

FAIR WORK COMMISSION ANNUAL WAGE REVIEW 2018-19

Joint Submission of the National Union of Workers and United Voice

Submission | March 2019



Introduction

The National Union of Workers (NUW) is a large Australian labour union registered under the *Fair Work (Registered Organisation) Act 2009* (Cth).

It represents workers in a range of industries including warehousing, logistics, food processing, manufacturing, poultry, defence logistics, dairy, market research, call centres, fresh food services and farms. The NUW is an active, campaigning union which organises workers in all forms of employment, including casual, seasonal and labour hire workers.

United Voice (UV) is a diverse union of over 120,000 Australian workers.

UV's membership includes workers in industries including cleaning, security, early childhood education, manufacturing, aged care, casinos, hospitality and clubs, paramedicine, and across governments. Many of us work on a casual or part-time basis, 60% of us are women, and half of us are from culturally and linguistically diverse backgrounds. We are united by our belief in the dignity of workers and the right to fair and just treatment at work.

In many of the industries which the NUW and UV cover, significant proportions of the workforce are dependent on award wages and directly affected by the National Minimum Wage increase ("NMW"). With the rate of collective bargaining continuing to decline, the safety net provided by the NMW and reflected in award rates is increasingly important to working women and men in Australia.

We have a wages crisis in Australia. Household incomes have fallen behind rising living costs since 2015 and workers are not seeing the benefits of productivity gains. The prevalence of insecure forms of work, coupled with stalled wages growth, is contributing to Australia's significant, and growing, levels of inequality and creating a 'working poor'.

In our industries, low paid workers are more likely to be employed under insecure work conditions, as casuals or through labour hire or contracting arrangements, where they have little certainty over their finances and are more vulnerable to exploitation.

In the view of the NUW and UV, the minimum wage is no longer a living wage; it does not allow workers to purchase all the essential items for a decent standard of living or participate in their communities in dignified and enriching ways.

The Panel must consider the relative living standards and the needs of the low paid.

This submission is primarily structured around case studies. The NUW and UV provide these case studies to the Fair Work Commission as part of their Annual Wage review to highlight the voices of workers who exist on minimum rates and allow them, in their own words, to detail the concerns and needs of the low paid.

We thank the Panel for the opportunity to provide these submissions and note that the subjects of these case studies are available, upon request, to provide further details to the Panel of their lived experience of minimum wages.

Who is affected by the NMW?

Many UV and NUW members rely on the NMW, either directly as award-based increases or indirect through enterprise agreements with pay increases tied to the NMW. Many of the industries that UV and the NUW cover have among the highest density of award reliant workers. Award reliance is particularly prevalent amongst farm and forestry workers where 41.4% of all workers are employed at award minimum rates. Similarly more than a third of all food trades, skilled animal and horticultural workers rely on the NMW or award to set their minimum rates.¹

As at May 2018, the number of award or minimum wage reliant employees continues to sit at just over 2.2 million, or 21% of the total workforce. This is up from 1.8 million or 18.8% of the workforce in May 2014.² These statistics do not include the many employees covered by enterprise agreements where the NMW and associated award rates have caught up to or are within cents of the enterprise bargained rates.³ Across that same period the number of workers who benefit from working under collectively bargained agreements has fallen from 41.1% in 2014 to 37.9% in 2018.⁴

¹ Australian Bureau of Statistics, 2016, Employee Earnings and Hours, 6306.0, ABS, viewed 5th March 2019.

² Australian Bureau of Statistics, 2018, Employee Earnings and Hours, 6306.0, ABS, viewed 5th March 2019.

³ See for example the pay rates in *Salmat Contact Enterprise Agreement (VIC) 2016*.

⁴ Australian Bureau of Statistics, 2018, Employee Earnings and Hours, 6306.0, ABS, viewed 5th March 2019.

Unless substantive change occurs to incentivise employers to bargain, this trend is likely to continue. The figures are telling; more Australians, not less, are depending on the NMW to support their living standards and it is against this backdrop that the Panel needs to consider their decision.

Case Study #1 Olisa

I've been a cleaner in Melbourne for 13 years, and I'm part of Australia's wage crisis. When I started I was getting just over \$17 an hour and thirteen years later I'm getting \$20 an hour.

I work hard every day to keep Australia's shopping centres safe and hygienic. But I am constantly at risk.

"If I have one late pay cheque or one unexpected bill, then we are in trouble".

To get by I work public holidays and weekend shifts, I've done this for over a decade now and it is a big sacrifice, but what else can I do? It's not just time with my family I sacrifice.

"We avoid buying unnecessary stuff and just get the essentials, but when my car broke down I still had to borrow money to get it fixed."

I am not happy with just waiting for a minimum wage rise to work for cleaners – we wait and wait, and it never gets better.

Give us a seat at the table to fix our wages ourselves. Cleaners, who know our jobs and lives best, can work out fair pay rise with our companies.

Case Study #2 Mahani

Mahani works at a processing plant in one of the largest farms in Victoria. She is a single mother of three children, two of whom she supports fully. The rest of her family live in Malaysia, her home country.

Mahani works full time at minimum award rates and earns about \$2,900 a month. Her monthly expenses include: \$700 on rent; \$350 for bills; \$500 for food; \$300 for transport; \$250 for her children's expenses; \$250 for her family in Malaysia and the rest on insurance and medical expenses. Most months she is only saving around \$100.

If Mahani was to receive a pay rise out of the NMW review she would put aside the increase to build up a financial buffer of funds for any family emergency. With minimal savings at the moment she knows things are insecure and fears that she and her children might be forced out of her rental property if she is unable to work for any reason.

“I hope one day my children are able to attend extra school activities with their friends and classmates”.

Beyond that an improved financial situation would mean Mahani could offer more for her children. At present she has never been able to take her children on holiday, not even interstate on a trip. She wishes she could pay for her children to attend extra activities with their friends and classmates. She wants her children to have opportunities to explore a variety of extra activities after school like languages, sport and music. But her low wage means these opportunities are very limited.

Mahani hopes to have her own home one day, but accepts that it's simply not possible on her single wage when what little she manages to save is being used to support her family in Malaysia and to give her children the best possible chance for their future.

“I always dream of having my own home one day; our own bathroom and kitchen; but with my current minimum wage it is just a day dream and it will always be a day dream”

Insecure work and the National Minimum Wage

It is estimated that 40% of work in Australia is insecure,⁵ and in our experience all industries we organise engage workers in precarious forms of employment. These precarious forms of employment include: engagement as contractors and sub-contractors; casual workers employed directly; casual workers employed indirectly through labour hire companies; workers employed for a fixed term; and workers simply being paid in cash. Most forms of precarious employment do not include paid entitlements such as personal leave, and termination of work can be sudden, without a need for an employer to justify this action.

Low paid, award reliant workers tend to be concentrated in industries that also have high levels of insecure work arrangements. In industries such as food processing, contract cleaning and the fresh food supply chain as well as call centres, warehousing and security, the number of permanent positions are falling as employers move towards workforces made up of casuals, labour hire workers and independent contractors,⁶ often on award wages (or below).

The combination of insecure work and low wages serves to compound the difficulties already faced by minimum wage workers. In the NUW and UV's experience, insecure workers are routinely paid less than permanent and directly hired workers; can be denied superannuation and other minimum entitlements and can be forced to work excessive hours in unsafe workplaces. Workers' who have no entitlement to secure hours or ongoing employment are less likely to make a complaint about their workplace or wages for fear of losing work.

The prevalence of insecure work affects the relative living standards and the needs of the low paid; it can no longer be assumed that a minimum wage worker typically works a 38 hour week. Insecure workers who are reliant on award wages frequently work far less than 38 hours a week, and some weeks may not be rostered for any hours at all.

⁵ Ged Kearney, Address to Melbourne Press Club, RACV Club, Melbourne, Thursday 26th July 2012.

⁶ Howe, B, *Lives on Hold: Unlocking the Potential of Australia's Workforce*, The report of the Independent inquiry into insecure work in Australia, 16 May 2012.

Workers employed casually or under labour hire schemes often struggle to demonstrate a steady income stream which has negative implications for access to housing and vehicle finance or applying for a residential tenancy. In many family circumstances, the current minimum wage rate is inadequate to meet basic needs, such as food, rent, education and healthcare. When the minimum and award wages are coupled with irregular and uncertain forms of work, these workers will often find themselves in insecure housing and food situations

Case Study #3 Kim

Kim is a young worker from a call centre that is contracted to provide phone support to the Australian Taxation Office. The call centre employs approximately 250 workers who field queries from members of the public about personal and small business taxation issues. Key to Kim's role is his ability to provide accurate advice about sometimes complex taxation issues.

Call centre operators at Kim's workplace are covered by an enterprise agreement where the pay rate is based on the award and any increase determined by reference to the NMW decision. Despite the high level of responsibility, knowledge and judgement Kim is required to exercise, he only earns award wages. There is little scope for progression to better remunerated roles. As a result, retention is poor and staff turnover is high.

“When someone picks up the phone to answer your call, you have a 25% chance you are talking to someone in their first two weeks on the job”

After 14 months, Kim is considered a long serving employee. Most employees last less than 6 months. The employer has long standing arrangements with recruitment agencies so there is always a supply of new employees to meet the turnover. Primarily employees coming through the agencies are school leavers, mothers returning to the workforce and the semi-retired.

“They profit off us being on the minimum wage”

Kim and his colleagues are helping to administer the tax system in Australia. Kim can't understand why anyone thinks that providing an essential function like that is only worth \$20.91 per hour.

Case Study #4 Debra

Debra is a 58 year old widowed mother of three who has come to Australia from Sri Lanka. Since immigrating she has struggled to get the equivalent of full time work; at times working three (3) jobs and taking shifts where she can to make ends meet. Her three boys have now left home but any spare income she has goes to supporting her elderly parents in Sri Lanka.

For the past four years Debra has worked in a food processing factory that produces a popular, brand name snackfood product. Her conditions of employment are governed by the *Food Beverage and Tobacco Manufacturing Award 2010*. For the first three years she worked casually as a packer. Debra recently offered a permanent role as a Machine Operator, which she has taken up. Despite the high level of skill required and demands of the employer has of these operators, Debra still only earns the Award minimum for this role.

The majority of production workers at the factory are from migrant backgrounds. Debra believes that the Company prefers a migrant workforce because they know that literacy and language issues mean employees are less likely to stand up for themselves.

There was a change in ownership of the business recently, the previous owner sold the factory and has left with some employees still being owed wages and leave, and the new owner is refusing to honour those entitlements.

Debra is on the award minimum (for a level two worker) of \$19.47 an hour for 38 hours per week. By the time Debra has paid her rent, bought groceries and paid bills she has between \$100 and \$200 remaining out of her fortnightly paycheck. Debra often works additional hours however, the Company only offers time-off-in-lieu for overtime hours which doesn't help Debra make ends meet. There is no, or limited, scope for Debra or her co-workers to move up to higher paid functions in the factory. At 58, she doesn't like her chances of re-skilling into a higher paid industry.

“We can barely live at these rates”

Existing on Award rates means that Debra cannot get a personal loan and a mortgage is out of the question. Debra asked her bank for a \$10,000 loan to have her parents' roof in Sri Lanka fixed. The bank wouldn't approve her for a loan because of her income, despite having a full time permanent job.

“Please do something if you can, it's not just me, it's worse for some of the other workers”.

Case Study #5 Nahid

My name is Nahid Michael. I came to Australia as a refugee from Sudan in 2004. I work two full-time jobs as a cleaner to support my two daughters. I work from 7am-3pm Monday-Friday in one job, and work 10pm-6am Sunday-Thursday in the other. Most nights I sleep for 4 hours per night.

I'm not really saving anything, I'm just living week to week. On my wage, I often can't buy food for me to eat at work and don't have money for my Myki. For 15 years, since I came to Australia, I have worked non-stop – of course with my wages I cannot afford to take a holiday.

“When things go wrong, I have to make hard choices about what not to pay”.

Last week, I went to the dentist, I was told I needed \$2000 of urgent surgery. If I want to pay that, I can't pay my bills and will have to think about what not to pay. I make choices like this every week.

A \$20 or \$50 minimum wage rise per week doesn't change my life at all. I will just keep sacrificing, and going backwards.

This wage process doesn't work for us. Rich people who make these decisions don't know about me, they don't understand that working people are struggling. We can't live like this. We need a new way to get fair pay rises.

Case Study #6 Sajita

My name is Sajita Aryal, I have worked for over 4 years as a cleaner full-time in Melbourne's CBD.

Every fortnight, I earn \$1482, but my most basic living expenses are about \$1150 every fortnight. After paying rent, bills, food, train ticket, and insurance, I can't save enough money for my and my husband's future and plans together.

“I can't think about starting a family on my wage, or buy a home.”

Last year, the tiny pay rise to cleaners didn't help – and how could these people making the pay rise even know what a fair pay rise is? They are not living on the minimum wage.

We don't have a real say in this process. They don't hear and pay attention to the voice of people on the minimum wage. We have tried to get a fair wage from the Commission, but they aren't either the company or the worker, so how do we know they will represent us, or hear our voice?

This isn't good enough. The best solution is industry bargaining, and a real seat at the table. Cleaners must be the ones who negotiate their fair wages, not people who haven't lived on the minimum wage.

Inequality and the National Minimum Wage

Australia is facing some of the highest levels of both income and wealth inequality we have ever seen. It is clear that the gap is widening between the wealthiest in our population and the low-paid workers who are the focus of this submission.⁷ Far from simply being inconsistent with Australian values of equity and fairness, inequality has detrimental effects on health, economic growth and economic stability.

Workers in countries characterised by high inequality are more likely to experience poor health,⁸ in particular mental health.⁹ At the upper end of any income distribution there are diminishing marginal returns on an individual's expenditure on health, meaning a reduction in income inequality will also improve a population's overall health. In addition the economic benefits of comparatively low inequality include lower rates of unemployment, longer periods of economic growth¹⁰ and a reduction in the kinds of economic instability some economists argue brought about the 2009 Global Financial Crisis and the Great Depression.¹¹

By acting as a safety net, the NMW has a direct and tangible relationship to the extent of income inequality across the population. The NUW and UV submit that another substantial raise to the NMW this year would go some way to addressing the disparity between the richest and poorest amongst us and mitigating the social and economic impacts that inequality brings.

⁷ Cf 2017 Gini co-efficient of 0.337 with the 2012 figure of 0.324; Organisation for Economic Co-operation and Development, *Overview of the Economic Survey of Australia*, Dec 2018, accessed at <http://www.oecd.org/australia/economic-survey-australia.htm> 5 March 2019.

⁸ Karlsson, M, Nilsson, T, Lyttkens, C & Leeson, G. (2010) 'Income inequality and health: Importance of a cross-country perspective' *Social Science & Medicine* vol. 70, issue 6, pp. 875-885.

⁹ Friedli, Lynne, and World Health Organization, (2009) *Mental health, resilience and inequalities*, No. EU/08/5087203, WHO Regional Office for Europe, Copenhagen.

¹⁰ Galbraith, J. *Inequality and instability: A study of the world economy just before the great crisis* (Oxford University Press, 2012).

¹¹ See both Kumhof, M, Ranci re, R & Winant, P. (2015) 'Inequality, leverage, and crises' *American Economic Review*, vol. 105, no. 3, pp. 1217-45 and Trebeck, T & Sturn, S. *Income inequality as a cause of the Great Recession? A survey of current debates* (International Labour Office, Conditions of Work and Employment Branch, Geneva, 2012).

Case Study #7 Michael

Michael works as a picker and packer in a warehouse which services many well-known, household name retailers. Michael is relatively lucky, having a full time permanent position. Many workers at his warehouse are long term casuals, some having been casually employed for more than five years with no chance to become permanent.

Michael and his co-workers are paid the minimum award rate in the *Storage Services and Wholesaling Award*, meaning \$678 after tax in his pocket for a 38 hour working week. In eight years the only wage increase Michael has seen has been when the award minimum has been raised.

“Even living in a share house with four other people, a third of Michael’s take home pay goes to his rent and precious little is left other his other expenses”.

Michael wants to buy a house one day, but even living frugally as a single man, many weeks he isn’t able to put anything away towards a house deposit. As he points out, a net wage increase of only \$1.50 an hour would put him almost \$3,000 a year closer to his dream of owning a home.

As a worker relying on it for his only source of wage growth Michael knows the importance of a NMW that outstrips the growing cost of living. In his own words he can’t trust the business to look after the workers, even though they are performing well.

“If the business isn’t forced to give us more, of course they won’t”

Last Christmas Michael got a message congratulating him for his work over the year; productivity had been up 25% in the warehouse. The well-known family that owns the group of retailers Michael works for has a net worth in the billions, but are content to thank his efforts with a text message and the minimum award wage.

Maintaining a safety net of fair minimum wages for low paid workers

As stated above, and demonstrated through these case studies, the minimum wage is no longer a living wage. Award reliant workers are simply unable to purchase all the essential items for a decent standard of living; workers must make hard decisions about what to go without when expected events arise. Increasingly, award reliant workers are also in insecure employment arrangements and are attempting to live on award wages on hours well below 38 per week. The interaction of job and shift insecurity further compounds the economic and social difficulties felt by award reliant workers.

In our view, assessing fair minimum wages must include giving consideration to the direct evidence of workers reliant on award wages.

These workers are unable to access finance for cars, loans and mortgages. Award wage workers and their children are unable to participate in school excursions and extra-curricular activities – or even feel that they can start a family. Holidays and home ownership are considered ‘day dreams’. After bills and rent, award wage workers are left with little income to even provide a moderate financial buffer in case of unexpected costs or emergencies. This is clearly out of step with what would be considered the minimum required to participate in community life, in the context of contemporary norms.

UV and the NUW support the proposals put forward by the Australian Council of Trade Unions (ACTU) in their submission to the Annual Wage Review 2018-19 that the Commission aim to reach a living wage within two years.

To that end, UV and the NUW endorse the ACTU’s claim that the Commission increase the minimum wage by 6% or \$43.00 dollars this year.

Joint Submission

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