

**Young Workers Advisory Service' Submission to the Australian Fair
Pay Commission Inquiry into Minimum Wage Setting.**

The Young Workers Advisory Service (YWAS) welcomes the opportunity to be involved in the Australian Fair Pay Commission (AFPC)'s consultation process prior to its' first minimum wage determination.

YWAS have prepared this short report in line with the 'key considerations' as directed by the AFPC.

YWAS commenced operations in April 2002 as a three-year project funded by the Queensland Department of Industrial Relations. The purpose of the project was to provide information, advice, representation and advocacy to young people under 25 years of age on a range of employment issues. Since the commencement of the service, YWAS has provided:

Type of Assistance/Enquiry	April 2002 – June 2006	27 March 2006 – 30 June 2006
Specialised assistance: advice and information to young people by telephone or face-to-face contact.	Over 5,500 young people	324
Information Sessions: To Secondary, Tertiary and community organisations	Over 370 sessions	38
Casework: Representation at the Anti-Discrimination Commission Queensland, Human Rights and Equal Opportunities Commission, Federal and State Industrial Relation Commission.	Over 700 young workers	20
General Enquiries – including referrals	Over 1,422 callers	58

Through information sessions, advocacy, and providing advice and referral contact for young people, YWAS have gained first-hand knowledge of the concerns of young people in the workforce. YWAS reports these findings and advocates for young people through formal and informal submissions to Government. YWAS' involvement in community

interagency meetings, research projects and promotional activities places YWAS as a peak youth community service in assisting young workers on employment issues.

This Report will provide information to the AFPC as per the following two 'Key Considerations' with particular focus on YWAS' target clients (Queenslanders under 25 years of age):

1. Providing a safety net for the low paid

YWAS represents employees who, often due to their age alone, are among the lowest paid of Australian workers. Of the over 5,500 'specialised assistance' callers contacting the service since April 2002, approximately half have been employed in the retail/wholesale or hospitality industries – industries that have particularly high award coverage. (While YWAS does not currently collect information on what industrial or other instrument our callers and clients are engaged under, anecdotal evidence shows that many if not most are engaged under an award). Awards generally provide for rates other than merely a base hourly rate in calculating an employee's wages. These may include penalty rates, public holiday rates and work allowances. For example, the Queensland Retail Industry Award (Qld) (2004) (under which many of our callers and clients are employed) has provision for:

- Payment of wages at time and a half and double time for overtime and Sunday work
- Payment of 25% loading for Saturday work.
- Allowances for trolley collection and carrying heavy weights amongst other things.

As so many of the young workers YWAS hears from are engaged under an Award, we are concerned that allowing young workers to be employed only under the five minimum conditions, of which a flat-rate-only rate of pay is one, will in fact remove existing safety nets.

YWAS has concerns that young employees will disproportionately suffer from establishing a minimum wage system that operates on a 'stand alone' basis. Under the current Workplace Relations Act ('The Act'), the Australian Fair Pay Commission is charged with the duty of setting only a minimum 'flat-rate' wage. The minimum wage is intended to be one of five minimum entitlements under the Australian Pay and Conditions Standard (as per Part 7 of the Act). There is no requirement anywhere in the Act for the AFPC to set other rates such as penalty rates, overtime rates and work-related allowances.

We provide the following example, (based on a 21 year old permanent part-time employee currently employed under the Retail Industry Award (Qld) (2004)) on how engagement under the APCS with a minimum wage set at \$12.75 per hour (the current minimum) would be a clear disadvantage:

Permanent Part-time employee at a 'Non-exempt Shop'

Hours per week = 20

Hours worked on a Saturday = 8

Hours worked on a Sunday = 4

Hours worked Mon-Fri = 8.

Under Award:

(Hourly rate = \$ 14.30/hr)

- Saturday wages = \$143.00
- Sunday wages = \$114.40
- Mon-Fri wages = \$114.40
- First aid attendant allowance: \$11.50/week

Total weekly wage = \$383.30

Under APCS only, with wage of \$12.75/hr:

- Saturday wages = \$102.00
- Sunday wages = \$51.00
- Mon-Fri wages = \$102.00
- No other allowances

Total weekly wage = \$255.00

This rough illustration does not account for the potential loss of annual leave loading under an APCS- alone engagement. If a young worker is engaged under an APCS alone (and, given the significantly lower bargaining power enjoyed by many young people¹, it is foreseeable that bargaining for above-APCS pay and conditions may be a difficult task), there is great potential for a dramatic reduction in wages.

YWAS expresses concern that young people need a more elaborate safety net than just a minimum hourly rate of pay. Certainly the minimum hourly rate of pay must at least take into account the fact that many employees, particularly those in the service industry, are often engaged during hours attracting penalty rates. YWAS submits that a safety net (for the low paid) should include a 'net' of assurances other than a minimum hourly rate. We fear that a establishing a minimum hourly rate for the lowest paid without also establishing penalty rates and overtime rates will lead to a widening of the gap between those with bargaining power and those without. We note that 'bargaining power' does not only refer to the power conferred by being in an 'in demand' industry. It very often refers to power determined by age, experience, confidence levels, cultural background and personality type.

¹ For elaboration on this point, please refer to the YWAS Submission to the Senate Inquiry into The Workplace Relations Amendment (WorkChoices) Bill, dated November 9, 2005. (http://www.aph.gov.au/Senate/committee/eet_ctte/wr_workchoices05/submissions/sublist.htm)

YWAS understands that the Workplace Relations Act (1996) ('WRA') contains a 'Guarantee' against the AFPC reducing the Federal Minimum wage (FMW) below the pre-reform minimum. (\$12.75/hr). (s 193 WRA). There appears to be no 'guarantee' against reduction of 'special FMW's' for junior employees below any pre-reform minimums (that may exist in current awards or elsewhere). YWAS is gravely concerned that the lack of such legislative protections may lead to a reduction in junior wages. YWAS urges the AFPC to adopt an in-principle guarantee against reducing special FMW's against pre-reform minimums.

2. Providing minimum wages for juniors, trainees and people with a disability to make sure they are competitive in the labour market.

YWAS is only able to make submissions on this point insofar as juniors/young people are concerned.

YWAS strongly believes that simply establishing a very low junior minimum wage is not a socially or economically responsible approach to ensuring young workers are 'competitive in the labour market'. We understand the term 'competitive in the labour market' to mean the ability of young workers to secure employment despite the presence of older workers in the market. YWAS would like to make the following broad points based on our conversations with young workers at schools talks, via our telephone advice service, and in casework:

- **Not all young people are to be considered 'dependant' and hence deserving of substantially lower rates of pay.**

Many young people, including those under the age of 21 (the cut-off for junior wages in many awards) are working for reasons other than the purchase of luxuries. Their incomes are not merely expendable. YWAS' experience, particularly in lower socio-economic areas, is that some young people are in fact working to contribute to their family's

overall income. Many young people, particularly those over the age of 17, are independent in that they might live out of their family home or pay for their own education and travel expenses. Many young workers also have large self-education debts such as HECS. YWAS argues that it is a myth that young workers have little financial responsibility and are therefore not deserving of adult wages.

- **Young people are considered adults for the purposes of other social standards – why not wages?**

YWAS believes that the establishment of junior wages, and certainly any move to reduce junior wages, must acknowledge the fact that, for many social institutions, 18 is the age at which we identify adulthood. The right to vote is granted at 18, purchase and public consumption of alcohol is legal at 18, and (in Queensland at least), one may be tried as an adult in the legal system at the age of 17. YWAS believes that young workers must be treated as adults (in terms of wages) when they work within a society that recognizes adulthood at the age of 18. YWAS' experience is that young workers perceive a degree of hypocrisy in a system that reserves the right to try them (in criminal cases) as adults at the age of 17, gives them the right to vote at 18, but continues to pay them as children sometimes up until the age of 21.

- **Many young workers are already 'competitive in the labour market' for reasons other than their lower (junior) wage rates:**

YWAS recognizes that young workers are often engaged for reasons apart from their (often) lower wage costs. Our clients have remarked that their employer may prefer to hire younger people so as to start with a 'clean slate' on which to train. Many employers value the fact that younger workers may often be trained 'from scratch' and hence more fully embrace a particular employer's methods.

Young workers will often also maintain competitiveness in the labour market based on their flexibility (in terms of hours and availability). While YWAS cautions against employers discriminating on the basis of perceived flexibility (due perhaps to less

pressing family commitments at a younger age), we also recognize that employers in certain industries (such as hospitality) will continue to favour young workers given their more flexible regimes.

The Young Workers Advisory Service urges the AFPC to consider fairness in setting the minimum wage. We believe that young workers in particular, who currently rely so heavily on awards, will be particularly disadvantaged if the minimum wage decision does not in some way recognize that a flat-rate bare minimum wage alone will not always operate to produce fair compensation. This is particularly so given the tendency of young workers to work non-standard hours. Furthermore, we suggest that the ability to bargain above the APCS minimums will be generally lower in young workers, leaving them at the risk of falling even further behind the general population in terms of earnings.