



Issues Paper

Review of junior and training wages
in the Australian labour market

September 2007

Introduction

The Australian Fair Pay Commission (Commission) is conducting two reviews:

- 1) Review of Australian Pay and Classification Scales in the Australian labour market; and
- 2) Review of junior and training wages in the Australian labour market.

The Commission is seeking the views of interested stakeholders and the public to inform these reviews.

The subject of this Issues Paper is the *Review of junior and training wages in the Australian labour market*.

The Commission's decision to seek submissions on these issues responds to the requirements of the *Workplace Relations Act 1996* (WR Act) to remove references to State or Territory boundaries from Australian Pay and Classification Scales (Pay and Classification Scales) by March 2009. In addition, the Commission is responding to specific issues raised by stakeholders regarding junior and training wage rates.

This Issues Paper provides guidance to those making a submission to the Commission's *Review of junior and training wages in the Australian labour market*.

The questions posed in this Issues Paper canvass the roles that statutory minimum junior and training wages play in promoting the economic prosperity of the people of Australia.

Scope of the Review

This Review invites submissions on the role of minimum junior and training wages as well as more specific issues such as the ages at which junior rates of pay should apply. The Review will consider:

- the role of Pay and Classification Scales for Pay and Classification Scale-reliant employees;
- the role of Pay and Classification Scales as statutory minima underpinning agreements;
- options for filling gaps in the coverage of minimum wages for young workers; and
- options for filling gaps in the coverage of minimum training wages for a range of training arrangements.

The Australian Industrial Relations Commission (AIRC) has responsibility for Award rationalisation under the WR Act. The scope of this Review is therefore limited to the issues specific to the role of Pay and Classification Scales. The Commission is not in a position to consider submissions which deal with Award rationalisation as a distinct issue.

In 1999, the AIRC was required by the WR Act to report on the feasibility of replacing junior rates with a non-discriminatory alternative. The AIRC prepared a detailed report *Junior Rates Inquiry* which incorporated comprehensive submissions and examined issues relevant to junior rates of pay in the Australian labour market. **The Commission does not intend to replicate the work of the AIRC.**

The process

The Commission's *Review of junior and training wages in the Australian labour market* will be conducted in two phases.

In the first phase the Commission is seeking submissions that address the issues raised in this paper. These submissions, together with research and consultations, will inform the Commission about the current role junior and training Pay and Classification Scales perform and whether rationalisation contributes to promoting the economic prosperity of the people of Australia.

In addition, the Commission is seeking submissions on a range of specific issues, including the ages at which junior rates of pay apply, what might be included in special Federal Minimum Wages (FMW) for juniors, trainees and apprentices and the role of training wages in skills development.

Following phase one, if the Commission believes there may be benefits arising from rationalisation of junior and training rates of pay, it will then commence a second phase to seek views on specific options for rationalisation.

Guide to making a submission

Submissions should consider the role and relevance of junior and training wages in the Australian labour market, while recognising that the Commission must take into account its legislative parameters.

The Commission is therefore seeking submissions that respond to the **key questions** identified in this Issues Paper and that are relevant to its **wage-setting function**.

Key questions

The key questions are intended to provide a focus for, and assist in, structuring submissions. These have been identified on pages 15 and 16.

Wage-setting function

Under s. 23 of the WR Act, the Commission's objective in performing its wage-setting function is to promote the economic prosperity of the people of Australia having regard to the following matters:

- the capacity for the unemployed and low paid to obtain and remain in employment;
- employment and competitiveness across the economy;
- providing a safety net for the low paid; and
- providing minimum wages for junior employees, employees to whom training arrangements apply and employees with disabilities that ensure those employees remain competitive in the labour market.

Content of submissions

Submissions do not necessarily have to address all criteria or respond to all questions. In addition, submissions need not be lengthy. The Commission is interested in receiving a wide range of views on these issues.

Submissions may contain facts, arguments, opinions and/or recommendations. Where possible, submissions should provide evidence to support the views put forward.

Who can make a submission?

Anyone can make a submission. The Commission encourages submissions from a wide range of individuals and organisations.

Timetable

The timetable for the *Review of junior and training wages in the Australian labour market* is:

- Issues Paper released Wednesday, 26 September 2007
- Submissions open Wednesday, 26 September 2007
- Submissions close Friday, 29 February 2008

All submissions must include a cover sheet available from the Commission's website: www.fairpay.gov.au.

Publication of submissions

The Commission has adopted a policy of publishing submissions.

If you do not wish to have your submission published, you may elect to have it treated as confidential, in which case you must indicate this on the cover sheet.

Non-confidential submissions will be published on the Commission's website. Relevant parts or quotes from non-confidential submissions may also be included within the Commission's published documents.

The Commission may partially or wholly exclude publication of submissions where they:

- are outside the remit of the Commission's functions, as defined by the legislation;
- are deemed to be offensive or abusive;
- are deemed to be vexatious or defamatory; or
- could identify an individual.

A submitter can, upon reasonable request, have their submission withdrawn from public view.

How to lodge a submission

The Commission accepts submissions in hard copy or electronic format. Submissions may take the form of a short letter, email or a more substantial structured document.

Submissions may be lodged via the Commission's website: www.fairpay.gov.au, by email: submissions@fairpay.gov.au, or by post:

Australian Fair Pay Commission
Locked Bag 35003
Collins Street West
Melbourne VIC 8007

Further information

Further background information about the Review can be found through the following websites:

- Australian Fair Pay Commission – www.fairpay.gov.au
- Award Review Taskforce – www.awardreviewtaskforce.gov.au
- WorkChoices – www.workchoices.gov.au
- AIRC Junior Rates Inquiry – www.airc.gov.au/my_html/junior_rates.html

Contacts

For general enquiries or questions regarding lodging a submission, contact the Australian Fair Pay Commission Secretariat on 1300 139 699.

For further information about this Review please contact Susannah Palmer, Research Analyst, Workplace Relations Section, Australian Fair Pay Commission Secretariat on (03) 8621 8254.

Media enquiries can be directed to Justin Napier, Communications Manager, Corporate Communications Branch, Australian Fair Pay Commission Secretariat on (03) 8621 8206.

Junior and training wages

In performing its wage-setting function, the Australian Fair Pay Commission is required to set and adjust minimum wages for junior employees and employees to whom training, arrangements apply that ensure those employees remain competitive in the labour market.

Pay and Classification Scales

Pay and Classification Scales determine rates of pay for federally-covered employees. A Pay and Classification Scale must contain provisions relating to who is covered by a Pay and Classification Scale, rates of pay and classifications. A Pay and Classification Scale may also contain provisions relating to casual loadings, frequency of payment, training arrangements and incidental provisions. A preserved Pay and Classification Scale may include junior rates of pay below those specified for adult workers.

Young workers

Minimum wages for young workers

The WR Act defines a junior employee as an employee under the age of 21. Section 194(1) of the WR Act exempts junior employees from the standard FMW. Under s. 194(2) of the WR Act, the Commission may determine a special FMW for all, or for a specific class of junior employees. Young workers (employees under the age of 21) are covered by preserved Pay and Classification Scales. Preserved Pay and Classification Scales may include specified junior rates of pay below those specified for adult workers.¹ Where a Pay and Classification Scale does not provide for junior rates of pay, young workers must be paid at least the minimum adult rate specified for the work being undertaken by that employee in the Pay and Classification Scale.

The Australian Government's submission to the Commission's 2006 Wage Review stated that:

Nearly all employees under the age of 21 are already covered by the minimum wages that have been derived from federal and State awards and that are now embodied in preserved APCs. In effect, the previous federal and State wage safety nets now apply to young employees covered by the federal system. Significantly this includes preserved APCs derived from State common rule awards and other State standards of general application. The Government is not aware of any significant area of youth employment that is not already covered by the safety net constituted by the system of minimum wages in preserved APCs.²

1 An adult rate of pay means a basic periodic rate of pay that does not explicitly apply to a class of employees with a disability or employees to whom a training arrangement applies or junior employees.

2 Australian Government, 2006, p. 173, para. 9.72.

Workers below 21 years of age

Junior wage rates contained in preserved Pay and Classification Scales are minimum rates of pay for people under the age of 21 that are based on the age of the employee. In awards, junior rates are usually set as a percentage of the wage that applies to an adult employee, with the actual percentage increasing in line with the employee's age. The Australian Government, in its submission to the Commission's 2006 Minimum Wage Review, stated that the majority of awards provided adult wages at 21 years of age. It said:

A census of federal awards conducted by the Department of Employment, Workplace Relations and Small Business (DEWRSB) in 1999 found that of the 1690 federal awards at that time that contained wage and salary provisions, 755 (45 per cent) contained junior wage rates.

DEWRSB's 1999 census found federal awards often prescribed minimum wages of around 50 per cent of the relevant adult rate for 16 year olds, rising by about ten percentage point increments annually to the full adult rate at 21 years of age. While they most commonly provided adult wages at 21 years of age, the 1999 survey found that approximately 12 per cent of federal awards that contained junior rates provided for the adult rate to be paid at age 18 and approximately 13 per cent provided for the adult rate to be paid at age 20. However, there was no uniformity within industries or across industries between the age of the junior and the percentage of the adult wage rate the junior would receive.³

Age-based wages

In 1999, the Australian Industrial Relations Commission (AIRC) published the findings of its Junior Rates Inquiry. The AIRC was required to report on the feasibility of replacing junior rates with non-discriminatory alternatives. The inquiry considered:

- (a) whether it is desirable to replace junior rates with non-discriminatory alternatives;
- (b) the consequences for youth employment of abolishing junior rates; and
- (c) the utility of junior rates for different types of employment, industries and school to work transition.

The AIRC's report provided a comprehensive body of evidence and submissions considering the issues of maintaining junior rates of pay and non-discriminatory alternatives.

Among the findings of the report were that:

'...a discounted pay rate for entry level work continues to be necessary in the areas in which employment under junior rate classifications is the most concentrated...'⁴

'...[n]one of the identified non-discriminatory alternatives (to the current age based approach) most closely examined by (the AIRC) were feasible...'⁵

3 Australian Government, 2006, p. 157, para. 9.11 and 9.12.

4 AIRC, Junior Rates Inquiry, Print R5300, 4 June 1999, p. xiii, para. 7.

5 AIRC, Junior Rates Inquiry, 1999, p. ix, para. 2.

At the time of the report, the AIRC also found that:

...[e]mployment for youth is relatively scarce, increasingly casual and part-time, fragmented, and dependent upon retail and service industries.⁶

In particular, the AIRC found that 'own-wage elasticities of demand for junior labour cause employment of juniors to be highly sensitive to relative increases in pay rates.'⁷

The AIRC considered that:

An effective removal and non-replacement of the existing discounts for age against adult wages would involve significant relative adjustments of some rates and especially the more heavily discounted rates. Some adjustments would be of a dimension that would result in significant disemploying effects for the corresponding class of employees now in receipt of junior rates, or to be in receipt of the substituted pay rates.⁸

Award Review Taskforce

Under the WR Act there is no legislative requirement that the Commission rationalise Pay and Classification Scales. However, the WR Act requires the Commission to have regard to any relevant recommendations made by the Award Review Taskforce in exercising its wage-setting functions.

In July 2006, the Award Review Taskforce produced the paper *Final Report: Rationalisation of Wage and Classification Structures* (Award Review Taskforce Final Report). Among its observations, the Taskforce noted the considerable diversity in wages and classifications that exist across industries and occupations for junior employees and employees to whom training arrangements apply.

In relation to junior employees, the Taskforce recommended that the potential cost and subsequent employment effects should be taken into account when rationalising or standardising junior rates of pay.

Pay and Classification Scales for young workers

There is considerable diversity in the coverage of junior rates of pay in preserved Pay and Classification Scales as demonstrated in Table 1, derived from the *Award Review Taskforce Final Report*.

6 AIRC, Junior Rates Inquiry, 1999, p. xiii, para. 8.

7 AIRC, Junior Rates Inquiry, 1999, p. xiv, para. 8.

8 AIRC, Junior Rates Inquiry, 1999, p. xiv, para. 8.

Table 1: Junior rates of pay by industry

Industry	Number of Awards	Awards with no junior rates	Awards with junior rates
Agriculture, Forestry and Fishing	84	16	68
Mining	128	64	64
Manufacturing	735	292	443
Electricity, Gas, Water and Waste Services	108	66	42
Construction	138	82	56
Wholesale Trade	71	10	61
Retail Trade	115	19	96
Accommodation and Food Services	123	28	95
Transport, Postal and Warehousing	293	162	131
Information Media and Telecommunications	129	67	62
Financial and Insurance Services	89	27	62
Renting, Hiring and Real Estate Services	23	6	17
Professional, Scientific and Technical Services	112	49	63
Administrative and Support Services	67	35	32
Public Administration and Safety	203	106	97
Education and Training	177	114	63
Health Care and Social Assistance	310	174	136
Arts and Recreation Services	151	66	85
Other Services	119	32	87
Total	3175	1415	1760

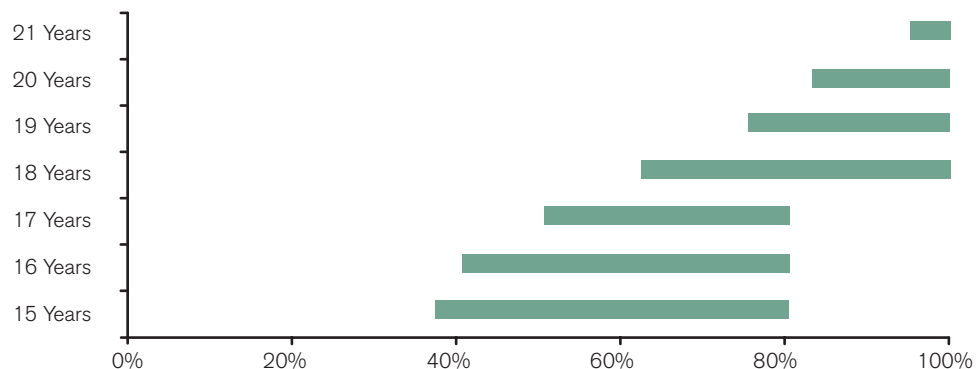
Source: Award Review Taskforce Final Report on Rationalisation of Wage and Classification Structures, July 2006, p. 45.

Approximately 40 per cent of pre-WorkChoices awards did not contain junior rates of pay.

In addition to the diversity in coverage of junior rates of pay shown above, the *Award Review Taskforce Final Report* and the AIRC inquiry into junior rates of pay also found considerable diversity in the quantum of junior rates of pay in preserved Pay and Classification Scales and the ages at which they applied.

Chart 1, reproduced from the *Award Review Taskforce Final Report*, identifies the span of junior percentage rates in federal retail awards.

Chart 1: Span of junior percentage rates of pay - federal retail awards



These differences are also present across other industries. Some cross-industry comparative data are available from the AIRC inquiry. Table 2 illustrates the differences in relativities across a number of key federal Pay and Classification Scales.⁹

Table 2: Junior Rates - weekly award wages in selected awards

Age	Metals Award 1998			Hospitality Award 1998			Shops Award 1994		
	per week (\$)	per cent	hourly rate (\$)	per week (\$)	per cent	hourly rate (\$)	per week (\$)	per cent	hourly rate (\$)
Under 16	143.57	36.8	3.79	-	-	-	216.20	50	5.69
16	184.52	47.3	4.86	-	-	-	216.20	50	5.69
17	225.48	57.8	5.93	273.07	70	7.20	237.80	55	6.26
18	266.44	68.3	7.01	312.08	80	8.21	291.90	67.5	7.68
19	321.83	82.5	8.47	351.09	90	9.24	345.90	80	9.10
20	381.13	97.7	10.03	390.10	100	10.27	389.20	90	10.24
Adult	390.10	100	10.27	390.10	100	10.27	432.40		11.38

Source: AIRC, Junior Rates Inquiry, 4 June 1999, p. 71, para. 2.4.3.

Table 3 is drawn from the AIRC Inquiry and represents a sample of 111 awards containing junior rates by the age at which those employed under the award received the full adult rate. It demonstrates a wide diversity in the transition rate to adult wages.

Table 3: Cumulative percentage of 111 awards with junior rates showing age at which adult wages are first paid

Age	16 Years	17 Years	18 Years	19 Years	20 Years	21 Years
Cumulative % of awards by age at which adult rates apply	1.8%	1.8%	18%	22.5%	42.3%	100%
Cumulative number of awards at which adult rates apply	2	2	20	25	47	111

Source: AIRC, Junior Rates Inquiry, 4 June 1999, p. 77, para. 2.5.3.

Pay and Classification Scale-reliance of young workers in the Australian labour market

The Commission's wage-setting decisions directly affect two categories of employees:

- 1) employees who are directly reliant on the standard FMW or special FMW set by the Commission; and
- 2) employees who rely on Pay and Classification Scales that are adjusted by the Commission's wage-setting decisions, e.g. employees who directly rely on Pay and Classification Scales and are not covered by a collective or individual agreement.

In addition, some employees may be indirectly reliant on Pay and Classification Scale rates of pay, for example, where agreements specify rates of pay equal to those in the Pay and Classification Scale.¹⁰

⁹ AIRC, Junior Rates Inquiry, Print R5300, 4 June 1999, p. 71, para. 2.4.3.

¹⁰ Evidence to Employment, Workplace Relations and Education committee, Senate, Commonwealth Parliament, Estimates 29 May 2006 (Employment Advocate): p. 131.

Table 4 provides data on Pay and Classification Scale-reliant junior employees in May 2006.

Table 4: Employees on junior rates that are Pay and Classification Scale-reliant¹¹ as at May 2006

INDUSTRY	Number (000)	As % of total number of Pay and Classification Scale-reliant employees on junior rates across all industries (a)	As % of total number of employees on junior rates within that industry (b)
Retail trade	79.4	48.2	26.1
Property & business services	29.3	17.8	48.6
Accommodation, cafes & restaurants	14.7	8.9	37.6
Personal & other services	10.6	6.5	46.7
Construction	10.1	6.1	35.2
Manufacturing	6.8	4.1	39.2
Wholesale trade	6.3	3.8	49.3
Education	3.1	1.9	26.9
Cultural & recreational services	2.2	1.3	16.3
Health & community services	1.5	0.9	15.6
Finance & insurance	0.4	0.3	11.9
Transport & storage	0.3	0.2	6.0
Mining	0.0	0.0	0.0
Electricity, gas & water supply	0.0	0.0	0.0
Communication services	0.0	0.0	0.0
Government administration & defence	0.0	0.0	0.0
All	167.8	100.0	31.4

Source: Percentages calculated using unpublished data from EEH data - May 2006, ABS Catalogue 6306.0. Estimates of numbers of Pay and Classification Scale-reliant employees calculated using number of non-farm employees for May 2004 and May 2006 from *Labour Force, Quarterly, Detailed, May 2007*, ABS Catalogue 6291.0.55.003, Table E05.

Notes:

- (a) Calculated as the number of employees in that industry that are on junior rates and paid the exact rate of pay specified in the relevant Pay Scale as a percentage of the total number of employees across all industries that are on junior rates and paid the exact rate of pay specified in the relevant Pay Scale.
- (b) Calculated as the number of employees in that industry that are on junior rates and paid the exact rate of pay specified in the relevant Pay Scale as a percentage of the total number of employees within that industry that are on junior rates.
- * Employees on junior rates includes all employees who are under 21 years of age and are not paid at the full adult rate for their occupation (including apprentices and trainees).
- * Employees are classified as award or Pay and Classification Scale-reliant only if they are paid at the rate of pay specified in the relevant award or Pay and Classification Scale.

The data show that:

- almost half of all junior Pay and Classification Scale-reliant employees are employed in the retail trade industry (48.2 per cent).

11 The Employee Earnings and Hours survey collects data on award reliance. It includes all employees in either the federal jurisdiction or the state jurisdictions that are earning the award rate of pay. Estimates of Pay and Classification Scale reliance are therefore derived from the data on award reliance.

The Commission's estimates of Pay and Classification Scale reliance include:

- employees who are working for incorporated businesses and are earning the exact award rate of pay; and
- employees who are working for non-incorporated businesses in Victoria, the Northern Territory or the Australian Capital Territory and are earning the exact award rate of pay.

The estimates of the numbers of employees that are on Pay and Classification Scales have been calculated using the number of non-farm (i.e. excluding agriculture, forestry and fishing) employees from the Labour Force Survey. Since the number of non-farm employees is higher in the Labour Force Survey than in the Employee Earnings and Hours survey, this gives higher estimates of the number of employees on Pay and Classification Scales.

- a quarter of Pay and Classification Scale-reliant employees on junior rates are employed in Property and business services (17.8 per cent) and Accommodation, cafes and restaurants (8.9 per cent), while the rest are mainly located in Construction, Personal and other services, Manufacturing and Wholesale trade.
- approximately one-half of all employees on junior rates are paid at the rate specified in the relevant award or Pay and Classification Scale. As is the case with adult employees, about two-thirds of these employees are in the federal jurisdiction (i.e. are Pay and Classification Scale reliant) and around one-third of these employees are in the state jurisdictions (i.e. are award reliant).

Table 5 compares Pay and Classification Scale-reliance for junior employees in May 2004 and May 2006.

Table 5: Employees on junior rates that are Pay and Classification Scale-reliant as at May 2004 and May 2006

INDUSTRY	Number (000)		As % of total number of Pay and Classification Scale-reliant employees on junior rates across all industries (a)		As % of total number of employees on junior rates within that industry (b)	
	May 2004	May 2006	May 2004	May 2006	May 2004	May 2006
Retail trade	95.3	79.4	55.0	48.2	30.8	26.1
Property & business services	9.0	29.3	5.2	17.8	18.4	48.6
Accommodation, cafes & restaurants	23.4	14.7	13.5	8.9	57.8	37.6
Personal & other services	10.5	10.6	6.1	6.5	48.3	46.7
Construction	6.7	10.1	3.9	6.1	26.5	35.2
Manufacturing	9.8	6.8	5.7	4.1	39.9	39.2
Wholesale trade	2.1	6.3	1.2	3.8	19.3	49.3
Education	4.4	3.1	2.6	1.9	42.5	26.9
Cultural & recreational services	0.3	2.2	0.2	1.3	3.0	16.3
Health & community services	9.3	1.5	5.4	0.9	65.7	15.6
Finance & insurance	2.2	0.4	1.3	0.3	40.3	11.9
Transport & storage	0.0	0.3	0.0	0.2	0.0	6.0
Mining	0.0	0.0	0.0	0.0	0.0	0.0
Electricity, gas & water supply	0.0	0.0	0.0	0.0	0.0	0.0
Communication services	0.0	0.0	0.0	0.0	0.0	0.0
Government administration & defence	0.0	0.0	0.0	0.0	0.0	0.0
All	178.4	167.8	100.0	100.0	32.6	31.4

Source: Percentages calculated using unpublished data from EEH data - May 2004 and May 2006, ABS Catalogue 6306.0. Estimates of numbers of Pay and Classification Scale reliant employees calculated using numbers of non-farm employees for May 2004 and May 2006 from *Labour Force, Quarterly, Detailed, May 2007*, ABS Catalogue 6291.0.55.003, Table E05.

Notes:

- Calculated as the number of employees in that industry that are on junior rates and paid the exact rate of pay specified in the relevant Pay Scale as a percentage of the total number of employees across all industries that are on junior rates and paid the exact rate of pay specified in the relevant Pay Scale.
- Calculated as the number of employees in that industry that are on junior rates and paid the exact rate of pay specified in the relevant Pay Scale as a percentage of the total number of employees within that industry that are on junior rates.

Stakeholder views

There was a broad consensus in submissions to Wage-Setting Decision 1/2006 that the Commission should exercise caution in implementing changes to the framework of junior wage arrangements. The Australian Council of Trade Unions (ACTU) submission recommended that any changes to relativities should occur with proper consideration:

Any attempt to restructure APCs as they apply to junior [sic] is, in our view, a complex task and not something that should be undertaken lightly or with haste.' ... t is the firm view of the ACTU that the AFPC should not alter the existing arrangements and principals (sic) that apply to the establishment of 'special rates'. In so far as it is possible the existing relativities and formulas that apply to the establishment of these rates should continue to apply. Whilst it may be tempting for the AFPC to act expeditiously, we strongly advise caution. The potential for added confusion and economic harm is significant. We urge caution and further consultation regarding the establishment of new rates or formulas for the establishment of rates of pay for Trainees and Apprentices, Juniors, Piece Rate workers and workers with disabilities.¹²

The Australian Government submitted that:

...there may be advantages in awaiting the rationalisation of the system of minimum wages in preserved APCs before setting a special FMW...[P]reserved APCs currently contain a wide diversity of junior rate scales. Once these junior rates have been rationalised, and the adult rates to which they relate have also been rationalised, it will be easier to choose a scale of junior rates for a special FMW that is consistent with and has a proper relationship with the junior rates contained in preserved APCs.¹³

The Australian Government also proposed that "[d]isturbing the relativities between adult and junior pay rates risks distorting the labour market".¹⁴

The Australian Chamber of Commerce and Industry (ACCI) called on the Commission to:

...research and take submissions on the future rationalisation of junior wages towards fewer, more consolidated percentage arrangements, and the inclusion of age based junior wages in all industry minimum wage structures.¹⁵

The Australian Industry Group (AiGroup) proposed that:

Any rationalisation of junior wage rates should be carried out as part of the process of rationalising APCs. This will enable the reasons why junior rates differ markedly from one APC to another to be analysed and valid differences preserved. This will also enable the reasons why junior rates are not contained within the APCs in certain industries (eg. construction) to be analysed.¹⁶

The Commission now seeks submissions on the complex and key issues raised in relation to junior wages.

¹² ACTU, Australian Council of Trade Unions Submission to the Australian Fair Pay Commission, July 2006, p. 140.

¹³ Australian Government, 2006, p. 174, para. 9.73.

¹⁴ Australian Government, 2006, p. 180, para. 9.96.

¹⁵ ACCI, 2006, p. 393, para. 18.89.

Employees to whom training arrangements apply

Legislation

The Commission is required to provide minimum wages for employees to whom training arrangements apply to ensure they are competitive in the labour market.

Training arrangements have historically been referred to as apprenticeships and traineeships and provide a combination of on and off-the-job training linked to formal employment arrangements.

The WR Act defines a training arrangement as a combination of work and training that is subject to a training arrangement or training contract between the employee and employer that is registered:

- (a) with the relevant state or territory training authority; or
- (b) under a law of a state or territory relating to the training of employees.

The WR Act, as amended by the *Workplace Relations Amendment (WorkChoices) Act 2005*, legislatively provided for school-based traineeships and apprenticeships from 14 December 2005, where these arrangements were not already in place.

Employees to whom training arrangements apply are exempt from the standard FMW. The Commission may determine a special FMW for all, or for a specific class of employees to whom training arrangements apply.

Many employees to whom training arrangements apply are covered by preserved Pay and Classification Scales derived from pre-WorkChoices federal or state wage instruments. The legislation requires the Commission to consider whether it should determine a new Pay and Classification Scale for employees to whom training arrangements apply.¹⁷ In Wage-Setting Decision 1/2006, the Commission decided not to create a Pay and Classification Scale for employees to whom training arrangements apply.

16 Australian Industry Group, 2006 Review of Minimum Wages: Submission to the Australian Fair Pay Commission, July 2006, p. 86, para. 227.

17 WR Act, s. 221(4).

Minimum wages for employees to whom training arrangements apply

There were differing views on other issues identified in submissions to the Commission's 2006 Minimum Wage Review, such as competency-based (as distinct from time-served) approaches to apprenticeships. On this matter, submissions differed as to whether or not to declare a special Pay and Classification Scale, and placed differing emphases on training progression, wage progression and apprenticeship completion.¹⁸

For example, in the case of apprenticeships:

Very few federal and State awards have been varied to include the model part-time apprenticeship provisions. In order to ensure that part-time apprentices receive appropriate minimum wages, it is therefore necessary for a special APCS to be created under section 221 of the WR Act. This special APCS would establish appropriate minimum wages for part-time apprentices, and would apply to any part-time apprentices that are not already subject to a preserved APCS that explicitly provides minimum wages for part-time apprentices.¹⁹

There were also differing views regarding the approach the Commission should take to adult apprenticeship rates and whether any special Pay and Classification Scale determined by the Commission should specify higher rates of pay to apprentices who have completed schooling beyond Year 10.

18 e.g. Qld Government, 2006, p. 56, para. 313 (d); Australian Government, 2006, pp. 268-9, paras. 10.185-6); ACTU, 2006, p. 129; CFMEU (Construction and General Division), *Submission to the Australian Fair Pay Commission on An Apprentice and Trainee Australian Pay and Classification Scale for the Building and Construction Industry*, July 2006, p. 3, para. 2.4; ACCI, *2006 Minimum Wage Review: ACCI Supplementary Submission*, August 2006, p. 171, para. 10.10(b).

19 Australian Government, 2006, p. 272, para. 10.200.

The Commission is seeking submissions on the following key questions:

Key Questions – Young workers

1. How do junior rates of pay contribute to promoting the economic prosperity of the people of Australia, having regard to the following:
 - the extent to which junior rates of pay enhance and/or inhibit the capacity of the unemployed and low paid to obtain and remain in employment;
 - the extent to which junior rates of pay promote employment and competitiveness across the economy;
 - the role of junior rates of pay in providing a safety net for the low paid; and
 - the extent to which junior rates of pay provide minimum wages for junior employees that ensure they are competitive in the labour market?
2. Should a special Pay and Classification Scale be created extending junior rates of pay to Pay and Classification Scales that do not currently cover them?
3. Should junior rates of pay apply to all employees who are under the age of 21?
4. Should the Commission determine a new special Federal Minimum Wage for young workers?
5. What should be the rates of pay and the ages at which they apply in a special Federal Minimum Wage for young workers?
6. Are there industry, occupation or training specific issues that need to be considered?
7. Are there issues specific to regional Australia that need to be considered?
8. What is the role and function of age-based wages for young workers?
9. What role might competency-based wages for young workers play in ensuring those employees are competitive in the labour market?

Key Questions – Training wages

1. How do wages for employees to whom training arrangements apply contribute to promoting the economic prosperity of the people of Australia with regard to the following:
 - the extent to which wages for employees to whom training arrangements apply enhance and/or inhibit the capacity of the unemployed and low paid to obtain and remain in employment;
 - the extent to which wages for employees to whom training arrangements apply promote employment and competitiveness across the economy;
 - the role of wages for employees to whom training arrangements apply in providing a safety net for the low paid; and/or
 - the extent to which wages for employees to whom training arrangements apply provide minimum wages for those employees that ensure they are competitive in the labour market?

2. To what extent do training wage Pay and Classification Scales support or inhibit skills development in Australia?
3. To what extent do training wage Pay and Classification Scales support or inhibit incentives to employ workers under formal training arrangements?
4. In what areas, if any, are there award-free employees undertaking formal training?
5. Should the Commission determine a new special Federal Minimum Wage for employees to whom training arrangements apply?
6. What should a new special Federal Minimum Wage comprise?
7. Should the Commission determine a new special Pay and Classification Scale for employees to whom training arrangements apply?
8. If created as a new special Pay and Classification Scale, what role would the following provisions play in supporting the uptake of training in employment:
 - (i) a model full-time apprenticeship provision?
 - (ii) a model part-time apprenticeship provision?
 - (iii) a non-school based traineeship provision?
9. To what extent would adult apprenticeship rates support or inhibit incentives to:
 - (i) undertake skills development?
 - (ii) employ workers under formal training arrangements?

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