



wacoss
WA COUNCIL *of*
SOCIAL SERVICE

Ways to make a difference

Submission to the Western Australian
Industrial Relations Commission

2019 State Wage Case

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About WACOSS

The Western Australian Council of Social Service (WACOSS) is the peak body for the community services sector and works to create an inclusive, just and equitable society. WACOSS represents 300 member organisations and individuals, and more than 500 organisations involved in the provision of community services to the people of Western Australia.

The organisation's mission is to advocate for social and economic change to improve the wellbeing of Western Australians and to strengthen the community services sector that supports them. WACOSS is one of nine peak councils of social service, collaborating across Australia to bolster the united strength and weight of the work of each peak body, working collectively on campaigns of national significance.

Tackling difficult issues, systems, behaviours, and attitudes that contribute to inequality and exclusion, WACOSS develops evidence-based social policy and research to inform and influence government policy to change the lives of those facing adversity. Non-partisan and free from private interests, the organisation plays a unique and objective role within the sector.

1.0 Introduction

The Western Australian Council of Social Service (WACOSS) considers the minimum wage to be a vital means of protecting low-income workers from poverty that delivers economic benefits to the wider Western Australian community and reflects community standards to support a decent standard of living for working people and their families. As the peak body of the community service sector in WA, and as an advocate for people experiencing disadvantage and hardship, WACOSS has a particular interest in the adequacy of living standards and quality of life experienced by Western Australians living on low incomes.

WACOSS's submission to the 2019 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 system of fair wages and conditions of employment; and*
- ii. meet the needs of the low paid; and*
- iii. provide fair wage standards in the context of living standards generally prevailing in the community; and*
- iv. contribute to improved living standards for employees; and*
- v. protect employees who may be unable to reach an industrial agreement; and*
- vi. encourage ongoing skills development; and*
- vii. provide equal remuneration for men and women for work of equal or comparable value.¹*

In preparing this submission, WACOSS has carefully considered the changing economic and workplace environment for low-wage workers. We have reviewed the state of knowledge in related areas and considered the latest research and analysis 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 and analysis upon which to base its deliberations.

2.0 WACOSS's claim

WACOSS submits that an increase to the State Minimum Wage rate of 6 per cent or \$43.61 per week is consistent with the need to maintain a fair system of wages and conditions in the current Western Australian context; and (b) a very reasonable increase which takes into account current economic conditions.

The primary basis for WACOSS's claim is that this increase is needed in order to in order to meet the needs of the low paid and to contribute to improved living standards for employees.

Community service organisations regularly report to WACOSS that low income households in Western Australia are struggling. Access to affordable and appropriate housing remains out of reach for many, pushing these households into financial stress and hardship.

¹ *Industrial Relations Act 1979* (WA)

Food insecurity is on the rise, with 32 per cent of parents living in food insecure households are employed full-time, with a further 17 per cent employed part-time. Skipping meals can have a profound impact on a person's wellbeing, their physical and mental health, social interactions, ability to function and, in the case of children, their growth and development.

The increasing cost of energy disproportionately impacts households on the lowest incomes, as they spend a higher percentage of their disposable income on energy bills and have little if any capacity to absorb additional costs.

WACOSS has included as part of this submission its analysis of compiled income and expenditure data provided by financial counselling agencies of 404 households who experienced financial hardship and stress in 2017/18. This data provides insight into the spending patterns of those households and the areas of expenditure they are forced to cut back in, contributing to a lower standard of living. Examining 'low income' wage-only households in this data set reveals that more than half of the average general expenditure of these households is on housing at 50.2 per cent, equating to \$649.08 a fortnight.

WACOSS is particularly concerned to see that these households are spending significantly less than the Western Australian average across areas like recreation, health and education, all of which directly impact on the quality of life and personal wellbeing of individuals and families.

The growth in the gap between the state minimum wage rates and median pay levels has contributed to income inequality in Western Australia. Income inequality has a significant negative impact on society, both socially and economically, being linked to not only the undermining of community cohesiveness, but also to having a statistically significant adverse effect on economic growth. Western Australia continues to have the highest gender wage gap in the country, at 23.1 per cent compared to 14.1 per cent nationally.

Around 360,000 or 13.7 per cent of Western Australians live in poverty based on the most common international poverty line set at 50 per cent of median incomes. This is the second highest rate of poverty in the country, after South Australia, and higher than the national poverty rate of 13.2 per cent. Increasing the income of those earning the lowest wages in our state while make a discernible impact on the poverty rate in Western Australia.

With clear evidence of Western Australians experiencing significant financial hardship and living cost pressures, a \$43.61 a week increase is essential to meet the needs of the low paid and to contribute to improved living standards for employees.

As part of this submission, WACOSS has also included a statement in support of the proposed Equal Remuneration Order before the WA Industrial Relations Commission, while also outlining some of the challenges that the community services sector has faced regarding the ERO as a result of State Government funding and contracting decisions.

3.0 The Cost of Living in WA

The ability of low-income households in WA to achieve and maintain a basic standard of living is the focus of the annual WACOSS *Cost of Living Report*, which has been produced since 2007. Through this research, we seek to provide a picture of the challenges low-income households face year by year as they endeavour to ensure their living costs do not exceed their income.

The 2018 Cost of Living Report modelled five low-income household-types, and examined the adequacy of their income to afford a basic standard of living in line with agreed community standards during the previous financial year.

It is important to note that despite common usage, the Consumer Price Index is not a cost of living index. As stated by the Australian Bureau of Statistics, a cost of living index measures the change in the cost of preserving a particular standard of living. An index of this nature would take into account change in the mode of living as well as price changes. While the term is often conflated with CPI, the ABS makes clear that this is in fact incorrect.²

While a valuable indicator, CPI is fundamentally a measure of the changes in the prices of a fixed basket of goods and services, rather than changes in the minimum expenditure needed to maintain a certain standard of living. As a result, there are inherent limitations in using CPI and inflation measures alone to draw inferences about the real living cost pressures faced by low-income households. It is for this reason that WACOSS focuses on a range of other important data sources as well, in both our cost of living research and in this submission.

The 2018 Report found very low income growth across the model households in 2017/18, with any improvements in their financial position primarily driven by the continued decline in median rental costs in the Perth metropolitan area, though this is not indicative of the availability of appropriate affordable housing for real-life households. Food expenditure had also declined slightly, while utility costs had seen sizeable increases. For those households that owned a car, transport costs have decreased slightly, though households dependant on public transport had seen an increase.

Weekly income and expenditure of our model households

	Income	Expenditure	Net Position
Single Parent Family (Parenting Payment Single)	\$983.20	\$876.01	\$107.19
Working Family	\$1,456.62	\$1,227.77	\$228.75
Unemployed Single	\$308.25	\$321.53	-\$13.27
Age Pensioners (Renters)	\$791.40	\$700.35	\$91.05
Age Pensioners (Home Owners)	\$728.56	\$527.76	\$200.81

Source: WACOSS *Cost of Living Report 2018*

² Australian Bureau of Statistics (2010)
www.abs.gov.au/AUSSTATS/abs@.nsf/DSSbyCollectionid/1E564CACF4CBEC32CA256ED8007EF06E

The model's Single Parent Family works 18 hours a week for 39 weeks a year at minimum wage plus casual loading and is eligible for government payments. The model's Working Family has one parent working full-time at above minimum wages (minimum wage + 33%), with the other parent working casually (16 hours per week at minimum wage with casual loading). They too are eligible for government payments.

The income of the single parent model household saw an increase of just 0.4 per cent (\$4.24) over the preceding 12 months. Despite increases to the parent's wage of \$9.56, the reduction in government supplements, principally as the result of the cessation of the Schoolkids Bonus, and an increase in tax paid saw little extra income in the single parent's pocket at the end of the week.

With two incomes, one of which is higher than the minimum wage, the model Working Family saw increases in their wages of \$29.89, but as with the single parent household, reductions in the government payments that low income households rely on to supplement their wages meant that the household's income grew by just 1.72 per cent or \$6.48.

It is important to remember that these calculations are focused on the bare essentials of a basic standard of living – and so makes little to no allowance for the families to save, for the single parent to undertake training in order to improve their employment prospects, or to enable either family to be able to respond to an unexpected cost or crisis (if the fridge or car breaks down). These are all measures that population surveys suggest are required to meet community expectations of minimum acceptable living standards.³ The Single Parent Family does not have any health or home and contents insurance, and the model does not provide for any spending on items such as birthday presents, school excursions or other “non-essential” items.

To read the complete WACOSS [Cost of Living Report 2018](#), we direct your attention to the attachment accompanying this submission.

3.1 Housing

Housing, and in particular the unaffordability of the private rental market, and low supply of public and community housing relative to demand, remains the most pressing issue facing low-income individuals and 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 incomes. Reports from the Banking Royal Commission indicated that some low-income earners with mortgages may have been provided with home loans in excess of what is actually within their ability to repay, with allowances for weekly living costs that effectively see them living at or below the poverty line.⁴

Rental affordability

While the Perth median rent level has stabilised in recent years at \$350 as of March 2018, it still accounts for *over 48 per cent* of the State Minimum Wage. For those households in the bottom 40 per cent of Australia's income distribution, they are considered to be in “housing stress” when their

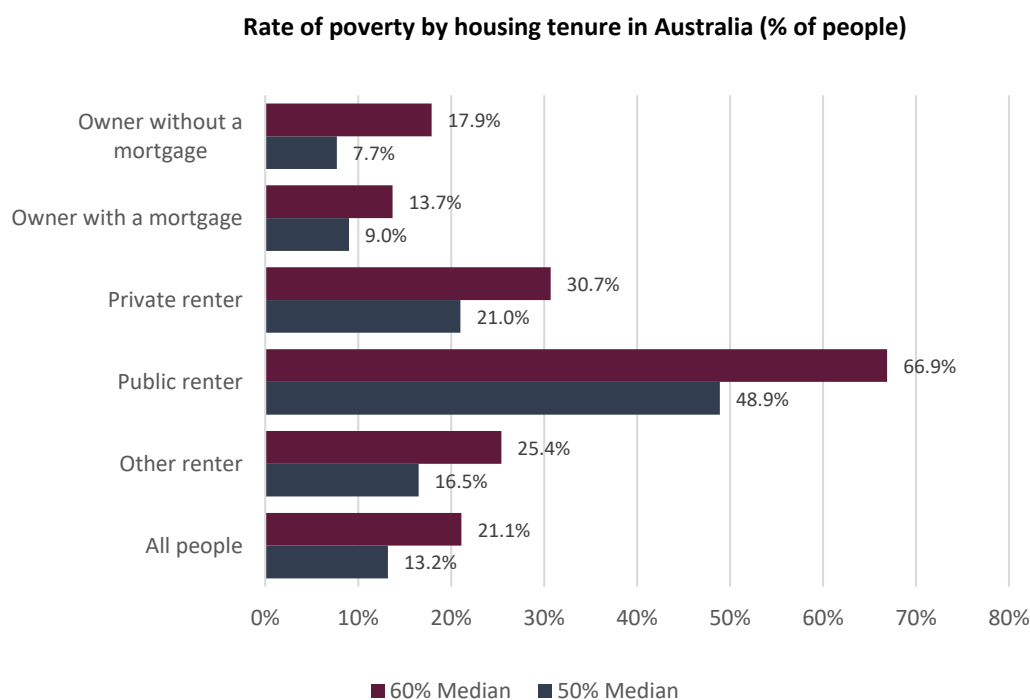
³ P Saunders, M Bedford (2017) *New Minimum Income for Healthy Living Budget Standards for Low-Paid and Unemployed Australians*, Social Policy Research Centre, UNSW Sydney

⁴ M Janda, D Chau (2018) *ABC News*, www.abc.net.au/news/2018-03-19/banking-royal-commission-anz-evidence-mortgages-will-ranken-hem/9562136

housing costs exceed *30 per cent* of their income and their earnings are in the bottom 40 per cent of equivalised disposable income (which is true for minimum wage earners) – meaning that if a household earning a minimum wage is paying 48 per cent of their income on rent, they will most certainly qualify as being in *severe* housing stress.

The Department of Communities’ Demand Model estimates that there is an unmet social and affordable housing need in Western Australia for approximately 61,000 very low, low, and moderate income households—consisting of over 28,000 very low income households and over 33,000 low or moderate income households.⁵ Modelling published by the Australian Housing and Research Institute estimates that there are around 59,000 Western Australians unable to enter market housing and a further 73,000 requiring rent assistance to alleviate a position of rental stress.⁶

The risk of poverty is more than twice as high for households renting privately than home-owners with or without a mortgage. Poverty is the highest amongst public renters, though this is in part due to the fact that eligibility requirements for public housing means that this group has some of the lowest incomes.⁷



Source: ACOSS (2018)

Recent Australian Housing and Urban Research Institute (AHURI) research has found that much of the growth in Australian housing supply has been in the mid-to-high price segments. Further,

⁵ Julie Considine and Sarah Mewett (2017) *Estimating unmet housing demand and priority areas for public and affordable housing at the Local Government Area level – a housing practitioner’s approach*, WA Department of Communities. Noting ‘affordable’ is defined as spending up to 30% of income for those in the bottom 40% of incomes (40/30 rule).

⁶ Steven Rowley, Chris Leishman, Emma Baker, Rebecca Bentley, and Laura Lester (2017) ‘Modelling housing need in Australia to 2025’ *Australian Housing and Urban Research Institute, AHURI Final Report 287*

⁷ ACOSS (2018) *Poverty in Australia*

research indicates that this increase in the supply in these segments is not creating a ‘trickle-down’ effect into the low price segments by freeing up established housing stock.⁸

This lack of trickle-down is reflected in the findings of the WA Housing Industry Forecasting Group, which noted that, despite historically high levels of rental stock, “for those on the lowest incomes, conditions have not changed.”⁹ This has resulted from a long-term underinvestment in social housing and the treatment of private rental properties as investment vehicles for individuals.

The discrepancy between median rents and the lived experience of those on low incomes is what makes research such as the annual *Anglicare Rental Affordability Snapshot* so valuable. This report takes a ‘snapshot’ on a given day of the rental market and examines whether the properties being advertised are both affordable for a range of different low income types and whether those properties are appropriate for the composition of their household.

The *2019 Rental Affordability Snapshot* found that a couple with two children in the Perth metropolitan area, where both parents were receiving the minimum wage and Family Tax Benefit Part A, were able to find 3,716 affordable and appropriate rental properties, which accounted to 47 per cent of those being advertised.¹⁰

Affordable and Appropriate Properties by Region and Household Type

Household Type	Payment Type	Perth Metro		South West and Great Southern		North West	
		#	%	#	%	#	%
Couple, two children (one aged less than 5, one aged less than 10)	Minimum Wage + FTB A (both adults)	3716	47%	574	68%	145	27%
Couple, two children (one aged less than 5, one aged less than 10)	Minimum Wage + Parenting payment (partnered) + FTB A & B	1766	22%	278	33%	69	13%
Single, two children (one aged less than 5, one aged less than 10)	Minimum Wage + FTB A & B	779	10%	131	15%	21	4%
Single	Minimum Wage	145	2%	39	5%	10	2%
Total No of Properties		9,238					

Source: Anglicare WA (2019) *Rental Affordability Snapshot – Western Australia*

⁸ Rachel Ong, Tony Dalton, Nicole Gurrán, Christopher Phelps, Steven Rowley and Gavin Wood (2017) ‘Housing supply responsiveness in Australia: distribution, drivers and institutional settings’, *Australian Housing and Urban Research Institute*, AHURI Final Report 281

⁹ Housing Industry Forecasting Group (2017) *Forecasting Dwelling Commencements in Western Australia 2017-2018*

¹⁰ Anglicare WA (2019) *Rental Affordability Snapshot – Western Australia*

That number more than halves as soon as only one of the parents has access to the minimum wage, down to only 1,766 affordable and appropriate properties or only 22 per cent of those advertised.

For a minimum wage-earning single parent of two children, who is in receipt Family Tax Benefit Part A and B, their options are even fewer, with only 779 properties affordable and appropriate or *only 10 per cent* of those advertised. A single minimum wage earner would only be able to find 145 or *just 2 per cent* of rental properties advertised that were affordable and appropriate, which included boarding houses or renting a room in a share house.

In the South West and Great Southern, the minimum wage-earning single parent of two is only able to find 131 affordable and appropriate properties to rent, which equates to around 15 per cent of those advertised. A single on the minimum wage is able to find just 39 or 5 per cent of rental properties that are affordable and appropriate.

In the northwest of the state, a single on the minimum wage would only be able to find a total of 10 rental properties that would be both affordable and appropriate, which was 2 per cent of properties advertised in that region. A minimum-wage earning single parent of two in the North West is able to find just 21 properties or 4 per cent of what was advertised that would be affordable and appropriate for their household composition.

While the couples in the North West where both adults are on the minimum wage, or where one is on the minimum wage and they are in receipt of a parenting payment, are in a better position than the single person and the single parent, they are able to find a significantly lower proportion of affordable and appropriate properties than similar household types in Perth Metro and in the South West and Great Southern.

This demonstrates how the difficulties of meeting living costs while living on the minimum wage is even greater for those living in the North West, which needs to be considered when determining the level of the state minimum wage.

The low level of accessible properties available to rent for single minimum wage earners and single parents on the minimum wage in particular, strongly indicates the likelihood that many of those households will be living in housing stress or housing that is not appropriate for their circumstances. The more of their income that these households must dedicate to covering housing costs, the less they will be able to spend on other essentials like food, energy and health. It can also mean that any slight increases in their rent can have a dramatic impact on to be able to stay in a property and maintain the important connections they have established throughout their local community.

3.2 Food

Cost of living pressures play a significant role in food insecurity due to unexpected expenses or large bills. According to research undertaken by Foodbank Australia, 49 per cent of people experiencing food insecurity said they had been unable to buy food due to an unexpected expense or large bill,

and 35 per cent as a result of having to pay rent or make a mortgage repayment. 43 per cent said they are unable to buy food because they were living on a low income or pension.¹¹

As of 2018, more than 4 million Australians experienced food insecurity at least once in the preceding 12 months. One in four of these people go an entire day without eating at least once a week. In Western Australia, there was an increase of 39 per cent in the proportion of charities reporting an increase in the number of people seeking food relief since 2017, with more than 508,000 meals provided each month.

Almost three in five Australians living with food insecurity spend more than 20 per cent of their household income on food, more than double the proportion of average Australian households.¹² All of the model households in the 2018 WACOSS *Cost of Living Report* were found to be spending over 20 per cent of their household income on food and beverages.

Skipping meals can have a profound impact on a person's wellbeing, their physical and mental health, social interactions, ability to function and, in the case of children, their growth and development. Further, households facing food stress are more likely to attempt to save money on food by relying on cheaper, energy-dense foods with poor nutritional value—increasing the risks of future chronic diseases such as diabetes and obesity.¹³

Recent research on the prevalence of food insecurity amongst regional and remote Western Australian children, found that 20.1 per cent of those children were food insecure. More than one in five were concerned that food would run out before their family could afford to buy more.¹⁴

Foodbank's recent [*Rumbling Tummies: Child Hunger in Australia 2018*](#) report found that 32 per cent of parents living in food insecure households with children under the age of 15 are employed full-time, with a further 17 per cent employed part-time. The largest share of report's survey respondents experiencing food insecurity (29 per cent) reported their household's combined gross annual income before-tax to be between \$700 to \$1,199 a week, with a further 25% reporting earning between \$1,200 to \$1,999 per week. Households whose primary source of income is either a single or dual minimum wage fall directly within this income range.

52 per cent food-insecure households with children under the age of 15 faced food insecurity because of an unexpected expense or large bill, with 44 per cent reporting that they could not afford enough food because they simply did not have enough money in the first place. 37 per cent of food-insecure households with children under 15 reported that they were living on low wages or on a pension.

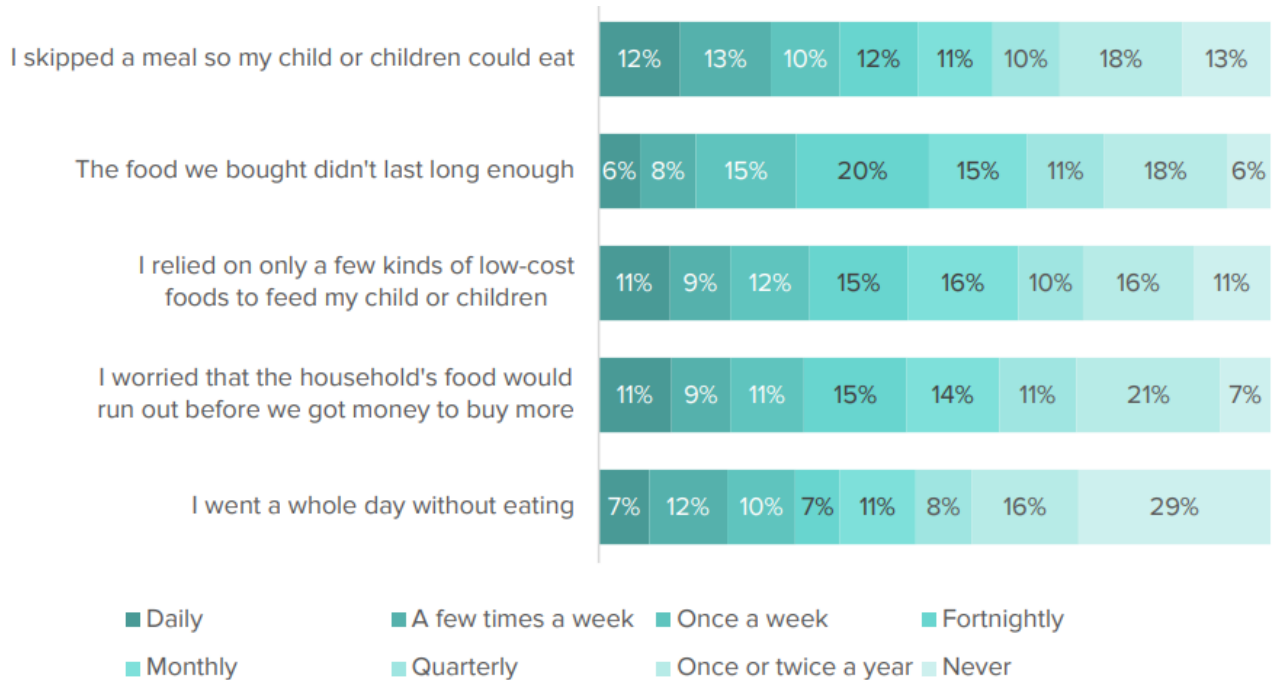
¹¹ Foodbank Australia (2018) *Foodbank Hunger Report 2018*

¹² Foodbank Australia (2018)

¹³ Paul R Ward et al (2013) 'Food Stress in Adelaide: The Relationship between Low Income and the Affordability of Healthy Food', *Journal of Environmental and Public Health*, 2013, 968078

¹⁴ Stephen Godrich et al (2017) 'Prevalence of socio-demographic predictors of food insecurity among regional and remote Western Australian children' *Australian and New Zealand Journal of Public Health*

Experience of skipping meals for parents in food insecure households



Source: Foodbank (2018) *Rumbling Tummies: Child Hunger in Australia*

Almost nine out of ten parents (87 per cent) in food-insecure households have skipped a meal so their children can eat and for 36 per cent, this is a weekly occurrence. At least once a week, three in ten parents (29 per cent) have to go a whole day without eating.

With almost half of food-insecure households in full or part-time work, it is clear **income levels are not adequate to meet a basic standard of living**.

Analysing data from the Department of Health's *WA Health & Wellbeing Surveillance System*, it was determined that those in Western Australia with money problems, low discretionary income, and those with both low annual household income and low discretionary incomes are more than three times as likely to report 'running out of food' compared with respondents who don't have money problems and higher income as well as higher discretionary spending power.¹⁵

A household is deemed to be in food stress when it needs to spend more than 25 per cent of their disposable income on food. Those households are vulnerable to food insecurity as a result of low inadequate income.¹⁶ Developed in 2018, the Food Stress Index measures the likelihood that households in a geographic area are vulnerable to food stress. It creates an index score through a weighted combination of variables including food costs, household compositions and household incomes.

¹⁵ Alison Daly, Christina Pollard, Deborah Kerr, Colin Binns, Martin Caraher and Michael Phillips (2018) 'Using Cross-Sectional Data to Identify and Quantify the Relative Importance of Factors Associated with and Leading to Food Insecurity', *International Journal of Environmental Research and Public Health*, 15, 2620

¹⁶ Timothy J. Landrigan, Deborah A. Kerr, Satvinder S. Dhaliwal and Christina M. Pollard (2019) 'Protocol for the Development of a Food Stress Index to Identify Households Most at Risk of Food Insecurity in Western Australia', *International Journal of Environmental Research and Public Health*, 16, 79

Applying the index to Statistical Area 2 (SA2), it can be seen that households in the regional areas of Western Australia, such as in the East Pilbara, Halls Creek and Kununurra, are the most likely to suffer food stress. Within the Perth metropolitan region, outer-suburban areas such as Girrawheen, Armadale and Gosnells are more likely to suffer food stress, due the high proportion of households in the lowest income quintile.¹⁷

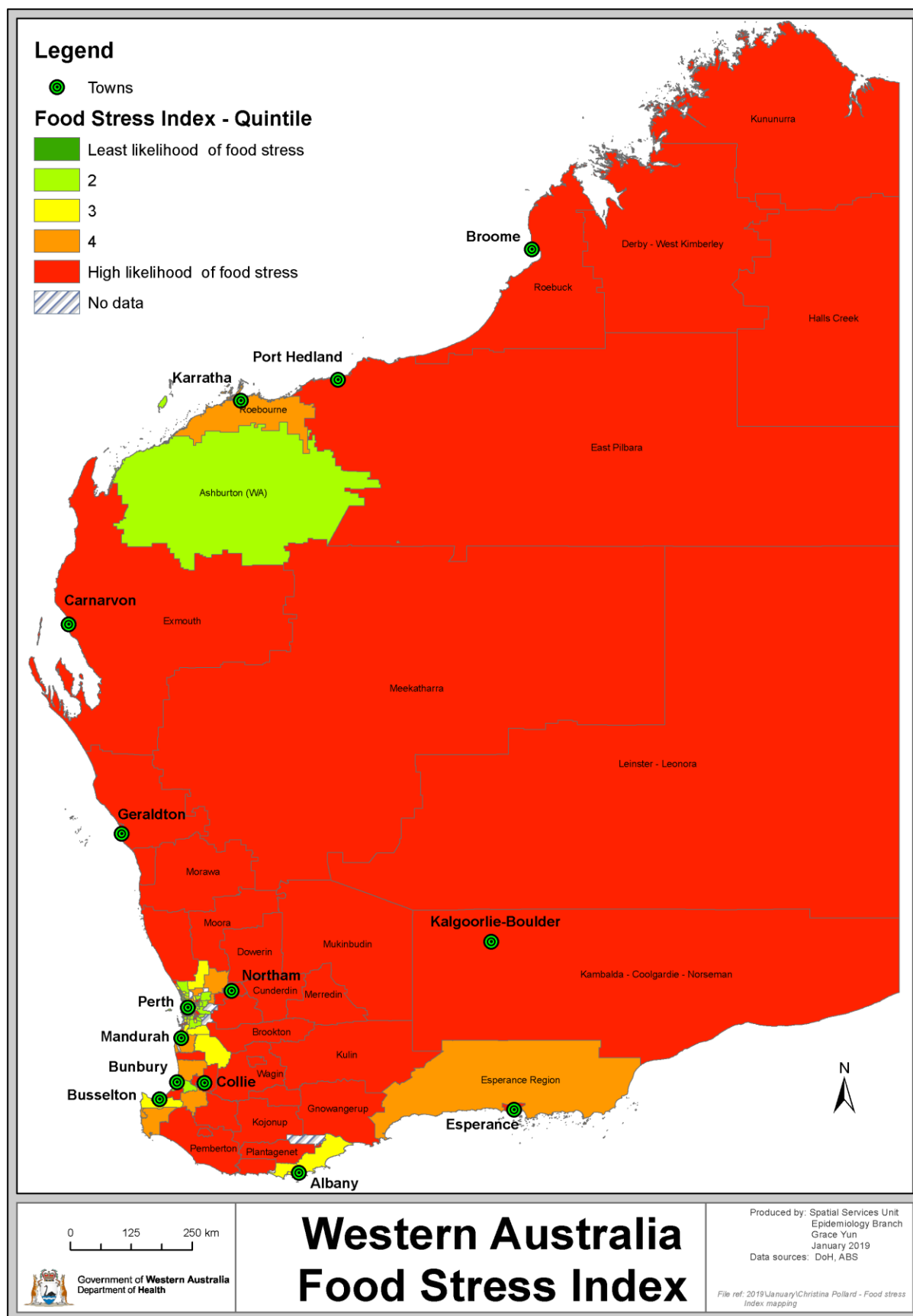
Food Stress Index for Statistical Areas in Western Australia by quintile, ranging from 1 (least likelihood of food stress) to 5 (most likelihood of food stress)

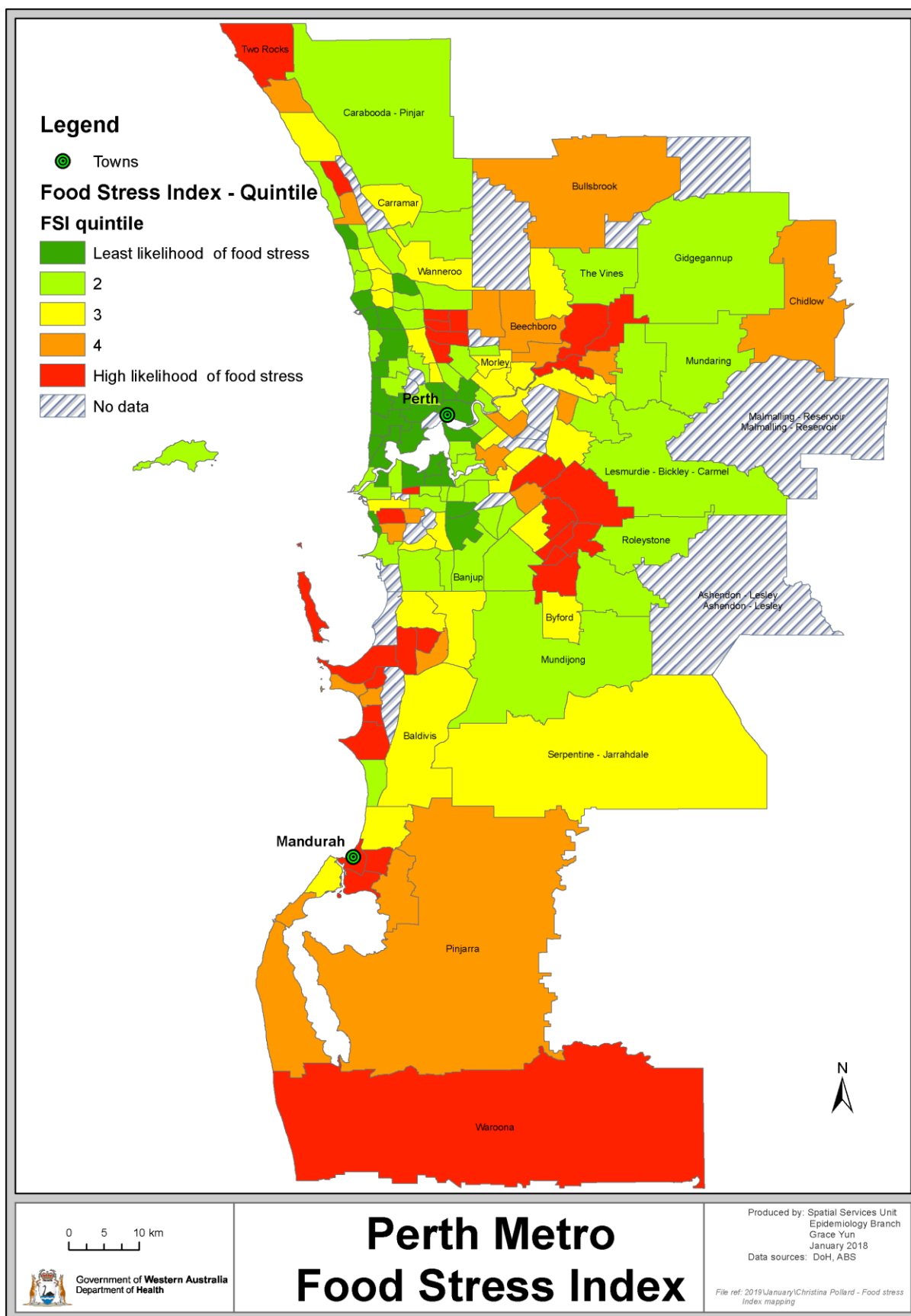
Food Stress Index Quintile	Western Australia Statistical Areas
1	Applecross—Ardross, Ashburton, Baldivis, Booragoon, Greenwood—Warwick, Innaloo—Doubleview, Karratha, Mount Hawthorn—Leederville, Murdoch—Kardinya, Newman, North Perth, Ocean Reef, Subiaco—Shenton Park, Success—Hammond Park, Wembley—West Leederville—Glendalough, Wembley Downs—Churchlands—Woodlands
2	Australind—Leschenault, Belmont—Ascot—Redcliffe, Bentley—Wilson—St James, Byford, Carramar, Coolbellup, Craigie—Beldon, Eaton—Pelican Point, Esperance Region, Kalgoorlie, Margaret River, Murray, Rivervale—Kewdale—Cloverdale, South Bunbury—Bunbury, Thornlie
3	Albany, Augusta, Busselton, Capel, Denmark, East Bunbury—Glen Iris, Esperance, Geraldton—North, Gingin—Dandaragan, Gnowangerup, Harvey, Maddington—Orange Grove—Martin, Manjimup, Pinjarra, Rockingham
4	Alexander Heights—Koondoola, Beckenham—Kenwick—Langford, Bridgetown—Boyup Brook, Broome, Dowerin, Exmouth, Kambalda—Coolgardie—Norseman, Kulin, Merredin, Moora, Mukinbudin, Narrogin, Northam, Pemberton, Roebourne
5	Armadale—Wungong—Brookdale, Calista, Carnarvon, Cooloongup, Derby—West Kimberley, East Pilbara, Geraldton, Girrawheen, Gosnells, Halls Creek, Kununurra, Leinster—Leonora, Meekatharra, Parmelia—Orelia, Plantagenet, Roebuck

Source: Timothy Landrigan et al (2019) 'Protocol for the Development of a Food Stress Index', *IJERPH*

The maps on the following two pages provide a visual representation of these findings, revealing the likelihood of food stress in geographical areas across Western Australia and within the Perth metropolitan region. These maps demonstrate the scale of the likelihood of food stress across the State.

¹⁷ Ibid.





3.3 Utilities and Household Fees

Mounting unpaid bills and utility disconnections can have a significant impact on people's wellbeing, from feelings of shame, the stress of trying to stretch their income as far as possible, and the difficult decisions they have to make as to what to prioritise, such as not eating or not cooling their homes during the heights of summer. It also impacts their ability to access affordable credit in future.

The *2019/20 State Budget* increased household fees and charges by 2 per cent or \$127.77 for the representative household. While this was the lowest increase in household fees and charges in 13 years, it follows very significant increases in the previous two budgets. In 2017/18, the representative household saw an increase of 7.74 per cent (equating to around \$438.39) and a further 4.8 per cent in the 2018/19 Budget (around \$292.07).

Cumulatively, this is an increase of \$858.23 for the representative household or a 13 percent increase on 2016/17 levels. This is substantially larger than the 4.9 per cent increase in the State Minimum Wage over the same period, placing the financial security of minimum wage households under pressure.

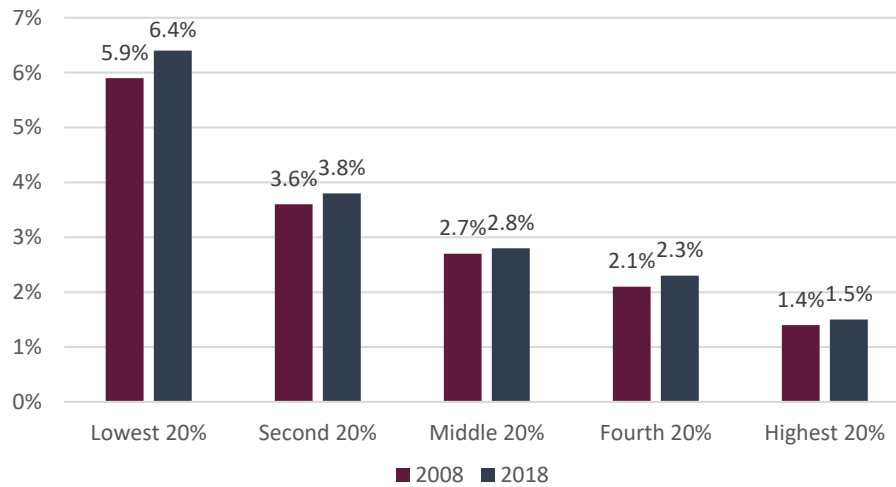
The State Budget saw an increase of 1.75 per cent to the residential A1/A2 electricity tariff or \$30.81 for the representative tariff. This followed an increase of 7 per cent in the 2018/19 State Budget – equivalent to \$120.57 for the representative household. The State Government also increased the residential *fixed* charge paid by all households for electricity supply by 10.9 per cent at the beginning of the 2017/18 financial year, which was equivalent to a \$169 increase to every household electricity bill. As the 2017 increase was to the fixed charge, households were unable to avoid it or mitigate its impact by reducing their electricity consumption.

The increasing cost of energy disproportionately impacts households on the lowest incomes, as they spend a higher percentage of their disposable income on energy bills and have little if any capacity to absorb additional costs.

Research into the expenditure of WA households on utilities has shown that the rate of growth of energy poverty for certain cohorts such as single parents, and older single men and women has been significant. It has also revealed that the energy share of total household spending grows substantially as incomes decline, as well as sizeable increases over time for single parent families.¹⁸

¹⁸ Rebecca Cassells, Alan Duncan and Yashar Tarverdi (2017) *Power to the People: WA's Energy Future*, Bankwest Curtin Economics Centre

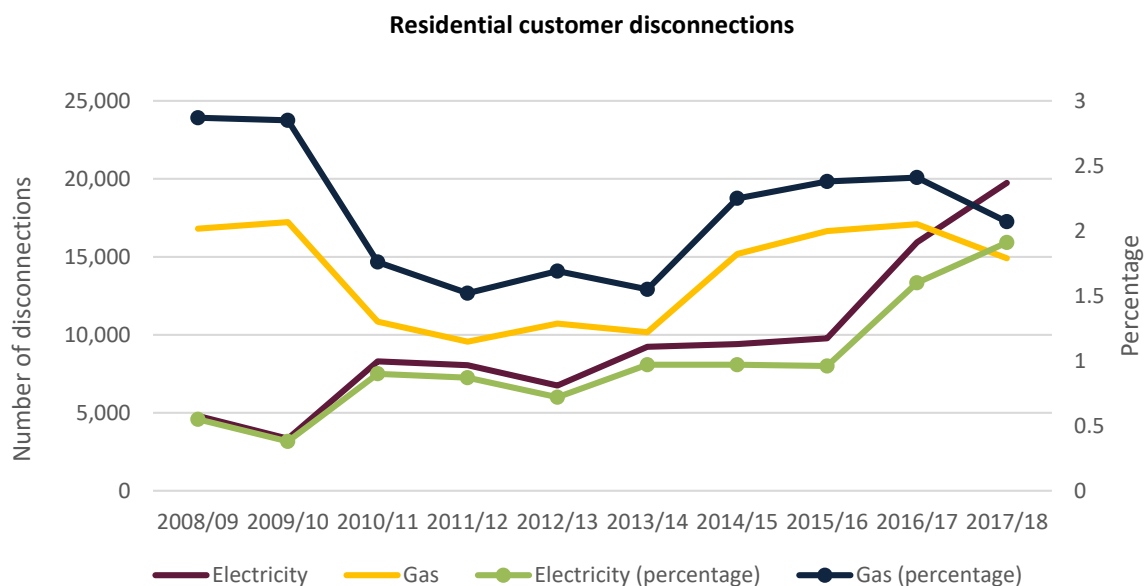
**Electricity and gas expenditure as a percentage share of income by disposable income quintiles
(Australia-wide)**



Source: ACOSS and the Brotherhood of St Laurence (2018)

The pressure that rising utility costs are having on households is clear. In 2017/18, residential electricity disconnections increased from 19,743 in 2016/17 to 21,948 in 2017/18. Over the past two years, Synergy's disconnection rate increased by 118 per cent. In 2017/18, Synergy alone disconnected 17,800 residential customers. Western Australia now has the highest disconnection rate of the three jurisdictions (New South Wales, Victoria and South Australia) with which a comparison can be drawn. The number of residential electricity customers on hardship programs also significantly increased, from 21,948 in 2016/17 to 31,552 in 2017/18.

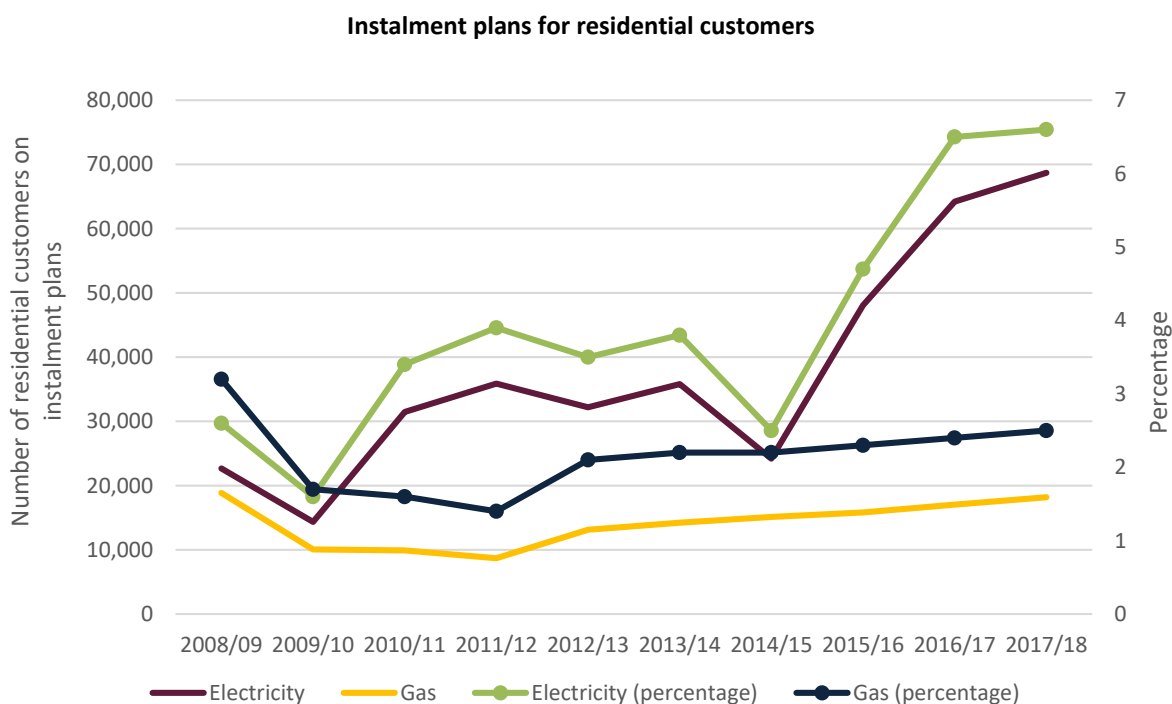
While the percentage of residential gas disconnections as a whole were down from 2.41 per cent in 2016/17 to 2.07, this was the result of a decrease in Kleenheat's disconnection percentage. Western Australia had the highest gas residential disconnection rate of the four jurisdictions for the fifth consecutive year.



Source: Economic Regulation Authority (2019)

75.2 per cent of disconnections were customers previously on an instalment plan, up from 59.1 per cent in 2016-17; and 30.6 per cent were customers who had previously been disconnected within the past 24 months, up from 18.9 per cent in 2016-17.

As can be seen from the figure below, there has been a marked increase in customers needing to go on instalment plans due to difficulties in paying their energy bills. The percentage of residential electricity customers on instalment plans was at a 10-year high in 2017/18.



Source: Economic Regulation Authority (2019)

The 2019/20 State Budget saw an increase to water, sewerage and drainage fees by 2.5 per cent, which is around \$40.39 for the representative household. This followed a 5.5 per cent increase in the 2018/19 Budget (\$91.04 for the representative household) and 6 per cent (\$96.92) in 2017/18.¹⁹

The decision by the WA Government to limit increases to household fees and charges in the 2019/20 State Budget was a clear admission that recent rises had a significant impact on cost of living pressures and rates of financial hardship, debt and disconnection within WA, particularly for households on low and fixed incomes. Limiting cost increases to around CPI may reduce the rate of increase in financial hardship for those on average incomes, but it does little to help those already experiencing hardship whose incomes remain insufficient to match previous price increases.

The rising cost of utilities and significant increases to other household charges in Western Australia is clearly outpacing the ability of those on low incomes to be able to pay for it. **A rise in the minimum wage is essential so that those on low incomes are able to cover their power bills and maintain their living standards.**

¹⁹ WA State Budget 2019/20, Budget Paper 3

3.4 Digital Access

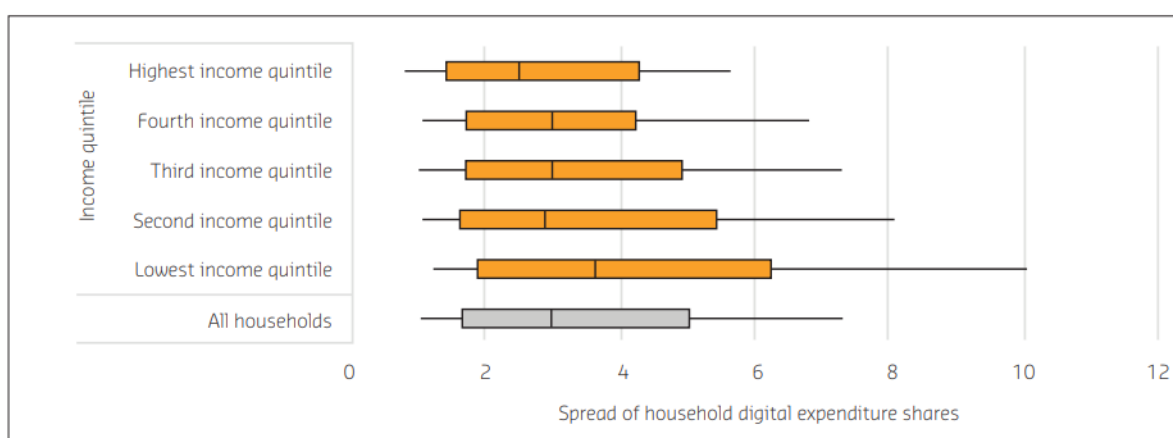
Access to digital technology is increasingly essential for people to be able to participate and contribute to their community, and to access government services and supports.

Digital access is not shared equally and the cost of connectivity is out of reach for some within our community. One in four Western Australian households in the lowest income quintile do not access the internet, compared to almost universal access for the highest quintile.²⁰

After housing costs, families in the lowest income quintile are typically committing around 3.7 per cent of their total expenditure to digital goods and services, while the third income quintile is committing around 3 per cent and the highest quintile around 2.5 per cent. Significantly, one in ten families in the lowest income quintile, are committing 10 per cent or more of their total expenditure towards digital products and services.²¹

Variation in WA household digital expenditures shares, by income quintile, 2015-16

State	Lower	←	Typical	→	Higher	
Percentiles	10th		25th	50th	75th	90th
Lowest income quintile	1.2		1.9	3.7	6.3	10.0
Second income quintile	1.0		1.6	2.9	5.4	8.1
Third income quintile	1.0		1.7	3.0	4.9	7.3
Fourth income quintile	1.0		1.7	3.0	4.2	6.8
Highest income quintile	0.8		1.4	2.5	4.3	5.7
All households	1.0		1.6	3.0	5.0	7.3



Note: Income quintiles are based on the equivalized income, using the modified OECD scale.

Source: Bankwest Curtin Economics Centre | Authors' estimates based on ABS Household Expenditure Survey, 2015-16, and Cat. No. 6401.0.

Bankwest Curtin Economics Centre (BCEC) has developed a measure of digital stress, identifying households in the lowest quarter of income distribution who spend more than 10 per cent of their budget after housing costs on digital services.

²⁰ Steven Bond-Smith, Alan Duncan, Daniel Kiely, and Silvia Salaza (2018), 'Falling Through the Net: The Digital Divide in Western Australia', Bankwest Curtin Economics Centre, *Focus on Western Australia Report Series*, No. 11

²¹ Ibid.

Using this measure, they determined that digital stress is most pronounced among single parents and single women, particularly those in rental accommodation. Around 17.4 per cent of single non-elderly female renters are in digital stress, along with 12.3 per cent of elderly single women and 12.2 per cent of single parents in rental housing.²²

As stated by the BCEC researchers, “WA’s distance from other states, and levels of remoteness within WA make internet access a greater necessity for those living in WA, independent of income level.”²³ The cost of internet connection, however, means that only 74 per cent of those in the lowest income quintile and 78.6 per cent in the second quintile access the internet in WA. This compares to 99.2 per cent in the highest quintile. 91.8 per cent of the third and 93.6 per cent of the fourth quintile in Western Australia access the internet, demonstrating a clear income divide.

State and Federal Government are increasingly moving transactional services online, and access to other essential community services also often requires online applications. Digital access is becoming increasingly important and problematic for job seekers. Community Resource Centres and local public libraries report dedicating increasing amounts of staff and volunteer time to assisting people to access services and entitlements, including Medicare and Centrelink services.

An increase to the minimum wage is necessary to ensure lower income households are able to meet their digital needs, and access what is quickly becoming an essential service to the same extent as the rest of the community.

²² Ibid.

²³ Ibid.

3.5 Costs in the Regions

It is important when considering the adequacy of the minimum wage that differences in the cost of living for regional areas is taken into account, particularly in the north of the state.

Limitations of the data on detailed household expenditure patterns in the ABS Household Expenditure Survey mean there is insufficient detail to confidently extend the WACOSS household models to individual regions within WA. The data below accurately reflects the differences in costs of essential items, but we recognise that low income households living in these regions will change their actual expenditure patterns to compensate so they can balance their weekly budget.

Analysis of rental costs for the four WACOSS model households based on REIWA data is included in the table below. It is important to note that availability can become an even more critical factor in regional areas with smaller housing markets and a more limited range of choice. While our analysis reflects the costs for the type of appropriate housing assumed in the four models, real households may not be able to secure appropriate housing in some regional centres and so would be forced to compromise on either the appropriate dwelling size for their household makeup or on affordability.

Weekly Expenditure across the Regions - RENT										
	Perth	Gascoyne	Goldfields Esperance	Great Southern	Kimberley	Mid West	Peel	Pilbara	South West	Wheat -belt
Single parent & Age pensioners	\$274.83	\$191.25	\$234.81	\$250.75	\$324.06	\$159.38	\$224.83	\$257.13	\$250.75	\$191.89
Working family	\$301.75	\$261.38	\$300.69	\$298.78	\$461.76	\$242.89	\$267.75	\$394.83	\$281.56	\$240.13
Unemployed person	\$100.58	\$87.13	\$100.23	\$99.59	\$153.92	\$80.96	\$89.25	\$131.61	\$93.85	\$80.04

Source: Calculations based on REIWA data

The Mid West is the most affordable region to rent in for the single parent and age pensioner model households, with rental costs nearly 42 per cent lower (\$155.18 less per week) for those household types than in Perth. The Wheatbelt is slightly more affordable than the Mid West for the working family and unemployed person households as a result of slightly lower median rental costs for houses in the region, but higher costs for renting units. The Kimberley is significantly more expensive for all household types than any other region, including Perth. Analysis of the REIWA quarterly market data shows particularly high median rents advertised during the December and June quarters, which can be assumed to be the result of the tourism seasons, though rents are consistently higher than those recorded in other regions across the entire year.

Examining the changes from 2016/17 in the regions shows a very different rental experience for the model households compared to the Perth metropolitan area.

Weekly Difference from 2016/17 across the Regions - RENT										
	Perth	Gascoyne	Goldfields Esperance	Great Southern	Kimberley	Mid West	Peel	Pilbara	South West	Wheat -belt
Single parent & Age pensioners	-\$14.17 -4.90%	-\$144.50 -43.04%	-\$5.32 -2.21%	\$12.96 5.45%	\$21.67 7.17%	-\$15.94 -9.09%	-\$10.63 -4.51%	\$3.62 1.43%	-\$5.95 -2.32%	-\$55.67 -22.49%
Working family	-\$14.88 -4.70%	-\$158.32 -37.72%	\$2.13 0.71%	-\$4.04 -1.33%	\$1.91 0.42%	-\$0.42 -0.17%	-\$4.89 -1.79%	\$60.99 18.27%	-\$7.02 -2.43%	-\$11.91 -4.72%
Unemployed person	-\$4.96 -4.70%	-\$52.77 -37.72%	\$0.71 0.71%	-\$1.35 -1.33%	\$0.64 0.42%	-\$0.14 -0.17%	-\$1.63 -1.79%	\$20.33 18.27%	-\$2.34 -2.43%	-\$3.97 -4.72%

Source: Calculations based on REIWA data

The rental market appears much more volatile, with significantly larger swings in either direction, in large part because the number of residential rental arrangements being entered into are much fewer than in Perth. What can be observed is a particular increase in median rents for units in the Kimberley and Great Southern, with a sizeable increase in advertised rents for houses in the Pilbara as well. Advertised rents in the Gascoyne were also clearly considerably lower in 2017/18 than in the previous year.

Weekly Expenditure across the Regions – FOOD AND BEVERAGES										
	Perth	Gascoyne	Goldfields Esperance	Great Southern	Kimberley	Mid West	Peel	Pilbara	South West	Wheat- belt
Single parent	\$202.07	\$219.24	\$219.65	\$201.87	\$227.13	\$215	\$201.06	\$222.88	\$203.89	\$210.76
Working family	\$290.84	\$315.56	\$316.14	\$290.55	\$326.90	\$309.45	\$289.38	\$320.79	\$293.46	\$303.34
Unemployed person	\$88.85	\$96.40	\$96.58	\$88.76	\$99.87	\$94.54	\$88.41	\$98.00	\$89.65	\$92.67
Age pensioners	\$177.54	\$192.63	\$192.98	\$177.36	\$199.55	\$188.90	\$176.65	\$195.82	\$179.14	\$185.17

Source: Calculations based on ABS 2015/16 HES, 2018 CPI and 2017 RPI data

The cost of food and beverages is also highest in the Kimberley, followed closely by the Pilbara. Food prices in Peel, the Southwest and Great Southern regions are all comparable to Perth metropolitan prices, with prices in the Mid West and Gascoyne higher than those areas, but still lower than in the Kimberley and Pilbara.

Weekly Expenditure across Network Areas - ELECTRICITY					
	SWIS	NWIS	West Kimberley	Gascoyne/ Mid-West	Esperance
Single parent	\$15.71	\$47.79	\$38.55	\$22.17	\$18.00
Working family	\$33.04	\$70.78	\$59.51	\$40.63	\$35.65
Unemployed person	\$9.09	\$21.68	\$18.05	\$11.63	\$9.96
Age pensioners	\$23.32	\$55.41	\$46.16	\$29.78	\$25.61

Source: Calculations. Usage data supplied by Horizon Power and Synergy.

All households are paying more for electricity in the Northwest Interconnected System (Pilbara), West Kimberley, Gascoyne/Mid-West and Esperance network areas than those in the Southwest Interconnected System (Perth, Peel, Southwest and Great Southern). The model household in the NWIS and West Kimberley in particular are on the receiving end of very considerable electricity bills.

As the Uniform Tariff Policy means that Horizon Power customers are charged for electricity at the same rate as Synergy customers, these divergences are the result of different levels of energy consumption. Climatic conditions outside of the SWIS have a significant impact on the amount of energy required to maintain temperatures in homes at a liveable and comfortable level.

The high level of energy consumption and the resultant size of the bills, combined with their seasonal and intermittent nature, mean that low-income households in regional areas can be at substantial risk of bill shock, and with the likelihood of falling into utility debt even higher during the peak summer period.

Weekly Expenditure across the Regions – WATER										
	Perth	Gascoyne	Goldfields Esperance	Great Southern	Kimberley	Mid West	Peel	Pilbara	South West	Wheat- belt
Single parent	\$7.52	\$9.07	\$7.77	\$5.04	\$12.05	\$7.77	\$6.57	\$12.27	\$7.37	\$7.12
Working family	\$9.13	\$10.67	\$4.83	\$6.21	\$14.84	\$9.43	\$8.01	\$15.10	\$8.96	\$8.66
Unemployed person	\$3.04	\$3.56	\$1.61	\$2.07	\$4.95	\$3.14	\$2.67	\$5.03	\$2.99	\$2.89
Age pensioners	\$3.76	\$4.53	\$3.89	\$2.52	\$6.03	\$3.89	\$3.28	\$6.14	\$3.69	\$3.56

Source: Cost calculations based on average regional residential usage data supplied by the Water Corporation

Households in the Great Southern Region are on average spending the least on water, followed by those in the Peel and Wheatbelt regions. Tariff cap policies mean that up to the first 300kL in ‘country south’ and 500kL in ‘country north’, residential water consumption charges are no more than metropolitan charges after which the charges reflect the cost of providing services in the different country schemes. The lower water expenditure in those regions is directly the result, as a consequence, of lower consumption.

Households in the Pilbara are consuming slightly less than double those in Perth and nearly two and half times as much as those in the Great Southern, seeing their average water expenditure the highest across the regions. The expenditure of these households is closely followed by those in the Kimberley.

It is crucial that the minimum wage is set at a sufficient level to meet the living costs for those in regional WA, and not just those living in the Perth metropolitan area.

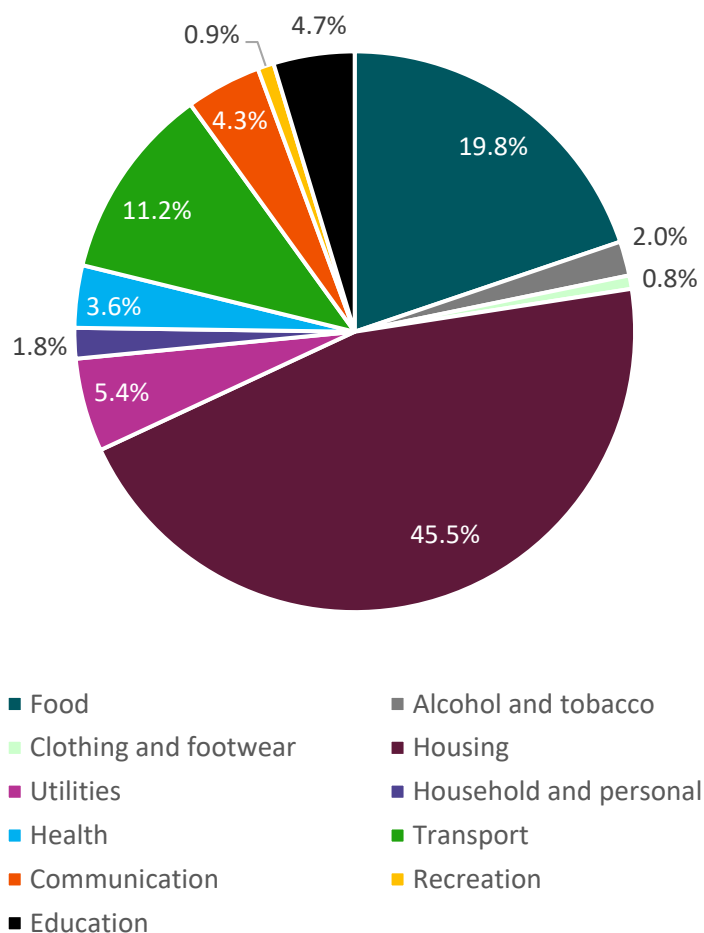
3.6 Financial Stress and Hardship

Research by the Fair Work Commission indicated that in 2017, 27.9 per cent of low-paid employee households had experienced financial stress.²⁴ This is more than twice the rate of all employee households that had experience financial stress at 13.5 per cent.

WACOSS has compiled income and expenditure data provided by financial counselling agencies of 404 households who accessed their services during 2017/18 to reveal the real-life living cost pressures being faced by households across Western Australia who are experiencing financial hardship and stress.

Mean of all WA households

Percentage of Expenditure

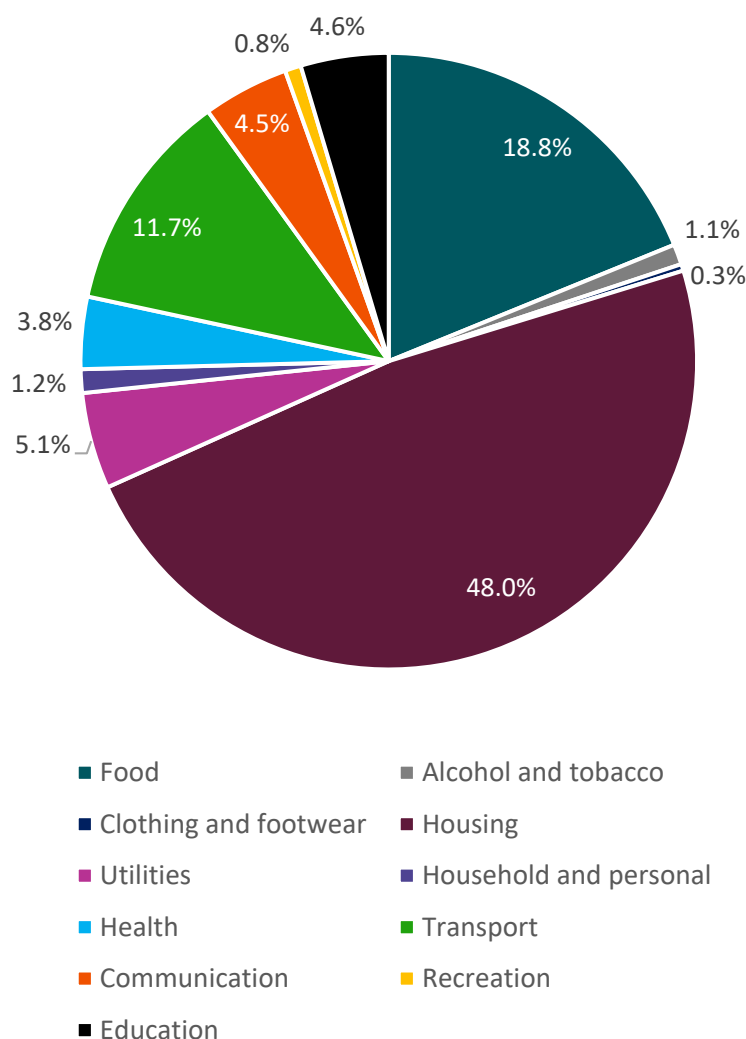


Fortnightly income and expenditure		
	Income	\$/fortnight
Wages	\$1,211.33	69.6
Family Tax Benefit	64.61	3.7
Newstart Allowance	36.04	2.1
Other Centrelink Payments	306.62	17.6
Other	121.42	6.9
Total	1,740.29	100
General Expenditure		
	\$/fortnight	Per cent
Housing	725.68	45.5
Food	314.50	19.8
Transport	178.24	11.2
Utilities	85.71	5.4
Communication	69.06	4.3
Health	57.13	3.6
Household and personal	27.95	1.8
Education	74.33	4.7
Alcohol/tobacco	31.48	2.0
Recreation	14.88	0.9
Clothing	12.28	0.8
Total	1,591.25	100
Debt Payments		
	\$/fortnight	Per cent
Centrelink advance	11.68	4.0
Credit card	50.91	17.5
Personal loan	62.70	22
Other	165.50	56.91
Total	290.78	100
Debt to income		
	\$/fortnight	Per cent
Ratio		16.7
Surplus/deficit		
	\$/fortnight	
Total	-141.74	

²⁴ Fair Work Commission (2019) *Statistical report – Annual Wage Review*

WA wage-only households

Percentage of Expenditure



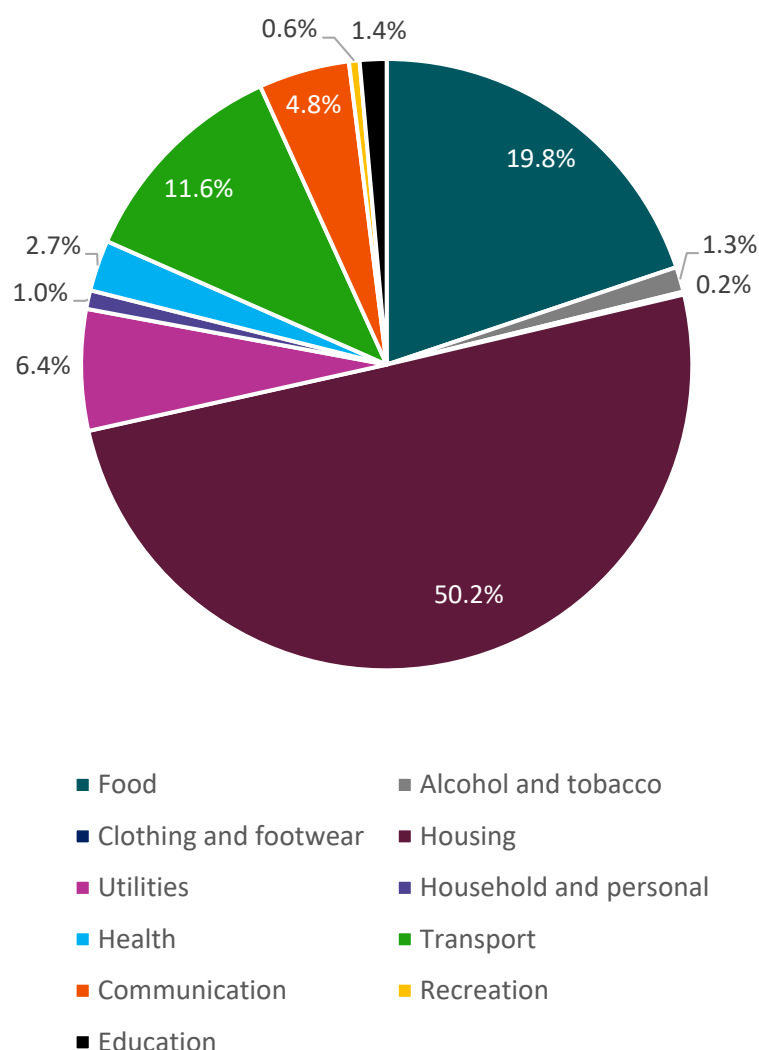
Fortnightly income and expenditure		
Income	\$/fortnight	Per cent
Wages	1,957.09	93.6
Family Tax Benefit	47.75	2.3
Newstart Allowance	-	-
Other Centrelink Payments	-	-
Other	85.42	4.4
Total	2,090.27	100
General Expenditure	\$/fortnight	Per cent
Housing	902.48	48.0
Food	353.95	18.8
Transport	219.12	11.7
Utilities	94.99	5.1
Communication	84.85	4.5
Health	71.07	3.8
Household and personal	23.27	1.2
Education	86.84	4.6
Alcohol/tobacco	20.08	1.1
Recreation	15.86	0.8
Clothing	6.56	0.3
Total	1,878.88	100
Debt Payments	\$/fortnight	Per cent
Centrelink advance	1.93	0.6
Credit card	71.74	21.0
Personal loan	90.18	26.4
Other	177.59	52
Total	341.44	100
Debt to income	\$/fortnight	Per cent
Ratio		16.3
Surplus/deficit	\$/fortnight	
Total	-130.06	

Looking at those households in the sample who were only in receipt of wages (as opposed to drawing their income from social security payments like the Newstart Allowance) they can be seen to be spending an average of \$130.06 in excess of their fortnightly income. 48 per cent of that expenditure is dedicated to housing costs alone, with these households spending on average \$902.48 a fortnight to cover rent, mortgage payments and other accommodation costs. That is an average of 43 per cent of their income being required to meet the costs associated with housing.

Spending more than their fortnightly income, or discovering as a result that they are unable to make bill payments, is likely the reason why these households sought assistance from a financial counselling service. The small margin between their income and their general expenditure to cover the cost of living can drive these households to take out loans and go into debt in order to cover large expenses, cover bills, pay down other debts or simply to make ends meet. The resulting debt payments place increasing pressure on their finances and push them further into hardship.

Low income wage-only households

Percentage of Expenditure



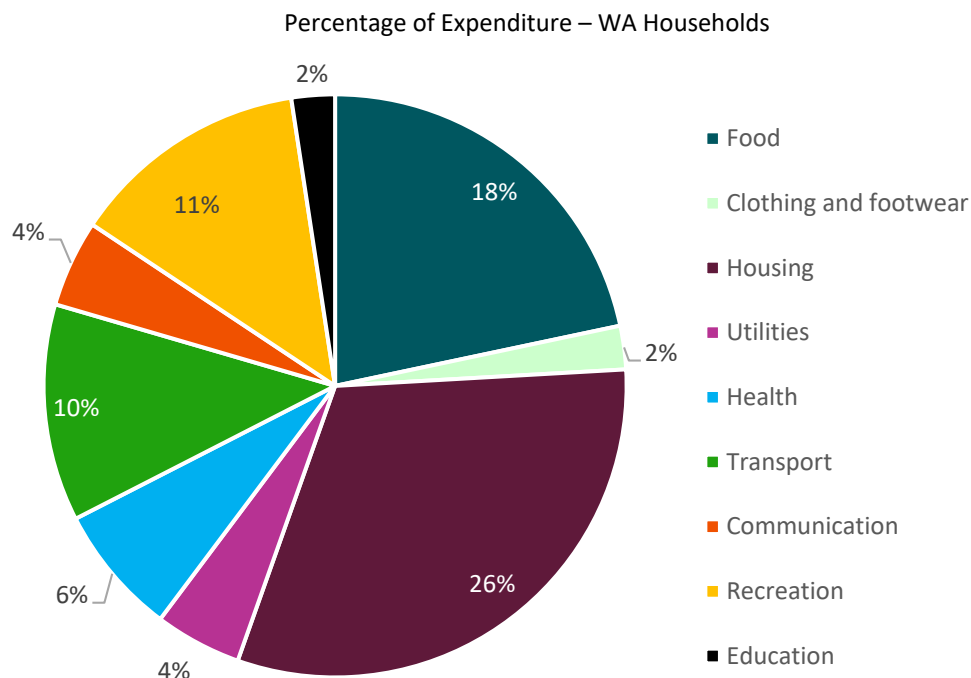
Fortnightly income and expenditure		
Income	\$/fortnight	Per cent
Wages	1,312.91	98.32
Family Tax Benefit	8.73	0.65
Newstart Allowance	-	-
Other Centrelink Payments	-	-
Other	13.72	1.03
Total	1,335.36	100
General Expenditure	\$/fortnight	Per cent
Housing	649.08	50.2
Food	256.40	19.8
Transport	149.96	11.6
Utilities	82.81	6.4
Communication	62.14	4.8
Health	34.90	2.7
Household and personal	12.79	1.0
Education	18.31	1.4
Alcohol/tobacco	17.08	1.3
Recreation	7.25	0.6
Clothing	2.03	0.2
Total	1,292.74	100
Debt Payments	\$/fortnight	Per cent
Centrelink advance	1.73	0.8
Credit card	35.92	16.9
Personal loan	34.37	16.2
Other	114.52	66.1
Total	212.49	100
Debt to income	\$/fortnight	Per cent
Ratio		15.9
Surplus/deficit	\$/fortnight	
Total	-69.87	

Examining separately 'low income' wage-only households reveals the specific challenges they face. More than half of the average general expenditure of these households is on housing at 50.2 per cent, equating to \$649.08 a fortnight. That accounts for 48.6 per cent of their fortnightly income alone, forcing them to cut back spending where possible elsewhere.

In particular, these households can be seen to be spending significantly less on health, education, recreation and clothing, both in dollar terms and as a proportion of their general expenditure. A higher percentage of their expenditure is going towards covering utility bills

These households are spending \$69.87 more than the income they are bringing each fortnight. Excluding debt payments, they have only \$42.62 on average at the end of each fortnight after meeting their living expenses.

Comparing this data to that of the *2016 ABS Household Expenditure Survey* makes clear the stark reality for household experiencing financial hardship.



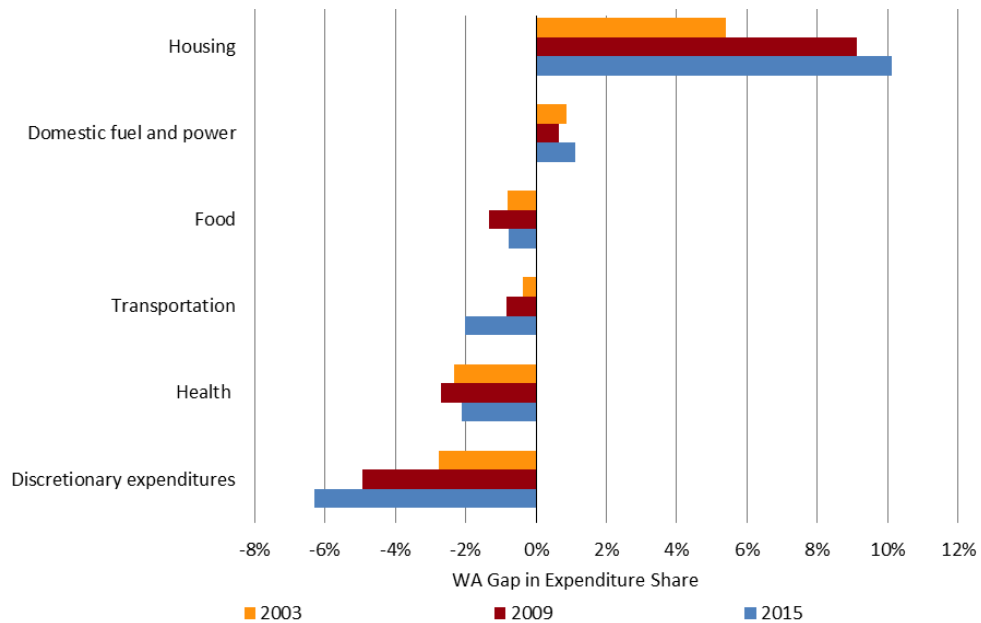
Source: ABS (2017) *Household Expenditure Survey*

The financial counselling data reveals that those who sought assistance for financial hardship have substantially higher housing costs as a proportion of their fortnightly expenditure - on average 45.5 per cent of all their spending. In comparison, just 26 per cent of expenditure is dedicated to housing for the 'average' household in the HES. The percentage of expenditure on utilities is also slightly higher for the households experiencing financial hardship (at 5.4 for the mean and 6.4 for the low income wage-only households) than those in the HES dataset.

The percentages of expenditure on recreation and health are significantly lower for the households experiencing financial hardship than the average household in the HES. This suggests that households experiencing financial hardship are forced to cut back on spending in those areas in order to make ends meet, which will undoubtedly have an impact on their quality of life and personal wellbeing.

Research from the Bankwest Curtin Economics Centre demonstrates that those in financial stress are increasingly spending more on housing and utilities than the average Western Australian household, forcing them to cut their spending in more discretionary areas.

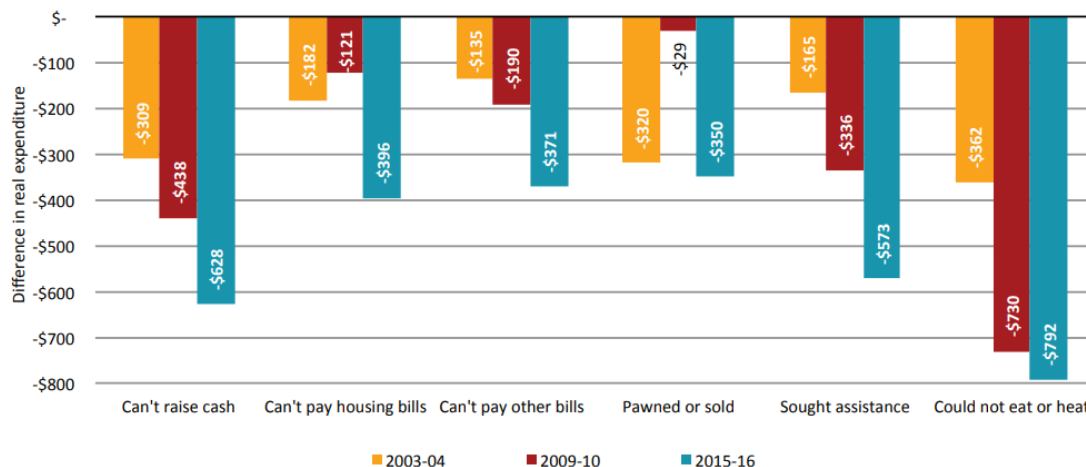
WA Gap in Expenditure Shares, Households with Financial Stress Measures, Relative to Average WA Household, 2003-2015



Source: Bankwest Curtin Economic Centre | Authors' estimates based on ABS Household Expenditure survey, 2003-04, 2009-10 and 2015-16

The next graph demonstrates the deterioration of the situations being experienced by households with any financial hardship and deprivation measures. The gap in their real expenditure compared to the rest of WA households has at least doubled in the last 12 years and households in financial stress (all measures combined) spend in 2015-16, an average of \$520 less per week than the rest of WA households.²⁵

Difference in real expenditure, households with financial hardship and deprivation measures, relative to the rest of WA households, 2003-04 to 2015-16



Source: Bankwest Curtin Economic Centre | Authors' estimates based on ABS Household Expenditure survey, 2003-04, 2009-10 and 2015-16

²⁵ Bankwest Curtin Economics Centre (2017) *The Price is Right: An Examination of the Cost of Living in Western Australia*, Focus on Western Australia Report Series No. 10

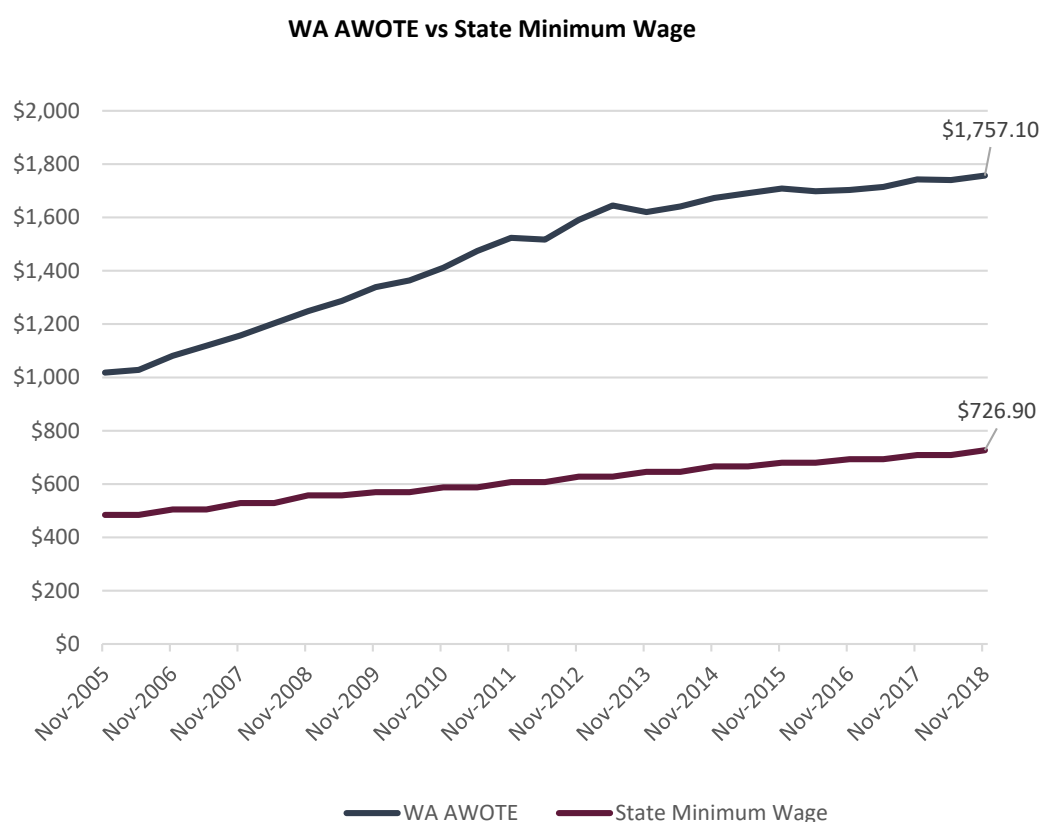
It is important we recognise that it costs us all more as a community when households on low incomes or in financial trouble cut back on their access to primary health care, the quality of their food and nutrition, and their recreational activities. This leads to higher rates of chronic disease, greater demands on our hospitals and tertiary care systems, reduced productivity and life expectancy.

A \$43.61 per week increase to the level of the state minimum wage is necessary to ensure low income workers are able to meet their living costs and to prevent these workers from experiencing financial stress and hardship.

4.0 Income Inequality

Income inequality has a significant negative impact on society, both socially and economically, being linked to not only the undermining of community cohesiveness, but also to having a statistically significant adverse effect on economic growth.²⁶

The growth in the gap between the state minimum wage rates and median pay levels has contributed to income inequality in Western Australia. As of November 2018, the minimum wage was only 41.4 per cent of the WA Average Weekly Ordinary Time Earnings (AWOTE). In November 2005, the minimum wage was 47.6 per cent of the WA AWOTE. In comparison, the National Minimum Wage comprises 44.8 per cent of Australia-wide seasonally adjusted average weekly earnings as of November 2018.

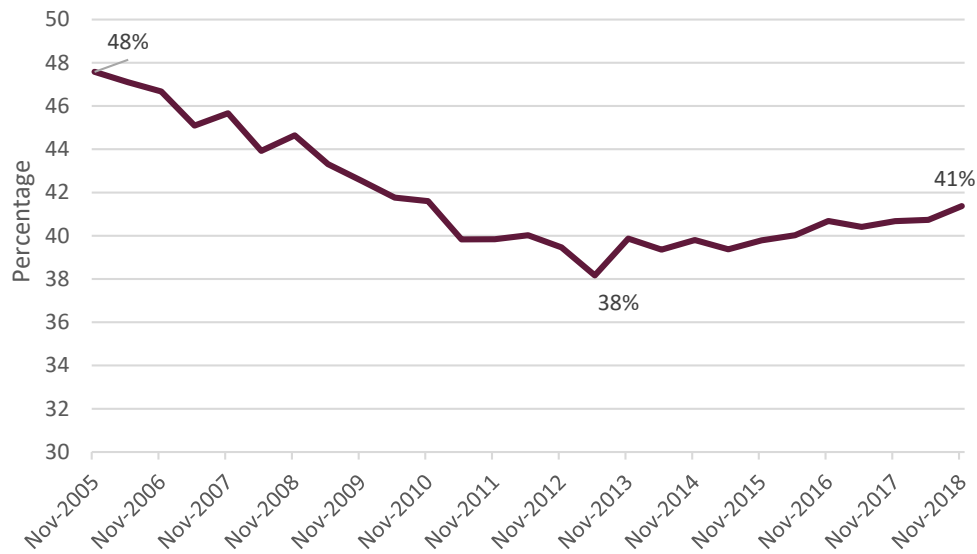


Source: ABS 6302.0, WA Department of Commerce

Since 2005, AWOTE has increased in WA by 72.6 per cent, while the State Minimum Wage has only increased by 50 per cent over the same period of time. Following its near ten percentage point drop between 2005 and 2013, down to 38.2 per cent, the State Minimum Wage's share of WA AWOTE has remained relatively stable. Despite comparatively low average wage growth over the past five years' period, the State Minimum Wage's AWOTE bite has only seen an increase of 3.2 per cent.

²⁶ OECD (2015) 'The Impact of Income Inequality on Economic Growth', *In It Together: Why Less Inequality Benefits All*, OECD Publishing, <http://dx.doi.org/10.1787/9789264235120-en>

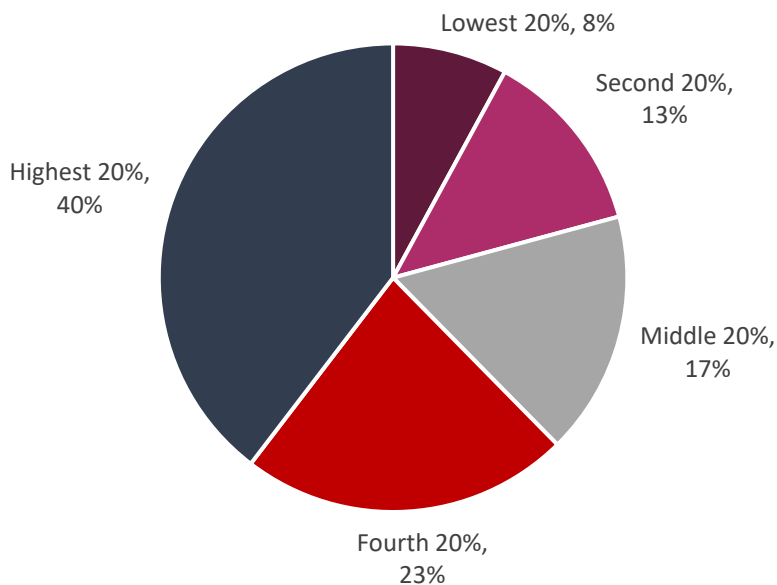
Minimum Wage as a percentage of AWOTE



Source: ABS 6302.0, WA Department of Commerce, derived.

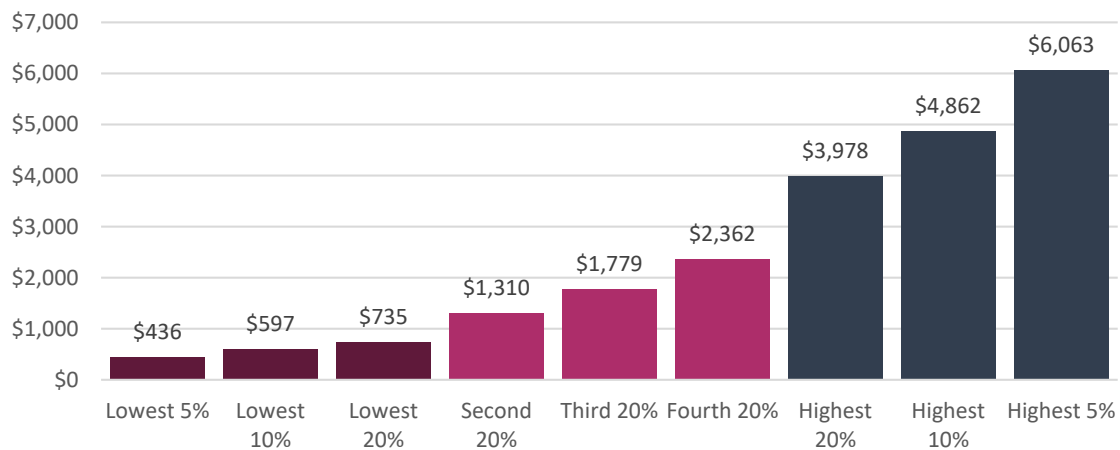
The 2018 *Inequality Report* by the Australian Council of Social Service and the University of New South Wales found that a person in the highest 20 per cent of income earners in Australia lives in a household with five times as much disposable income (after tax) as someone in the lowest 20 per cent. Those in the highest 20 per cent (with average weekly disposable income of \$3,978) collectively receives 40 per cent of all household income, more than the lowest 60 per cent combined.

Shares of national household income



Source: ACOSS, UNSW (2018)

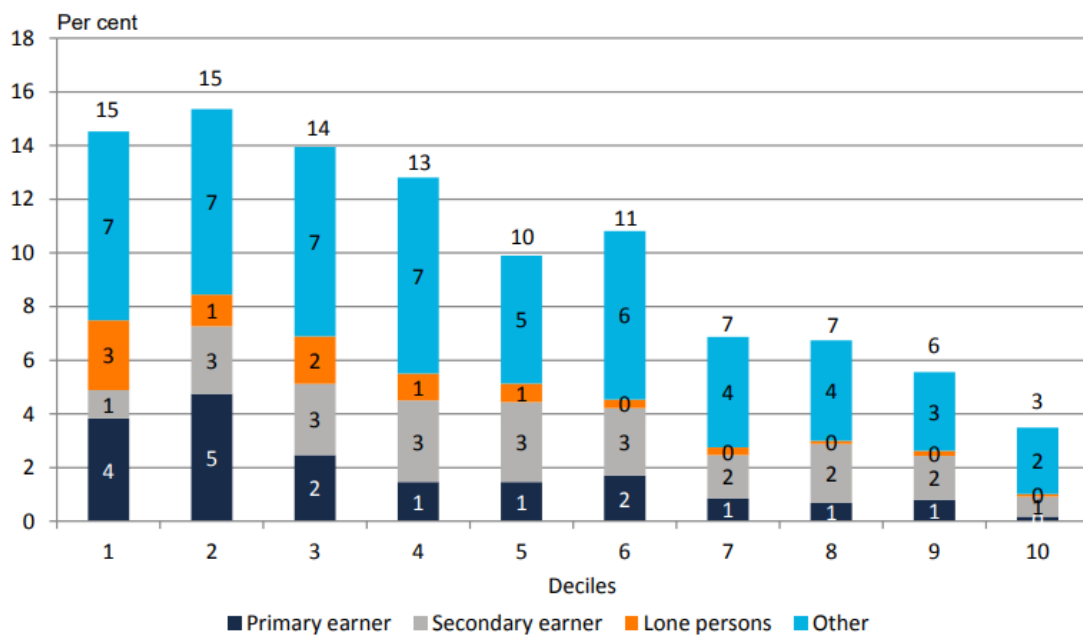
Average weekly disposable income by household income group in 2015-16



Source: ACOSS, UNSW (2018)

Research undertaken by the Fair Work Commission found that 44 per cent of minimum wage earners were in the lowest three deciles of household income for households where at least one member was employed.²⁷

Distribution of award-reliant employees by household income and earner status



Source: Fair Work Commission (2017)

Increases to the minimum wage can be an effective mechanism to addressing income inequality in a society. A 2012 OECD report stated that higher minimum wages tend to be associated with compressed income distribution, thus contributing to a reduction in income inequality.

²⁷ Carlos Jimenez and David Rozenbes (2017) 'Award reliant workers in the household income distribution', *Fair Work Commission Research Report 1/2017*

A rise in the minimum wage raises the income of those at the bottom of the income distribution, thereby contributing to greater income equality. This positive link between the level of the minimum wage (as a ratio of the median wage) and income equality is supported by the existing empirical literature and by new analysis of country-level data.²⁸

The wage compression finding that minimum wages serve to raise wages relatively more at the lower end of the wage distribution has also been documented by a number of different researchers. A 2015 study into the impacts of minimum wages in Indonesia found that, in aggregate, minimum wage increases are associated with reductions in gender pay gaps, but not with changes in relative employment prospects by gender. The researchers stated:

that at the lower end of the average earnings distribution, minimum wages are associated both with the largest increase in average wages and with the starkest reduction in gender pay gaps, suggesting minimum wage increases and wage compression go hand-in-hand.²⁹

A 2017 research report from the Melbourne Institute of Applied Economic and Social Research found that female employees are significantly more likely than men to be paid an award wage, at a rate of 18.5 per cent compared with 12.4 per cent.³⁰

Probability of being award reliant		
	Men	Women
All employees	12.4%	18.5%
By highest educational attainment		
Postgraduate qualification	3.6%	6.6%
Bachelor degree	6.0%	9.4%
Diploma	10.2%	16.2%
Trade certificate III or IV	13.2%	27.2%
High school completion	14.7%	22.2%
Less than high school completion	26.5%	32.3%
By Experience		
None	23.0%	19.9%
Up to 5 years	17.3%	25.0%
5 to 10 years	13.8%	19.2%
10 to 20 years	11.2%	19.7%
20 to 30 years	11.6%	15.6%
More than 30 years	11.9%	17.3%
Number of observations	18,547	18,489

Source: Melbourne Institute of Applied Economic & Social Research

²⁸ OECD (2012) 'Inequality in labour income – What are its drivers and how can it be reduced?', *OECD Economics Department Policy Notes*, No. 8, p 5

²⁹ M Hallward-Driemeier, B Rijkers, A Waxman (2015) 'Can Minimum Wages Close the Gender Wage Gap?', *Policy Research Working Paper*, World Bank Group, p 46

³⁰ B Broadway, R Wilkins (2017) 'Probing the Effects of the Australian System of Minimum Wages on the Gender Wage Gap', *Melbourne Institute Working Paper No. 31/17*, Melbourne Institute of Applied Economic & Social Research

Western Australia continues to have the highest gender wage gap in the country, at 23.1 per cent compared to 14.1 per cent nationally. As stated in a 2017 report by the Workplace Gender Equality Agency and Bankwest Curtin Economics Centre:

At a macroeconomic level, gender pay gaps can depress economic growth and productivity. At an individual level, it slows down the rate of wealth accumulation by women relative to men. The ramifications reverberate across the life course, with women bearing greater exposure to poverty and disadvantage at every age. Within the context of an ageing population in which women are disproportionately represented, gender pay gaps and gender wealth gaps not only pose significant risks for the economic wellbeing of Australian women, they also have important implications for social equity and fiscal sustainability.³¹

The International Labour Organisation has found that “given the over-representation of women in low-paying jobs, minimum wages can...make a significant contribution towards lower gender pay gaps.”³² In Australia, minimum wage increases from 1995 to 2005 were estimated to reduce the gender pay gap by 1.2 percentage points.³³

Allowing the inequality within the Western Australian community to deepen, which would result from an insufficient increase to the minimum wage, will not only have a detrimental social impact, it will result in longer periods of less sustained economic growth for the state.

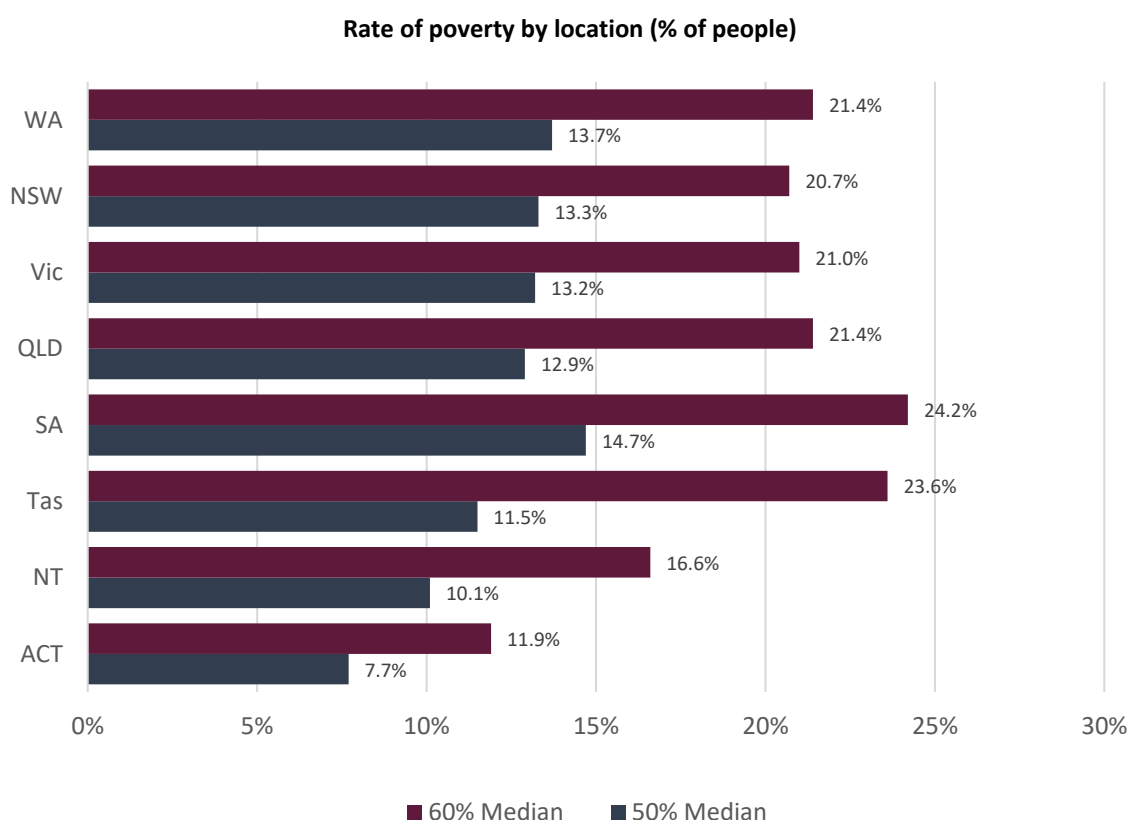
³¹ Workplace Gender Equality Agency, Bankwest Curtin Economics Centre (2017) Gender Equity Insights 2017: Inside Australia's Gender Pay Gap

³² International Labour Organisation (2018) “Effects on gender pay-gaps”, *Minimum Wage Policy Guide*, http://www.ilo.org/global/topics/wages/minimum-wages/monitoring/WCMS_473657/lang--en/index.htm

³³ S Austen, T Jefferson, A Preston, R Seymour (2008) *Gender Pay Differentials in Low Paid Employment*, Women in Social & Economic Research, commissioned by the Australian Fair Pay Commission

5.0 Poverty

Around 360,000 or 13.7 per cent of Western Australians live in poverty based on the most common international poverty line set at 50 per cent of median incomes. This is the second highest rate of poverty in the country, after South Australia, and higher than the national poverty rate of 13.2 per cent.³⁴ Using a 60 per cent of median wages poverty line, an additional 150,000 are at risk of poverty in the event of a crisis, such as a loss of work income, interest rate rise or serious accident.³⁵



Source: ACOSS (2018) Poverty in Australia

Although households reliant on income from paid employment have a much lower rate of poverty, they include 39 per cent of all people below the 50 per cent poverty line (41 per cent when using the 60 per cent of median income poverty line).

For households where the reference person is employed full-time, poverty rates are significantly lower. Families relying on a single part-time wage are more than twice as likely as those relying on a fulltime wage to be in poverty. Low-paid employment is also more likely to be offered on a part-time rather than a fulltime basis.

³⁴ Australian Council of Social Service (2018) [Poverty in Australia](#)

³⁵ Bankwest Curtin Economics Centre (2017) [The Price is Right: An Examination of the Cost of Living in Western Australia](#), Focus on Western Australia Report Series No. 10

Profile of poverty – percentages and numbers of people below poverty lines by income source and labour force status in 2015-16

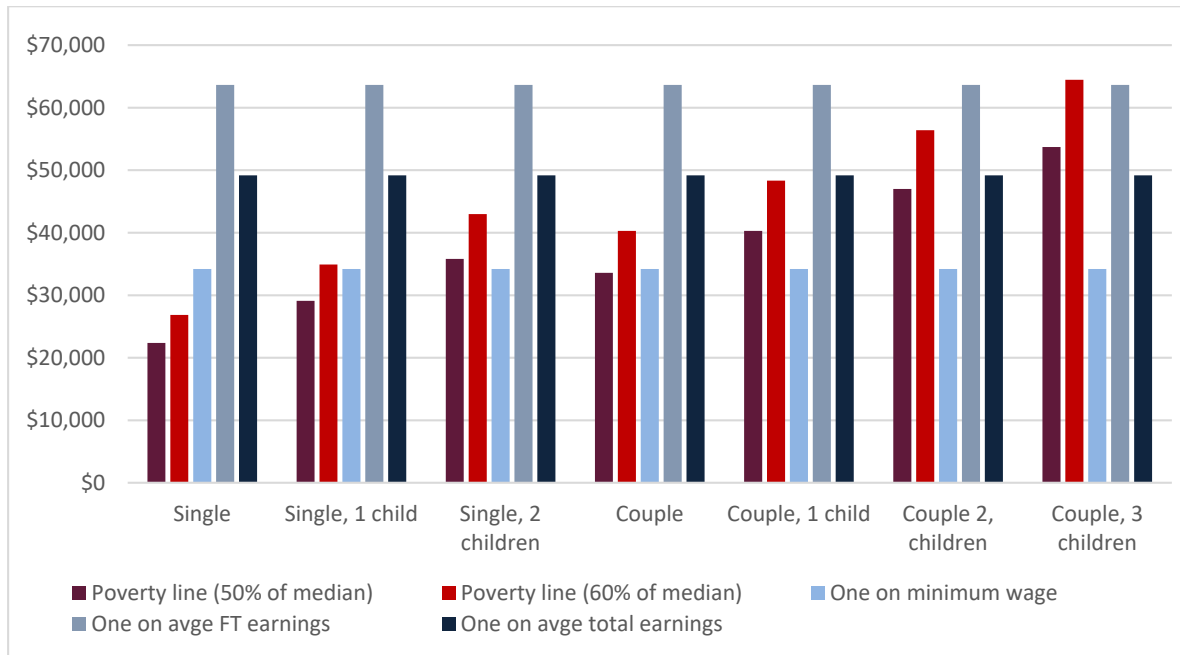
Profile Of Poverty (%)			Proportion of Different Groups Living In Poverty (%)	
By main income source	50% of median income (%)	60% of median income (%)	50% of median income	60% of median income
Wages	37.8	39.0	6.9	11.5
Social security payment	53.3	54.5	34.5	56.4
Other	8.9	6.5	14.9	17.5
All people	100	100	13.2	21.1
By labour force status	50% of median income (%)	60% of median income (%)	50% of median income	60% of median income
Employed (full time)	25.9	27.1	5.8	9.7
Employed (part time)	13.4	13.8	14.6	24.0
Unemployed	9.9	7.2	67.8	78.4
Not in labour force (retired)	15.2	22.3	12.4	29.2
Not in labour force (other)	35.6	29.6	44.7	59.5
All people	100	100	13.2	21.1

Source: ACOSS/SPRC (2018)

Analysis undertaken by Greg Jericho in the Guardian Australia using data from the ACOSS Poverty report, the Grattan Institute and the Australian Bureau of Statistics demonstrates how a minimum wage earners position in relation to the poverty line changes dramatically where they are needing to stretch that wage to support more than just themselves.³⁶

³⁶ Greg Jericho (2019) 'Australian poverty in graphs: it's a desperate state of affairs', *The Guardian Australia*, <https://www.theguardian.com/australia-news/2019/apr/15/australian-poverty-in-graphs-its-a-desperate-state-of-affairs>

Household disposable annual income

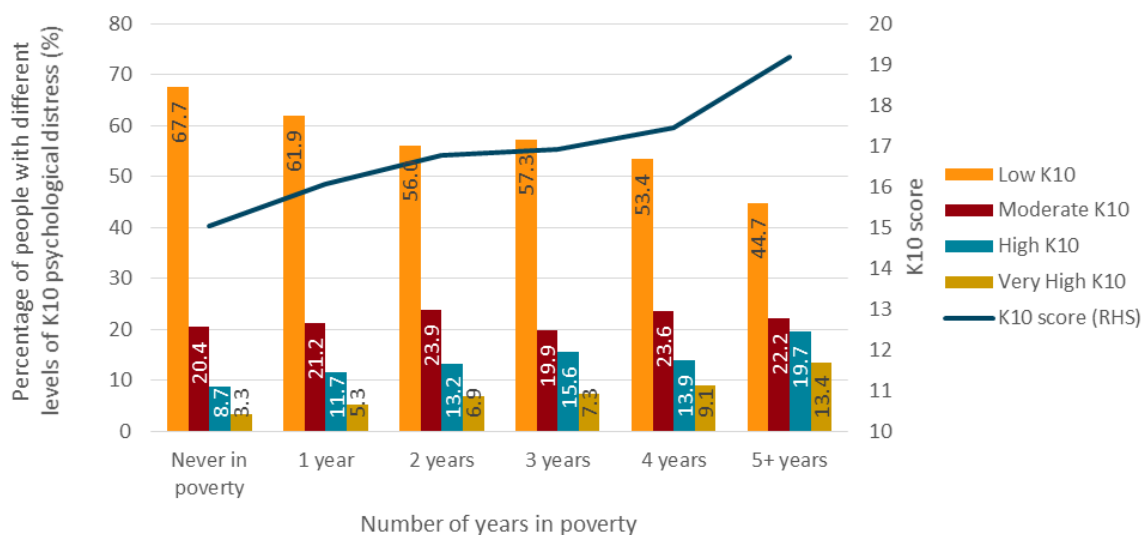


Source: Greg Jericho – Grattan Inst, ABS, derived

This is particularly pertinent, as research conducted for the Fair Work Commission determined that in 2016, 38 per cent of low paid adult workers who were partnered were either the sole or primary earners in the household.³⁷

Poverty is a well-established social determinant of health,³⁸ including psychological health. Persistent poverty plays a demonstrable role in increasing levels of psychological distress.³⁹

Persistent poverty and psychological distress



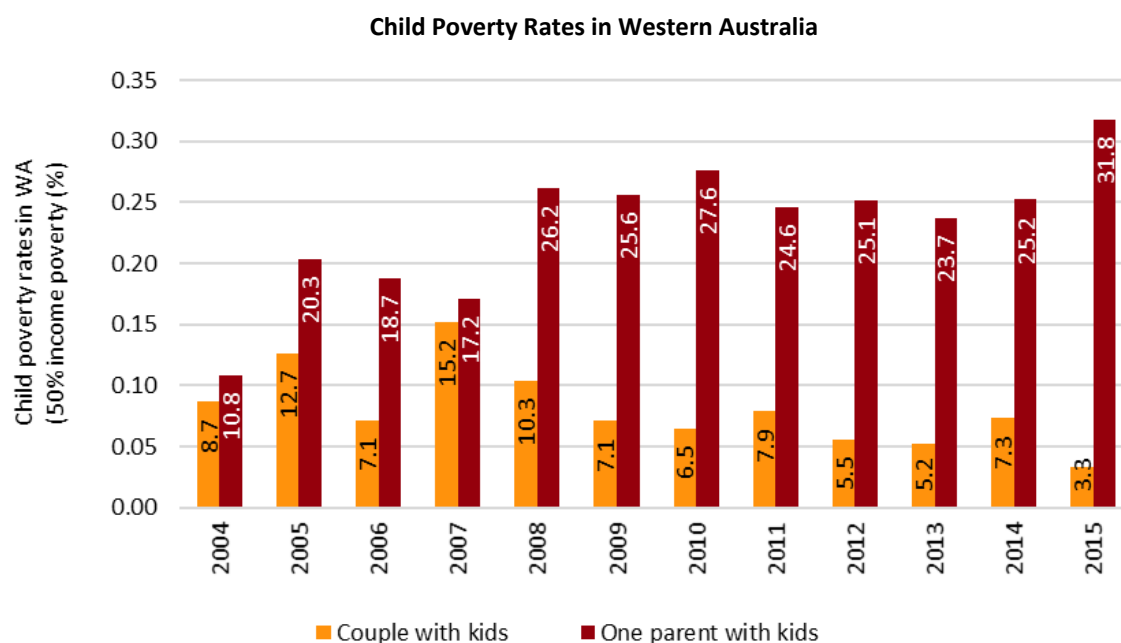
³⁷ Kelvin Yuen, Grant Ellis and Lucy Nelms (2018) 'Characteristics of workers earning the national minimum wage rate and of the low paid', *Fair Work Commission Research Report 3/2018*

³⁸ M Marmot (2005) 'Social determinants of health inequalities' *The Lancet*, Vol 365, Issue 9464

³⁹ Bankwest Curtin Economics Centre (2017) *The Price is Right*

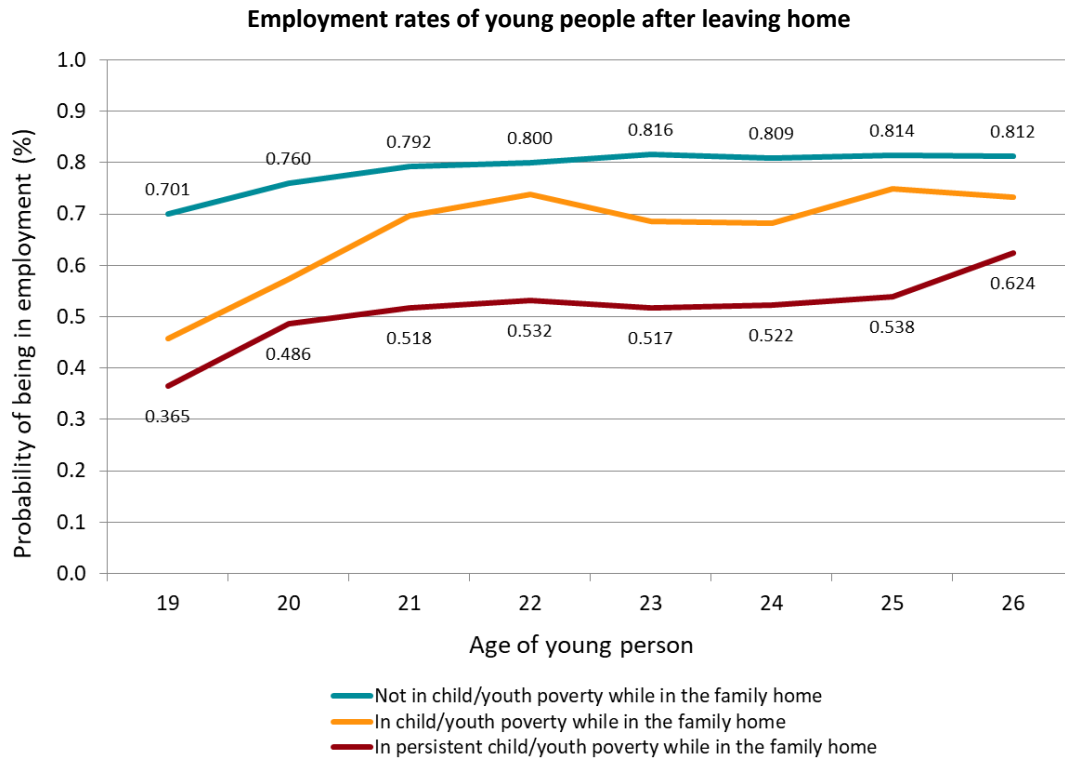
Being single, either with or without children, significantly increases a person's likelihood of being in poverty, with singles continuously over-represented throughout all poverty depth groups. Over one-quarter of single parent households are in poverty and one in seven is experiencing severe poverty.

Growing rates of child poverty within Western Australia are a significant cause for concern because of their long-term implications for the future health, wellbeing and life prospects of children. The poverty rate for children in single parent households is currently more than nine times the rate of children up in households with both parents, with around 1 in 3 children in single parent households living in income poverty.



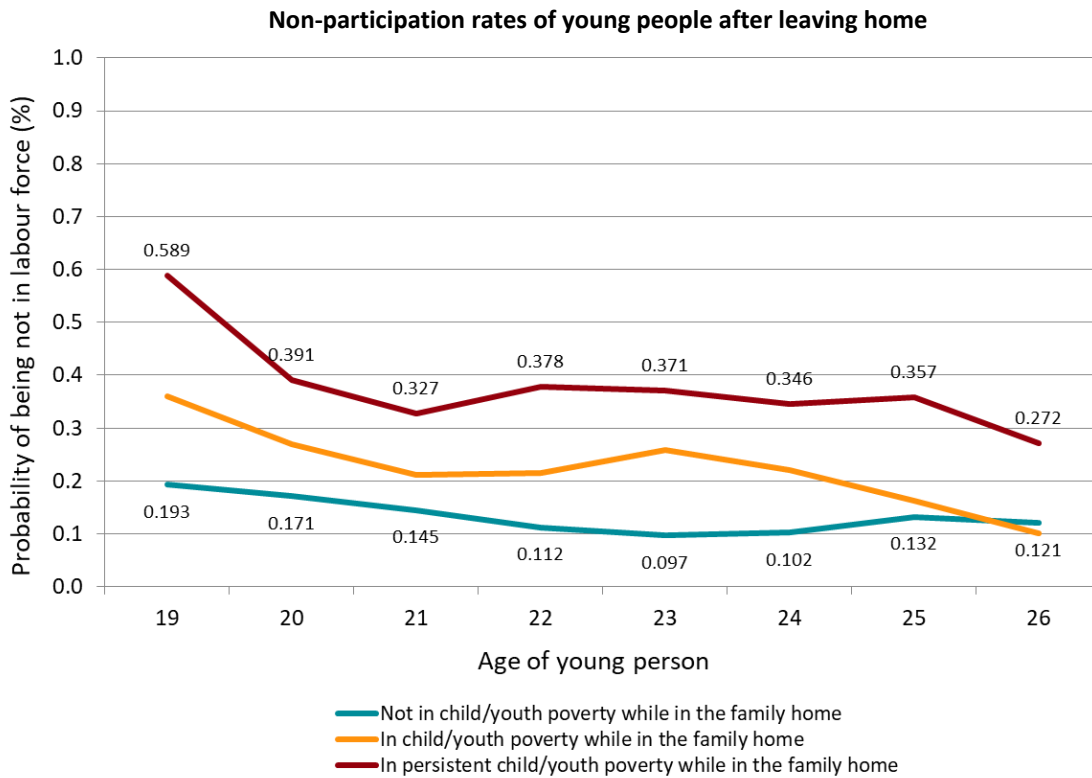
Source: Rebecca Cassells (2018) *Economic and Social Outlook for WA*, Presentation to the WACOSS Emerging Issues Forum, Bankwest Curtin Economics Centre

Research by Bankwest Curtin Economics Centre has found that young people who have experienced poverty in the family home while growing up have much poorer employment outcomes than those that experienced a greater standard of living, and continue to experience poorer outcomes for many years after becoming independent. In particular, young people living in persistent poverty while in the family home had much poorer outcomes than all other groups, with a 36.5 per cent probability of employment at age 19 after leaving the home, compared to 70 per cent probability for those that did not experience any poverty. Seven years later, at the age of 26, they are still 19 per cent less likely to be unemployed than their counterparts.



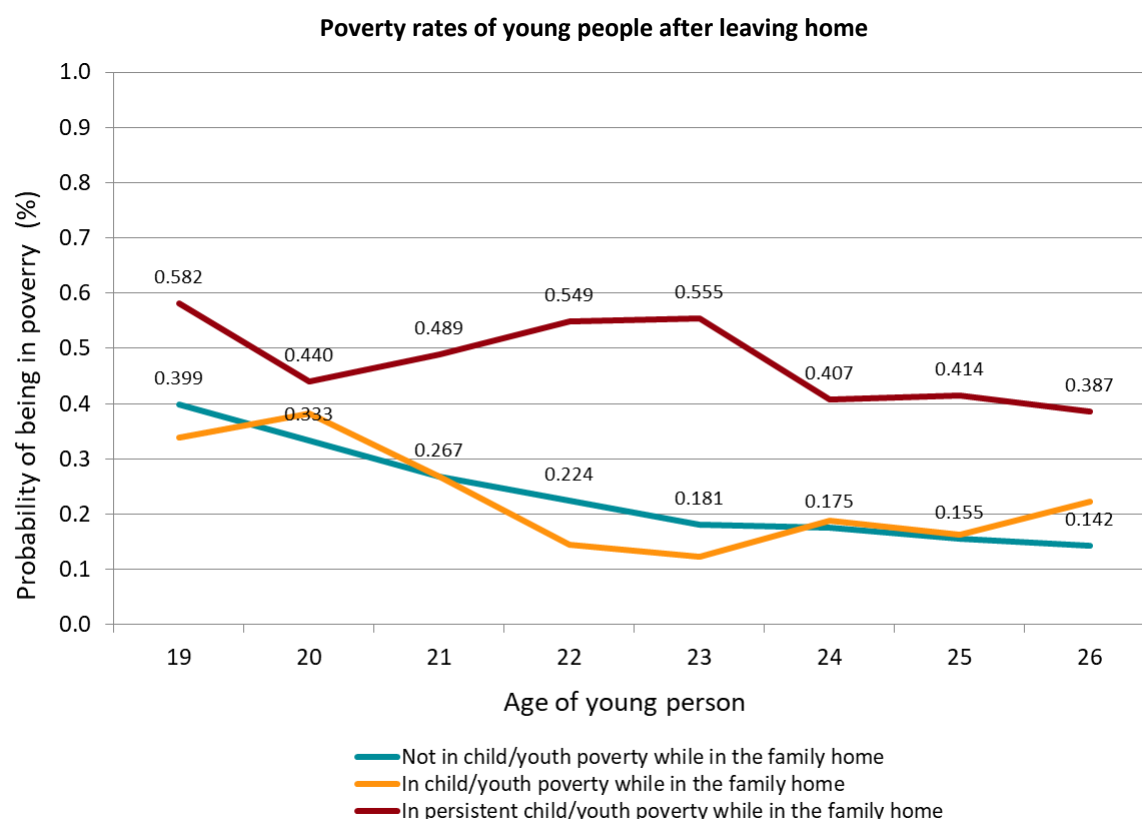
Source: Rebecca Cassells (2018) *Economic and Social Outlook for WA*, BCEC

Participation rates for young people who grew up in poverty are also lower after leaving home, with the probability of not being in the labour force at around 60 per cent at age 19, compared to 20 per cent for other households.



Source: Rebecca Cassells (2018) *Economic and Social Outlook for WA*, BCEC

The research also found that young people living in persistent poverty while growing up are significantly more likely to be in poverty after leaving home.

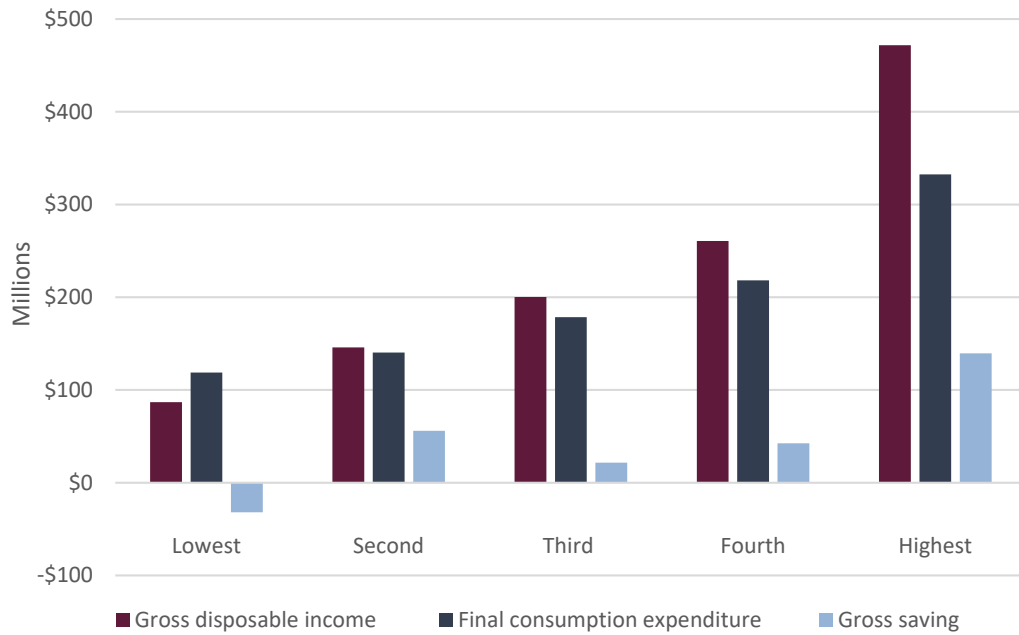


Source: Rebecca Cassells (2018) *Economic and Social Outlook for WA*, BCEC

Young people, particularly those with backgrounds of hardship, are much more likely to be seeking and relying upon income from minimum wage positions, often moving in and out of short-term and precarious work. It is important to note the significant and persistent lag in poverty, participation and employment outcomes for young people making their own way in the world after emerging from persistent poverty. Compared to other young people, they lack the opportunity to call on family resources to meet unexpected financial costs or respond to periods of shortage, and often they may be providing ongoing support to parents and younger siblings still struggling with financial hardship.

The relationship between income and (largely non-discretionary) expenditure means that every extra dollar a low-wage worker earns is more than likely to end up boosting demand for goods and services, with those on the lowest incomes spending a proportionally higher amount of their earnings.

Household Income, Consumption and Saving by equivalised household income quintile, 2017-18



Source: ABS 5204.0.55.011 Table 1.8

When those on the lowest incomes see a rise in their wages, they will spend it on much-needed essential goods and services, typically locally, providing an injection of activity into the economy of their community.

An increase to the minimum wage would be an important step towards enabling those in low-income households to improve their financial resilience, enabling them to respond more effectively to changing employment and financial circumstances. A lack of resilience and a concomitant increase in financial hardship means both an increase in reliance on financial counselling and emergency relief services (who are already reporting high levels of unmet need), and a reduction in labour market responsiveness – both of which impact adversely on the strength of our economy and the well-being of low paid workers and their families.

6.0 Equal Remuneration Principle

WACOSS supports the draft Equal Remuneration Principle developed in response to Application 34 of 2018. As a sector with a strongly female workforce, gender equity is of great importance for community service organisations. As such, we were proud to advocate alongside our workers and their unions to achieve the 2012 Equal Remuneration Order by the Fair Work Commission for social and community service workers, crisis accommodation workers and disability home care workers under the Social, Community, Home Care and Disability Services Award.

The ERO provides for 'above Award' pay increases for social and community service workers of between 23% and 45% over an eight-year period from December 2012 to December 2020. In 2012, the Fair Work Commission issued an Equal Remuneration Order (ERO) requiring human services agencies to pay annual increases of between 23 per cent and 45 per cent over 8 years (to 2020).

In Western Australia, this was followed by a 2013 decision of the Industrial Relations Commission to amend the Crisis Assistance, Supported Housing Industry – Western Australia Interim Award 2011 and the Social and Community Services (Western Australia) Interim Award 2011 in line with the national system to increase rates of pay.⁴⁰

WACOSS notes that the community services sector has engaged in significant advocacy around issues relating to these decisions. The advances achieved through the ERO and WAIRC decisions have been undermined by successive State Governments' refusal to accept their continued role in fully funding historically undervalued sectors. In the 2011-12 State Budget, \$600 million over four years was provided in order to meet the historical funding shortfall for the sector, estimated to be around 30%. This funding decision pre-dated the FWA and WAIRC decisions and, although responding to similar concerns with the comparative underpayment of community workers, was not intended or sufficient to address the ERO-based salary increases. These one-off increases to existing state service contracts comprised around 15 per cent for most eligible organisations (with some regional and remote organisations receiving an extra 10 per cent), and was clearly insufficient to address the 23 to 45 per cent award wage increases under the ERO decision.

The failure to provide funding to fully cover those increases was compounded by changes to the indexation policy for community service contracts. In 2004, the *Non-Government Human Services Sector Indexation Policy* was introduced, which used a methodology set at 80 per cent Wage Price Index and 20 per cent CPI. In 2015, however, the NGHSS Indexation policy was changed to 100 per cent CPI, with no allowance for wage growth or the existing ERO award obligations.

The *Delivering Community Services in Partnership* (DCSP) Policy established in July 2011, was intended to see the transition over time to fairer and more accountable funding models, where contracts would be based on outcomes, and service providers would be able to negotiate the true cost of service delivery. However, a significant proportion of service contracts currently operating in WA are not DCSP compliant, including many that predate proper implementation of the policy and have been rolled-over multiple times without an opportunity to renegotiate deliverables or funding levels. There are also a significant proportion of service contracts put in place after the adoption of

⁴⁰ *Western Australian Municipal, Administrative, Clerical and Services Union of Employees v Aboriginal Alcohol and Drug Service (AADS) (Inc) & Others* [2013] WAIRC 00795; (2013) 93 WAIG 1380

the policy that have not complied with it fully, particularly in relation to meeting the true cost of care.

There are numerous services with contracts established before 2012 that have been extended and rolled-over multiple times, with inadequate indexation and no opportunity to renegotiate funding levels or service outputs. Many of these contracts specify staffing levels and operating hours, and were agreed under an indexation policy designed to match funding increases to wage rises.

These impacts are most apparent in after-hours and outreach services, particularly in regional areas, as well as those requiring sustained wrap-around support for clients facing multiple inter-related areas of need. Uncertainty of policy direction, complications and delays caused by the machinery of government changes have led to high numbers of service contract roll-overs in recent years.

The continued roll-over of contracts by the State Government, with inadequate indexation and no allowance for the ERO wage increases, means that organisations are being placed in the position where they must continue to provide community services with ever dwindling resources, often in a context of increasing demand and community need. The only way this can occur when budgets are capped and service costs keep rising, is through a reduction in the number, quality or extent of service delivery – meaning that the WA community are no longer receiving the level of service they need and expect.

Two independent studies over the last 3 years have evidenced the extent of the impact of the ERO on services, and a third study was recently commissioned by the Department of Communities to examine the impact of the ERO on homelessness services funded under the National Affordable Housing Agreement. Although the Department of Communities has so far been unwilling to release the findings of study, a number of the twenty-three organisations who participated have informed WACOSS that their individual funding levels do not cover the full cost of their service contract. Organisations have been forced to restructure, cut costs where possible and, in some cases, have stopped providing or have reduced services where they are no longer financially viable.

We highlight these issues to make it clear to the Commission that the financial challenges that services have faced following the ERO decision was not the result of any issue with the *concept* of the ERO itself. The community services sector is perhaps in the unique position that, due to policy and contracting decisions made by the State Government and its line agencies in the provision of services, they have been prevented from being able to negotiate for the true cost of services.

WACOSS and the community services sector is deeply concerned about the systemic bias against what has historically been considered 'women's work' and the low pay that work has received as a result. We consider measures like Equal Remuneration Orders to be essential in addressing fundamental issues around pay equity. In industries like the community services sector, where organisations are funded by government agencies, it is crucial that governments recognise their continuing role in ensuring adequate funding to meet wage obligations.

The community services sector remains strongly committed to ensuring equal remuneration for work of equal or comparable value, and so supports the draft principle before the WAIRC.

7.0 Conclusion

It is view of WACOSS 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*”⁴¹ the State Minimum Wage needs to be raised by \$43.61 per week.

A sufficient income, coupled with safe and secure shelter, is essential for people to be able to fully engage in our community. Conversely, their absence are the foundations for entrenched disadvantage, compounding the other challenges people face.

Examining real-life household budgets of people experiencing financial hardship demonstrates the challenges they face in trying to stretch their income to cover their living costs. Despite headline figures, housing continues to have a significant impact on the financial resilience of low-income households, who can be dedicating on average as much as half of their fortnightly expenditure to meeting housing costs alone.

The State Minimum Wage has a crucial role in addressing poverty and income inequality in Western Australia. With one of the highest poverty rates, significant levels of income inequality and the largest gender pay gap in the country, it is essential that the wages of those on the lowest incomes are raised.

WACOSS’s claim of a \$43.61 per week increase to the state minimum wage will deliver an undeniable benefit to many of the lowest-paid workers, and their families. A strong minimum wage — one which ensures people working full-time are provided with a decent living standard, well above poverty levels — benefits individuals and their families, but also delivers benefits to the Government, the community, and the Australian economy at-large.

⁴¹ *Industrial Relations Act (1979)*