

## Chapter 5: Youth wages

---

### INTRODUCTION

5.1 Australia has developed a unique and complex wages structure with no less than three broad types of wage arrangements which may apply to the employment of young people. Junior wages apply to about 52 per cent of young people under 21 years of age who are in employment. Wage rates vary from State to State and according to age and occupation. Trainee wages apply to about 13 per cent of young people under 21 who are employed as either trainees (1 per cent) or apprentices (12 per cent) but wage arrangements for trainees and apprentices are not the same. Junior and 'trainee' wages differ in that young people employed on junior wages are not required to undertake structured training. Finally, adult wage rates apply to about 35 per cent of young people in employment for which no junior rates are prescribed.<sup>1</sup> The 35 per cent figure may include young people in certain industry sectors being paid minimum adult rates while adult workers in that sector are paid above award rates.

### The major issues

5.2 The attention paid to youth wages over recent years has focussed on two areas while it has neglected other important issues. There has been public debate over whether youth wages should be lowered to encourage employers to offer more employment to young people. Meanwhile, a great deal of effort has been directed towards substituting competency based wages for age based wages to end 'discrimination' against young employees.

5.3 The Committee believes the most important youth wages issue is how much the current wage structure provides appropriate incentives to employers to offer employment and training opportunities to young people and to young people to undertake them. The issues of the level of youth wages and competency versus age based wages are important components of this issue. An examination of the whole reveals some serious imbalances within the current system.

### THE LEVEL OF YOUTH WAGES

#### Youth productivity and wages

5.4 Some evidence suggests that young people, as a group, are overpriced in the labour market. In Australia the rate of unemployment for young people under 25 years of age has consistently been two to two and one half times higher than the adult rate. This implies that some young people are not as attractive to employers as adults are despite the discount available in junior and training wage rates — that the

---

1 Department of Industrial Relations, *Submission No. 40*, pp. 5, 6, 7.

package of skills, experience and other qualities young people have to offer are relatively overpriced compared to that offered by adults.

*The wages structures for young people are too high, forcing us to demand greater productivity of them than their years and experience can provide.*<sup>2</sup>

[Mr John Gilmour, Managing Director, Gilmour's Pty Ltd]

5.5 In considering the relationship between youth and adult wages the relevant comparison to employers is the adult award rate — the minimum an employer would have to pay an adult to do the same job. This relativity has not varied much since 1983. Comparisons between average junior and adult earnings show a relative decline in the earnings of young people because adults are more likely to benefit from over-award payments or to be covered by enterprise agreements.<sup>3</sup> The complexity of the relationship between the wage rate and the employment level and the significance of the factors discussed in chapters 1 to 4 are demonstrated by the fact that the relative decline in young peoples' average earnings has not led to a change in the comparative rates of youth and adult employment.

5.6 Some evidence suggested the rise in school retention rates has raised the average age at which young people present themselves to the labour market without appreciably adding to their value to employers.

*Because we have had this structural shift where people are staying on longer at school, in effect, a person with the same characteristics now as a similar person 20 years ago, actually has to be paid a lot more. Twenty years ago that person would have left school at 15. Today that person leaves school at 17. So, in effect, an employer is being asked to pay a higher proportion of the adult wage for that same bundle of experience.*<sup>4</sup>

[Professor Judith Sloan, Director, National Institute of Labour Studies, Flinders University]

5.7 The argument may not hold for young people who commence part-time employment in their mid-teens and thus acquire work related skills while they continue to study but it does accurately describe the situation for many young people seeking their first job after leaving school. Many employers lamented the fact that, even after 12 years of schooling, young people are not well prepared for work.

*One of the major problems we found with employment of young people was the basic skills they come out of school with. We are probably reiterating what you have heard on a number of sites, but we think it is very important... We just want to be able to get people who can add up quickly on their feet and be confident in adding up or taking 10*

---

2 *Submission No. 9, p.1.*

3 Department of Industrial Relations, *Submission No. 40.2, p. 6.*

4 *Transcript of Evidence, p. 298.*

*per cent off something at a quick rate in front of a customer — or two or three customers. That is not a skill that we think is beyond those people. When they are being paid those rates and the pressure is on them, they are not confident in those fields.*<sup>5</sup> [Mr Patrick Mawn, President, Roma Business Development Association Inc.]

This is not necessarily a new phenomenon.

### **Addressing the imbalance**

5.8 There are two ways to address the imbalance between what young people have to offer employers and how much they cost. Young people can be better skilled and prepared for employment so that they represent better value for money to employers. Measures which the Committee believes can enhance the capacity of young people to meet the needs of employers have been examined in Chapters 2, 3 and 4 of this report. The corresponding action, and the Committee sees these strategies as complementary, is to address how much young people cost employers.

5.9 The cost of a young person to an employer is a much more complex consideration than the dollar cost of their wages. Other costs include training as well as a range of on-costs, such as workers' compensation insurance, superannuation and payroll tax, together with the associated compliance costs which employers have to consider.

*There is a greater risk involved with employing young people, generally compounded by the limited scope for prior employment checks.*<sup>6</sup> [South Australian Employers' Chamber of Commerce and Industry submission]

5.10 Theoretically, strategies designed to reduce employee on-costs and the associated compliance costs should have a similar employment boosting effect as reducing the direct cost of wages to employers. There may even be additional benefits in such strategies by reducing the complexity of employing a young person and thereby removing some of the non-financial barriers to employment for employers. A reduction in on-costs and compliance costs, by not directly affecting the take home pay of the employee, does not have an adverse impact on the monetary incentive paid to the young employee.

### ***The effect of reducing youth wages***

5.11 The Department of Industrial Relations provided the Committee with a general analysis and review of the key studies on the relationship between youth wages and employment.<sup>7</sup> Unfortunately, there is limited Australian material on the relationship between youth wages and employment and most studies date back to the

---

5 *ibid*, p. 835.

6 *Submission No. 72*, p. 3.

7 Department of Industrial Relations, *Submission No. 40.2*.

late 1970s and early to mid 1980s. The most comprehensive study was undertaken in 1983 by the Bureau of Labour Market Research (BLMR).

*The BLMR confirmed the general findings of the earlier study by Merrilees that there was a negative relationship between youth wages and employment (ie own wage elasticity), with a high negative relationship for females in particular...a 1 per cent rise in wages for females was found to reduce employment for young females by 4.58 per cent. The equivalent figure for young male employees was 1.8 per cent. The employment of young people was found to be positively related to changes in adult wages, especially for females (ie positive cross wage elasticities). For example, a 1 per cent rise in relative wages for male employees over 21 was found to increase employment for young male employees by 0.62 per cent. Adult employment was also found to be positively related to junior wages. The BLMR argued that the fact that young female employees have higher employment elasticities than young male employees is consistent with the existence of Australia's apprenticeship system (which is dominated by males).<sup>8</sup>*

[Department of Industrial Relations submission]

5.12 The BLMR study is now very dated and it was cautious about the magnitude of its results at the time.<sup>9</sup> Also, it would be unwise to assume that the elasticity for a rise in wages would be equal in magnitude to the elasticity for a fall in wages which is the more relevant figure for our purposes. However, the study did confirm conventional assumptions about the direction of the relationship between wage movements and employment.

5.13 In concluding its review of the relevant international studies on aggregate wages the Department of Industrial Relations surmised:

*Most studies found that that cross-elasticities of demand with other forms of labour were positive, which is consistent with neoclassical theory. This result held true regardless of the methodology or the country studied...*

*After analysing the literature, Hamermesh (1993) concluded that the studies suggest that own wage elasticities are higher for young workers than for older employees and that this is consistent with the empirical evidence that the demand for less-skilled employees is more elastic. Thus, the empirical evidence suggests that a given increase in wages is likely to have a higher impact*

---

8     ibid, p. 12.

9     ibid.

*on employment for young people than it would for adults.*<sup>10</sup> [Department of Industrial Relations submission]

5.14 The available evidence suggests that employment for young people would be adversely affected by a rise in their real wages. While it is possible that a fall in real wages for young people would result in a rise in employment, the extent of the effect is unknown.

*The conclusions that can be drawn from that evidence are that, firstly, youth wages need to be kept competitive compared with adult wages so that they do not get priced out of the work force. Secondly, the potential benefits of just simply reducing youth wages are not very clear, because the amount of reduction in youth wages to achieve the desired increase in youth employment might be very large — so large that it is not acceptable.*<sup>11</sup>  
[Ms My Linh Hardham, Acting Assistant Secretary, Economic Analysis Branch, DEETYA]

#### 5.15 Recommendation 5.1

**The Committee recommends that the Department of Industrial Relations undertake or commission empirical research on the relationship between the changes in the level of wages and employment levels.**

#### **Employers' views on wages and subsidies**

5.16 Most employers are not in a position to influence the general level of wages for the categories of workers they employ. Within the limits of the system employers concentrate more on the relative quality of the potential employees from whom they can choose. They are not usually dissuaded from employing the best person available by the incremental cost or saving offered by a lower or higher junior or adult rate, or a government subsidy.

#### ***Employers' views on wages***

5.17 There is no doubt that many employers consider the existence of junior wage rates an important factor in their decisions to employ young people but there is no clear indication that they would employ more young people if their wages were lower. A survey conducted in 1990 by the Confederation of Australian Industry, (CAI, now the Australian Chamber of Commerce and Industry, ACCI) highlighted the importance of junior rates.

*The survey found some 63 per cent of employers considered that the lower wages of young people relative to adults was of some importance in their decision to hire*

10 *ibid*, p. 18.

11 *Transcript of Evidence*, p. 46.

*a young person rather than an adult. The proportion was the highest in retail (82 per cent) and lowest in electricity, gas and water, (31 per cent). A high proportion of these employers (72 per cent) also stated that the availability of the junior rates of pay were important in their decision to employ young people. In the retail industry, which is a major employer of young people, the proportion was 92 per cent.*<sup>12</sup> [DEETYA submission]

5.18 A small survey of 150 employers of the Motor Traders Association of NSW also found that the existence of junior wage rates was important in the decisions of its members to employ young people.<sup>13</sup>

5.19 Youth wages are important in getting many employers to consider hiring a young person in preference to an adult. Beyond that, factors other than wages, such as attitude and general competency, become much more important in selecting which individual gets the job. The NSW Board of Vocational Education and Training commissioned a survey of 500 companies which found:

*More than seven out of ten employers indicated that reducing youth wages below current levels would not be a significant factor in their employment choice. Employers indicated that the most important attributes in selecting people for entry-level positions were enthusiasm and willingness to work, basic literacy and numeracy, communication and interpersonal skills and presentation and appearance. This is consistent with the CAI survey which found that other factors rated more important than wages were: the costs of training, lack of maturity, availability of relevant training courses and low skill levels.*<sup>14</sup> [DEETYA submission]

5.20 In summary, if an employer has decided to employ someone they might well decide to employ a junior rather than an adult because of the wage difference, particularly if they can find an appropriate young person. However, employers do not decide to employ young people on the basis of the lower wage in isolation from other factors.

### ***Employers' views on wage subsidies***

5.21 Subsidies can be important and effectively used to promote employment opportunities for young people and other disadvantaged job seekers by reducing the immediate short run cost to the employer. Subsidies are particularly effective in conjunction with well targeted marketing and information which has been carefully tailored to appeal to employers.

---

12 *Submission No. 71, p. 13.*

13 *Motor Traders Association of New South Wales, Submission No. 75.*

14 *Submission No. 71, pp. 13 and 32.*

*We are able to actually create extra vacancies when we are talking about traineeships. Because the wages, obviously, are lower and the subsidies higher, it is easier for an employer to fill up a casual position, for instance, for the same cost as having a casual for six months...I guess it is in how the message is put across.<sup>15</sup>*  
[Ms Kirsten Palmer, WorkPlacement Inc.]

5.22 Ultimately, the main factors in the decision to employ are, for all businesses, the productivity and suitability of the employee for the position. Subsidies will not induce an employer to hire someone they do not think will make a good employee.

*The over-riding requirement for business is to have people who can do the job. Productivity is the critical issue. If we go to businesses and say, 'Will you take this person on at a very reduced cost?' but the person is totally inappropriate for the job, then the answer will be no, they will not...The simple response from business was, 'We don't care how cheap you make it, if the person can't do the work, then we don't want the person.'<sup>16</sup>*  
[Mr Ian Harrison, SA Employers' Chamber of Commerce and Industry]

*I definitely find that most employers are not interested in the fact that they have to pay a salary. They are not interested in the subsidies that come with traineeships. They are more interested in getting the right person for the job in the long run and whether that person is going to perform to the standards that they require.<sup>17</sup>*  
[Ms Felicity Thomson, Queensland Retail Traders and Shopkeepers Association]

The question of subsidies for trainees and apprentices is dealt with later in this chapter.

## **AGED BASED WAGE RATES**

### **Background**

5.23 In Australia, a system of age based rates of pay for workers under 21 years of age has evolved in industries employing significant numbers of young people. It was estimated that in May 1995, age based rates of pay applied to over 380,000 young people.<sup>18</sup>

5.24 Age based rates originated with the 1907 Harvester Judgement of the Court of Conciliation and Arbitration, which introduced lower rates for juniors on the basis

---

15 *Transcript of Evidence*, p. 190.

16 *ibid*, p. 287.

17 *ibid*, p. 410.

18 Department of Industrial Relations, *Submission No. 40*, p. 5.

that their 'needs' were less than those of adults. As the concept of employee 'needs' in wage determination was replaced by productivity and work value, age based wage rates were retained to discount the wages of young people to account for their relative lack of experience and maturity.

5.25 Many other developed countries do without explicitly defined rates of pay exclusively for young people. Generally those countries either have a system of relatively low or no minimum wages, such as in the United States, or a comprehensive vocational training system catering for a high proportion of young people and providing a low training wage in comparison to experienced adult workers, such as in Germany.<sup>19</sup>

5.26 Without junior wage rates Australia would need to devise other mechanisms to assist young people into the labour market. Australian adult minimum wage rates are high in relation to average wages compared to many other countries. Junior wages are also high as a proportion of adult wages in comparison to many other OECD countries.<sup>20</sup>

5.27 Young people usually require more supervision and training than older, more experienced, workers. Consequently, they need to be less expensive to employ to offset the higher supervision and training costs. The important relationship to employers is the relative value of employing a young person in comparison to an adult in the same position. For example, some awards provide for a 16 year old to be paid 50 per cent of the adult wage rate. After allowing for higher supervision and training costs, if a 16 year old cannot provide a return to employers equal to at least 50 per cent of what an adult can produce a 16 year old will not represent good value and employers will choose an adult.

5.28 The system of age based wage rates has been relatively stable for ninety years and has had wide community acceptance and support as a relatively equitable way to balance the relative skills, experience and maturity of young people in comparison to adults. In recent years, this approach to setting wages for young people has come under review and the opinion that it is discriminatory to set wages for young people according to age began to prevail. This view found legislative expression in the anti-age discrimination provisions in the *Industrial Relations Reform Act 1993* which forced attempts to develop an alternative, competency based method to set wages which would adequately account for the skill level of young people relative to older workers.

### **Competency based alternatives to junior rates**

5.29 There is major concern about moving to a competency based wages system. There are large numbers of young people employed in relatively low skilled areas such as the retail and fast food industries where measurable competencies are

---

19 The Queensland Government, *Submission No 94*, p. 14, The Department of Employment, Education, Training and Youth Affairs, *Submission No. 71*, p. 14, and see, Sweet R, Training Young People. Do Wages Matter?, *Conference on Formalised Training Towards 2001*, Adelaide, November 1995, p. 19.

20 OECD Employment Outlook, July 1996. p. 137-8.



relatively easily acquired. Under a competency based system, as these young people acquire the measurable competencies, it is expected that their wages would rise rapidly by large factors, potentially pricing many of them out of their jobs.

*The Retail Council of Australia has made an estimate—and this is their estimate, not ours—that, of the 280,000 juniors currently working in the retail industry...200,000 would be replaced by adults.*<sup>21</sup>

[Mr Barry Leahy, First Assistant Secretary,  
Policy Division, Department of Industrial Relations]

5.30 McDonald's Australia Ltd and its franchisees employ over 40,000 young people.<sup>22</sup> McDonald's submitted that young employees can learn skills related to the tasks they perform quite quickly, usually within 6 to 12 months. Young people also develop other more general work skills in their employment which are valuable to employers such as teamwork, organisation and planning, responsibility, punctuality, customer awareness, communication, initiative, self-confidence and a healthy work ethic.<sup>23</sup> These skills and attributes are not easily measured objectively but, as young people are generally less proficient in them than older workers, age based wage rates represent a simple, rational and intelligible proxy for competency based rates.

*The current competency based system [the NTW]...talks about years [out of] school versus years of experience in the work force. It looks a lot like age to me, only it is going to be more expensive to administer and in some states it will mean significant increases in wage rates. With those two things you are adding cost to employers and that means we will employ fewer people. Firstly, we will employ fewer people in total and, secondly, at some age groups it will make young people more expensive so it will make them less competitive with adults. We will probably employ a few more adults but primarily I think it will affect overall employment levels.*<sup>24</sup> [Mrs Julie Owen, Vice-President, Corporate Relations, McDonald's Australia Ltd]

5.31 Coles Myer Ltd and Woolworths Ltd are major Australian retailers which between them employ over 110,000 young people under 21. They both support the retention of junior wage rates. Coles Myer Ltd submitted that a competency based wage structure cannot adequately measure competencies such as maturity and life experience which are valued by employers.<sup>25</sup> Woolworths Ltd favours the current aged based system over a competency based system because of its relative simplicity and the predictability it lends to labour costs for planning purposes.<sup>26</sup>

5.32 It is predictable that major employers of young people such as McDonald's, Coles Myer Ltd and Woolworths Ltd would argue against changes to youth wages

---

21 *Transcript of Evidence*, p. 12.

22 McDonald's Australia Ltd, *Submission No. 70*, p. 1.

23 *ibid*, pp. 1-2.

24 *Transcript of Evidence*, p. 131.

25 Coles Myer Ltd, *Submission No. 86*, p. 5.

26 Woolworths Ltd, *Submission No. 33*, p. 3.

which could significantly increase their total labour costs and adversely affect their profitability. However, it must be recognised that these companies and others like them are also good trainers and much more than an intellectual principle on age discrimination is at stake. Nearly 300,000 young people employed in the retail and fast food industries receive a significant non-monetary benefit by developing the intangible personal qualities mentioned above. Putting jobs for young people at risk by over pricing their labour will also risk the personal skills development and future prospects of thousands of young people.

5.33 The effects of the absence of junior wages in a high minimum wage economy such as Australia can be observed in the building and construction industry. Junior rates generally do not apply and there is little provision for training arrangements outside the traditional apprenticeship structure.<sup>27</sup> In August 1995, including apprentices, only 7.6 per cent<sup>28</sup> of the construction industry workforce were teenagers compared to 24 per cent of the retail workforce in May 1997.<sup>29</sup> However, the Committee does acknowledge that other factors in addition to wages will influence the level of youth employment in a particular industry.

5.34 The Australian Youth Policy and Action Coalition Inc. (AYPAC) submitted that age based wage rates discriminate against young people and asserted that claims that the abolition of junior wages would have negative effects on the employment of young people were unsubstantiated.<sup>30</sup> AYPAC then cited a number of American studies by David Card and Alan Kreuger into the effects on the employment of teenagers of moderate rises in the legislated minimum wage.<sup>31</sup>

*In "Using Regional Variation in Wages to Measure the Effects of the federal Minimum Wage", Card shows that following the April 1990 rise in the United States Federal minimum wage the impact on teenage employment is positive, not negative.<sup>32</sup> [Australian Youth Policy and Action Coalition Inc. submission]*

5.35 The Committee cannot accept the relevance of the Card and Kreuger studies, as argued by AYPAC, to the Australian debate on the potential effect of the abolition of age based wages. In the low wage American States examined in one study, the 13.5 per cent nominal rise<sup>33</sup> in the legislated minimum wage resulted in only a 6 per cent increase in average teenage wages.<sup>34</sup> In comparison, the abolition of age based rates in the Australian retail industry, for example, would result in potential increases of 100 per cent for a sixteen year old and 40 per cent for an 18 year old.

---

27 Mr Peter Wilson, Chief Executive Officer, Construction Training Australia, *Transcript of Evidence*, p. 174.

28 Department of Industrial Relations, *Submission No. 40.1*, p. 3.

29 ABS, unpublished statistics, May 1997.

30 Australian Youth Policy and Action Coalition Inc., *Submission No. 95*, p. 16.

31 There are comprehensive lists of references on this subject attached to the Department of Industrial Relations submissions, *Submission Nos. 40.1 and 40.2*.

32 *Submission No. 95*, p. 17.

33 In April 1990 the minimum wage was raised about 13.5 per cent from US\$3.35 per hour to US\$3.80.

34 Australian Youth Policy and Action Coalition Inc., *Submission No. 95*, p. 17.

*It would be unrealistic not to expect increases of this magnitude to have a significant impact on youth employment given the high 'bite' in junior wage rates, the high own wage elasticity of youth employment, and the high number of employees on junior wage rates.<sup>35</sup>*  
[Department of Industrial Relations submission]

5.36 Australia has already put considerable effort into developing competency based alternatives to junior wage rates although little of consequence has eventuated. Although it has been held that the progression framework of the National Training Wage (NTW) met the original anti-age discrimination provisions of the Industrial Relations Reform Act<sup>36</sup> it remains an ill-disguised and more complex proxy for age based rates.

*It produces a very similar outcome to age because in relying on the time of completing the final year of schooling to initially classify employees, it is using a criterion which is highly correlated to age. The framework then progresses employees on the basis of the time spent out of school, which increases on the same basis as age and which does not differentiate between experience and skills gained in the period since leaving school.<sup>37</sup>* [Department of Industrial Relations submission]

### **Junior rates and anti-age discrimination legislation**

5.37 The *Workplace Relations Act 1996* has exempted junior wages from the anti-age discrimination provisions until 22 June 2000 with the Australian Industrial Relations Commission (AIRC) empowered to extend exemptions on a case by case basis. The Act will require the abolition of junior wages under an award not covered by an exemption. The Act also requires the full bench of the AIRC to report to the Minister for Workplace Relations and Small Business on the feasibility of abolishing junior rates at least one year prior to 22 June 2000.<sup>38</sup>

5.38 Members of the Coalition parties on the Committee are extremely concerned that legislation will be required to ensure that junior rates are retained, even if no satisfactory competency based system is developed before June 2000. By international standards Australian minimum adult award rates are high as a proportion of average and median earnings which makes it imperative that special provisions apply to young people entering the workforce. In the Committee's view the Department of Industrial Relations seriously understated the case when it submitted:

---

35 The 'bite' refers to how high the minimum wage is in relation to median and average earnings. *Submission No. 40.2*, pp. 30 and 31.

36 Department of Industrial Relations, *Submission No. 40*, p. 8.

37 *ibid*, p. 18.

38 Department of Industrial Relations, *Submission No. 40.2*, p. 8.

*The forced abolition of junior rates of pay before suitable non-discriminatory alternatives are developed could damage the fragile youth labour market.*<sup>39</sup> [Department of Industrial Relations submission]

5.39 The adoption of competency based wages structures on a progression framework that does not disadvantage young people is more likely to be possible in occupations with high skill requirements which take some time to acquire. The Committee hopes that new competency based wage progression frameworks will have more genuine competency based progression points than the National Training Wage and agrees that:

*...there would be little practical benefit in replacing age-based wages with a more complex arrangement such as the National Training Wage progression framework which is not skills or competency based and produces much the same outcomes as age.*<sup>40</sup> [Department of Industrial Relations submission]

5.40 Realistically, the Committee does not believe that it will be practicable to establish workable competency based wages structures for the industries where physical skills are relatively quickly acquired. This includes industries such as fast food and retail which employ vast numbers of young people on junior rates. Administratively complex competency based wages structures that are expensive and labour intensive to apply would also be a disincentive to employ young people.

#### **5.41 Recommendation 5.2**

**Members of the Coalition parties on the Committee recommend that the Government make a submission to the Australian Industrial Relations Commission inquiring opposing the abolition of junior wages presently required under the Workplace Relations Act 1996.**

---

39 *Submission No. 40*, p. 17.

40 *ibid*, p. 18.

## SOCIAL SECURITY BENEFITS AND YOUTH WAGES

### Perceptions

5.42 The Committee heard a great deal of comment to the effect that social security payments were a disincentive for young people to seek employment and that the availability of benefits was perpetuating an unemployment culture. This perception was as widely held among young people the Committee spoke to at school forums as it was with employers and other adults.

*I do believe that people out there can't get jobs and that they need to go on the dole, but I see it as unfair. My older sister was holding down two jobs: one was for five days a week and the other was a part-time job. Her boyfriend was on the dole and he was clearing more money than her per fortnight. I don't see that as fair.<sup>41</sup>*

[Mr Les Willis, Student, Sale College, Sale, Vic]

*The problem is that you cannot rely on people to work 40 hours a week for \$220 when they can get \$200 on the dole. That is one of the major problems.<sup>42</sup>*

[Mr Anthony Lee, Student, St John the Evangelist High School, Nowra, NSW]

*For a start, the dole is too high. The gap is too narrow between apprentice and trainee wages and the dole. If work for the dole is structured training and there are job outcomes for it, it will work.<sup>43</sup>*

[Mr Rodney Wilkinson, Managing Director, Mt Isa Group Apprenticeship, Traineeship and Employment]

The Committee believes that these perceptions do not accurately reflect reality.

5.43 Social security benefits effectively place a floor under wages somewhere around or above the general maximum benefit available. The facts suggest that incentives to work are there, even for young people facing the lowest age based wage rates, although the Committee is concerned about the general relativities particularly for apprentices and trainees on longer term traineeships.

5.44 Linking social security benefits to further education or training for young people under 18, as under the new Youth Allowance<sup>44</sup> which will take effect from 1 July 1998, will minimise any economic incentive to leave home or school early to maximise benefits. To receive the Youth Allowance, young people who are under 18 years of age who do not have Year 12 or equivalent will be required to be in full-

---

41 *Transcript of Evidence*, p. 1177.

42 *ibid*, p. 1057.

43 *ibid*, p. 975.

44 Joint Media Release, *Common Youth Allowance*, Senator Jocelyn Newman and Senator Amanda Vanstone, 17 June 1997.

time education or training, unless they are specifically exempted from this requirement.<sup>45</sup>

### **Part-time and full-time workers**

5.45 In looking at the relationship between social security benefits and the wages available to young people, the Committee has chosen to look ahead and make comparisons with the rates announced for the Youth Allowance. They are generally equal to, or slightly more than, amounts currently available under Austudy and Youth Training or Newstart Allowances. The Shop Employees (State) Award for NSW has been used for comparative purposes because it is representative of the wage rates applying to a large proportion of young people in employment.

**Table 5.1: Youth Allowance and Retail Wages<sup>46</sup> compared on a weekly basis**

<b>Age</b>	<b>Youth Allowance (at home)</b>	<b>Youth Allowance (away from home)</b>	<b>Weekly Wages</b>	<b>Weekly Wages (Taxed)</b>
Under 16	\$72.50	\$132.35	\$163.10	\$150.50
16	\$72.50	\$132.35	\$203.90	\$183.30
17	\$72.50	\$132.35	\$244.70	\$215.90
18	\$87.15	\$132.35	\$285.45	\$244.15
19	\$87.15	\$132.35	\$326.25	\$276.15
20	\$87.15	\$132.35	\$367.00	\$308.10
21 and over	\$87.15	\$132.35	\$407.80	\$338.90

- Notes: a) Youth Allowance is taxable.  
 b) Youth Allowance rates shown are maximum rates untaxed.  
 c) In addition to the \$132.35, recipients of the full away from home Youth Allowance may also be eligible for Rent Assistance up to a maximum \$49.40 pw.

5.46 It is important to note that young people in employment generally fall into three categories: full-time secondary students who have part-time jobs for additional income; full-time tertiary students who work part-time to supplement Austudy (which will be replaced by the Youth Allowance); and young people in full-time employment. The interaction of the Youth Allowance and wages will be quite different for each group. What follows is intended to show the relative financial rewards presented by the wages and welfare systems to young people who pursue fairly typical study and employment patterns. It is not intended to be a comprehensive description of the Youth Allowance system.

5.47 Full-time secondary students working part-time and living at home typically work for about ten hours<sup>47</sup> per week and earn between \$4.29 per hour, at 15 years of

45 Joint Media Release, *Common Youth Allowance*, Senator Jocelyn Newman and Senator Amanda Vanstone, 17 June 1997, Attachment: *Youth Allowance the Facts*, p. 4.

46 NSW Shop Employees (State) Award.

47 Mrs Julie Owen, Vice-President, Corporate Relations, McDonald's Australia Ltd, *Transcript of Evidence*, p. 116.

age, and \$7.51 per hour, at 18 years of age.<sup>48</sup> At these wages and hours, and working additional time during school holidays, an 18 year old is not likely to earn sufficient money to affect any entitlement he or she may have to the Youth Allowance. If entitled to the Youth Allowance, a full-time secondary student will be permitted to earn \$6,000 per annum before his or her entitlement is reduced.

5.48 Full-time tertiary students working part-time could generally expect to earn between \$7.51 per hour, at 18 years of age, and \$10.73 per hour, if 21 years of age. As with secondary students, a full-time tertiary student will be permitted to earn \$6,000 per annum before his or her entitlement to the Youth Allowance is reduced.

5.49 Under the Youth Allowance there will not be an 'unemployment benefit' for young people who have not completed their secondary education to Year 12 or its equivalent. Young people working full-time in non-training positions are likely to earn a wage according to their age approximate to those shown in Table 5.1. There will be an entitlement to the Youth Allowance for young people under 18 years old in full-time education or training subject to an individual income test and a parental means test. Other young people under 21 who are looking for work, or combining part-time study with job search, may also be eligible subject to the same tests. As the Youth Allowance will be taxable an 18 year old young person receiving maximum Youth Allowance together with the maximum available Rent Assistance (\$49.40) could still expect to be about \$79 per week<sup>49</sup> better off working. The differential in favour of working increases significantly with age.

## **Apprentices and Trainees**

5.50 The income differential in favour of apprentices and trainees earning over the Youth Allowance can be determined by comparing Table 5.1 (*above*) and Table 5.2 (*below*). The income differential in favour of accepting employment as a first year apprentice or trainee is not great if a young person is otherwise entitled to the full Youth Allowance and full Rental Assistance, totalling \$181.75 per week. However recipients of the Youth Allowance will have to be occupied full-time either studying, searching for work, or a combination of part-time study and job search.

## **TRAINING WAGES**

### **Structure**

5.51 The wages structure for apprentices and trainees does not sit comfortably within the wider youth wages system. Apprentices are poorly paid compared to their friends on junior rates while they are relatively expensive for employers to train.

5.52 The overall wage structure for trainees and apprentices has no internal consistency and desperately needs rationalising. From one type of apprentice or trainee to the next, there are no common rules to determine what an apprentice or

---

48 NSW Shop Employees (State) Award. The rate is 15% more for casual employees.

49  $\$132.35 + \$49.40 = \$181.75$  less tax  $\$16.75 = \$165$  pw opposed to approx.  $\$244$  pw net.

trainee gets paid. Most apprentices in traditional trades are paid according to the number of years of apprenticeship they have served while most trainees are paid according to the National Training Wage, a complicated alternative to an age based rate. Under the New Apprenticeship System some trainees, for whom there are no applicable award provisions for training, may be paid a training rate determined by adjusting the non-training award rate that would otherwise apply to the trainee for the time not spent in productive work.<sup>50</sup>

5.53 A further inconsistency is that trainee wages are explicitly discounted for time spent in training and not in productive work while apprentice wages, set by the traditional awards, carry an implied discount. However, provisions under the New Apprenticeship System now allow for the award wage to be varied for an apprentice performing a non-standard mix of training and productive work.

**Table 5.2: Weekly Apprenticeship, Traineeship and Full-time Wages Compared**

Year	Apprenticeship <sup>a</sup>		NTW Traineeship <sup>b</sup>		Retail Wages	
	Hairdresser	Chef	at Year 10	at Year 12	Wage	Age
			\$156.00 <sup>c</sup>		\$203.90	16
			\$187.00		\$244.70	17
1	\$176.50	\$186.70	\$218.00	\$218.00	\$285.45	18
2	\$242.65	\$219.20	\$251.00	\$251.00	\$326.25	19
3	\$308.85	\$272.00	\$294.00	\$294.00	\$367.00	20
4	\$375.00	\$324.70	\$335.00	\$335.00	\$407.80	21

Notes: a) Rates per week are the same regardless of age. From Hairdresser and Restaurants & (State) Awards NSW.

b) Rates are for Skill Level B (semi-skilled) which is the intermediate rate. Skill Level A (approaching Trades) rates are higher. Rates are for 16 and 18 year old (approximate ages) school leavers at Years 10 and 12, respectively, who commence a NTW Traineeship. The gross weekly rate is discounted 20% for typical training time.

c) Initial rate is typically discounted 33% to account for higher off the job training component for a Year 10 school leaver commencing a NTW traineeship.

## **Apprentice wages**

5.54 The Committee considers that the wage relativities do not provide an incentive for young people to undertake long-term training. The apprenticeship wage structure has not been adjusted to accommodate recent economic and social change. The rise in high school retention rates and changing employer preferences towards engaging older apprentices at commencement<sup>51</sup> have combined to drive up the average age of apprentices at commencement. In 1995/96 65 per cent of apprentices were 18 years of age or older at commencement whereas in 1981/82 82 per cent of apprentices were 17 years of age or younger at commencement.<sup>52</sup> Most apprentice

50 Department of Industrial Relations, *Submission No. 40*, p. 12.

51 Mr Peter Noonan, General Manager, Australian National Training Authority, *Transcript of Evidence*, p. 401.

52 ANTA Apprenticeship Statistics, *Exhibit No. 123*.



awards provide for wages to be adjusted in accordance with the time served, regardless of the age of the apprentice or the acquisition of skills.

### ***Wage signals to young people***

5.55 Twenty years ago, apprentice wages were relatively more attractive to 15 or 16 year olds leaving school in Years 9 or 10. A first year apprentice hairdresser or chef would get \$176/\$186 per week whereas a 16 year old retail employee would get \$204. The initial advantage for the retail junior was soon matched by the wage progression of an apprentice. (*see* Table 5.2) They do not appear as attractive to today's Year 12 graduates compared to the more rapid financial advancement offered by a one year retail traineeship or the immediate rewards of a non-training job on junior rates in the retail or hospitality industries. An 18 year old can commence in the retail sector in a non-training job on \$285 per week — approximately \$100 per week more than the apprentice. Also, comparing an apprentice and a retail trainee on the NTW rate for Skill Level B, both starting at 18 years old, one year later the apprentice is paid the 2nd year rate (\$242/\$219) while the retail trainee is paid the full junior rate for a 19 year old (\$326). (*see* Table 5.2.)

*I know a few people who have apprenticeships, mainly in catering, and it is not until their fourth year in the apprenticeship that they can actually get enough money to live on...16, 17 and 18 year olds basically cannot live out of home, they cannot get their own independence at 18 or 19 because they are just not earning enough money.<sup>53</sup>*  
[Ms Camille Wilson, Student, Evans Hill High School, Blacktown, NSW]

*I do not think a lot of people realise that from an apprenticeship they are going to gain skills and not just money.<sup>54</sup>* [Mr Thomas Bywater, Student, Caboolture State High School, Caboolture, Qld]

5.56 The short to medium term financial disincentive to young people to undertake the longer term and higher skill level training associated with an apprenticeship is not a problem that is easily fixed. Given the recent history of low apprenticeship commencements detailed in the beginning of Chapter 4, many employers might abandon apprenticeships altogether if they were expected to bear the cost of significantly higher wages, together with the on-the-job and external training expenses of apprentices. In any event, it is reasonable that apprentices contribute towards their training by forgoing income as they currently do. They are the primary beneficiaries of the higher future income stream they eventually attain.

### ***Wage signals to employers***

---

53 *Transcript of Evidence*, p. 520.

54 *ibid*, p. 472.

5.57 An equally important issue is to what extent the wages structure provides appropriate signals to employers to offer apprenticeships and traineeships to young people and to provide high quality training within the apprentice/trainee arrangement. While apprentice wages are not as financially attractive to a Year 12 school leaver as the available alternatives, the structure also builds in significant disincentives to employers.

5.58 While apprentice wages may not compare very favourably with junior wages available in some sectors, by international standards they are high as a proportion of the relevant skilled workers wages.<sup>55</sup>

*This is complemented by the failure to reflect in hourly wage rates any presumption that the employer is providing training to the apprentice in the workplace. As a per cent of the adult rate, apprentice wages appear to differ little from those applying in classifications to which structural training is not attached. Hourly rates for trainees are also essentially the same as for employees in comparable classifications for whom the employer is not expected to provide training. **In both cases entry-level wage structures provide the employer with an incentive to use the young person as a productive employee rather than as a learner.***<sup>56</sup> [Professor R Sweet]

5.59 The available evidence supports the proposition that employers of apprentices are not encouraged to provide more training than the applicable award or training agreement stipulates.<sup>57</sup>

*Apprentices not surprisingly have relatively high rates of training and are more likely than other groups to receive a greater breadth in training and training of a greater duration and intensity. What is of some concern, however, is that the incidence and extent of training received is not even higher. We would anticipate that the majority of apprentices would be receiving both on-the-job and off-the-job training and be involved in formal training programs for periods longer than a week. However, this was not evident in our results.*<sup>58</sup>  
[P Flatau and M Simpson]

5.60 The dilemma is that apprentices are simultaneously too cheap and too expensive. They are the casualties of a wages system for young people in which the short to medium term incentives, provided by rapid wages progression through traineeships and junior wage rates towards high adult minimum wages, are loaded towards jobs which are relatively low skilled in comparison to trades.

---

55 Sweet R, The Naked Emperor: Training Reform, Initial Vocational Preparation and Youth Wages, *The Australian Economic Review*, 2nd Quarter 1995, p. 104.

56 *ibid*, p. 106. (emphasis added)

57 *ibid*, p. 104.

58 Flatau P and Simpson M, Part-time youth employment and training: evidence from the Australian Youth Survey, *Labour Economics and Productivity*, Vol 8, 1996, p. 157.

## **The National Training Wage (NTW)**

5.61 The National Training Wage provides wage rates for employees undertaking National Training Wage Traineeships to acquire skills at one of three levels. In accordance with a schedule attached to the award, wages are linked to Industry/Skill Levels A, B and C, representing skilled (approaching Trades), semi-skilled and base skilled categories respectively. Table 5.2 includes the rates payable under the NTW for the semi-skilled occupations.

*The NTW was initially introduced in 1994 through a single federal award with multiple employer associations and union respondents, in an attempt to provide widespread coverage more quickly than under the former training schemes.<sup>59</sup>*

[Department of Industrial Relations submission]

5.62 The main distinguishing feature of the NTW structure is that it does not rely directly on age to set an appropriate rate of pay. It relies on a relatively complicated formula based on the highest level of schooling completed adjusted for each year the trainee has been out of school. Table 5.2 shows just how closely it mirrors the effect of aged based junior rates in its operation.

5.63 The NTW is not a genuine competency based system at all. In fact, it does not even specify that trainees should have attained a particular educational standard at the point of leaving school which is used to determine their commencing wage.<sup>60</sup> The NTW structure is confusing and could be easily replaced with junior rates calculated as percentages of the key award based rates for Industry/Skill Levels A, B and C in the NTW award.

*When we talk traineeships and a national training wage, and it is basically 80 per cent of the award, and it depends on your age, and when you left school and the whole sliding scale to work out their pay, they go cross-eyed and ask, 'Yeah, but how much is that?' They are asked, 'When did you leave school? How old are you? What level did you reach,' et cetera to find out the rate of pay. It just seems extremely complicated from their end.<sup>61</sup>*

[Miss Debra Templar, Training and Development Manager, Retail Training Victoria, Retail Traders Association of Victoria]

5.64 Section 143(1C)(e) of the *Workplace Relations Act 1996* requires the AIRC, when making or reviewing awards, to ensure that training arrangements are supported by appropriate trainee wages. This should help extend to more young people employment opportunities linked to training.

---

59 *Submission No. 40*, p. 16.

60 *ibid*, Attachment C, p. 27.

61 *Transcript of Evidence*, p. 766.

## **Subsidies for trainees and apprentices**

5.65 The Committee encountered a lot of criticism of the Government's decision to cut employer subsidies for apprentices and trainees, including the decision, which was subsequently revoked, to entirely remove the financial incentives for large employers. The Committee notes and endorses the Government's decision to restore eligibility for these incentives to large employers from January 1998.

5.66 The existence of subsidies has allowed many small and medium sized employers, who believe in apprenticeships, to keep alive a long standing tradition of passing on their trade. Governments would do well to be mindful of this tradition, to nurture it and to ensure that its continuation is encouraged and rewarded. Given the difficulties that the apprenticeship system for the traditional trades is labouring under, the Committee firmly believes that the current level and availability of subsidies must be maintained, at least until the throughput of apprentices is lifted much higher than current levels.

5.67 The Committee received a number of suggestions in relation to apprentices and trainees which included:

- restore subsidies to previous levels;<sup>62</sup>
- a full wage subsidy for employing apprentices;<sup>63</sup>
- more widely available information on the incentives offered;<sup>64</sup>
- higher subsidies in rural areas to compensate for drought and/or higher costs;<sup>65</sup>
- require a 1:5 ratio of apprentices to qualified tradespeople to be employed on government contracts over a certain value;<sup>66</sup>
- allow training to be a tax deductible business expense;<sup>67</sup>
- deregulate apprentice/trainee wages;<sup>68</sup>
- pay a greater proportion of the apprenticeship subsidy up front;<sup>69</sup>

5.68 The Committee believes that most of these suggestions have merit. However, it is proposing much more comprehensive reform.

## **A National Youth Wage**

---

62 Mr Antonio Palladino, Chief Executive Officer, ElectroSkills Australia, *Transcript of Evidence*, p. 76.

63 Bartter Enterprises, *Submission No. 114*, p. 5.

64 Jilinda Caldwell, *Submission No. 110*, p. 2.

65 Golden West Group Training, *Submission No. 108*, p. 2.

66 Mr Norman Cahill, Former Chief Executive Officer, ElectroSkills Australia, *Transcript of Evidence*, p. 79.

67 Mr Greg Dearle, Managing Director, Millar Refrigeration and Air Conditioning, *Transcript of Evidence*, p. 1509.

68 Mr Robert Day, Managing Director, Homestead Award Winning Homes, *Transcript of Evidence*, p. 274.

69 Restaurant and Catering Association of NSW, *Submission No. 68*, p. 5.

5.69 The current youth wages system is too complex, too fragmented and riddled with inconsistencies. It sends the wrong signals to employers and to young people and it is time to start again.

5.70 Members of the Coalition parties on the Committee propose a relatively simple and substantially deregulated system. The proposal would provide a national minimum age based wage for young people more aligned to the realities of the market. It would be simple for business to understand and administer. Significantly, it would provide the appropriate balance of incentives to young people and employers to value and invest in training. Employers and employees (and their bargaining agents) would be free to negotiate workplace and enterprise agreements to vary the provisions above the minimum as they see fit.

5.71 Members of the Coalition parties on the Committee propose a National Youth Wage based on the Australian minimum wage standard. It should be established by legislation and over-ride all existing federal awards including the National Training Wage. The rate should be determined to restore an appropriate relativity between training wages, particularly for apprentices commencing at 18 years and completing 4 years later, and other young people on the aged based rate.

5.72 The legislated minimum would not provide for weekend and overtime penalties to apply under the National Youth Wage for part-time workers, although they could be added under an enterprise agreement. In accordance with recommendation 5.6 below, superannuation would not apply to young people on the National Youth Wage prior to 21 years of age. Of course, employers would continue to be able to employ young people under 21 years of age according to an adult award or enterprise agreement that provided higher pay and conditions.

5.73 The National Youth wage would also apply to trainees and apprentices for whom it would be discounted in proportion to the time spent in training and away from productive work. A wages top up paid directly by the Commonwealth Government should apply to all trainees and apprentices whose wage falls below the accepted minimums established under the current Wage Top-Up Scheme.<sup>70</sup>

---

70 Currently \$131 per week for 16 year olds, \$161 for 17 year olds and \$200 for 18 years and over.

#### 5.74 Recommendation 5.3

**Members of the Coalition parties on the Committee recommend that the Government legislate to over-ride existing federal industrial awards to establish a National Youth Wage which:**

- **provides for an age based progression;**
- **is discounted for trainees and apprentices in proportion to the time spent away from productive work and in training;**
- **is supported by the Youth Allowance paid by the Commonwealth Government directly to students and young people in part-time work; and**
- **is supported by The Wage Top-Up Scheme paid by the Commonwealth Government directly to trainees and apprentices in full-time work based training.**

#### 5.75 Recommendation 5.4

**Members of the Coalition parties on the Committee recommend that the Government seek the widest possible legal and constitutional advice on the use of the corporations, interstate trade and commerce and incidental powers under the Constitution, in addition to the industrial relations power, to ensure the uniform national implementation of Recommendation 5.3.**

#### 5.76 Recommendation 5.5

**Members of the Coalition parties on the Committee recommend that the Commonwealth Government pursue its attempt at national harmonisation of industrial relations legislation by attempting to secure uniform State and Territory agreement to implement Recommendation 5.3.**

#### 5.77 Recommendation 5.6

**Members of the Coalition parties on the Committee recommend that the Commonwealth Government provide for youth training and youth wages to be exempt from the list of disputable matters under Section 89A of the *Workplace Relations Act 1995* by Commonwealth legislation implementing Recommendation 5.3.**

## ON-COSTS AND ASSOCIATED COMPLIANCE COSTS

### Cost proportionally higher for young workers

5.78 The Committee does not wish to duplicate the effort of the Small Business Deregulation Task Force but there are a few issues in relation to business regulation which impact heavily on the employment of young people.

5.79 When an employer is considering the cost of hiring an employee, the full range of applicable on-costs and compliance costs, in addition to the actual wages paid, must be included. On-costs, such as superannuation, workers compensation insurance and payroll tax, are usually proportional to the wage or salary of the young employee. However, on-costs incur fixed compliance costs which are born by the employer — that is, the administrative and accounting costs associated with the payment of salary, income tax and related on-costs are approximately the same for a high or low wage employee. Therefore, unless some exemptions apply, compliance costs for young employees represent a higher proportion of their salary and related costs than they do for older workers.

5.80 The employment discouraging effect of on-costs and the associated compliance costs has been recognised by Governments in most State and Territory jurisdictions. Most jurisdictions grant workers' compensation premium exemptions and payroll tax rebates or exemptions to employers engaging trainees, apprentices and, in some cases, the long-term unemployed. These benefits are in addition to direct Commonwealth subsidies for apprentices, trainees and the long-term unemployed.<sup>71</sup>

5.81 Superannuation payments are a financial and administrative impost on employers in relation to young part-time workers. The employer contributions are small in relation to the administrative cost involved in processing the payments and a significant proportion of the small deposits are consumed by administrative charges.

### **5.82 Recommendation 5.7**

**Members of the Coalition parties on the Committee recommend that the Commonwealth Government legislate to exempt young people under the age of 21 years from compulsory employer sponsored superannuation.**

5.83 A survey conducted by AC Nielson McNair on behalf of the Australian Society of Certified Practising Accountants, has estimated that 54 per cent of small businesses spend up to five hours per week to comply with tax requirements, conservatively estimating the total cost to small business at \$7 billion.<sup>72</sup> Employment related taxes such as PAYE and payroll tax were included amongst those considered the most difficult to administer. These imposts are universally unpopular with employers.

71 *see* Information on Financial Assistance at the New Apprenticeships website, <http://www.deetya.gov.au/newapprenticeships>.

72 *The Australian*, 21 July 1997, p. 21.

*Abolish payroll tax, without doubt. Payroll tax has cost me, effectively, another person that I could employ. If they said to me, 'I will abolish your payroll tax if you employ somebody', I would employ somebody.*<sup>73</sup> [Mr Keith Boyd, Managing Director, Keith Boyd Holden]

*Payroll tax is eating into us. I employ over 100 people and I paid more payroll tax last year than the company made in profit. And that is just payroll tax; in my opinion, it is a disgrace. Year after year — with the greatest respect to the politicians here — we have promises made by politicians about making employment of people easier, but that never eventuates.*<sup>74</sup> [Mr Mike Byrne, Managing Director, Byrne Trailers (Australia) Pty Ltd]

5.84 Payroll tax is clearly a significant disincentive to employment generation and its abolition should be a policy priority in the context of any future tax reform.

### 5.85 Recommendation 5.8

**The Committee recommends that the Commonwealth Government, through the Council of Australian Governments, seek the agreement of the State and Territory Governments to the abolition of payroll tax on all employees under 21 years of age subject to the Commonwealth Government making good the shortfall of revenue to each State and Territory.**

### Penalty rates

5.86 Young people in education taking part-time work may receive penalty rates for working the only hours that they are available and want to work. The Committee also heard that the payment of penalty rates was a disincentive to employ young people in training positions in the evenings or on weekends.

*The perfect point is that we have a laundry on our place...on weekends, because I do not have any other distractions from my business, I can be helping that person learn the process of doing the laundry in our establishment. But I will not employ an untrained person for \$16.09. If I put on a trained person I would be paying \$18.02, so for that extra \$2 I have someone who could possibly do other tasks.*<sup>75</sup> [Mr Geoffrey Hemmings, Manager, Barters of Wagga Wagga]

5.87 Penalty payments are clearly a disincentive for employers to train outside normal working hours. This limits the provision of part-time employment generally, and part-time work-based training opportunities for young people for no apparent

---

73 *Transcript of Evidence*, p. 1187.

74 *ibid*, p. 1326.

75 *ibid*, p. 1345.



benefit. Wage structures intended to protect the leisure hours of full-time adult employees have no relevance to the predominantly part-time, after school and weekend work of young people.

