Submission to the Fair Work Commission on the Minimum Wage

4 April 2025

About ACOSS

The Australian Council of Social Service (ACOSS) is a national voice in support of people affected by poverty, disadvantage and inequality and the peak body for the community services and civil society sector.

ACOSS consists of a network of approximately 4,000 organisations and individuals across Australia in metro, regional and remote areas.

Our vision is an end to poverty in all its forms; economies that are fair, sustainable and resilient; and communities that are just, peaceful and inclusive.

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Summary

ACOSS welcomes the opportunity to make this submission to the Annual Wage Review. ACOSS is an interested party in these proceedings with expertise in poverty, employment policy and income support policy. Our long-standing interest in minimum wages stems from their impact on poverty and inequality in Australia.

The National Minimum Wage (NMW) is $915.90 per week or $24.10 per hour or around $48,000 per year. Last year's minimum wage increase determined by the Fair Work Commission was 3.75 per cent ($47 per week).[1]

Key points

The following key points are elaborated in our submission.

Recent trends in earnings, inflation and the labour market

- Real wages declined sharply from 2021 to 2023 under pressure from high inflation. Since then they have recovered slightly but remain below their level a decade ago.
- Recent minimum wage increases have helped shield low paid workers from inflation (as measured by the CPI) but have not kept up with increases in the cost of living.
- Over the longer-term, minimum wages declined relative to median earnings. They have begun to catch up recently, in part due to weak growth in median wages.
- Inflation is declining and unemployment remains relatively low.
- Despite low unemployment there is no sign of a price-wage spiral.

Living standards of minimum wage households

- In 2022 and 2023, the cost of living increased markedly.
- As minimum wage increases (including minimum modern award rates) have not kept up with the cost of living, more low-paid workers face financial hardship.
- Low-paid workers are especially vulnerable to inflation in housing costs.
- Poverty has risen among wage-earning households.
- Budget Standards research indicates that many families on the minimum wage (including minimum modern award rates) lack sufficient income for the essentials.

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[1] Fair Work Commission (2024): Decision, Fair Work Act 2009 s.285—Annual wage review. Melbourne.

The impacts of minimum wages

- Adequate minimum wages reduce poverty directly by lifting the incomes of low-paid workers and their families.
- Adequate minimum wages, along with Family Tax Benefits, reduce child poverty.
- Along with a tight labour market, recent minimum wage increases have reduced earnings inequality.
- Minimum wages reduce the gender pay gap.
- Higher minimum wages improve pay equity and help ease chronic labour shortages in care and community services.
- There is no automatic relationship between minimum wages and employment levels.

Conclusion

While it will take years to restore living standards to their pre-COVID levels, we submit that the Commission should take a further step this year. On balance, this submission concludes that there is room for a modest above-inflation increase in the NMW and minimum award rates this year without risking a resurgence of inflation. Employees in low paid work need this now to ward off financial hardship.

Recommendations

We recommend that:

1. **The Commission should increase minimum wages (including minimum modern award rates) substantially** to ease financial hardship and significantly reduce the gap between them and median pay levels.
2. **It should continue to commission research and hold consultations with stakeholders** to develop and update a robust set of indicators of a minimum adequate living standard for people in low-paid work. It should regularly assess the living standards of individuals and households receiving minimum wages (including minimum modern award rates) against median household disposable incomes, poverty lines, budget standards and deprivation indicators, including financial stress indicators.

   To ensure that such research is relevant and valid for the purpose of setting minimum wages, we recommend that the Commission examine more closely the profile and circumstances of individuals (and their households) who are paid at or modestly above the NMW, noting that this is now aligned with the C13 rate in the Manufacturing Award rather than the lower C14 rate.
3. **Decisions on the level of minimum wages should be informed by benchmark estimates** of the cost of attaining a 'decent basic living standard' for a single adult according to contemporary Australian standards.
4. **A reasonable benchmark for the adequacy of minimum wages in comparison with wages across the community would be at least 60% of the full-time median wage.**

5. **The combined effect of the minimum wage and family payments on the extent of poverty among families with children**, including real recent reductions in family payments, **should also be expressly considered** in setting minimum wages.
6. **Minimum wage rates for young people, apprentices and trainees should continue to be increased** at least in line with the rise in the minimum wage for adults. **Any increase in the minimum wage for adults should also flow to people with disability under the supported wage system**, noting broader recommendations for reform to this system made by the Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability.[2]

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[2] Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability (2023), *Final Report, Volume 7: Inclusive education, employment and housing, Summary and recommendation,* recommendation 7.31, p.34.

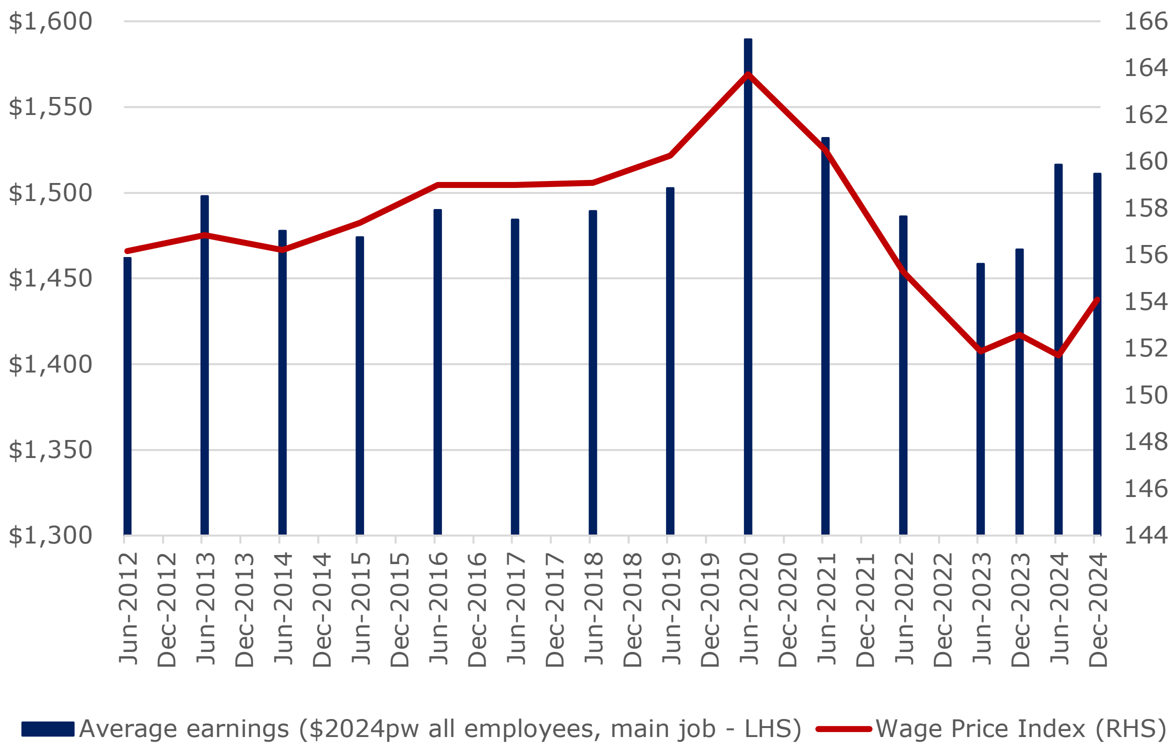
1. Recent trends in earnings, minimum wages, inflation and the labour market

Real wages fell dramatically under pressure from high inflation, and despite recent growth they will take years to recover

Over the two years from June 2021 (commencing *after* COVID income supports were removed) to June 2023, employees generally faced a sharp decline in real hourly earnings as consumer price inflation increased. Adjusted for movements in the Consumer Price Index (CPI) the Wage Price Index (WPI) declined by 5% (Figure 1). Since then (from June 2023 to December 2024) it has recovered slightly – rising by 1.5% - but remains below its level a decade prior in 2014. It will take many years for real hourly wages for comparable work to reach their immediate pre-COVID level (in 2019).

Average weekly total earnings have grown more strongly than the WPI since 2023, as average paid working hours increased.[3]

Figure 1: Average weekly wages and Wage Price Index (both adjusted to 2024 values using CPI



Sources: ABS *Average weekly earnings* (all employees total earnings); ABS *Wage Price Index* (total hourly wages, all employees); ABS, *Consumer Price Index, Australia*.

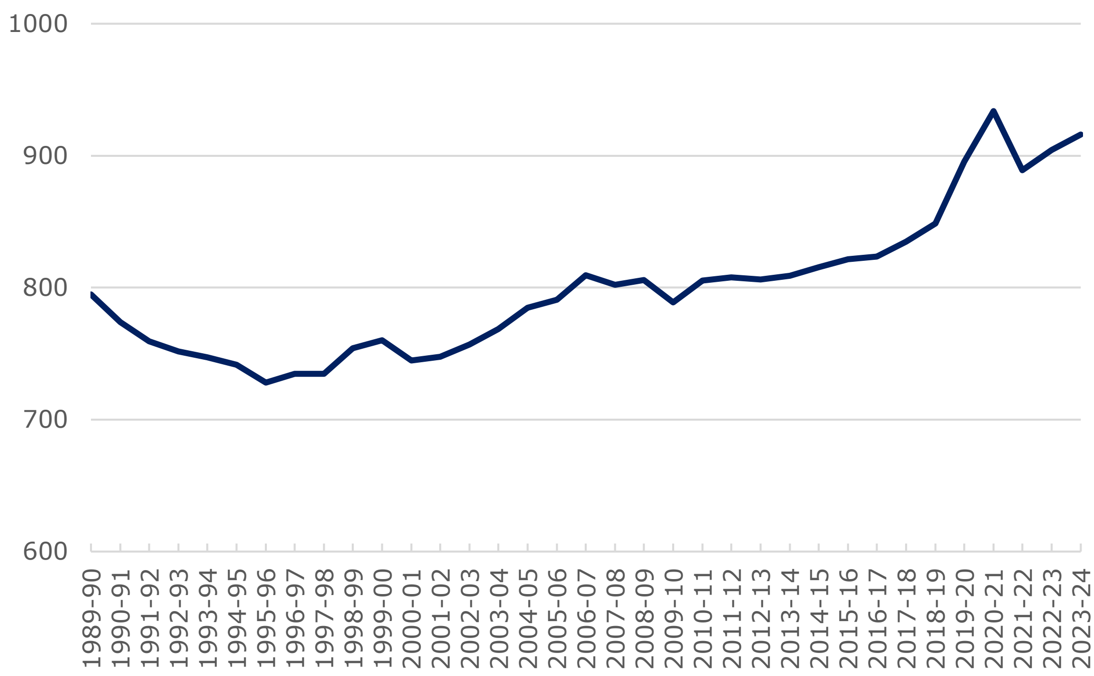
[3] Monthly hours worked rose by 3.2% through the year to December 2024 (ABS, *Labour Force, Australia*).

Note: Average earnings in dollars per week (left side) and Wage Price Index (right side), both adjusted to December 2024 values using the Consumer Price Index. The Wage Price Index measures changes in wages paid for a fixed 'basket' of occupations, abstracting from changes in the composition of the labour force, working hours, and individual earnings (for example as people are promoted).

Recent minimum wage increases have helped shield low paid workers from inflation

From December 2021 to December 2024, the real value of the NMW in 2024 dollars rose modestly from $889 to $916 per week, after declining from a peak of $934 in 2020 during COVID lockdowns, when wages were supplemented by the JobKeeper Payment (Figure 2).

Figure 2: Real minimum wage ($A2024 per week)



Sources: Fair Work Commission and ABS, *Consumer Price Index, Australia*.
Note: Calculated in December of each financial year.

However, in recent years the NMW has not kept pace with increases in a more accurate measure of the living standards of employees, the Employee Living Costs Index. Since December 2021 the NMW has risen by approximately 19% compared with 21% for the LCI.[4]

[4] Fair Work Commission (2025), *Statistical report—Annual Wage Review 2024–25*; ABS, *Selected living cost indexes, Australia, Australia*, December 2024.

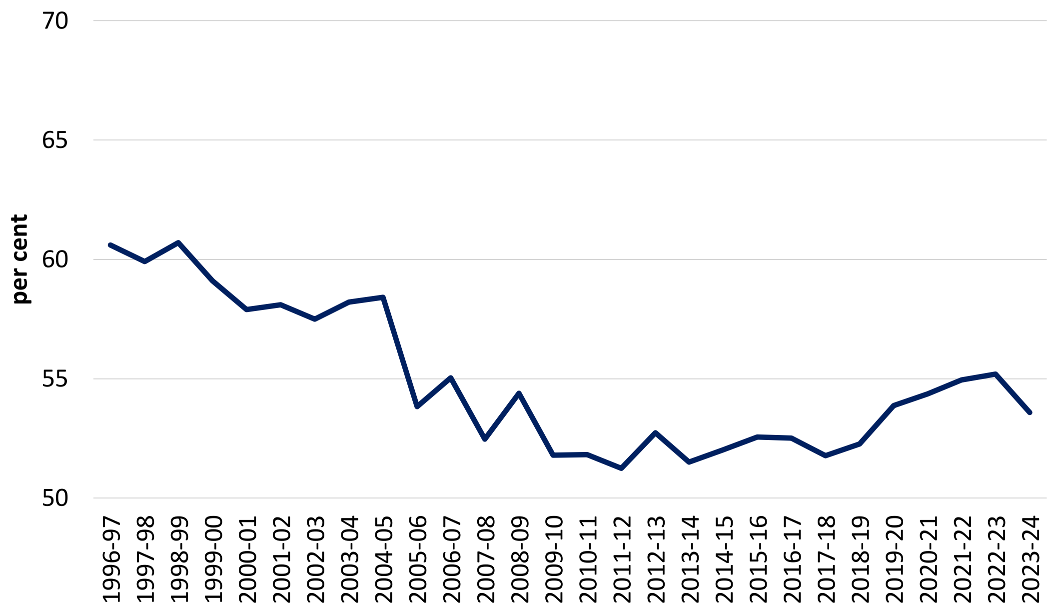
Over the longer-term, minimum wages declined relative to median earnings, but they have begun to catch up recently

One measure of the adequacy of minimum wage is its relationship to median full-time earnings. For many years after the introduction of a national minimum wage in 1996, increases in the minimum wage fell well behind growth in the full-time median wage.

In 1996 the minimum wage was over 60% of median earnings, measured on a weekly full-time basis:

- It fell from 61% of full-time median weekly earnings in 1996 to around 53% in 2012. Over the past decade there has been a welcome narrowing of the gap between minimum and median wages, though the NMW is still significantly below 60% of the median wage, at 54% (Figure 3).

Figure 3: Minimum wage as a percentage of full-time weekly median earnings

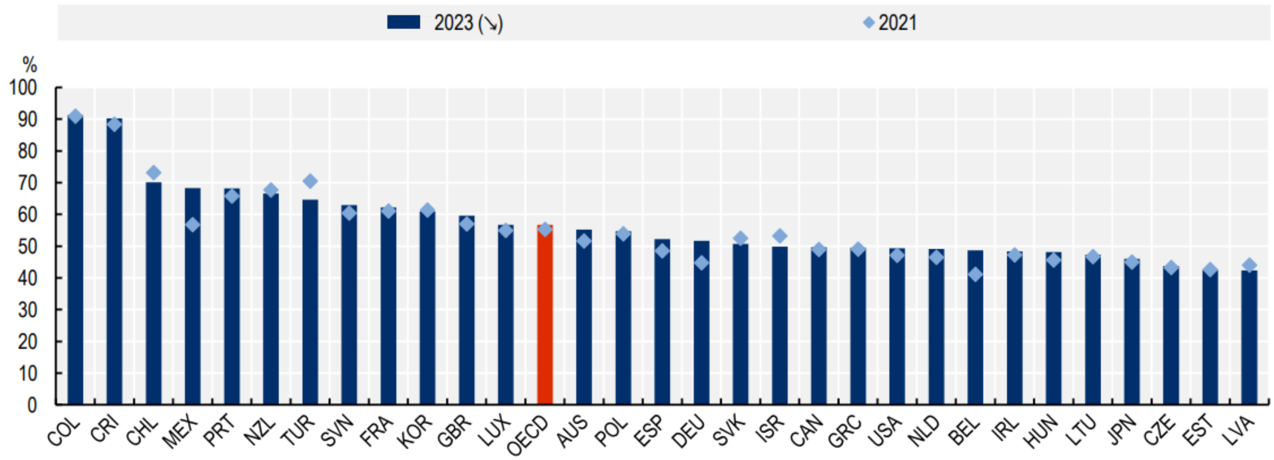


Sources: Fair Work Commission; ABS *6336.0 Working Arrangements, August 2024* (m*edian weekly total earnings of full-time employees) and predecessor surveys.*

The value of the minimum wage relative to median full-time earnings is close to the OECD average

The OECD estimates that in 2023, the minimum wage in Australia was approximately 55% of the median full-time wage for all employees, compared with an OECD average of 57% (Figure 4).

Figure 4: Minimum wage (before tax) as a percentage of median full-time wage



Source: OECD (2025), *Real wages continue to recover*, OECD Wage Bulletin.
Note: 'OECD' is the unweighted average of the 30 OECD countries shown.

Inflation is declining without a sharp rise in unemployment, though employment growth is softening

Inflation has declined substantially since 2022, during which the trimmed mean measure of the CPI rose by 6.2%. Up to the December quarter 2024, annual growth in the trimmed mean was 3.2%, close to the Reserve Bank of Australia's (RBA) 2-3% per year target range.[5]

This reduction in inflation has been achieved without a large rise in unemployment, which currently sits at 4.1% of the labour force. Nevertheless, job vacancies and employment growth have weakened since the RBA commenced its latest round of interest rate increases in mid-2022, with 105,000 more people unemployed and an increase in the ratio of people unemployed or under-employed for every job vacancy from 2:1 to 3:1.[6]

We welcome the Government's commitment in its Employment White Paper to restore full employment, defined as a labour market in which people seeking employment or more paid hours can secure them without searching for too long – but do not consider that we have reached that goal.[7] ACOSS has consistently argued that the RBA and Government should commit to explicit full employment targets and give equal consideration to this alongside the Bank's inflation target.[8]

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[5] Australian Bureau of Statistics (ABS), (2024), *Consumer Price Index, Australia.*
[6] From July 2022 to December 2024 (Reserve Bank of Australia 2024, *Cash rate target;* ABS, *Labour Force, Australia*; Jobs and Skills Australia, *Internet Vacancy Index)* .See also ACOSS (2024), *Faces of Unemployment*.
[7] Australian Government (2024), *Working future*. Canberra; ACOSS (2024), *Issues paper: Defining and measuring full employment.*
[8] ACOSS (2022), *Jobs and Skills Summit statement.* Sydney.

There is no sign of a price-wage spiral

High inflation in Australia and elsewhere through 2022 and the first half of 2023 was triggered by supply constraints related to COVID19, the war in Ukraine and the temporary boost to incomes from COVID19 economic stimulus measures such as early release of superannuation and JobKeeper Payment.

While inflation in the price of services remained elevated through 2024, as discussed above wage increases have been modest since the COVID recession in 2020, with no sign of a price-wage spiral.

Both the Treasury and RBA expect that while unemployment will remain relatively low, the pace of wage growth will continue to ebb during 2025. In its 2025 Budget forecasts, Treasury anticipates that growth in the WPI will decline from 4.1% through 2023-24 to 3% through 2024-25.[9] The RBA estimates that WPI growth will decline to 3.4% through 2024-25.[10]

While the Bank is concerned about the impact of slow growth in productivity since the COVID lockdowns on unit labour costs, it notes that shifts in productivity are difficult to measure and that productivity is likely to improve as some of the disruptions to business brought about by lockdowns and supply bottlenecks unwind:

"*While it is difficult to forecast productivity growth, much of the recent weakness in productivity has likely been a by-product of the pandemic and the economic cycle and so can be expected to unwind over the next few years. Examples of these temporary factors are the capacity challenges faced by firms related to pandemic or weather disruptions, capital shallowing (as the increase in hours worked outpaced growth in the capital stock) and additional employee training required given the high turnover and jobs growth we've seen in a very tight labour market."* (Kohler M, (2024), *The outlook for inflation and employment.* Address to the ABE Annual Forecasting Conference, Sydney 13 February 2024, Reserve Bank of Australia, p4*)*

The relationship between minimum wages, overall wage growth and inflation is discussed further in Part 3 of this submission.

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[9] Chalmers J & Gallagher K (2025), *Budget Paper No 1.* Australian Government, Canberra.
[10] RBA (2025) *Statement on Monetary Policy*, February 2025. Sydney.

2. Living standards of minimum-wage households

ACOSS welcomes the Commission's use of poverty lines, Budget Standards research and indicators of financial hardship to help assess the adequacy of minimum wages combined with government income supports, consistent with its requirement to consider *'the needs of the low paid'* pursuant to Section 284(1) of the Fair Work Act. A proper assessment of the needs of low paid workers requires objective benchmarks of this kind.

We understand that a comprehensive review to benchmark the adequacy of the NMW proposed by the Commission has been deferred in view of a lack of evidence regarding the profile of individuals and households to whom the NMW applies in practice:

''We consider that further research is necessary to gain a better understanding as to the modern awards and classification levels which predominantly apply to modern award-reliant employees who are low paid, and the earnings which employees can realistically expect to obtain at various award classification levels inclusive of additional payments such as allowances, loadings and penalty rates. The Commission will explore opportunities for a research project after the completion of this Review. We note that in the AWR 2023 decision the Expert Panel said that there should be a comprehensive review of the NMW by reference to the budget standards research and other relevant material to arrive at a NMW amount which is set having proper regard to the needs of the low paid and the other considerations in s 284(1) of the FW Act. However, as already stated, we have now come to the view that it is not currently possible to identify persons to whom the NMW actually applies, and the number of such persons is likely to be very small. In light of this, unless any evidence to the contrary emerges, we do not consider that such a review would be a practical proposition." [11]

We recommend that the Commission undertake the research necessary to establish the profile and circumstances of individuals (and their households) who are paid at or modestly above the NMW, noting that this is now aligned with the C13 rate in the Manufacturing Award rather than the lower C14 rate.

The Commission's recently published research profiling individuals reliant on modern awards is helpful in this regard. It finds that in 2023 *"46 per cent of modern award-reliant employees earned between $24.00 and $29.99 an hour."* [12] Following the Commission's 2023 Annual Wage Review decision (which aligned the NMW with the C13 rate and increased it), the NMW was $23.23 per hour.

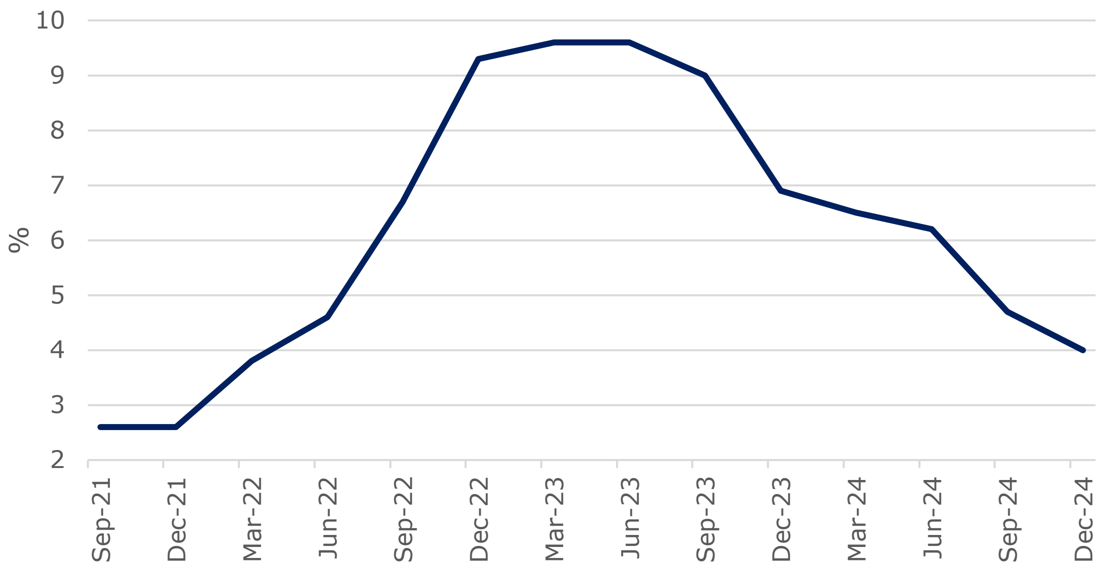
[11] Fair Work Commission (2024), *Decision, Annual Wage Review 2023–24*, p35.

[12] Strong J, Rozenbes D & Tomlinson J (2025), *A profile of employee characteristics of modern awards – 2023*, Fair Work Commission Research Report 1/2025, p 51.

In 2022 and 2023, the cost of living for employees increased markedly though inflation is now easing

Figure 5 shows annualised increases in the cost of living for households receiving wages, which rose from less than 3% in 2021 to a peak of over 9% in 2022-23 and have since moderated to 4%.

Figure 5: Employee cost of living increases (% p.a. from 2021 to 2024)



Source: ABS, *Cost of Living Indexes* (2024)
Note: Unlike the Consumer Price Index, this measure captures increases in home mortgage payments.

As minimum wage increases have only just kept up with inflation, more low-paid workers face financial hardship

Since inflation and interest rates increased in 2022, people with low incomes - including those on income support payments such as JobSeeker Payment and low-paid workers and their families - have been caught in a vice between sluggish growth in incomes and increases in costs, especially housing costs.

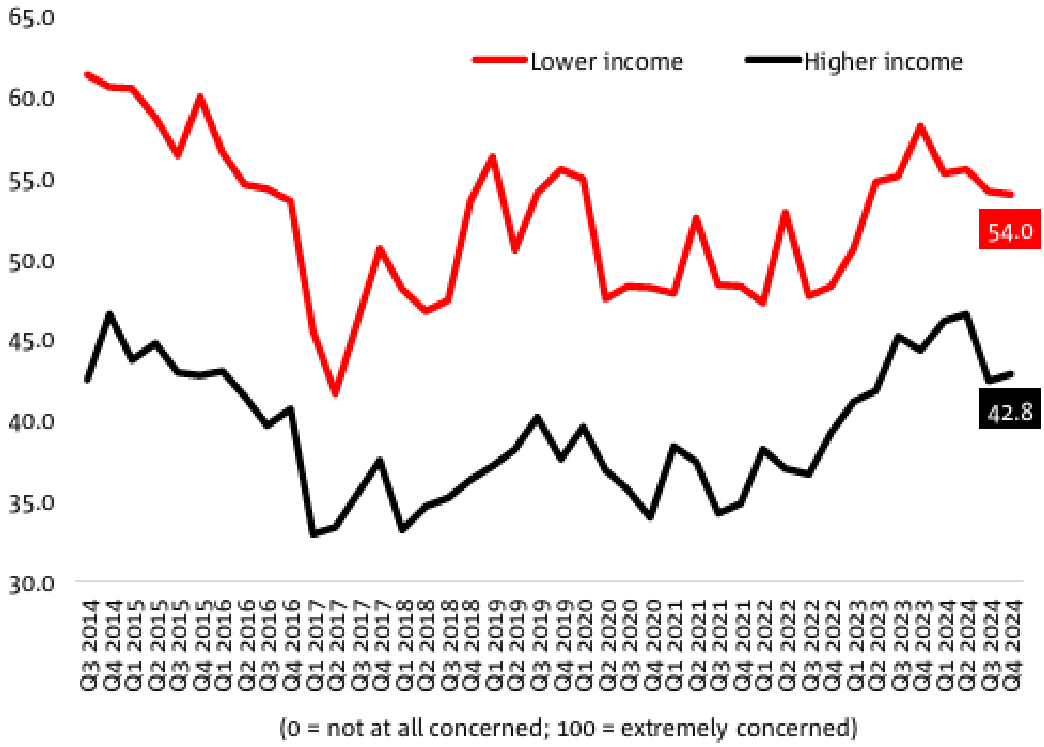
As discussed, in recent years the NMW has not kept pace with increases in the Employee Living Costs Index. Since December 2021 the NMW has risen by approximately 19% compared with 21% for the LCI.[13]

[13] Fair Work Commission (2025), *Statistical report—Annual Wage Review 2024–25*; ABS, *Selected living cost indexes, Australia, Australia*, December 2024.

Since COVID lockdowns ended, there have been few valid, frequent and detailed population-wide surveys tracking trends in financial stress. Figure 6 is drawn from the long-standing NAB Australian wellbeing survey, conducted in the December quarter 2024:[14]

- This found that financial stress was consistently higher among individuals with lower incomes, and that its incidence rose substantially from 2022 as COVID income supports were withdrawn and inflation and interest rates rose, then declined somewhat during 2024 (Figure 6).
- In the December quarter of the 2024 survey, 6% more people with incomes between $30,000 and $50,000 dissaved (spent more than they earned) in the last month than those who saved their income. This was an increase from 0% in the survey conducted in the last quarter of 2023.

Figure 6: Financial stress index: average scores for individuals with lower and higher incomes



Source: NAB (2025), *Australian Wellbeing Survey*.

Note: Lower income = individual income below $75,000. The household Financial Stress Index is derived from survey responses regarding people's ability to meet the costs of healthcare, mortgage repayments, rent, credit cards, education, food & basic necessities, utility bills, insurances, holidays, entertainment, unexpected expenses, financing retirement, major household items and home improvements & maintenance.

[14] NAB (2025), *NAB Australian Wellbeing Survey, Q4-2024*

Other survey results include the following:

- The Westpac *Consumer Sentiment Index* has a component based on responses to a question about whether family finances had improved compared with the last year. Compared to the long-term average value of this index (88.1), it was well down at 76.7 in the December quarter 2024, but up from 65.2 in March 2024.[15]
- The AMP *Financial Wellness Report* estimates that in 2024, 32% of individuals with incomes below $55,000 experienced 'moderate to severe' financial stress (up from 26-29% in 2022), including 34% of employees in 'health and social services'.[16]
- Mission Australia's 2023 *Youth Survey* found that of those young people surveyed experiencing financial hardship, approximately half were employed part-time.[17]

Households in the lowest 40% ranked by disposable income are generally under the greatest financial pressure because they lack the financial buffers, including savings, that shield those with higher incomes and assets from hardship (Figure 7).[18] In contrast to higher-income households, they are more likely to have to choose between three decent meals a day and paying the rent – as distinct from foregoing holidays, meals out or private school fees.[19]

[15] Westpac (2025), *Consumer Sentiment Bulletin*, March 2025.

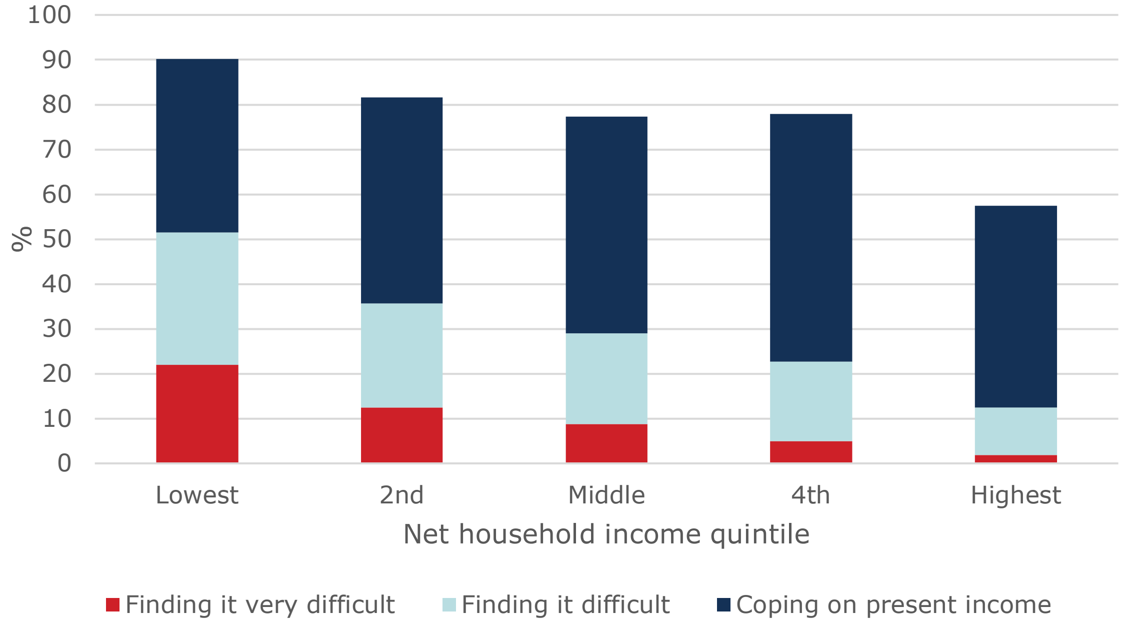
[16] AMP (2024), *Financial Wellness Report.* Source: RBA Financial stability review, October 2023. Based on a regular survey with questions regarding financial resilience, emotional strain, personal cashflow and satisfaction with finances. 'Moderate' and 'Severe' financial stress is measured using an index derived from responses.

[17] Mission Australia (2024), *Counting the cost of living – The impact of financial stress on young people*, p17. Of all young people surveyed, 17% were assessed as facing financial hardship indicating that they had required assistance from a charity or foundation in the past year, OR had selected one or more items from a multi-choice question that measured indicators of financial strain, such as could not pay bills or car expenses, could not pay rent or mortgage, or went without meals.

[18] Research by the Commission indicates that a majority of award-reliant employees (as distinct from those receiving close to the NMW) were located in the second and third quintiles of the equivalent disposable income distribution for *all households*, and in the first and second quintiles of that for *employee households* (Jiminez C & Rozenbes D (2017), *Award reliant workers in the household income distribution.* Fair Work Commission.)

[19] Wood D, Chan I & Coates B (2023), *Inflation and inequality: How high inflation is affecting different Australian households*. RBA Annual Conference, Sydney, 25–26 September 2023.

Figure 7: Level of financial stress by net household income quintile, August 2023



Source: Wood D, Chan I & Coates B (2023), *Inflation and inequality: How high inflation is affecting different Australian households*. RBA Annual Conference, Sydney, 25–26 September 2023.
Note: Households are ranked by equivalent disposable income.

Low-paid workers are especially vulnerable to inflation in housing costs

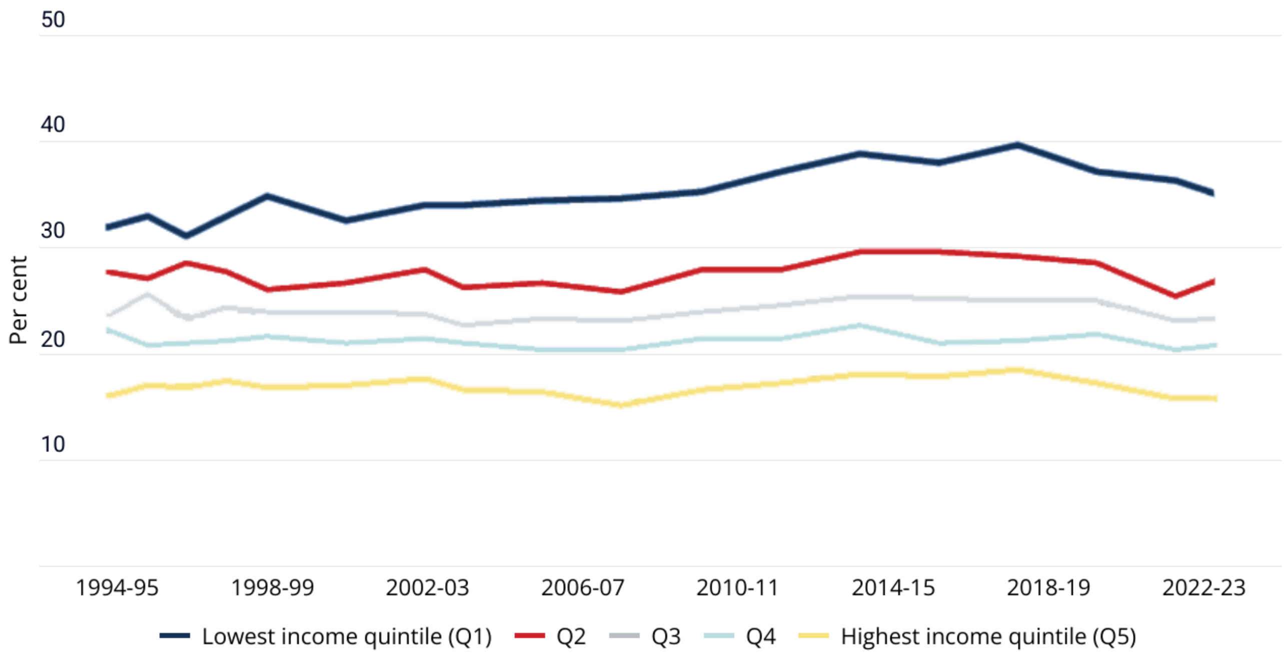
The main cost pressure facing most households of working age today is rapid growth in home prices and rents. People with low incomes renting their homes are under particular financial stress.

Around half (46%) of low paid workers reliant on award wages rent their homes.[20]

Figure 8 shows that in 2022-23 the lowest 20% of households ranked by disposable income spent an average of 36% of income on rent, above the standard affordability benchmark of 30% of income.

[20] Yuen, K et al. (2018): *Characteristics of workers earning the national minimum wage rate and of the low paid*. Fair Work Commission, Melbourne.

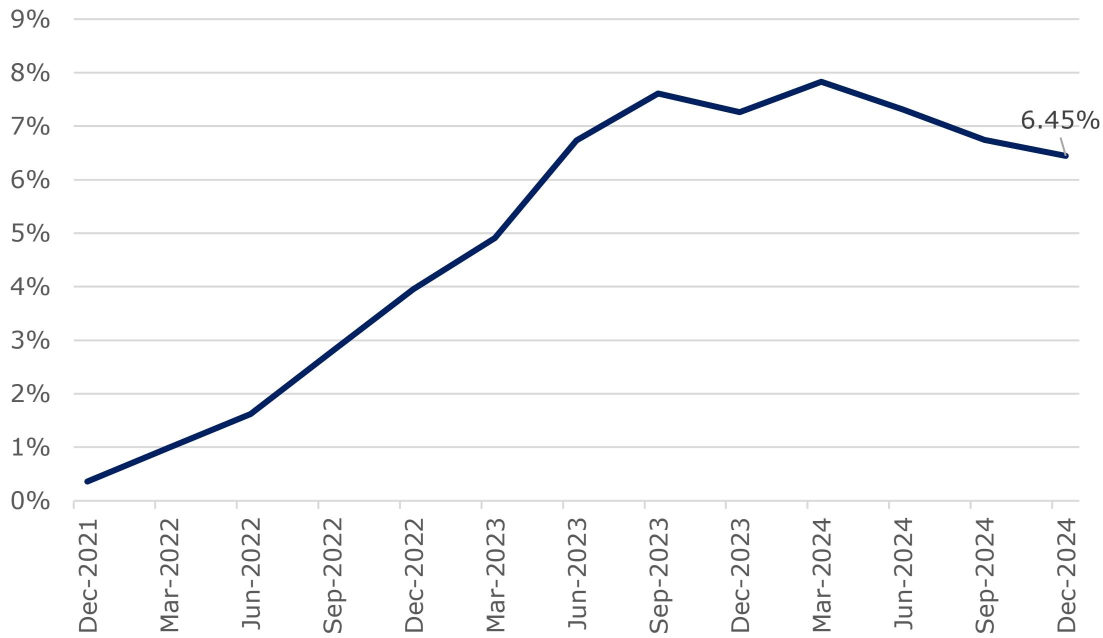
Figure 8: Rent as a proportion of income for five income groups (% in 2022-23)



Source: National Housing Supply and Affordability Council (2024), *State of the Housing System*. Australian Government, Canberra. Chart 5.15.
Note: Mean ratio of rental costs to disposable household income. Income quintiles derived separately for each tenure group. Projections for 2021–22 and 2022–23 are based on 2019–20 ABS SIH data.

Since 2022 rents have increased dramatically (Figure 9) so that households with low incomes are likely to spend a much higher share of their incomes on rent. In the year to December 2024, housing rents rose by 6.45% on average.

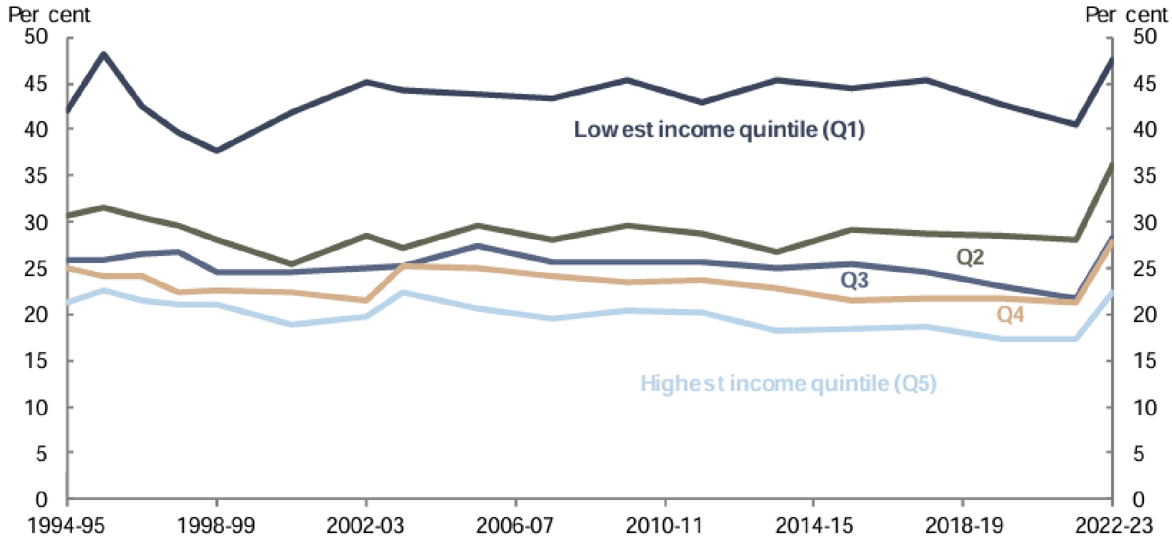
Figure 9: Increase in rents (% per year)



Source: ABS *Consumer Price Index Australia*
Annual increase in the housing rent component of the CPI.

In 2022-23, prior to recent substantial increases in home prices and mortgage interest rates, households in the lowest 20% by disposable income that were purchasing their homes already spent an average of approximately 47% of their income on mortgage payments (Figure 10).

Figure 10: Mortgage cost-to-income ratio, by income quintile (% in 2022-23)



Source: National Housing Supply and Affordability Council (2024), *State of the Housing System*. Australian Government, Canberra, Chart 5.13.

Note: Mean ratio of mortgage costs to disposable household income, by income quintile. Income quintiles derived separately for each tenure group. Projections for 2021–22 and 2022–23 are based on 2019–20 ABS SIH data.

Since 2022, home mortgage payments have increased sharply:

- Most mortgagors have experienced an increase in their minimum scheduled payments of between 30% and 60% since the first increase in the cash rate in May 2022.[21]

The rising cost of housing - a key essential of life - should be considered in setting minimum wages.

Poverty has risen among wage-earning households

Research undertaken by ACOSS and UNSW Sydney indicates that prior to the COVID recession, poverty among wage-earning households was increasing:

- In 2019-20, 38% of people below the 50% of median income poverty line and 41% of those below the 60% of median income poverty line were in households whose *main income was wages*, up from 32% and 34% respectively in 2014-15.[22]
- Similarly, in 2019-20, 38% of people in poverty (1,275,000 people, based on the 50% of median income poverty line) were in households *whose main income-earner was employed* - 21% where the main earner was employed full-time and 17% where they were employed part-time.

Among all people in households whose main income-earner was employed full time, 5% were in poverty, rising to 19% where the main earner was employed parttime.[23]

The Commission's research indicates that single parents employed part time and single-earner couples (with or without children) whose only private income is the minimum wage typically have incomes below the 60% of median income poverty line, though the poverty gap for those groups has narrowed since 2019. Minimum wage increases likely contributed to this outcome.[24]

Budget Standards research indicates that families on the minimum wage often lack sufficient income to cover the essentials

The Commission supported an update of Budget Standards research by the Social Policy Research Centre at UNSW Sydney, which was published last year.[25] This research used expert judgement and input from focus groups of people directly affected to draw up minimum household budgets. These were compared with the incomes available to

[21] RBA (2024), *Financial Stability Report, September 2024.*

[22] ACOSS & UNSW Sydney (2022), *COVID, inequality and poverty in 2020 and 2021*.

[23] The equivalent statistics for the 60% of median income poverty line are as follows: 1,730,000 or 41% of people in poverty in households mainly reliant on wages; 26% of people in poverty in households whose main earner was employed full time, and 16% where they were employed part-time (ACOSS & UNSW Sydney 2023, *Poverty in Australia: 2023 Who is affected?*).

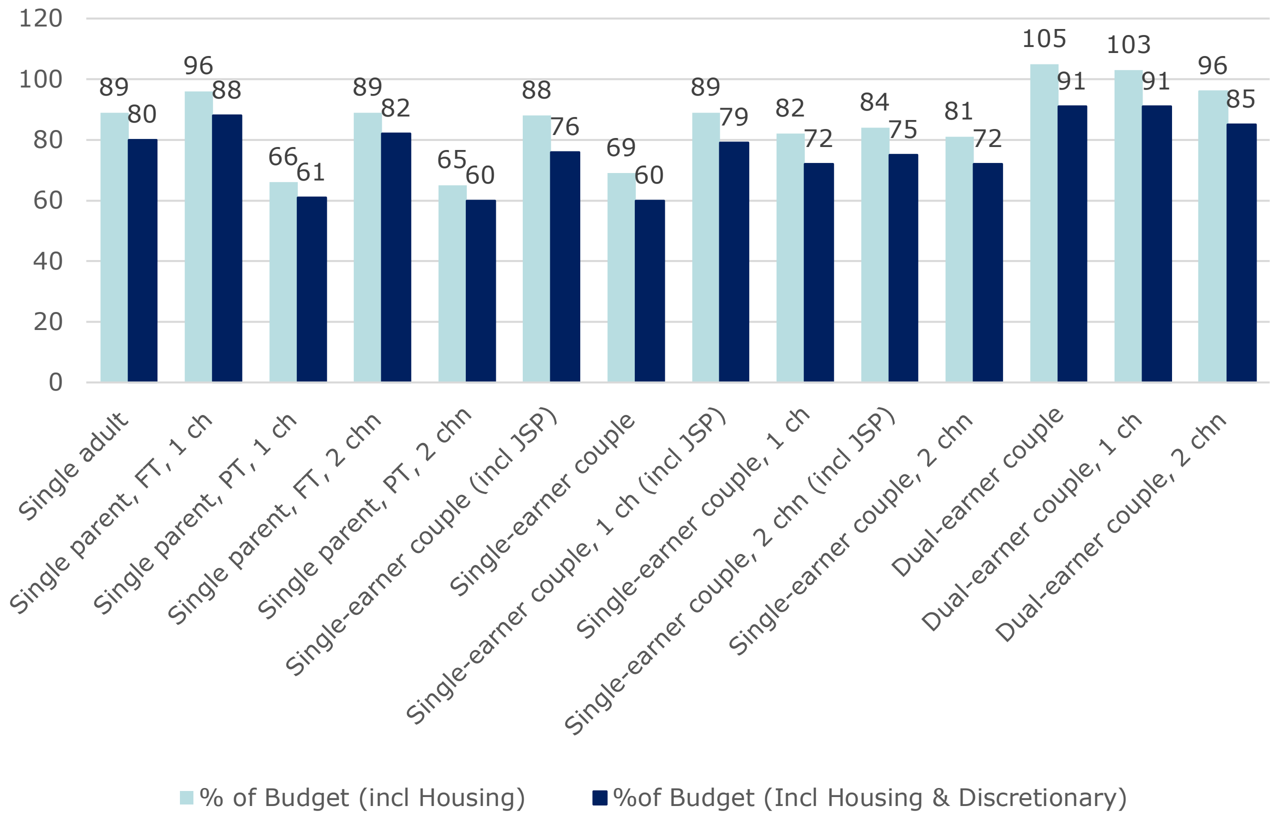
[24] Fair Work Commission (2025), *Statistical report—Annual Wage Review 2024–25.*

[25] Bedford, M; Bradbury, B & Naidoo, Y (2023), *Budget Standards for Low-Paid Families.* Report prepared for the Fair Work Commission, Melbourne, Australia.

hypothetical families whose only private income was the (full time or part time) minimum wage. Housing costs were based on Sydney rents. Two sets of budget standards were estimated based on the cost of essentials, and the cost of essentials plus modest allowances for discretionary expenses (Figure 8).[26]

Consistent with the Commission's own analysis comparing minimum wage family incomes with the 60% of median income poverty line, couples and sole parent families had incomes well below an 'adequate' level in 2022. The research found that, among the hypothetical families surveyed, only dual-wage families had disposable incomes *above* the relevant Budget Standard (over 100% in Figure 11).

Figure 11: Incomes of minimum wage-earners as a % of Budget Standards in 2022



Source: Fair Work Commission (2023), *Statistical report—Annual Wage Review 2022-23*.
Note: Two sets of budget standards were estimated based on the cost of essentials, and the cost of essentials plus modest allowances for discretionary expenses

[26] Rents were set at the 40th percentile of Sydney rents for homes of suitable size for each family type. The 'discretionary items' were non-essential items derived from actual consumption patterns of households with low incomes. They included allowances for alcohol and tobacco consumption, average gambling losses, a small allowance for workers eating lunch out and a weekend meal outside the house, and a minimal budget for international travel. See Economic Inclusion Advisory Committee (2025), *2025 report to government: Appendices*

The Commission's Statistical Report updates the above budget for a single adult to $864 per week ($961 if 'discretionary' costs are added) in the December quarter 2024. This is $59 per week above the estimated disposable income ($805 per week) for a single adult on the NMW in July 2024.[27]

[27] Fair Work Commission (2025), *Statistical report—Annual Wage Review 2024–25.*

3. The impacts of minimum wages

Adequate minimum wages reduce poverty directly by lifting the incomes of low-paid workers and their families

While minimum wages cannot target poverty as precisely as social security payments, they are mainly paid to the lowest 50% of households of working age ranked by income.

Research undertaken by the Commission found that in 2023, 58% of award-reliant employees were in the lowest 40% of households with earnings from employment (ranked by household income). Half (50%) of all low-paid award-reliant employees were in the lowest quartile.[28]

Further, 23% of award-reliant employees and 26% of low paid award-reliant employees were the sole or primary earners in their household. Among award-reliant employees, 19% had a dependent child (rising to 25% among low paid award-reliant employees).

Adequate minimum wages reduce poverty indirectly by making room for adequate income support payments

While at present the maximum rates of unemployment payments are less than half the full-time minimum wage (43% before tax), a higher minimum wage creates more room for the substantial increases in social security payments that are needed to reduce poverty.

Researchers have compared minimum wage and child poverty levels in wealthy nations and found that, while minimum wages were not generally targeted towards families who would otherwise be in poverty, there was a correlation between higher minimum wages and lower child poverty rates.[29] They suggest one reason for this is the relationship between minimum wages and income support for people at risk of poverty:

'low wage countries almost always have high poverty rates. While high levels of low-end wages are not sufficient for low poverty (both overall and for non-employed households), they do seem to be necessary….While the arithmetic contribution of wages to income is important for the overall association between wages and living standards, it does not explain the broader pattern that we find for children without employed parents. …. multiple explanations have been advanced for this relationship, ranging from direct policy feedback between wages and benefits to the influence of collective bargaining institutions on social transfers.' (Bradbury B & Jantti M (2024), Low wages and child poverty. RC19 Workshop, Oslo 4-6 September 2024), p17.

Figure 12 shows that there is a reasonably consistent historical relationship in Australia between minimum wages and unemployment payments. Between 1995 and 2010, unemployment payments for a single adult with no dependent children sat in a narrow band

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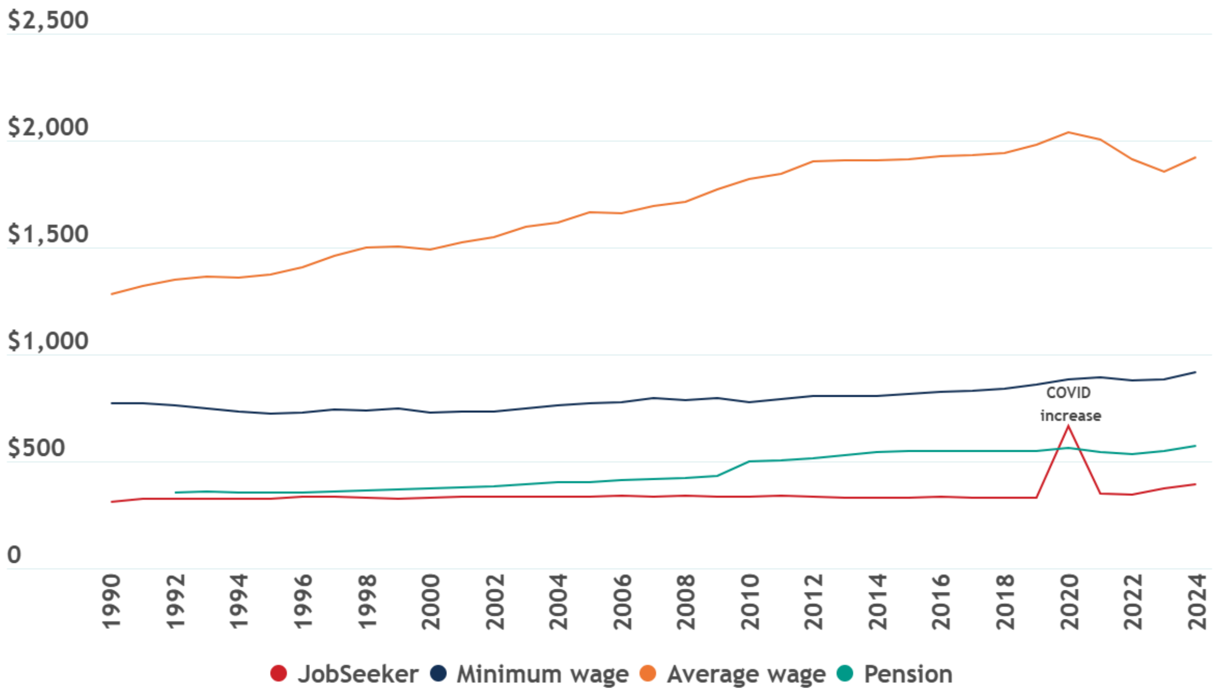
[28] van Netten J and Lipp J (2025), *Award-reliant employees in the household income distribution of employees: an update,* Fair Work Commission Research Report 2/2025.

[29] Bradbury B & Jantti M (2024), *Low wages and child poverty*, (corresponding author, b.bradbury@unsw.edu.au), RC19 Workshop, Oslo 4-6 September 2024.

between 43-44% of the minimum wage (before tax). Before the pandemic in 2019, JobSeeker Payment was just 38% of the minimum wage, suggesting there is considerable scope to increase it without weakening rewards for employment.[30]

Figure 12: Historical comparison of unemployment payments rates with wages and pensions ($2024 per week before tax)



Source: Department of Social Services (2024) *A guide to Australian Government Payments*; Australian Bureau of Statistics (2024) *Consumer Price Index, Average Weekly Earnings, Australia;* Fair Work Australia (2024) *Minimum Wages.*

There is an urgent need to substantially increase JobSeeker and other working-age income support payments which sit well below the poverty line. ACOSS is calling for the Government to increase JobSeeker Payment for single people (currently $56 a day) to at least the pension level (currently $82 a day) and index these payments and Family Tax Benefit to wage movements to ensure people on the lowest incomes can meet their basic living costs. [31]

In addition, base payments should be supplemented by adequate family payments and appropriate and adequate supplementation for the additional costs of private rent, disability and raising children alone.

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[30] Department of Human Services (2019), *A guide to Australian Government payments*, DHS, Canberra; Workplace Info (2020): *History of national increases*, Workplace Info, Sydney.
[31] ACOSS (2025), *Budget Priorities Statement*. Sydney

Adequate minimum wages, along with Family Tax Benefits, prevent child poverty

One quarter (25%) of low paid award-reliant workers are parents with dependent children.[32] To support themselves and their children, they rely heavily on the minimum wages in modern awards, together with Family Tax Benefits.

Family Tax Benefits supplement income from employment for households with dependent children, raising the disposable incomes of low-paid households. However, governments have reduced these payments (cutting $12 billion from Family Tax Benefits between 2009 and 2016), leaving families with low incomes more reliant on wage increases, especially minimum wage increases.

Since 2009 Family Tax Benefit (Part A) for low-income families has been indexed to CPI only rather than wage movements, reducing payment levels between 2009 and 2017 by over $13 per week for each child under 12 years and over $17 per week for each older child. [33]

Child poverty has already increased over the past two decades and will continue to rise if minimum wages and family payments do not increase in line with wage increases generally.[34]

Along with a tight labour market, recent minimum wage increases have reduced earnings inequality

Over the two financial years from June 2021 to June 2023, the unemployment rate averaged 3.8%, the lowest level in 50 years. [35]

Tighter labour market conditions disproportionately benefited workers with lower qualifications. From the time that unemployment peaked during COVID lockdowns in March 2020 through to May 2023:

- Their unemployment rate fell from 14% to 9%, while lower-skilled job vacancies rose from 2% of all employment to 5.5% (Figure 13).

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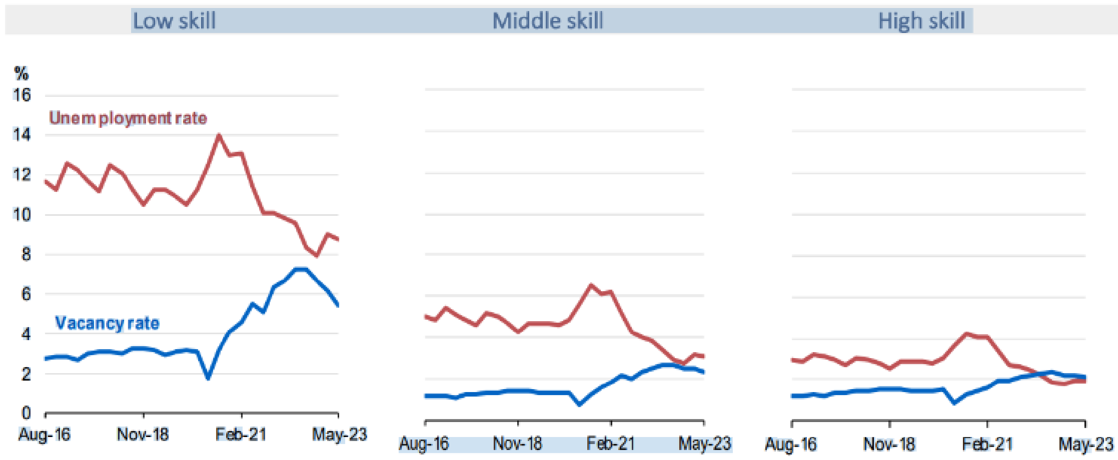
[32] van Netten J and Lipp J (2025), op cit.

[33] Whiteford, P (2018), *Social Security since Henderson*, in Saunders P (2018), *Social Security Reform: Revisiting Henderson and Basic Income*, Melbourne University Press, Melbourne.

[34] Davidson P, Bradbury B & Wong M (2022), *Poverty in Australia 2020 – Part 1: Overview*, ACOSS/UNSW Poverty and Inequality Partnership, Sydney.

[35] ABS, *Labour Force, Australia*.

Figure 13: Unemployment and job vacancies by skill level (2016-2023)



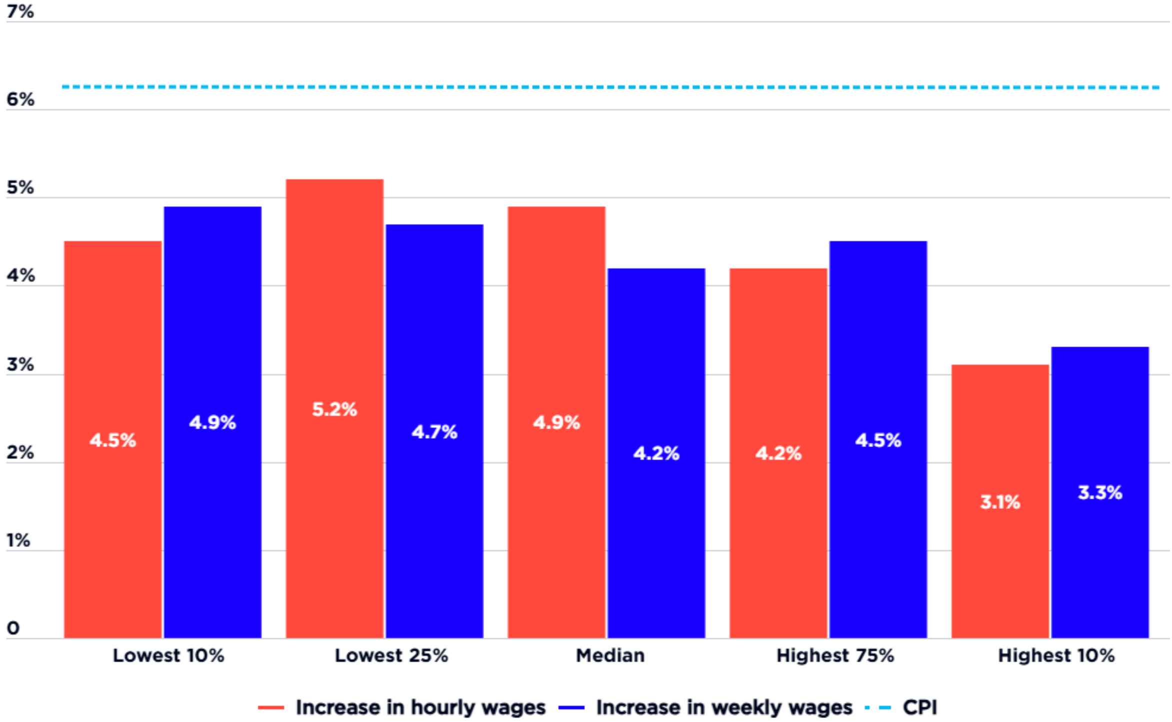
Source: Australian Government (2023), *Working Future, Employment White Paper.* Canberra.
Note: Unemployment and job vacancies as a percentage of the labour force.

Research from the Poverty and Inequality Partnership between ACOSS and UNSW Sydney indicates that this tighter labour market *together with the Commission's minimum wage decisions* led to a marked reduction in earnings inequality between 2021 and 2023: [36]

- Weekly wages before inflation grew one-and-a-half times as fast for low paid employees as for high paid employees.
- Nominal weekly earnings for the upper bound of the lowest 10% of wage-earners rose by an average of 4.9% per year compared to 4.2% for the median wage and 3.3% for the lower bound of the highest 10% (Figure 14).

[36] Davidson P, Bradbury B & Wong M (2024), *Inequality in Australia*. ACOSS and UNSW Sydney.
Recent evidence from the United States indicates that low unemployment there has reduced earnings inequality. Autor et al find that '*Disproportionate wage growth at the bottom of the distribution ... reversed the rise in aggregate wage inequality since 1980 by approximately one quarter, as measured by the 90-10 ratio' (*Autor D, Dube A & McGrew A 2023, *The Unexpected Compression: Competition at Work in the Low Wage Labor Market*. MIT Working Paper, March 2023, p34).

Figure 14: Average annual increase in earnings and inflation from 2021-2023 (%)



Source: Davidson P, Bradbury B & Wong M (2024), *Inequality in Australia*. ACOSS and UNSW Sydney.
Note: Data are from ABS 6337 *Employee Earnings* (all employees in main job) and ABS *Consumer Price Index, Australia*.

Minimum wages reduce the gender pay gap

ACOSS warmly welcomed the Commission's establishment of an expert panel on gender pay equity.

Minimum wages play an important role in reducing the gender pay gap, which is caused by a combination of unequal sharing of caring roles, the over-representation of women in relatively low-paid caring occupations (including in the community services sector), a preponderance of part-time employment among women, and discrimination against women in hiring and promotions:

- More than half (58%) of low-paid award-reliant workers are women.[37]

Minimum wages play a crucial role in reducing the gender pay gap. Increases in national minimum wages from 1995 to 2005 were estimated to reduce the gender pay gap by 1.2 percentage points.[38]

Along with a tight labour market, minimum wage increases have contributed substantially to a further narrowing of the gender pay gap over the last three years.

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[37] van Netten J and Lipp J (2025), op cit.

[38] Fair Work Commission (2020), *Statistical report- Annual Wage Review 2019-20*, FWC, Sydney; Austin et al. (2008): *Gender pay differentials in low-paid employment*, Australian Fair Pay Commission, Canberra.

- In November 2024, average weekly cash earnings for women (including part-time earnings) were 26.5% below those of men. This followed the fastest rate of decline in a two-year period over the last decade (from 30% in May 2021 to 27.5% in May 2023).[39]

In November 2024, average weekly ordinary time earnings for *full-time* female employees were 10.7% lower than for male employees.

There is room this year for an increase in the NMW above inflation

One of the considerations for the Commission in its Annual Wage Review is the impact of any wage increases awarded on inflation. This depends on wage movements across the economy and the contribution of any increases awarded by the Commission, productivity growth, and the trajectory of inflation and current macroeconomic policies including the response of the RBA to any wage increases.

The NMW itself only applies to a small percentage of employees (less than 1% according to the Commission in its last Annual Wage Review decision).[40] In addition, a small percentage of overall wages paid are affected by increases in minimum rates in modern awards (around 11%). Consequently the impact of past increases arising from the Annual Wage Review has been modest (around 15% of the overall increase in wages in 2022-23).[41]

Prima facie, now that real wages are growing overall, the contribution of any given wage increase resulting from the present Review towards aggregate wage growth is likely to be smaller. In the absence of a real increase in the NMW and award minima this year, those relying on the Commission's decision for pay increases are likely to fall behind wage growth in the general community.

The RBA and labour market experts acknowledge that the risk of a price-wage spiral is very low.[42] As discussed, growth in the WPI through the year to December 2024 (3.2% in nominal terms) was only slightly higher than growth in the CPI, and it is projected by Treasury and the RBA to remain modest (3% to 3.4% through 2024-25 compared with 4.1% through 2023-24).

Importantly, consumer price inflation has declined substantially from annual growth of 7.8% in the headline CPI in the year to December 2022 to 2.4% in the year to December 2024. Through 2024 the trimmed mean value of the CPI (netting out the impact of energy subsidies) rose by 3.2%. This is very close to the RBA target range of 2-3%. Given the delayed impact of its interest rate decisions, we believe it is appropriate now for the RBA to keep reducing its cash rate target to reach a neutral monetary policy stance.

Since the COVID recession, unit labour costs have grown faster than the WPI due to negative growth in labour productivity (-1.2% in 2024). It is likely that (all things equal) productivity growth will improve over the next few years, though there is work to be done to lift its *long-term* rate. As the RBA has pointed out (cited previously), weak productivity

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[39] Difference between average weekly female and male cash earnings for all employees (ABS 2023, *Gender pay gap guide*).
[40] Fair Work Commission (2024), *Decision, Annual Wage Review 2023–24*.
[41] Higher than 11% since minimum wages rose more than overall wages at that time.
[42] RBA (2024) op. cit.; Borland J (2024), *Labour market snapshot*

growth since the COVID recession is due in part to cyclical factors such as the recovery of employment growth in advance of related investment and COVID-related blockages in supply chains. There is also uncertainty surrounding the measurement of productivity in human services, where employment growth has been strongest.[43]

While it will take years to restore living standards to their pre-COVID levels, we submit that the Commission should take a further step this year. On balance, this submission concludes that there is room for a modest above-inflation increase in the NMW and minimum award rates this year without risking a resurgence of inflation. Employees in low paid work need this now to ward off financial hardship.

There is no automatic relationship between minimum wages and employment levels

Increases in minimum wages awarded by the Commission in recent years have had no discernible impact on aggregate employment. International evidence generally supports the view that modest increases in minimum wages have little or no adverse impact on employment.[44]

Higher minimum wages improve pay equity and help ease chronic labour shortages in care services

As the peak organisation in the non-government community services sector, ACOSS has a particular interest in employment issues in community services. We warmly welcome the establishment of an expert panel within the Commission for the community and care sector and the recent decision to lift minimum wages for aged care workers.

We welcomed increases in pay for community workers from the Commission's equal remuneration decision in 2012, phased in up to 2020.[45] Further increases are needed to improve the quality of community services by helping avoid shortages of skilled workers.

Lifting the minimum wages across award reliant sectors is another way to help resolve pay inequity and labour shortages in the care and community services sector. The forthcoming review of wage rates in the following Awards is an opportunity to do so:

- Children's Services Award 2010;
- Social, Community, Home Care and Disability Services Industry Award 2010;
- Health Professionals and Support Services Award 2020;
- Aboriginal and Torres Strait Islander Health Workers and Practitioners and Aboriginal Community Controlled Health Services Award 2020; and
- Pharmacy Industry Award.

[43] Plumb M (2025), *Why Productivity Matters*. RBA & Australian Business Economists Annual Forecasting Conference, Sydney – 27 February 2025.
[44] Dube, A (2019): *Impacts of minimum wages: review of the international evidence*, HM Treasury, London.
[45] Fair Work Australia (2012), *Decision, Equal Remuneration Case*.

The vast majority of employees in the health and community services sector (75%) are women.[46] Consistent with the treatment of caring work more broadly, their work is undervalued, despite being highly skilled.

In 2021, 33% of employees in health care and social assistance were award reliant (up from 17% in 2010), making it one of four major industries with a high share of award-reliant workers - the others being retail, accommodation and food services and administrative and support services.[47]

Despite recent increases in unemployment and under-employment, employers in the care and community sectors face serious ongoing recruitment and retention challenges as employment continues to grow strongly in those sectors. Jobs and Skills Australia reports that, in 2024, only 3 of the 10 occupations within the category of Health Care and Social Assistance did not report a shortage of workers.[48]

Inadequate hourly wages along with unsociable working hours are key contributing factors to labour and skills shortages in care and community services alone. [49]

The Department of Social Services estimates that 80,000 more care workers are needed in National Disability Insurance Scheme (NDIS)-funded services:[50]

- Yet annual workforce turnover in NDIS services is 17% to 25%. In a 2019 survey of NDIS workers, 39% of respondents were dissatisfied with their pay levels compared with 37% who were satisfied.
- For most NDIS workers, low pay is exacerbated by inadequate and insecure paid working hours. Among those surveyed in 2019, 45% had unpredictable working hours and among permanent employees the average working week was just 22 hours. [51]

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[46] Fair Work Commission (2025), *Statistical report—Annual Wage Review 2024–25.*
[47] Fair Work Commission (2022), op. cit.
[48] Jobs and Skills Australia (2025), *Jobs and Skills Atlas, Updated March 2025*
[49] ACOSS (2024) *Submission to the Department of Prime Minister and Cabinet on the Draft National Care and Support Economy,* Sydney; Committee for Economic Development of Australia (2021), *Duty of Care: Meeting the Aged Care Workforce Challenge.*
[50] Department of Social Services (2021), *NDIS National Workforce Plan: 2021–2025*.
[51] Cortis N & Toorn D (2020), *Working in new disability markets: A survey of Australia's disability workforce*, Social Policy Research Centre, UNSW Sydney.

4. Recommendations

We recommend that the minimum wage be increased substantially to reduce the gap between the minimum wage and the median wage. While we do not recommend specific increases in minimum wages, the rest of our recommendations focus on how the needs of people on low pay can best be assessed, and the respective roles of wages and social security in sustaining a decent standard of living.

Our starting point is that the minimum wage should be designed to at least provide a decent living standard, well above poverty levels, for a single adult; and that the tax-transfer system should meet the basic costs of raising children in a low-income family.

The minimum wage should not be directly designed to cover the costs of children because that role is best performed by the social security system. In assessing the living standards of low-paid workers and their families, the Commission should take account of both minimum wages and social security payments, especially Family Tax Benefits. Nevertheless, it is vital that the minimum wage and family payments together are sufficient to prevent a family from falling into poverty.

The minimum wage itself should be set well above poverty levels for a single adult, in keeping with Australian policy tradition and the desirability of maintaining an appropriate gap between maximum social security payments and minimum wages.

In addition to these measures, an appropriate benchmark for the adequacy of the minimum wage is to compare it with the full-time median wage. A reasonable goal would be to restore its value to at least 60% of the full-time median wage.

We do not propose that minimum wages be tied to a single measure of income adequacy such as a poverty line or budget standard. The Commission needs flexibility to take account of the other factors including the state of the economy, employment incentives and employment. Nevertheless, the adequacy of minimum wages should be objectively assessed with reference to benchmarks grounded in thorough independent research on living standards. ACOSS welcomes the Commission's use of updated poverty lines, financial stress indicators and expenditure patterns of low-paid workers in the Annual Wage Review Statistical Reports, and its commissioning of Budget Standards research.

ACOSS recommends that:

1. **The Commission should increase minimum wages (including minimum modern award rates) substantially** to ease financial hardship and significantly reduce the gap between them and median pay levels.
2. **It should continue to commission research and hold consultations with stakeholders** to develop and update a robust set of indicators of a minimum adequate living standard for people in low-paid work. It should regularly assess the living standards of individuals and households receiving minimum wages (including minimum modern award rates) against median household disposable incomes, poverty lines, budget standards and deprivation indicators, including financial stress indicators.

   To ensure that such research is relevant and valid for the purpose of setting minimum wages, we recommend that the Commission examine more closely the profile and circumstances of individuals (and their households) who are paid at or modestly above the NMW, noting that this is now aligned with the C13 rate in the Manufacturing Award rather than the lower C14 rate.

3. **Decisions on the level of minimum wages should be informed by benchmark estimates** of the cost of attaining a 'decent basic living standard' for a single adult according to contemporary Australian standards.
4. **A reasonable benchmark for the adequacy of minimum wages in comparison with wages across the community would be at least 60% of the full-time median wage.**
5. **The combined effect of the minimum wage and family payments on the extent of poverty among families with children**, including reductions in family payments, **should also be expressly considered** in setting minimum wages.
6. **Minimum wage rates for young people, apprentices and trainees should continue to be increased** at least in line with the rise in the minimum wage for adults. **Any increase in the minimum wage for adults should also flow to people with disability under the supported wage system**, noting broader recommendations for reform to this system made by the Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability.