

**MINISTERIAL STATEMENT BY  
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BUSINESS**

**REPORT OF THE AUSTRALIAN INDUSTRIAL RELATIONS  
COMMISSION JUNIOR RATES INQUIRY  
CONDUCTED UNDER SECTION 120B OF THE WORKPLACE RELATIONS  
ACT 1996**

**24 JUNE 1999**

**Overview**

A Full Bench of the Australian Industrial Relations Commission has reported on the feasibility of replacing junior rates with non-discriminatory alternatives. The tabling of the report in this parliament, and its subsequent distribution to interested parties and the wider community, should now be a catalyst for the resolution of the policy and political impasse which has dogged the future of junior wages in Australia for most of this decade.

The report is an extensive body of work commissioned by this legislature, conducted over six months in an inquisitorial manner, rather than the more traditional adversarial approach of Commission litigation. It follows an independent public inquiry by the Commission that drew together oral and written submissions from all major stakeholders, including most of the historical participants in this debate. Being an inquisitorial process, the report makes no orders, decisions or recommendations, but in its own words, assists in resolving issues about the content of legislation and may serve to inform debate and future industrial policy (p. 8).

**The Challenge for this Parliament**

The report concludes that that the Commission could not find any feasible non-discriminatory alternatives to age-based junior rates of pay. Such a finding is crucial to the central policy questions that now confront this parliament.

Will the parliament legislate to permanently retain the existing system of junior rates?  
Will it remove the statutory scheme first introduced by the Keating government in 1993 which prima facie declares junior rates to be discriminatory and not to be made, or where made to be removed?

In the light of this report, these questions must now be unequivocally answered in the affirmative. Junior rates must stay, and where appropriate be extended throughout the workforce.

The opportunist political cover behind which the Labor Party and its leadership chose to hide on this issue has been its calls for an AIRC inquiry.

That cover has now disappeared. The AIRC has reported. The Labor Party is exposed. Its political posturing has now been revealed as a sham. It has misread the debate and mislead the community, hoping beyond hope that an alternative would emerge behind which it could again cover in shallow opposition. Yet the AIRC has rightly repudiated each and every Labor sponsored alternative as being fundamentally flawed and in some cases even itself discriminatory.

As unpalatable as it may be, Labor now has to do what the public interest dictated many months ago – to make a real decision – a choice between protecting jobs for young Australians in urban, regional and rural areas or negative opposition-for-opposition sake posturing.

There is no doubt this is a dilemma for Mr. Beazley, who only this week confided to his caucus that over the coming months Labor could be portrayed in a negative position on industrial relations.

If Labor repudiates this report from the independent umpire and again rejects the Coalition's legislation to rectify Labor's flawed policy to abolish junior wages then it imposes not just a self inflicted wound of negativity, but more importantly, jeopardises the jobs of tens of thousands of young Australians.

### **The AIRC Conclusions**

In reaching its conclusions on this central issue, the report supports the core propositions that the federal Coalition government and the governments of Victoria, Western Australia, South Australia, the Australian Capital Territory and the Northern Territory have consistently advanced in this debate and before the Commission. These conclusions are:

- That there is an undisputable relationship between junior rates, their potential abolition and the employment prospects of young people (pp. xiv; 157, 165);
- That a discounted pay rate for entry level work continues to be necessary in the areas in which employment under junior rate classifications is most concentrated, and that well designed junior rate classifications may even create or protect employment opportunities, including in the building and construction industries (pp. xiii, xvi, 140-141, 189, 191, 201);
- That the system of junior rates has been used as a wage reference for young people for decades, is simple to understand and administer, and has active employment under it (pp. x; xv, 65-66, 138);

- That none of the proposed alternatives to junior rates are feasible because they either are more complex, overvalue the work of employees, are themselves discriminatory or have considerable adverse cost effects (p. ix, 168-172, 206-212);
- That the removal of junior rates or the introduction of adult rates at 18 years would significantly disemploy young Australians, that is lead to large scale job losses (pp. xiv, 165, 207);
- That the current legislative scheme, unless amended by the parliament, amounts to a rebuttable presumption that junior rates be removed from June 2000 (pp. xi; 88);
- That, for a range of reasons, the labour force participation of young people is already relatively parlous and relatively scarce, and that changes that might have the effect of significantly increasing the relative cost of teenage labour beyond its real value to an employer may make teenage employment even more precarious, especially in regional and country Australia (pp. xiii, xiv; 151, 154, 199);
- That if young people are to secure entry level employment and progress to economic self sufficiency through paid employment they more than ever need to be competitive in the labour market (pp. x, 15);
- That junior rates are often a useful bridge to full time employment, especially for the educationally better qualified (p. xv); and
- That the government submissions on the youth labour market and on the adverse consequences for young people on the abolition of junior rates have been broadly adopted, and that similar conclusions by bodies such as the Productivity Commission are supported (pp. xiii; 154, 163-165).

### **The Junior Wage Debate**

Before turning to the details of the report, it is necessary to put the AIRC's Inquiry into the context of the wider debate over junior rates.

Junior rates have been a feature of the wages system in Australia since early this century. Age-based junior rates of pay are set as a percentage of the adult rate, and usually increase annually until adult rates are payable. Over 400,000 young people under 21 are paid junior wages - this represents over half of all employed young people in Australia.

Junior rates have been under direct legislative threat since the Labor government of 1993. Under the existing provisions of the *Workplace Relations Act 1996* (WRA), the continuation of junior rates in awards cannot be guaranteed after 22 June 2000.

Because of the importance of junior rates for getting young people into jobs, the Coalition Government's preferred position has always been that junior rates should be allowed to continue indefinitely. In 1996 the Government agreed as a temporary measure to extend the then exemption for a further three years, and to put in place a mechanism for the AIRC to review the feasibility of abolishing junior rates of pay. This reflected a compromise position only agreed to by the Government as a way of

avoiding Labor's legislated removal of junior wages. The Coalition agreed to the review on the clear understanding that our policy would continue to be for the retention of junior rates and that we would seek a mandate for this legislation at the next election, which we did – and obtained.

### **The AIRC Report**

The AIRC report was prepared by a Full Bench of the Commission to fulfil the requirements of Section 120B of the WRA which requires a Full Bench to prepare a report assessing one primary question and three secondary questions.

### **No Feasible Non-discriminatory Alternatives Exist**

The primary question answered by the Inquiry was whether there are any feasible non-discriminatory alternatives to junior rates. The AIRC could not find any feasible non-discriminatory alternatives (Para [2] of the Summary). Those who want junior rates abolished had every opportunity to put alternatives to the Inquiry. Many tried to do so. The Australian Council of Trade Unions, the Australian Council of Social Services, the Shop Distributive and Allied Employees Association and the CFMEU all took up the challenge and put alternatives to the Inquiry. Not one of these proposals were found by the Full Bench to qualify as non-discriminatory and feasible.

The first of the secondary questions considered by the Inquiry was whether it is desirable to replace junior rates with non-discriminatory alternatives. The Full Bench concludes that an assessment of the desirability of replacing junior rates would require a balance to be struck between the pros and cons of junior rates. It considered that no useful purpose would be served by the Bench making that kind of assessment in the abstract (Para 4.4.3).

### **Significant Disemploying Effects if Junior Rates Abolished**

The next secondary question considered by the report was an assessment of the consequences for youth employment of abolishing junior rates. The Inquiry found that the removal and non-replacement of the existing wage discounts embodied in junior rates would have significant disemploying effects for young people (Para 5.6.12). The report notes that this finding was not seriously challenged by the participants in the Inquiry. The Report indicates that when given the opportunity to respond to this finding, the ACTU did not seek to address directly the finding or the substantial weight of economic opinion on which it is based.

Significantly, the Inquiry then used its finding about the disemploying effects of removing junior rates to assess the consequences for youth employment of alternatives that would apply adult rates at 18. The Inquiry found that for most 18 year olds and above, the application of full adult rates would cause an overvaluation of the work performed, and would be expected to reduce the employment prospects of the 18 to 20 years old age group (Para 5.8.7).

## **Junior Rates Have High Utility Value**

The third of the secondary questions addressed by the report was the utility of junior rates for different types of employment, for different industries, and in the school-to-work transition. The Inquiry found that well-designed junior rate classifications, framed to reduce capacity to exploit the use of them, may justifiably be used for creating or protecting employment opportunities for young people (Para [9](v) of the Summary). The Report also concluded that the role and usefulness of junior rates is best demonstrated in the school-to-work transition, and in school and work interfaces (Para 6.4.11).

The Inquiry found that junior rates had high utility for the retail industry and the hospitality and accommodation industries (Para 6.3.1). Significantly, the report also concludes that an expanded application of junior rates in the building and construction industry could, with some qualifications, result in expanded opportunities for youth employment (Para 6.3.14).

## **Additional Independent Support for Junior Rates**

The AIRC also noted the existence of strong economic evidence in support of its conclusions. The AIRC Report made use of a major study by the Productivity Commission entitled *Youth Wages and Employment*. That found that a 1 per cent increase in youth wages would lead to a decrease in youth employment of 2 per cent in the retail industry, 5 per cent in the accommodation industry, and 2.5 per cent in the cultural and recreational services industry.

This is consistent with the overwhelming body of international and Australian evidence, ranging from one of the world's leading authorities on labour demand Professor Daniel Hamermesh, to the Australian Retailers Association which estimated that 170,000 to 180,000 junior jobs would be lost from the retail industry alone if junior rates were abolished.

Recently both the UK Low Pay Commission established by the Blair Labour Government and the Irish National Minimum Wage Commission recognised the need to discount minimum wages for young people to ensure they are not disadvantaged in the labour market.

In fact, the Blair Labour Government not only received the recommendations of the Low Pay Commission recommending a minimum junior rate, but then proceeded of its own motion to further discount that recommended minimum out of concern for the youth labour market.

Every state and territory government in Australia has the power to legislate to end the use of junior rates. None have done so. Other OECD countries that have minimum wages that provide significant protection for the low paid also typically have lower minimum wages for young people.

## **The Government's Youth Employment Bill**

The AIRC Report is overwhelming evidence in the case for retaining our system of junior rates, and making junior rates more widely available. The continued existence of junior rates is essential to protect the employment prospects of young people. They help young people get that first foothold in the labour market that is critically important for their future career. With teenage unemployment above 24 per cent, everything possible must be done to assist young people into work.

Of course, the preservation and expansion of junior rates is not the whole answer to reducing youth unemployment. Rather, it is an integral element of the Government's strategy that includes a well managed growing economy, initiatives to increase school retention rates and raise literacy and numeracy standards, the expansion of the apprenticeship system, and the assistance provided to unemployed youth through the job network and mutual obligation.

Our response to the need to protect junior rates is the *Workplace Relations Legislation Amendment (Youth Employment) Bill 1998*, which the Government introduced last November. The Bill, when passed, would preserve and enhance the job prospects of young people by protecting the existing system of junior rates and, where appropriate, by extending junior rates to awards that do not currently contain them. The Bill was passed by the House of Representatives on 10 February 1999 but was rejected by the Senate on 8 March 1999.

In light of the AIRC Report and because of the important role junior rates play in getting young people into jobs, the Government will be re-introducing the Youth Employment Bill.

A number of members who previously spoke against the Bill did so on the ground that it should not have been brought forward until after the tabling of the AIRC's report on junior rates. Their initial opposition to the Bill appears to have been determined by timing and process issues, rather than by the merits of the Bill itself. This difficulty that some members had with the initial Bill has now been removed.

And, as I said earlier, the Labor Party must now come clean with a position for or against junior wages and youth employment.

On behalf of the Government and all members, I thank the Full Bench of the AIRC for its important work on this matter of public importance, as well as the participants to the inquiry.

I commend the Report to this parliament and urge honourable members to use its conclusions as the basis for setting aside past policy differences, and securing the passage of the Government's Youth Employment Bill when reintroduced into this place.