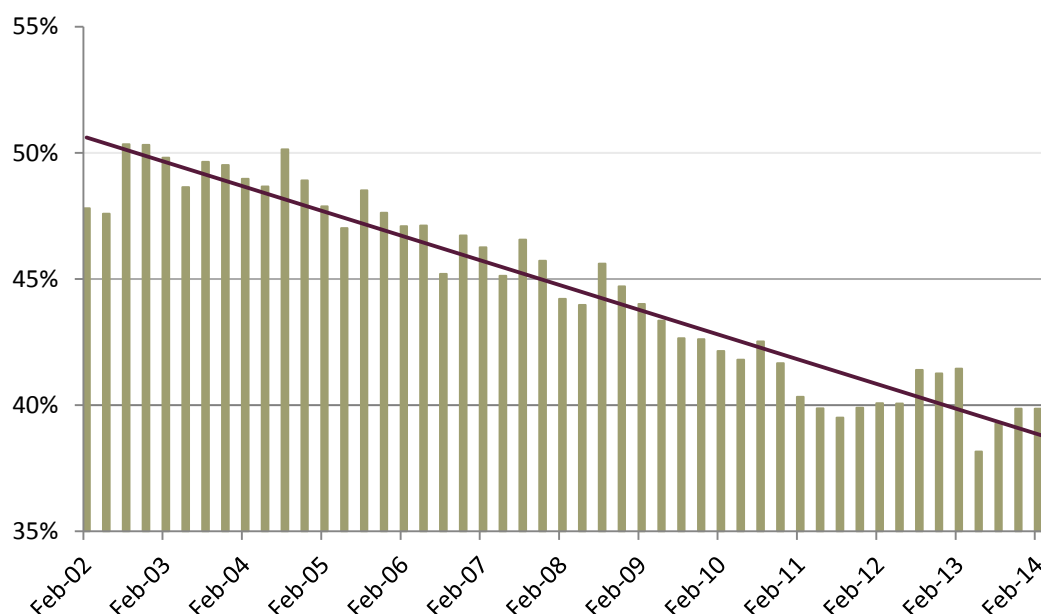


In the early part of the last decade, the state minimum wage was maintained at or near 50 per cent of AWOTE. However in more recent years the state minimum wage, as a percentage of AWOTE, has been falling significantly. Since November 2010, the minimum wage has been in the 38-42 per cent range, as shown in Figure 2.

¹⁰ ABS (2014) [6302.0 Average Weekly Earnings, Australia, Nov 2013](#), TABLE 12E. Average Weekly Earnings, Western Australia (Dollars) - Seasonally Adjusted.

¹¹ Department of Commerce (no date) [Western Australian Minimum Wage Rates 2000-2012](#); and Department of Commerce (2013) [Minimum Conditions of Employment Minimum Rates of Pay](#).

Figure 2: WA State Minimum Wage¹² as a percentage of AWOTE (WA)¹³



The fall in the rate of the WA state minimum relative to the increase in AWOTE (refer to the trend line shown in Figure 2) is of concern to the Council in its advocacy for those vulnerable and disadvantaged members of the WA community.

The Gini coefficient is a standard and widely accepted measure used worldwide as a measure of income inequality in a society.¹⁴ Zero indicates total equality and 1 indicates maximal inequality. The latest figures from the Australian Bureau of Statistics, record WA as having the second highest level of income inequality in the country (based on equivalised disposable household income).

¹² Department of Commerce (no date) [Western Australian Minimum Wage Rates 2000-2012](#); and Department of Commerce (2013) [Minimum Conditions of Employment Minimum Rates of Pay](#).

¹³ ABS (2014) [6302.0 Average Weekly Earnings, Australia, Nov 2013](#), TABLE 12E. Average Weekly Earnings, Western Australia (Dollars) - Seasonally Adjusted.

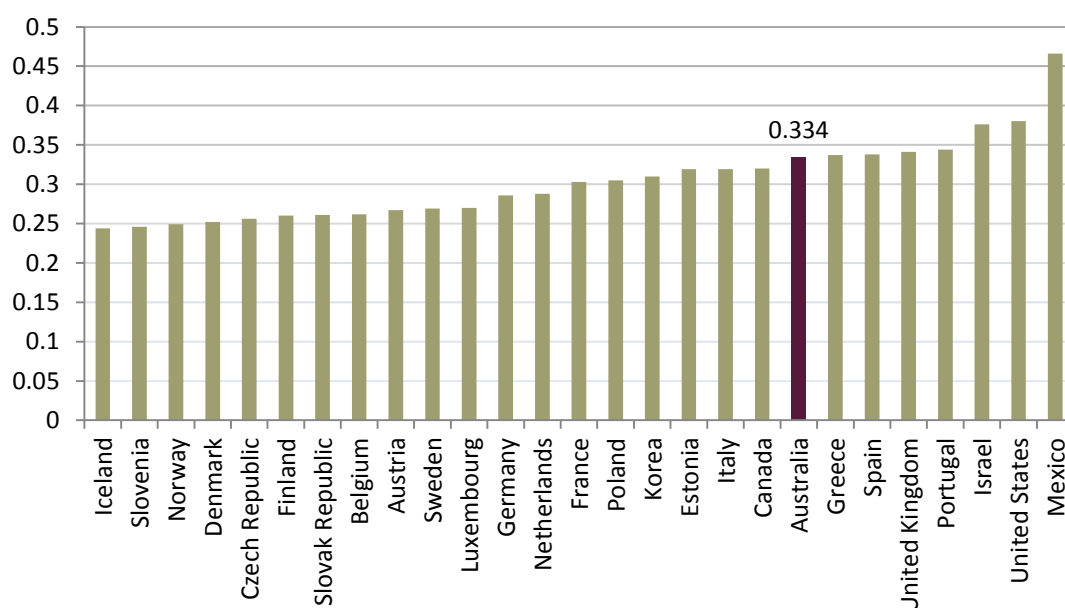
¹⁴ The Gini coefficient is widely used, including in the following recent reports: Greenville, J., Pobke, C. & Rogers, N. (March 2013) [Trends in the Distribution of Income in Australia: Productivity Commission Staff Working Paper](#) and Bankwest Curtin Economics Centre (February 2014) *Sharing the Boom: The distribution of income and wealth in WA*, Focus on Western Australia Report Series, No. 1.

Figure 3: Gini Coefficient 2011-12 (National and States)¹⁵

	Gini Coefficient
NSW	0.331
WA	0.325
Australia	0.320
Queensland	0.320
Victoria	0.307
SA	0.300
NT	0.294
Tasmania	0.293
ACT	0.283

While Western Australia's Gini coefficient has dropped since it was last calculated in 2009-10, it still remains one of the highest in the OECD (compared with the latest available international comparisons).

Figure 4: OECD Gini Coefficients (Disposable income post tax and transfers; 2010)¹⁶



¹⁵ ABS (2013) [6523.0 - Household Income and Income Distribution, Australia, 2011-12](#), Data Cubes.

¹⁶ The most recently available collection of Gini Coefficients is from 2010 — OECD (2010) [OECD.StatExtracts](#), Income Distribution and Poverty: By Country.

Part A — The Cost of Living in WA

4.0 The cost of living in WA

Western Australians live in one of the wealthiest states of one of the wealthiest nations, at a time in world history where the living standards of the majority have never been higher. Australia's rate of GDP growth has meant that, as a society, we are now twice as rich as we were only a couple of decades ago.

As a state, WA remains in a relatively strong economic position. As recently as January 2014 and April 2014, Commsec's *State of the States* economic performance reports have found that WA has remained "Australia's best performing economy".^{17, 18}

However, the Council's analysis shows that the cost of essential services and items (including housing, utilities and food) have increased at a much faster rate than non-essential or discretionary and luxury items (i.e. cars, computers and overseas holidays). The increase in the cost of *essential* items is hardest felt by low income households, who spend a much higher proportion of their household income on essentials. On the other hand, the benefit of relative improvements in the cost of non-essential items tends to disproportionately benefit higher-income households who have greater disposable income.

There is a pervasive myth within our community that we are all feeling the impact of rising living costs, when many of us are in fact much better off. It is the low-income individuals and households in WA who are *really* struggling with the increases to the *essential* costs of living and are (or are at risk of) slipping into poverty. **These are the people for whom increases to the rate of the state minimum wage really count.**

4.1 2013 Cost of Living Report

Each year the Council produces a *Cost of Living Report*, as a part of our role in providing advice to Governments and community service providers on a) which hardship issues are most impacting low income households, and b) which strategies are most likely to prove effective in enabling households to comfortably meet a basic standard of living.

¹⁷ Commsec (January 2014) [State of the States: State & territory economic performance report](#) and Commsec (April 2014) [State of the States: State & territory economic performance report](#)

¹⁸ The eight indicators of economic performance analysed in the Commsec report are: economic growth, retail spending, equipment investment, unemployment, construction work done, population growth, housing finance and dwelling commencements. In the January 2014 report, Western Australia was the top performer on the retail spending criteria, fourth on dwelling starts, and second on the six other indicators. In the April 2014 report, WA was the top performer on the retail spending and housing finance; second strongest on economic growth, construction work done, and population; third on business investment and dwelling starts; however was weakest on unemployment. *Refer to footnote 17 for references.*

In the Council's 2013 Cost of Living Report, we examined the impact of increasing costs of living in WA for three different low-income household types:

- **Household A:** A single parent family with two children, combining part-time work and income support;
- **Household B:** A working family with two children. One parent works full-time while the other balances part-time work with care-giving — both are employed slightly above the minimum wage; and
- **Household C:** A single unemployed person who is looking for work and relies on the Newstart Allowance.¹⁹

The methodology used allows us to compare how relative changes in living costs and sources of income impact upon different types of low-income households in Western Australia.

Between 2011/12 and 2012/13, the basic living costs of all three of our model households (such as housing, food, utilities, transport) increased at a faster rate than their income, meaning that all of our low-income households were worse off than last year. The major contributors to the increased living costs were rent (which increased by 8.6%) and utilities (which increased between 11.7% and 13.2%).²⁰

The modelling of Household B is particularly relevant to the state minimum wage deliberations, as the two working adults in this household are both assumed to be employed at rates slightly above the state minimum wage. The Council found that this family, with a combined weekly income of \$1,322.13, would be facing weekly costs (rent, food, utilities, transport and other household expenses) totalling \$1,309.23 — leaving them with \$12.90 left over at the end of each week.²¹

For a family whose income only just exceeds its expenditure, the high likelihood that additional expenses may be incurred over the course of a year means that the household will probably need to find ways to cut back its spending. It also means that the household is at risk of going into debt. The ability to have sufficient income to be able to put aside enough money to deal with a sudden crisis, the loss of insecure employment or with 'bill shock' is critical to building the financial resilience of a working family. While the resilience of a household with two incomes is higher than that of a single parent family or someone receiving welfare payments, a working family may still be just one accident or a couple of missed pay-checks away from financial crisis.

A copy of the Council's 2013 Cost of Living Report is included as Attachment 1 to this submission.

¹⁹ WACOSS (2013) [2013 Cost of Living Report](#), p. 5.

²⁰ Ibid, pp. 7, 10 & 11.

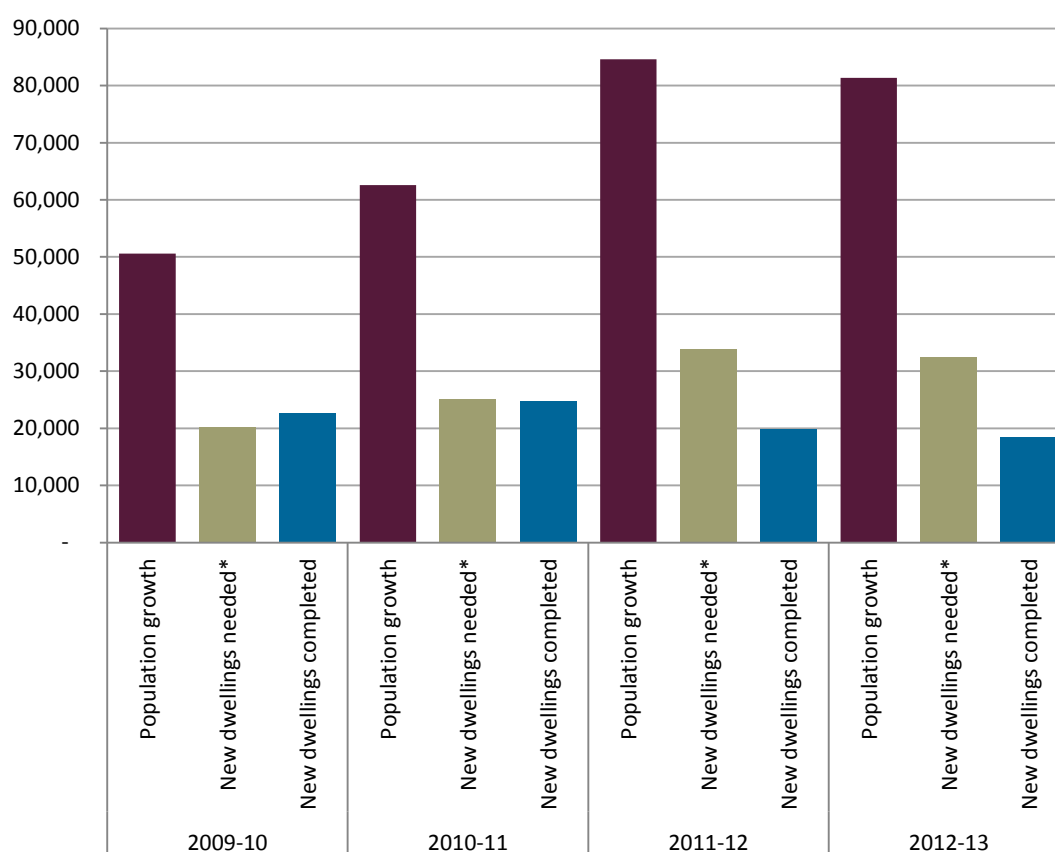
²¹ Ibid, p. 10.

5.0 Major cost of living pressure: Housing

The lack of affordable housing and the ongoing increases in the cost of housing are the most pressing issues facing low income households in Western Australia. As the single largest living cost for WA households, housing is also the biggest contributor to financial hardship and the biggest risk factor for financial crisis for those on low and fixed incomes.

Contributing to the low rate of housing availability is the disproportionate growth in the WA population, compared with the number of new dwellings built over the same period. As Figure 5 shows, in 2012-13 the WA population grew by over 81,000, but over the same period of time, only 18,300 new dwellings were built. Based on the average household size in WA this means that WA *needed* to have built over 32,500 new dwellings in 2012-13 to ensure housing for the population increase alone.

Figure 5: WA population growth²² vs New dwellings completed²³



* "New dwellings needed" estimated by dividing the population growth by WA average household size (2.5 people).²⁴

²² ABS (2013) [3101.0 Australian Demographic Statistics, Sep 2013](#), TABLE 2. Population Change, Components - States and Territories (Number)

²³ ABS (2013) [8752.0 - Building Activity, Australia, Sept 2013](#), TABLE 38. Number of Dwelling Unit Completions by Sector, States and Territories.

5.1 Rental affordability

Many low and medium-income households who have traditionally found long-term housing tenure in the private rental market are now bearing the brunt of the lack of affordable housing in WA. Such households are, with increasingly regularity, the new face of homelessness in WA.²⁵

Recent studies of rental affordability by Anglicare WA (2014) and the Community Housing Coalition of WA (2013) have both demonstrated very clearly that there are few rental properties available in the Perth metropolitan area that are affordable to households reliant on the minimum wage.^{26,27}

According to the Real Estate Institute of WA, between December 2005 and December 2013 median Perth house rents in WA have increased by 100 per cent (from \$235 to \$470), and median Perth unit rents have increased 114 per cent (from \$210 to \$450).²⁸ Between December 2012 and December 2013, the Perth median rental price increased \$22, or 4.4% (from \$450 to \$470 per week).²⁹

While average weekly ordinary time earnings (AWOTE) have also increased significantly over this period, between 2003 and 2013 median rent as a percentage of AWOTE increased from 18 per cent to 29 per cent (refer to Figure 6). This is notable given a household is considered to be in “housing stress” when their housing costs exceed 30 per cent of their income.

²⁴ 2.5 people is the “average number in household” from ABS (2011) [6530.0 - Household Expenditure Survey, Australia: Summary of Results, 2009-10](#), Table 4: GROSS INCOME QUINTILE, Household characteristics, Western Australia.

²⁵ Community Housing Coalition of WA (2012) [The new face of homelessness in WA: what’s changed? Why? Where to from here?](#)

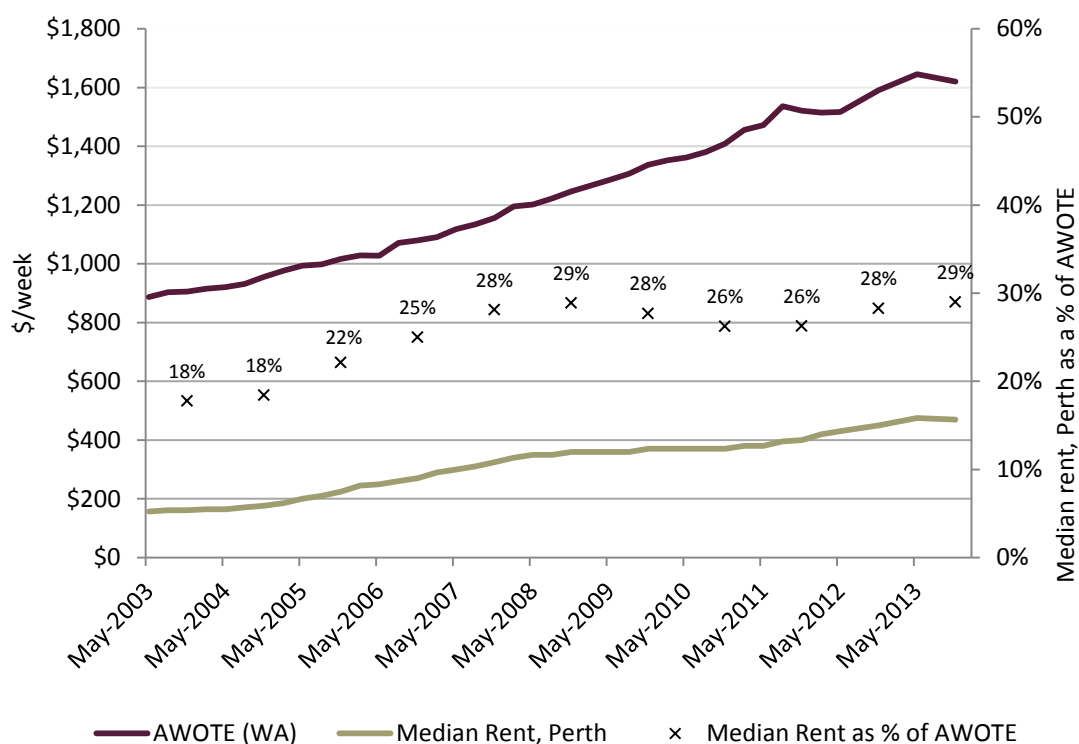
²⁶ Anglicare WA (2014) [Rental Affordability Snapshot 2014](#).

²⁷ Community Housing Coalition of WA (April 2013) [Perth Rental Affordability Survey 2013](#).

²⁸ REIWA (2013) *Historic Rental & Vacancy Data* (available from REIWA), REIWA (2014) [Perth Listing & Rental Trends](#), and REIWA (2014) [Property Market Indicators](#).

²⁹ Ibid.

Figure 6: Overall Median Rent, Perth³⁰ vs AWOTE (WA)³¹

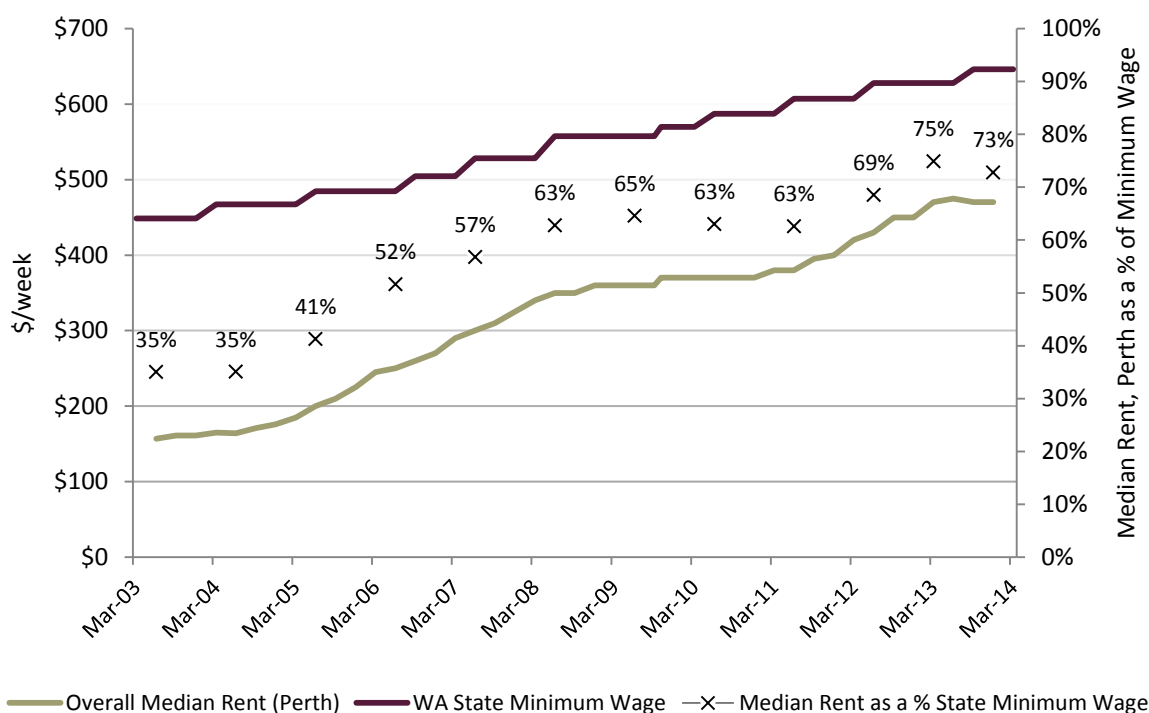


However the increase in AWOTE has not been matched by increases in the state minimum wage. As Figure 7 shows, in 2003 median rent represented approximately 36 per cent of the state minimum wage — meaning, at that time, the worker was already considered to be in housing stress. However by 2013, median rent as a percentage of minimum wage had *more than doubled* to 75 per cent (latest figures have the percentage at a very high 73 per cent).

³⁰ Ibid.

³¹ ABS (2013) [6302.0 Average Weekly Earnings, Australia, Nov 2013](#), TABLE 12E. Average Weekly Earnings, Western Australia (Dollars) - Seasonally Adjusted.

Figure 7: Overall Median Rent (Perth)³² vs WA State Minimum Wage³³



The *2014 Rental Affordability Snapshot*³⁴ (undertaken by Anglicare WA on Saturday 5 April 2014) found that while the number of properties advertised as being for rent had increased significantly on the 2013 figures, the percentage of rental properties within Perth which were affordable, available and suitable to those on the minimum wage remained very, very low:

Figure 8: Affordable & appropriate rental properties available in Perth³⁵

Household Type	Payment Type	No. Affordable & Appropriate	% Affordable & Appropriate
Couple, two children (one aged less than 5, one aged less than 10)	Minimum Wage (x2) + FTB A	175	2.9%
Single, two children (one aged less than 5, one aged less than 10)	Minimum Wage + FTB A & B	2	0.0%
Single	Minimum Wage	34	0.6%

(In 2014) Families on a dual minimum wage are marginally better off, with 2.9 per cent of the market (175 properties) in Perth being affordable. This is up slightly (0.3%) from last year, when 2.6% of the market (95 properties) was affordable,

³² REIWA (2013) *Historic Rental & Vacancy Data*.

³³ Department of Commerce (no date) [Western Australian Minimum Wage Rates 200-2012](#); and Department of Commerce (2013) [Minimum Conditions of Employment Minimum Rates of Pay](#).

³⁴ Anglicare WA (2014) [Rental Affordability Snapshot 2014](#).

³⁵ Adapted from Anglicare WA (2014) [Rental Affordability Snapshot 2014](#), p.1-2.

but is still drastically down from 2012, when 6.7% of the market was affordable for these families.³⁶

In this survey, *affordability* is based on measures of housing stress. A household is considered to be in *housing stress* when their housing costs represent more than 30% of household income. *Appropriateness* is assessed on the number of bedrooms in a property (eg. a single parent with one child would need a two bedroom property).

It is important to note that Anglicare WA's assessment of appropriateness is unable to take into account *where* a property is located, with regards to the location of the minimum wage worker's place of employment. The result of this is that:

- a) The number and percentage of affordable and appropriate properties which a minimum wage-household will be able to consider in order to maintain their current employment is *even lower* than the figures above indicate.
- b) The small number of available properties means that households will most likely need to pay more than 30 per cent of their income in order to ensure housing (putting them in housing stress).

High rental costs continue to place great pressure on low and medium-income households in WA. With there being no indication that rental prices will decrease in the foreseeable future, it is imperative that the state minimum wage be increased at a rate which reflects the rising cost of living in WA over recent years. This is needed in order to minimise both the immediate and long-term negative consequences of pushing (or keeping) a significant percentage of the WA community in poverty.

5.2 Home ownership

Home ownership confers benefits for low-moderate income households in terms of building long-term financial wealth, and is also valued by these households for the psycho-social benefits of security, control and stability.³⁷

Most Western Australians aspire to own their own home, and home ownership is important because it "provides financial security and a form of savings and lowers dependence on public assistance later in life"³⁸. Increasingly however, low income households are being priced out of the housing market in Western Australia.

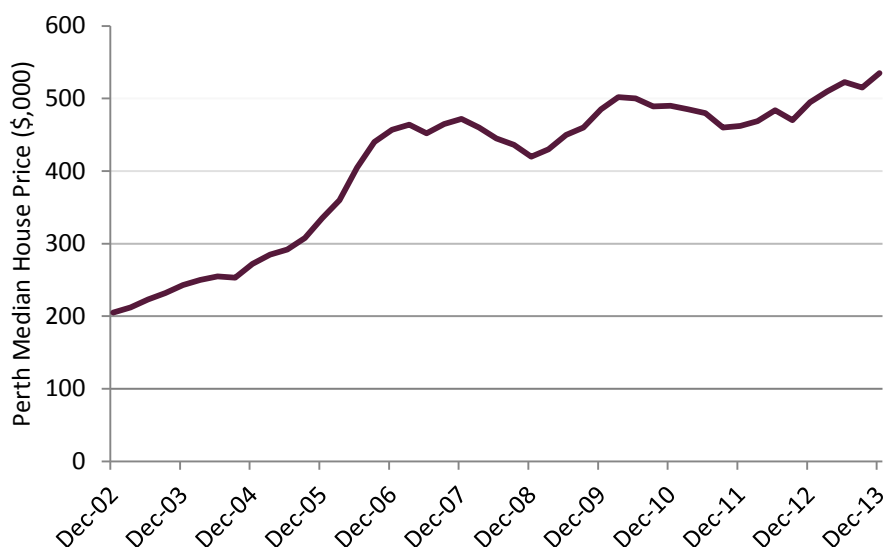
Between the December 2002 and December 2013 quarters, the median house price for an established dwelling in Perth grew 161 per cent, as illustrated in Figure 9.

³⁶ Ibid, p.2.

³⁷ AHURI (2012) [What are the benefits and risks of home ownership for low-moderate income households?](#), Australian Housing and Urban Research Institute.

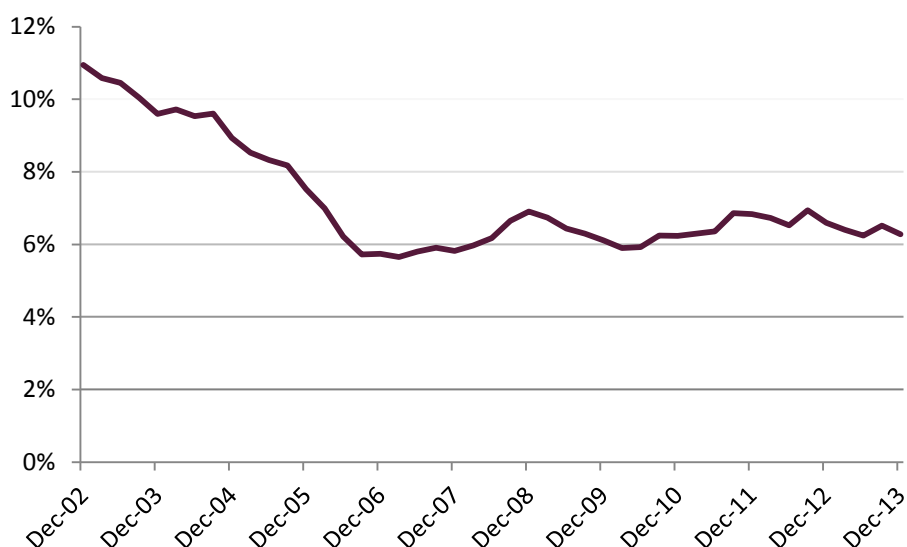
³⁸ Demographia (2013) [Demographia international housing affordability survey 2013](#), p.3.

Figure 9: Perth median house prices - established dwellings³⁹



However, over the same period of time the annual salary of a minimum wage-earner as a percentage of the Perth median house price has fallen by 43 per cent — from 10.9 per cent in December 2002, to 6.3 per cent in 2013 (though as Figure 10 shows, the percentage has been even lower at other points over this period).

Figure 10: WA State Minimum Wage (Annualised)⁴⁰ as a % of Perth Median House Price⁴¹



As Figure 11 shows, median mortgage repayments in WA increased significantly between 2006 and 2011, including in LGAs like Armadale and Kwinana which are typically considered to be more affordable areas.

³⁹ REIWA (2012) Perth median house prices - established dwellings (REIWA)

⁴⁰ Department of Commerce (no date) [Western Australian Minimum Wage Rates 200-2012](#).; and Department of Commerce (2013) [Minimum Conditions of Employment Minimum Rates of Pay](#).

⁴¹ REIWA (2012) Perth median house prices - established dwellings (REIWA)

Figure 11: Fastest growth in median monthly mortgage repayments in WA, by Local Government Area, 2006-2011⁴²

Local Government Area	Median Mortgage Repayment		Change	
	2006 (\$/month)	2011 (\$/month)	(\$)	(%)
Greater Perth				
Armadale	\$ 1,040	\$ 1,850	\$ 810	77.9%
Bassendean	\$ 1,096	\$ 1,842	\$ 746	68.1%
Murray	\$ 1,170	\$ 1,950	\$ 780	66.7%
Belmont	\$ 1,200	\$ 2,000	\$ 800	66.7%
Kwinana	\$ 1,083	\$ 1,800	\$ 717	66.2%
Rest of Western Australia				
Ashburton	\$ 252	\$ 954	\$ 702	278.6%
Port Hedland	\$ 1,083	\$ 2,600	\$ 1,517	140.1%
Derby-West Kimberley	\$ 900	\$ 1,842	\$ 942	104.7%
Beverley	\$ 650	\$ 1,300	\$ 650	100.0%
Boddington	\$ 1,083	\$ 2,043	\$ 960	88.6%

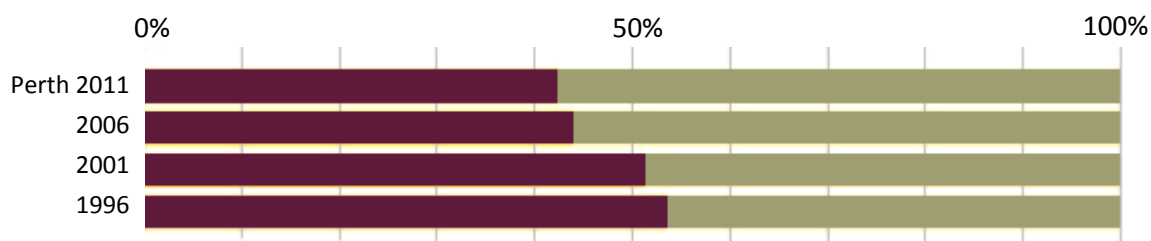
With the significant growth in house prices, low-income households face considerable challenges in entering the property market. This has significant long term consequences for Western Australian community given home ownership is considered to be “the number one predictor of whether you will live in poverty in retirement or not”.⁴³

⁴² ABS (2013) [1380.0.55.012 - Perspectives on Regional Australia, Housing Arrangements - Homes Owned with a Mortgage in Local Government Areas, 2011](#).

⁴³ ABC News (29 April 2014) [Age pension: How does Government financial assistance work after retirement?](#)

Housing in WA remains ‘severely unaffordable’ by international standards,⁴⁴ and as Figure 12 shows, rates of home ownership in Perth have fallen significantly since 1996.

Figure 12: Proportion of owner occupied mortgaged dwellings in Perth 1996–2011⁴⁵



Research by the Australian Housing and Urban Research Institute (AHURI) suggests that

*There is evidence that home purchase rates for low-moderate income households are declining, particularly for first time buyers and younger families. Furthermore, low-moderate income purchasers are more likely to be still paying off houses after retirement age. This has implications not only for housing policy but also across a range of policy areas including retirement incomes.*⁴⁶

Falling levels of home ownership has the potential to deliver negative consequences for the WA community in the long term.

*In 1981–82, most low-moderate income purchasers were families with children; now they are singles and couples without children. Some of this is explained by broader demographic change, but it may also reflect the fact that it is more difficult for families with children to enter home purchase in view of their other expenditures. Given that the stabilising effects of home ownership is thought to be beneficial for families, this is a concerning development.*⁴⁷

The Council works at both state and national levels to advocate for the policy changes needed to deliver more affordable housing in Western Australia, and to ensure low income households are not left *any further* behind. The Council acknowledges that the urgent need to address the lack of affordable housing is outside the remit of the Commission. However, the Council submits that the high cost of housing in WA — which accounts for the largest percentage of household expenditure for in low-income households — *must* remain a key consideration of the Commission with regards to the need to provide “fair wage standards in the context of living standards generally prevailing in the community”.⁴⁸

⁴⁴ Demographia (2014) [Demographia international housing affordability survey 2014](#), p.14.

⁴⁵ Department of Infrastructure & Transport (2012) [State of Australian Cities 2012: Chapter 2 - Population and Settlement](#), p.49.

⁴⁶ AHURI (2012) [What are the benefits and risks of home ownership for low-moderate income households?](#), Australian Housing and Urban Research Institute.

⁴⁷ *ibid.*

⁴⁸ Industrial Relations Act 1979, Clause 50A(3)(a)

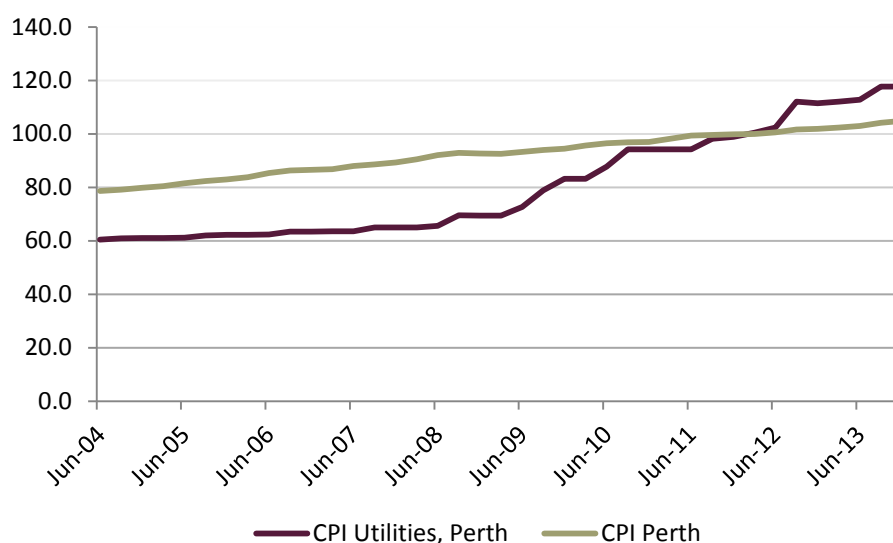
6.0 Other costs of living pressures

Three other essential household costs which are causing particular stress for households in WA are utilities, food and transportation.

6.1 Utilities

Between December 2005 and December 2013, the CPI of utilities (including electricity, gas, and other household fuels) in Perth increased by 93 per cent. (Compared to a 31% increase for the Perth “All Groups” CPI).⁴⁹

Figure 13: CPI (Perth) vs CPI of Utilities (Perth)⁵⁰



While the Council’s 2013 Cost of Living Report estimated expenditure on utilities to represent only about 4 per cent of a model working household’s weekly expenditure, over the course of a year, the total cost is approximately \$2,700.⁵¹

For low income households already struggling to make ends meet, there is no end in sight to rises in the cost of utilities. According to the 2013-14 WA State Budget, between 2012-13 and 2013-14 the fixed charge for water at residences rose by 9.4%, and the recent Budget papers indicate further increases of 6% per year should be expected over the forward estimates. At the 2013 State Election, the Premier promised to keep increases in utility prices at or around the rate of inflation (approximately 2.5%). However, in the 2013-14 Budget residential electricity prices were forecast to rise 4% in 2013-14 and 7% a year over the forward estimates. The 2014-15 Budget forecasts an increase of 4.5% in 2014-15 and 7% a year over the forward estimates.⁵² The dramatic increases in the cost of gas, electricity and water in recent years has meant that low income households — who spend a greater portion of their income on utility bills — are feeling the pressure of the rising cost of utilities more than other Western Australians.

⁴⁹ Australian Bureau of Statistics (December 2013) [6401.0 Consumer Price Index](#), Table 11 CPI: Group, Sub-group and Expenditure Class, Index Numbers by Capital City,

⁵⁰ Ibid.

⁵¹ WACOSS (2013) [2013 Cost of Living Report](#), p. 10.

⁵² Department of Treasury, [Western Australian State Budget 2014-15](#), Budget Paper No.1, p 10.

The ability of low-income households to manage their expenditure on utilities is made more difficult by the fact that many low income families rent (or own) homes that are not very energy efficient. Given their low income, they are unlikely to be able to afford the financial investment in energy efficiency measures, and if they are renting, they will most likely be precluded from making any significant energy efficiency-related changes to the property in which they reside. These factors further contribute to the systematic and disproportionate disadvantage experienced by low income households in the face of rising utility prices.

Below is a summary table of the rises in household fees and charges announced on 8th May 2014 in the Western Australian State Budget for 2014-15.⁵³

Household fees and charges

	Increase	Average household annual cost
Electricity	4.5%	\$62.88
Water	6%	\$84.41
Transport	4%	\$91.00
Motor vehicle registration	3%	\$9.08
Total	6.6%	\$324

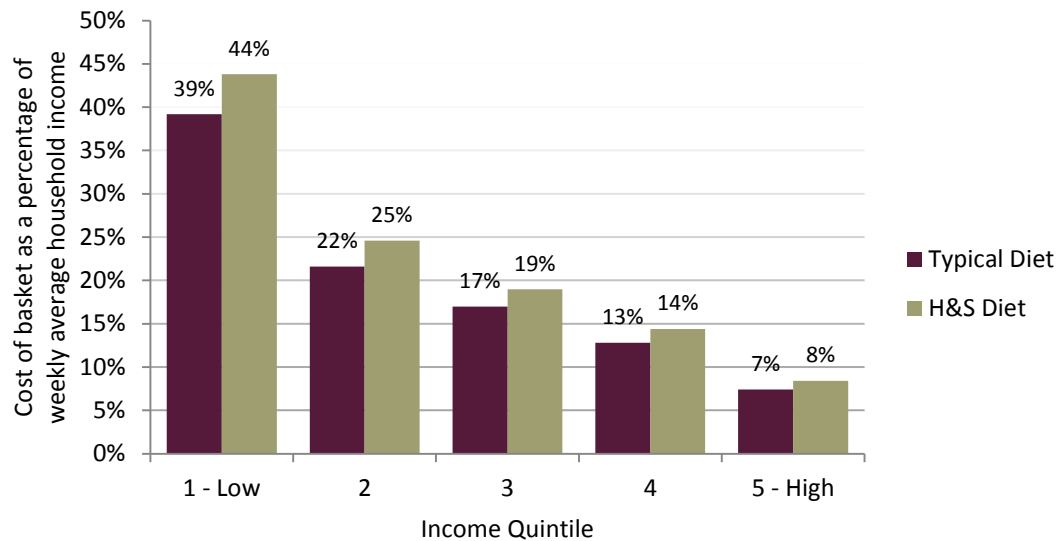
6.2 Food

A 2014 study conducted in NSW examined the cost of both a typical food basket and a healthy and sustainable (H&S) food basket for households in different incomes quintiles in the western suburbs of Sydney.⁵⁴ As Figure 14 clearly shows, the lower a household's income, the larger the income percentage their expenditure on food and beverages accounts for.

⁵³ Department of Treasury, [Western Australian State Budget 2014-15](#), Budget Paper 3, Appendix 9 Tariffs, fees and charges, p305.

⁵⁴ Barosh, L., Friel, S., Engelhardt, K., Chan, L. (2014) [The cost of a healthy and sustainable diet – who can afford it?](#), Australian and New Zealand Journal of Public Health, Vol 38, No 1.

Figure 14: Cost of the Typical and H&S basket as a percentage of weekly mean household income, by household income quintile and level of neighbourhood disadvantage



However, people facing financial stress due to wider cost of living pressures are often forced to make difficult choices — such as balancing the nutritional quality of food against its cost.

Common household responses to inadequate food supplies include food budget adjustments, reduced food intake, and alterations in types of food served. Dietary variety decreases and consumption of energy-dense foods increases. These energy-dense foods, including refined grains, added sugars, and added saturated/trans fats, tend to be of poor nutritional quality and less expensive calorie-for-calorie than alternatives.⁵⁵

As the WA Department of Health's *Food Access and Cost Survey Report* similarly describes:

Foods that are higher in kilojoules generally cost less than those that are not. There is a strong correlation between the cost of foods and their energy density. Generally, fats, oils, sugar and foods that are high in added fat and sugar are the cheapest. Perishable core foods (eg. fruit, vegetables, meats and dairy foods) that are lower energy density and higher nutrient density cost more (by weight) than those foods of higher energy density.⁵⁶

The *Food Access and Cost Survey* monitors the cost, variety, quality and availability of foods across Western Australia. The first *Food Access and Cost Survey Report* provided a detailed comparison of the price differences for essential food items in metropolitan, regional and remote locations right across Western Australia. The Report found significant differences in the prices of different types of food, with more healthy and nutritious fresh foods being significantly more expensive in regional and remote areas.⁵⁷

⁵⁵ Seligman, H.K., Laraia, B.A., Kushel, M.B. (2010) [Food Insecurity Is Associated with Chronic Disease among Low-Income NHANES Participants](#), The Journal of Nutrition, Feb 2010; 140(2): 304–310.

⁵⁶ WA Department of Health (2010) [Food Access and Cost Survey \(FACS\)](#), p.11.

⁵⁷ Ibid.

The *Food Access and Cost Survey Report* provided a detailed comparison of the price differences for essential food items in metropolitan, regional and remote locations right across Western Australia. The Report found significant differences in the prices of different types of food, with more healthy and nutritious fresh foods being significantly more expensive in regional and remote areas. A follow-up survey was conducted in 2013, and while the Report is still being finalised, WACOSS understands that this key finding regarding the cost and access to healthy food remains a significant issue.

As a community, we should be particularly concerned by the risks that poor nutrition presents to children growing up in low income households – both in terms of the impacts on their physical and cognitive development, and in relation to their longer-term health prospects.⁵⁸ Poor diet contributes to the development of chronic disease, and as such, has long-term consequences for low-income Western Australians and the WA health system.⁵⁹

With regards to the need for the Commission to ensure wages are both fair and meet the needs of the low paid, it would be negligent for the Commission not to take into account the long-term consequences of issues such as nutritional poverty which can result from the inability to afford nutritious food.

⁵⁸ See, for example: A) Gundersen, C., Kreider, B. (2009) [*Bounding the effects of food insecurity on children's health outcomes*](#), Journal of Health Economics, 28:971–83. B) Whitaker, RC, Phillips, SM, & Orzol, SM (2006) [*Food insecurity and the risks of depression and anxiety in mothers and behavior problems in their preschool-aged children*](#), Pediatrics, September 2006;118(3):e859-68. C) Rose-Jacobs, R., Black, M.M., Casey, P.H., Cook J.T., Cutts D.B., Chilton M., Heeren T., Levenson S.M., Meyers A.F., & Frank D.A., (2008) [*Household food insecurity: associations with at-risk infant and toddler development*](#), Pediatrics, January 2008; 121(1):65-72. D) Healthway (undated) [*Healthway's position on Nutrition*](#), Government of Western Australia.

⁵⁹ See, for example: A) Seligman, H.K., Laraia, B.A., Kushel, M.B. (2010) [*Food Insecurity Is Associated with Chronic Disease among Low-Income NHANES Participants*](#), The Journal of Nutrition, Feb 2010; 140(2): 304–310. B) Vozoris, N.T., Tarasuk, V.S., (2003) [*Household food insufficiency is associated with poorer health*](#), The Journal of Nutrition, 2003; 133:120–6.

6.3 Transportation

According to a recent report by the Committee for Perth,

*Perth is the most expensive city in Australia to own and commute to work by car – and the further your commute, the more you pay.*⁶⁰

This is a particular challenge for low income households, who are more likely to live in outer and fringe areas of Perth, where properties tend to be less expensive.⁶¹ When living in outer suburban regions — particularly regions without (or with limited) access to public transportation — the transportations costs can increase significantly, especially if a long commute to work is required. As the Committee for Perth explain

*... by living close to work, or by living somewhere with good access to work via public transport, and using it, you could save your household a significant amount of money over the medium to long term - enough to warrant serious consideration about changing your travel behaviour, and to factor into your decision making process when thinking about where to buy a house – and the location that you can afford.*⁶²

However, the level of housing unaffordability in Perth⁶³ means that minimum wage households tend to have very few rental options available to them. This means the ability of those households to choose to live in locations which are cost effective (based, for example, on the location of their employment), is severely limited by the lack of properties which are affordable and suitable. Having the opportunity to make such a choice is something low income households can often only dream of.

⁶⁰ Committee for Perth (April 2014) [The Rising Cost of Living in Perth: What is your commute costing you?](#), p.3.

⁶¹ NATSEM (2011) [The Great Australian Dream - Just a Dream? Housing affordability trends for Australia and our largest 25 cities](#), p.19.

⁶² Committee for Perth (April 2014) [The Rising Cost of Living in Perth: What is your commute costing you?](#), p.3.

⁶³ Anglicare WA (2014) [Rental Affordability Snapshot 2014](#).

Part B — Other Issues for Consideration

7.0 Workers in the WA community sector

The level of the state minimum wage is significant to the WA community sector for a number of reasons. Firstly, community sector service providers play an important role in supporting vulnerable members of the WA community, including many who struggle to survive on low incomes due to rising costs of living (as described in Part A). Secondly, for a long time the community sector in WA has been under-resourced and sector employees have been significantly underpaid, resulting in the community sector itself employing a significant number of workers on low and minimum wages. Minimum wage increases are significant for many workers within the (female employee-dominated) community sector.

At the time of the Council's submission to the State Wage Case in 2013, the Australian Services Union (WA) had an application before the WA Industrial Relations Commission (WAIRC), calling for the mechanism used to calculate wage rates under the Equal Remuneration Order⁶⁴ to also be applied to the rates of pay for state Social and Community Services workers and for Crisis Assistance and Supported Housing Workers. At that time, the Council wrote in our submission:

In the event that this application succeeds, it is important to have a strong minimum wage increase so as to ensure the mechanism operates effectively, and genuinely phases in the true value of the remedy.

In August 2013, workers under the WA Social and Community Services (SACS) Award and the Crisis Assistance and Supported Housing (CASH) Award were pleased when the WA Industrial Relations Commission issued orders for wage increases of 23-47%, phased in over 8 years. The Order basically matches the ERO handed down by Fair Work Australia⁶⁵ (in 2012) which required employers to pay equal remuneration payments — in addition to the minimum wage set out in the Award.⁶⁶

The structure of the state ERO reflects the Federal decision which retains the awards rates of the pay (which are increased each year in line with the increase awarded in the minimum wage case) and then requires that employers pay a further transitional equal remuneration payment in addition to the minimum rates.

In April 2014, Federal Minister for Social Services, Kevin Andrews MP announced a commitment of \$97million in supplementary funding for WA community services delivering services affected by the Western Australian Industrial Relations Commission (WAIRC) decision to increase wages for community sector workers employed under State Awards.⁶⁷

⁶⁴ Details of the Equal Remuneration Order (ERO) are available [here](#).

⁶⁵ Details of the Equal Remuneration Order (ERO) are available [here](#).

⁶⁶ Fair Work Australia (2012) [Equal Remuneration Order](#) and [Equal Remuneration Case](#).

⁶⁷ Department of Social Services (2014) [Fair pay for social and community services workers](#).

Negotiations between the Federal and State Governments about how this funding arrangement is to be implemented are still to be finalised.

However, there are a number of groups of community sector workers who will not benefit from the current WAIRC decision. Such workers include: social and community workers in Aboriginal organisations operating under the Aboriginal Communities and Organisations Award, and some disability sector workers either on the minimum conditions or covered by a United Voice Award.

With specific relevance to the State Wage Case — it is important for community sector workers to receive the full benefit of a strong minimum wage increase. In the event of a weak minimum wage increase, community sector workers will effectively be losing some of the pay equity remedy they have just been awarded.

8.0 Gender

Western Australia consistently records the largest gender pay gap of any state in Australia — a gap much larger than the national average. The most recent figures (from November 2013) showed that the male ordinary time earnings are 30.9 per cent higher than those of females in WA, compared with a 20.6 per cent difference nationally.⁶⁸ At November 2013, the average ordinary time earnings of a male in WA was \$1,751.10 per week, whereas a female was earning \$1,338.20 per week.⁶⁹

While the exact numbers of male and female workers earning the minimum wage in WA is unknown, it is broadly accepted that in Australia, “women are more likely than men to be reliant on the minimum wage”.⁷⁰ Significant contributors to this are the disproportionate responsibility women have for unpaid work (including the care of elderly people, children and adults with disability and grandchildren), and their lower pay relative to men.

Also relevant to the earlier discussion regarding cost of living pressures on low income households, is an ABS report published in September 2013 titled *Persons not in the labour force*.⁷¹ The report included results of a survey question which asked people who were not currently in the labour force (but instead caring for children) *why* they were not in the labour force.

After excluding those respondents who were not in the labour force because their preference was to care for their children (described as “Prefers to look after children”), the findings of the survey question are shown in Figure 15.

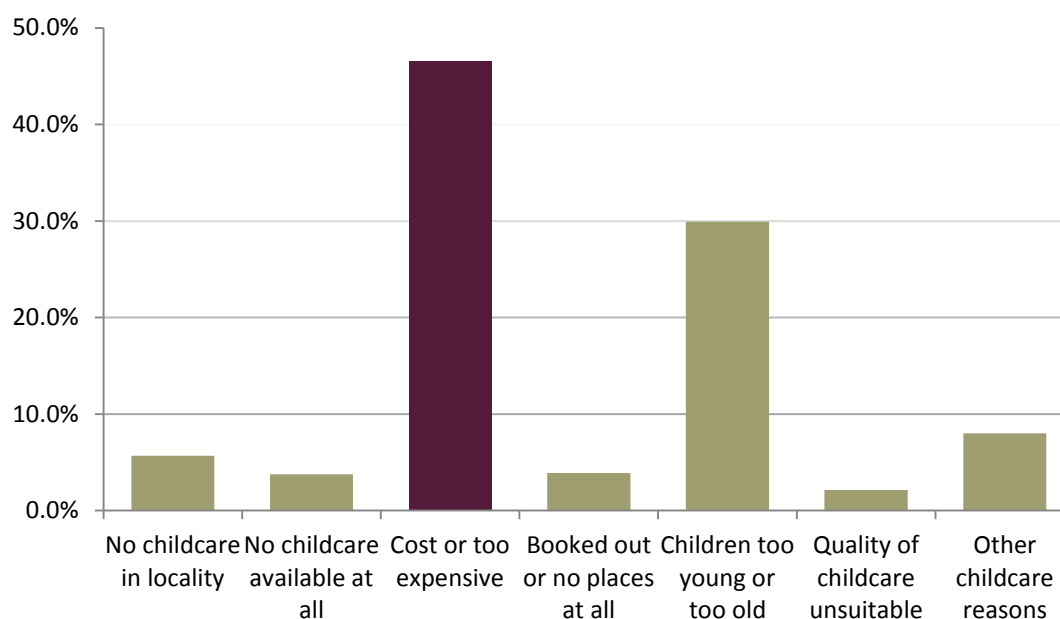
⁶⁸ ABS (2014) [6302.0 Average Weekly Earnings, Australia, November 2013](#), Tables 2 (Australia) & 12E (WA)

⁶⁹ Ibid, Table 12E.

⁷⁰ Commonwealth of Australia (2009) [Making it Fair: Pay equity and associated issues related to increasing female participation in the workforce](#), House of Representatives Standing Committee on Employment and Workplace Relations, p.160.

⁷¹ ABS (2014) [6220.0 - Persons Not in the Labour Force, Australia, September 2013](#), 62200TS0015 Persons Not in the Labour Force, Australia - Main reason not working due to caring for children, Table 15.1.

Figure 15: Reasons those caring for children are not in the labour force^{72,73}



Almost 47 per cent of respondents identified the cost of childcare as being a reason why they were not in the labour force. It is evident from this information that child care can be a significant cost of living issue for low income households — though this is certainly not the first time this conclusion has been drawn.

In 2009, the Australian Human Rights Commission published an issues paper examining the gender gap in retirement savings, titled: *Accumulating poverty? Women's experiences of inequality over the life cycle*. The paper contended that “women who take on the responsibilities of unpaid caring and domestic work – work that delivers enormous wealth to other individuals and to the overall economy – should not be rewarded with poverty”.⁷⁴

As the issues paper explained:

*Perhaps the most fundamental barrier to women's full participation in paid work and their ability to fully benefit from the retirement income system, is the struggle to balance paid work and caring responsibilities. The onset of caring responsibilities following the birth of children has a significant impact, both on the lifetime earnings and level of paid workforce participation of women.*⁷⁵

In Australia, mothers' workforce participation continues to be low by international standards, which is evidence of the significant barriers to paid workforce participation experienced by employees with caring responsibilities. The

⁷² Excludes those who “Prefer to look after children”; ABS (2014) [6220.0 - Persons Not in the Labour Force, Australia, September 2013](#), 62200TS0015 Persons Not in the Labour Force, Australia - Main reason not working due to caring for children, Table 15.1.

⁷³ Jericho, G. (28 March 2014) [Hands up who would work if they had access to cheaper childcare](#), The Guardian.

⁷⁴ Australian Human Rights Commission (2009) [Accumulating poverty? Women's experiences of inequality over the lifecycle](#), p.2.

⁷⁵ Ibid, p.13.

employment rates in Australia for women with children, particularly those under six years of age, are low by comparison with other OECD countries. The employment rate of mothers with a child under six years of age is 49.6%, compared with the OECD average of 59.2%.⁷⁶

There are a number of interconnected issues related to the care of children that have an impact on women's participation in the paid workforce, including:

- the unequal division of unpaid caring work;
- the limited social infrastructure to support employees with caring responsibilities;
- the lack of social and economic value placed on unpaid caring.⁷⁷

Due to factors such as caring responsibilities, women are also more likely to be in insecure work arrangements, or to move in and out of the paid workforce. This can have a significant impact on their opportunities for advancement at work; lead them to work fewer hours; receive lower income during their working years; experience higher levels of financial stress and possess a much reduced ability to invest towards retirement.

The poor economic situation of women is exacerbated in later life. Many women are reliant on the Age Pension due to minimal retirement savings — a result of lower earnings, lower superannuation and so on. At June 2012, 56.4 per cent of Western Australian Age Pensioner recipients were women.⁷⁸ It is also estimated that 38 per cent of Australian women have no superannuation, making them poorly placed to fund their retirement.⁷⁹

With specific relevance to the State Wage Case — the Commission's decision relating to the setting of the state minimum wage is of particular significance to female workers in WA.

9.0 Insecure work

In May 2012, the final report of the *Independent Inquiry into Insecure Work in Australia* was released. The Council contends that it is important for the Commission to take into account the fact that — while there is little evidence since the 2012 ACTU Inquiry that the level of insecure employment in WA has worsened — there is also a lack of evidence to suggest that the concerning rate of insecure work in Western Australia has undergone any improvement. As such, we have chosen to reiterate a number of the key points from our 2013 State Wage Case submission.

In the foreword to the Inquiry's final report, Inquiry chair Brian Howe described the situation for people employed on insecure work arrangements as follows:

⁷⁶ Ibid, p.14.

⁷⁷ Ibid, p.16.

⁷⁸ Department of Social Services (2013) [Statistical Paper No. 11 - Income support customers: a statistical overview 2012](#), Australian Government, p.7.

⁷⁹ EY (2013) [The role of women in unlocking Australia's productivity potential: Productivity potential of the female workforce](#)

*If their skills are low, or outdated, they are not offered training through work.
They shift between periods of unemployment and underemployment that destroy
their ability to save money...*

*For them, flexibility is not knowing when and where they will work, facing the risk
of being laid off with no warning and being required to fit family responsibilities
around unpredictable periods of work.⁸⁰*

We also know (from the Howe inquiry) that:

- Women are disproportionately represented in casual work, with 28% of all female employees working in casual employment, compared to 20% of male employees; and over half (56%) of casual employees are women.⁸¹
- Single parents (of whom the majority are also women) also tend to be highly dependent on casual and part-time work, and face significant challenges with insecure working hours and childcare arrangements — as well as unpredictable wages and social security reporting requirements.
- There is also a high level of ‘churn’ in and out of employment by a sub-section of the workforce, typified by low-skilled occupations dependent on the minimum wage.⁸²

The high level of churn within the population of workers reliant on the minimum wage means they lack financial resilience and are at high risk of experiencing financial crisis. This increases pressure on the welfare system, and increases stress for the newly-unemployed as they attempt to navigate their way through a plethora of criteria and requirements to be considered eligible to receive unemployment benefits.

With specific relevance to the State Wage Case — the Council argues that by increasing the minimum wage, the resilience and self-sufficiency of low-paid workers would be improved, to the benefit of the national welfare system and the community more broadly.

10.0 Young People

The continued provisions for “junior rates” are an anachronism. It is the Council’s view that the key determinant of the wage of someone under the age of 21 should be competence, rather than age.

There are a number of industries which have traditionally employed significant numbers of “junior” workers under the age of 21, including the child care, hospitality, retail and fast food industries. However, in recent years, the junior rates are tending to be used with less frequency for a range of reasons. For example, due to recent staff shortages in WA, it has become rare for hospitality staff under the age of 21 to be paid junior rates. This is because many organisations need to pay higher (although often still low) rates in order to attract and retain staff.

⁸⁰ ACTU (2012) [Lives on Hold: Unlocking the Potential of the Australian Workforce](#), Independent Inquiry into Insecure Work in Australia, p.5.

⁸¹ ACTU (2011) [Insecure work, anxious lives: the growing crisis of insecure work in Australia](#), p.15.

⁸² Richardson, D. (2012) [Submission to the Insecure Work Inquiry: Casual Labour - A stepping stone to something better or part of an underclass?](#), The Australia Institute.

In the child care industry, from 1 January 2014, new national regulations require all educators in centre-based and family day care services to hold (or be actively working towards), at a minimum, a Certificate III level education and care qualification. Given the new qualification (or competency) requirements which must be met by all child care staff, it is inequitable for a newly-qualified Certificate III holding 19 year old staff member to be paid less than a newly-qualified Certificate III holding 21 year old staff member.

The Council also notes the recent (March 2014) decision by the Fair Work Commission, ruling that 20 year old workers in the retail industry with more than six months' service will be entitled to 100 per cent pay (rather than only a percentage of the full adult rate).⁸³

The changes to youth minimum wages in New Zealand in 2001, provides a good example of the positive impact such reform can achieve.

*Prior to [the 2001 reform], a youth minimum wage, applying to 16-19 year-olds, was set at 60% of the adult minimum. The reform had two components. First, it lowered the eligible age for the adult minimum wage from 20 to 18 years, and resulted in a 69 per cent increase in the minimum wage for 18 and 19 year olds.*⁸⁴

A review of the 2001 New Zealand reforms found that:

- The average number of hours worked by both 18-19 and 20-25 year-olds remained fairly stable over the sample period.
- The rates at which 18-19 and 20-25 year-olds were studying were reasonably stable or increased slightly.⁸⁵

With specific relevance to the State Wage Case — the Council believes that given the decreasing relevance of junior wages in WA, the *full rate* of increase to the minimum wage must be applied to both junior and adult wage rates (and not a proportion thereof).

11.0 Conclusion

It is the Council's view 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*”⁸⁶ the State Minimum Wage needs to be raised by \$35 for adults, junior employees, apprentices, and trainees.

The justification for such an increase is clearly linked to the ongoing (and increasing) cost of living pressures which are disproportionately impacting low-income individuals and households in WA (outlined in Part A of this submission). The Council has also called on the Commission to consider the positive impact raising the minimum wage would bring

⁸³ SDA (21 March 2014) [Media Release: FWC rules in favour of younger workers](#).

⁸⁴ Hyslop, D. & Stillman, S. (2004) [Youth Minimum Wage Reform and the Labour Market](#), New Zealand Treasury Working Paper 04/03, p.i.

⁸⁵ Ibid, p.11.

⁸⁶ *Industrial Relations Act (1979)*

specifically for young Western Australians, community sector workers, women, and others whose insecure work arrangements keep them in (or at perilous risk of falling into) poverty.

It is critical that the wages earned by full-time, minimum wage employees are sufficient to ensure workers are able to meet their basic living costs, while living with both dignity and respect. It is the Council's view that to not achieve this is to disadvantage the Western Australian community at large.