

# Junior Wage Rates in Context: An Ecosystem Approach to Youth Employment in Australia

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Young workers in Australia are experiencing persistently high youth unemployment rates, a growing generational wage gap and declining labour market participation. Many young people report a desire to work, however there are several barriers that influence their access to the labour market. The causal relationship between minimum wages and youth employment is currently a site of fierce debate in Australian minimum wage law. The Shop, Distributive and Allied Employees' Association (SDA) has recently brought an application in the Fair Work Commission (FWC) to remove junior wage rates from several modern Awards (2024 Junior Rates Case).<sup>2</sup> The architecture of the modern *Fair Work Act 2009* (Cth) (FWA), informed by the history of junior wage setting, tends to focus the public debate about youth wages towards their impact on youth employment and labour costs.

The current debate on junior wage rates in Australia is based on an oversimplified causal relationship between youth employment and youth minimum wages. Using an employment ecosystem framework, this report shows that youth employment outcomes in Australia are shaped by interacting structural, workplace-level and individual factors, making the employment effects of junior wages impossible to isolate in the way that the current debate is attempting to do. If youth employment outcomes are shaped by an interconnected set of social, institutional and economic factors, then evaluating junior wages in terms of whether they do or do not youth employment may lead to an incomplete picture of the impacts of junior wages. The debate around junior wages would benefit from a broader analysis of the distributive and institutional impacts of junior wage rates alongside their economic effects.

## Employment Trends in Australia

Overall, the proportion of young people in the labour force in Australia is on the decline, partially due to a general aging of the population but also due to declining participation rates for young workers.<sup>3</sup> At the

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<sup>2</sup> *Application by Shop, Distributive and Allied Employees Association* (unreported, AM2024/24): <https://www.fwc.gov.au/hearings-decisions/major-cases/junior-rates-application-am202424>.

<sup>3</sup> Australian Bureau of Statistics, *Labour Force Australia, January 2026* (Catalogue No 6202.0, 19 February 2026), available at: <<https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release>> ('2026 Labour Force Data'). See also, Zoya Dhillon and Natasha Cassidy, 'Labour Market Outcomes for Younger People' (June 2018) *Reserve Bank of Australia Bulletin*.

same time, youth unemployment and the average educational attainment of young workers in Australia are both on the rise.<sup>4</sup> These factors are likely related, as more young people forego employment to study full time.<sup>5</sup> In 2025, 63% of people aged 15-24 years were engaged in some form of study while 8% were not currently engaged in any work or study.<sup>6</sup> As at January 2026, the youth unemployment rate in Australia is presently at 9.6%, significantly higher than the national average of 4.1%.<sup>7</sup> The youth unemployment rate has remained relatively stable, despite a decline in unemployment in the overall population.<sup>8</sup> Young Australians report a desire to work, but often find it difficult to find secure work which is appropriate to their level of skill and experience.<sup>9</sup> Job insecurity and underemployment are prominent issues for young people, who experience higher than average rates of employment insecurity (e.g. via casualisation).<sup>10</sup> The number of young people who are considered NEET has increased from a low of 7.6% in 2022 to around 8% in 2025.<sup>11</sup> The percentage of young people not engaged or partially engaged in work or study is higher for young people in inner regional<sup>12</sup> and outer regional and remote areas.<sup>13</sup>

Panos Karanikolas and Joanne Xiaolei Qian-Khoo argue that Australia lacks a dedicated, cohesive policy addressing youth unemployment.<sup>14</sup> Australia's federal system of government means that the various aspects of youth employment policy (e.g. education and training, social security, employment conditions,

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<sup>4</sup> See Dhillon and Cassidy (n 2) 4. See also Australian Bureau of Statistics, *Education Attainment* (Web page, 15 September 2025) available at: <<https://www.abs.gov.au/statistics/measuring-what-matters/measuring-what-matters-themes-and-indicators/prosperous/education-attainment>>, Australian Bureau of Statistics, *Education and Work, May 2025* (Web page, 19 November 2025) <<https://www.abs.gov.au/statistics/people/education/education-and-work-australia/latest-release>> ('ABS, Education and Work 2025').

<sup>5</sup> Dhillon and Cassidy (n 2) 4.

<sup>6</sup> ABS, Education and Work 2025.

<sup>7</sup> 2026 Labour Force Data (n 2).

<sup>8</sup> Ibid.

<sup>9</sup> Australian Bureau of Statistics, *Underemployed Workers, February 2025* (Web page, 29 July 2025). See also *The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 23 (Report, 2025)* 109-112

<[https://melbourneinstitute.unimelb.edu.au/\\_data/assets/pdf\\_file/0010/5387806/2025-HILDA-Statistical-Report.pdf](https://melbourneinstitute.unimelb.edu.au/_data/assets/pdf_file/0010/5387806/2025-HILDA-Statistical-Report.pdf)>.

<sup>10</sup> Jeff Borland and Michael Coelli, 'Is It "Dog Days" for the Young in the Australian Labour Market?' (Melbourne Institute for Applied Economic & Social Research Working Paper No 5/21, May 2021) 31-32 cited in John Howe and Tom Dillon, 'Underpaid and Overlooked: The Wage Crisis Facing Young Workers in Australia: Final Report of the Fair Day's Work Project' (Centre for Employment and Labour Relations Law, July 2025) <[https://law.unimelb.edu.au/\\_data/assets/pdf\\_file/0007/5331517/Fair-Days-Work-Report\\_final.pdf](https://law.unimelb.edu.au/_data/assets/pdf_file/0007/5331517/Fair-Days-Work-Report_final.pdf)>.

<sup>11</sup> Australian Institute of Health and Welfare, *Engagement in Education or Employment* (Article, 25 June 2021) <<https://www.aihw.gov.au/reports/children-youth/engagement-in-education-or-employment/#how-has>>.

<sup>12</sup> 10.6% not engaged, 14.5% partially engaged: *ibid*; ABS, Education and Work 2025.

<sup>13</sup> 13.0% not engaged, 11.7% partially engaged: *ibid*.

<sup>14</sup> Panos Karanikolas and Joanne Xiaolei Qian-Khoo, 'Enablers and Barriers to Youth Employment: An Employment Ecosystem Approach' (2025) 5(73) *Encyclopedia* 8.

minimum wages, apprenticeship regulation) are regulated via a patchwork of state and federal legislation and policy measures. One area where this is evident is youth minimum wages.

Recognising the need to incentivise youth employment and upskill young people into trades and professions, Australia has long had a system of junior wage rates. The justification for the retention of junior wage rates has historically been that they incentivise youth employment and are ‘a useful bridge to full time employment’ for young people, incentivising employers to hire and train them so that they develop skills to be carried forward into the rest of their working lives.<sup>15</sup> Underpinning this rationale is the assumption that there is a neat causal relationship between youth employment rates and youth minimum wages and that the impact of minimum wages on youth employment can be usefully considered in isolation. The empirical data on the employment impacts of youth minimum wages is mixed, with some studies indicating that youth minimum wages have a very small to no impact on youth employment rates,<sup>16</sup> while some studies (including of countries which have removed junior wage rates) suggest that there may be negative impacts from removing junior wage rates.<sup>17</sup> These limitations on the empirical data concerning the impact of junior wage rates stand in contrast to the emphasis on youth employment impacts in political and legal debates on junior wages in Australia.

### **The Legal and Institutional Foundations of Junior Wage Rates**

Despite the complex causes of youth employment, the regulation of junior wage rates has historically emphasised their role in incentivising employers to hire young people. The FWC sets the national minimum wage for those not covered by an Award, as well as minimum Award wages including junior wages on an annual basis. The current National Minimum Wage for adults (NMW) is \$24.95 per hour as at 1 July 2025 or \$948.00 for a working week of 38 hours.<sup>18</sup> Although the FWA makes provision for workers to bargain above the safety net at the enterprise level, many young workers remain Award-dependent.<sup>19</sup> At the time of the 2024 Annual Wage Review, 12.5% of Award reliant employees were paid junior wage rates and around 61.5% of all employees who are paid junior wage rates were modern-Award reliant.<sup>20</sup>

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<sup>15</sup> Australian Industrial Relations Commission, *Junior Rates Inquiry: Report of the Full Bench Inquiring under Section 120B of the Workplace Relations Act 1996* (Final Report, 4 June 1999) xvi [9(v)] (‘Junior Rates Inquiry Final Report’). Copy on hand with the author.

<sup>16</sup> For a review of the literature on this topic in the Australian context see Expert Report of Professor Jeff Borland submitted to the Junior Rates Case 2024; James Bishop, ‘The Effect of Minimum Wage Increases on Wages, Hours Worked and Job Loss’ (2018) Reserve Bank of Australia Bulletin.

<sup>17</sup> Maria Marimpi and Pierre Koning undertook a cross-country study of 30 OECD countries, finding some negative impacts from increases to youth minimum wages: See Maria Marimpi and Pierre Koning, ‘Youth Minimum Wages and Youth Employment’ (2018) 7(5) *IZA Journal of Labour Policy*.

<sup>18</sup> *Annual Wage Review 2025* [2025] FWCFB 3500 [152(a)].

<sup>19</sup> *Ibid* [16]-[17].

<sup>20</sup> *Ibid* [17(4)].

The foundational case on minimum wages in Australian law is the *Sunshine Harvester* decision, which interpreted the meaning of ‘fair and reasonable wage’ in the 1906 Excise Tariff Act.<sup>21</sup> The principle which emerged from *Sunshine Harvester* is that a fair and reasonable wage ought to be such as to allow an ‘unskilled labourer’ to feed, clothe and house himself, his wife and three children in conditions of ‘frugal comfort’,<sup>22</sup> and is sometimes known as the ‘breadwinner principle’.<sup>23</sup> The *Sunshine Harvester* principle is evident today in the FWA’s Minimum Wages Objective although a broader range of considerations is now included, such as gender equality and the performance of the national economy.<sup>24</sup>

The concept of the breadwinner has also been used to justify subminimum wages for young workers, who were deemed not responsible for dependents or their own upkeep in many cases and therefore, not in need of a full adult wage. For example, in the *Printing Trades Case in 1934*, the Court held that

Rates for juniors should be high enough to maintain them, but not high enough for extravagance; high enough to attract juniors to an industry, but not so high as to discourage employers from engaging them... *the most advanced junior had not as a rule any family responsibilities and his rate should be materially less than the basic wage.*<sup>25</sup>

The phrase ‘high enough to maintain them’ recognises that, as workers, young people’s wages should be at a sufficient level to sustain them, as per the *Sunshine Harvester* principle, and yet the assumption is that young people’s needs are ‘materially less’ than the adult worker. Further, the words ‘so as not to discourage employers from engaging them’ reflects the persistent view that junior wage rates operate as an incentive for employers to employ young workers and assist their transition occupation.<sup>26</sup> In the 2024 Junior Rates Case, the Australian Industry Group (AIG), a major national organisation representing employers, argued that there has ‘always been, and continues to be, sound rational bases to justify lower rates of pay’.<sup>27</sup> On this perspective, junior wage rates are an incentive to employers to ‘offer employment to younger, inexperienced individuals’ and further, increased youth employment rates have a range of positive social impacts.<sup>28</sup> This type of argument, which focuses on junior wage rates in relation to their impacts on youth employment, is a recurring

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<sup>21</sup> *Ex Parte HV McKay* (1907) 2 CAR 1, 4 (*‘Sunshine Harvester’*).

<sup>22</sup> *Ibid* 4.

<sup>23</sup> See, eg, Wally Secombe, ‘Patriarchy Stabilized: The Construction of the Male Breadwinner Wage Norm in Nineteenth-Century Britain’ (1986) 11(1) *Social History* 53; Raelene Frances, ‘One Hundred Years of Women’s Wage-Fixing’ (2000) 5(2) *Journal of Interdisciplinary Gender Studies* 84, 85.

<sup>24</sup> See Fair Work Act 2009 (Cth) s.284: one of the aspects of the modern minimum wages objective is the ‘relative living standards of the low paid’.

<sup>25</sup> *Printing and Allied Trades Employers Federation of Australia v The Printing Industry Employees Union of Australia* (1934) 33 CAR 581, 582–3 (*‘Printing Trades Case’*).

<sup>26</sup> AIG Submission [25].

<sup>27</sup> *Ibid* [25(a)].

<sup>28</sup> *Ibid* [25(b)].

theme in the history of Australian minimum wages. In the *National Wage Case April 1985*, the Confederation of Australian Industry argued that, should the Australian Industrial Relations Commission (AIRC)<sup>29</sup> increase Award wages, it should confine this increase to adult wages and not include juniors, as doing so would come at the expense of adult wages and hours and would not solve the issue of youth unemployment.<sup>30</sup> The Commonwealth government opposed this on the ground that the impact of a junior rates increase would be small, and would not be likely to result in cuts to adult jobs.<sup>31</sup> The AIRC, as would become a consistent theme in these cases, declined to confine the wage increase to adult wages, instead suggesting an ‘award by award consideration’ would be more appropriate.<sup>32</sup> In the *National Wage Case April 1991*, the AIRC again refused to undertake an examination of the junior wage rates system on the basis that it would more appropriately form the subject of a ‘specific application’.<sup>33</sup>

Responsive to this, s 120B was inserted into the *Workplace Relations Act 1996* in late the 90s, requiring the AIRC to constitute a full bench to inquire into whether there were any ‘feasible non-discriminatory alternatives’ to junior wages.<sup>34</sup> The 1999 Junior Rates Inquiry canvassed various ‘non-discriminatory alternatives’ to junior wage rates but found that ultimately, that there were no feasible non-discriminatory alternatives to the junior wage rate system and that junior wage rates incentivise youth employment, acting as a ‘useful bridge to full time employment for young workers’.<sup>35</sup> Junior wage rates persist today in many industries and occupations through modern awards and the NMW.

The 2024 Junior Wage Case provides a contemporary example of how the modern architecture of minimum wage law narrows the question of junior wage rates to a substantial focus on their relationship to youth employment. The 2024 Junior Wage Case seeks to vary several modern awards to remove junior rates for employees 18 years or older and to vary junior wage rates for those employees aged under 18. The Awards under review represent areas of the SDA’s coverage but are also three industries in which young people are commonly employed - retail, fast food and retail pharmacies.<sup>36</sup>

Section 157 of the FWA allows the FWC to vary a modern award if satisfied that it is justified by work value reasons, as well as to achieve the modern awards objective. The modern awards objective requires the

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<sup>29</sup> Predecessor to the FWC.

<sup>30</sup> *National Wage Case April 1985* (1985) 297 CAR 7, 11–12.

<sup>31</sup> *Ibid* 14.

<sup>32</sup> *Ibid* 15.

<sup>33</sup> *National Wage Case April 1991* (1991) 36 IR 120, 174.

<sup>34</sup> *Workplace Relations Act 1996* (Cth) s 120B. See also Junior Rates Inquiry Final Report [1.1].

<sup>35</sup> Junior Rates Inquiry Final Report xvi [9(v)].

<sup>36</sup> Australian Bureau of Statistics, ‘12 Insights About Work and Study from the 2021 Census’ (Media Release, 12 October 2022) <<https://www.abs.gov.au/media-centre/media-releases/12-insights-about-work-and-study-2021-census#:~:text=Young%20people%20are%20serving%20it,were%20in%202011%20and%202016>>.

FWC to consider both the likely impact of Award wages on productivity and employment costs, as well as ‘employment growth, inflation and the sustainability, performance and competitiveness of the national economy’.<sup>37</sup> Hence, the relationship between award wages for young workers and youth employment is central to the legal analysis that the FWC is required to undertake in determining junior minimum wages under modern Awards.

The SDA submits that young workers in these industries do substantially the same work, with substantially the same level of responsibility as older workers (the Work Value Argument) and further, that removing junior wage rates will have a very small impact on youth employment. The Work Value argument strays from the traditional narrow economic focus of the junior wages debate. However, submissions and expert evidence called by both the SDA and from employers substantially focus on the macroeconomic impacts of removing junior wage rates, particularly on youth employment outcomes.<sup>38</sup> The application was heard by the Commission in November 2025. The decision is due to be handed down in 2026.

The argument that junior wage rates incentivise youth employment and that increased youth employment will result in net positive outcomes for young workers and the Australian economy overall is predicated on the assumption that the adverse impacts of junior wage rates can be justified in comparison to their positive economic impacts. This argument relies on a direct causal relationship between junior wage rates and youth employment rates. While there is no doubt that junior wage rates have *some* impact on youth employment, caution should be taken not to overstate this relationship. The ecosystem model proposed by Karinikolas and Qian-Khoo provides a methodology for understanding youth employment as the product of complex interacting factors rather than as simple cause-effect between minimum wage settings and employment rates, problematising the assumption that the employment impacts of junior wages can be usefully examined in isolation.

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<sup>37</sup> *Fair Work Act 2009* (Cth) s 157.

<sup>38</sup> See, eg, submissions by AIG, the Australian Chamber of Commerce and Industry and Australian Business Industrial and Business NSW.

## The Employment Ecosystem Framework

Karanikolas and Qian-Khoo use an employment eco-system model to undertake a literature analysis of the barriers and enablers of youth employment in Australia. They show that youth access to employment is a complex web of interrelated barriers and enablers which interact across the different levels of the ecosystem. This model is a useful analytical tool for undertaking an examination of the complex factors which influence youth labour market access, demonstrating why caution should be taken in drawing conclusions about the causal effect of youth minimum wages on youth employment.

### *Micro-level*

Micro-level factors are ‘the unique personal factors or attributes of the person and factors related to their immediate context’.<sup>39</sup> This includes a broad range of factors relating to a person’s socioeconomic background, access to education and educational advantage and disadvantage, as well as a person’s family and support networks and caring responsibilities.<sup>40</sup> One key challenge with assessing the barriers and enablers of youth employment is that ‘youth’ are not a homogenous group. Socioeconomic status, sex, age, disability, race, education and geographic location all impact the employment prospects of young people. Certain young people are more likely to work in low paid jobs which attract junior wage rates.<sup>41</sup> As discussed above, there is a disparity in educational attainment between youth in metropolitan areas compared to regional and remote areas. Junior wage rates are premised on assumed family support, and so risk institutionalising disadvantage for young people who do not have such support. The assumption that young people do not work to support themselves and others obscures the reality that for young workers with caring responsibilities or those from disadvantaged and low socioeconomic backgrounds, their wage may be their only source of income. Low pay puts them at increased risk of working poverty and perpetuates negative social stereotypes that the labour of junior workers is inherently less valuable.<sup>42</sup> If youth are a heterogenous group, it stands to reason that youth employment effects will also not be uniform. Challenging the assumption that ‘youth’ exist as a homogenous

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<sup>39</sup> Panos Karanikolas and Joanne Xiaolei Qian-Khoo, ‘Enablers and Barriers to Youth Employment: An Employment Ecosystem Approach’ (2025) 5(73) *Encyclopedia 2*.

<sup>40</sup> Ibid.

<sup>41</sup> See, eg, *Youth – Pathways to Decent Work*, International Labour Conference, 93rd Sess, 6th Agenda item (2005) 23 <[https://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/documents/meetingdocument/wcms\\_104147.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/meetingdocument/wcms_104147.pdf)>.

<sup>42</sup> *The Youth Employment Crisis: A Call for Action: Resolution and Conclusions of the 101st Session of the International Labour Conference* (2012) 1 <[https://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---sro-moscow/documents/publication/wcms\\_345423.pdf](https://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---sro-moscow/documents/publication/wcms_345423.pdf)>.

social group complicates the idea that youth employment outcomes can be meaningfully understood as the product of any particular ‘barrier’ or ‘enabler’.

### *Meso-level factors*

In addition to micro-level factors, workplace culture and power dynamics also shape young people’s employment experiences and therefore, the likelihood that they will transition into full-time, stable employment. Meso-level factors exist at the workplace level and include workplace culture and relationships, as well as supports at the workplace level.<sup>43</sup> Fundamentally, the meso-level captures the effects of power dynamics in Australia workplaces. Young workers are almost always in a subordinate position in their workplaces and suffer social stigma that they are less willing to work, are less skilled and are therefore a less valuable category of worker.<sup>44</sup> This stigma goes hand in hand with higher rates of bullying, discrimination and sexual harassment which may disrupt a young person’s career or access to employment.<sup>45</sup> Conversely, Karanikolas and Qian-Khoo suggest ‘[s]upportive and inclusive workplace cultures are an important enabler of positive outcomes and perceptions of work for young people navigating the transition from school’.<sup>46</sup> Building such inclusive and supportive workplaces is a factor of workplace training, investment in positive leadership and employment supports for young people. Wages are, therefore, only one factor among many in incentivising youth employment at the workplace level.

### *Macro-level factors*

Workplace dynamics operate within a broader structural framework that also shapes youth labour market access. Macro-level factors exist at a structural level and include broader social issues such as social security and access to housing.<sup>47</sup> Minimum wages are just one of a range of macroeconomic factors contributing to employment outcomes for youth and the extent to which junior wage rates are a contributor to the macro-level barriers is the subject of considerable academic, legal and political debate.

While junior wage rates are often framed as a mechanism for incentivising youth employment, young people’s access to the labour market is shaped by a broader set of structural factors. Access to housing shapes

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<sup>43</sup> See Karanikolas and Qian-Koo (n 40) 2, 7-8.

<sup>44</sup> See, eg, Young Workers Centre (UnionsACT), *A Broken System: How Insecure Work Hurts Young Workers* (Report, 2021) <<https://youngworkerscbr.org.au/wp-content/uploads/2021/07/A-Broken-System-How-Insecure-Work-Hurts-Young-Workers.pdf>>. AIG submission [25(c)].

<sup>45</sup> *Time for Respect: Fifth National Survey on Sexual Harassment in Australian Workplaces* (Australian Human Rights Commission, November 2022) 51 <[https://www.respectatwork.gov.au/sites/default/files/2022-11/2022.11.18\\_Time%20for%20Respect%202022%20%28Full%20Report%29.pdf](https://www.respectatwork.gov.au/sites/default/files/2022-11/2022.11.18_Time%20for%20Respect%202022%20%28Full%20Report%29.pdf)>.

<sup>46</sup> Karanikolas and Qian-Koo (n 40) 10.

<sup>47</sup> *Ibid.*

the way young people access employment independently of wage settings. Young people experiencing housing insecurity may struggle to maintain stable employment while those who are able to depend on family may be in a position to accept lower wages. Access to secure, stable housing has been linked with employment outcomes.<sup>48</sup> The persistence of junior wage rates must also be understood in the context of widening generational inequality, stagnant real wages and rising living costs. The assumption that junior wages function primarily as a labour market entry mechanism risks overlooking their distributive effects and their role in shaping young people's material living standards.

Taken together, these macro-level factors suggest that youth employment outcomes are shaped by structural conditions that extend beyond wage regulation. This makes it difficult to attribute changes in youth employment to junior wage rates alone and calls into question policy approaches that rely on a strong causal link between minimum wages and youth employment outcomes. Taken together, the micro-, meso- and macro-level factors demonstrate the limits of treating youth employment as primarily responsive to wage settings.

### **Towards a broader understanding of junior wage rates**

Debates about junior wage rates in Australia often assume a direct causal relationship between youth wages and youth employment, an assumption reinforced by the history of junior wage rates as well as the modern architecture of minimum wage law. This paper has argued that such reasoning is incomplete. An employment ecosystem perspective shows that youth employment outcomes are shaped by interacting micro-, meso- and macro-level factors, of which wages are only one element. As a result, the employment effects of junior wage rates cannot be meaningfully assessed in isolation. A more holistic analytical approach would better capture the complexity of both youth employment and the broader social and distributive impacts of junior wage rates.

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<sup>48</sup> Karanikolas and Qian-Khoo 10 citing *Housing Assistance and Employment in Australia* (Research Paper, Productivity Commission, 2015).