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# Annual Wage Review 2023-24

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Victorian Government submission to the  
Fair Work Commission

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#### Acknowledgement of Country

The Victorian Government proudly acknowledge Victoria's Aboriginal peoples as the traditional custodians of the lands on which we live and work. We pay our respects to them and their Elders past, present and future, and honour their unique relationship to Country. We hope that our work contributes towards a positive future for the Aboriginal community.

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# 1 Introduction

- 1 The Fair Work Commission (FWC) is required to maintain a guaranteed safety net of fair, relevant and enforceable minimum terms and conditions through the National Employment Standards, modern awards, and national minimum wage orders.
- 2 In establishing and maintaining a safety net of fair minimum wages, the FWC is required to consider:
  - the performance and competitiveness of the national economy, including productivity, business competitiveness and viability, inflation, and employment growth;
  - the need to achieve gender equality, including by ensuring equal remuneration for work of equal or comparable value, eliminating gender-based undervaluation of work and addressing gender pay gaps;
  - promoting social inclusion through increased workforce participation;
  - relative living standards and the needs of the low paid; and
  - providing a comprehensive range of fair minimum wages to junior employees, employees to whom training arrangements apply and employees with a disability.<sup>1</sup>
- 3 From 7 December 2022, the minimum wages objective within the *Fair Work Act 2009* (Cth) (FW Act) was amended.
- 4 The minimum wages objective are required to be considered when reviewing minimum wages and now also include the need to achieve gender equality by:
  - ensuring equal remuneration for work of equal or comparable value;
  - eliminating gender-based undervaluation of work; and
  - addressing gender pay gaps.<sup>2</sup>
- 5 The modern awards objective applies when exercising powers in relation to modern awards and now includes the need to achieve gender equality in the workplace by:
  - ensuring equal remuneration for work of equal or comparable value;
  - eliminating gender-based undervaluation of work; and
  - providing workplace conditions that facilitate women's full economic participation.

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<sup>1</sup> *Fair Work Act 2009 (Cth)*, s 284.

<sup>2</sup> *Fair Work Act 2009 (Cth)*, s 284(1)(aa).

## 2 Executive Summary

### 2.1 The FWC should consider a substantial increase and setting a tangible pathway to reducing historical, structural inequities.

- 6 The Victorian Government submits that, in the Annual Wage Review (AWR) 2023-24, there should be a substantial increase to the National Minimum Wage (NMW) and modern award minimum wages. A substantial increase is necessary to support workers in dealing with ongoing cost of living pressures as well as ensuring that growth in minimum and award wages does not lag behind wage increases in the broader labour market.
- 7 Further, the Victorian Government calls on the FWC to consider applying a higher increase to modern award wages for those award reliant workers who are in the lower paid and often female dominated sectors, such as retail and hospitality, accommodation and food services, and health care and social assistance. This would go some way to narrowing the persistently wide gender pay gap, particularly in the female dominated health care and social assistance and aged care sectors.
- 8 The FWC flagged in announcing its decision last year that “All parties should be on notice that the timely resolution of these gender equality issues is firmly on the Commission’s agenda”<sup>3</sup> and this is emphasised in the amended objectives referred to above.
- 9 The Victorian Government is increasingly concerned about gender wage disparity in the private sector and recommends that the FWC make this an issue of separate inquiry.
- 10 Similarly, in considering its decision in this year’s AWR, the Victorian Government urges the FWC to consider carefully other longstanding structures for low paid groups such as both youth and adult apprentices and trainees and whether those structures continue to meet the modern award objective and the minimum wages objective.
- 11 Given the industries reliant on award wages, a substantial award minimum wage increase should be targeted to sectors with some of the most vulnerable workers and where there is the most need to grow workforces. Consideration should be given to the variation in, and nature of, award reliant employers, especially where there is clear undervaluation due to gender and intersecting factors such as age and other vulnerable cohorts. Aboriginal Victorians deserve specific consideration and have long been underrepresented in labour markets, contributing to the entrenched disadvantage faced by this cohort.
- 12 The Victorian Government argues that current circumstances do not support the FWC applying a delay in any awarded increases.

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<sup>3</sup> Fair Work Commission, *Annual Wage Review 2022-2023 – Announcement of Decision*, (2023).

## **2.2 Cost of living pressures remain a key concern for Victorians and the Victorian economy, as is the case nationally and globally**

- 13 Cost of living pressures affect low-income households the most, being largely regressive in effect.
- 14 While nominal wages through the Victorian labour market are growing at the fastest rate in over a decade, wages are falling in real terms. Growth in minimum and award wages should not lag behind the broader labour market, noting the objectives the Commission must consider including relative living standards and the needs of the low paid.
- 15 Melbourne's consumer price index (CPI) rose by 3.8 per cent over the year to December quarter. While still high, inflation has declined markedly from the peak of 8.0 per cent in December 2022. Of particular concern is the rising cost of essential goods and services. The price of grocery staples bread and milk, for example, have increased by over 20 per cent in the past two years.
- 16 In its 2022-23 decision, the FWC noted cost of living pressures and the importance of supporting low paid workers. Cost of living pressures affect households unevenly and tend to impact low paid workers the most because they have more constrained budgets, spend a greater proportion of their income on essential items and generally have lower savings.
- 17 This year's review is an opportunity to again provide targeted cost of living support to lower paid Victorians. The FWC should consider the relative strength of recent increases in the NMW and award wages compared to aggregate wage growth, but also continue to ensure that growth in minimum and award wages does not lag behind wages determined by other arrangements.
- 18 Increases to award wages are a strong lever for the economy and can complement government policies that aim to put downward pressure on living costs. The Victorian Government has made kindergarten free, delivered four rounds of the Power Saving Bonus, encouraged takeup of the Solar Homes Program, delivered free L and P licences, set rate caps for Victorian councils and introduced the Victorian Default Offer which provides Victorian consumers access to a fair electricity deal.

## **2.3 Award reliance, low pay and collective bargaining**

- 19 Low (and middle) income earners continue to be particularly vulnerable in the context of continued high inflation, albeit lower than during last year's AWR. Inflation continues to erode the real value of workers' wages and reduce their living standards, their discretionary income, and longer-term savings.
- 20 Award reliance in Australia continues to increase (at 23.2 per cent in May 2023) compared to collective agreements, which have decreased as a method of setting pay from 35.1 per cent in 2021 to 34 per cent in 2023. Employees paid by award only are

the lowest paid across all states and territories and this is particularly pronounced in Victoria.

## 2.4 Apprenticeships and traineeships

- 21 The current awards system makes allowance for the payment of subminimum wages to apprentices, on the basis that these workers are not fully trained and considered to be not as productive as other workers covered by general award classifications. However, the Victorian Government argues for a contemporary analysis of the viability and fairness of this approach and exploration of possible alternatives.
- 22 The Victorian Government submits that the FWC in this review or elsewhere should consider and consult on options such as:
- a comprehensive increase to apprentice pay rates to align them more closely with the current cost of living;
  - moving apprentices to the adult classification once they reach the specified age, rather than determining classification based on age at commencement of training; and
  - ensuring consistency across awards by transitioning award systems from time-based to competency-based progression.

## 2.5 Gender equity for female workers and vulnerable cohorts of workers

- 23 The Victorian Government is strongly supportive of increased efforts by the FWC to rectify the adverse impacts of years of gender pay inequity in the workplace on female workers.
- 24 A focus now must be on this historical gender undervaluation of work with the FWC setting a tangible and timely pathway to address this issue. Skills and labour shortages make the objective of 'providing workplace conditions that facilitate women's full economic participation' ever more pressing.
- 25 In the 2022-23 AWR, the FWC identified in its Decision that:<sup>4</sup>

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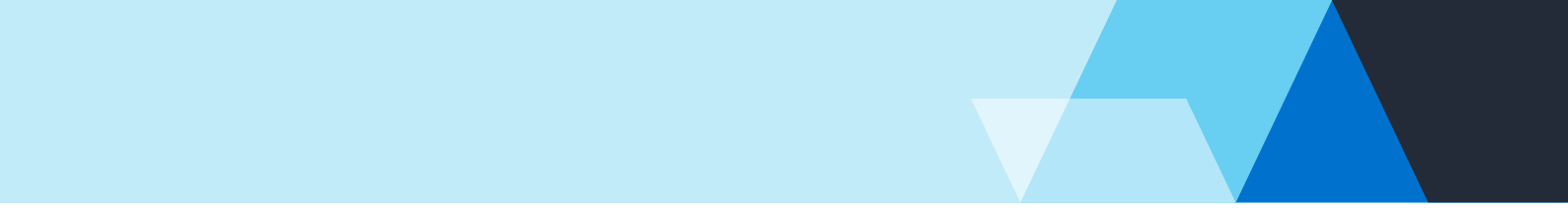
*there are significant issues concerning the potential gender undervaluation of work in modern award minimum wage rates applying to female-dominated industries and occupations. The scope and timing of the present Review has prevented these gender equality issues being addressed to finality. However, the imperative of the amendments made by the Parliament to the Fair Work Act last year concerning gender equality is that these issues must be resolved in future Reviews or other Commission proceedings.<sup>5</sup>*

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<sup>4</sup> Fair Work Commission, *Annual Wage Review 2022-23 Decision*, [11] (June 2023).

<sup>5</sup> *Ibid.*





*...there are significant issues concerning the potential undervaluation of work in modern award minimum wage rates applying to female-dominated industries and occupations. The scope of the present Review has prevented these gender equality issues being addressed to finality. However, the imperative of the amendments to the FW Act concerning gender equality made by the Amending Act is that these issues must be resolved in future Reviews or other Commission proceedings.*

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- 26 Coupled with the existing strong evidence that women are more likely to be low paid, award reliant and face more precarious employment than men do, the Victorian Government welcomes Stage 1 of the FWC's research that will identify not only undervaluation of certain occupations but also contribute to our understanding of where low paid workers are to be found.

## 3 Victorian economic outlook and labour market

### 3.1 Themes and Overview

- 27 Victoria's labour market has recovered strongly from the effects of the COVID-19 pandemic. Employment has grown by 529,000 since the trough in September 2020, and the share of Victorians in employment is around record highs.
- 28 The labour market recovery from the pandemic was generally inclusive, with female, youth and single parent employment all recovering strongly. These cohorts tend to be the first affected when the labour market slows and are often employed in industries where the NMW or award wages are more commonly applied.
- 29 The Victorian labour market is currently very tight but showing some signs of easing. Wages are growing, however, momentum is slowing: recent jobs growth has been driven by part-time employment; average hours worked have fallen; and job vacancies, while still elevated, have declined.
- 30 Annual wages growth strengthened to 3.7 per cent in the September quarter (although this was still below inflation). The stronger wages growth reflected tight labour market conditions, compensation for higher inflation and FWC decisions.
- 31 Private-sector wages grew by 3.9 per cent over the year to September 2023, the fastest pace since early 2011 but still below inflation. Private sector wages tend to respond faster to labour market conditions, as the prevalence of individual agreements can allow for relatively timely adjustments.
- 32 Public sector wages have grown more slowly due to the greater use of longer-term Enterprise Bargaining Agreements (EBA) (agreed during a period of lower labour demand) and public sector wages policy. The Wage Price Index (WPI) for the public sector rose by 2.8 per cent over the year to September. Since April 2023, public sector EBA negotiations have been guided by the Victorian Government's new public sector wages policy, which allows for higher base wage outcomes than previously (3 per cent, up from 1.5 per cent).
- 33 Non-base wage forms of remuneration used by employers to retain or attract employees in a tight labour market are further contributing to the divergence in private and public sector earnings. Nationally, private sector WPI including bonuses grew at 4.3 per cent, well above growth in the public sector.
- 34 The FWC should consider the relative strength of recent increases in the NMW and award wages compared to aggregate wage growth, but also continue to ensure that growth in minimum and award wages does not lag wages determined by other arrangements, increasing wage disparity.
- 35 The Victorian economy is performing well, and the labour market is strong. Real Gross State Product (GSP) grew by 2.6 per cent in 2022-23, despite higher interest rates and high inflation weighing on economic activity. This followed high growth of 6.3 per cent

- in 2021-22, resulting in the Victorian economy being 8.6 per cent larger in real terms than in 2018-19 (the last full year before the pandemic). Economic growth is expected to slow further in 2023-24, as high interest rates, inflation, and weaker global growth continue to affect the Victorian economy, before rising from 2024-25. The unemployment rate is forecast to rise moderately but remain low.
- 36 The Reserve Bank of Australia (RBA) began raising interest rates in May 2022 to contain inflation, which rose through 2022 to high levels, and the cash rate is currently 4.35 per cent. This is weighing on economic growth. Inflation is now past its peak, primarily due to slowing growth in the price of goods as pandemic related global supply-chain disruptions were resolved and demand eased. However, domestic and global inflation remains above central banks' targets, largely due to services inflation, which is more sensitive to domestic labour costs.
- 37 Victoria's economy is expected to record moderate real growth of 1.50 per cent in 2023-24, as outlined in the 2023-24 Budget Update. Business investment intentions are positive and forward indicators of labour demand, such as job advertisements and job vacancies, have eased but remain elevated. Activity will also be supported by strong population growth. In 2024-25, economic growth is forecast to rise to 2.50 per cent and return to trend growth from 2025-26.
- 38 Victoria's labour market is strong, while showing some signs of easing after a period of rapid employment growth. Employment grew by a high 4.2 per cent in 2022-23, with the increase driven by full-time employment. Over the second half of 2023, employment growth has eased from this elevated rate and has been driven by part time roles, and hours worked have fallen somewhat. Nonetheless, the share of working age Victorians in employment remains around a record high (**Figure 1**).
- 39 All groups of workers have benefited from the strong labour market. Employment growth has been broad-based, with all major cohorts of workers benefitting from the strength of the labour market. The share of working-age women, young people, and single parents in employment is above pre-pandemic levels.
- 40 The unemployment rate remains very low. It averaged 3.7 per cent in 2022-23 and remained at or below 4.0 per cent in the second half of 2023. Underemployment also remains very low, while drifting upwards modestly (**Figure 2**).
- 41 Labour market conditions are expected to remain relatively strong in 2023-24. This is consistent with leading indicators of labour demand, such as job advertisements and job vacancies, which despite moderating remain elevated. Employment is forecast to grow by 2.25 per cent in 2023-24, and by a further 1.0 per cent in 2024-25. The unemployment rate is expected to gradually rise in line with slower economic growth. It is forecast to average 4.00 per cent in 2023-24, which remains low by historical standards, before approaching the rate consistent with stable inflation within the RBA's target band.
- 42 The FWC's decisions should be cognisant of monetary policy objectives. Wages growth is an important, but not the only, determinant of inflation. At the same time, the FWC's

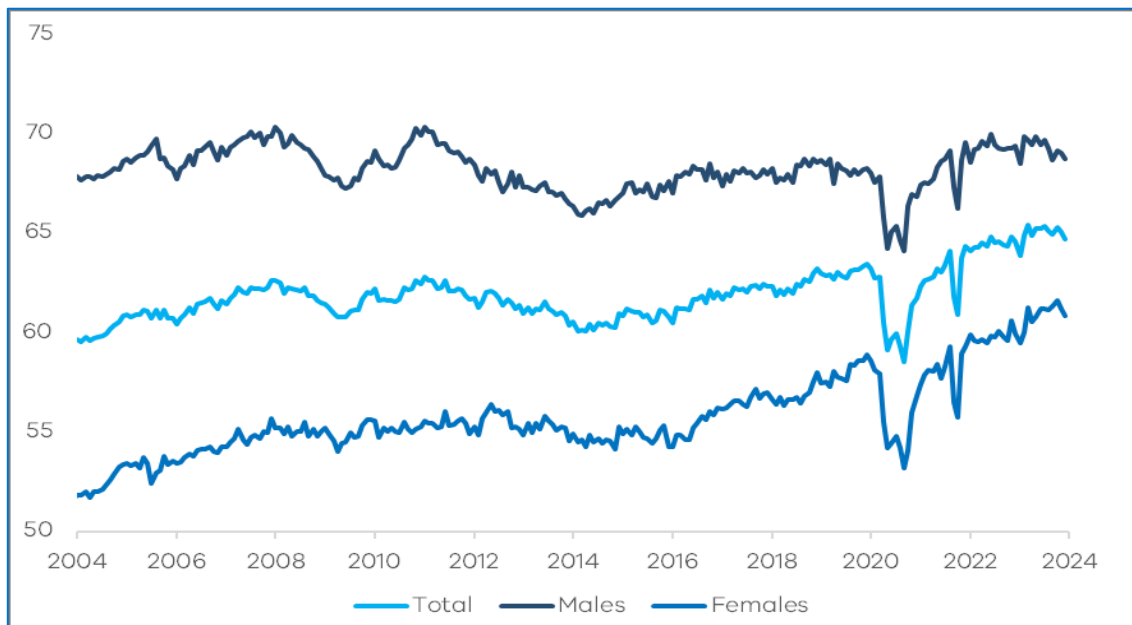
- annual award decision is a change to the wage floor. This decision influences future wage negotiations in both the private and public sectors.
- 43 The Victorian Government acknowledges that an increase to the minimum wage can impact small business, which continues to face significant challenges in the current economic climate. In particular, the cumulative impact of various increasing input costs may be more difficult for small businesses to absorb or to pass on to consumers. An increased wages bill may also lead to higher payroll taxes and other associated costs. However, any increase in wages would not be disproportionate to the broader inflation seen across the economy and is considered necessary to help ensure workers are able to keep up with the cost of living.
- 44 Research by the RBA has found that there is no evidence that modest, incremental increases in the NMW and award rates adversely impacts hours worked or employment.<sup>6</sup> In the current environment of ongoing high demand for workers, a moderate increase in the minimum wage is likely to have a limited impact on employment. Victorian employment increased by more than 170,000, or 4.9 per cent, since July 2022, and the unemployment rate remains very low. This coincides with higher-than-normal increases in the NMW and award in 2022 and 2023 (award increases of 4.6 per cent and 5.75 per cent respectively). Increases in the NMW and award wages do not usually affect wage costs in the Victorian public sector as most pay rates are above the award.
- 45 Inflation has eased substantially, but while earlier inflation was driven by goods prices, recent inflationary pressure has been driven by services. Should broad-based wages growth emerge, it could contribute to higher price rises for services and more persistent overall inflation, with the RBA raising the cash rate further or holding for longer than currently expected. Such a scenario would put downward pressure on economic growth and employment. It would also erode the real value of nominal wage gains.
- 46 The RBA has previously stated that it believes annual wages growth of around 3.5 per cent is consistent with inflation being sustained around the middle of its target band (2 to 3 per cent).<sup>7</sup>

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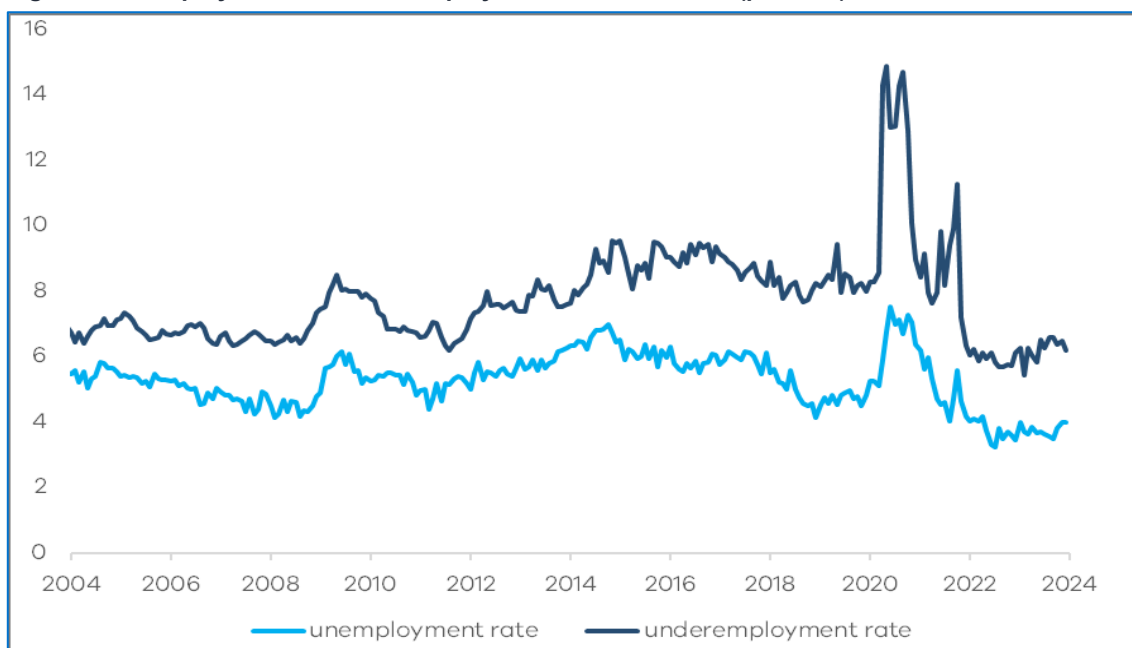
<sup>6</sup> Bishop, James, *The Effect of Minimum Wage Increase on Wages, Hours, Worked and Job Loss*, Reserve Bank of Australia, (2018).

<sup>7</sup> Lowe, Phillip, *Transcript of Question & Answer Session, Inflation and Monetary Policy*, (2022).

**Figure 1: Employment-to-population ratio – Victoria (per cent)**



**Figure 2: Unemployment and underemployment rates – Victoria (per cent)**

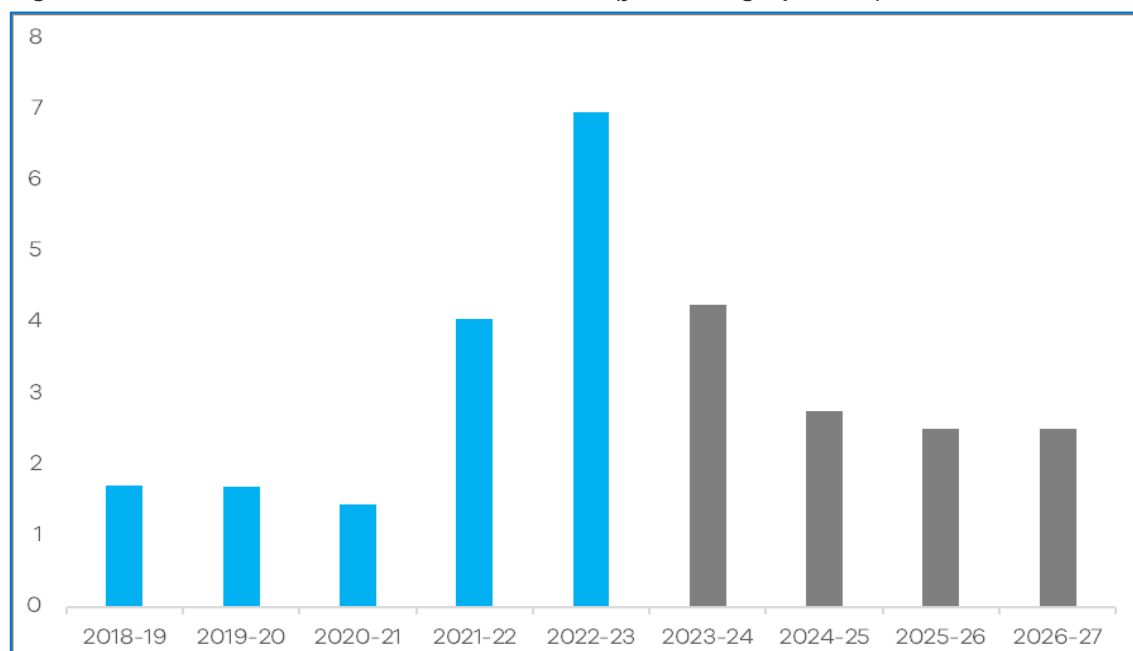


47 Victoria’s population grew by 2.7 per cent over 2022-23 driven by a strong recovery in net overseas migration, following disruptions to migration during the COVID-19 pandemic. Population growth is forecast to rise to 2.2 per cent in 2023-24 and return to the long-term trend of 1.7 per cent from 2025-26.

## 3.2 Inflation impacts in Victoria

- 48 Inflation remains a key challenge for the Victorian economy, as it does nationally and globally, although it is now slowing. The Melbourne consumer price index increased by 6.9 per cent in year average terms in 2022-23, and while inflation is forecast to ease, it is still expected to rise by 4.25 per cent in 2023-24 (**Figure 3**). In year-ended terms, inflation peaked at 8.0 per cent in December 2022, and has eased throughout 2023. Nevertheless, prices remain much higher than pre-pandemic levels, which is contributing to cost of living pressures for households.
- 49 Inflation was initially driven by global factors such as supply-chain disruptions and higher energy prices due to Russia's invasion of Ukraine. Price pressures broadened to domestic goods and services as higher input costs were passed onto consumers. Many of these global factors have eased, which has flowed through to more moderate increases in goods prices. However, services inflation remains high due to robust demand and ongoing domestic cost pressures.
- 50 Higher new dwelling and rent prices continue to contribute to overall inflation, amid shortages of construction-related materials and labour coupled with strong demand for housing.

**Figure 3: Inflation, Melbourne Consumer Price Index (year-average, per cent)**



Note: Data in grey beyond 2022-23 are forecasts; year-average growth rate.

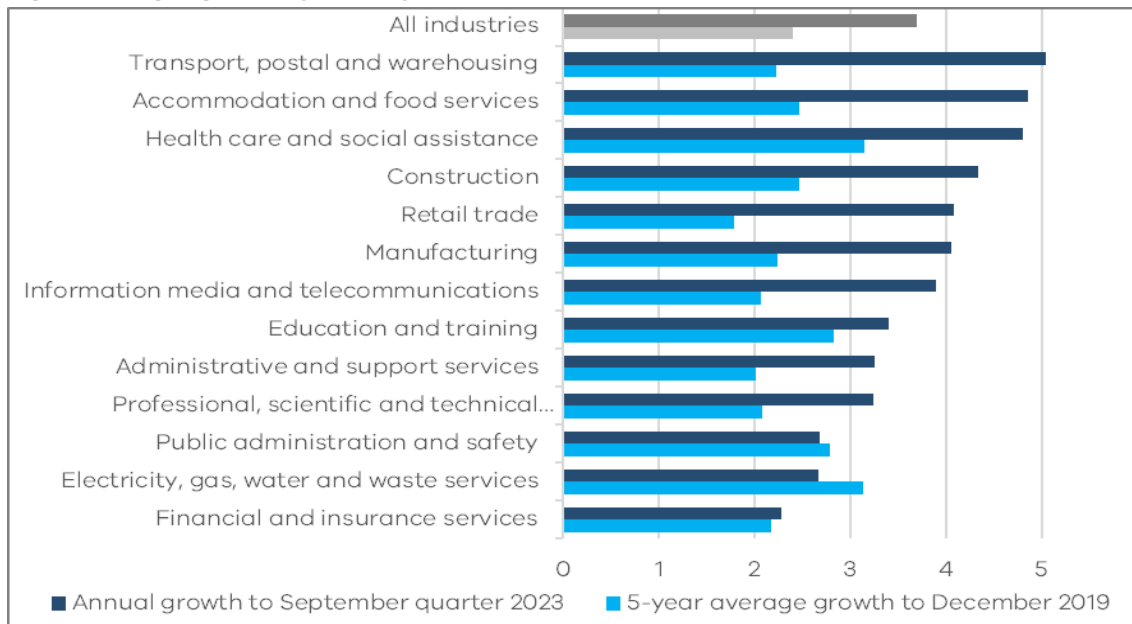
Source: Victorian Government Budget Update 2023-24.

- 51 The RBA tightened monetary policy in response to rising inflation. Elevated interest rates and a further moderation in demand are expected to continue to progressively lower inflation over coming years.

### 3.3 Victorian wages growth

- 52 In 2022-23, Victorian wage growth as measured by the WPI was 3.4 per cent in year-average terms. More recently, wages growth was 3.7 per cent over the year to the September quarter 2023, the fastest rate of growth since early 2011. A total of 11 of the 13 industries (for which data are available) recorded average annual growth over the year to September that was greater than the five-year average rate prior to the pandemic (**Figure 4**). Strength in the labour market, particularly in industries experiencing labour supply constraints, is contributing to a rise in wages growth.
- 53 Despite solid nominal wages growth, consumer prices grew 1.2 per cent more rapidly than wages for the same job over time over the year to the September quarter, due to elevated inflation. Despite this, real labour income grew by 2.9 per cent, as more Victorians found employment, additional hours, or higher paying roles.
- 54 Private sector wages growth was stronger than public sector growth over the year to September. Growth in private sector wages was 3.9 per cent compared with 2.8 per cent for the public sector. Non-base wage forms of remuneration, such as bonuses, have also grown.
- 55 Victorian year-average wages growth is forecast to rise to 3.75 per cent in 2023-24 and 3.50 per cent in 2024-25.

**Figure 4: Wages growth by industry – Victoria (per cent)**



## 4 Award reliance, low pay and collective bargaining

### 4.1 Award reliance and low pay

56 In the 2021-22 AWR decision, the FWC stated that:<sup>8</sup>

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*[129] The sharp rise in inflation impacts business and workers. The cost of business inputs increases which, depending on the capacity to pass on those costs, adversely impacts profitability. Absent a wage increase, inflation erodes the real value of workers' wages, reduces their living standards and the capacity of the low paid to meet their needs.*

*[130] The low paid are particularly vulnerable in the context of rising inflation.*

*[196] We acknowledge that the increases we have determined will mean a real wage cut for some award-reliant employees. This is an issue that can be addressed in subsequent Reviews.*

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57 The Victorian Government argues that low (and middle) income earners continue to be particularly vulnerable in the context of continued high inflation, albeit lower than during the 2022-2023 AWR. Inflation continues to erode the real value of workers' wages and reduces their living standards, and their discretionary income and longer-term savings.

58 The latest release of the Australian Bureau of Statistics' (ABS) biannual data set: 'Employee Earnings and Hours – May 2023' provides valuable current insights into award reliance in Victoria and Australia:

- Award reliance in Australia was at 23.2 per cent in May 2023.
- Collective agreements have decreased as a method of setting pay from 35.1 per cent in 2021 to 34 per cent in 2023 (**Figure 5**).
- Individual agreements are the most common method of pay setting and have increased in use from 37.8 per cent in 2021 to 38.7 per cent in 2023 (**Figure 5**).
- Employees paid by award only are the lowest paid across all states and territories. This is particularly pronounced in Victoria, Queensland, and the Australian Capital Territory (**Table 1**).
- In May 2023, Victoria was recording average weekly total cash earnings of \$754.00 under awards as compared to New South Wales at \$1,013.20 per week. However, Victoria's average weekly cash earnings under other methods of setting pay are comparable to overall Australian rates (**Table 6**).
- Without exception, women's average weekly cash earnings are lower than men's under all methods of setting pay (**Figure 7** and **Table 2**).

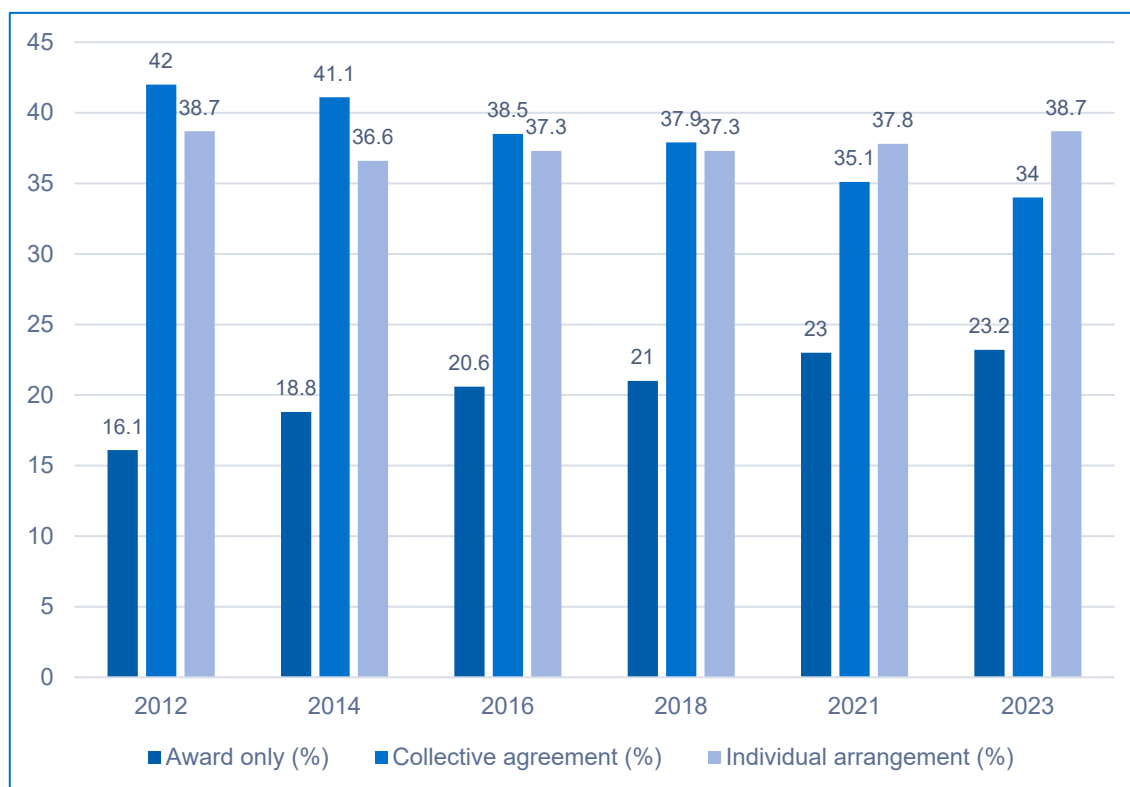
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<sup>8</sup> Fair Work Commission, *Annual Wage Review 2021-22 Decision*, 2 June 2023.



59 Previous FWC decisions, in combination with the tight labour market (allowing for increased hours worked, moves to high paid jobs, promotions and non-base wage payment) have meant low-income earners have had the highest relative income growth.<sup>9</sup>

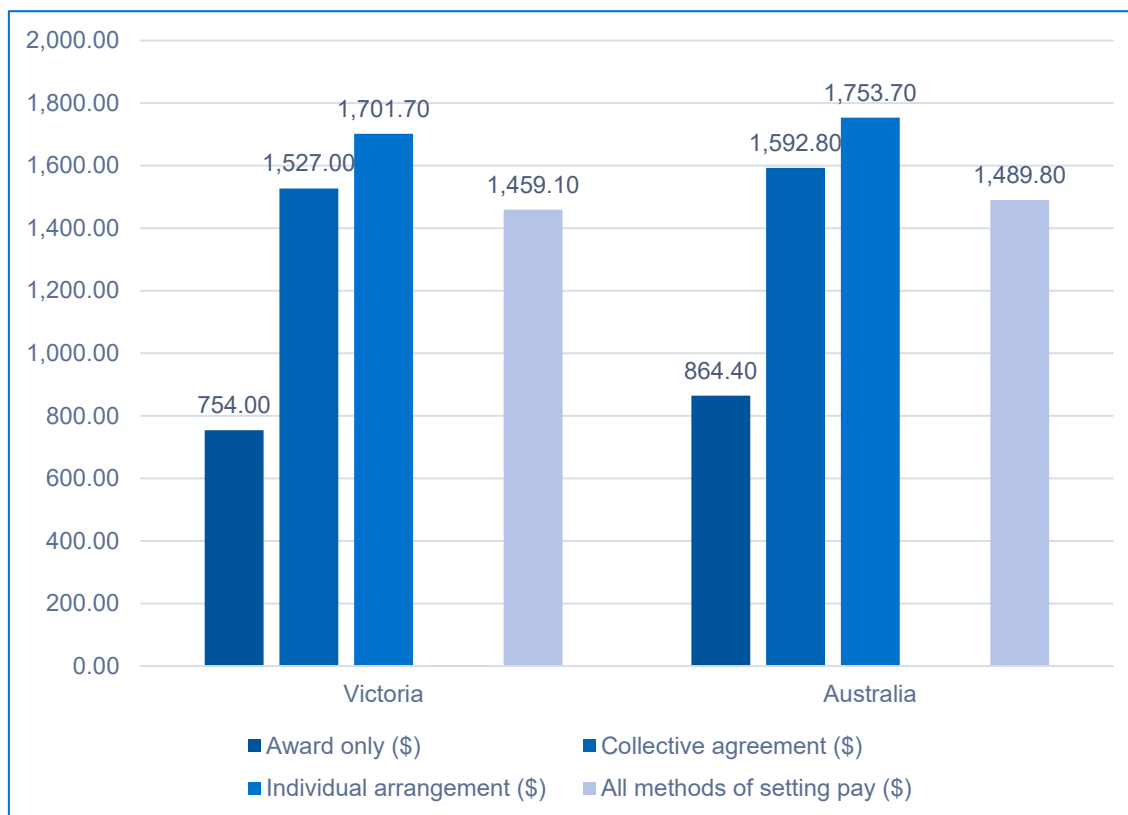
**Figure 5: Methods of setting pay in Australia – 2012 to 2023 (per cent)**



Source: ABS Employee Earnings and Hours (May 2023)

<sup>9</sup> Reserve Bank of Australia, *Statement on Monetary Policy* (November, 2023), pp56-57.

**Figure 6: All employees, average weekly total cash earnings – Victoria and Australia – by method of setting pay**

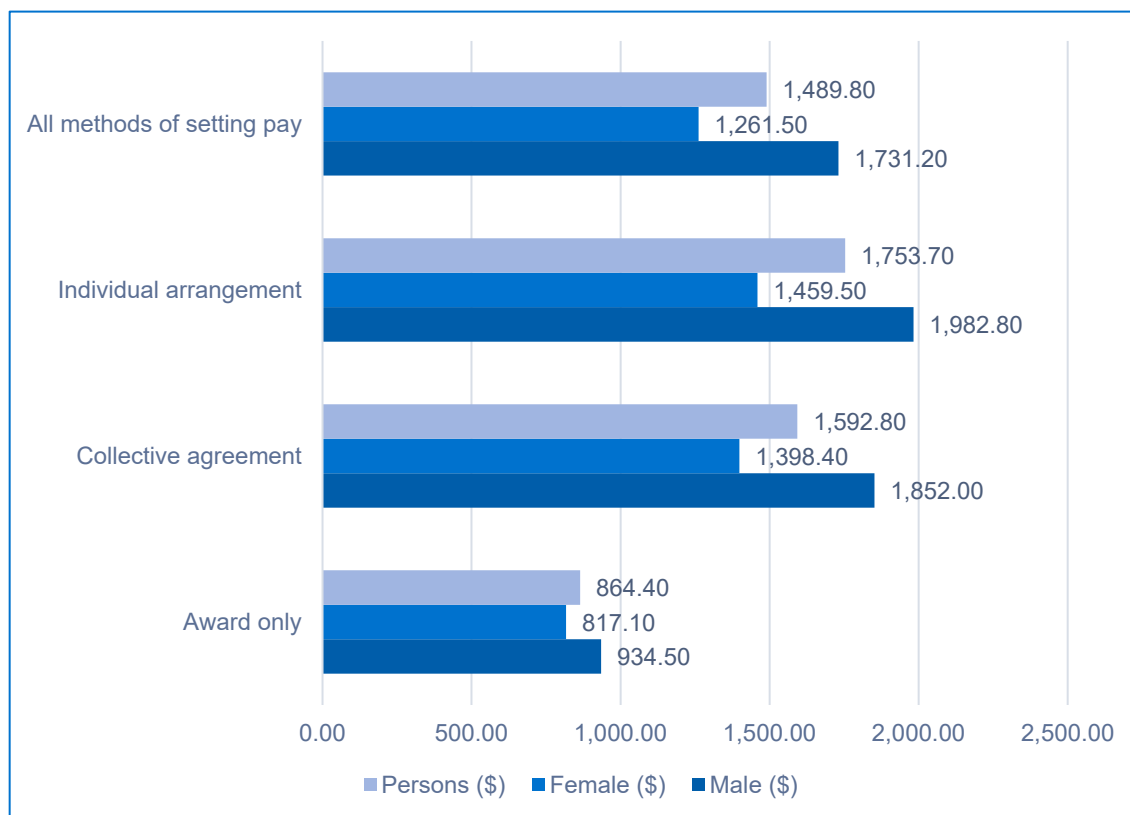


**Table 1: All employees, average weekly total cash earnings – States and Territories – by method of setting pay**

State and territory	Award only (\$)	Collective agreement (\$)	Individual arrangement (\$)	All methods of setting pay (\$)
New South Wales	1,013.20	1,593.80	1,785.20	1,511.80
Victoria	754.00	1,527.00	1,701.70	1,459.10
Queensland	741.50	1,637.70	1,724.90	1,457.10
South Australia	815.50	1,410.70	1,640.70	1,348.40
Western Australia	754.80	1,696.20	1,893.90	1,612.10
Tasmania	1,053.10	1,383.90	1,400.30	1,282.40
Northern Territory	910.70	1,904.40	1,717.00	1,656.20
Australian Capital Territory	730.70	1,898.50	1,823.10	1,704.80
Australia	864.40	1,592.80	1,753.70	1,489.80

Source: ABS Employee Earnings and Hours (May 2023)

**Figure 7: All employees, average weekly total cash earnings – method of setting pay by gender**



**Table 2: All employees, average weekly total cash earnings – method of setting pay by gender**

Method of setting pay	Male (\$)	Female (\$)	Persons (\$)
Award only	934.50	817.10	864.40
Collective agreement	1,852.00	1,398.40	1,592.80
Individual arrangement	1,982.80	1,459.50	1,753.70
All methods of setting pay	1,731.20	1,261.50	1,489.80

## 4.2 Outcomes from collective bargaining

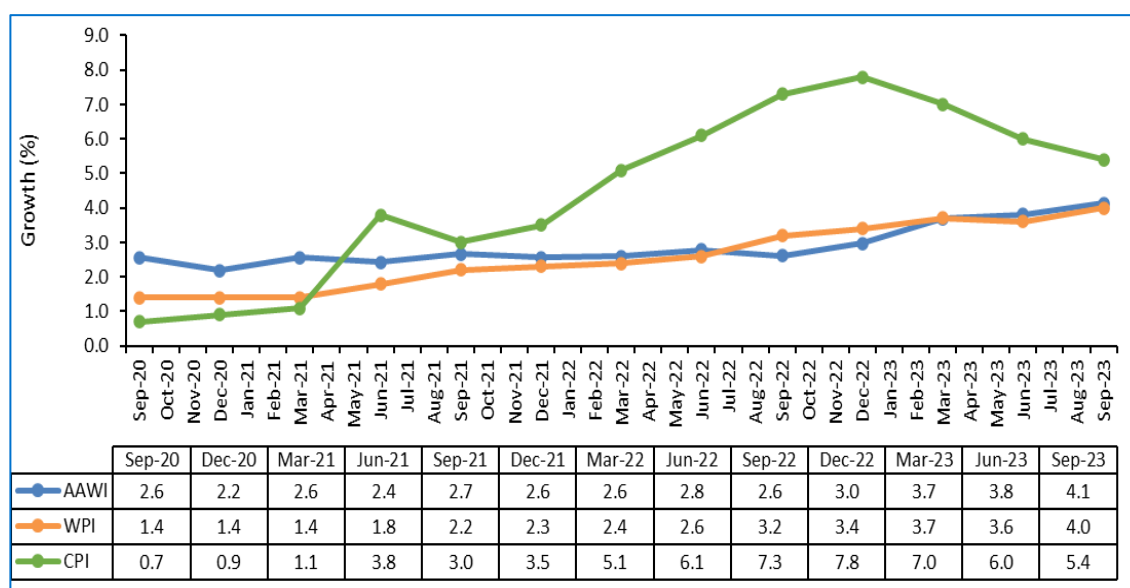
- 60 According to the Department of Employment and Workplace Relations (DEWR), the Average Annualised Wage Increase (AAWI) for federal enterprise agreements approved in the September quarter 2023 was 4.1 per cent. This is up from 3.8 per cent in the June quarter 2023, up from 2.6 per cent in the September quarter 2022 and up from the historic low of 2.2 per cent in the December quarter 2020 (**Table 3**).
- 61 For the September quarter 2023, the calculated AAWI of 4.1 per cent is based on 859 agreements, covering 181,900 employees with quantifiable wage increases. This was 80.1 per cent of the 1,072 agreements approved in the quarter, covering 61.5 per cent of the 295,600 employees on those 1,072 agreements.

62 There also appears to be a closing of the gap between CPI and the AAW from the high of eight per cent inflation in December 2022 (Figure 8). However, this gap will still maintain cost of living pressures with CPI sitting at around five per cent, which compounds the existing pressures that low- and middle-income earners have and are experiencing.

**Table 3: Average Annualised Wage Increases (AAWI) for agreements approved in the September quarter 2023**

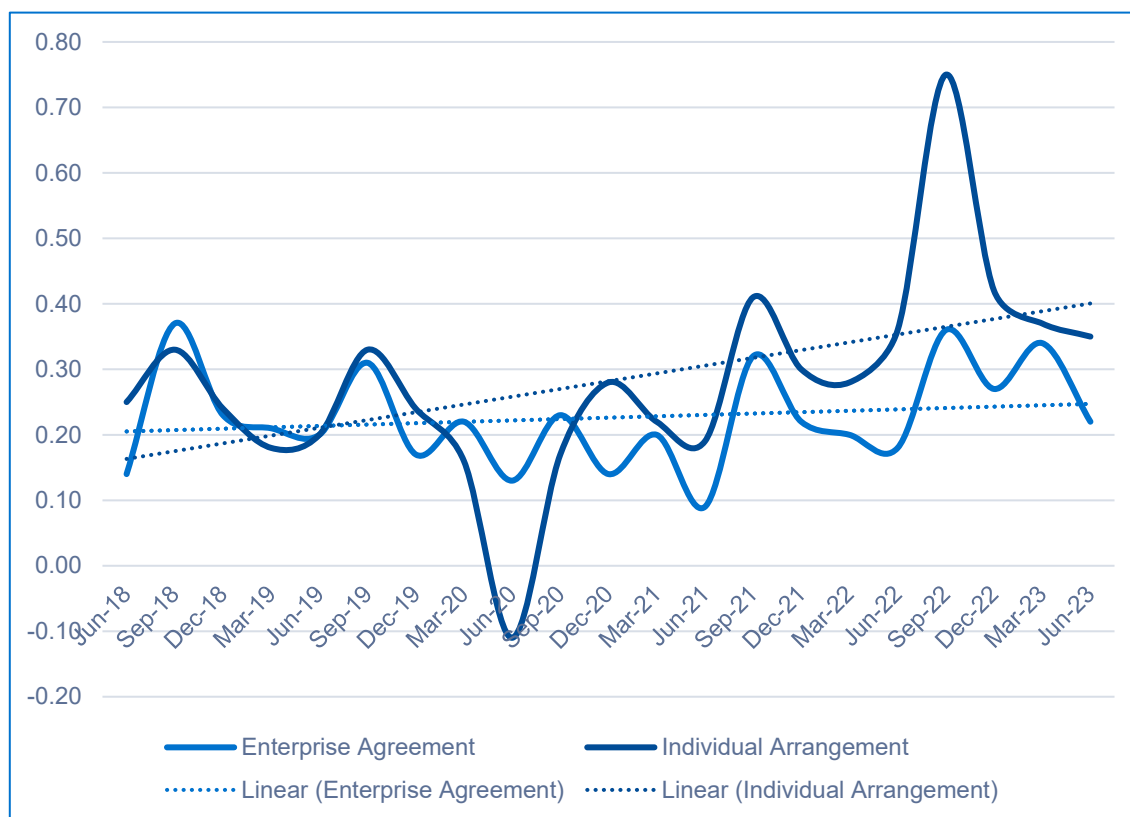
Enterprise agreements approved in the quarter	June quarter 2023 (%)	September quarter 2023 (%)	Change (% Points)
All sectors	3.8	4.1	0.3
Private sector	3.9	3.9	0.1
Public sector	3.7	4.4	0.7

**Figure 8: AAWI in approved agreements, ABS Wage Price Index (WPI) and ABS Consumer Price Index (CPI) – September quarter 2020 to September quarter 2023**



Source: Department of Employment and Workplace Relations, Workplace Agreements Database; ABS, Wage Price Index, Australia, September 2023; ABS, Consumer Price Index, Australia, September 2023.

**Figure 9: Contributions to wage growth by method of setting pay**



63 As illustrated in the **Figure 9** above, between June 2018 and June 2023, the trend in the influence of wages outcomes from individual agreements has steadily increased, whereas outcomes from enterprise agreements have been steady with only a small increase in that period.

### 4.3 Award reliant employer outcomes

64 Consideration should be given to the variation in, and nature of, award reliant employers. Most of the industries heavily reliant on the award wage setting are related to household consumption. For example, the Accommodation and Food Services industry is overwhelmingly reliant on award wages with 60 per cent of all employees pay set by award. Retail Trade and Other Services also have a high proportion of employees receiving an award wage.<sup>10</sup>

65 Workers in these industries are often the most vulnerable to changes in labour demand due to the exposure of these industries to changes in economic activity and a higher proportion of workers on the margins of the labour market who are less able to easily transition to other jobs.

<sup>10</sup> Australian Bureau of Statistics, *Employee Earnings and Hours*, Australia (May 2023).

- 66 The Healthcare and Social Assistance industry, which largely makes up Victoria’s care economy, is also heavily reliant on award wages with one in three workers having their pay set by an award.<sup>11</sup> The lowest paid occupations in the care economy, aged and disabled carers, childcare educators and nursing support and personal care workers, have average weekly earnings that are more than 40 per cent lower than average workforce earnings.<sup>12</sup>
- 67 Yet, the care economy<sup>13</sup> is the largest and fastest growing employment sector in Australia, and second largest contributor to Australia’s industry Gross Value Added (GVA).<sup>14</sup> The sector delivers the critical services for a functioning, healthy society. The care economy is also a ‘multiplier sector’ – it enables workers across the economy to undertake paid work (for example, the care delivered by one early childhood educator enables up to 16 parents to work) and increases the lifetime productivity of care recipients.<sup>15</sup>
- 68 Award-reliant workers in the care economy are predominantly women – around 85 per cent.<sup>16</sup> Low award wages in these female-dominated occupations are a major barrier to women’s economic security, prosperity, and workforce participation, and exacerbate cost of living stress. For example, critical care economy workers like nurses, who cannot work remotely, can afford as little as one in 100 rentals in major cities across Australia.<sup>17</sup>
- 69 Low wages are a major handbrake on growing the care economy workforce, which is experiencing critical and worsening worker shortages. International evidence shows that lifting low wages in the care economy is the most effective way to increase the supply of workers.<sup>18</sup> Improving wages in the care economy is also critical to gender desegregating the care economy by making it a more attractive sector for men. A less gender segregated care economy will significantly expand the pool of potential workers, addressing critical shortages and improving productivity.<sup>19</sup>

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<sup>11</sup> Ibid.

<sup>12</sup> Ibid.

<sup>13</sup> In this submission, the care economy is defined broadly as per the Draft National Strategy for the Care and Support Economy: aged care, disability support, early childhood education and care, veterans care, social housing and homelessness, palliative care, mental health, maternal and child health, justice, health care, family violence, employment services, education, community services and allied health.

<sup>14</sup> Australian Bureau of Statistics, *Labour Force, Australia, Detailed*, (February 2023); National Skills Commission, *Employment Projections*, (2021).

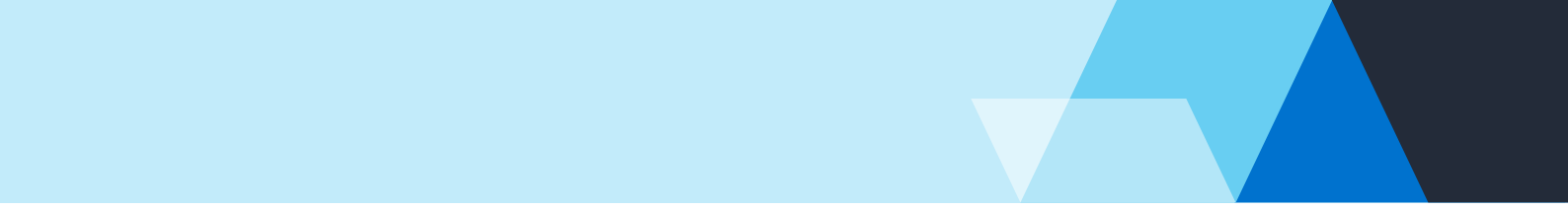
<sup>15</sup> PwC, *A Smart Investment for a Smarter Australia: Economic analysis of universal early childhood education in the year before school in Australia - The Front Project*, (June 2019), p 6.

<sup>16</sup> Risse, Leonora, *Submission to the Australian Government Employment White Paper*, (2022).

<sup>17</sup> ABC News, *Australia’s rental crisis prices out educators, nurses and aged care workers*, (14 August 2023).

<sup>18</sup> Scheffler, Richard and Arnold, Daniel, *Projecting shortages and surpluses of doctors and nurses in the OECD: What looms ahead*, Health Economics, Policy and Law, (2019); OECD, *Who Cares? Attracting and Retaining Care Workers for the Elderly*, (2020); Buchan, James and North, N, *Evaluating the impact of a new pay agreement on New Zealand nursing*, International Nursing Review, (2009); Buchan, James and Black, S, *The Impact of Pay Increases on Nurses, Labour Market: A Review of Evidence from Four OECD Countries*, (2009); Kankaanranta, Tehri and Rissanen, P, *The Labor Supply of Registered Nurses in Finland: The Effect of Wages and Working Conditions*, European Journal of Health Economics, (2009).

<sup>19</sup> Australian Government, *Employment White Paper*, The Treasury, (2023).

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- 70 Given the industries reliant on award wages, a minimum wage increase would be targeted to sectors with some of the most vulnerable workers and where there is the most need to grow workforces.

## 5 Apprenticeships and traineeships

### 5.1 Context

- 71 There are approximately 79,000 apprentices and trainees in Victoria, and more than 377,000 nationally. A significant issue is ensuring that all workers, including those in training, receive a fair and reasonable wage that supports a sustainable standard of living. Improving award wages can assist in increasing completion rates for these workers. Noting the significant overlap in issues faced, this submission will refer to apprentices and trainees as one cohort, and the terms are used interchangeably throughout.
- 72 The Victorian Government established the Apprenticeships Taskforce (Taskforce) in 2023 recognising the various challenges faced by apprentices in completing their training. The Taskforce is reviewing areas of concern such as fair treatment, safe working conditions and ways to promote a quality training environment that encourages completion.
- 73 The Commonwealth Government's Outcomes document<sup>20</sup> from the 2022 Jobs and Skills Summit similarly noted further action is needed to 'explore options to improve the apprenticeship support system and drive-up completions' for apprenticeships and traineeships. The Victorian Government also notes that the Commonwealth has recently established the Australian Apprenticeships Incentive System Strategic Review to be led by the Honorable Justice Iain Ross AO.<sup>21</sup>
- 74 In this review, the FWC is required to consider providing a comprehensive range of fair minimum wages to junior employees, employees to whom training arrangements apply and employees with disability.<sup>22</sup>
- 75 The current awards system makes allowance for the payment of sub-minimum wages to apprentices, on the basis that these workers are not fully trained and are considered to be not as productive as other workers covered by the other award classifications. This section of the submission analyses the viability and fairness of such an approach and explores possible alternatives to the status quo.

### 5.2 Cost of living and apprentices

- 76 The ABS report that the Living Cost Index for employees rose 9 per cent in the year preceding September 2023.<sup>23</sup> Of this increase, 'insurance and financial services and housing' were the primary contributors, rising 43.7 per cent and 9.1 per cent

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<sup>20</sup> Australian Government, *Jobs and Skills Summit September 2022 – Outcomes*, (2022).

<sup>21</sup> Australian Government, *Announcement of Strategic Review of the Australian Apprenticeship Incentive System*, (2024).

<sup>22</sup> *Fair Work Act 2009* (Cth), s 284(1)(e).

<sup>23</sup> Australian Bureau of Statistics, *Selected Living Cost Indexes*, (2023).



respectively. Workers earning less than the minimum wage, including apprentices, are most vulnerable to these rising costs.

- 77 A review of the awards which govern apprenticeship and trainee pay rates suggests apprentices without external financial support are likely to struggle to keep up with the cost of living. Low apprenticeship pay rates not only pose a threat to the wellbeing of those in training, but also present a disincentive for individuals considering entering apprenticeships.
- 78 As discussed below, earnings for youth apprentices are significantly below the minimum wage and could dissuade individuals from pursuing a career in trades, hindering the growth and sustainability of the skilled workforce. The current rates may force existing apprentices out of the system, exacerbating skill shortages and impeding the ability to deliver crucial services to the State and country. A full-time apprentice or trainee may be entitled to youth allowance, however even with this assistance this will still result in the worker earning less than minimum wage in the majority of circumstances.<sup>24</sup> Notably, youth allowance is only available for individuals under the age of 24, so workers who choose to begin an apprenticeship later in life are not able to obtain this financial support.

### 5.3 Award rates and apprentices

- 79 A review of four representative industry awards, with key data extracted below, produces these key findings:
- (a) Youth apprentices generally earn less than the minimum wage at all points during their apprenticeship, with some apprentices earning just \$13.09 per hour.
  - (b) Over the course of a four-year nominal term apprenticeship, people who commence their apprenticeship over the age of 21 (adult apprentices) can earn an average income equivalent to the minimum wage. This calculation involves lower earnings during the first years and a slight increase over the final years.

**Table 4: Hair & Beauty Industry Award 2020 (Role analysed – Apprentice hairdresser)**

Year of apprenticeship	Youth apprentice who did not complete year 12	Youth apprentice who completed year 12	Adult apprentice (Commencing 21+)	Fully qualified (Hair & Beauty employee level 3)	Minimum wage
<b>First year</b>	\$13.09 (50%)	\$14.40 (55%)	\$20.94 (80%)	\$26.18	\$23.23
<b>Second year</b>	\$15.71 (60%)	\$17.02 (65%)	\$24.73 (95%)	NA	NA
<b>Third year</b>	\$20.16 (77%)	\$20.16 (77%)	\$24.73 (95%)	NA	NA
<b>Fourth year**</b>	\$23.57 (90%)	\$23.57 (90%)	\$24.73 (95%)	NA	NA

<sup>24</sup> An apprentice or trainee who is single and has children may be eligible for assistance which takes them above the minimum wage.

\* % reflects per cent of the Standard Rate (Hair & Beauty employee level 3).

\*\* In Victoria, a hairdressing apprenticeship requires only a three-year nominal term.

**Table 5: Electrical, Electronic & Communications Contracting Award 2020 (Role analysed – Apprentice electrician)**

Year of apprenticeship	Youth apprentice who did not complete year 12	Youth apprentice who completed year 12	Adult apprentice (Commencing 21+)	Fully qualified (Electrical worker 5 level)	Minimum wage
First year	\$13.09 (50%)	\$14.40 (55%)	\$20.94 (80%)	\$26.18	\$23.23
Second year	\$15.71 (60%)	\$17.02 (65%)	\$22.93 (EW1)	NA	NA
Third year	\$18.33 (70%)	\$18.33 (70%)	\$22.93 (EW1)	NA	NA
Fourth year	\$21.47 (82%)	\$21.47 (82%)	\$22.93 (EW1)	NA	NA

\* % reflects per cent of the Electrical Worker 5 classification level (i.e. holds trades certificate)

**Table 6: Vehicle Repair, Services & Retail Award 2020 (Role analysed – apprentice mechanic)**

Year of apprenticeship	Youth apprentice who did not complete year 12	Youth apprentice who completed year 12	Adult apprentice (Commencing 21+)	Fully qualified (RS&R level R6)	Minimum wage
First year	\$13.09 (50%)	\$14.40 (55%)	\$20.94 (80%)	\$26.18	\$23.23
Second year	\$15.71 (60%)	\$17.02 (65%)	\$22.61 (RS&S level 1)	NA	NA
Third year	\$19.64 (75%)	\$19.64 (75%)	\$23.23 (RS&R level 2)	NA	NA
Fourth year	\$23.04 (88%)	\$23.04 (88%)	\$24.08 (RS&R level 3)	NA	NA

\* % reflects per cent of the Vehicle RS&R industry employee – tradesperson or equivalent level 1 classification (i.e., holds trades certificate)

\*\* Progression under this award is competency-based so timeframe may be varied.

**Table 7: Restaurant Industry Award 2020 (Role analysed – apprentice chef)**

Year of apprenticeship	Youth apprentice (all)**	**	Adult apprentice (Commencing 21+)	Fully qualified (Level 4)	Minimum wage
First year	\$14.40 (55%)	**	\$20.95 (80%)	\$26.18	\$23.23
Second year	\$17.02 (65%)	**	\$22.61 (level 0)	NA	NA
Third year	\$20.95 (80%)	**	\$22.61 (level 0)	NA	NA
Fourth year	\$24.88 (95%)	**	\$24.88 (95%)	NA	NA

\* % reflects per cent of the Level 4 classification (Cook grade 3 – tradesperson)

\*\* This award does not discriminate based on secondary education.

80 This data highlights the significant wage gap between even young apprentices and adult apprentices. In certain instances, apprentices who start their training before

turning 21 earn only 63 per cent of that earned by adult apprentices. It is important to note that even the wage for adult apprentices falls below the minimum award for most apprentice awards. This wage disparity has prompted the Australian Council of Trade Unions (ACTU) to advocate for a change, proposing that the age distinction between juniors and adult apprentices be lowered from 21 to 18.<sup>25</sup> The argument for this change is supported by the fact that even if an apprentice turns 21 during their apprenticeship, they do not then get paid as an adult apprentice. Accordingly, under some awards, there may be individuals aged 24 and 11 months earning below the minimum wage, possibly even as a final year apprentice.

- 81 In the awards analysed above, youth rates average between 50-90 per cent of the qualified award rate, which itself is only \$3 per hour more than the minimum wage. An increase to the necessary minimum wage can be seen as support for broader consideration of increases in the relevant awards for both youth and adult apprenticeships.
- 82 The determination of wage rates by factors such as age and school completion may create perverse incentives for employers to only employ certain groups, creating barriers for people looking to enter apprenticeships. This effect may have the disproportionate impact of women entering apprenticeships, as they often choose to enter apprenticeships at a later point in life than men. The current system means that adults who enter the skilled workforce as apprentices, even at the age of 40, may only be earning \$20.94 per hour, which is approximately 90 per cent of the minimum wage. This perpetuates inequality and discourages older Australians from transitioning or retraining into skilled roles, which is crucial for meeting Australia's workforce demands.

#### 5.4 The 'sub-minimum wage' and the role of subsidies

- 83 Paying anyone less than the minimum wage may be seen as controversial, with disability advocates noting concerns with the Supported Wage System resulting in workers with disability being paid, for example, as little as \$2.90 an hour. There are legitimate social cohesion and wellbeing concerns where pay is dictated only by perceived productivity to an employer, and not with reference to the livability of take-home pay and greater social benefits. Paying workers at the minimum wage would be consistent with the FWC's legislated objectives, in particular helping to ensure a fair minimum wage for workers with disability<sup>26</sup> and meet the requirement to address the relative living standards of the needs of the low paid.<sup>27</sup> Indeed, the Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability recommended a review of the productivity-based wage calculation to adjust the new minimum amount to 50 per cent of the current minimum wage.<sup>28</sup> This recommendation includes

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<sup>25</sup> Australian Council of Trade Unions, Submission to the Commonwealth Jobs and Skills Summit, *Skilling the nation: Addressing Australia's skills and migration needs now and into the future, Recommendation 4*.

<sup>26</sup> *Fair Work Act 2009* (Cth), s 284(e).

<sup>27</sup> *Fair Work Act 2009* (Cth), s 284(c).

<sup>28</sup> Australian Government, Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability Final Report - Volume 7, *Inclusive education, employment and housing - Summary and recommendations, Recommendation 7.31 'Raise subminimum wages'*, (2023), p 34.

developing a model to lift minimum wages to 100 per cent of the minimum wage by 2024 and suggests the Australian Government subsidise employers for the difference between wages payable under the current subminimum wage and the minimum wage.

- 84 Government subsidising the discrepancy between tangible employer benefit, and the social utility of providing employment to marginalised groups or individuals in training, is supported by the Australian Council of Trade Unions (ACTU). In its submission to the Commonwealth Job Summit, the ACTU recommended the Commonwealth support the uptake of apprentices in employment through a funded 50 per cent wage subsidy for employed apprentices, with 25 per cent of the subsidy to go to the apprentice directly.<sup>29</sup> Such an approach acknowledges the greater social benefit that employment and training bring to the economy, without placing the full financial burden of training new apprentices on employers.

## 5.5 Apprentice and trainee recommendations

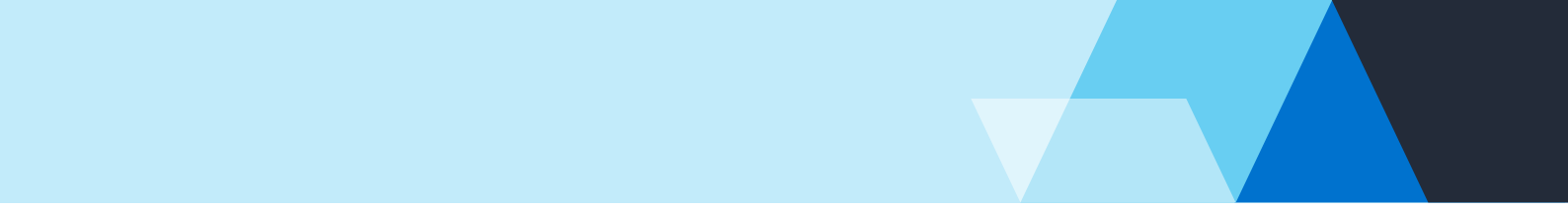
- 85 The Victorian Government submits that the FWC in this review or other relevant reviews should consider and consult on options such as:
- (a) **a comprehensive increase of apprentice pay rates to align them more closely with the current cost of living.** It is crucial to strike a balance between ensuring a fair living wage for apprentices and safeguarding the long-term health and growth of our skilled labour force. An adjustment will not only elevate the standard of living for apprentices but also contribute to the overall resilience and attractiveness of the skilled workforce, consistent with the modern awards objective to promote social inclusion through increased workforce participation<sup>30</sup> and promote efficiency and productivity.<sup>31</sup>
  - (b) **moving apprentices to the adult classification once they reach the specified age,** rather than determining classification based on age at commencement of training. The current system inadvertently perpetuates financial hardship by legitimising and enabling the practice of paying youth apprentices less than their adult counterparts not strictly based on their age, but on the date at which they commence training. This recommendation may be strengthened by reducing the age at which an adult apprenticeship is deemed to commence from 21 to 18.
  - (c) **ensuring consistency across awards by transitioning award systems from time-based to competency-based progression,** consistent with national adoption of competency-based completion. This recommendation will help clarify apprentice entitlements as currently competency-based completion is included in some awards and not others, leading to wage disparity, unclear application, and possible underpayments.

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<sup>29</sup> Australian Council of Trade Unions, *Submission to the Commonwealth Jobs and Skills Summit, recommendation 4*, (2022).

<sup>30</sup> *Fair Work Act 2009* (Cth), s 134(1)(c).

<sup>31</sup> *Fair Work Act 2009* (Cth), s 134(1)(d).

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- 86 The Victorian Government also notes that the Commonwealth Government can consider subsidising worker earnings where the applicable award prescribes an amount below the NMW. A subsidy to bring a worker's take home pay up to, or close to, the NMW may help address low apprenticeship attraction and completion. This approach acknowledges the broader societal benefits of increasing the size of the skilled workforce, without requiring business to completely absorb the financial burden. This recommendation could be implemented through an increase in the youth allowance for apprentices (although this would not address hardship for apprentices aged 24), or alternatively, a separate entitlement payable directly to apprentices and trainees.

## 6 Gender pay equity

- 87 The Victorian Government is strongly supportive of gender pay equity in the workplace and addressing the gender pay gap so that work, particularly in female dominated sectors, is properly and fairly valued. The Victorian Government is increasingly concerned about gender wage disparity in the private sector and recommends that the FWC make this an issue of separate inquiry.
- 88 The Victorian Government is increasingly concerned about gender wage disparity in the private sector and recommends that the FWC make this an issue of separate inquiry, noting the recent release of data from the Workplace Gender Equality Agency.<sup>32</sup> In response to these concerns, this Government has revised the Gender Equality Strategy, developed the Government Inquiry into Economic Equity for Victorian Women and implemented gender responsive budgeting. 'Our equal state: Victoria's gender equality strategy and action plan 2023-2027' acknowledges that women are overrepresented in the care and community sector, where pay is low and not equal with the value it creates socially and economically. The 'Our equal state' strategy seeks to promote ways of ensuring the economic value of care work is reflected in wages broadly across the care economy.
- 89 The Victorian Government Inquiry into Economic Equity for Victorian Women (Inquiry)<sup>33</sup> was established in July 2021 to find solutions for problems such as unequal pay and workplace barriers to women's success. The Inquiry considered the extent, nature and magnitude of workplace and economic inequity for women in Victoria and made recommendations for suitable policy options for the Victorian Government to redress the systemic disadvantage for women highlighted by the impact of the COVID-19 pandemic on workplace and economic equity for women in Victoria.
- 90 The Victorian Government welcomes the new focus on gender pay equity in modern awards and the AWR process – which we have called for over several years – and the establishment of the FWC's pay equity expert panels. This Government welcomes any opportunity to assist the work of the panels.
- 91 In the 2022-23 AWR, the FWC determined to commence a research project to identify occupations and industries in which there is potential gender pay inequity and gender undervaluation of work and qualifications and to consider the full extent of gender inequity in future FWC decisions. The first tranche has now been published with a second due in April 2024.
- 92 The Stage 1 Report identified 13 modern awards used to set pay in the 29 large, highly feminised occupations that were identified within feminised industries. The relevant awards are (with the highly feminised occupations in brackets):

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<sup>32</sup> Workplace Gender Equality Agency, *Employer Gender Pay Gaps Snapshot*, (February 2024).

<sup>33</sup> Department of Treasury and Finance, *Inquiry into Economic Equity for Victorian Women*, Victorian Government, (January 2022).

- *Nurses Award 2020* (Midwives, Registered Nurses, Enrolled and Mothercraft Nurses, Nurse Managers)
- *Educational Services (Teachers) Award 2020* (Early Childhood (Pre-Primary School) Teachers; Primary School Teachers)
- *Children's Services Award 2010* (Child Carers)
- *Health Professionals and Support Services Award 2020* (Dental Assistants, Receptionists in Hospitals and General Practice, Medical Technicians, Psychologists)
- *Educational Services (Schools) General Staff Award 2020* (Education Aides)
- *Hair and Beauty Industry Award 2020* (Hairdressers and Beauty Therapists)
- *General Retail Industry Award 2020* (Clothing Retail Sales Assistants and Retail Managers)
- *Aged Care Award 2010* (Nursing Support and Personal Care Workers; Aged and Disabled Carers)
- *Social, Community, Home Care and Disability Services Industry Award 2010* (Disability Services and Aged Care workers, and workers in child, youth and family services, out-of-home care, family violence, homelessness assistance and other community services.)
- *Pharmacy Industry Award 2020* (Pharmacy Sales Assistants)
- *Legal Services Award 2020* (Conveyancers and Legal Executives)
- *Animal Care and Veterinary Services Award 2020* (Veterinary Nurses)
- *Aboriginal and Torres Strait Islander Health Workers and Practitioners and Aboriginal Community Controlled Health Award 2020* (Dental Assistants).

93 For example, the lowest paid occupations in the care economy (aged and disabled carers, childcare educators and nursing support and personal care workers), have average weekly earnings that are more than 40 per cent lower than average workforce earnings.

94 Coupled with the existing strong evidence that women are more likely to be low paid, award reliant and face more precarious employment than men do, the Victorian Government welcomes Stage 1 of this necessary research that will identify not only undervaluation of certain occupations but also contribute to our understanding of where low paid workers are to be found. Importantly and significantly, the Stage 2 research:

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*will produce a report which identifies the history of wage fixing and work value assessments in each of the 12 awards in order to aid the identification of any indicia of gender undervaluation. These indicia might include the lack of a work value*

*exercise undertaken by the Commission, inadequate application of equal pay principles and the making of consent awards and agreements.*<sup>34</sup>

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- 95 The Victorian Government notes that the Stage 2 report will be published in April 2024, and parties will be able to make submissions about it. Given the breadth, depth and the importance of this work, this Government acknowledges recent changes to allow an increased time frame to respond under the AWR 2023-24 timetable.<sup>35</sup>

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<sup>34</sup> Fair Work Commission, President's Statement, *Gender Pay equity research – Stage 2 research to be conducted*, (December 2023.)

<sup>35</sup> Ibid.

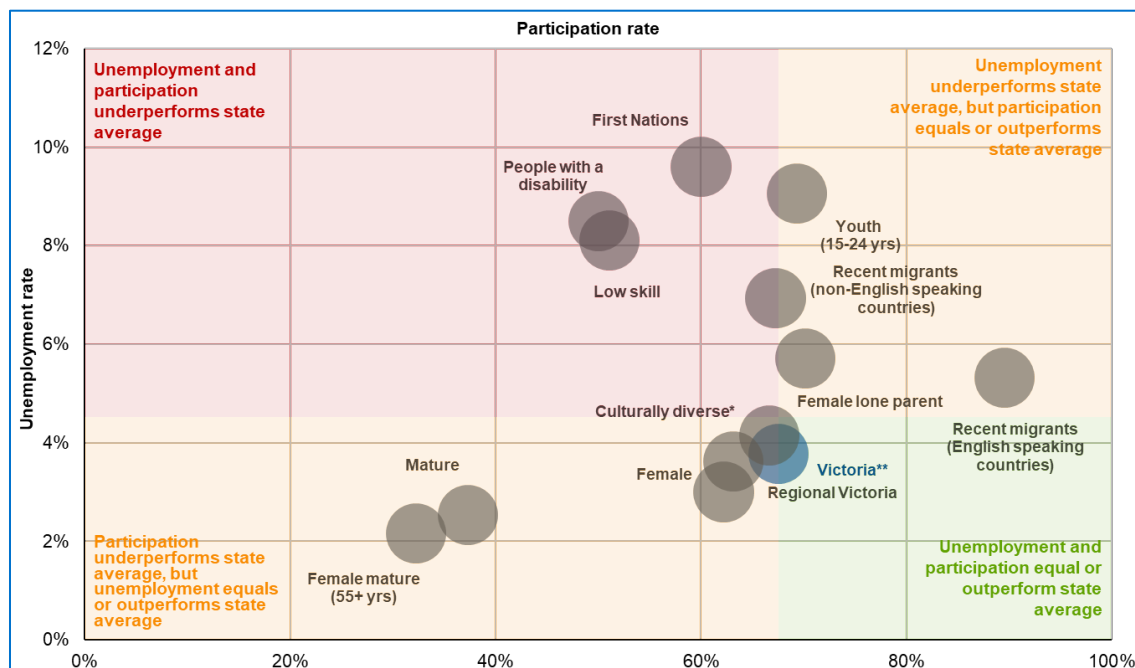


## 7 Other cohorts facing entrenched barriers /disadvantage

### 7.1 Overview

96 Digging deeper into participation and unemployment rates in Victoria, the low headline unemployment statistic masks the fact that many Victorians are being left behind. As highlighted in **Figure 10**, at greatest risk are First Nations people, low skill people (i.e. highest level of educational attainment is high school) and people with disability. These cohorts often face multiple and complex barriers to employment including bias in the employment process and thus face persistently higher rates of unemployment and decreased labour market participation.

Figure 10: Labour market outcomes, by selected Victorian population cohorts<sup>36</sup>



Source: Australian Bureau of Statistics, December 2023 (12 month average data used).

### 7.2 First Nations people

97 First Nations people have long been underrepresented in labour markets, contributing to the entrenched disadvantage faced by this cohort. The labour market participation rate for First Nations Victorians in 2021 was 58.5 per cent, while for all Victorians it was

<sup>36</sup> The Culturally diverse cohort includes all migrants from countries other than the major English speaking countries i.e. United Kingdom, Ireland, United States of America, Canada, New Zealand, South Africa and Australia. Note the unemployment and participation rate uses the 12 month rolling average of original ABS data, rather than seasonally adjusted. Note that the data for First Nations and Low Skill people are for August 2021 and data for People with Disability is from 2018. All other data is for December 2023.

- 62.4 per cent. In addition, the unemployment rate for First Nations Victorians in 2021 was 9.6 per cent in comparison to 5.0 per cent for all Victorians.<sup>37</sup>
- 98 Due to limited data availability, it is unclear the extent to which First Nations Victorians have benefited from the recent labour market tightness experienced in Victoria. However, historically First Nations Australians experience significant barriers to employment resulting in relatively poor labour market outcomes, even during periods of strong labour market conditions.
- 99 There is a notable income inequality which impacts First Nations Victorians, largely because of poor social outcomes across measures including health, education and employment. The median weekly personal income for First Nations Victorians was \$619 in 2021, compared to \$803 for all Victorians.<sup>38</sup>
- 100 First Nations Victorians are also more likely to benefit from increases to the minimum wage due to their likelihood of working in the occupations and industries paid at minimum award wages.
- 101 With respect to educational attainment, 41.4 per cent of First Nations Victorians, compared to 53.3 per cent of all Victorians, hold a Certificate III or above.<sup>39</sup> There is an increased likelihood of First Nations Victorians working in lower skill occupations and industries which pay at the minimum award wage.

### 7.3 People living with disability

- 102 In 2018, people living with disability were almost three times less likely to be considered part of the workforce (not in a paid job and not looking for one).<sup>40</sup> For many workers living with disability, the paucity of accessible workplaces is compounded by low remuneration that can often be outweighed by the costs of providing their own supports. The gap in participation rate between the two cohorts has been widening since 2015.<sup>41</sup>
- 103 Further, in 2018, the unemployment rate for people living with disability was 10.3 per cent, more than double the unemployment rate of all Australians at 4.6 per cent.<sup>42</sup>
- 104 In 2018, the median gross personal income of people living with disability in Australia was \$505 per week. Comparatively, the median gross personal income for those without disability was \$1,016 per week.<sup>43</sup> While some of the 50.3 per cent shortfall can be attributed to an inability to participate in the labour market by those suffering moderate or severe disability, the magnitude is significant and there is a failure to

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<sup>37</sup> Australian Bureau of Statistics, *Victoria: 2021 Census Aboriginal and/or Torres Strait Islander people QuickStats*, (2021).

<sup>38</sup> Australian Bureau of Statistics, *Victoria: 2021 Census Aboriginal and/or Torres Strait Islander people QuickStats*, (2021).

<sup>39</sup> Ibid.

<sup>40</sup> Australian Bureau of Statistics, *Disability, Ageing and Carers. Australia: Summary of Findings*, (2019).

<sup>41</sup> Ibid.

<sup>42</sup> Ibid.

<sup>43</sup> Ibid.

provide sufficient monetary support to navigate the entrenched disadvantage experienced by people with disability. To highlight the magnitude of discrepancy in the distribution of household incomes faced by those living with disability against those without – for half of people living with disability, household income is in the bottom two quintiles, compared to 24 per cent of people with no reported disability.<sup>44</sup>

- 105 Up to 18 per cent of those employed with disability use leave arrangements to have one day or more off per week because of their disability.<sup>45</sup> This lowers the floor of the earnings potential for those living with disability, making the minimum wage award rates even more pronounced for this cohort in establishing an income.

## 7.4 Young people

- 106 Young people have been among the biggest beneficiaries of the labour market tightness and skills shortages in lower skill sectors experienced following the pandemic. For example, the youth participation rate (currently 69.3 per cent) has exceeded the overall state participation rate since early 2022. However, the youth unemployment rate remains elevated at 9.1 per cent, compared to the broader Victorian unemployment rate of 3.8 per cent. Additionally, youth unemployment has seen a recent upswing, implying some early softening of labour market conditions.<sup>46</sup>
- 107 When assessing employment outcomes for young people it should also be considered that increasing rates of part-time employment mean that the traditional unemployment rate is an inadequate measure of the state of the labour market. A study published in 2020 by the Australian Productivity Commission (Productivity Commission) highlights that increasing part-time work, at the expense of full-time work, could give rise to some underemployment. This trend is true particularly for young people where the underutilisation rate – the proportion of the labour force that is underemployed or unemployed – has increased by 8 per cent since 2008, compared to 2 per cent for other age groups (see **Figure 11**).

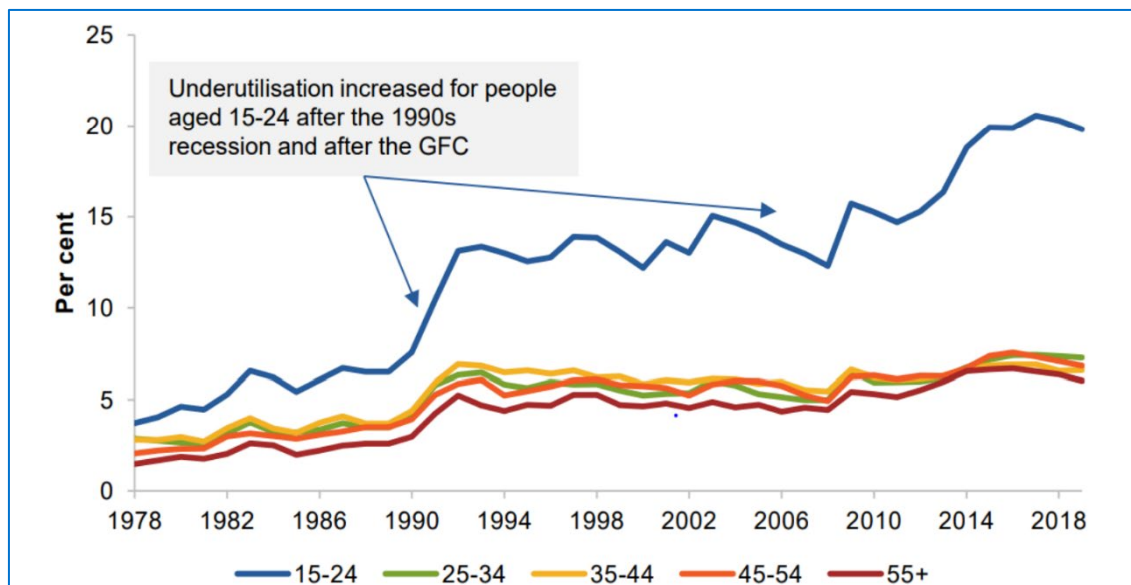
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<sup>44</sup> Ibid.

<sup>45</sup> Australian Government – Australian Institute of Health and Welfare (2022) *People with disability in Australia 2022: in brief* (5 July 2022).

<sup>46</sup> Australian Bureau of Statistics, *Detailed Labour Force Survey*, (2023).

Figure 11: Underutilisation rate, by age group, 1979-2019

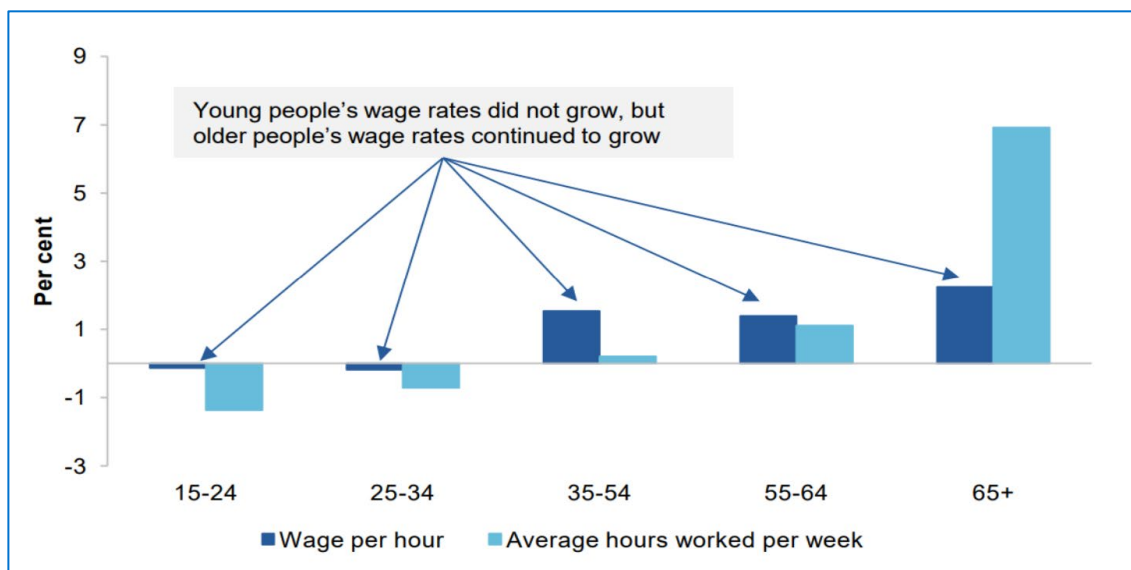


Source: Productivity Commission analysis 2020

108 Income inequality between younger and older workers has also increased in the last 15 years. Young people's average incomes declined in real terms from 2008 to 2018, while older people's wages continued to grow (**Figure 12**). According to the Productivity Commission, this is driven by an imbalance between labour demand and supply rather than specific changes to the education level, industries, or occupations of younger and older workers. Greater competition for entry level positions has led to firms offering lower starting wages. But evidence suggests that firms did not use this enhanced bargaining power to reduce wages for existing workers. As a result, new jobs, which younger workers are more likely to fill, have been concentrated in smaller firms and in sectors with more casual and part-time work (which are typically characterised by lower wages).<sup>47</sup>

<sup>47</sup> Ibid.

Figure 12: Average annual growth rates in labour income, average wage rate and hours worked per person, by age group 2008 to 2019<sup>48</sup>



Source: Productivity Commission analysis 2020

- 109 Evidence also highlights that young people are particularly vulnerable to economic downturns which increase competition for entry level positions. Analysis by the Grattan Institute has found that young workers bear the brunt of job losses during recessions as they tend to be marginal employees that employers are less likely to hire in softer economic conditions. The Grattan Institute also points to wage scarring because of competition for entry level positions, with a 21-year-old graduate today earning \$32,000 less over the coming decade if they enter the workforce during a recession.<sup>49</sup> With economic conditions forecast to soften in 2024, the employment outcomes and wages growth of younger people are likely to be disproportionately at risk.
- 110 Young people are also more exposed to cost of living pressures due to their lower median income. Recent high rates of inflation in Australia have been driven by higher prices for essential spending such as rental, groceries and utilities. In the year to September 2023 household spending on these essential items increased 7.6 per cent, compared to a 0.9 per cent increase in spending on non-essential items.<sup>50</sup> Lower income households typically spend a higher proportion of their income on these essential items. For example, across all households less than a third of income is spent on essentials; but around half of income is spent on essentials for households in the lowest income quintile.<sup>51</sup> As a result, younger works – who have a lower median income and are less likely to have additional sources of income or own assets – are more likely to be struggling to meet the cost of their basic living expenses.<sup>52</sup>

<sup>48</sup> Wage rates are in real terms, adjusted by the CPI.

<sup>49</sup> Grattan Institute, *Young Australians need special care through the COVID crisis*, (2020).

<sup>50</sup> Australian Bureau of Statistics, *Monthly Household Spending Indicator*, (2023).

<sup>51</sup> Australian Bureau of Statistics, *National Accounts*, (2022).

<sup>52</sup> Australian Bureau of Statistics, *Household Income and Wealth*, (2019-20).

- 111 Overall, there is rising levels of intergenerational inequality due to young people being disproportionately impacted by rising rates of underemployment, growing wealth inequality and cost of living pressures. An increase to the minimum wage would offer younger people greater financial resilience and help to reduce the intergenerational and social inequality gap which has accelerated post global financial crisis.

## 7.5 Older people

- 112 The percentage of Victorians over 65 in the labour force has more than doubled over the last twenty years, rising from 6.4 per cent in 2003 to 16 per cent in 2023. Within this cohort, participation for men rose from 11 per cent to 20 per cent, compared to women whose participation sharply increased from 3 per cent to 12 per cent during this time. In December 2023, the unemployment rate for Victorians over 65 was 2.0 per cent, compared with 1.0 per cent in December 2003.<sup>53</sup>
- 113 The majority (68.1 per cent) of older Australians live in a low-income household earning less than \$756 per week and the median personal income for someone over 65 years old is just under half the income level for someone aged 15–64 years.<sup>54</sup> Like younger Australians, those aged 65 and over are more exposed to cost of living pressures associated with rising prices for essential items due to their lower median incomes.
- 114 The reasons for older Australians over 65 returning to employment or staying in employment are varied but are often linked to a person's health, financial security and the presence of familial support. However, Australians are living longer and it is likely that older Australians can and will need to work longer than previous generations.<sup>55</sup> In the context of an ageing population, a strong minimum wage is an important safety net to enable older workers to support themselves in retirement and lessen pressure on government budgets.
- 115 It is also important to consider the impact of a strong minimum wage in supporting older Australian women. In Australia in recent years, women over 55 years old are one of the fastest growing cohorts to be experiencing homelessness, due to a lack of financial security.<sup>56</sup> Older women are also significantly more likely to work in lower skill occupations compared to older men (who are likely to be managers).<sup>57</sup> These trends indicate that older women would benefit more proportionally from an increase in the minimum wage.

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<sup>53</sup> Australian Institute of Health and Welfare, *Older Australians: Employment and work*, (2021).

<sup>54</sup> Australian Bureau of Statistics, *Disability, Ageing and Carers, Australia: Summary of Findings*, (2019).

<sup>55</sup> Ibid.

<sup>56</sup> Parliament of Australia, *Inquiry into homelessness*, (2021).

<sup>57</sup> Australian Institute of Health and Welfare, *Older Australians: Employment and work*, (2021).

## 7.6 Migrants

- 116 Recent migrants from countries in which languages other than English are primarily spoken are disproportionately represented as unemployed. The unemployment rate in December 2023 of 6.9 per cent is almost double the Victorian average of 3.8 per cent, although participation is currently near the Victorian average.<sup>58</sup>
- 117 The median annual personal income for migrants in 2019-20 was \$45,351 in Australia and \$43,882 in Victoria, compared with a nationwide median of \$52,338.<sup>59</sup> In addition, the median wage for Temporary Skills Shortage (TSS) visa holders in Australia is \$75,000 which is less than the median full-time wage in Australia of \$82,000 a year. A growing share of TSS visa holders are employed on low wages with one quarter earning less than \$62,000 a year.<sup>60</sup>
- 118 Lower wages for migrants are in part due to the concentration of migrants in lower skill industries. The largest employing industries of migrants are:
- administrative and support services (14.1 per cent of jobs held by migrants);
  - health care and social assistance (12.1 per cent); and
  - accommodation and food services (11.3 per cent).<sup>61</sup>
- These sectors rely heavily on temporary migrants such as international students to fill lower skilled jobs on low wages.<sup>62</sup>
- 119 Migration is also important to Australia's labour force. One in three workers in Australia are born overseas. One in five workers currently hold either a temporary or permanent visa. Currently, temporary migrants make up seven per cent of the Australian workforce.<sup>63</sup> However, concentrated inflows of migrants into specific lower skill sectors also put downward pressure on the wages of Australian workers with similar skills.<sup>64</sup>
- 120 In December 2023 the Australian Government's Migration Strategy outlined a substantial reform agenda which aims to ensure to minimise the impact of migration on domestic workers and preventing migrant worker exploitation. Key reforms under this program include:
- (a) raising the minimum wage threshold for employer sponsored temporary migrants from \$53,900 to \$70,000 from 1 July 2023;
  - (b) the introduction of a wage-based new 4-year temporary employer sponsored visa, the Skills in Demand visa, will replace the current Temporary Skills

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<sup>58</sup> Australian Bureau of Statistics, *Detailed Labour Force Survey*, (2023).

<sup>59</sup> Australian Bureau of Statistics, *New migrant jobs and income data release*, (December 2022) ABS Website.

<sup>60</sup> Mackey, William, Coates, Brendan and Sherrell, Henry, *Migrants in the Australian workforce: A guidebook for policy makers*, Grattan Institute, (2022).

<sup>61</sup> Australian Bureau of Statistics, *New migrant jobs and income data release*, (2022).

<sup>62</sup> Mackey et al, *Migrants in the Australian workforce*.

<sup>63</sup> Ibid.

<sup>64</sup> Ibid.



- Shortages (subclass 482) visa, with implementation likely in late 2024; and
- (c) a focus on removing or changing migration settings to prevent migrant exploitation.
- 121 Broadly, misuse of both Student and Working Holiday visa streams is resulting in large numbers of migrants working illegitimately in low skill roles leaving them open to exploitation and poor working conditions. The Migrant Workers Taskforce, an agency focused primarily on international students and working holiday makers, has found that these cohorts are subject to higher rates of exploitation.<sup>65</sup> Planned and recently implemented changes to the student visa program that increase Department of Home Affairs powers to refuse non-legitimate student visa applications and improve the minimum English skills required for enrolment will likely:
- (a) reduce the overall number of illegitimate visa holders utilising student pathways in order to work in Australia; and
- (b) improve the domestic job prospects of and reduce the risk of exploitation to international students and those on graduate visas.
- 122 In addition, temporary Employer sponsored migration reforms planned for 2024, including the implementation of the Skills in Demand visa focus on increasing pathways to Permanent residency and reducing the risk and cost to migrants who leave exploitative employers.
- 123 A significant minimum wage increase would be aligned with the recent Commonwealth migration reforms, which aim to protect migrants from exploitation and lessen impacts on the wages and conditions of domestic workers with similar skill sets.

## 7.7 Regional Victorians

- 124 The headline unemployment figure of 3.0 per cent in regional Victoria suggests a sound level of economic inclusion comparatively to the 4.0 per cent unemployed in Greater Melbourne.<sup>66</sup> However, this lower unemployment masks the issues of lower participation with 62.4 per cent of the population in the regions participating in the labour market compared with 69.4 per cent in greater Melbourne.<sup>67</sup>
- 125 Regional Victoria also experiences lower income levels, with the median annual total income of \$50,055 for regional Victorians being 9.6 per cent lower than median income in Greater Melbourne. Moreover, 19 of the state's 20 Local Government Areas (LGAs) with the lowest median total income are situated in regional Victoria. And a higher proportion of regional Victorians receive remuneration in the lowest quartile of total income (27.6 per cent of regional Victorians compared to 24.7 per cent of Greater Melbournians).

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<sup>65</sup> Farbenblum, Bassina and Berg, Laurie, *International Students and Wage Theft in Australia*, Migrant Justice Institute (2020).

<sup>66</sup> Australian Bureau of Statistics, *Labour Force, Australia, Detailed*, (2023).

<sup>67</sup> Note that regional labour force statistics are reported as a three month moving average to smooth volatility.



- 126 While there are pockets of disadvantage in Melbourne, regional areas, in general, experience higher levels of disadvantage. The index of relative socioeconomic disadvantage underscores that 7 out of the 10 most disadvantaged LGAs are in regional Victoria.<sup>68</sup>
- 127 Lower income in the regions can partly be explained by the industry and occupation composition with 42 per cent of regional Victoria's workforce employed in low skilled occupations, compared with 37 per cent of workers in Metropolitan Melbourne.<sup>69</sup> Some of the highest employing occupations in regional Victoria are some of the lowest paid, such as Sales Assistants and Aged and Disabled Carers.<sup>70</sup>
- 128 An increase to the minimum wage award rate would raise incomes in the lowest-paid industries, contributing to an overall reduction in inequality. An increase in the minimum wage would most likely have positive impacts on residents in regional areas, especially those facing acute geographical disadvantages.

## 7.8 Long-term unemployed

- 129 A long-term unemployed person is defined as someone who spends 52 weeks or more out of work. As the labour market has tightened post pandemic the share of unemployed people in Victoria has fallen. However, in November 2023, 1 in 5 unemployed Victorians, or 25,200 people, have been searching for a job for a year or longer.<sup>71</sup>
- 130 Domestic and international studies show the scarring effect of long-term unemployment and its consequences on lower wages. People who regain employment after being long-term unemployed, experience a substantial gap in wages received when compared to those only short-term unemployed, and experience lower lifetime earnings.<sup>72</sup>
- 131 Increasing the minimum wage will have a positive impact on the long-term unemployed, who have and are already experiencing prolonged periods of wage loss over their working lives, with consequent financial and social isolation and adversity.

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<sup>68</sup> Australian Bureau of Statistics, *Socio-Economic Indexes for Areas (SEIFA), Australia - The Index of Relative Socio-Economic Disadvantage* (IRSD), (2021).

<sup>69</sup> Australian Bureau of Statistics, *2021 Census*.

<sup>70</sup> Jobs and Skills Australia, *Nowcast of Employment by Region and Occupation*, (December 2023); Australian Taxation Office, *Average and median taxable income, salary or wages, and total income, by occupation and sex, 2020–21 income year*.

<sup>71</sup> Australian Bureau of Statistics, *Detailed Labour Force Survey*, (2023).

<sup>72</sup> Cooper, Daniel, *The Effect of Unemployment Duration on Future Earnings and Other Outcomes*, Federal Reserve Bank of Boston Working Papers 13-8 (2014).

## 8 Conclusion

- 132 The Victorian Government submits that in the AWR 2023-24, there should be a substantial increase to the NMW and modern award minimum wages to:
- support workers in dealing with ongoing cost of living pressures;
  - support cohorts facing significant disadvantage;
  - ensure that growth in minimum and award wages does not lag behind wage increases in the broader labour market;
  - assist those on low incomes in Victoria who are struggling with strong inflationary pressures and a reduction in their discretionary income;
  - address gender pay inequity, noting that key award-reliant sectors are high gender-segregated and that key low paying occupations are dominated by women;
  - address persistent workforce shortages in award reliant occupations such as the care economy; and
  - support low paid groups such as apprentices and trainees.

