Australian Fair Pay Commission 2009 Minimum Wage Review – submission cover sheet (part 1)

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Your details

* Title / Name: RMIT Youth Work Team GPO Box 2476V Melbourne, Victoria, 3001

* Address: School of Global Studies, Social Science and Public Policy, College of Design and Social Context, Royal Melbourne Institute of Technology

Contact phone number (business hours): Judith Bessant (03) 9925 8268; Kathy Edwards: (03) 9925 8269

Email address: judith.bessant@rmit.edu.au ; kathy.edwards@rmit.edu.au

Further details required if responding on behalf of an organisation

* Name of organisation: Royal Melbourne Institute of Technology

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Australian Fair Pay Commission 2009 Minimum Wage Review – submission cover sheet (part 2)

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I am currently seeking work
I am not currently seeking work

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Submission in respect to the 2009 Minimum Wage Review

The Youth Work Team: Professor Judith Bessant, Dr Kathy Edwards, Mr Michael Emslie, Ms Rys Farthing, Ms Kerry Montero (School of Global Studies, Social Science and Planning, College of Design and Social Context, Royal Melbourne Institute of Technology [RMIT] University)

1. Scope of this Submission

We welcome the ‘2009 Minimum Wage Review’ and acknowledge the importance of identifying and developing effective policies to help ensure that Australians have access to an income that enables us to lead full and participatory lives.

This Submission addresses one aspect of one term of reference of the 2009 Minimum Wage Review: minimum wages for junior employees. Specifically it addresses a system of wages [put simply] where an underlying principle is that workers under 21 years are paid less than workers over this age threshold for the same work of equal value, the exact percentage of the full wage being determined by age. Because this broader and underlying principle of age-based wages informs the setting of a minimum wage for junior workers it is also addressed in this Submission.

There are multiple grounds upon which junior wages can be discussed and many reasons why they should be abolished. This Submission focuses on junior wages as an unfair and unjust form of age-discrimination that breaches the human rights of a particular group of Australians.

We argue that,

- The principle of junior wages is an outmoded relic of an era with different labour markets, workplaces, career and occupational structures and where most young people experienced quite different transitions from school and adolescence to work and adulthood, when they led different lives and were part of different social and family contexts to those which characterise the lives of most young Australians today.

- The principle of junior wages constitutes a form of age-based discrimination that contravenes the principle of equal pay for equal work. In addition junior wages breach the human rights of some young people by discriminating on the basis of age. They are informed by prejudicial age-based stereotypes of young people.

- While payment of lower wages to young people is exempt from Federal anti-discrimination law, it contravenes the general ethical intent and general spirit of this legislation.

- The principle of junior wages requires re-consideration in the context of late modern social and family environments. It is erroneous to assume that because a person is under 21 that they have a family that is able and willing to support them in ways that compensate for their receipt of low wages, or that they should be reliant on the support of a family. Despite popular perceptions many young people also have responsibility for the care and support of others. Many also simply desire to live independently.
Junior wages also have the unfortunate affect of excluding some young workers from various forms of socio-political, and cultural life and diminishing their social capital because they have less disposable income than co-workers who produce work of equal value. This inhibits their capacity to participate in the life of the community in the ways many others do because they are denied the financial means to do so.

Junior wages should be abolished because young workers have the same needs as adult worker and the costs of living for young people are the same as those of adult co-workers. Junior wages contribute to the growing problem of youth poverty.

The principle of junior wages needs be re-considered in the context of modern workplaces where it cannot be assumed that age equals either skill or value of work.

There should be no differentiation between wages for adult or ‘junior’ employees.

Following from this general principle the minimum wage set for adult workers should also apply to workers under 21.

The core Recommendations of this Submission are:

**Recommendation One**

- Junior wages should be abolished in favour of a fairer wage setting that is not informed by prejudicial age-based stereotypes and which does not make assumptions or discriminate on the basis of age.

**Recommendation Two**

- The minimum wage set for adult workers should also apply to workers under 21.

2. The Context of the Youth Wage: Historical Beginnings

In making the case for the abolition of the junior wage and the setting of minimum wages for adult workers and workers under 21 at the same levels it is useful to reflect on both the original reasons for the establishment of the junior wage and the origins of the minimum wage, to draw out some of their suppositions, to discuss their historical context and the contemporary relevance of that legacy.

‘Junior Wages’ had their origins in the early twentieth century. Wage-fixing agreements at the time considered that young people required less income than older people, did not provide the same value through their work as adults, and if paid the same wages may not, therefore, be as ‘attractive’ to employers as adult workers (Pitman 1983, Short 1987). When the basic, or minimum, wage was established by the Harvester Judgment in 1907 it was not applied to workers under 21 on the basis of this same reasoning.
The Harvester Judgment established the basic wage as being that required to sustain a man and his family in frugal comfort. The Judgment also reflected and established the normative structure of the family at the time: the male-breadwinner model. Younger people (and women of all ages) did not, it was argued, require a basic wage because they were, (it was supposed), supported by a male breadwinner. Young men, upon reaching maturity at 21, were entitled to a man’s wage because they were expected to undergo a transition from a boy (supported by his father) to a breadwinner (having a wife and children of his own).

At the time that Justice Higgins made his Judgment, and for some decades after, the exclusion of young people from the adult minimum wage was justified not only on the grounds that young people were being supported within the context of family structures headed by male breadwinners, but also that young men did not do the same work as adult men.

In this context labour markets, workplaces and career and occupational structures reflected the era. The average school leaving age was much younger than it is today and it was likely that at the time of their transition from school to work young people would be relatively unskilled. Whilst some workers remained at the bottom rungs of these occupational ladders stories from the era also tell of young people starting out in very junior positions and making their ways up company ladders over a lifetime of work. In other words occupational ladders were relatively long, the culture of credentialism less than that it is today, so it was possible for workers to learn skills ‘on the job’, enabling progression to more highly skilled, and better paid, positions.

An argument could be made that wages (minimum or otherwise) based on age or ‘junior’ status were still discriminatory even in this era, and that there were many young people not supported within family structures, whose wage was essential for support within family structures, or who were as skilled as, or worked as hard as, older workers. However the rationale reflected the social circumstances and assumptions of the time.


Whilst the Harvester Judgment remains one of the great advances in social justice and welfare made in Australia it has also met with justified challenge as times change.

That women should receive ‘equal pay for equal work’ with men was an issue addressed by the women’s movement, resulting in the granting of this to women in 1972. In this context women and men over 21 are paid the same minimum wage. More broadly whilst there are debates regarding the nature of ‘equal work’ (the same job, or work of equal value) and whilst feminised occupational enclaves attracting only low wages (such as cleaning or childcare) still exist it is now accepted that as a society we should be working towards the elimination of sex-based discrimination in the workplace. In addition it is no longer widely assumed that women will be supported by male-breadwinners.

The push towards women’s equality in terms of wages occurred in the context of legislative advances towards anti-sex discrimination and Equality of Opportunity. Initially these Acts focused primarily on race, sex and disability. But, of late, age-based discrimination has also been a focus in industrial and employment contexts. That there should be a compulsory age of retirement, for example, has been met with challenge.
4. But What About Age-Based Discrimination in Wage-Setting?

Age-based discrimination in the form of the ‘youth wage’ continues and many Australians see it as fair and just to retain junior wages, including a different minimum wage for young people under 21. It is interesting to note in this context that our Pacific neighbours in New Zealand have established a local precedent by taking steps to eliminate junior wages (Hyslop and Stillman 2005). Clearly community standards are changing. Australia adheres to junior wages not only in light of this but also despite the fact that Article 23.2 of the Universal Declaration of Human Rights specifically states that “everyone, without any discrimination, has the right to equal pay for equal work”. This also requires governments seeking special exemptions from their own anti-discrimination legislation in order to legitimise junior wages. In this context a general standard of fairness and justice is declared by the Declaration and also by anti-discrimination law, yet young people are seen as legitimately exempt. Such laws and Declarations exist to protect vulnerable groups from discrimination that can result in various forms of harm, including economic harm. As well as being legal documents they rest on such ethical principles as justice, fairness and equality. They are largely accepted in the Australian ethos and referred to in judgements and deliberations designed to protect the persons, rights and livelihoods of Australians. Yet in the case of young people it is considered acceptable to step outside of this ethical and legal framework and declare that this group should not be treated ethically, and should not be protected from economic harm. We argue that this contravenes the general ethical intent and general spirit of anti-discrimination legislation.

We also argue that the assumptions underpinning junior wages (described above) rest on a base of prejudice. Prejudice is a complex philosophical and legal term. Here, in brief, we argue that prejudice operates when generalisations are made about a particular group [i.e. based on sex, gender, ethnicity or age], and where these are based not on evidence, but instead on popular assumptions or stereotypes. Junior wages are not malevolent in intent or designed to hurt or punish young people; their origin was ‘protectionist’ in nature [similar to the ‘protective’ labour laws that once governed women’s work]. Given the assumptions about young workers, described above it was argued that lower wages would encourage employers to take on inexperienced, unskilled young workers whose work was not of the same value as older workers’ and provide then with experience and skill. Young workers, it was considered, would not be able to compete with older, presumably fully skilled and experienced adults if wages were equal (for a full description of the reasoning behind junior wages see Pitman 1983 and Short 1987).

No matter how benevolent the intent of this protectionism the effect of junior wages is detrimental and damaging to young people, just as protective legislation ultimately harmed women (Howe, 1995). We acknowledge that most employer groups and some economic and industrial researchers argue that an increase in both junior wages and a setting of a minimum junior wage at the same level as an adult minimum wage may decrease youth employment. By the same token we also acknowledge that most employer groups and some researchers argue that any increase in any wages, minimum or otherwise, for any age-group, will decrease employment more generally. We suspect that given the current ‘global financial crisis’ that this will be highlighted as a topic in the 2009 Review of the Minimum Wage. This topic is beyond the scope of this Submission. We would like, however, to highlight two aspects. The first is that some research challenges that higher wages for young people leads to higher rates of youth unemployment (for an overview of the respective arguments see: Salverda 1992, Daly et. al. 1998, Rice 1986, Junankar and Waite 1998, McDonald 1998). The second is that
by keeping wages for some young people at low, unliveable levels we are in effect saying that it is acceptable for young people to live in poverty. A choice between possibly exacerbating youth unemployment and thus youth poverty and a system of wage-fixing that also leads to poverty and exclusion for young employed people is indeed a Hobson’s choice.

We highlight the issue of age based prejudice because the retaining of junior wage is based on negative and ill-informed stereotypes rather than relevant evidence and knowledge on what is the case today in respect to young people, contemporary society and labour market. Our argument is that good policy and practice depends on a capacity to reflect on the assumptions and prejudices that we rely on when generalizing about groups of people and to distinguish myth and prejudice from the often complex realities. Below we introduce and challenge some prevailing prejudicial assumptions regarding young people.

5. Reality check: Challenging ideas about support and dependency of young people today.

One way that prejudice operates in the context of junior wages is how young people are thought about as members of Australian society. The dominant account of ‘youth’ or ‘adolescents’, in this case those between the age of 15 to 21 years, rests on the assumption that ‘they’ as a group or section of the population share certain essential features, in this case that young workers are either supported by others (presumably their families), should be supported by others (presumably their families), or somehow have (or should have) fewer financial commitments and needs than older workers and therefore do not need a living wage (Pitman 1983, Short 1987).

In fact many young people under 21 live independently, contribute to (parental) household income or have their own families. Some may have moved from rural areas to cities seeking work or pursuing study, and are therefore unable to live in a family home. Others desire independence from the family unit because it is an unhealthy, crowded or abusive place to be, or, simply, because they are at an age where it is usual to seek out a ‘life of one’s own’ away from the family base. Data from the Australian Household, Income and Labour Dynamics survey (HILDA) highlights many of these factors as influencing young Australians decisions (or desires) to leave the family home (Schneider 1999).

Many self-finance their education and living expenses whilst students through work (Lucas 1997). Available research indicates, for example, that many jobs in the retail and service sectors are held by young people working full time for a livelihood (Lauritsen 1995, Munro 1992).

Younger and older Australians may have a variety of household arrangements and financial needs. There is no evidence to suggest that younger people have needs that require less financial support than older Australians. In fact taxes, rental prices, health care, clothing, and grocery items [for example] are the same regardless of age. To take two examples, rental prices have increased substantially in the last two years in most major capitals and many regional cities, and drought, coupled with higher transport costs due to the increase in the price of oil, have caused successive increases in the price of many food staples.

Moreover, it is worth observing the major transformations that have taken place in the last 30 years and noting their impact on the lives of young people. The full-time non-casualised youth labour market that once offered relatively secure employment for school leavers has
collapsed (ACER 2000). This has been accompanied by a succession of changes to social security payments making access to income more difficult, not only for the jobless, but also for young people who are under-employed and / or in casual work.

These social and economic changes have occurred in the context of a broader policy environment. Since the 1980’s this environment has been shaped largely by economic liberalism, which has had a devastating impact on the capacity and willingness of governments to provide civic staples such as decent and publicly available education, health, housing and welfare (Pusey 1991). Old ideas about individual responsibility have resurfaced, with significant implications for young people, most of whom, because of their precarious financial situations, have comparatively limited resources to practice self-responsibility. Indeed ‘self-responsibility’ in the context of education has meant that many young people are excluded from higher education or VET or bear large debts as a result of participation.

One effect of this complex combination of circumstances has been to diminish the capacity of young people to participate civically and as full members of local communities and the Australian community *writ large*. Lack of adequate income combined with a diminishing welfare state and the assumption that vulnerable people can and should practice ‘self responsibility’ has also impacted on the social capital of young people. For example research has shown that lack of access to adequate housing impacts negatively on a young person’s ability to participate electorally (Edwards 2008). In that they have access to education students are a relatively privileged group of young Australians (although this access is problematic for many and students are not a homogenous group). Yet research has shown that lack of adequate income amongst students impacts negatively on their ability to maintain ties with friends and family, have adequate transport, remain in education and obtain adequate housing (Bessant 2007). Further, recent research in the United Kingdom shows this is true for a more diverse range of young people (see, for example, France 2007, Office of the Deputy Prime Minister, Social Exclusion Unit 2005). Yet we deny young people the same minimum wage as adults.

Research also points to a growing problem with respect to poverty amongst Australia’s young. Australians aged 12 to 25, are disproportionately affected by poverty, homelessness and poor health (ABS 2008, AIH&W 2007). Australia has ostensibly adopted social inclusion as a lynchpin of its social policy agenda. In the United Kingdom where research and policy on social exclusion has prevailed for a decade it is widely accepted that low incomes leading to poverty is a mainstay of social exclusion (Office of the Deputy Prime Minister, Social Exclusion Unit 2005). Rising debt amongst young people is also a growing concern. The growth of this poverty and debt is exacerbated by the circumstances described above [i.e. rising costs, unemployment and under-employment, neoliberal policies]. The prevailing global financial crisis will likely worsen this situation further. We add our voices to those who argue that for many young people poverty and debt are also fuelled by junior wages.

The ability to afford ‘frugal comforts’ such as food, health care, clothing and shelter is at the core of the concept of the minimum wage. Not all young workers are living in poverty, some may well be earning above minimum wages [in this case where they are earning a junior wage age discrimination still exists], and indeed some are supported by their families, but the assumption that some workers, because of their age, can potentially live on less than the minimum wage is beyond prejudicial and discriminatory, it is offensive and abhorrent.
6. Changed Workplaces, Changed Transitions to Adulthood

We also argue that the assumption that young people do not provide work of equal value to older workers constitutes age-based discrimination and prejudice. Since the Harvester Judgment labour markets, workplaces and the nature of work itself (for example career and occupational structures) have undergone a series of complex and fundamental changes. Amongst other multifaceted factors these changes have been driven by developing technologies and economic circumstances. A by-product of these changes is that the transitions experienced by young people between education and work have undergone significant shifts.

The connection between work and the acquisition of skill is now clearly complex and certainly not linear as it tended to be historically. Most essentially it can no longer be assumed that young people enter the workplace relatively unskilled and learn skills through their work as they progress up a company ladder. The now common experience of young people studying full-time and working part-time means by the late teens, it is not unusual for young people to have work experience and a repertoire of relevant skills and knowledge. It can also no longer be assumed that young workers have the opportunity to incrementally progress up a company ladder as they acquire more and more skills. Indeed ‘company ladders’ as such are now increasingly rare, and it is also now more common for workers of all ages to shift and move between companies, occupations and careers.

It is also expected that workers of all ages, including young people, bring a variety of skills to the workplace, or that they attain these skills through Vocational Education and Training [VET] or other forms of training. Indeed while workplaces provide some work-based training, and some Government support exists, it is also now expected that Australians of all ages should finance their own education and training [an expectation, it must be noted that can decrease access and increase debt].

Structuring the provision of VET over recent years has been the idea of ‘lifelong learning’. Changing technologies and markets call for the skilling and re-skilling of workers of all ages. Life-long learning challenges the assumption that skills training is something undertaken in youth and left behind in later life. Instead it assumes shifting and changing labour markets where workers of all ages are personally responsible for ensuring that they have the skills necessary to obtain employment. Thus The Australian Review of Higher Education defines a lifelong learner as “a person who takes responsibility for their own learning and who is prepared to invest ‘time money and effort’ in education and training on a continuous basis” (quoted in Hancock 2005, 6).

Whereas there are some parts of some sectors that primarily employ young people (for example fast-food retail outlets) it is also common to see people of various ages working together and side-by-side doing the same work. Both older and younger workers learn new skills when undertaking different jobs and both older and younger workers bring skills to their workplaces.

Whether there should be a ‘training wage’ (or similar) for new employees who are receiving training from their respective workplaces is a complex question and outside the scope of this Submission. However it is clear that ‘age’ cannot be correlated with ‘skilled’ or ‘unskilled’ or the amount of value that a worker brings to their workplace. There is therefore no justification for paying young people less than older workers where they are performing the same job,
merely because they are younger. By extension there is also no justification for paying a minimum wage to adult workers and a wage-amount less than this to workers under 21.

7. Summary

In summary this submission has considered the principle of junior wages that underlies the practice of a junior minimum wage set at a lower level than the adult minimum wage. It has argued that a system of wage-fixing based on age where junior employees under 21 are paid less than adult employees, including where this wage is a minimum wage,

- is outdated and does not reflect the lives and needs of young people under the age of 21 years in our contemporary context
- contravenes the principle of equal pay for equal work
- constitutes a form of unjust discrimination based on age-based prejudices
- does not support young Australians to participate fully in their community
- can exacerbate youth poverty, debt and social exclusion
- does not reflect the character of modern workplaces and occupational structures
- does not acknowledge young Australians’ skills and contributions to their workplaces
- does not reflect contemporary youth transitions

We therefore reiterate our recommendations,

Recommendation One

- Junior wages should be abolished in favour of a fairer wage setting that is not informed by prejudicial age-based stereotypes and which does not make assumptions or discriminate on the basis of age.

Recommendation Two

- The minimum wage set for adult workers should also apply to workers under 21.

8. References

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