

# When should a young person start getting paid as an adult?

June 4 2014, by Lucas Walsh

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The government wants young people to be learning or earning, but at some point they should be treated as adults. Credit: Dean Lewins/AAP

It depends on where the money is coming from, according to current government policy - policy that is sending conflicting messages about the true value of young people to Australia's economy.

In March, the Fair Work Commission (FWC) decided to alter the

General Retail Industry Award so that 20 year olds would receive the "adult" rate of pay instead of the current rate of 90%. They will now be eligible for the full adult rate once they have been in the job for six months. This means that 20-year-olds will be treated virtually the same as those aged 21.

And yet in May, the federal budget proposed that unemployed people under the age of 25 would no longer qualify for the Newstart allowance of A\$510 a fortnight, currently available to people after they turn 22. People under 25 will have to apply for the lower Youth Allowance of \$414 a fortnight at the full rate.

Currently, the Australian Chamber of Commerce and Industry (ACCI) is [leading a campaign](#) to lower Sunday penalty rates, arguing that it will create jobs for [young people](#).

These measures send contradictory messages about when young people officially join the mainstream "adult" workforce. Let's look at each in turn.

First the FWC decision. The Australian Retailers Association has argued that changes to the system of junior rates could discourage employers from appointing young people. But as Damian Oliver from the University of Sydney has pointed out, some employers already pay young people in this age group at the adult rate.

Parts of the manufacturing and construction industries - significant employers of young males - have already removed junior rates for many categories of workers aged 18 to 20. Coles and Woolworths, the two largest employers of young people in the retail sector, have already removed junior rates for 20 year olds from their enterprise agreements.

## **Casual work is on the rise**

At the same time, young people face an increasingly casualised workforce, with access to full-time secure work happening later in life. The steady decline of full-time job opportunities over the last 20 years has meant that many teenagers must make do with part-time and casual work, in which associated entitlements such as access to flexible holidays are not available. Combine this with the ever-increasing challenges of entering the housing market and young people find that the secure markers of "adulthood" enjoyed by previous generations are often out of reach. Recognition of a fair level of pay commensurate with "adults" is one of the few concessions available in a fluid job market.

Recent surveys of business show concern that young people lack loyalty to their employers. Loyalty is a two-way street. Recognition of the value of young people's labour through wage levels, with the expectation that in return young people will stay with employers, is one way of addressing this concern, so the FWC decision is potentially positive in this regard.

The Australian Industry Group has suggested: "The emphasis should be on preserving employment in the industry, not on imposing higher costs," but a more sophisticated response is required that both ensures fairness as well as providing youth employment and training opportunities. Arguably, wage rates could be traded off against traineeships with a qualification at the end or other benefits.

A less sophisticated approach is to lower penalty rates. ACCI Chief executive, Kate Carnell, [recently suggested](#) that "With youth unemployment rates going up, and the policies announced in the budget... you could get more jobs, especially with the young market, very quickly with movement on weekend penalty rates".

With major employers of young people such as retailers joining the campaign, there is some justification to potentially opening up job

opportunities. But again, the value of young people's work (and rest) is ambivalent. While it may create jobs, it may also inadvertently contribute to the broader lack of security that permeates the youth labour force. And the argument that these jobs will lead to secure employment becomes problematic given that teenagers in part-time work are only [slightly more likely](#) to move into full-time employment than those who are unemployed.

## **Earning or learning**

Under the government's new earning or learning regime, jobseekers under the age of 30 will have to wait six months before receiving unemployment benefits, depending on their work history. In one stroke, this policy effectively extends the age of transition from school to work by five years. It does this by treating young people under 30 as one category, consisting of those who apparently need economically punitive motivation to seek work. Advocates of this policy may characterise this as an "incentive", but the outcome is the same: if you're young and not earning or learning, you will not be supported by government support derived from societal taxation.

What this does is to extend the economic definition of unemployed youth to the age of 30. It stands in contrast to the FWC's implied judgement that 20 year-olds should be treated the same as those aged 21. The latter decision affords entitlements to a fair wage to younger Australians, the former denies entitlements to later in life. One step forward, two steps back.

At the heart of the FWR decision is that "the discounted rate for all 20-year-old retail employees is not a fair and relevant minimum safety net".

Beneath these decisions is a social question: "When does a young person

become an adult?" Prior to this decision, 18 year-olds working in retail are paid 70% of the full adult rate (i.e. the wage applied to those over the age of 21). 19-year-olds are paid at 80% of the wage, and so on until at age 21 they are recognised as "adults".

What changes between the ages of 20 and 21? Based on the evidence, the Commission found there to be "little difference in the duties and responsibilities assigned to 20 and 21-year-old retail employees". And what changes between the age of 21 and the age of 30?

A consistent message needs to be sent to young people about their economic status as "adults". Recognising their work through providing the adult wage level is one small way of doing this, while addressing the discrimination evident in the way young people are paid.

The FWC described the decision to change the retail award as a special case and that this would not necessarily lead to similar findings for other awards. The federal government's policy to alter conditions for receiving Newstart Allowance has yet to make its way through the Senate.

When viewed in combination, these approaches to youth [employment](#) suggest we are some way off from sending a consistent message to young people about the value of their work to the economy.

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