



Melbourne Citymission
Building Inclusive Communities

**Melbourne Citymission
submission to
Australian FairPay Commission's
2009 Minimum Wage Review**

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Introduction

Melbourne Citymission is widely recognised as a leader and innovator in the provision of services to the community. Established in 1854, Melbourne Citymission is a nondenominational organisation that assists Victorians who are marginalised, at risk, disadvantaged, frail or denied access to services. Melbourne Citymission aims to build an inclusive community through personal and social transformation. We work towards this by providing a range of support services to people across all life stages from early childhood to palliative care. This work reflects the organization's interest in life transitions and the ways in which people can best be supported to achieve sustainable transformation in their lives.

Assisting disadvantaged job seekers to overcome barriers that prevent them from being involved in education, employment or training and to move to sustainable employment is a core aspect of Melbourne Citymission's work and a critical component of achieving sustainable transformation in peoples' lives. Melbourne Citymission represents some of the most disadvantaged individuals in our community, many of whom face multiple barriers to obtaining and maintaining employment or access to education and training. These people include people who are homeless or at risk of homelessness, those from families who face extreme financial hardship and poverty, lone parents, particularly women, unskilled workers, including young people leaving school, migrants and those with a disability. All are likely to be reliant on minimum wages when they are able to obtain work. For these jobseekers, the move to sustainable and better paid employment is a process that can take considerable time. Many of our clients spend years cycling between unemployment and low paid work, as well as moving between casual, part time and full time positions.

Melbourne Citymission acknowledges the role of the Australian FairPay Commission (AFPC) in setting the Federal Minimum wage at a rate that encourages the creation of a greater job growth; however, we contend that it is critical that the Federal Minimum Wage is set at a sufficient level to support disadvantaged job seekers throughout these cycles of employment. As such, rather than acting as a short term transition to better paid employment, minimum wages, along with the social security system, play an important part in preventing poverty, maintaining engagement and ensuring a decent standard of living.

Melbourne Citymission's submission to the FairPay Commission's 2009 Minimum Wage Review examines the capacity for the unemployed and low paid to obtain and remain in employment, and the issue of minimum wages for junior employees and employees to whom training arrangements apply. It will also address the issue of gender pay equity.

Gaining and Maintaining Employment

The impact of the global financial crisis in Australia is evidenced in rising unemployment rates, which, according to the latest labour force statistics, in February reached a four year high of 5.2%. Official forecasts predict that this will rise to 7% by mid 2010. Trends are also highlighting a reduction in the average number of hours worked per person, a decline in full time employment numbers and a slight increase in the number of those employed part time.

Gaining and Maintaining Employment cont:

For the unemployed and for those reliant on minimum wages, these trends are likely to have a significant impact on the capacity of the unemployed to gain work and for those on minimum wages to maintain employment. As the AFPC (2009:44) acknowledges, low skilled workers and those disproportionately represented in low paid employment are “at greater risk from adverse changes in the economy”.

For those reliant on the Federal Minimum Wage, a forced reduction in hours would result in many being unable to maintain employment. When taking into consideration the costs of travel, clothing, deputation, food and ancillary expenses associated with attending work, reduced hours and therefore reduced wages can place significant strain on maintaining employment. This is particularly the case for young people commencing work for the first time or those without familial financial and housing support.

While current economic forecasts call for measures that will help stimulate job growth, Melbourne Citymission does not believe that this will be achieved by reducing the current minimum wage rate in real terms. Despite economic stimulus measures, a reduction in available hours, combined with an increase in job losses is already placing many families and individuals under considerable financial stress.

New research released by the Centre of Full Employment and Equity (CofFEE) and Griffith University's Urban Research Program (URP) suggests that the current economic crisis will affect all communities across Australia, but identifies particular suburbs that are most vulnerable to job losses as a result of the current economic crisis. The report states that “for some of Australia’s most disadvantaged suburbs the inevitability of increased levels of unemployment will mean further dislocation of these communities from mainstream economic activities leading to deepening levels of concentrated disadvantage”. In addition, many people reliant on minimum wages are not in a position to service a mortgage and therefore are reliant on rental accommodation. According to the *Office of Housing 2008 Rental Report*, rental prices have increased annually by 10% or more for the last four consecutive quarters, peaking in the June quarter, with annual increases of 13%. In addition, low vacancy rates means that many low income earners are simply being priced out of the market altogether.

Melbourne Citymission believes that any effective reduction in the Federal Minimum Wage will increase and entrench poverty and financial hardship of the most disadvantaged in our community with long term social and economic costs that will far outweigh the interim costs of providing a decent standard of living.

Youth and Training Wages

Melbourne Citymission has a number of concerns about the provision of minimum wages for juniors and trainees. While being a strong advocate for programs that are able to assist those without any experience to gain entry to the workforce, Melbourne Citymission also believes in the notion of ‘equal pay for equal work’. Junior wages that are based solely on the basis of age do not take into consideration the diverse work, social, financial and familial experiences of young people.

Melbourne Citymission is particularly concerned that implicit in the setting of junior and trainee wages is the notion that young people will have financial support from their families, including the provision of essentials such as accommodation, food and clothing.

Youth and Training Wages cont:

Melbourne Citymission works predominantly with young people who are homeless, at risk of homelessness or experiencing disadvantage.

Many of these clients have been forced to leave home through no fault of their own and have no access to financial or emotional family support and have difficulty surviving on junior or training wages while maintaining housing, amenities, food, clothing and work or training costs.

Melbourne Citymission supports initiatives that enable young people to gain skills and experience in the workforce and recognises that measures such as a training wage encourage employers to provide individuals with such opportunities. Such wages however, need to be set at levels that enable individuals to be financially independent and to be able to maintain their training opportunities. According to a recent study by the National Centre for Vocational Education Research (NCVER), only 49.5% of apprenticeships and traineeships commenced in 2002 were completed in the following 5 years. Anecdotal evidence from individuals supported by Melbourne Citymission's employment and training services report that the low wages for apprentices and trainee make it extremely difficult to remain engaged. The costs associated with attending work and supporting basic living costs are simply not being met by current training wages. Melbourne Citymission believes that the provision of a training wage that enables young people to survive independently is critical to the long term job prospects of disadvantaged youth and to the viability of apprenticeship and traineeship programs.

Women

The AFPC (2009) suggests that there is not currently a significant gender pay gap among the lowest-paid Australians, though acknowledges that further investigation is warranted. Research carried out for Melbourne Citymission on Women, Welfare and Low Paid work (2008) found that for many women experiencing disadvantage, low-waged and precarious employment is the only employment open to them, providing little or no opportunity for advancement or security. This research demonstrated that such jobs can perpetuate or worsen the social and economic circumstances of disadvantaged women and the families that many such women support. Balancing work and family commitments provides limited opportunities for unskilled women to improve their working conditions and pay.

New international research by the International Trade Union Confederation (ITUC, 2009) has also demonstrated that economic downturns traditionally have a negative affect on women's position in the labour market. The report recommends a strong focus on the gender implications of economic crises, as well as gender mainstreaming in the development of policy initiatives is necessary when attempting to counter the current global financial crisis. It also recommends measures such as collecting statistics on unpaid work, such as activities in the household and care responsibilities for the family, which could be used to assess women's employment levels and to measure the relationship between female employment and household poverty. While Melbourne Citymission acknowledges that such policy measures are outside the AFPC's remit, we believe that this research highlights the need for closer scrutiny of gender pay gap for women at the lowest end of the pay scale, particularly in the current economic climate. The ACTU (2009) has also warned that the impact of the crisis could result in Australian women losing important pay equity gains and following in the footsteps of other countries, already in deep recession unless measures are put in place to improve pay equity. Melbourne Citymission believes that policy measures such as the introduction of a paid maternity leave scheme could assist in alleviating this gender pay gap by helping women to remain engaged with the workforce.

Conclusion

In the current economic climate, minimising the impact of job losses is an imperative to prevent further entrenching disadvantage for particular individuals and communities. While all predictions are that the global economic crisis will generate a significant increase in unemployment, which will affect all levels of employment, experience tells us that the most disadvantaged job seekers are likely to be hardest hit. Minimum wages may have a role to play in encouraging employers to provide increased opportunities for job seekers; however, it does not necessarily follow that this opportunity will in itself lead to better paid and sustainable employment opportunities for low skilled workers. Many disadvantaged job seekers face multiple barriers to obtaining sustainable employment, and as such could be forced to rely on minimum wage positions for some time. Similarly, those on junior and training wages need to be able to live independently while undertaking employment and training opportunities if they are to successfully transition to sustainable employment. Melbourne Citymission recommends that despite the current global financial crisis, the Federal Minimum Wage, and training and junior wages, should be increased in real terms. Further, Melbourne Citymission recommends that the Commission undertake modelling on a decent living wage, rather using poverty line indicators such as the Henderson Poverty line, and that future increases to the minimum wage be based on a standard that enables people to sustain a decent standard of living.

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