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Dear Commissioners

RE: SETTING THE MINIMUM WAGE PUBLIC CONSULTATIONS 2006

The Tenants Union of Victoria welcomes the opportunity to contribute to debate about the issues the Australian Fair Pay Commission (AFPC) should consider when it sets and adjusts wages. Our submission focuses on the experience of low-income employees in the private rental market, and we urge you to take into account housing costs, and the associated costs of living, when determining the level of the minimum wage.

Who we are

The Tenants Union of Victoria was established in 1975 as an advocacy organisation and specialist community legal centre, providing information and advice to residential tenants, rooming house and caravan park residents across the state. We assist about 25,000 private and public renters in Victoria every year. Our commitment is to improving the status, rights and conditions of all tenants in Victoria. We represent the interests of tenants in law and policy making by lobbying government and businesses to achieve better outcomes for tenants, and by promoting realistic and equitable alternatives to the present forms of rental housing and financial assistance provided to low-income households.

What issues should the Australian Fair Pay Commission take into account when it sets and adjusts wages?

To ensure that wages are set at a level that can support a basic standard of living, the AFPC must take into account essential household expenditure. The single biggest cost for low-income households in the private rental market is their housing costs. While it is beyond the scope of this submission to detail the myriad causes inflating the cost of rents, it is imperative to note that the private rental market is failing to provide sufficient quantities of affordable housing that is well located in relation to employment opportunities and support services. Research conducted by the National Centre for Social and Economic Modelling (NATSEM) shows that, across Australia, over 590,000 renter households in the lowest 40% of income distribution spend 30% or more of their income on their housing costs. This indicates that they are experiencing 'housing stress', meaning

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that their rents are a direct cause of financial hardship. Maintaining the roof over their heads costs such a significant proportion of income that there is insufficient remainder to purchase other essential services, such as utilities, transport and health care.

Obviously, not all of these households are minimum wage earners. But this statistic shows that low-income renter households (irrespective of the source of their income) currently face significant difficulties finding housing that is affordable, and are likely to suffer financial difficulty or privation as a result of the high costs of rent. Any reduction in their wages, or cap on wage rises that does not reflect the real costs of living, will only compound the financial strain already being experienced by these households.

Factors that influence people's decision to enter the workforce (for example, level of pay, benefits or assistance, family responsibilities, long term prospects)

There are obviously many factors that influence a person's decision to enter the workforce. In regard to housing costs, renters not in the workforce and in receipt of most forms government financial assistance qualify for Commonwealth Rent Assistance (CRA) – a supplement paid to tenants in recognition of the increased costs associated with renting in the private market. However, minimum wage earners without dependents are not eligible for CRA, because it is only available to recipients of other Centrelink payments.

Whether loss of entitlement to CRA directly impacts on people's decisions to enter the workforce has not been quantified. However, it is important to recognise the financial burden imposed by the inflated cost of rent in the private market. If the minimum wage is set so low that it doesn't adequately reflect the real cost of living, the increased housing costs incurred by the loss of CRA, when considered with other associated employment expenses (transport, child care, clothing and the like), could potentially discourage people from entering the workforce.

The role of the minimum wage as a safety net

The purpose of establishing the minimum wage was to assure employees a basic standard of living, sufficient to meet necessary survival needs. It was instituted to counteract the prevalence of "sweating" workers by overworking and underpaying them.

These justifications for a minimum wage are still relevant today. For the minimum wage to function effectively as a safety net, so that wage earners can pay for essential living costs without experiencing undue hardship or accruing excessive debt, it must be set relative to the real costs of living. Therefore, it is important to for the AFPC to appreciate the high cost of rent in the current market; that rent payments constitute the single biggest expense for low income renter households; and that the true cost of housing also includes expenditure on utilities.

What should the Australian Fair Pay Commission take into account when setting and adjusting wages for juniors, trainees and people with disabilities in order to keep these groups competitive in the labour market?

While we appreciate that junior, trainee and disability wages are intended to encourage employers to hire and train people from these cohorts, the AFPC must acknowledge that employees from these groups require sufficient income to maintain a basic standard of living. One of the assumptions underlying reduced wages for these groups is that they do not have the same expenses as their fully waged counterparts because of their relative

youth or disability. However, trainees and junior and disability wage earners housed in the private rental market pay are charged the same rent as other tenants. Their limited incomes make it almost impossible for them to find housing in a market where the cost of rent is rising faster than inflation.

Young people and disabled Australians are also likely to face discrimination in the provision of rental housing, as landlords and property managers may judge them as unsuitable or less desirable tenants. Maintaining their incomes at an unrealistically low level, or reducing their incomes, will only further restrict their access to rental housing, increasing the likelihood that these cohorts will have to live in situations of overcrowding; housing that is located at a significant distance from employment opportunities and support services (thereby imposing increased transport costs and/or magnifying social isolation); and also raises the possibility of homelessness.

Given that an overwhelming body of research shows that people on low incomes are struggling with their housing costs, junior, trainee and disability wages should not be set so low as to make it impossible for workers in these categories to purchase housing and other life essentials. If it is deemed necessary to maintain this system of wages, people in these groups should be provided with some additional housing assistance from Government to ensure that they can secure and maintain their tenancies.

Please contact Rebecca Harrison on (03) 9411 1410 if you wish to discuss any matter raised in this submission further.

Yours sincerely,

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