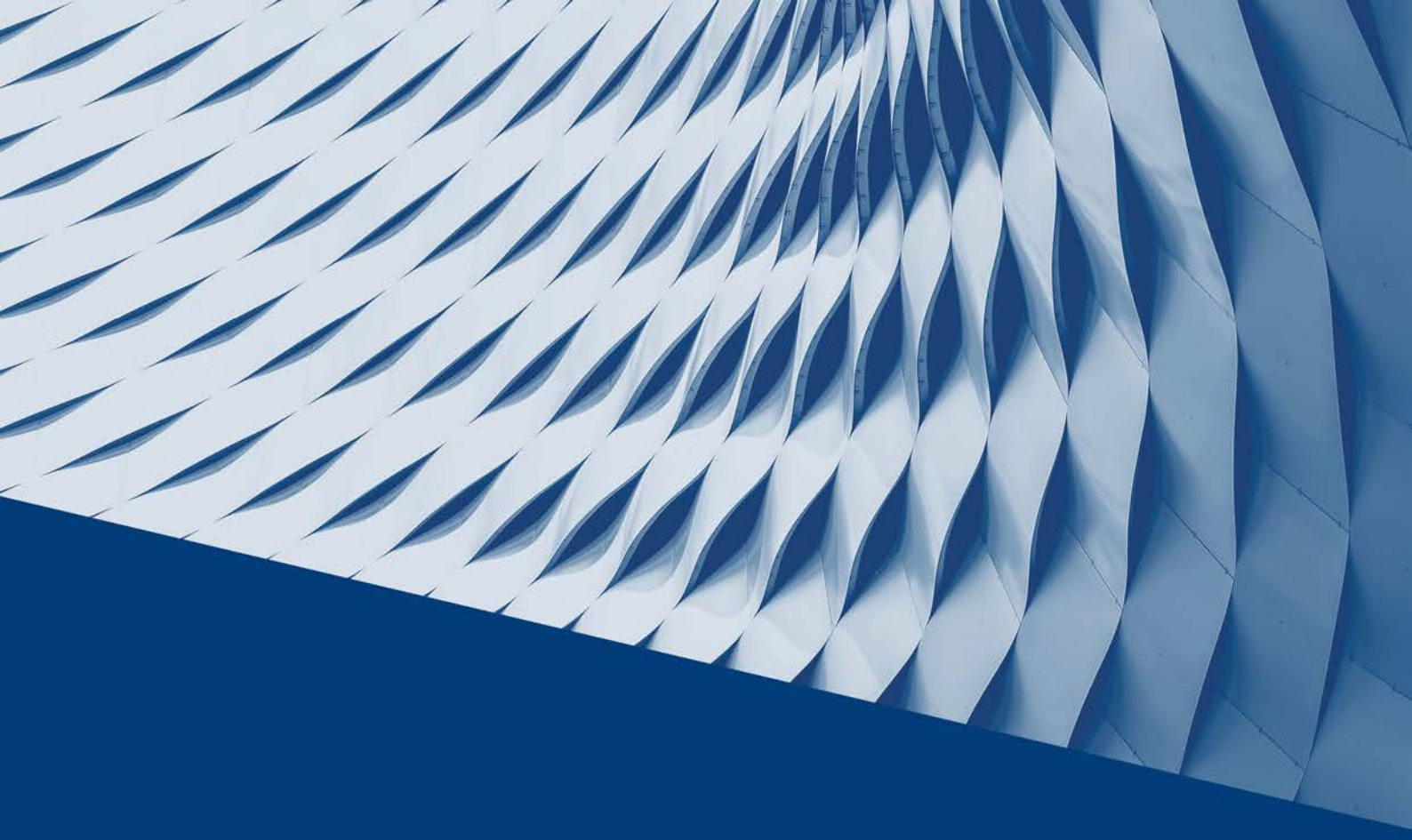

Submission to the Annual Wage Review 2019-20

ACTU Submission, 20 March, 2020
ACTU D. No 17/2020

ACTU
australian council of trade unions

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1. Introduction and Overview

1. The ACTU is the peak body for Australian unions and is the only national union confederation in Australia. For more than 90 years, the ACTU has played the leading role in advocating for the rights and conditions of working people and their families.

2. The ACTU is made up of 39 affiliated unions and trades and labour councils, and we represent almost 2 million working people across all industries. Our peak governing body is our triennial Congress, which comprises union representatives from "shop floor" delegates to national officials. More than 1,000 delegates attended our 2018 Congress, which democratically adopted the following position:

> *"Congress affirms the need for a national living wage. A living wage should reduce poverty and inequality, improve the absolute and relative living standards for award dependent workers and reduce the gap between award and agreement rates of pay.*
>
> *Congress affirms that the National Minimum Wage (NMW) ought to be set at a level that provides a living wage. Congress commits to the pursuit of a NMW which is a living wage at 60% of the full-time median wage as the means of achieving this objective, with the Commission hearing applications to have NWM wage movements reflected in awards.*
>
> *Congress believes that the NMW should move annually. There should be a return to an arbitrated national wage case heard by the Commission. The NMW should flow on to all workers through the award system.*
>
> *Congress also recognises that the living standards of low paid workers are particularly reliant on the social wage, which includes tax and social security policy and the provision of public services including health, education, housing and transport. Congress will campaign for social wage improvements to lift the living standards of low income households, as a complement to – but not substitution for – real increases in Award rates and a minimum wage that is a living wage."* [1]

[1] ACTU (2018), Policies ACTU Congress 2018, 6 – Industrial Relations, at [10]-[13].

3. We recognise that the Panel has rejected the notion that it can adopt a position such as that adopted by our Congress, either as a target[2] or as an immediate outcome in Annual Wage Review[3]. This is a consequence of the law that binds how the Panel must make its decisions, and we make no claim that Panel is in any position to change its approach. We are similarly bound, and proudly so, by our undertaking to all those we represent to pursue the objectives democratically and (for the moment) freely determined by them during our Congress.

4. Reconciling our position with the approach the Panel is required to take leads us to seek an increase to the minimum wage and modern award minimum wages which is compatible with the statutory criteria but which also marks progress toward the objectives determined by the working people we represent.

1.1 Meaningful progress

5. Median full-time earnings in Australia as at August 2019, as measured by the Australian Bureau of Statistics' *Characteristics of Employment* series[4] is $1375.00. In Table 1 below, we set out a claim which would make progress toward achieving our objective through a uniform percentage increase to the minimum wage and modern award minimum wages. An increase of 4% would in our view be the minimum required to ensure any meaningful margin of progress is made toward that goal at all when re-examined next year. This is due to the recursive nature of the goal, the influence of wage growth in the bargained sector and our desire to ensure an increase in real terms.

[2] [2017] FWCFB 1931

[3] [2018] FWCFB 3500 at [104]

[4] Cat no. 633.0

Table 1: 4% increase

Award classification	Current rates		Proposed rates				
	Weekly	Hourly	Weekly	Hourly	% increase	Weekly $ increase	Hourly $ increase
NMW/C14	740.80	19.49	770.43	20.27	4.0	29.63	0.78
C13	762.10	20.06	792.58	20.86	4.0	30.48	0.80
C12	791.30	20.82	822.95	21.65	4.0	31.65	0.83
C11	818.50	21.54	851.24	22.40	4.0	32.74	0.86
C10	862.50	22.70	897.00	23.61	4.0	34.50	0.91
C9	889.50	23.41	925.08	24.35	4.0	35.58	0.94
C8	916.60	24.12	953.26	25.08	4.0	36.66	0.96
C7	941.10	24.77	978.74	25.76	4.0	37.64	0.99
C6	988.80	26.02	1028.35	27.06	4.0	39.55	1.04
C5	1009.00	26.55	1049.36	27.61	4.0	40.36	1.06
C4	1036.10	27.27	1077.54	28.36	4.0	41.44	1.09
C3	1090.40	28.69	1134.02	29.84	4.0	43.62	1.15
C2(a)	1117.60	29.41	1162.30	30.59	4.0	44.70	1.18
C2(b)	1166.40	30.69	1213.06	31.92	4.0	46.66	1.23

1.2 Compatibility

6. The remainder of our submission seeks to address the elements of the modern awards objective[5] and the minimum wage objective[6] so as to satisfy the Panel that a real and meaningful increase to the minimum wage and modern award minimum wages is fair, relevant, necessary and appropriate.

7. In the ACTU's view the current situation and the uncertainty surrounding how it progresses should not be a deterrent to an increase in the minimum wage and awards. On the contrary the minimum wage increase would both provide a stimulus and offer some long term

[5] Fair Work Act 2009, s. 134

[6] Fair Work Act 2009, s. 284

certainty in regard to income flows, especially for the low paid. The ACTU notes that the government model of offering stimulus tranches is a recognition that stimulus works. Offering a decent minimum wage increase is particularly efficient in this regard as it both serves the current circumstance and offers better security of income in future. It delivers income particularly to lower paid workers who will spend it all. It improves sales for business. It improves employment.

8. We present a considerable amount of data, research and commentary in this submission in support of the position we put on behalf of those we represent. Without wishing to serve as substitute for a more detailed examination of that material, we consider that the following observations drawn from it are particularly pertinent to the Panel's task in this Review:

    a. The most recent data on award reliance shows that more than one in five employed persons in Australia were paid the lowest wage that they may legally be paid. A majority of those workers would have those wages determined in the Federal System, through the decisions of the Panel. For those workers that are award reliant, the decisions of the Panel constitute not only a safety net but, by definition, also a cap. This reality must inform what constitutes a "fair and relevant safety net", as referred to in the *Fair Work Act* 2009.

    b. The Australian economy grew in the year to December 2.2%, barely different to the 2.3% growth seen over the previous year, and in line with or exceeding expectations. Most highly award dependent industry sectors saw growth in excess of that seen at the macro level. What was visible at the macro level however was a gap between growth and growth per capita.

    c. Despite continued economic growth, wages have continued to grow at record low rates, and consumption volume has accordingly grown by only 1.2% over the year. This is to be expected when the wage price index exceeds the consumer price index by only 0.4%, as was the case in the year to December 2019 (1.8% vs. 2.2%). Those workers that are able to save some of their earnings are seeing the real value of their savings decrease owing to poor deposit interest rates.

    d. The medium term position does not look much better for workers either. Over the last 5 years, real unit labour costs have fallen while company profits growth has far exceeded growth in wages. In addition, the real consumer wage is lower than it was 5 years ago, whilst the real producer wage has fallen over the last 3 years.

The most recent poorer profit showings are in our view related to the decline in consumption growth, which itself is the natural consequence of poor wages growth.

e. The current circumstance is rooted in part in even longer term deteriorations in income equality. Growth in both the minimum wage and median earnings have lagged behind growth in GDP and GDP per capita in Australia over several decades. In the last two decades alone, the real value of the minimum wage rose by 14%, against 77.2% growth in the economy. In addition, Australia was one of only 6 countries in the OECD that can be shown to have a minimum wage which deteriorated as proportion of median earnings over that period. The minimum wage as a proportion of both median earnings and average earnings was 0.5 of a percentage point lower at 2019 than it was a decade before at 2009. This is a stark comparison given that the beginning of that period coincides with the effects of global financial crisis and the minimum wage freeze implemented under the *WorkChoices* legislation.

f. Whilst real household income per capita has been stagnant since 2011, the equivalised household disposable income of the top quintile of earners has risen more rapidly than that of any other quintile over the last 25 years, including seeing rises at times when others were falling. Our tax and transfer system has become demonstrably less effective at redistributing incomes to the two lowest two quintiles in the income distribution over time. Indeed, Australia can be shown to be firmly in the bottom third of OECD countries for its effectiveness at reducing inequality through the tax and transfer system, and wage and salary income has become a larger share of total income for households living in poverty over time. This leaves the Panel with a very important role to play in influencing the living standards of the lowest paid workers.

g. The level of financial stress among the lowest paid workers has increased since 2017 on HILDA measures, including the extent to which such workers are going without meals, selling or pawning their possessions, are unable to pay housing costs or are reliant on help from friends or family. Well over a quarter of low paid employee households reported financial stress on 2018, with increases in those suffering high or moderate stress driving the increase in the level of overall stress compared to 2017. Low paid employee households as a group fared demonstrably worse than all employees on financial stress measures.

h. The costs facing workers for essential items have also increased much faster than the headline CPI would indicate. Over the last year alone, healthcare has increased 77.8% faster than CPI, education has increased 61.1% faster, transport has risen 55.6% faster, petrol has increased 61.1% faster, water has increased 61.1% faster, footwear increased 88.9% faster and food & beverages increased 44.4% faster. In addition, an increasing proportion of renters - 65% - are paying more than 30% of their disposable income in rent, with 16% paying more than 60%.

i. Whilst ratios, indexes, hypothetical notions of equivalised income and average or median wage bites are useful measures to those initiated with the analysis of statistical data on living standards, it is equally important – if not more so – to appreciate the real dollar differences between workers incomes at different levels of the income distribution, and how these have changed. In 2018 dollars, workers on a minimum wage in 1998 were $506.90 below median earnings. Twenty years later, they were $740.80 below. Compared to the 90th percentile, the gap widened from $1190.50 to $1876.80 over the same period.

j. Although there has been a prolonged period of widening distribution in incomes in Australia, recent decisions of the Panel have assisted in preventing the gap between the minimum wage and median wages widening. The gap grew by $3.00 (in 2018 dollars) between 2012 to 2018, having previously grown by $185 (in 2018 dollars) in the six years prior. The decision of the Panel last year resulted in real increase in the minimum wage of 1.2%.

k. The performance of the labour market in the last year has continued to be strong, making the prolonged subdued growth in market wages all the more baffling. Employment has continued to grow even off the high base seen over the last two years, with growth of 2.1% seen over the year to January 2020. Some highly award dependent sectors, and some categories of workers disproportionately represented among the award dependent workforce, saw significantly higher levels of employment growth than that which was observed at a macro level, suggesting recent successive increases awarded by the Panel have not been an impediment to the growth momentum.

l. A minimal rise in the unemployment rate over the year to January 2020 of 0.3% leaves unemployment at the low end of its range post the GFC, and must be viewed in the context of sustained high participation and a growing employment to

population ratio. While our overall analysis suggests that jobs, including entry level jobs, continued to be generated by the economy through 2019 for the cohort of workers and industries most affected by the decisions of the Panel (in many cases at a faster rate) , it is important for the Panel to consider the individual differences between those workers – an exercise intrinsic to notion of setting a safety net. A not insignificant proportion of those workers find themselves with very little control over their entry into such employment and the hours that they work. These workers in particular face risks as hours of work are reduced in key industries in response to the Coronavirus.

m. There is growing consensus among researchers that mandatory minimum wage rises imposed in a range of jurisdictions and in a range of different economic circumstances are effective in targeting low pay and are not accompanied by disemployment effects. This consensus has been built on empirical data rather than mere theoretical assumption. The recent experience in Australia accords with this consensus. Whilst it is true that the body of experience which has built that consensus has not involved a global shock of the type currently being experienced through the dual mechanisms of the coronavirus and the simultaneous government stimulus in response to it, the potential of wage rises to complement that stimulus should not be discounted. This perhaps explains the decision this month by the Government of the United Kingdom to increase their minimum wage by 6.2%, effective from next month. The Government of New Zealand has this month explicitly relied on the demand impacts of increasing its minimum wage in its announcement that it will proceed with an increase of 6.7% on 1 April.[7]

n. Over the past year, the labour market is continued to grow part time jobs at a higher rate than full time jobs, and the growth in hours worked is stronger for part time work than full time work. The workers impacted by the Panel's decision are predominately working part time hours, and far more likely to be casual workers, than workers whose pay is determined by other means. Women are also over-represented in these groups. This means that the extent of underemployment is important to examine in understanding these workers' needs (and we do examine

[7] "Jacinda Ardern rules out delaying minimum wage increase amid COVID-19 economic pressure", Newshub, 9 March 2020.

it in this submission), but it does not tell the full story of their needs. Whilst all underemployed workers by definition desire additional hours, not all seek them and not all are available to work them. The fact that some such workers do not seek or are not available to work additional hours should not, in our submission, be a proxy for an assumption that their incomes are adequate to meet their needs, particularly in circumstances where single parents working part time – including those earning a margin above the national minimum wage - still have household disposable incomes below the 60% of median EHDI poverty line. One explanation for a lack of availability to work more hours are unpaid work commitments, which disproportionately fall on women. Another is the cost and availability of childcare.

o. Around 61% of the workforce directly dependant on the decision of the Panel are women, and the most highly award dependent sectors tend to be feminised industries. A decision of the Panel to uniformly lift minimum wages is a centrally important mechanism for reducing the gender pay gap and addressing the gender-based undervaluation of women's work. The reduction in the gender pay gap would be expected to be greater where the decision of the Panel is to award an increase above the market rate for wage increases and it is reasonable to conclude that the decisions of the Panel in recent years have had some positive impact in that regard, even if they are not the sole source of change.

p. Taking a longer term view of gender inequality in earnings, particularly in the light of the increased workforce participation of women, the extent of improvement in closing the gender pay gap is disappointing. A longer term view also needs to factor in the cumulative impact of earnings inequality on women's income security in retirement, with average superannuation balances for women at retirement being 42% less than those for men. This clearly intersects with the requirement to consider fairness and social inclusion through increased workforce participation.

9. We trust the Panel finds our submission of assistance in its deliberations.

2. Promoting social inclusion through increased workforce participation.

10. Past decisions of the Panel have confirmed the obligation in sections 134(1)(c) and 284(1)(b) of the Act to "take into account… the need to promote social inclusion through increased workforce participation" require the Panel to consider the potential employment impacts of any increase to the NMW and modern award minimum wages. Whilst the decision in last year's Review acknowledged that there existed opposing theory concerning how minimum wages impacted employment, it expressed a greater interest in empirical research regarding these impacts both generally and specifically in relation to the increases the Panel had granted in the past.[8]

11. In this Chapter, we review the performance of the labour market by reference to the usual indicators and comment on its likely influences (forecasts are found in Section 3.1 of Chapter 3). We additionally review research on the interaction between minimum wages and employment. Prior decisions of the Panel have acknowledged that the consideration of social inclusion and workforce participation also involves an examination of the extent to which minimum rates of pay impact upon the capacity of employees to engage in community life and participate in society. Matters relevant to such consideration are discussed in Chapter 4.

12. We contend that the material reviewed in this Chapter provides no basis for the Panel to depart from its established view that modest and regular minimum wages increase do not result in disemployment effects or inhibit workforce participation. Further, we suggest that the increases granted over the previous 3 Reviews have not, cumulatively or individually, caused identifiable disemployment effects. Finally, we note that recent international research supports the notion that increases above the magnitude of those granted by the Panel in recent years would not have adverse effects on the labour market in terms of reducing employment or of increasing unemployment.

13. Irrespective of whether the Panel shares our conclusions on these matters, it would be remiss of us not to highlight that the general point that the Panel has made about being conscious of the need to take account *all* of the statutory considerations and not elevate

[8] [2019] FWCFB 3500 at [190] – [195]

or give primacy to any one consideration. Whilst this point has arisen for discussion in the context of "relative living standards and the needs of the low paid" in past decisions[9], it is self-evidently applicable to all of the considerations which the Panel is compelled to take into account, including economic considerations such as "the need to promote social inclusion through increased workforce participation". Indeed, a Full Bench of the Commission has recently observed:

> "As mentioned earlier, it is the modern awards objective which is central to our consideration of the claims. The modern awards objective is to 'ensure that modern awards, together with the National Employment Standards, provide a fair and relevant minimum safety net of terms and conditions', taking into account the s.134 considerations. The importance of the modern awards objective is emphasised by the terms of s.138.
>
> The proposition advanced by Ai Group seeks, in essence, to elevate one set of considerations – the impact on business and employment costs – above all others. So much is clear from the submission that the constraints placed on employers by the operation of the NDIS should 'form the cornerstone' of our consideration of the proposed variations leading to 'the inevitable conclusion' that the claims be dismissed.
>
> We reject the proposition advanced. The obligation to take the s.134 considerations into account means that each of these matters, insofar as they are relevant, must be treated as a matter of significance in the decision making process. And, as we have mentioned, no particular primacy is attached to any of the s.134 considerations.
>
> We accept that the impact of granting the claims on business and on employment costs is a relevant consideration and weighs against making the variations proposed by the Unions. But we reject the notion that the constraints placed on employers by the NDIS funding arrangements should be given determinative weight."[10]

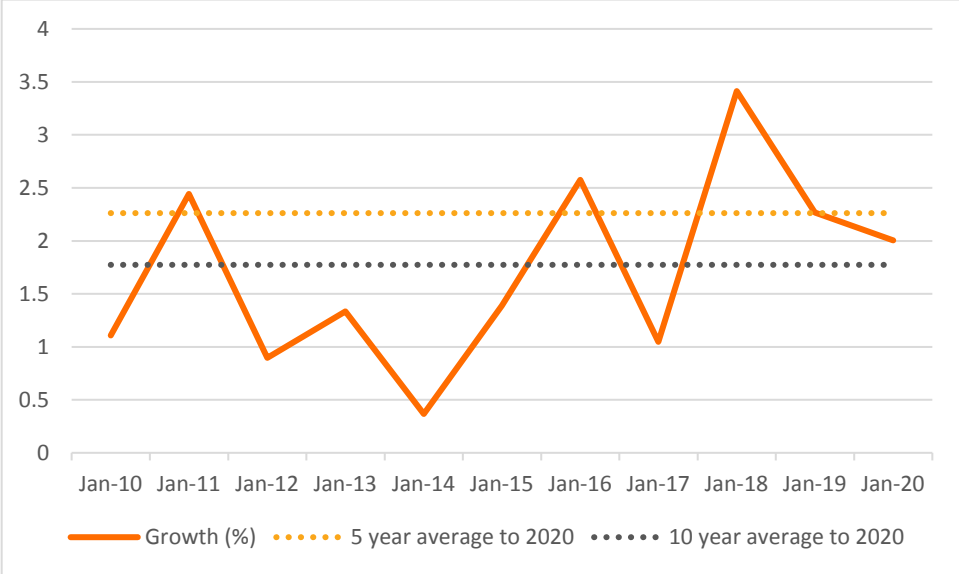
[9] [2018] FWCFB 3500 at [25]-[26], [2017] FWCFB 1931 at [66], [2017] FWCFB 3500 at [155].

[10] [2019] FWCFB 6067 at [133]-[136]

2.1 Employment

14. Growth in employment has continued apace since the last review. Overall Employment growth in the year to December 2019, on trend figures, remained healthy at 2.1% and well above ten year averages, as seen in Figure 1 below.[11] This is confirmed by Chart 6.3 of the Statistical Report – Annual Wage Review 2019-20 (hereafter, '*Statistical Report*').[12] The small deficit compared to the 5 year average is explicable by the remarkable growth observed in the year to 2018 (notably a year in which 3.3% to the NMW and modern award minimum wages took place).

Figure 1: Growth in Employment (%), year to January, 2010-2020



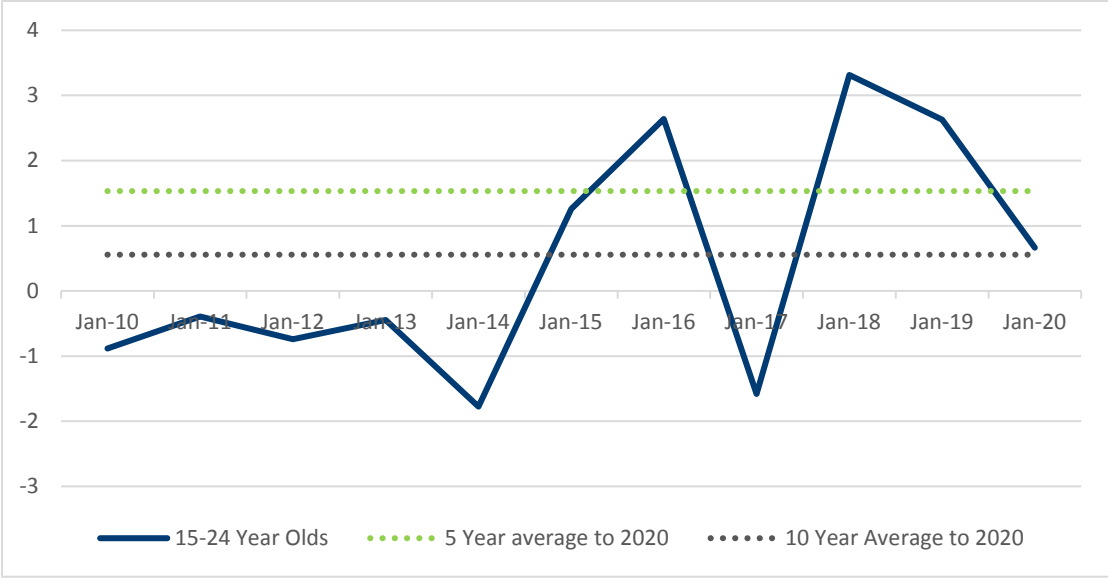
Source: ABS 6202.0 (Jan 2020), Trend

15. The general pattern of employment growth observed over the last 5 years is largely replicated in youth employment growth, with the outcome of slightly weaker growth at present just within the bounds set by the 5 and 10 year averages. This is seen in Figure 2 below.

[11] ABS 6202, trend

[12]. V1 p.26

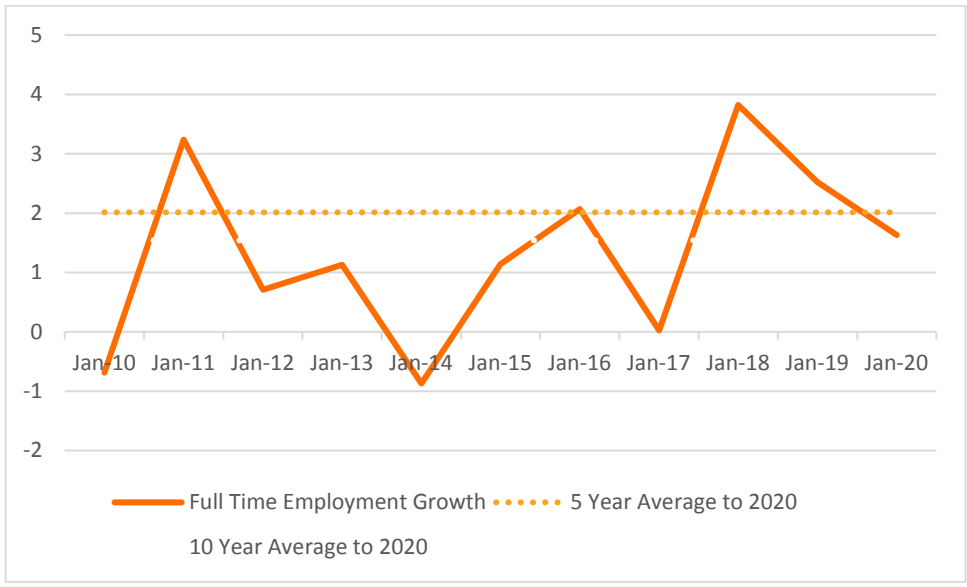
Figure 2: Growth in Youth Employment (%), 2010-2020



Source: ABS 6202.0 (Jan 2020), Trend

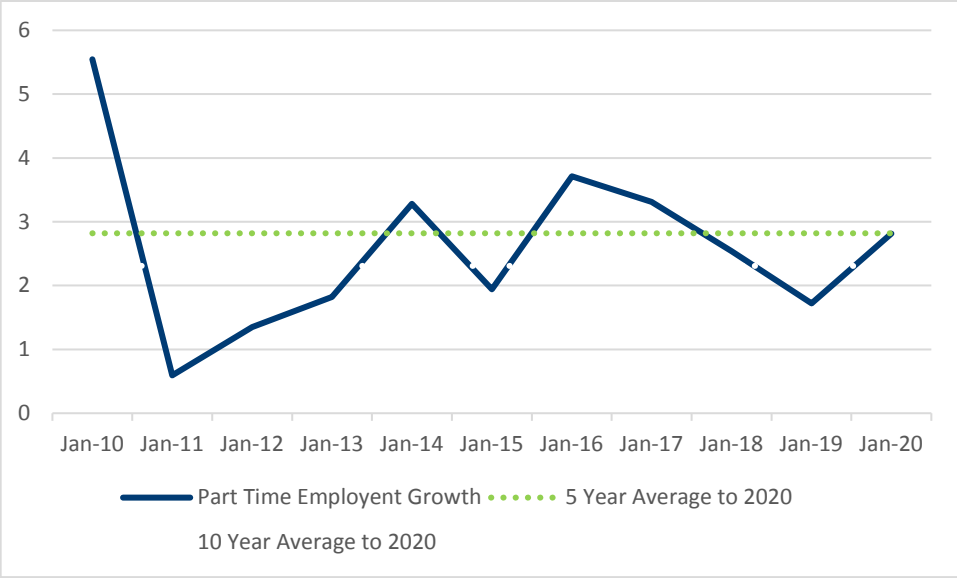
16. The rate of growth of employment by type of employment over the same period is seen in Figure 3 and Figure 4 below.

Figure 3: Growth in Full Time Employment (%), year to January, 2010-20



Source: ABS 6202.0 (Jan 2020), Trend

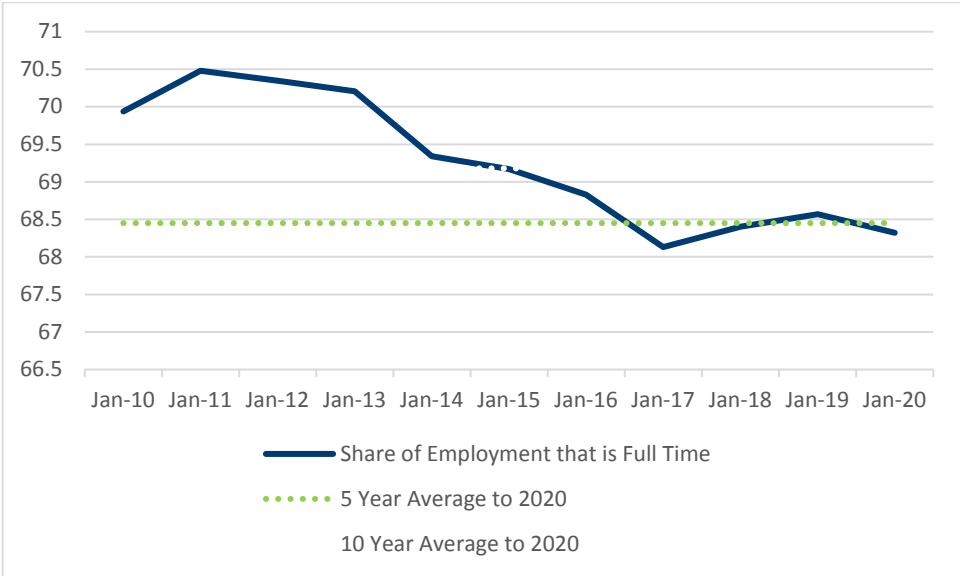
Figure 4: Growth in Part Time Employment (%), year to January, 2010-2020



Source: ABS 6202.0 (Jan 2020), Trend

17. As has been common over the last decade, the rate of growth of part time employment has outpaced the growth of full-time employment. The most recent observations indicate that whilst part time employment growth has performed better than its 5 year average, the reverse is the case for full time employment growth. We would however suggest that the negative conclusions that might otherwise be drawn from that need to be tempered by participation measures, which we refer to later in this Chapter. Further, the trend toward a weakening share of full-time employment (as seen in Figure 5 below) is longstanding and, we would submit, structural in origin.

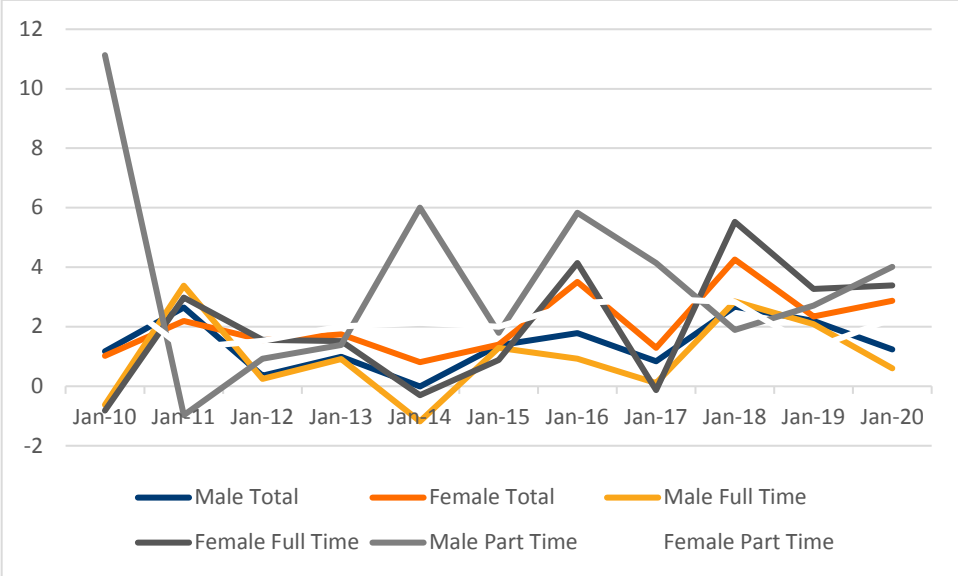
Figure 5: Full time employment share (%), 2010-2020



Source: ABS 6202.0 (Jan 2020), Trend

18. There is no evidence of a pattern of higher or lower employment growth rates for groups known to be predominantly award dependent, i.e. females and part time workers, compared with the rest. This is shown in Figure 6 below. Slower employment growth in more award dependent groups would of course not be conclusive evidence that the decisions of the Panel in recent years (which had outpaced general market wage growth) had produced a disemployment effect, but it would nonetheless be expected to be observed if such an effect was in play.

Figure 6: Growth in Employment (%) by selected characteristics, 2010-2020

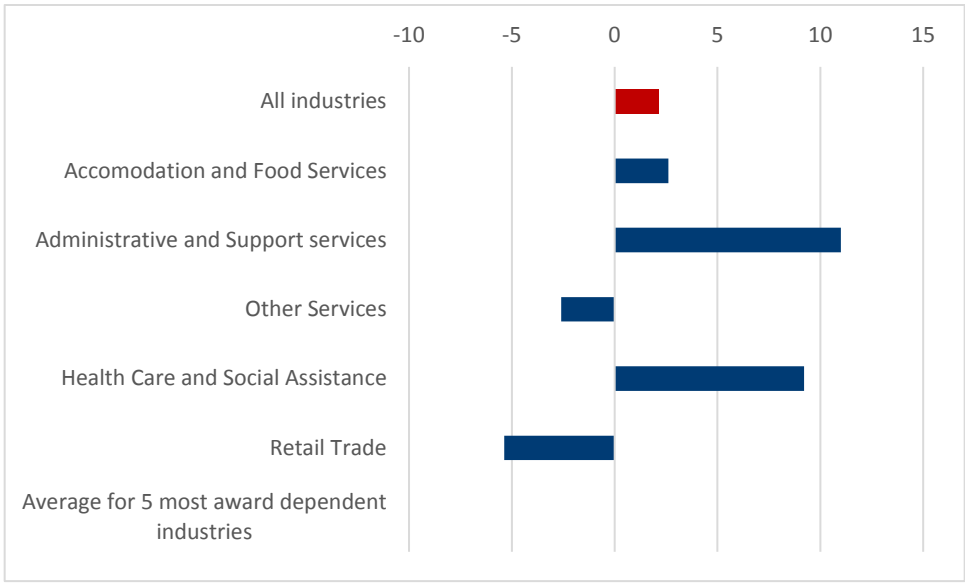


Source: ABS 6202.0 (Jan 2020), Trend

19. The continued positive employment growth for female part time work is notable in the light of previous research referred to last year in our submission, and in the Panel's decision, that suggested that this group would include those workers most sensitive to any disemployment effects of minimum wage increases[13]. Examining the rates of female part time employment growth in the most award dependent industries relative to all industries over the year to November likewise shows no clear disemployment effect.

[13] [2019] FWCFB 3500 [194]-[195]

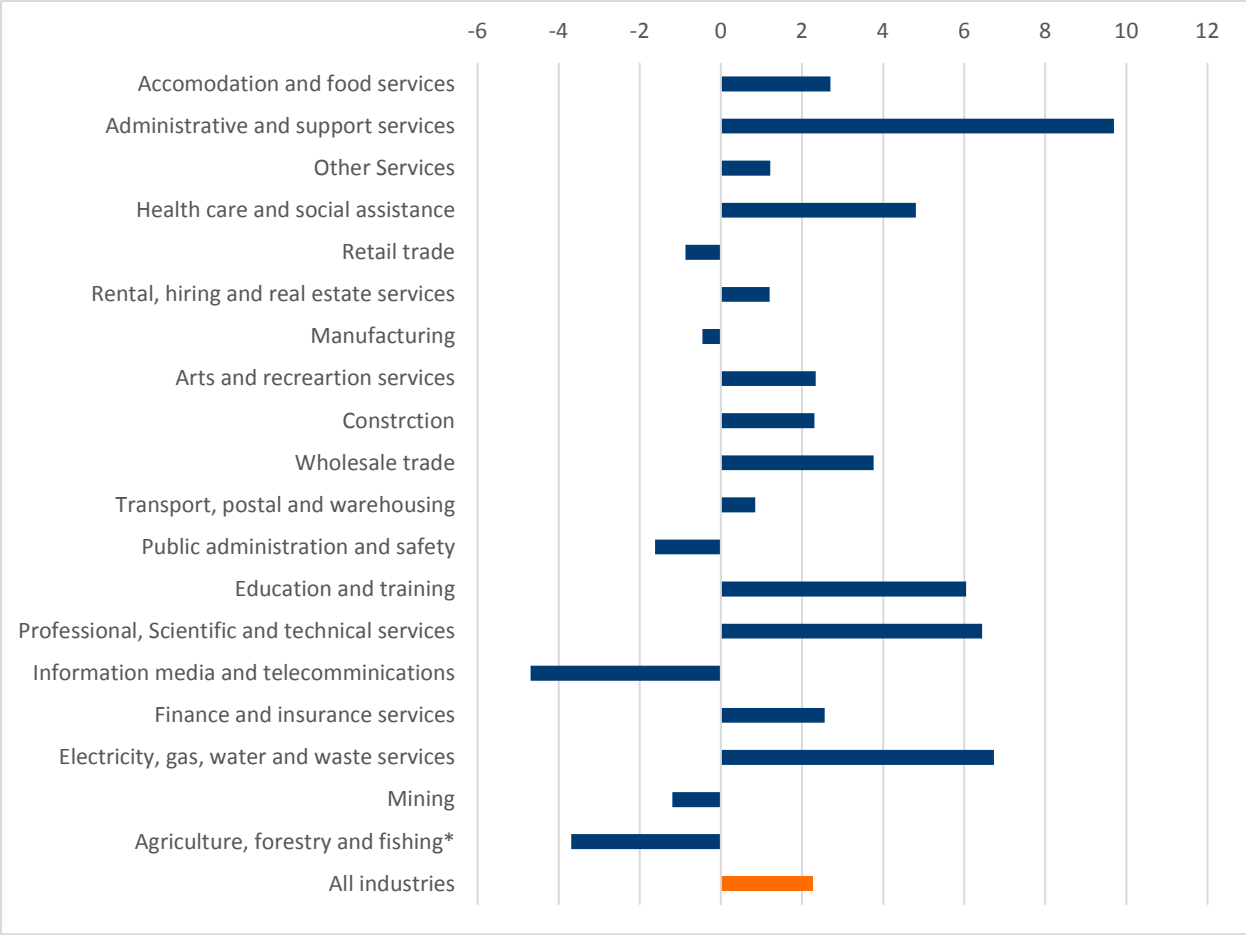
Figure 7: Employment growth for part time females (%), selected industries, Nov 18 - Nov 19



Source: ABS 6291.0.55.003 (Original). The five most award dependent industries were determined based on measures densitiy of "award only" pay in ABS 6306.

20. Broader industry outcomes in employment growth also exhibit a lack of firm association with the level of award reliance. Nonetheless, four out of the five most award dependant industries saw employment growth over the year to November, with three of them seeing employment growth above the rate seen in all industries. This is seen inFigure 8 below, which shows growth in employment ranked from the most award dependent industries to the least.

Figure 8: Growth in employment (%) by industry, November quarter 2018-2019

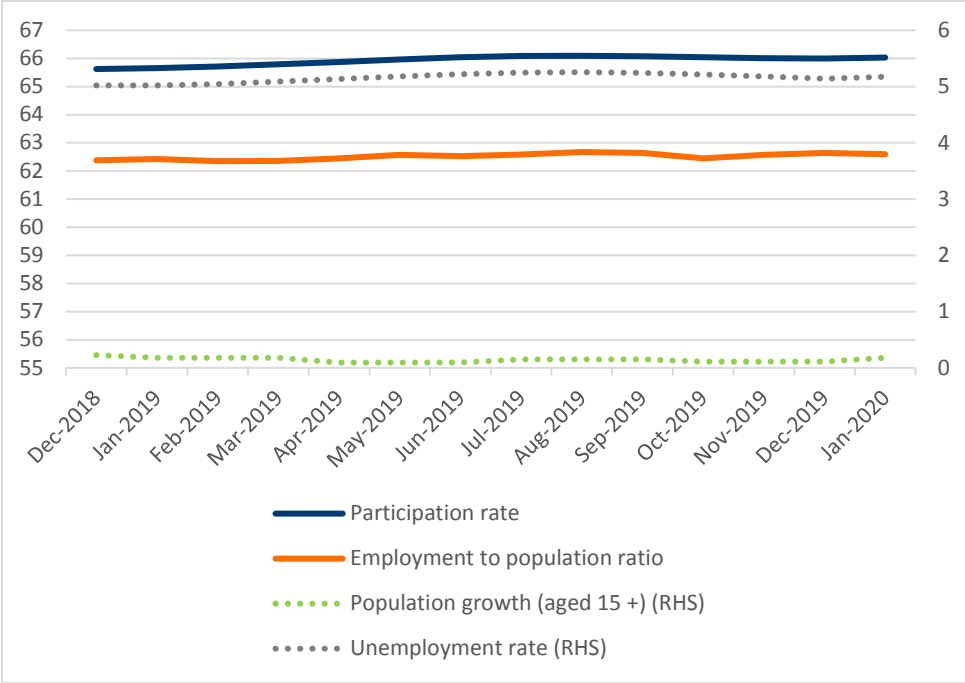


Source: ABS 6291.0.55.003 (Trend), 6306. *Award reliance data for this industry is unavailable

2.2 Unemployment, underutilisation and participation

21. Labour market participation remained at very high rates throughout the year to December, mostly higher than its previous highest eight years before at January 2011. With sustained greater participation and working age participation rates, as seen in Chart 6.2 of the *Statistical Report*, some increase in unemployment might be expected. However, the labour market has shown strong resilience in this regard.

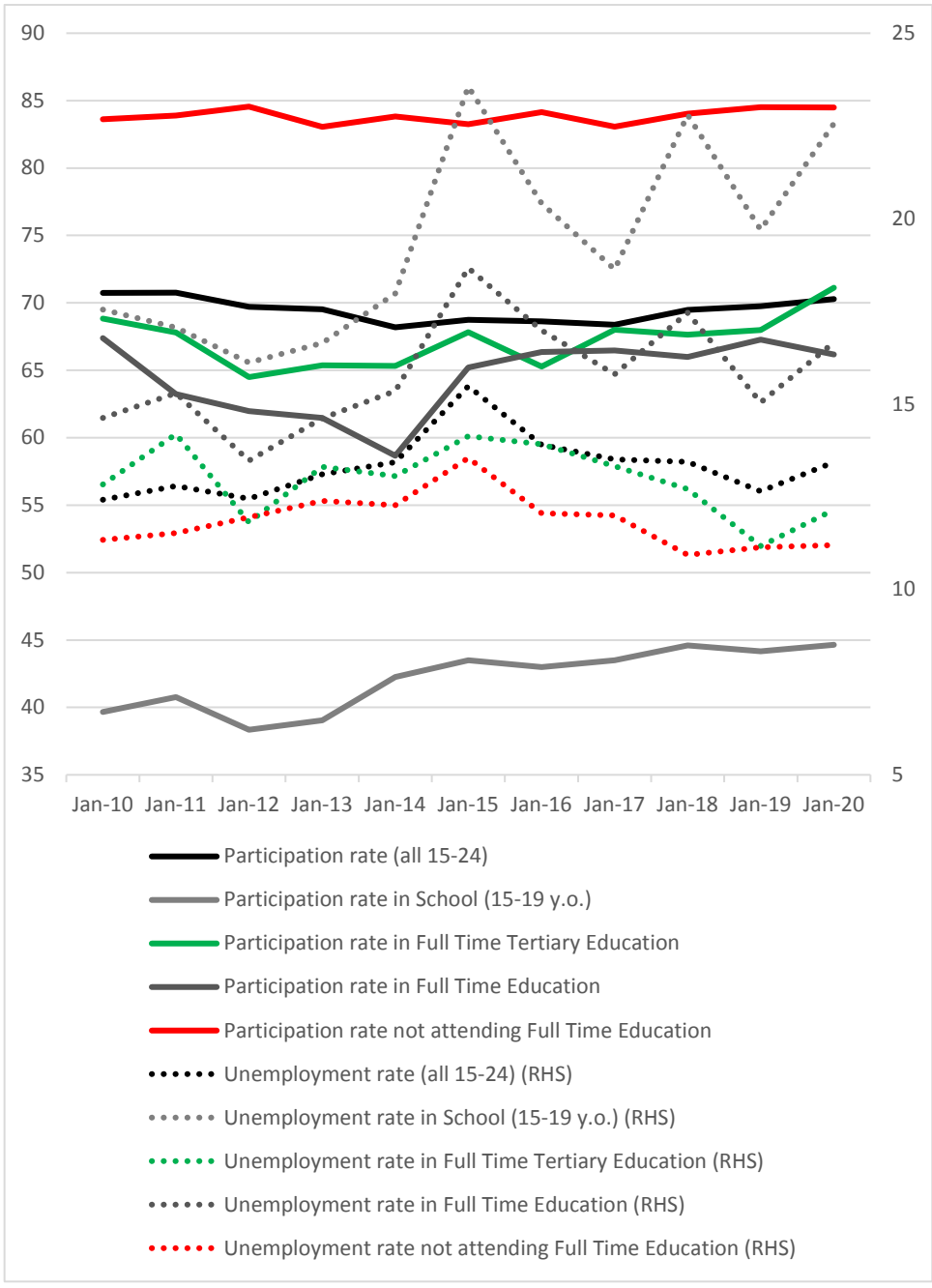
Figure 9: Selected participation and population measures (%), Dec 18 - Jan20



Source: ABS 6202 (Trend, save for population which is original data)

22. The youth labour market has likewise been strong, although less so. Most categories shown in Figure 10 below demonstrated sustained high or growing participation rates, albeit with a slight and expected uptick in unemployment. The exception was school students, where a relatively stable participation rate over the last 2 years was associated with more pronounced movements in the unemployment rate, including a lift of around 2.5 percentage points in the last year. Participation by full time tertiary students grew particularly strongly. Those not in full time education saw little movement in the already relatively low unemployment rate with steady participation, suggesting an availability of entry level work.

Figure 10: Youth unemployment and participation rates, selected categories, Jan 10 – Jan 20

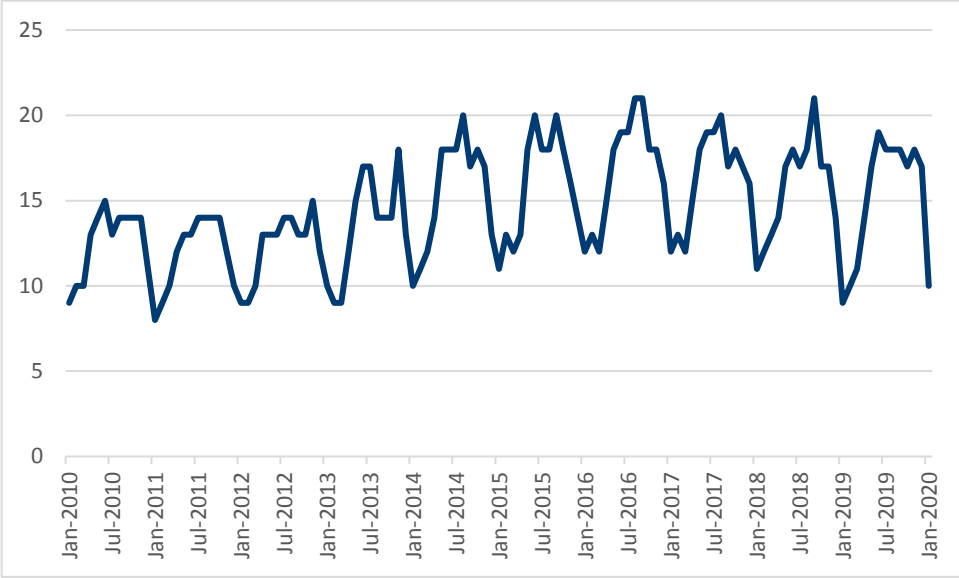


Source: ABS 6202 (Original)

23. Table 6.10 of the *Statistical Report* shows that the ratio of long-term unemployed (unemployed for 12 months or more) to total unemployed has continued to increase. However, the median duration of job search is among the lowest observed in the last 5 years and currently trending down, as shown in Figure 11 below. Continued employment growth if that trend persists should create the environment to move beyond the easiest cases clearing the market to one where inroads are made into the numbers of long term

unemployed, although the intermediate consequence of that would be an increased proportion of long-term unemployed workers in the unemployed population.

Figure 11: Duration of job search in weeks, Jan 10 -Jan 20

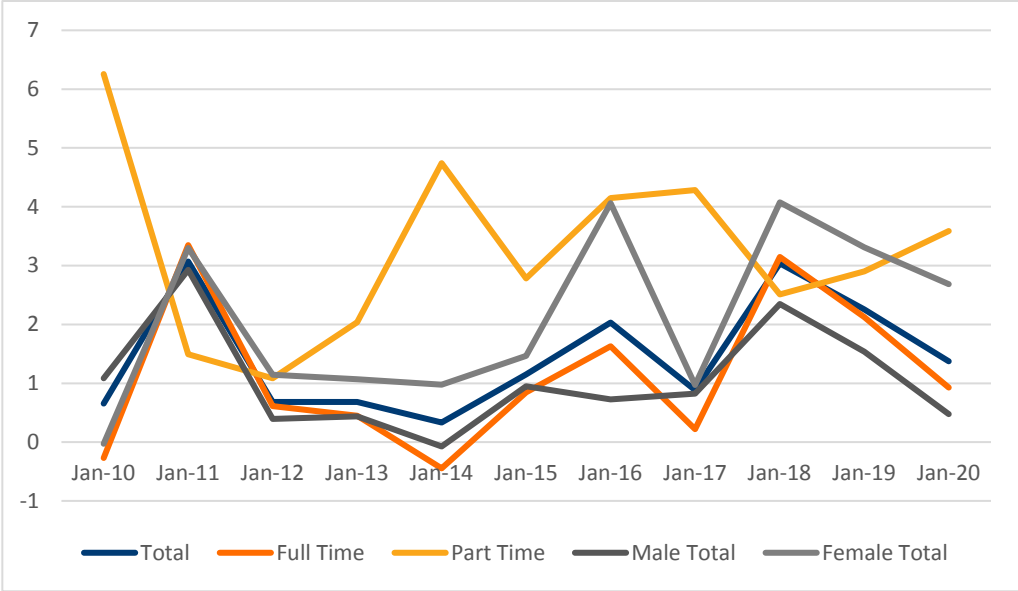


Source: ABS 6291.0.55.001 (Original).

2.2.1 Hours worked

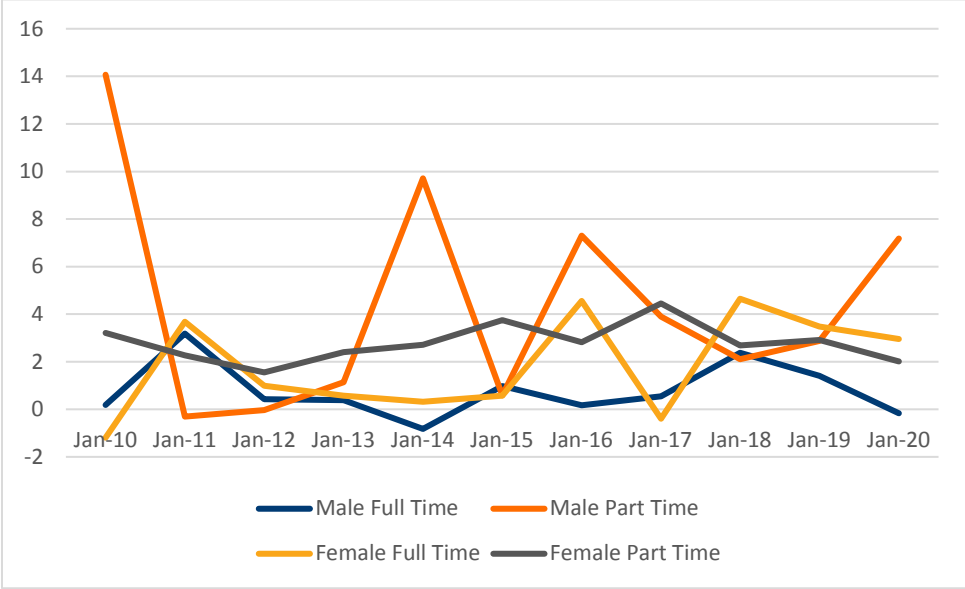
24. Data on hours worked are available in aggregate and as an average number of hours worked per employee. Monthly data are available in relation to total hours worked, and is shown as growth in monthly hours worked over the year to December in Figure 12 and Figure 13.

Figure 12: Growth in hours worked (%) by gender and form of employment, Jan 10 – Jan 20



Source: ABS 6202

Figure 13: Growth in hours worked (%) by gender and form of employment, detailed, Jan 10- Jan 20



Source: ABS 6202

25. It can be seen that total hours worked have continued to show positive growth for all categories save for full-time males, although the rates of growth have declined over the last two years for most. Notably, part time for both male and female, and full-time female in general show higher rates of growth of hours worked than for full time males. Some of the declines in growth rates followed recent peaks in growth meaning continued growth

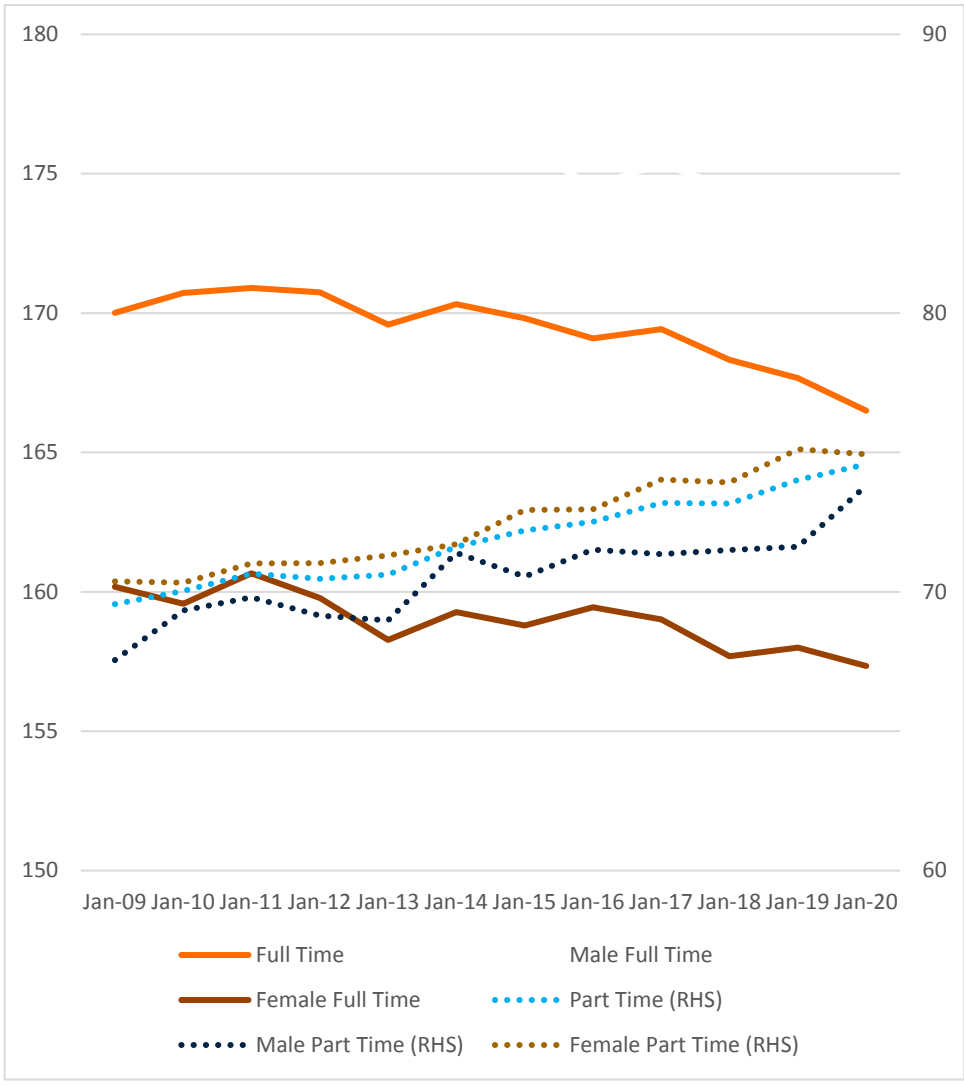
was coming off a high base. The longer term trend toward greater part time employment seen in Figure 4 and Figure 5 above is also important context. Growth rates for hours worked are higher than those for employment as shown in Figure 3 and Figure 4. The decline in male full time hours worked is to be expected in light of the weak employment growth for that seen in Figure 6. The movement over time is towards part time work and higher rates of female participation in Australia. Female part time workers are observed to have the least variability in growth in hours worked, with the current result unexceptional.

26. The industry patterns of growth in hours worked per employee are shown in the *Statistical Report* at Chart 6.4.[14] Hours worked have grown strongly in all award reliant industry sectors over the year to November quarter 2019. Hours worked in the year to November quarter 2019 have grown faster than the positive 10 year average growth in four out of five of the more award reliant industry sectors including Accommodation and food services, Other services, Admin and support services and Retail trade. In the fastest growing sector over the 10 years, Health care and social assistance, hours worked for the year to November 2019 grew almost as fast as the 10 average.

27. Average hours worked per employee by gender and status, is shown below. It shows that the number of hours worked per female part time employee has held steady at its elevated level from last year, with growth in hours worked per male part time driving the overall growth in hours worked by part time workers in that period. Average hours worked in full time employment continued to fall, largely influenced by the continuing decline in hours worked by males in full time work. The small decline in hours worked by full time females results in a return to levels almost imperceptibly different to those seen two years ago. In the analysis, what should be significant to the Panel is that average hours worked per employee increased or held steady for all categories bar one over the last two years: males in full time employment. That category is also typically less representative of the award reliant workforce than the others.

[14] V1 p.27

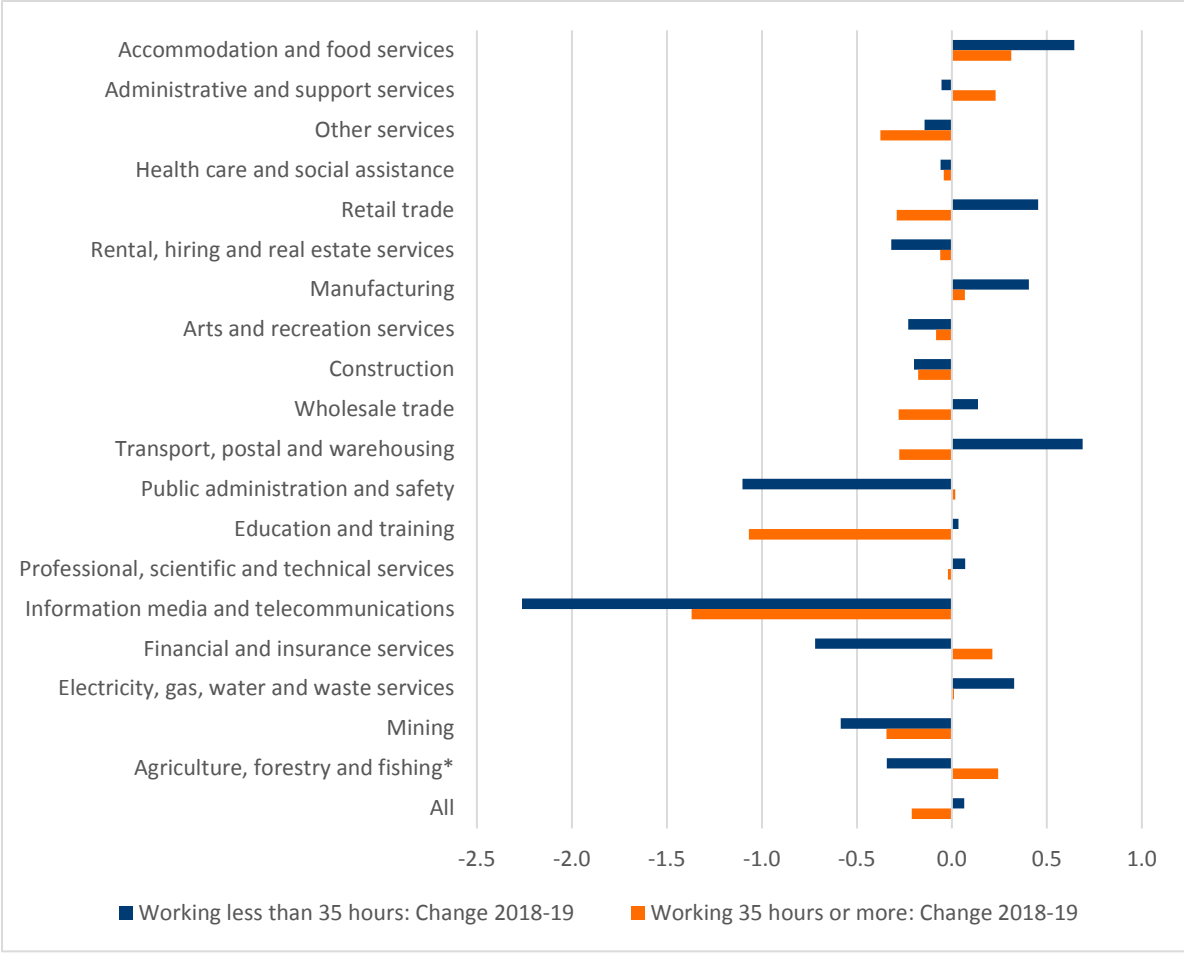
Figure 14: Average monthly hours worked per employee, by gender and status, Jan 09 – Jan 20



Source: ABS 6202

28. At an industry level, changes in average hours worked per employee shows little change over the year, with most movements (positive or negative) well under one hour per week. Figure 15 below shows this movement, ranked from the most award reliant industries to the least. There does not appear to be any pattern in this measure related to award reliance.

Figure 15: Change in average weekly hours worked per person, by industry, Nov 18 - Nov 19



Source: ABS 6291.0.55.003 (Original). *Data on award reliance is not available for this industry.

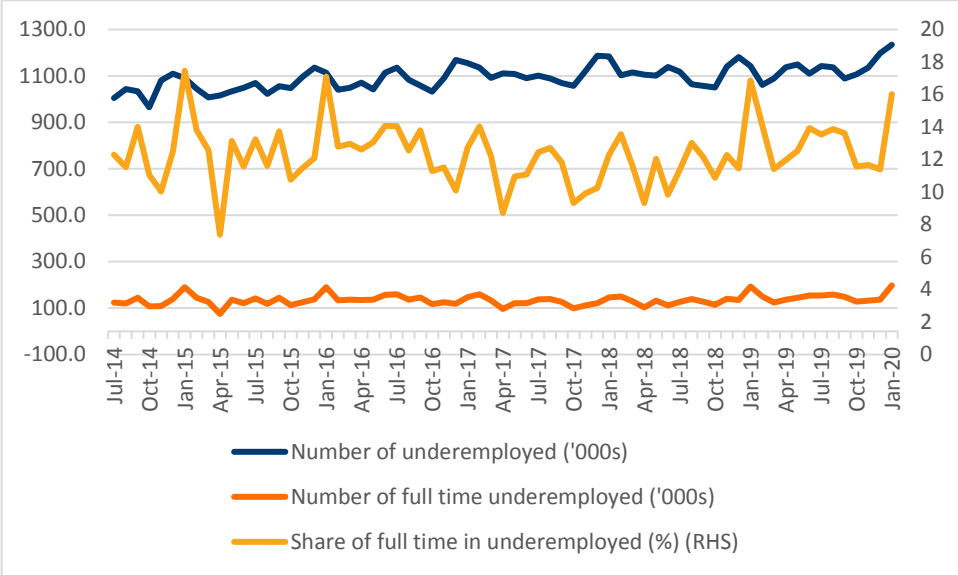
29. Notwithstanding declines in average hours worked by those working more than 35 hours, in each industry shown in Figure 15 such workers maintained average weekly hours greater than 38 hours per week.[15] The decreases in hours worked observed for those working less than 35 hours raises the issue of whether those workers are underemployed. Whilst it might be assumed that all employed persons wish to work, those who work part time prefer work that matches their needs and availability. Accordingly, labour supply factors are an influence on underemployment. It should not be assumed that declines in hours worked by part time workers are solely the result of weakness in the demand for labour.

[15] The minimum was 42.99 hours, for Public administration and safety. The maximum was 54.41 hours, for Agriculture, forestry and fishing.

2.2.2 Underemployment

30. Underemployment includes both part time workers and full time workers who prefer and are available to work additional hours. However, full time workers are only included to the extent that they worked part time hours in a given week for economic reasons (such as being stood down). Full time workers are a much less of a driver of overall underemployment than part time workers. Figure 16 below shows the total number of underemployed persons monthly and the number and share of underemployed persons who are full time workers.

Figure 16: The extent of full time underemployment, 2014-2020



Source: ABS 6291.0.55.001(Orginal), ABS 6202 (Original), ACTU calculations.

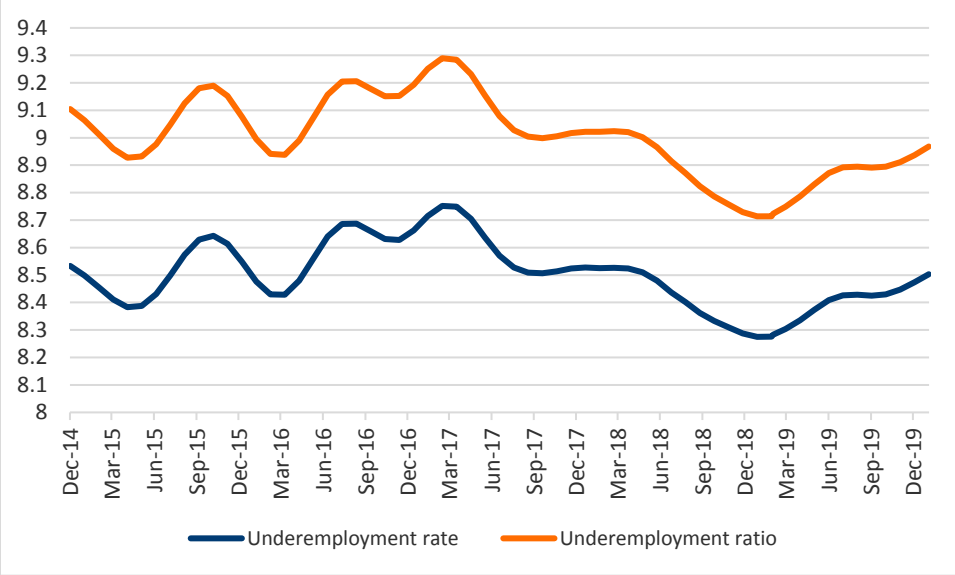
31. It can be seen that the raw number of full time underemployed workers has remained remarkably stable, even as the labour force has grown over time. The share of full time workers among the underemployed has declined during 2019, and as at December 2019 was just below the average of what has been observed over the period shown16. The recent peak in the share of full time workers in underemployment and in the number of full time underemployed workers is not uncommon for the month of January and has been

[16] Mean=12.31%

seen to reduce quickly in previous years. These observations are not consistent with the reductions in hours worked for full time workers (seen in Figure 12,, Figure 13, Figure 14 and Figure 15 above) over this period being viewed as largely the result of full time hours being cut for economic reasons (such as no work, not enough work available, or being stood down).

32. Turning to part time employment, which is the state of the vast majority of underemployed, several ABS measures are relevant. The *underemployment rate* is a measure of the proportion of the labour force that is underemployed, so is sensitive to part time work becoming a larger share of the workforce. The *underemployment ratio* is a measure of the number of underemployed persons as a proportion of total employed persons, thus also shows this sensitivity. Both measures are shown to have risen over 2019 but remain slightly below their peak rates of early 2017, in Figure 17 below.

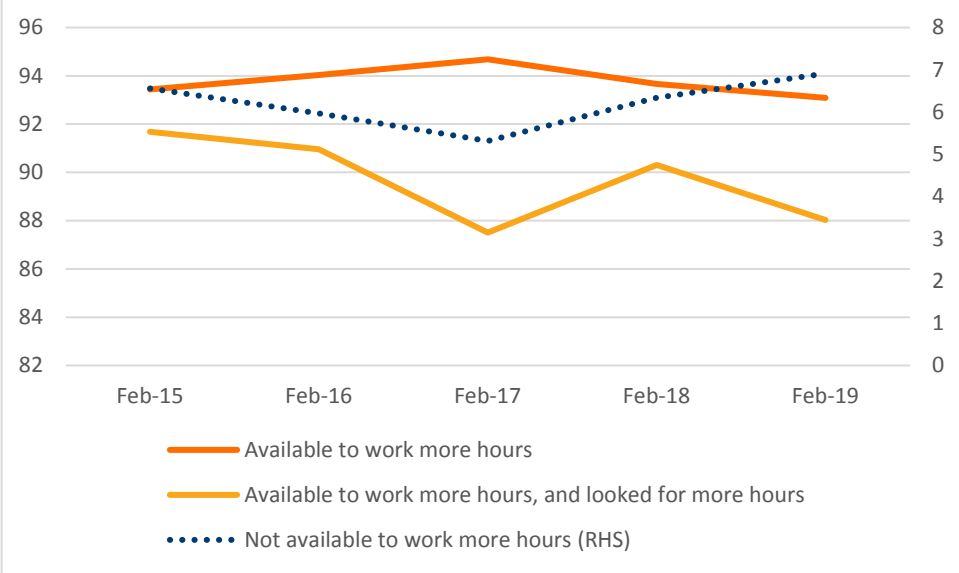
Figure 17: Underemployment rate and ratio, Dec 14 - Jan 20



Source: ABS 6202, Trend.

33. Alternative measures examine the number of hours that underemployed persons seek. The most detailed publicly available data are for the period Feb 2015 – Feb 2019, and categorise the number of part time workers who would prefer more hours into those who said they are available to work more hours, and those who said they are both available to work more hours and are looking for them. Figure 18 below shows the proportions of part time workers who *prefer* more hours (who therefore meet the definition of underemployed) who fall into those various categories.

Figure 18: Part time underemployed workers, 2015-2019, percentage with selected characteristics

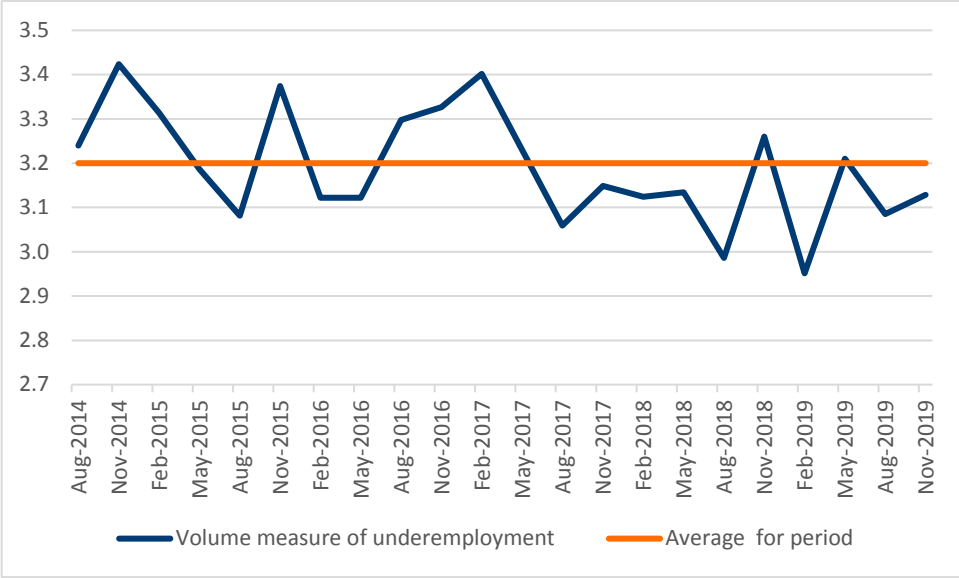


Source: ABS 6226, ACTU calculations

34. It can be seen from Figure 18 that the more recent trend, gentle as it is, is likely to be for supply factors around availability and search activity being increasingly influential on the underemployment rate. This is somewhat consistent with the proposition we advanced in last year's Review that 15-24 year olds (being the largest cohort within the underemployed group) had increased their simultaneous participation in full time education and employment, resulting in working time availability becoming a constraint on utilisation.

35. Another key source of information on underemployment is measurements of the hours desired by the underemployed, as opposed to the number or proportion of persons who are underemployed to an unspecified degree. This is captured by the ABS *volume measure of underemployment*, which shows the additional hours of labour preferred by underemployed workers expressed as a percentage of the potential hours in the labour force. Potential hours in the labour force is the sum of the number of hours sought by the underemployed and the unemployed, and the number of hours usually worked by all employed persons. This is shown in Figure 19 below.

Figure 19: Volume measure of underemployment (quarterly), 2014-2019

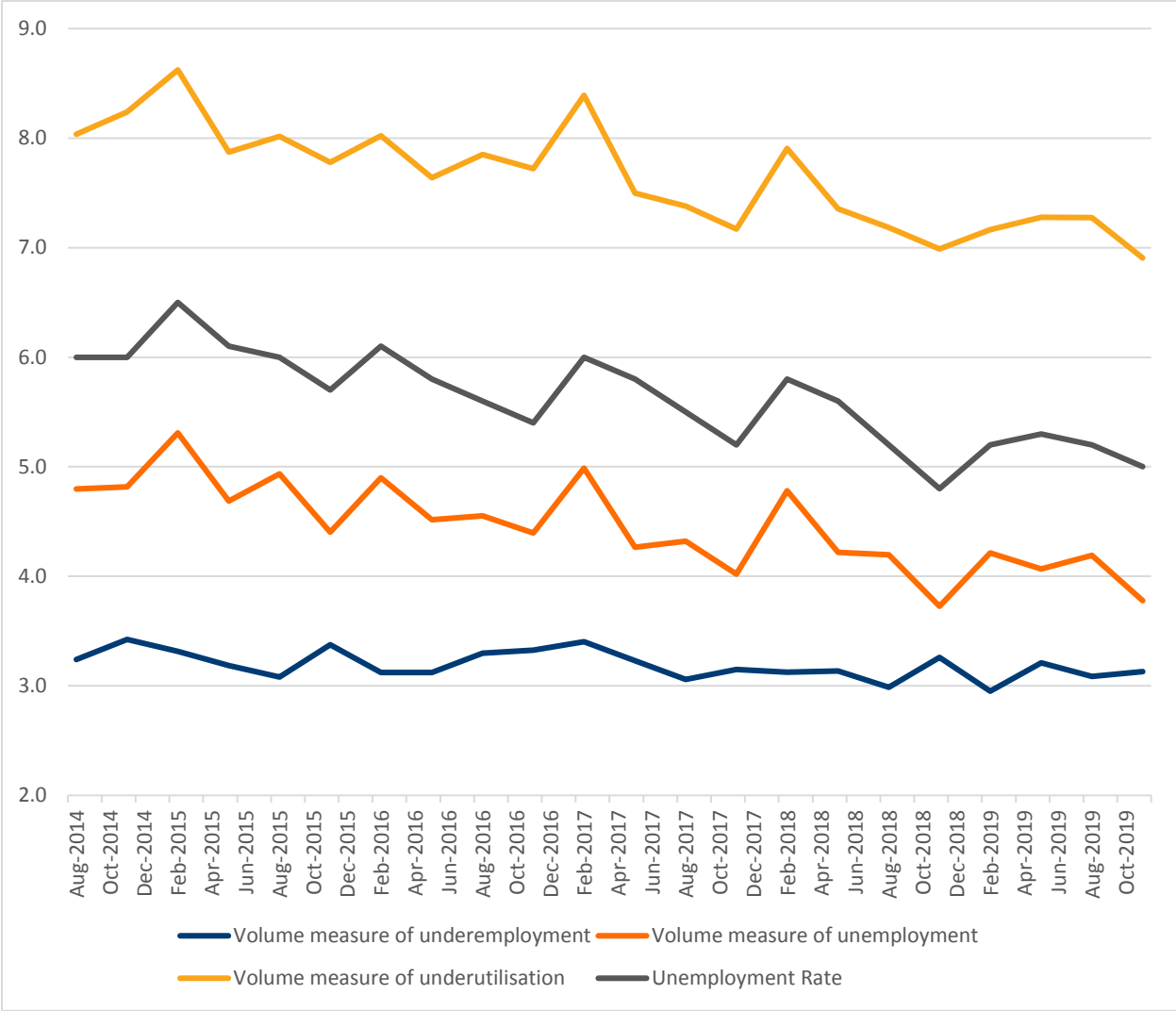


Source: ABS 6291.0.55.003, ACTU calculations

36. One shortcoming of the volume measure of underemployment is that it does not differentiate between the sub-groups of underemployed workers, that is whether they are or are not looking for work. Excluding those not looking for work would be expected, based on the observations in Figure 18, to have a moderating effect. Nonetheless, it can be seen that volume measure of underemployment (Figure 19) has shown greater stability than the underemployment rate (Figure 17), and is currently sitting just below its medium term average. With one brief exception, it has not exceeded that average at all since the Panel's successive decisions to increase the minimum wage and modern award minimum wages at or above 3%.

37. Hours based measures are also used by the ABS to construct its *volume measure of unemployment* (hours sought by unemployed persons as a percentage of potential hours in the labour force) and its *volume underutilisation rate* (the sum of hours sought by unemployed persons and the hours preferred by underemployed persons, expressed as a percentage of potential hours in the labour force). These measures are overlaid with the volume measure of underemployment and the unemployment rate in Figure 20 below. For comparability purposes the original data for the unemployment rate is used, as we understand the volume measures are likewise constructed on unadjusted original data.

Figure 20: Unemployment rate and volume underutilisation measures, 2014-2019



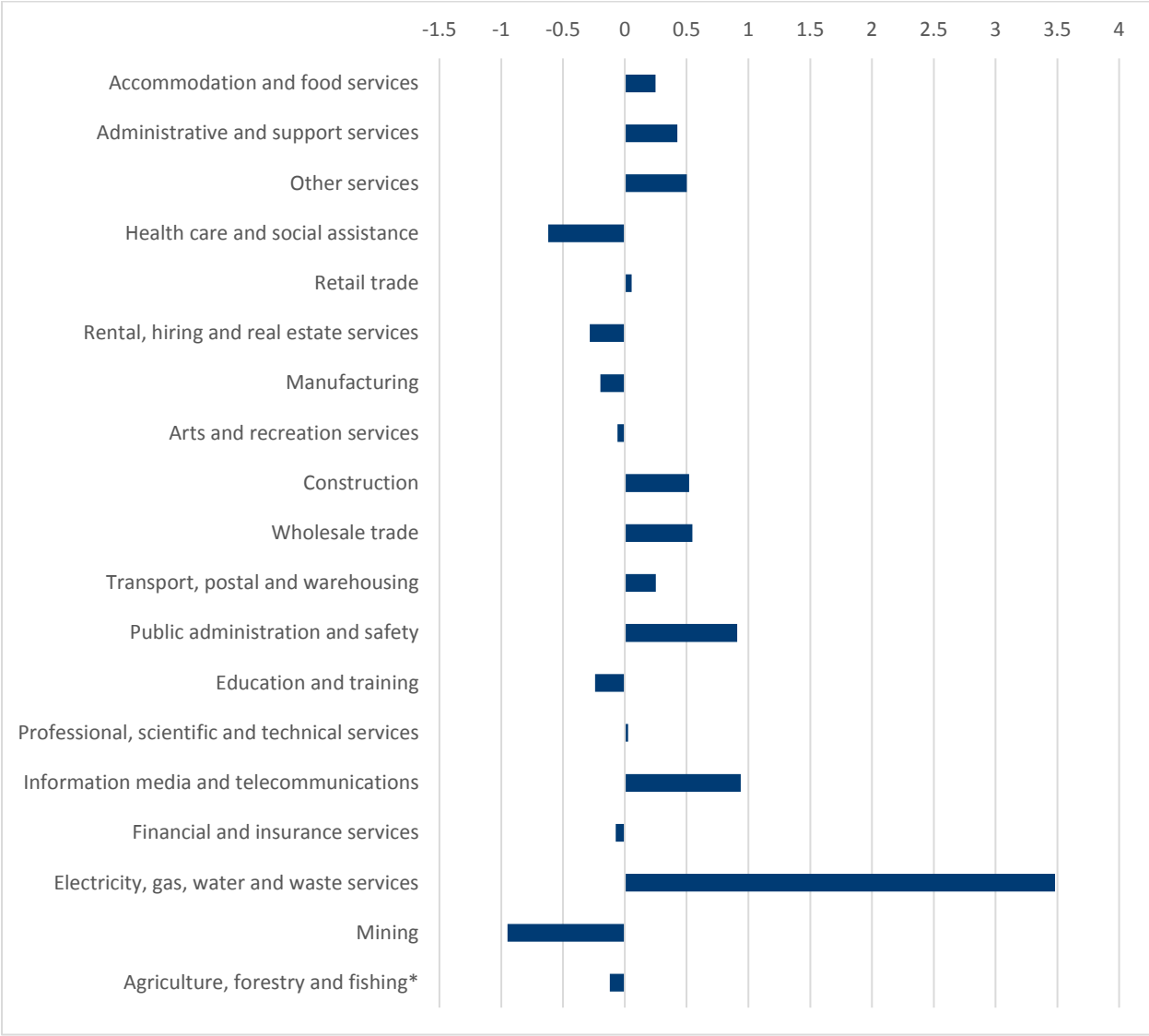
Source: ABS 6291.055.033, ABS 6202, ACTU calculations. Mean original unemployment rate data for the preceding three months to compare to quaterley data provided for volume measures.

38. Consistent with the observations made by the Panel last year, the unemployment rate, the volume underutilisation rate and the volume unemployment rate are related in their movements - with the volume measure of underemployment less variable and less influential.[17] Moreover, the more recent levels of each have been favourable and not suggestive of labour demand dwindling at the macro level.

[17] [2019] FWCFB 3500 at [143] – [146]

39. At the industry level, volume measure of underemployment can be constructed from experimental quarterly data. In Figure 21 below, we show the change over the past year in volume measure of underemployment, ranked from the most award dependent industries to the least.

Figure 21: Change in volume measure of underemployment, by industry, Sept 18 - Sept-19



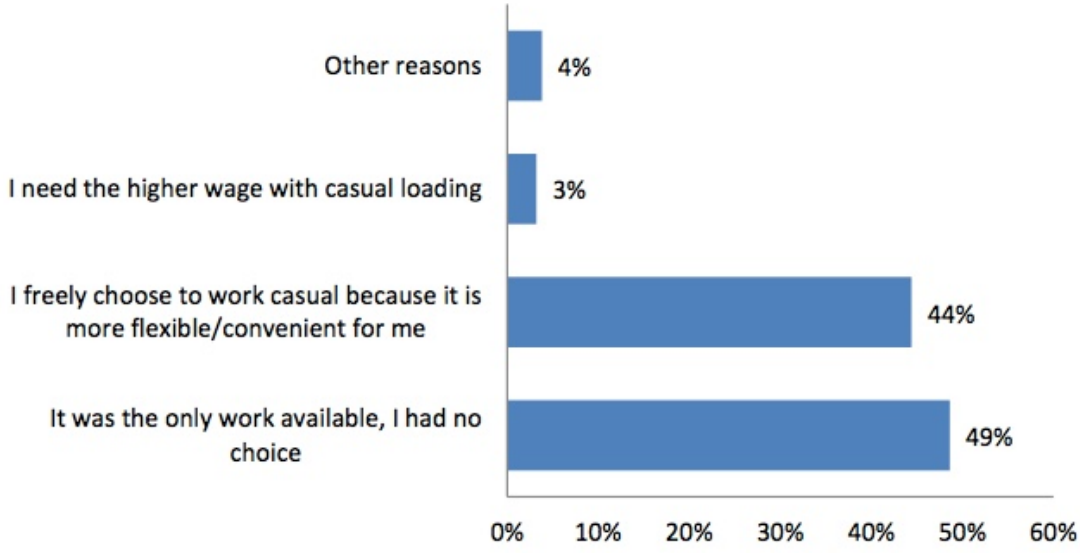
Source: ABS 6150.0.55.003 (Trend), ACTU Calculations. *Award relaince data on this industry is not available. Change is shown in percentage points.

40. There appears to be no pattern to shifts in the measure related to the level of award reliance in the sector. Moreover, the discrepancies between the change in the volume measure of underemployment is in many cases at odds with the direction or extent of growth or decline in the hours worked (Figure 15) or employment (Figure 8) in a given

sector. This is consistent with supply factors having an influence on the volume measure of underemployment.

41. Our attempt to identify the role of labour supply in underemployment is not to suggest demand factors are not influential, or to downplay the lived experience of underemployed workers whose incomes and living standards are limited by the availability of hours of work which are suited to their needs. We accept, as the Panel would, that underemployed workers are not a homogenous group. A small indication of the extent of the within group difference is highlighted in the report of Markey and McIvor (2015)[18], which was tendered as part of the *Casual employment common issue* proceedings in the Four Yearly Review of Modern Awards. As well as providing a literature review of issues relevant to the experiences of part time and casual workers, Markey and McIvor analysed a survey of 838 casual workers, 95% of which worked part time hours. Figure 22 sets out the distribution of answers to a question as to reasons for working as a casual employee. Figure 23 sets out the distribution of answers to a question as to the degree of control over the hours they work.

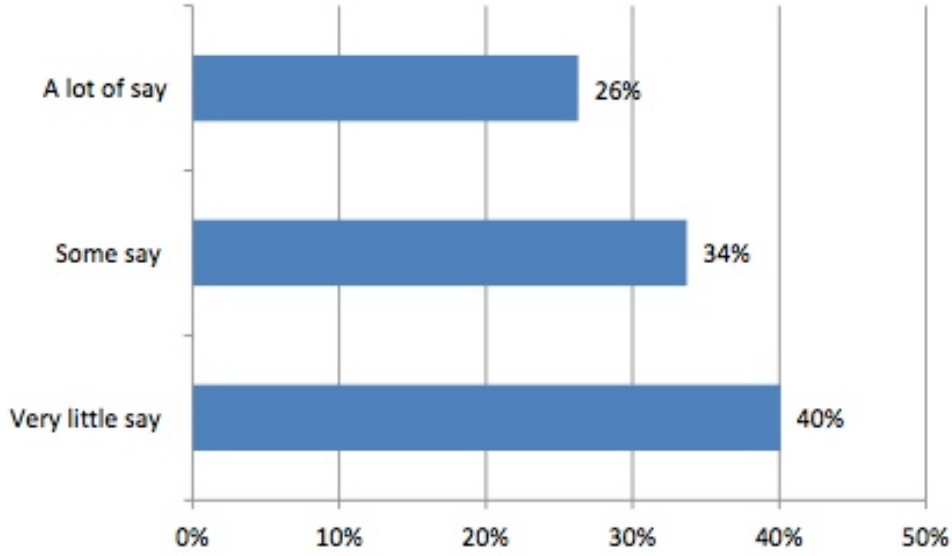
Figure 22: Reasons for working as a casual employee



Reproduced from Markey & McIvor (2015)

[18] Markey, R. & McIvor, J., *Report on Casual and Part-Time Employment in Australia.*, Centre for Workforce Futures, 2015.

Figure 23: Casual Employees, degree of say over hours



Reproduced from Markey & McIvor (2015)

42. These findings highlight that whilst there has been a degree of variability in the underemployment rate over the last decade or so and less variability in the hours based measure of underemployment at a macro level, there likely remains a not insignificant share of underemployed workers who are dissatisfied with the precarity of their working arrangements and attendant income insecurity.

2.3 Vacancies

43. The ratio of unemployed persons per vacancy has risen slightly from 2.8 per vacancy at November 2018 to 3.0 at November 2019 seasonally adjusted, from ABS data.[19] The number of unemployed persons per vacancy has fallen from a recorded peak of 5.2 unemployed per vacancy at November 2014 five years ago, reaching a low of 2.7 at February 2019 before moving up slightly. It remains below the lowest point since the GFC at 3.1 at February 2011 as shown in Figure 24. The decrease of 1.0% in vacancies for the November quarter 2019 was less than the previous quarter in what is a very volatile series.

[19] ABS 6202, 6354001 seasonally adjusted

Figure 24 Number of unemployed persons per vacancy, quarterly, seasonally adjusted to November 2019

ABS 6202, 6354001 seasonally adjusted, no vacancies data May 2008 to November 2009

44. The participation rate has increased from 65.7% at January 2019 to 66.1% at January 2020, seasonally adjusted. This is higher than the previous high of 65.8% at November 2010 more than nine years ago and is soaking up vacancies.

2.4 Research on the employment effects of minimum wage increases

45. Over the last few decades there has emerged compelling evidence disputing assertions about the negative employment impact of increases in the minimum wages. Indeed, much of the evidence points towards the positive effects that carefully determined minimum wages can have on both the quantity and quality of jobs.

46. The modern academic literature on minimum wages can be traced back to the path breaking study by two American economists, Card and Krueger, in 1995. They examine evidence on the employment effects of the minimum wage in the U.S.A. using a number of different data sources and statistical methods. They concluded that:

"Recent minimum wage increase have not had the negative employment effects predicted… Some of the new evidence points towards a positive effect of the minimum wage on

employment; most show no effect at all. Moreover, a re-analysis of previous minimum wage studies finds little support for the prediction that minimum wages reduce employment"[20]

47. In the United Kingdom one of the first researchers to employ similar techniques to those used by Card and Kruger was M.B. Stewart in the paper entitled "Estimating the impact of the minimum wage using geographical wage variation". Stewart, like the American economists before him, viewed minimum wage adjustments as a 'quasi experiment' examining the varying employment effects across a wide range of local areas. In fact the study reviewed employment impacts in 140 different areas of the country after the minimum wage was introduced in 1999 and found that employment growth was not adversely impacted in areas of the country with a high proportion of low wage workers.21

48. The hypothesis at the core of Stewarts' approach was an intuitively obvious one: other things being equal, the largest effects of the minimum wage on employment should be found where it has the largest effects on wages. Thus, in very low paying regions an increase in the minimum wage should increase the actual wage of a large proportion of workers. Yet the research revealed that the employment effects were not statistically different in these areas from other regions.

49. In the last two decades leading academics from a very broad range of advanced and emerging economies have undertaken similar studies to those performed in the UK and USA. The vast majority have found that increases in the minimum wage do not have a negative impact on employment.

50. Armed with this large body of empirical evidence, the UK Low Pay Commission in the United Kingdom introduced their version of a 'living wage' in 2016. In so doing they provided low paid workers with their biggest annual increase in the minimum wage since its introduction in 1999. The increase of 10.8 per cent pushed the minimum wage in the UK up to 55.8 per cent of median earnings for workers aged 25 and over. Furthermore, the conservative UK Government strongly supported raising the minimum wage to 60 per cent of median earnings. The Chancellor of the Exchequer announced in mid March of this year – well

[20] Card, D and Krueger, A. (1995) Myth and Measurement: The New Economics of the minimum wage, Princeton University Press

21 Stewart, M. "Estimating the Impact of the Minimum Wage Using Geographical Wage Variation", Oxford Bulletin of Economics & Statistics, 2002, 64(5), 583

into the effects of the Coronavirus being felt in the United Kingdom, that a further rise of 6.2% would be implemented from April, with further increases next year and through to 2024 "As long as economic conditions allow".[22]

51. In many other countries the weight of empirical evidence has led to many influential observers in conservative circles changing their mind about the importance of minimum wages. For example, in recent years the Economist magazine, which generally supports neo-classical economic policy positions, admitted it had been wrong regarding the minimum wage. It had opposed the introduction of a nationwide minimum wage in Britain in 1999 on the grounds that it would cost jobs. More recently the editors of Economist had this to say:

    "No-one who has studied the effects of Britain's minimum wage now thinks it has raised unemployment[23]"

52. Based on hard evidence, the Economist Magazine boldly admitted it had "changed its mind". And in the United States more than 600 economists –including seven Nobel Prize winners – recently signed an open letter to Congress calling for an increase in the minimum wage. They said the weight of evidence now demonstrated that increases in the wage had "little or no negative effect on the employment of minimum-wage workers".[24]

53. Similarly, having reviewed numerous research studies, the Panel last year affirmed the view it expressed in previous decisions that "that modest and regular minimum wage increases do not result in disemployment effects or inhibit workforce participation".[25]

54. The Panel said in its Decision that a "major research task" is to identify the relative size of the phenomena in which low wage jobs serve as a stepping stone to higher waged employment as against the effect of low-wage jobs as "dead ends where workers may linger for years if not decades'. It said that this is especially difficult for Australia. The Panel said "For this reason, we remain interested in new research, including from overseas, that overall will extend, support and/or challenge our understanding of the effects of increases

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[22] The Guardian, "Budget 2020: national minimum wage to reach 10.50 an hour by 2024".

[23] The Economist 'The minimum Wage – What you didn't miss ' May 3, 2014

[24] Letter is available online from the Economic Policy Institute.

[25] [20019] FWCB 3500 at [73], [91]

in minimum wages"[26]; and, further, of "particular interest for this Review is the broad conclusion that the extensive and increasingly sophisticated recent research continues to find, first, that increases in minimum wages which have been the subject of examination do increase the earnings of the low paid and second, that they do not, for the most part, cause job losses or increase unemployment."[27]

55. In this section, we highlight some of the research findings which we encourage the Panel to consider in arriving at its determination in this Review. We believe there is ample evidence to reach similar conclusions to those referred to above, on the basis of this material.

56. A key paper is that of Dube (November 2019) [28]. Professor Dube was engaged by the UK Low Pay Commission to review and report on the most recent international evidence on minimum wages. His report states:

> *"Overall, existing research..... points to a muted effect of minimum wages on employment, while suggesting that minimum wages significantly increase the earnings of low paid workers. Especially for the set of studies that consider broad groups of workers, the overall evidence base suggests an employment impact of close to zero."*[29]

The report concludes that the evidence to date is consistent with the UK exploring a higher post-2020 National Living Wage, eventually reaching two-thirds of median hourly earnings, and in the short term taking it to 60 per cent of median earnings in 2020. It states:

'Given the review of international evidence summarised in this report—especially the evidence from recent, higher minimum wages in several US jurisdictions, along with early experience with the UK's NLW—there appears to be room for exploration of a more ambitious remit in the UK, in the range of 60 % to two-thirds of the median wage. For comparability with the OECD estimates, this would fall roughly between 55% and 60% of the median wage of full-time workers, placing

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[26] [2019] FWCB 3500 at [190]

[27] [2019] FWCB 3500 at [191]

[28] Arindrajit Dube 2019 Impacts of minimum wages: review of the international evidence a report for the UK Low Pay Commission, November https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/844350/impacts_of_minimum_wages_review_of_the_international_evidence_Arindrajit_Dube_web.pdf

[29] Arindrajit Dube 2019 Impacts of minimum wages: review of the international evidence a report for the UK Low Pay Commission, November p.4

the UK among the top seven or eight countries in terms of the resulting bite as measured by the Kaitz index[30]*'*

Dube's country specific findings are reported under the appropriate country heading below.

57. The evidence suggests that if Australia were to move towards a minimum wage equal to 60 % of the median wage for full time workers it would be firmly within the international consensus. There is unlikely to be any negative employment effects as long as this was done in a staged way. There has emerged considerable hard evidence disputing concerns about the employment impact of minimum wages. Our recommended increase of 4% is modest, sensible and firmly supported by the international evidence.

2.4.1 The United Kingdom

58. Dube (2019) notes that in the UK, research on the impact of the National Minimum Wage (NMW) was reviewed extensively by a Low Pay Commission (LPC) Report in 2016[31]. The LPC concluded that in general there was little effect on employment and that more recent research on the impact of the National Living Wage suggested that its introduction did not have a substantial negative effect on low wage employment. Dube goes on to note that the evidence of little impact on low wage employment is also consistent with recent research on minimum wages increases in Germany and Hungary.

59. From Table 2 reproduced from Dube (2019), it is evident that the UK Low Pay Commission has been prepared to raise the minimum wage more rapidly than what we have observed in Australia in recent years. The UK national minimum in 2016 was £7.20 per hour, with the Government having a stated objective of raising this to 60 percent of hourly median earnings by 2020, subject to sustained economic growth. Substantial progress has been made towards this objective, as the national minimum stood at £8.21 per hour in April 2019 after an increase of 4.9 %. See Figure 25 for details.

[30] Dube A, 'Impacts of the minimum wage: review of the international evidence' University of Massachusetts Amherst National Bureau of Economic Research and IZA Institute of Labor Economics, November 2019

[31] Low Pay Commission, (2016) 'National Minimum Wage: Low Pay Commission Report 2016'

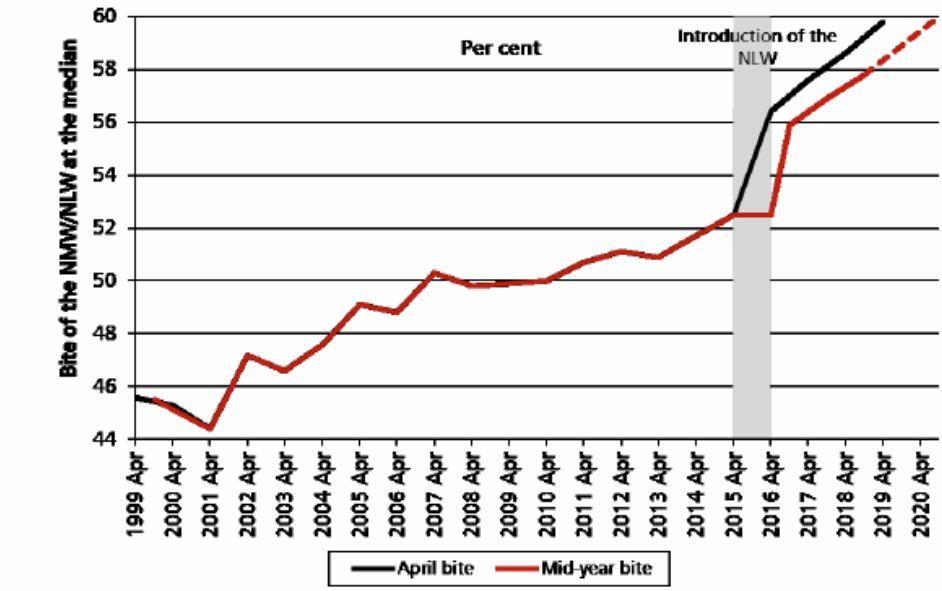
Table 2: UK National Living Wage and National Minimum Wage Rates

Group	2010 rate (£/hr)	April 2018 rate (£/hr)	April 2019 rate (£/hr)	% increase, April 2018 – April 2019
NLW (25+)	£5.93*	£7.83	£8.21	4.9%
21-24 year olds	£5.93	£7.38	£7.70	4.3%
18-20 year olds	£4.92	£5.90	£6.15	4.2%
16-17 year olds	£3.64	£4.20	£4.35	3.6%
Apprentices	£2.50	£3.70	£3.90	5.4%

*The NLW was introduced in April 2016, prior to which the same (NMW) rate applied to all workers aged 21 and over.

Source: Low Pay Commission reproduced in Dube A, 2019 'Impacts of the minimum wage: review of the international evidence' November.

Figure 25 The minimum wage "bite" for the UK national living wage 1999 -2020



Source: Low Pay Commission reproduced in Dube A, 'Impacts of the minimum wage: review of the international evidence' November 2019.

60. Martin (2019) at the UK National Institute of Economic and Social Research (NIESR) addresses the role of the minimum wage in the UK in its consideration of policy measures to enhance labour productivity in the UK.[32] The UK adult minimum wage is currently £8.21 an hour and is due to rise to £8.60 or 60% of median income this year. It says contrary "to

[32] Martin, John 2019 Supporting dynamic economic adjustment *National Institute Economic Review* No. 250 November, R15-R21

the fears of many, and notwithstanding increasing employers' wage bills, it has had surprisingly little impact on employment growth", as employers have adjusted. It says if the "overwhelmingly positive" judgement on the minimum wage endures through further increases and the next downturn "it should in our judgement remain, as representing a good balance between labour market and redistributive policy." It said, "it is necessary to consider the minimum wage strategy together with the entire redistributive impact of the tax-transfer system". [33]

61. Capuano et al (2019) in a Final Report for a study from the UK Institute of Employment Studies for the UK Low Pay Commission investigated the impact on employment and hours worked of the introduction in 2016 of the National Living Wage for workers aged 25 and over, and its subsequent annual increases to 2018. It used data from the Annual Survey of Earnings and Hours (ASHE) and the longitudinal Labour Force Survey (LFS). It applied an econometric differences in differences methodology which can evaluate the impact on employment and hours for aged 25 and over based on the divergence in wages for aged 21 to 24 compared with the wage increase for 25 and over after the introduction of the living wage. The results for part time employee retention varied with each increase. Part time female retention fell at the introduction of the NLW in 2016 particularly in the public sector, but there was no statistically significant effect on part time male retention. There was no effect on retention from the 2017 and 2018 increases, male or female, part or full time. The 2018 LW increase however did have a *positive* effect on retention for women who worked part-time for private sector firms compared with those in the public sector, and for men who worked in larger compared with smaller firms.[34] It did not find any evidence of the introduction or increase in the NLW affecting working hours for any of the subgroups.

62. Avram and Harkness (2019) investigated whether the increases in the minimum wage between 2009 and 2017 affected progression out of minimum wage jobs and what individual characteristics are associated with that. If minimum wage increases squeeze pay differentials at the bottom (also shown by higher coverage from 4% to 7%), incentives to progress might be lowered, and employers might be discouraged from investment "that

[33] Martin, John 2019 Supporting dynamic economic adjustment *National Institute Economic Review* No. 250 November, R18

[34] Stella Capuano, James Cockett, Helen Gray and Dafni Papoutsaki 2019 The impact of the minimum wage on employment and hours Final report, December, Institute for Employment Studies https://www.employment-studies.co.uk/resource/impact-minimum-wage-employment-and-hours-0 p.2

leads to higher wages later on". On the other hand "if higher minimum wages encourage skill acquisition and other changes that lead to productivity increases they may facilitate wage progression in the long run."[35] The report used the UK Longitudinal Household Survey (UKHLS) to examine transitions out of minimum wage employment to three possible destinations "i) employment paid above the minimum but less than two thirds of median hourly pay (low paid employment), ii) employment paid above two thirds of median hourly pay ('high' paid employment), and iii) non-employment" for those aged 25 or over. It use a "competing risks discrete time model" to estimate the effect of minimum wage changes on the probabilities of moving out of a minimum wage job, comparing areas with high and low shares of minimum wage workers.[36] It assumed that if the minimum wage increase had an effect on wage progression, it would be greater in areas with greater shares of minimum wage workers.

63. Avram and Harkness (201) found that one half of minimum wage workers found better paid employment within a year, and four fifths of these progress to low paid employment and a fifth to 'high' paid employment. If found "only limited" evidence that minimum wage increases depressed the probability to transition to higher paid employment and increased the probability of staying the minimum wage job.[37] Their estimates suggested that "workers in areas with high shares of minimum wage workers are less likely to transition to higher pay compared to workers in areas with low shares of minimum wage workers when the bite of the minimum wage increases."[38] However the results about transitioning to areas of 'high' pay are not robust to changes in assumptions. The more educated, those in the public sector or in large firms are more likely to transition to 'high' pay.

[35] Silvia Avram and Susan Harkness 2019 The NMW/NLW and progression out of minimum wage jobs in the UK Final report, prepared for the Low Pay Commission, December

[36] Silvia Avram and Susan Harkness 2019 The NMW/NLW and progression out of minimum wage jobs in the UK Final report, prepared for the Low Pay Commission, December, p.29

[37] Silvia Avram and Susan Harkness 2019 The NMW/NLW and progression out of minimum wage jobs in the UK Final report, prepared for the Low Pay Commission, December

[38] Silvia Avram and Susan Harkness 2019 The NMW/NLW and progression out of minimum wage jobs in the UK Final report, prepared for the Low Pay Commission, December, p.4

2.4.2 The United States

64. In relation to the United States, Dube in his review of the international evidence on the impacts of minimum wages for the UK Low Pay Commission finds that the weight of the evidence suggests the employment effects are very modest. He states that:

> *"In the US, a large body of high-quality research has investigated the impact of minimum wages on employment. Overall, this body of evidence points to a relatively modest overall impact on low wage employment to date. Recent work helped identify how this impact may vary by the level of the minimum wage. Across US states, the best evidence suggests that the employment effects are small up to around 59 % of the median wage. Evidence using sub-state county-level variation found this to hold even in lower wage counties where the minimum stood at up to 81 % of the median wage. Research conducted for this report also finds that in the 7 US States with the highest minimum wage, where the minimum is binding for around 17 % of the workforce, employment effects have been similarly modest."*[39]

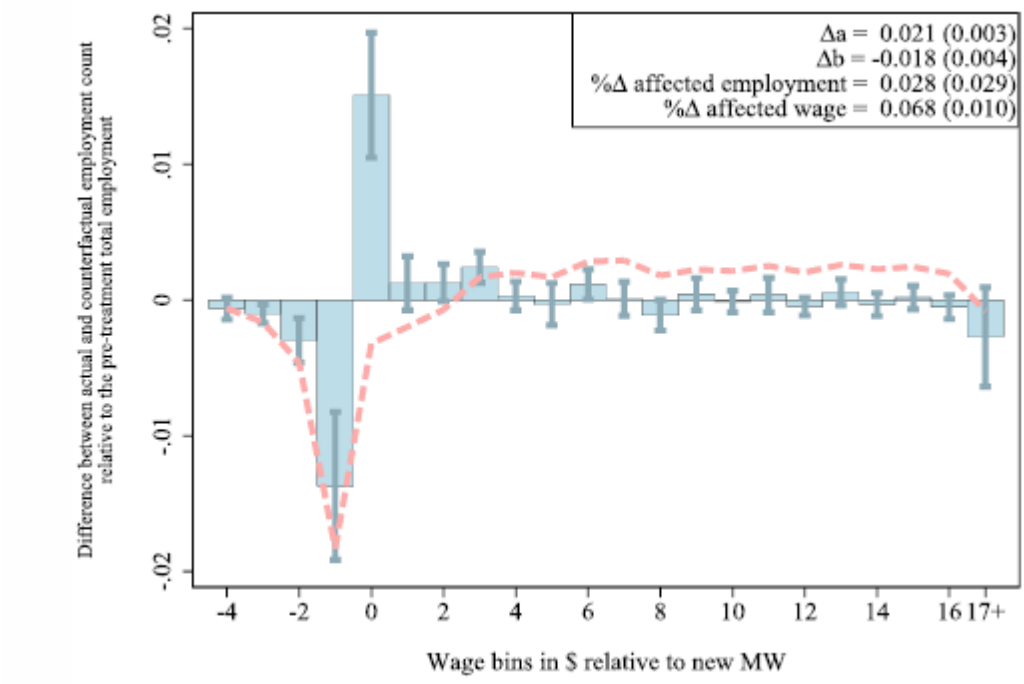
65. Dube also reviewed some of the literature that focuses specifically on low wage labour. For example, he reviewed the work of Cengiz, Dube, Lindner and Zipperer (2019)[40,] and stated that this study 'arguably provides the most complete picture to date of how minimum wages impact low wage employment in the United States'. The study examined the impact of 138 significant minimum wage changes instituted between 1979 and 2016 across various States of the USA. It investigated the effect of an average minimum wage increase on the wage distribution at each wage level relative to the minimum wage. It found that minimum wage increases led to a clear reduction in jobs below the new minimum wage, confirming that the minimum wage adjustments being examined were binding (in other words they were having the desired effect of boosting actual wages of the low paid). However, the reduction in jobs paying below the minimum was balanced by a sharp increase in the number of jobs that were paying at the new minimum, along with additional increases in jobs paying up to $5 above the new minimum. Dube notes, as Figure 26also shows, there was virtually no change in employment higher up in the wage distribution. This is reassuring, as it is unlikely that a

[39] Arindrajit Dube 2019 Impacts of minimum wages: review of the international evidence a report for the UK Low Pay Commission, November p.3

[40] Cengiz, D., Dube, A., Lindner, A., and Zipperer, B., (2019) 'The Effect Of Minimum Wages On Low-Wage Jobs: Evidence From The United States Using A Bunching Estimator', *Quarterly Journal of Economics* vol. 134(3), p. 1405-1454

minimum wage increase would lead to large change in jobs paying much more to begin with. Overall, then, low-wage workers saw a wage gain of 7 % after a minimum wage increase, but little change in employment over the five years following implementation.

Figure 26: Effect of the Minimum Wage on Jobs Throughout the Wage Distribution – 5-year Change in Employment by Wage Bins



Source: Cengiz, D., Dube, A., Lindner, A., and Zipperer, B., (2019) 'The Effect Of Minimum Wages On Low-Wage Jobs: Evidence From The United States Using A Bunching Estimator', Quarterly Journal of Economics vol. 134(3), p. 1405-1454. Reproduced in [1] Dube A, 'Impacts of the minimum wage: review of the international evidence' University of Massachusetts Amherst National Bureau of Economic Research and IZA Institute of Labor Economics, November 2019.

66. To provide further evidence on the impact of more ambitious minimum wages, the report by Dube updated the findings for Cengiz et al. (2019) using data from States in the USA that had substantially raised the minimum wage in recent years. Seven States raised their minimum wage to at least $ US 10.50 by 2018; most of these States are on a path to increase the minimum wage to anywhere between $US 12 and $US 15 over the coming years. These States include California, Oregon, Washington, Colorado, Massachusetts, New York and Maine. On average, the minimum wage rose by around 30 % in these States since the policies were enacted; the average minimum-to-median wage ratio is around 53 % (but is slated to rise even further in coming years). Importantly, the coverage rate is quite high: on average around 17 % of the workforce earned below the new 2018 minimum prior to implementation. There was a clear and sharp fall in the jobs paying below the new minimum, indicating the policies were strongly binding. But the number of jobs paying at or slightly higher than the minimum are virtually identical to the number of jobs lost below

the new minimum, keeping the total number of low wage jobs constant. Overall, these findings suggest that the recent enactment of high minimum wages in US States have been absorbed with little loss in employment to date.[41]

67. Azar et al (2019) sought to evaluate empirically the impact of the minimum wage on employment according to the degree of labour market concentration across counties and occupations in the United States.[42] The data is for monthly online occupational vacancies from Burning Glass Technologies. Burning Glass technologies is an analytics research firm which analyses online labour market data primarily for corporate consumption.

68. Azar et al (2019) investigated whether "the employment effects of the minimum wage are more positive in more concentrated (high-HHI) occupational labor markets" based on Burning Glass Technology data on the "near universe of US job vacancy postings, found on some 40,000 websites." Azar et al recognised that this data does not reflect the key sector for minimum wage research, the restaurant sector which does "a good deal" of its hiring offline. Footnote 2 points out that food and accommodation and retail sectors together employ about 50% of minimum wage workers, according to Dube et al 2010.[43] The study focuses on the general merchandise store sector which they show is more likely to hire online and includes Walmart and Macy's.

69. The data is for quarters from 2010 to 2016 and includes industry level employment in the general merchandise sector by county and quarter for the dependent variable in their regression. The explanatory variables are drawn from the Quarterly Census of Employment and Wages (QCEW) and include the minimum wage governing the county, the HHI by county, an interaction term between the HHI and the minimum wage. Control variables include total average weekly earnings for the county, total employment and unemployment rate for the county, and county and time fixed effects.

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[41] Arindrajit Dube 2019 Impacts of minimum wages: review of the international evidence a report for the UK Low Pay Commission, November

[42] Azarenka J, Huet-Vaughan E, Marinescu I, Taska B and Von Wachter T 2019 Minimum wage employment effects and labor market concentration NBER Working Paper No 26101.]

[43] Dube, Arindrajit, T William Lester, and Michael Reich. 2010. "Minimum wage effects across state borders: Estimates using contiguous counties." *The Review of Economics and Statistics*, 92(4): 945–964.

70. Azar et al (2019) found "a robust and significant increase in the employment elasticity with respect to the minimum wage in more concentrated occupational labor markets. In the most concentrated third of these, the minimum wage employment elasticity is even estimated to be significantly positive."

71. Neumark and Shupe (2019) found that a decline in teen employment in the USA since 2000 was sharpest for 16-17 year olds and attributed this to a higher minimum wage resulting in teens focussing on schooling in order to meet the higher productivity standard associated with a higher minimum wage.[44] This predominates in their findings relative to higher returns to schooling and increasing competition from immigrants, based on logit models, and simulation to get the combined effect. It finds that its "simulation results suggest that minimum wages explain about a quarter of the shift, since 2000, from being simultaneously employed and enrolled in school to being exclusively enrolled in school."[45] In the ACTU's view the results may also reflect an uncaptured household income effect whereby for low income households an increase in the minimum wage also received by adults enables teens to stay at school or work less while they are at school.

72. Li et al (2019) found that imposing a minimum wage for drivers in transport network companies such as Uber etc. "benefits both drivers and passengers, and promotes the efficiency of the entire system."[46] It makes use of a dynamic stochastic queuing model based on an app based hailing platform to determine a market equilibrium for passengers using the app and waiting drivers. The passenger arrival rate and number of drivers are endogenously determined, that is from within the model. The model is not unlike matching models for determining the level of the wage and employment based on job vacancies and workers' job search. The minimum wage achieves faster rides at lower total cost for passengers, and more drivers and more rides. The minimum wage limits the market power of the transport network companies and efficiencies are achieved by promoting competition between transport network companies, moving the surplus towards workers

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[44] David Neumark , Cortnie Shupe 2019 Declining teen employment: minimum wages, returns to schooling, and immigration *Labour Economics* 59, pp49-68

[45] David Neumark , Cortnie Shupe 2019 Declining teen employment: minimum wages, returns to schooling, and immigration *Labour Economics* 59, p.64

[46] Sen Li, Hamidreza Tavafoghi, Kameshwar Poolla , Pravin Varaiya 2019 Regulating TNCs: Should Uber and Lyft set their own rules? *Transportation Research Part B* 129 pp. 193-225

and passengers. The alternative policies of a quota for drivers or vehicles and a per-trip congestion tax were sub optimal.

73. Callaway and Li (2019) undertook a quantile estimation in a distributional extension of the standard mean differences-in-differences, in order to assist with evaluation of outcomes at observations further away from the mean. This enables it to find that while the net effect of raising the minimum wage on employment was close to zero, US "counties with tight labor markets experienced decreases in the unemployment rate following the minimum wage increase while counties with higher unemployment rates experienced more unemployment due to the increase in the minimum wage."[47]

74. Borgschulte and Cho (2020) found "no evidence of disemployment effects of the minimum wage on older workers, despite high rates of exposure to the minimum wage. Instead of disemployment effects, higher minimum wages have been associated with increased labor supply among those workers in their mid-60s. Although effects on employment are not significant, the combined evidence on employment, hours, and wages supports the finding of increased labor force attachment"[48] and decreased Social Security recipients and benefit payments. It investigated labour market transitions for those aged 62 to 70 from the US Current Population Survey and Social Security payments from Social Security Administration data, following the standard methodology of Card and Krueger (1995) and later applications, panel estimations of differences in differences in control and treated groups before and after an event.[49]

75. Godøy and Reich (2019) investigated the effect of reductions in the minimum wage bite due to increases in the minimum wage, newly including data for low wage areas where the wage bite is already particularly high.[50] It used American Community Survey data and both event study and generalized differences in differences methodologies "to analyze the effects of minimum wages on wages, employment and poverty in areas with low and high relative minimum wages (low median wages) and with low and high minimum wage bites."

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[47] Brantly Calloway and Tong Li 2019 Quantile treatment effects in difference in differences models with panel data *Quantitative Economics* 10, 1579–1618

[48] Mark Borgschulte and Heepyung Cho 2020 Minimum wages and retirement *ILR Review*, 73(1), January pp. 153–177, p.175

[49] Card, David E., and Alan B. Krueger. 1995. *Myth and Measurement: The New Economics of the Minimum Wage*. Princeton, NJ: Princeton University Press.

[50] Anna Godøy and Michael Reich. (2019). "Minimum Wage Effects in Low-Wage Areas". IRLE Working Paper No. 106-19. June http://irle.berkeley.edu/files/2019/07/Minimum-Wage-Effects-in-Low-Wage-Areas.pdf

It conducts its analyses amongst high impact groups (with high school education or less and teens). It gets similar results across all groups, with minimum wages increasing wages more in the high impact areas. It does not detect that minimum wages decrease employment or hours in low or high impact areas", while they do reduce poverty rates. [51]

76. Nadler et al (2019) investigated whether a higher minimum wage results in no significant employment losses because firms increase demand for high wage workers at the expense of low wage ones who find their hours reduced in food services industry in cities with minimum wages (Chicago, DC, Oakland, San Francisco, San Jose and Seattle).[52] It compared changes in average earnings and employment between those cities and other cities without minimum wage changes, using two methodologies, event studies and synthetic control. It found significantly positive earnings increases and no significant employment losses which were robust findings. It finds no evidence of labour-labour substitution or hours reductions for low paid workers, concluding that the industry's demand for low-wage workers is inelastic and minimum wage policies raised those workers' earnings.

2.4.3 Germany

77. Schmitz (2019) found that the minimum wage in Germany reduced in the short run the number of working welfare recipients, and reduced marginal employment (those earning less than €450 per month), with evidence that regular employment (more than €450 per month) was slightly or not reduced depending on the specification.[53] For West Germany there was some evidence that the marginal employment reduction was offset by conversions to regular employment.

78. Schmitz (2019) used monthly data for the 402 German counties from January 2012 to December 2015 for regular and marginal employment including working and non-working welfare recipients, and country specific minimum wage bites. Differences-in-differences was used to estimate the difference in annual growth rates of outcomes of interest (regular

[51] Anna Godøy and Michael Reich. (2019). "Minimum Wage Effects in Low-Wage Areas". IRLE Working Paper No. 106-19, June, pp.21-2

[52] Carl Nadler, Sylvia A. Allegretto, Anna Godøy and Michael Reich 2019 Are local minimum wages too high? Institute for Research on Labor and Employment Working Paper #102-19 April

[53] Sebastian Schmitz 2019 The Effects of Germany's Statutory Minimum Wage on Employment and Welfare Dependency *German Economic Review* 20(3): 330–355, p.352

and marginal employment and on welfare) between regions before and after the introduction of the minimum wage at 2015, according whether they obtained large or small minimum wage bites. It assumes common trends across regions regardless of the wage bite, and that higher wage bites in one region do not affect outcomes in another regions. Factory and labour mobility between regions are assumed to be minimal in that time frame anyway. In the ACTU's view it would be interesting to know if labour mobility specifically between the old east German high wage bite (lower wage) area and the old west German lower wage bite (higher wage) area changed with the introduction of the minimum wage and how that affected the results, similarly net immigration.[54]

79. Schmitz (2019) has pointed out that Garloff (2019), using the same data, have found small negative, or positive, effects on regular employment which could "result from differences in the specification".[55]

80. In the ACTU's view the results in Schmitz (2019) may be affected by being unable to distinguish differences between counties in the proportion actually affected by minimum wage increases because their wage was below the minimum prior to the introduction or change (a binding effect) regardless of the average wage level for the county. That would depend on the wage distribution within the county and how that varies regardless of the average wage bite.

81. However, Garloff (2019), apparently using the same data for Germany as Schmitz (2019), however finds "stable evidence" that a higher minimum wage bite is related to a higher growth rate of regular employment and a lower growth rate of marginal employment consistent with the transformation of marginal into regular jobs.[56] The relationship of total employment to the minimum wage bite was found to be slightly positive in its preferred specification but insignificant or negative in the others, and the same for unemployment growth.

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[54] p.339 Sebastian Schmitz 2019 The Effects of Germany's Statutory Minimum Wage on Employment and Welfare Dependency *German Economic Review* 20(3)

[55] p.346 Sebastian Schmitz 2019 The Effects of Germany's Statutory Minimum Wage on Employment and Welfare Dependency *German Economic Review* 20(3)

[56] Alfred Garloff 2019 Did the German Minimum Wage Reform Influence (Un)employment Growth in 2015? Evidence from Regional Data *German Economic Review* 20(3): 356–381

82. Garloff (2019) provides "evidence on the relationship between employment and unemployment growth in 2015 and the bite of the minimum wage using both the variation over regions, age groups, and sex and the variation over regions and sectors"[57], the latter not used elsewhere in the literature. It uses differences-in-differences specifications applying the introduction of the minimum wage in a natural experiment across a panel of cells including region and the additional characteristics, again comparing the change in (un)employment in low minimum wage bite cells with that in high minimum wage bite cells. It instruments with a (constructed) wage bite for an earlier year to allow for anticipation.

83. Garloff (2019) said its results [for employment growth] imply that "cells that were heavily affected by the minimum wage introduction have been growing faster (not slower) after the minimum wage introduction."[58] It indicates that "minijobs" could have turned into regular jobs, there could be a labour supply effect related to the minimum wage bite measure, or that black market employment has turned into regular. However, unemployment growth "has been faster in cells that were strongly affected as compared to cells that were not strongly affected." Similarly, participation could been more affected in the high minimum wage bite cells.

84. Dustmann et al (2019) found that introducing the minimum wage in Germany in 2016 raised wages and did not lower employment based on estimation of various differences in differences specifications across individuals, regions and firms using administrative data.[59] The minimum wage also led to reallocation effects. It increased the probability that a low wage worker but not a high wage worker moves from a small low paying firm to a large higher paying firm, accounting for up to 25% of the wage increase. Firm quality in terms of size or higher wage paying increased in the regions more affected by the minimum wage increase. The findings are consistent with models with search frictions, models of monopsonistic or oligopsonistic competition or models with frictions in the output market.

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[57] p.358 Alfred Garloff 2019 Did the German Minimum Wage Reform Influence (Un)employment Growth in 2015? Evidence from Regional Data *German Economic Review* 20(3)

[58] p.376 Alfred Garloff 2019 Did the German Minimum Wage Reform Influence (Un)employment Growth in 2015? Evidence from Regional Data *German Economic Review* 20(3)

[59] Christian Dustmann Attila Lindner Uta Schönberg Matthias Umkehrer Philipp vom Berge 2019 Reallocation Effects of the Minimum Wage CReAM Discussion Paper Series 2007, Centre for Research and Analysis of Migration (CReAM), Department of Economics, University College London, July

2.4.4 Other country studies

85. Cardoso (2019) found for Portugal that the distributional impact of a youth minimum wage on employment and wages was felt in the short to medium term, with the wage impact fading away over time and no impact on employment was found.[60] It used a longitudinal matched Portuguese private sector employer-employee dataset over two decades and exploited the impact of a very large increase in the minimum wage for age 17 (50%) and 18 and 19 (33%). It applied treatment and control groups in a panel regression methodology.

86. Soudararajan (2019) concluded for India that positive effects of the minimum wage on wages and employment increase with the level of enforcement locally. It used 6 biennial national surveys conducted between 2004 and 2012 for a regression analysis, focusing on low paid urban construction workers.[61]

87. In Japan, Okudaira et al (2019) found that the minimum wage does not reduce and may increase employment in high surplus firms even with high numbers of minimum wage employees, while it reduces employment in firms with a marginal product closer to the wage rate.[62] It estimated the surplus as the difference between the marginal product and the wage from standard production functions. It argued that this could be taken into account when authorities seek to raise the minimum wage. In the view of the ACTU, the results also imply possible endogeneity in that a larger increase in the minimum wage could result in higher concentration and surplus which could also increase employment. This could also occur through macroeconomic channels whereby spending is increased.

88. Andrews and Kasy (2019) sought to identify the effect of selective publication bias on published results, applying methods they develop to a meta-study of the effect of the minimum wage on employment.[63] Selection publication bias arises both from authors and journals favouring publication of results which are statistically significant and possibly of a

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[60] Ana Rute Cardoso 2019 Long-Term Impact of Minimum Wages on Workers' Careers: Evidence from Two Decades of Longitudinal Linked Employer–Employee Data *Scand. J. of Economics* 121(4), 1337–1380

[61] Vidhya Soundararajan 2019 Heterogeneous effects of imperfectly enforced minimum wages in low-wage labor markets *Journal of Development Economics* 140 pp.355–374

[62] Hiroko Okudaira, Miho Takizawa, Kenta Yamanouchi 2019 *Labour Economics* 59, pp.110-122

[63] Isaiah Andrews and Maximilian Kasy 2019 Identification of and Correction for Publication Bias *American Economic Review*, 109(8): 2766–2794

sign based on prior belief e g a negative sign on employment with respect to the minimum wage or wages. The study is part of a general and extensive literature on meta analysis.

89. Andrews and Kasy (2019) uses a nonparametric method to identify publication selection bias where conditional publication probability (the probability of publication as a function of the study's results) is known. It provides methods to calculate bias corrected estimators and confidence sets when the form of selectivity is known, and uses replications and meta-studies to obtain nonparametric identification results. That is, it seeks to correct the statistical significance and sign of results which have arisen from selection bias but without being able to estimate the magnitude.

90. Andrews and Kasy (2019) have said that "estimates based on data from the meta-study Wolfson and Belman (2015) "suggest that results corresponding to a negative and significant effect of minimum wages on employment are about three times more likely to be published than are insignificant results." [64] Andrews and Kasy's (2019) own "point estimates suggest that results showing a positive and significant effect of minimum wages on employment are less likely to be published than negative and significant results" but it "cannot reject that selection depends only on significance and not on sign".[65]

91. Wolfson and Belman (2019) found from a meta analysis of 37 studies of US data since 2000 that "report results suitable for this technique" .. "a considerable shift toward the origin in the 'consensus range': from the interval [-0.3, -0.1] to [-0.13, -0.07]", with an overall elasticity of -0.082, and for teens now -0.125. [66] That is, estimates incorporating more recent studies are still negative but much smaller in size and range than those in earlier studies. It speculates that the sort of employment not sensitive to the minimum wage has increased as a share of total employment in the US.

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[64] Cited in Andrews and Kasy (2019) p.2768 as Wolfson, Paul J., and Dale Belman (2015) "15 Years of Research on US Employment and the Minimum Wage." Unpublished.

[65] Isaiah Andrews and Maximilian Kasy 2019 Identification of and Correction for Publication Bias *American Economic Review*, 109(8) p.2768

[66] Wolfson, Paul J., and Dale Belman (2019) 15 Years of Research on US Employment and the Minimum Wage. *Labour* 33 (4) 488–506.

3. The National Economy

92. The panel is directed by sections 134(1)(h) and 284(1)(a) to take into account the performance and competitiveness of the national economy, including by reference to specific measures, in conducting this review and considering the impacts of adjustments to minimum wages. In this section, we offer our observations and commentary on the state of the economy by reference to the specified measures, forecasts and other relevant indicators. As the Panel has observed, there is some overlap between these matters and the separate requirement to consider promoting social inclusion through increased workforce participation. Much of our commentary on labour market specific indicators and the impacts of minimum wages on employment is contained in Chapter 4.

93. In our view, the most relevant observations from our review of the performance of the National Economy are as follows:

a. The Australian economy has been surprisingly robust up until December 2019;
b. The Australian economy grew by 2.2% over the year to December 2019, only just below the 2.3% of the previous year, above the RBA forecast and on par with Treasury forecasts;
c. Any consequences of the fires or COVID19 are not yet manifest in the data and there is a lot of uncertainty around their impacts;
d. Although there is no common trend to the average growth rates across the more award-reliant industries, output grew in four of the five most award-reliant industries over the year to December quarter 2019. Health care and social assistance, the biggest employer in the economy, grew at 8.3%, Administrative and support services grew 2.5%, Other services 3.2% and Accommodation & food services 2.4%, with Retail trade just falling by 0.1% over 2019.
e. Consumer spending increased more slowly at 1.2% for 2019 compared with the previous year, exceeded by growth in household incomes of 1.8% in 2019. The savings ratio for the year to December quarter 2019 increased on the previous year.
f. Retail trade data are showing the ongoing effects of slow wages growth. Quarterly retail sales volume grew 0.4% in real terms from December quarter 2018 to December quarter 2019, down from 1.5% for the previous year in a volatile series. In terms of the annual increase in quarterly sales (seasonally adjusted) to the December quarter 2019, Department store retailing grew 2.6%, Clothing and footwear retailing

grew 2.3%, Household goods 2.0%, and Cafes, restaurants and takeaway grew 0.8%. Other retailing fell 0.2% and Food retailing fell 1.3%, the latter possibly a consequence of increased hardship in the lower part of the income distribution.

g. Some narrowing of the gap between wage growth and labour productivity growth was shown according to a range of measures. Labour productivity annual measures of growth were lower or negative compared with their 10 year averages, and in general wage growth measures were was similar or higher compared with their 10 average measures;

h. The level of labour productivity lies below the level of many comparable countries, and in 2018 (most recent comparable) was distinguished by barely growing, at a rate of 0.4%, the slowest of all the OECD countries and well below the OECD average of 1.8%;

i. There were positive increases in labour productivity for 2019 for three more award-reliant areas, the exception being Retail trade which was only just negative. Multifactor productivity growth was close to zero in the four more award reliant sectors measured, with Accommodation and food services and Other services MFP growth barely negative. As labour intensive areas, productivity growth is normally expected to be slower in these areas than for the total economy which includes capital intensive industry, and also does not reflect unmeasured output. It cannot be inferred that the minimum wage increase of 2019 serves to hinder productivity growth which is a long term complex process;

j. Real unit labour costs grew 0.9% over the year 2019. Real unit labour costs are 10.5 percentage points below 1999.

k. The share of employee compensation in factor income rose slightly to 52.5 percent at December 2019 from 52.0 percent at December 2018, but still below that of two years ago at December 2017;

l. The share of wages in income in the ABS multifactor productivity estimates has fallen by one percentage point over the year 2018-2019;

m. The share of wages in factor income has fallen in four sectors in 2018-2019 and risen in five; Accommodation and food and Administration and support have not changed their wages share for 2018-19, and Retail trade wages share fell by a percentage point;

n. Profit margins in small business continue to grow faster than for bigger business; and yet small business has a much bigger proportion of award-reliant workers;

o. From December quarter 2018 to December quarter 2019 profits in Administrative and support services and Retail trade grew faster than wages. Profits grew but more slowly than wages in Accommodation and food services, and fell in Other services

while wages grew. Profits have grown 2.3% for total industries counted compared with an increase of 5.0% in wages in the year to December 2019, reflecting the expansion in labour intensive service sectors;

p. Business bankruptcies were fewer in 2018-19 than any year since 1994-95;

q. The number of businesses overall grew by 2.7% in 2018-19, with entry rates exceeding exit rates over the last three years. The number of businesses in three of the most award-reliant sectors grew among the fastest and a number of heavily award reliant industries showed positive growth;

r. Inflation is still very low, remaining the same as the previous year at 1.8% for 2019; and

s. The Wage Price Index grew by 2.2% in the year to December 2019, just above 2.1% for 2018 and still close to the lowest on record. Real average compensation per employee increased 1.1% for the year to December quarter 2019 compared with the year to December quarter 2018 when it had actually declined 0.3%. Real average weekly ordinary time earnings increased 2.7% in the year to November 2018, assisted by the pick up in the mining sector.

Each of these and other important matters are discussed in the remainder of this Chapter.

3.1 Economic outlook

94. In each Review the ACTU seeks to inform the Panel of, and comment upon, a range of forecasts and upside and downside risks. We have done so based on the information available at the time of writing, however the situation is more fluid in this Review owing to the emerging impacts of the Coronavirus and responses to it. We will continue to provide the Panel with more current commentary and analysis as the opportunity arises through further written submissions and during the Consultations in May.

95. Australian GDP grew by 2.2% for the year to December 2019 according to the ABS release of 4 March 2020, only just below the 2.3% of the previous year.[67] This was above the RBA revised down forecast of February 2020 of 2% for 2019.[68] It was on a par with Treasury

[67] ABS 5206

[68] RBA 2020 *Statement on Monetary Policy* February, p.72, Table 5.1

forecasts of 2% for 2018-19 and 2 ¼ % for 2019-20.[69] The RBA said: "By the end of 2020, it is likely that the recovery will have broadly offset the decline in GDP due to the immediate impact of the bushfires."[70].

96. While the unemployment rate increased from 5.0 percent at January 2019 to 5.3% at January 2020, it was still lower than 18 months ago and in the lowest range of rates since the GFC. That coincided with both increased employment to population ratio and increased participation rates.[71] These figures are in line with the OECD prediction.[72]

97. As is common, there is a range of projections among the experts as to the economic outlook and a complex mix of considerations to take into account when attempting to make an accurate forecast. Adding to the uncertainty on this occasion is the impact of the Coronavirus on household incomes and economic activity. The government has recognised that stimulus is vital. An increase in minimum wages, clearly justified by the current state and projected trajectory of the economy prior to the Coronovirus, would be a vital addition to the suite of stimulus measures applied to address the potential economic impact of the Coronavirus. This is apart from the need to address the slow growth in wages and to ensure increases in employment through spending.

3.1.1 Reserve Bank of Australia

98. The RBA's most recent Monetary Policy Decision was on 3 March 2020, the day before the release of the GDP figures referred to above. The decision lowered the cash rate from 0.75 per cent to 0.5 per cent. In his Statement on the Decision the RBA Governor Philip Lowe indicated that it was due to uncertainty surrounding the duration and severity of the economic impact of the coronavirus particularly on trade, including the education and travel sectors. The RBA expects that GDP growth in the March quarter is likely to be weaker than expected. The Statement said:

> *"Once the coronavirus is contained, the Australian economy is expected to return to an improving trend. This outlook is supported by the low level of interest rates, high levels of*

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[69] The Treasury 2019 *Mid Year Economic and Financial Outlook* December, Commonwealth of Australia, p.3

[70] RBA 2020 Statement on Monetary Policy February, p.42

[71] ABS 6202

[72] OECD 2019 *Australia Economic Snapshot* Economic Forecast Summary November https://www.oecd.org/economy/australia-economic-snapshot/

spending on infrastructure, the lower exchange rate, a positive outlook for the resources sector and expected recoveries in residential construction and household consumption. The Australian Government has also indicated that it will assist areas of the economy most affected by the coronavirus."[73]

99. The RBA Governor Philip Lowe also said: "Wages growth remains subdued and is not expected to pick up for some time. A gradual lift in wages growth would be a welcome development and is needed for inflation to be sustainably within the 2–3 per cent target range." He said the RBA is prepared to ease monetary policy further to support the Australian economy.[74]

100. The RBA had earlier noted in its November 2019 *Statement on Monetary Policy* that " .. slow income growth has contributed to a considerable slowdown in consumption lately."[75] The Governor said in his Speech of 5 February 2020 that the most important factor in the weaker than expected growth of the last year was "subdued consumer spending as households adjusted to slow wages growth and falling housing prices."[76]

101. The RBA *Quarterly Statement of Monetary Policy* for February 2020 expected employment growth to increase over time, and the unemployment rate to come down. It said: "The main driver of labour income growth is expected to be a pickup in employment growth, rather than an increase in wages growth." Information from the RBA's liaison program suggests that firms' hiring intentions remain positive. [77] The expectation was for unemployment to remain around 5 to 5 ¼ % before declining to 4 ¾% in 2021.[78]

102. The RBA said: "Over the past few years, jobs growth has been concentrated in the private sector, rather than the public sector. However, some of the growth in private sector employment over this period has been a result of government spending. For example, in health and education services over three-quarters of new jobs have been private sector

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[73] Statement by RBA Governor Philip Lowe: Monetary Policy Decision of 3 March 2020 https://www.rba.gov.au/media-releases/2020/mr-20-06.html

[74] Statement by RBA Governor Philip Lowe: Monetary Policy Decision of 3 March 2020 https://www.rba.gov.au/media-releases/2020/mr-20-06.html

[75] RBA 2019 Statement on Monetary Policy November, p.2

[76] RBA Governor Philip Lowe Speech 2020 "The Year Ahead" Address to the National Press Club Sydney, 5 February

[77] RBA 2020 Statement on Monetary Policy, Feb.2020, pp.73-4.

[78] RBA 2020 Statement on Monetary Policy, Feb.2020, p.2, p.74.

jobs, although higher government spending may have funded around one-quarter of all additional jobs created by private firms in these industries."[79] These are sectors which are more award reliant.

103. The RBA expected "the outlook for growth in output to be supported by … high levels of spending on infrastructure .." in its December Minutes.[80] In its February Statement on Monetary Policy it said: "From late 2020, non-mining business investment growth is expected to increase modestly, in line with a broader pick-up in private demand over the forecast period. Recent bushfire events and air quality concerns have also disrupted some investment activity in the December and March quarters, but this could be more than offset in subsequent quarters once rebuilding efforts get underway.". It also predicted that "a turnaround in mining investment is also expected, consistent with the publicly announced investment plans of firms in that sector."[81]

3.1.2 Treasury

104. The Treasury's Mid Year Economic and Financial Outlook (MYEFO) of December 2019 said: "Australia's economy continues to show resilience in the face of weak momentum in the global economy, as well as domestic challenges such as the devastating effects of drought and bushfires."[82] It noted that GDP growth in the first three quarters of 2019 was stronger than in the second half of 2018. The ACTU notes this can now be updated with GDP growth for the December quarter also strong at 0.5% and 2.2% for the year, on track at this stage with the MYEFO forecast of 2 ¼ % for 2019-20.

105. The Secretary to the Treasury Dr Steven Kennedy said in the opening statement to the March 2020 Senate Estimates on 5 March that also "the labour market continued to outperform expectations with employment growth remaining at 2% and the participation rate reaching record highs." "Calendar year growth in 2019 was 1.8 per cent, above the OECD average and higher than every G7 nation except the United States."

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[79] RBA 2020 *Statement on Monetary Policy*, Feb.2020, p.32.

[80] RBA 2019 *Minutes of the Monetary Policy Meeting of the Reserve Bank Board* 3 December https://www.rba.gov.au/monetary-policy/rba-board-minutes/2019/2019-12-03.html

[81] RBA 2020, Statement on Monetary Policy: February, p.1

[82] The Treasury 2019 *Mid Year Economic and Financial Outlook* December, Commonwealth of Australia, p.3

106. MYEFO at the time of its publication at December 2019 reported that it was too early to tell what the effects of the fires were on aggregate farming land and production, but that "widespread damage to public infrastructure and private property" was causing damage to business including tourism.[83] However by March 2020 a more definite position was put by Dr Kennedy:

> *"Our current expectation is that the bushfires will detract around 0.2 percentage points from GDP growth across the December 2019 and March 2020 quarters. Most of this impact will fall in the March quarter, before reconstruction and recovery activity picks up and other spending supports growth from the June quarter onwards."*

He also said that in a preliminary estimate they "expect the virus to detract at least a half of a percentage point from growth in the March quarter 2020." [84]

107. The Treasury said in its MYEFO: "Growth in consumer spending was weaker than expected in 2018-19, occurring alongside falls in housing prices and continued softness in wage and non-wage income growth." The Treasury also then expected that "consumption should be supported by a pick-up in household disposable income growth, reflecting the personal income tax measures announced in the 2018-19 and 2019-20 Budgets, as well as continued growth in employment, a modest pick-up in wage growth and supportive monetary policy settings." [85] Against this, it is worth pointing out however that the personal income tax rate changes from 2015-16 to those that apply in the current year only impact those earning more than $80,000 in 2016/17 through to 2017/18 and over $87,000 in 2018/19 to 2019/20.[86] This had zero effect on the weekly recurrent incomes of the low paid in those years, in which the low paid threshold rose from $821.33 ($42,709 pa) to $916.67 ($47,667 pa) over the period.[87] Similarly, it had no effect on an employee at the average ordinary time rate for award dependent workers in 2018, unless their non-ordinary time earnings increased their earnings by more than 50%.[88] Changes

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[83] The Treasury 2019 MidYear Economic and Fiscal Outlook 2019-20 December, p.23

[84] https://treasury.gov.au/speech/opening-statement-march-2020-senate-estimates?utm_source=TSY+website&utm_campaign=87050cb4f6-EMAIL_CAMPAIGN_2020_02_14_05_48_COPY_01&utm_medium=email&utm_term=0_a593710049-87050cb4f6-225170629

[85] The Treasury 2019 *MidYear Economic and Fiscal Outlook* December, p.19

[86] Changes to income tax brackets widened the 32.5c bracket from $37,001-$80,000 to $37,001-$87,000 from 2015/16 to 2017/18. For 2018/19 and 2019/20 it applies for incomes of $37,001 to $90,000.

[87] Where "low paid" is equal to two thirds of median weekly employee earnings as recorded in ABS 6333.0 (characteristics of employment).

[88] The average hourly ordinary time earnings of award reliant workers in the ABS 2018 Employee Earnings and Hours Survey was $29.18 ($57,660 pa).

to low income and low and middle tax offsets did have an effect on the low paid, but we suggest these would more likely be reflected in consumption events coinciding with tax refunds rather than changes to regular consumption habits.[89]

108. Like the RBA, the Treasury in its *Mid Year Economic and Fiscal Outlook* (MYEFO) expected non mining investment growth including dwelling investment to increase along with household consumption. MYEFO also noted that mining investment was expected to increase "for the first time in seven years".[90] The Opening Statement to Senate Estimates of March 2020 by Dr Steven Kennedy Secretary to the Treasury reiterated this:

> *"Mining investment is forecast to contribute to growth in 2019-20 for the first time in seven years as miners invest to maintain their large capital stocks and maintain productive capacity. This assessment was supported with the recent release of the CAPEX survey. Non-mining business investment was expected to be steady and a large pipeline of government infrastructure investment is still to be delivered. Dwelling construction is expected to recover by the end of 2020-21."*[91]

3.1.3 International Monetary Fund

109. The IMF Staff Concluding Statement of the 2019 Article IV Consultation Mission made on December 13, 2019 [the Statement] said "An incipient recovery in mining investment is also expected to contribute to growth. In addition, the house price recovery will likely reduce the drag on consumption from earlier", but "residential and non mining investment are expected to take longer to recover." The US China tensions discourage investment in Australia, and "state-level infrastructure investment is expected to decline. More efforts should be made to boost private investment and innovation." [92]

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[89] The level of low and low and middle tax offset available to a low paid worker at the low paid threshold in 2019/20 is $1484.

[90] The Treasury 2019 MidYear Economic and Fiscal Outlook 2019-20 December, p.3

[91] https://treasury.gov.au/speech/opening-statement-march-2020-senate-estimates?utm_source=TSY+website&utm_campaign=87050cb4f6-EMAIL_CAMPAIGN_2020_02_14_05_48_COPY_01&utm_medium=email&utm_term=0_a593710049-87050cb4f6-225170629

[92] IMF Staff Concluding Statement of the 2019 Article IV Consultation Mission made on December 13, 2019 https://www.imf.org/en/News/Articles/2019/12/12/mcs121319-australia-staff-concluding-statement-of-the-2019-article-iv-consultation-mission

110. The Statement also noted that "Economic growth has gradually improved from the lows in the second half of 2018 but has remained below potential. Growth has been supported by public spending, including on infrastructure, and net exports". It was expected that "Economic growth should continue to recover gradually toward its medium-term potential, with inflation remaining below the target range in the near term." Downside risks related to subdued domestic confidence, heightened global uncertainty and the risk of slowdown in China. It said that "macroeconomic policies should remain accommodative, and the expected reduction in state-level infrastructure spending in FY2020/21 should be reconsidered. If downside risks materialize, stronger fiscal and monetary stimulus would be warranted." It also indicated that "Continued efforts are warranted to foster strong, inclusive, and sustainable growth." [93]

111. The IMF's Statement also said that" Domestic private demand had been weak, the ongoing drought had been a drag on economic growth, and wage growth had remained sluggish." "On the domestic side, private consumption could be weaker should a cooling in labor markets squeeze household income." It presaged adverse weather conditions could further disrupt agriculture, dampening growth. It expected that "fiscal policy aggregated across all levels of government will be contractionary in FY2020/21". It said that "In case stimulus is necessary, the implementation of budget repair should be delayed, as permitted under the Commonwealth government's medium-term fiscal strategy."[94] This could include bonuses for "retraining and education".

112. Referring to the occurrence of bushfires, Gerry Rice, Director IMF Communications Department said in his Press Briefing on January 30, 2020, "in some respects it's premature to speculate on the potential economic impact of this ongoing crisis in Australia." He saw the problem as manageable from the economic standpoint at this stage but growing. "So far, our understanding is roughly 10 million hectares have burned. … Drought and fires, the combination has impacted agriculture particularly, costing what

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[93] IMF Staff Concluding Statement of the 2019 Article IV Consultation Mission made on December 13, 2019 https://www.imf.org/en/News/Articles/2019/12/12/mcs121319-australia-staff-concluding-statement-of-the-2019-article-iv-consultation-mission

[94] IMF Staff Concluding Statement of the 2019 Article IV Consultation Mission made on December 13, 2019 https://www.imf.org/en/News/Articles/2019/12/12/mcs121319-australia-staff-concluding-statement-of-the-2019-article-iv-consultation-mission

we estimate as losses of about 0.2 percent of GDP in 2019 and 2020, thus far." The IMF had not been able to assess the economic impact on tourism and business confidence but believed that "the government has more than sufficient fiscal space to be able to respond in terms of additional support to businesses and families which have been impacted."[95]

113. In the ACTU's view, the recognition by the IMF of the role for fiscal stimulus in the face of downside risks including those associated with weak consumption and slow wage growth is significant for two reasons. Firstly, whilst the Panel has found the multiplier effect of increasing minimum wages is not likely to be comparable to that of a government stimulus, it has nonetheless accepted that increases in minimum wages are likely to have an effect on consumer demand that needs to be taken into account.[96] Secondly, the Government must be taken to be acutely aware of the expectations upon it to react in some manner to the impacts of the fires, the drought and the Coronavirus, and also be taken to be equally aware of the limits of the Panel's capacity for differential treatment of employers and industries in an Annual Wage Review[97]. That the Government's response to the unfolding circumstances has not included a shifting of the goal posts as to how the Panel must discharge its functions tends to suggest that the Government does not view the Panel's existing framework and approach as requiring any adjustment in light of those circumstances.

114. The employment and unemployment figures for 2019 are also close to IMF forecast indicators. The IMF estimated an average unemployment rate of 5.2% for 2019 prior to the actual result of 5.1% at December, and forecast 5.2% for 2020 and 2021. The IMF also estimated employment growth of 2.3% for 2019 and the actual was 2.1%, or 247, 400, seasonally adjusted. The IMF expects employment to grow by 2.0% in 2020. 98

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[95] Transcript of IMF Press Briefing by Gerry Rice, Director IMF Communications Department January 30, 2020 https://www.imf.org/en/News/Articles/2020/01/30/tr013020-transcript-of-imf-press-briefing

[96] [2018] FWCFB 3500 at [248], [2017] FWCFB 3500 at [528].

[97] [2019] FWCFB 3500 at [447]-452]; [2017] FWCFB 3500 at [172]-[177], [181]; [2014] FWCFB 3500 at [512]-[516]; [2013] FWCFB 4000 at [96]-[97], [542]-[549]; [2012] FWAFB 5000 at [258]-[260].

[98] IMF 2020 *Australia: 2019 Article IV Consultation, Staff Report* Country Report no. 20/68, February 2020, Released 5 March, Table 1, p.41

3.1.4 Organisation for Economic Cooperation and Development

115. OECD Chief Economist Laurence Boone made a presentation on 2 March 2020 in which projected growth in the world economy was 2.5% for 2020, 0.4 percentage points reduction on 2019 and on its previous projection of November 2019 for 2020.[99] The downward revision was less for the G20 Advanced countries of which Australia is a member, at about 0.2 percentage points lower growth. The presentation indicated that some proportion of the 0.9% of Australia's GDP that is due to travel services would be affected. The OECD is still predicting 1.8% growth in GDP in 2020 for Australia, compared with 2¼% at November 2019, followed by increases. The policy options in the OECD presentation provide means of stimulating the economy including increasing resources to the health sector, temporary cash transfers to vulnerable households, expanding short time work schemes, letting built in stabilizers work for boosting public investment. An increase in the minimum wage and awards can only assist the stimulation to spending gained by these policies.

116. The OECD Economic Snapshot for Australia comments: "Employment growth has been surprisingly robust given the modest pace of output growth, and is encouraging higher labour force participation. Despite this, private consumption spending has been sluggish, weighed down by slow wage growth and an increase in taxes paid by households."[100]

3.1.5 Other forecasts of note

117. ANZ Senior Economist Catherine Birch commented on March 2, 2020 that Job Ads in their series "rose for a second consecutive month in February [0.7%] to be up almost 5% over the past two months. This has been a surprise to the positive side; a welcome relief from the more negative data from the private sector on construction work done, capital expenditure and business conditions and confidence. The uptick in jobs and in ABS job vacancies could have been a signal for some improvement in the labour market."[101]

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[99] https://www.oecd.org/economic-outlook/ accessed 5 March 2020.

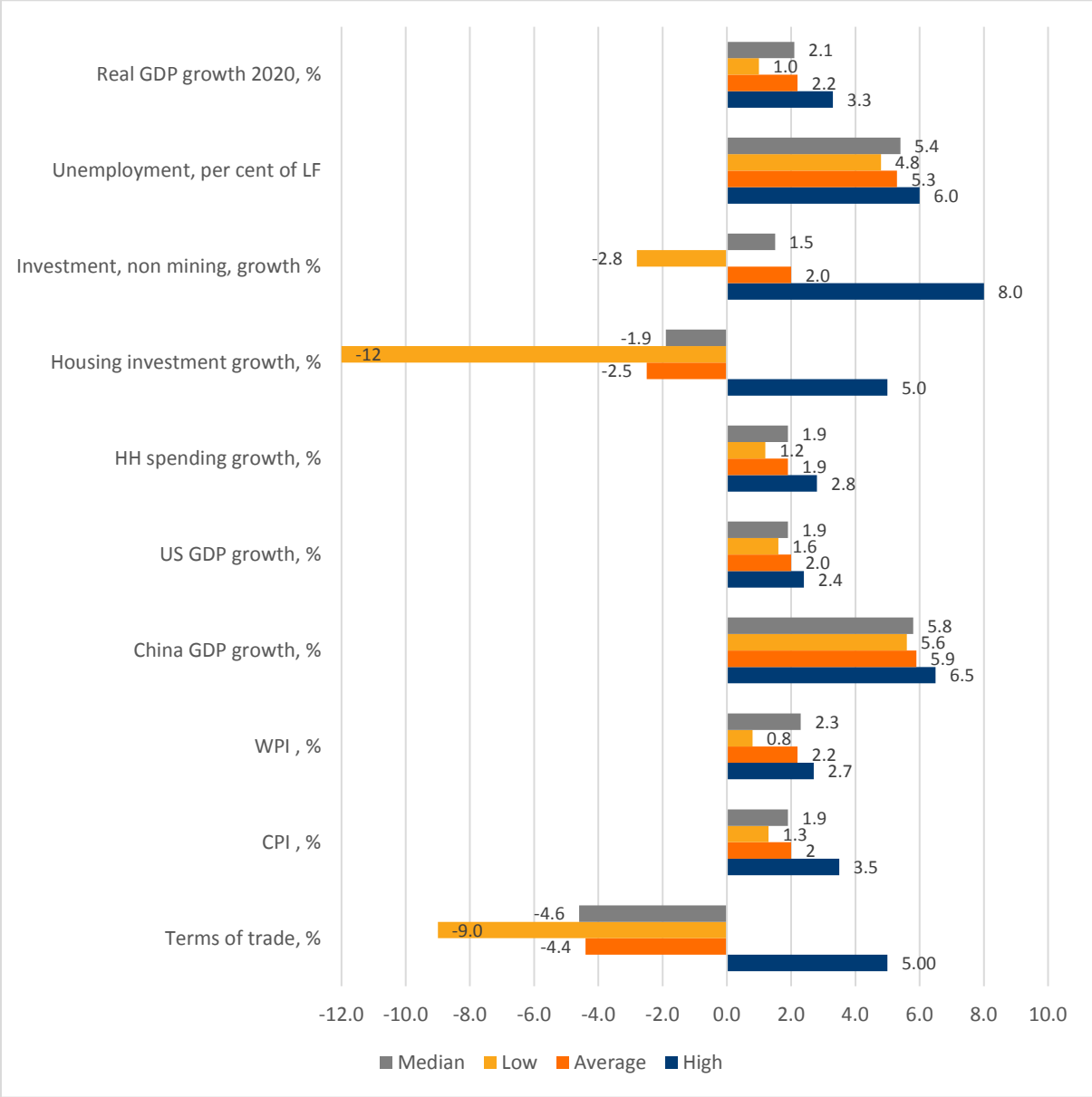
[100] OECD 2019 *Australia Economic Snapshot* Economic Forecast Summary November https://www.oecd.org/economy/australia-economic-snapshot/

[101] https://media.anz.com/posts/2020/03/job-ads-gain-a-little-in-february-?adobe_mc=MCMID%3D76776067720134265068052662542905219095%7CMCAID%3D2F32EC168515A284-60000702C3C40758%7CMCORGID%3D67A216D751E567B20A490D4C%2540AdobeOrg%7CTS%3D1583732876

118. The *Sydney Morning Herald* (SMH) Business Scope Survey included a panel of 21 economists from a range of backgrounds and institutions. The print edition of 1 February 2020[102] provides the data for Figure 27, which summarises the forecasts of the panel for the year 2019. The range of forecasts is wider than for 2019, and tend to be more pessimistic, reflecting increased uncertainty.

[102] https://www.smh.com.au/politics/federal/economists-tipping-tough-year-for-households-with-21pc-chance-of-recession-20200130-p53w6b.html Shane Wright, Jennifer Duke and Eryk Bagshaw, January 31 2020 accessed 19 February 2020. The panel were Stephen Anthony, Sally Auld, Paul Bloxham, Michael Blythe, Rebecca Cassells, Besa Deda, Bill Evans, Su-Lin Ong, Janine Dixon, , Sarah Hunter, Stephen Koukoulas, Angela Lillicrap, Guay Lim, Jakob Madsen, Margaret McKenzie, Neville Norman, Shane Oliver, Alan Oster, David Plank, Marcel Theliant and Julie Toth.

Figure 27: Forecasts of various indicators by the SMH Business Scope Economic Survey, 1 February 2020



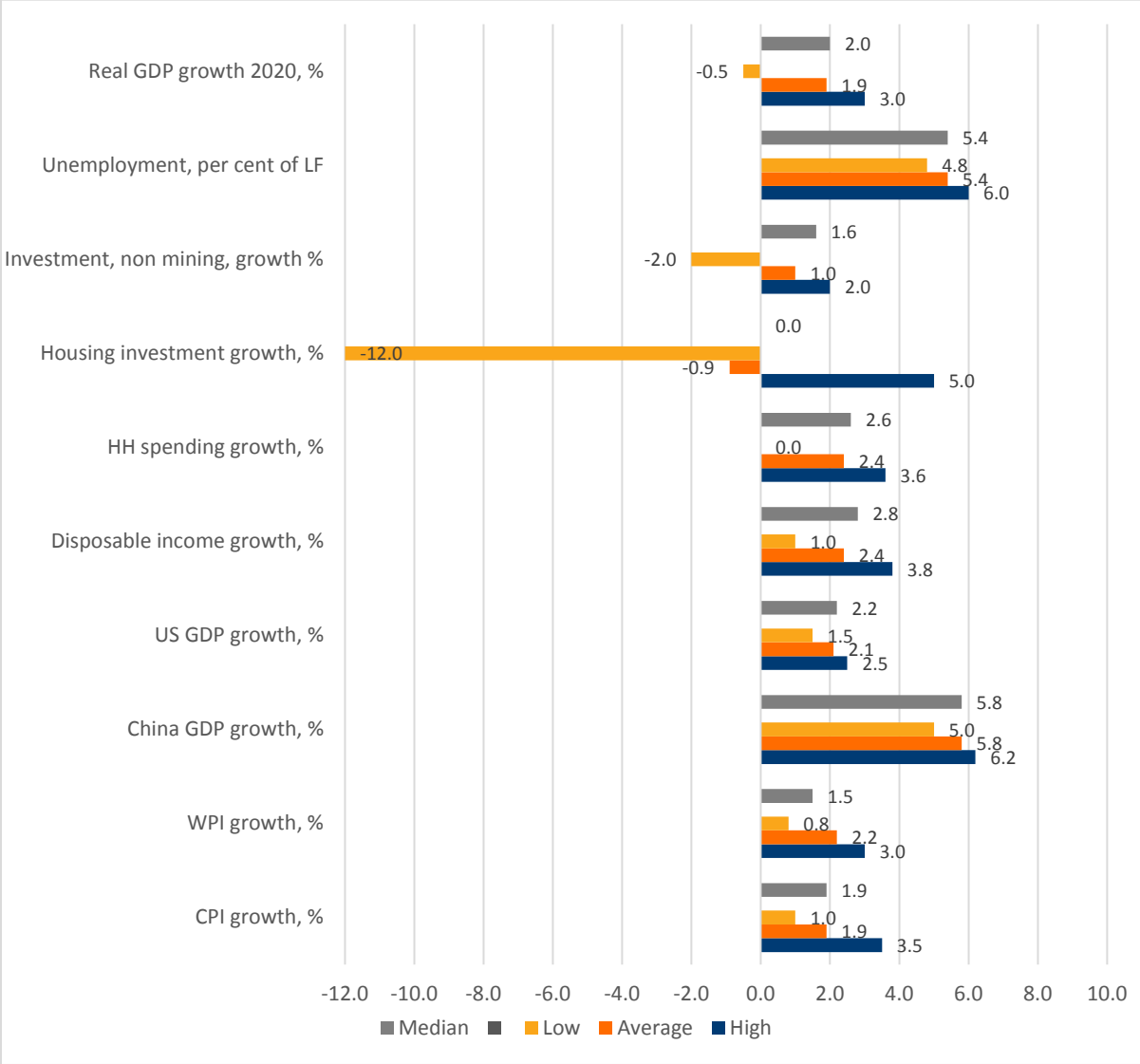
Source: SMH Business Scope survey, published 1 February 2020 https://www.smh.com.au/politics/federal/economists-tipping-tough-year-for-households-with-21pc-chance-of-recession-20200130-p53w6b.html and ACTU calculations

119. Peter Martin, Business and Economy Editor of *The Conversation*, conducted a survey of "24 leading economists from 15 universities in six states", published on 28 January 2020.[103] Their expectations about wage are low and have fallen since last year, whereas

103 https://theconversation.com/2020-survey-no-lift-in-wage-growth-no-lift-in-economic-growth-and-no-progress-on-unemployment-in-year-of-low-expectations-130289, 28 January 2020, accessed 19 February 2020. The economists are Adrian Blundell-Wignall, Rebecca Cassells, Brendan Coates, Mark Crosby, Chris Edmond, Saul Eslake, Ross Guest, Steven Hall,

their expectations about disposable income growth are higher, as seen in Figure 28 below.

Figure 28 : Forecasts of various indicators by The Conversation website, January 2020



Source https://theconversation.com/2020-survey-no-lift-in-wage-growth-no-lift-in-economic-growth-and-no-progress-on-unemployment-in-year-of-low-expectations-130289 , 28 January 2020

3.1.6 Government stimulus package

120. The Australian Government announced a stimulus package on Thursday 12 March 2020 to respond to the expected economic impacts of the Coronavirus.[104] The elements of the stimulus package give some insight into the Government's assessment of how the Coronavirus is likely to impact economic activity, if one presumes it is constructed to respond to the areas of greatest need. The stimulus package consists of direct assistance to business, cash payments to welfare recipients and a fund for general assistance to coronavirus affected regions and communities.

121. The forms of assistance provided to business assume continued business trading and profitability, rather than a cessation of trading or total loss of profitability. The instant asset write off and accelerated depreciation announcements operate as deductions on taxes which are only paid on profits. The PAYG withholding rebate and the apprentices wage subsidy assumes business will continue to employ. These are not measures that might be expected if the Government were convinced that businesses were, or we likely to be, at the brink of collapse. Moreover, the instant asset write off assistance and PAYG withholding rebate are not deemed to be necessary beyond 30 June. Nonetheless, we understand that further stimulus measures are being considered, and these may either imply or explicitly state different assumptions.

122. It is also noteworthy that the only industry sectors which the announcement identifies as particularly affected by the Cornonavirus are tourism, agriculture and education. These are sectors which do not have uniform exposure to net labour costs increases as a result of a decision by the Panel to raise minimum wages, for a variety of reasons.

Tourism

123. As at 30 June 2018, Austrade's Tourism Research Australia Branch reports that 47% of businesses in the Tourism sector do not have any employees.[105] A further 31% have 4 or less employees[106]. Between June 2013 to June 2018, businesses with 0-19 employees

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[104] https://treasury.gov.au/sites/default/files/2020-03/Overview-Economic_Response_to_the_Coronavirus.pdf

[105] https://www.tra.gov.au/Economic-analysis/tourism-businesses : 142,827 businesses out of 302,808.

[106] https://www.tra.gov.au/Economic-analysis/tourism-businesses : 94,183 businesses out of 302, 808 and assumes "micro" us defined in the same way as in the full report accessed from that page.

accounted for 95% of tourism businesses and had an average business size of 4 employees.[107]

124. Whilst we acknowledge that tourism destinations have different seasonal demands, it is also the case that the tourism businesses have flexible labour forces. The Tourism Sector is not a singular industry division recognised by the ABS, but is made up of a series of sub industries and industry groups identified in through the ANZSIC system[108] . In Table 3 below we have relied on 3 data sources to estimate the proportion of employing businesses in the "Tourism Sector" as defined by Austrade that are located in each ANZSIC industry group, as well as the share of casual employment and award reliance among employees in those sectors.

[107] Austrade Tourism Research Australia (March 2020), "Tourism Businesses in Australia June 2013 to June 2018", Australian Government, At page 3.

[108] With the exception of "cultural services", for which we found not ANZSIC code.

Table 3: Employing industries and employees in the tourism sector

	Number of employing businesses as share of total number of employing tourism businesses (a)	Proportion of employees that are casual (b)	Share of employees in industry that are award reliant (c)
Accommodation and Food Services	42.38%	62.70%	44.9%
Café, restaurants and take away food services	33.79%		
Accommodation	4.25%		
Clubs, pubs, taverns and bars	4.34%		
Transport, Postal and Warehousing	1.92%	23.10%	12.7%
Rail Transport	0.02%		
Taxi Transport	0.74%		
Air, space, water and other transport	1.16%		
Rental, Hiring and Real Estate Services	0.33%	17.70%	29.4%
Motor vehicle hiring	0.33%		
Administrative and Support Services	2.16%	32.90%	41.3%
Travel Agency and Tour operator services	2.16%		
Arts and Recreation Services	4.65%	40.10%	22.5%
Casino and gambling services	0.54%		
Other sports and recreation services	4.12%		
Retail Trade	46.72%	37.80%	30.1%
Automotive fuel retailing	1.84%		
Other retail Trade	44.89%		

Source: (a) Austrade Tourism Research Australia Tourism Businesses by Employment Size (b) ABS 6333 (c) ABS 6306. Not all data is available at the finer level ANZSIC gradings in the ABS series.

125. It can be seen that 89% of the employing businesses in the tourism sector are concentrated in two industries: Retail Trade and Accommodation and Food Services. Although those industries have high numbers of employees whose rates of pay are impacted by the decisions of the Panel, they also have high levels of casual employment. This means that employers can scale their workforces according to levels of demand. At times of lower demand, employers reduce the numbers at work and the hours being worked. This flexibility means that much of the risk of demand downturn is shifted from capital to labour. Because businesses adopting this model make decisions about workforce composition and hours worked on the basis of consumer demand, they do not carry significant surplus labour. Employment and hours worked will grow in these businesses when consumer demand rises.

126. Businesses in the Retail Sector and the Accommodation and Food Services industries may benefit heavily from the spending of the $750 payments to welfare recipients. They could also benefit from wage increases to the award reliant workforce generally: both are channels for raising consumer demand,sfincome but are targeting different groups (although there is some overlap). Although the stimulus payments to households in December 2008 and February 2009 were greater than those announced as part of the current stimulus, it is unarguable that they delivered a clear bump as well as more prolonged growth in retail spending, as shown by the ABS retail trading measures from that time in Figure 29 below.[109] It is to be noted that employing businesses in the café's, restaurants and takeaway food sectors are within the scope of the ABS Retail Trade survey notwithstanding that they are ANZSIC classified as part of the Accommodation and Food Services industry.[110]

[109] This chart was also reproduced by Peter Martin in 'The Conversation' on March 12 2020.

[110] ABS Directory of Statistical Sources: Retail Business Survey

Figure 29: Retail Turnover, May 2009

127. There are further observations which may be made about the tourism sector which are consistent with the assumptions of continued trading, continued profitability and short term need which underlie the stimulus package. The Austrade Tourism Research Australia Branch reports that the total combined domestic and international tourism spend increased 11.2% in 2018-19, and that the "domestic spend exceeded $100 billion for the first time".111 Thus, the industry is coming off the back of a strong year, presumably with some reserves. Interestingly, the Austrade Tourism Research Australia Branch "State of the Industry 2018-19" report made no mention of the Queensland floods, which loomed large in the submissions of the parties to last year's Review. Whilst we suggest that omission is in itself significant, more significant perhaps are the following insights drawn from the NAB "Bushfires special" monthly business survey in February 2020112:

    a. Around 80% of respondents reported little or no impact from the bushfires, compared to 68% reporting little or no impact of the Queensland floods;

111 https://www.tra.gov.au/Economic-analysis/state-of-the-industry

112 https://business.nab.com.au/wp-content/uploads/2020/02/NAB-Monthly-Business-Survey-Bushfires-Special-February-2020.pdf

b. Around 75% reported that they were already back to pre-bushfire business levels;
c. Just over 65% of small to medium enterprises (and just under 65% of business in the main NAB survey) were able to fund any recovery from their existing cash reserves.

128. These findings from the NAB survey also provide some measure of support to the assumption inherent in the stimulus package that businesses in general will remain trading and profitable. In addition, data on occupancy rates in Australian Tourism Seasons provided by the Austrade Tourism Research Branch suggest that the peak tourism season trails off from mid February, albeit with a lift associated with Easter break[113]. This also provides a rational basis for the PAYG rebate and instant asset write-off components of the stimulus package concluding at the end of June 2020. Finally, we note that the Tourism industry will likely be the main beneficiary of the fee waivers for National Parks and the Great Barrier Reef Marine Park announced as part of the stimulus package.

Agriculture

129. The level of award reliance in the agriculture sector is not measured by the ABS Survey of Employee Earnings and Hours, however the level of award reliance might be presumed very low on the basis that the number of employees is low. Borland (2019)114 recently observed that "a much smaller share of workers in agriculture than in other industries are employees, and a larger share are owner-managers…of those who are employees, a much larger share are in casual employment …of those working in agriculture who are owner-managers, a relatively larger share have no employees than in other industries". He also observed that the sector only accounts for 2.5% of employed persons. Figure 30 below is reproduced from Borland (2019).

[113] Austrade Tourism Research Australia (March 2020), "State of the Industry 2018-19", Australian Government at figure 6.

[114] Borland, J. (2019), "Employment in agriculture forestry and fishing", Labour Market Snapshot #51, November 2019

Figure 30: Employment status in Agriculture, August 2019

	Agriculture	All industries
Employee – Permanent	25.2	62.7
Employee - Casual	18.3	20.5
Owner-manager - With employees	16.3	6.1
Owner-manager – With no employees	42.7	10.5

Source: Borland (2019) note 114

130. It is also worth noting that parts of the agriculture sector which do employ workers tend to rely heavily on temporary labour from foreign workers (such as students, working holiday makers and dedicated visa types for agricultural work). There is some risk that labour supply through those channels will reduce as result of an inability to import labour as existing visas expire. That in itself would normally create incentives to raise wages to attract other workers, particularly in an environment where households are stockpiling.

Education

131. The education sector, also mentioned in the Government's announcement, is a sector where only 10% of the employees are award reliant115, and all universities save for Bond University have Enterprise Agreements. Across the education sector as a whole around 18% of employees are casual employees[116], however most universities have upwards of 40% of the employees engaged as casuals.[117]

132. More broadly, we would ask the Panel to acknowledge that the PAYG withholding rebate is effectively a wage subsidy (albeit a deferred one) and that, together with the apprentice wage subsidies, will reduce effective labour costs. The apprentice wage subsidies will continue to have this effect for the remainder of the calendar year, as they

[115] ABS 6306. Also see breakdown in the Appendix.

[116] Derived from Table 3.1 of ABS 6333

[117] "Casualisation of university workforce is a national disgrace", The Age, 3 August 2018.

remain available to be claimed until 31 December 2020. This provides an offset for some businesses against any increase awarded by the Panel in this Review.

133. The above observations should not be taken to suggest that businesses will be, or have been, unaffected by the Coronavirus. They clearly will be due to falls in international arrivals, residents becoming more cautious about domestic travel and the impact of voluntary and mandatory social distancing practices, among other things. Qantas, for example, (not an award reliant business) has announced on Thursday 19 March that it will stand down 20,000 of its employees and the factors driving that decision will be having effects on other businesses that it contracts with (some of whom may be award reliant). But different businesses will be affected differently as behaviour changes and by other developments. Such uneven effects are evident in the preliminary retail turnover figures released by the ABS on 18 March, which showed a 0.4% increase in retail turnover over February, a result of growth in turnover for some business (particularly food businesses) and declines or limited impacts for others.[118] Positive developments are also evident in reports of higher demand for liquor, supermarket and pharmacy goods[119], increased demand for discount store products[120], increased domestic production of medical supplies[121] and some restaurants pivoting to more take away or delivery options in light of falling numbers of diners.[122] Encouragingly, domestic businesses that had been experiencing supply chain difficulties may begin to see improvements as reports emerge of production in China resuming[123], including some large producers reporting a return to 90% capacity[124], trucking capacity at 60%-80% and intracity travel of the Chinese population increasing from the slump around the lunar new year such that is only down 4% relative to the median for same time last year.[125] However, the situation is still unfolding and a number of negative developments are likely.

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[118] ABS Press release 18 March 2020

[119] "Retailers keep an eye on staff hours in uncertain times", The Age, 17 March 2020.

[120] The Reject Shop ASX Announcement 16 March 2020

[121] "Mass shipment of testing kits arrives as government pleads for supplies", The Age, 17 March 2020.

[122] "How to help Melbourne's restaurants during the coronavirus pandemic", The Age, 16 March 2020.

[123] "Work resumption in China raises hope for virus-hit European economics", The Star, 15 March 2020

[124] McKinsey & Company, "COVID-19 Briefing Note", 9 March 2020.

[125] Exante Data: See "A primer on real-time China Activity Indicators"; updated chart via Twitter.

134. In relation to payments to made directly to welfare recipients as part of the stimulus package, we would ask the Panel not to conclude they these improve the relative living standards of award reliant workers either in significant numbers or in any enduring way. As the Wilkins and Zilio (2020) researched published for this Review found, only 16% of low paid award reliant employees receive a government benefit and only 8.7% of higher paid award reliant workers receive such a benefit, yet both groups report similar levels of financial stress, at levels far higher than employees in general.[126]

3.1.7 Observations on the outlook

135. The current GDP growth is better than or around forecast for 2019, however it has become clear that economy is facing some unusual downside risks in the near term on account of the bushfires and the coronavirus. The development and implementation by the Australian Government of its 12 March 2020 stimulus package suggest that mechanisms of those risks are broadly understood and their extent has been estimated. The result predicted by the Government is that the package will contribute to 1.5% growth in the economy over the June quarter.[127]

136. The only portion of the $17.6 billion stimulus package that will be paid directly as income to households is the $4.7 billion which is directed to those in receipt of government payments[128], a group with a high marginal propensity to consume. Wage increases to low paid workers would provide an effective means of offering a complementary stimulus as well as addressing the ongoing issue of low wage growth.

137. As we saw in 2008-2009 fiscal stimulus measures can be highly effective. The Australian Government introduced fiscal stimulus measures in three stages: in late 2008, early 2009 and mid 2009. The total package contained a variety of measures which can be summarised under three headings: first, increased transfer payments to low and middle

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[126] Wilkins R & Zilio F (2020), Prevalence and persistence of low-paid award-reliant employment, Melbourne Institute of Applied Economic and Social Research, Fair Work Commission Research Report 1/2020, February, at Table 9.

[127] Prime Minster and Treasurer's Press Conference Transcript 12 March 2020

[128] https://treasury.gov.au/sites/default/files/2020-03/Overview-Economic_Response_to_the_Coronavirus.pdf

income groups which were rapidly disbursed and had an almost immediate impact on consumption expenditure, retail sales and economic growth; second, relatively rapid investments in social infrastructure including schools, health and housing; and third major new investments in economic infrastructure which are more medium term in nature.

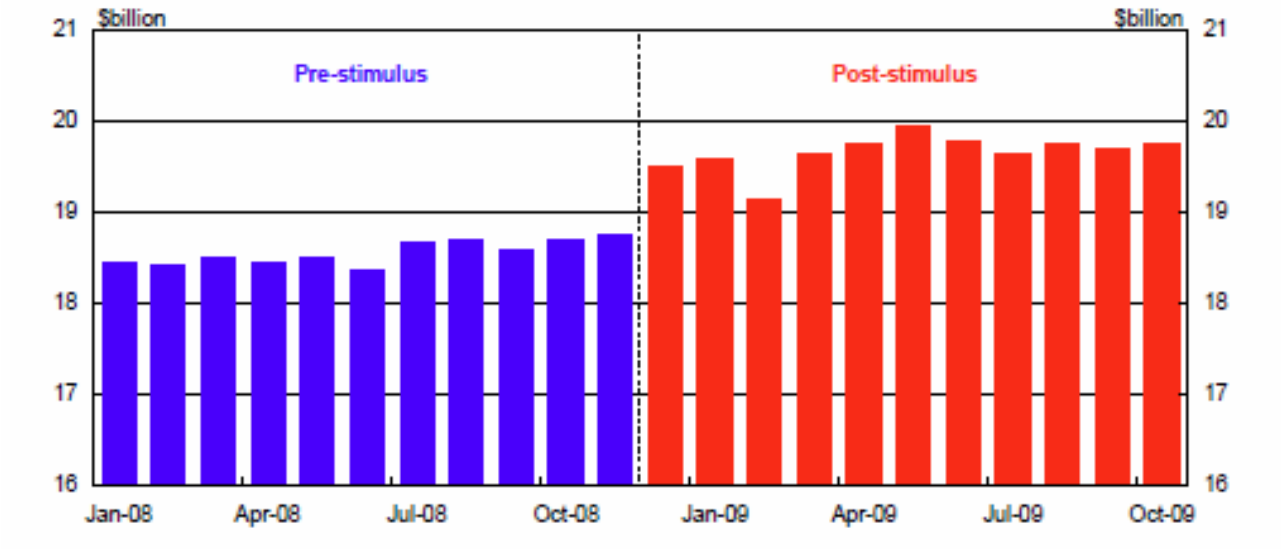
138. A striking feature of the Australian response to the crisis, compared to most other countries, was the emphasis placed on increasing the disposable incomes of low- and middle-income groups with a high marginal propensity to consume. This package of measures generated significant multiplier effects as the payments were timed to be received by credit constrained families in the lead-up to the year-end holiday period, thus limiting the leakages expected through increased savings. In Australia, like other advanced economies, consumption expenditure comprises around 60 % of GDP and has important implications for other areas of expenditure, including private investment.

139. In 2008 the Rudd government's first cash stimulus was $1,000 to $1,400 for pensioners and low-income households. It was followed up with $900 to households earning up to $80,000. In 2008, $1,000 was worth 77% of average male weekly full-time earnings; $750 is 40% of the current average of $1,840.

140. In 2008 the first cash transfers to households were distributed in early December of that year. Retail trade jumped by 4 per cent in that month, having shown almost no growth earlier in 2008 (see Figure below). After this, retail trade remained relatively strong. By October 2009, retail trade was 5.4 per cent higher than its pre-stimulus level in November 2008[129].

[129] Gruen, D '*The Return of Fiscal Policy*', Macroeconomic Group Australian Treasury, Australian Business Economists Annual Forecasting Conference, 8 December 2009

Figure 31: Retail trade (nominal, seasonally adjusted) 2008-2009

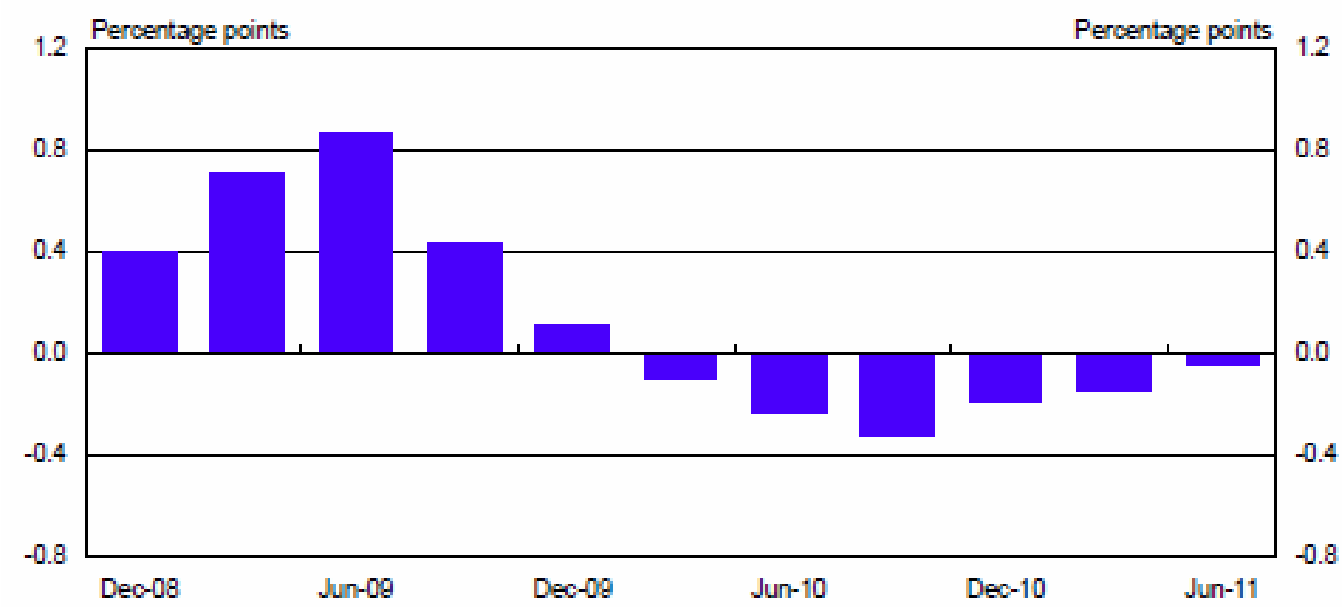


Source: Gruen, D 'The Return of Fiscal Policy', Macroeconomic Group Australian Treasury, Australian Business Economists Annual Forecasting Conference, 8 December 2009

141. Figure 31 below shows Treasury's analysis, from the 2009-10 MYEFO, of the effect of the discretionary fiscal stimulus packages on quarterly GDP growth. This analysis shows that discretionary fiscal action provided substantial support to domestic economic growth in each quarter over the year to the September quarter 2009 – with its maximal effect in the June quarter.

142. Treasury analysis implies that, absent the discretionary fiscal packages, real GDP would have contracted not only in the December quarter 2008 (which it did), but also in the March and June quarters of 2009, and therefore that the economy would have contracted significantly over the year to June 2009, rather than expanding by an estimated 0.6 per cent.

Figure 32: Contribution of fiscal stimulus to quarterly growth 2008-2009



Source: Gruen, D '*The Return of Fiscal Policy*', Macroeconomic Group Australian Treasury, **Australian** Business Economists Annual Forecasting Conference, 8 December 2009

143. An increase in the minimum wage should be considered analogous and complementary to the one-off stimulus payments the Government is making to households to support growth. In economic theory there is little difference – low paid award workers have a high marginal propensity to consume. A high proportion of any award increase will be spent in local communities increasing aggregate demand. Indeed, as this is not a 'one off sugar hit' but a permanent increase the effects would be significant.

144. The increase in the minimum wage and modern award minimum wages will raise household spending and demand for goods and services in the Australian economy. The increase in sales revenue will increase employment and profits.

145. Very slow growth in wages, poor household consumption and associated deteriorating living standards are persistent problems that are likely to continue to act as a brake on the economy as is widely understood. The current circumstances provide no rational reason to ignore that. An increase in minimum wages is all the more imperative for ensuring demand in the economy and to thereby promote income, spending, growth and employment. The minimum wage increase we propose is warranted to improve the conditions of those with low pay, to reduce inequality and to increase aggregate demand. A failure to act now in this regard may take many years to remedy.

146. Increases to minimum wages would both provide a stimulus and offer some long term certainty in regard to income flows, especially for the low paid. After the GFC, Australia was in the vanguard of the economic recovery among advanced economies because it took swift and concerted action to boost the disposable incomes of working families and welfare recipients, who spent rather the saved these payments and thus sparked recovery. Australia has demonstrated the potential of an income led growth strategy. The principles and logic have been acknowledged by the current Government with its stimulus package. An increase in minimum wages should be considered analogous and complementary to the one-off stimulus payments the Government is making to households to support growth.

3.2 Economic growth

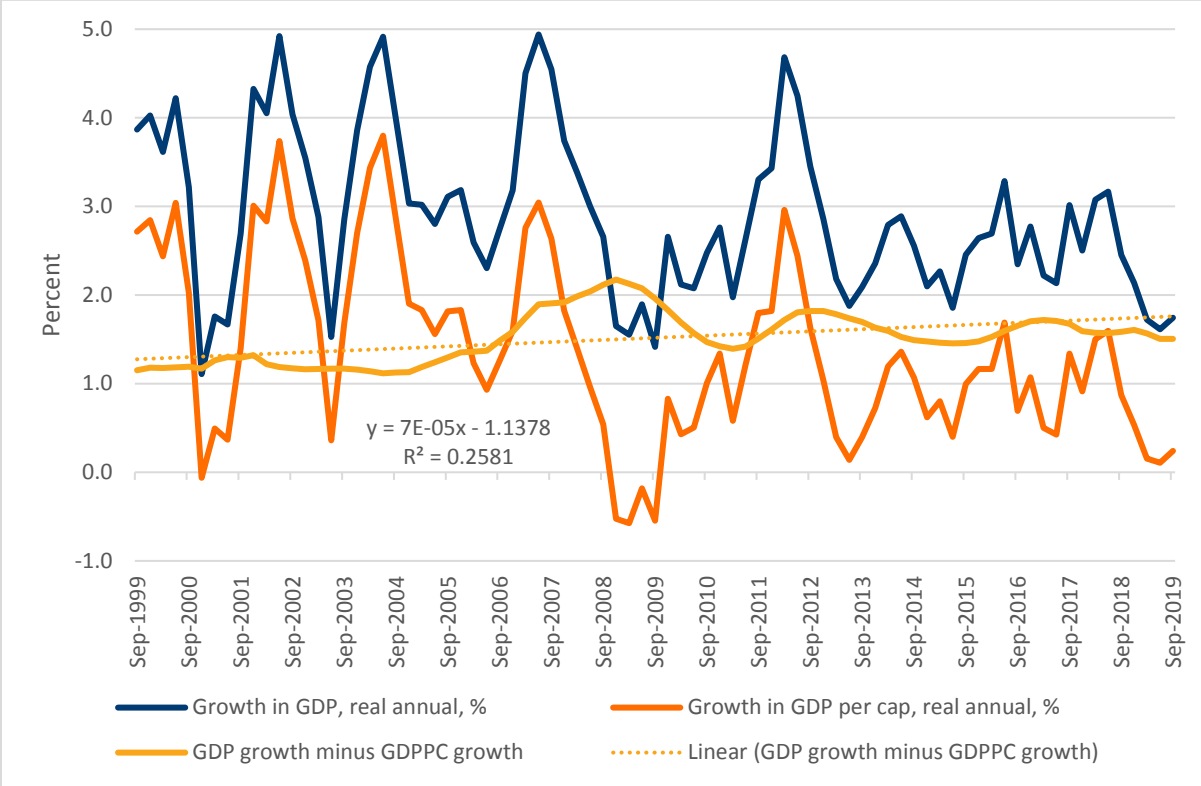
147. The Australian economy grew by 2.2% in real terms over the year to December 2019, down only slightly from the 2.3% for the year to December 2018, seasonally adjusted. This was the outcome of quarterly growth which picked up from 0.2% at the December quarter 2018 to 0.5% for the March quarter, 0.6% for the June quarter, 0.6% for the September quarter and 0.5% for the December quarter 2019. Contrary to the position which confronted the Panel in last years Review, stronger growth was seen in the second part of the year. The annual growth figure is above the RBA forecast of February 2020 of 2 % for the year to December 2019, the RBA having revised it down from 2¼ % at November 2019. The RBA also revised its GDP growth forecast down to 2% for the year to June 2020, 2¼ % for the year 2020 and kept at 3% for 2021.[130] Annual real GDP growth, seasonally adjusted, year on year, is presented in Figure 33.

148. GDP per capita, an indication of standard of living, has grown 0.7% between December quarter 2019 and December quarter 2020 compared with 0.6% the previous year. This was an outcome of quarterly growth in real GDP per capita which moved up from -0.2% at the December quarter 2018 to 0.1% for the March quarter, and 0.2% for the June,

[130] RBA 2019 *Statement on Monetary Policy* Nov., p.70, Table 5.1, first line, previous in brackets underneath.

September and December quarters of 2019, seasonally adjusted. Annual real GDP per capita growth, seasonally adjusted, year on year, and the percentage point difference between GDP and GDP per capita growth rates are also presented in Figure 33.

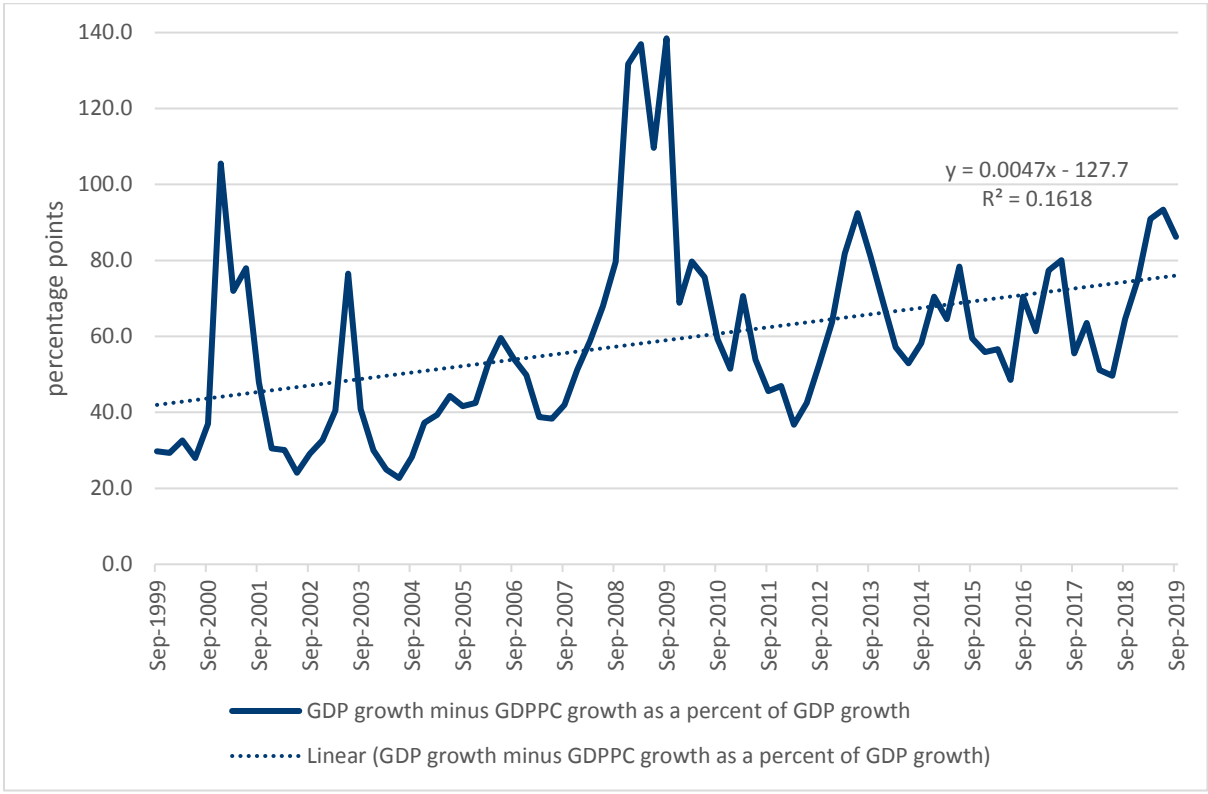
Figure 33: Growth in GDP, growth in GDP per capita, and GDP growth minus GDP pc growth, chain volume, seasonally adjusted, year on year, quarters September 1999 to September 2019



Source: ABS 5206, seasonally adjusted data, and ACTU calculations

149. GDP growth and GDP growth per capita both plunged 1.5 percentage points from the June quarter 2018 to June quarter 2019, followed by signs of a recovery. The series for the percentage point difference between GDP growth and GDP per capita growth and the fitted trend line in Figure 33 indicate that GDP growth has increasingly not kept up with population growth. To indicate this more clearly, the percentage point difference between GDP growth and GDP per capita growth is taken as a proportion of GDP growth in Figure 34. Together with evidence of widening income distribution and other evidence of increasing hardship at the lower end of the income distribution (see Chapter 4), this suggests a smaller share of income going to poorer people.

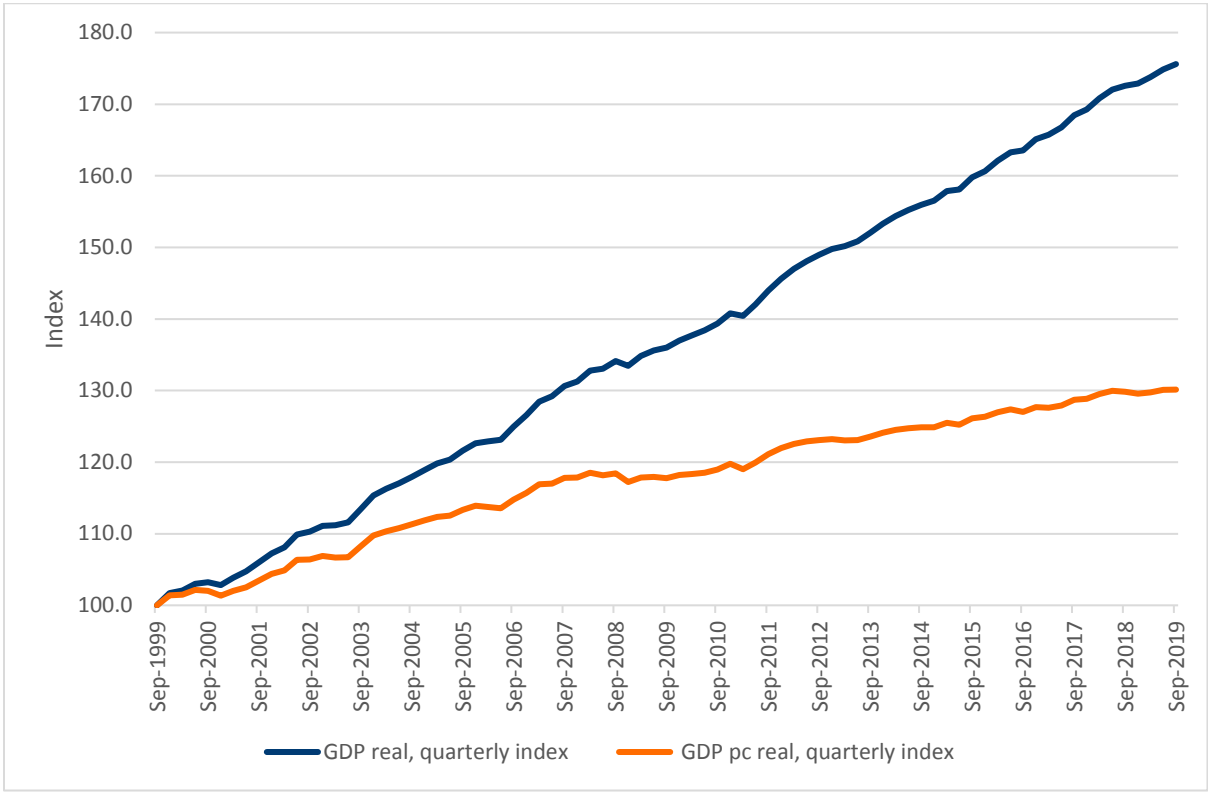
Figure 34 GDP growth minus GDP per capita growth, real, as a proportion of GDP growth, and fitted trend line, %



Source: ABS 5206, seasonally adjusted data, and ACTU calculations

150. Figure 34 clearly shows that the gap between GDP growth and GDP per capita growth has increased as a share of GDP growth on trend, from around 40% at 1999 to 2019, at a rate of around half a per cent per year, to around 75% at 2019. In the short term the gap between GDP growth and population growth increased over the year to the June quarter 2019 while growth fell, then shrank again as GDP growth improved slightly in the September quarter 2019. The current flattening in GDP per capita is shown by comparing its index with that of GDP growth in Figure 35.

Figure 35 GDP and GDP per capita, real, seasonally adjusted, quarters, indexes September 1999=100



Source: ABS 5206, seasonally adjusted data, and ACTU calculations

151. Figure 35 shows that real GDP per capita is virtually unchanged since the June quarter 2018. Moreover, real GDP per capita has increased only 0.4% between June 2018 and December 2019 compared with 2.7% for GDP. Year on year growth in quarterly real GDP per capita has grown at an overage of 1.4% over the last 20 years but with much slower growth in the second decade. Year on year average growth in quarterly real GDP per capita of 1.0 per cent in the last decade is nearly halved compared with 1.8% for the previous decade. GDP growth year on year average was also 0.8 percentage points lower in the last decade at 2.6% compared with 3.2% for the previous decade.

152. The Panel stated in its Decision of 2019 that "The Panel again places weight upon trends in RNNDI as it is a better measure of incomes available to Australians than GDP. However short-term movements in RNNDI may not, because of their volatility, be reliable as an

indicator of economic performance. This volatility means that changes that are sustained for several years are the ones on which we focus."[131]

153. The ABS defines RNNDI, Real net national disposable income, as a measure which adjusts the volume measure of GDP for the terms of trade effect, real net incomes from overseas, and consumption of fixed capital.[132] The ACTU recognises that because the RNNDI makes these adjustments, it may give a better picture of general purchasing power available to households.[133]

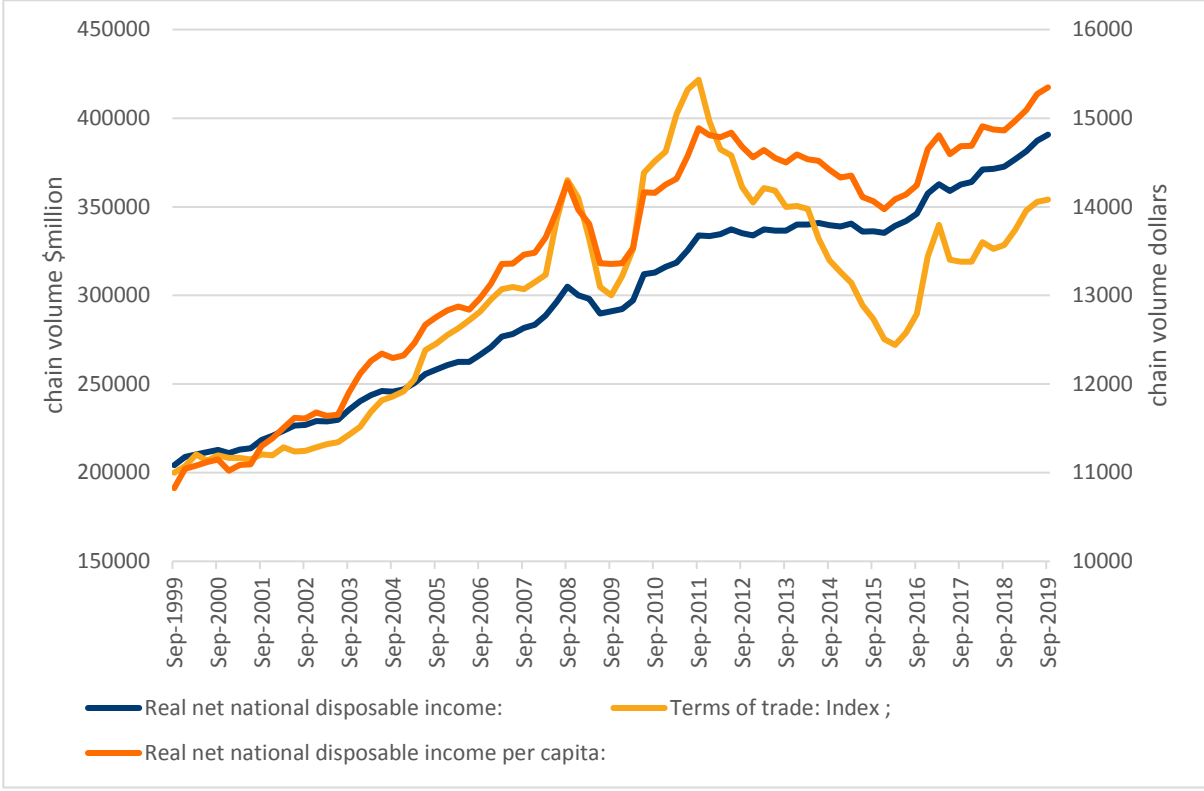
154. Figure 36 shows the movements in RNNDI (LHS) and RNNDI per capita (RHS) up to September 2019 with the terms of trade index superimposed.

[131] [2019] FWCFB 2500 [96]

[132] ABS 5206, December 2015 http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/5206.0Main+Features2Dec%202015?OpenDocument accessed 26 February 2018

[133] Note that incomes earnt overseas are likely to form a very small part of most households' income, particularly for the co-hort of persons most directly affected by the Panel's decisions.

Figure 36 RNNDI (LHS), chain volume million dollars, RNNDI per capita (RHS), chain volume dollars, and terms of trade index 1999=100 December 1999 to September 2019



Source: ABS 5206

155. The series for RNNDI, RNNDI per capita and the terms of trade may fluctuate differently but on trend RNNDI, RNNDI per capita tend to reflect movements in the terms of trade. The terms of trade have shown volatility, moving down by 5.3% in the December quarter 2019, with RNNDI falling 0.9% and RNNDI per capita falling 1.3% after an upward trend over more than two years. The impact of recent developments on the terms of trade and its fall in the December quarter they feed into RNNDI remains to be seen.

156. Chart 1.4 of the *Statistical Report* shows how RNNDI and RNNDI per capita move with the terms of trade, and the increases in those series over 2019 while GDP grows more slowly.

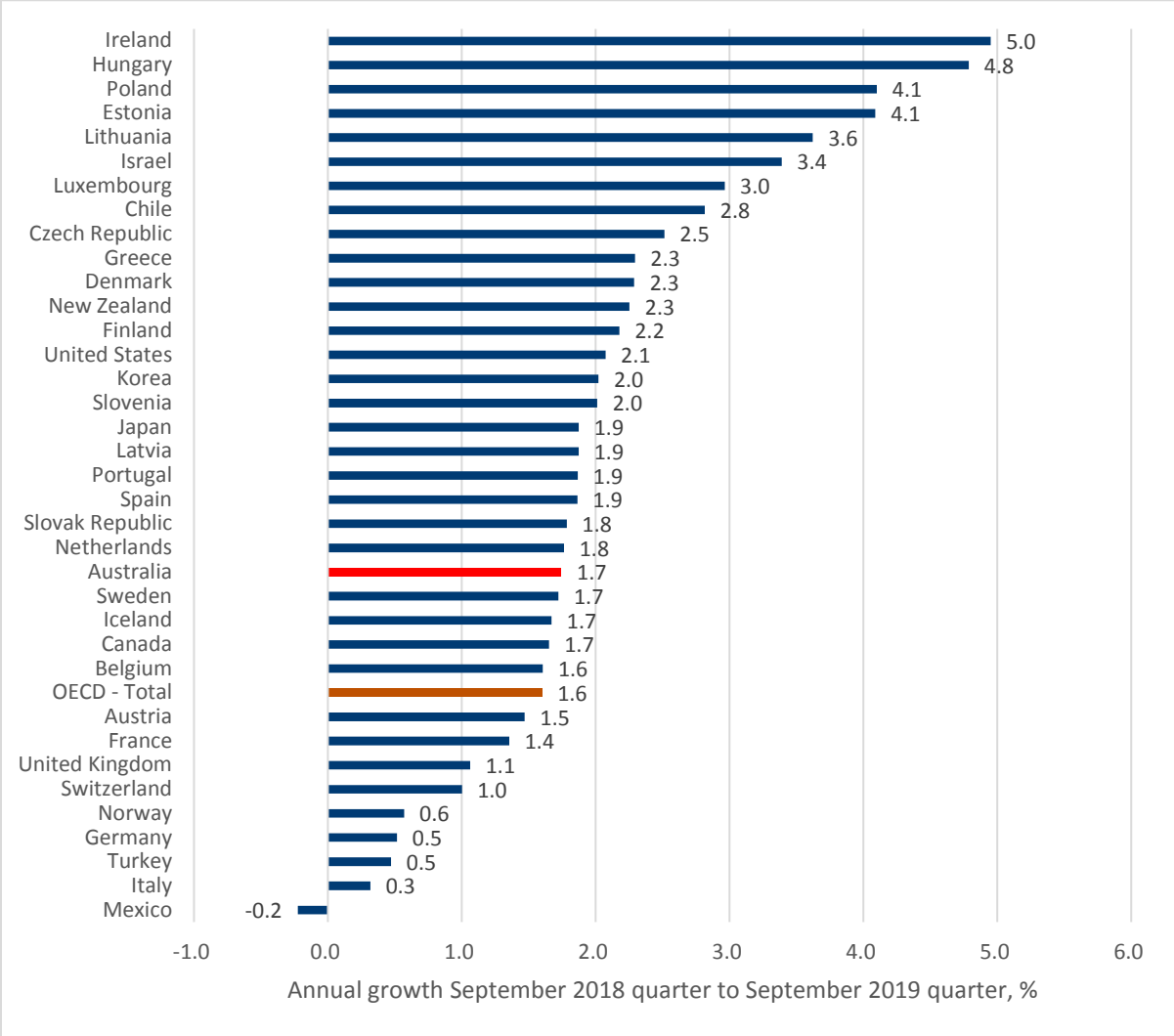
3.2.1 International comparisons of economic growth

157. Australia picked up positive growth from September quarter 2018 to September quarter 2019 according to Chart 1.3 of the *Statistical Report*.[134] The G7 countries either started with negative growth in the September quarter 2019 or had lower growth in the September quarter 2019 than in the September quarter 2018, resulting in an average quarterly growth for the G7 that fell over that year.

158. Australia's real GDP growth of 1.7% for the year to the September quarter 2019 over the September quarter 2018 was only just above the total OECD average of 1.6% and below the median of 1.9%. OECD average GDP growth had slowed over the year, but Australia's slowed more. Australia's GDP growth ranking has moved down to five above the OECD average, with three other countries close on 1.7% and one on 1.6%. However, the G7 average was further down at 2.0%, and only the US out of the G7 countries had a faster growth rate than Australia's.

[134] The G7 are US, Japan, Germany, France, Italy, UK and Canada.

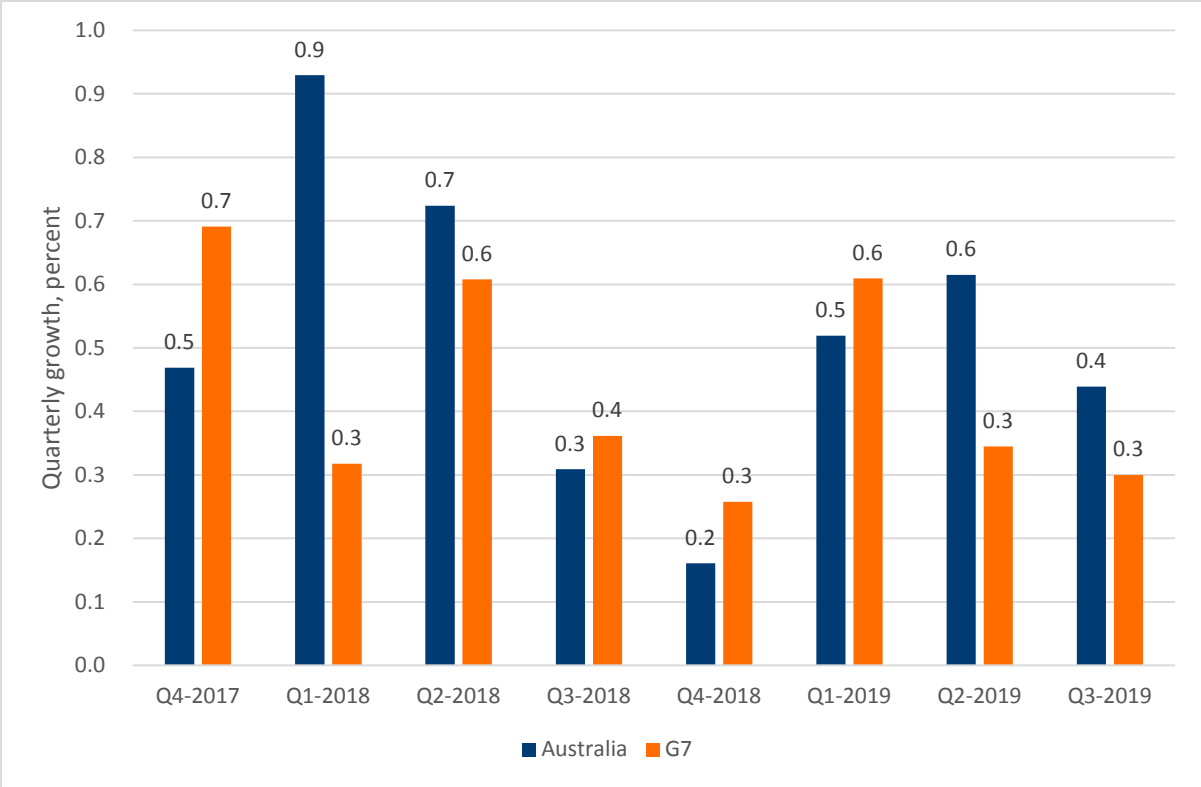
Figure 37: GDP growth rates, year September quarter 2018 to September quarter 2019, OECD countries, per cent



Source: OECD Stat, https://stats.oecd.org/index.aspx?queryid=60703 Quarterly National Accounts. *Quarterly Growth Rates of real GDP, change over same quarter, previous year* (expenditure approach) accessed 31 January 2020

159. Of the eight quarters from December 2017 to September 2019, Australia had a growth rate more than 0.2 percentage points higher than the G7 average in two quarters, within 0.2 percentage points higher in two, and within 0.2 percentage points below in four, as shown in Figure 38. Notably Australia's GDP growth was higher than the G7 for the two most recent quarters given.

Figure 38 Quarterly GDP growth, Australia and G7 countries, per cent

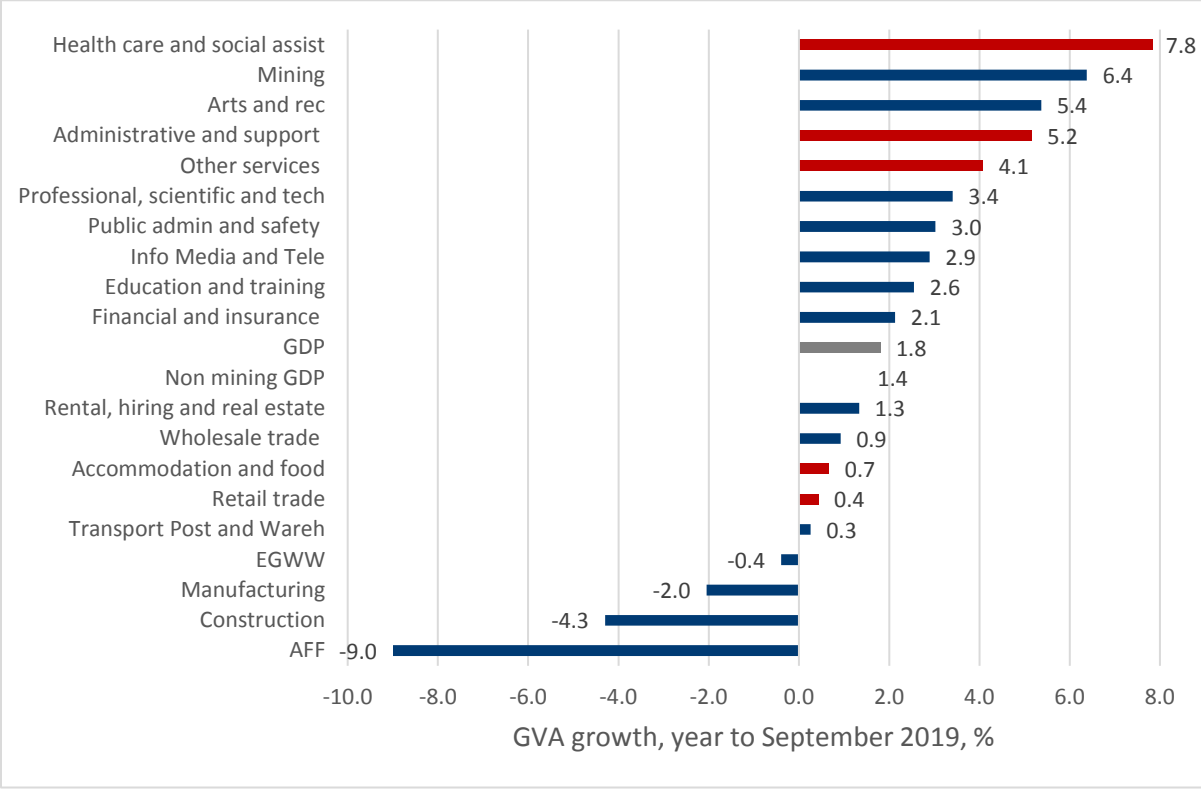


Source: https://stats.oecd.org/index.aspx?queryid=60703 accessed 31 January 2020. *Quarterly Growth Rates of real GDP, change over previous quarter* , expenditure approach, seasonally adjusted. G7 is Canada, France, Germany, Italy, Japan, UK and US.

3.3 Growth by industry

160. Real economic output (gross value added) grew in the five most award-reliant industries in the year to September 2019. Health care and social assistance was the fastest growing industry at 7.8%. Growth was also particularly strong in Administrative and support services and Other services also. Retail trade grew just 0.4% and Accommodation and food services grew 0.7%. The social service provision areas are those where GVA does not necessarily reliably measure output and it is accordingly understated. Growth in those areas can reflect monetisation rather than the value of services in terms of the addition to human welfare. The growth in gross value added, seasonally adjusted, in each industry over the year to September 2019 is shown in Figure 39.

Figure 39: Growth in industry gross value added, year to September 2019, seasonally adjusted, per cent



Source: ABS 520606 (seasonally adjusted) and ACTU calculations. The more award-reliant sectors are shown in red.

161. Three industries experienced a fall in real output over the year to September 2019, while the other 16 grew. The effects of drought and flood again showed up in Agriculture, forestry and fishing. The range of sectoral growth reflects longer term trends in industry restructuring taking place rather than any relation with the degree of award reliance. Mining continues to grow strongly. The public sector contributions to industry output including aged care, the NDIS and public infrastructure are contributing to sectoral growth.

162. Again, the ACTU finds there is no evidence that the growth rates of output across industries over time are related to the proportion of workers in the industry who are award-reliant, or to the rate of increase in modern award minimum wages, as commented on in previous ACTU submissions.[135] That is, it cannot be seen that the more award-reliant industries grow more slowly, or grow more slowly in years when higher rates are awarded.

[135] For instance ACTU submission to AWR 2015, [233]-[235]

In the longer term, the international conditions facing exporting and importing industries, industry policy settings, the state of technological advance and public sector contributions to services and infrastructure are the factors driving industry structure. It is evident that climate change and the move toward renewables will increasingly bear on industry structure and the award dependency rates across industries.

163. Three of the most award-reliant industries grew faster than the whole economy over the last twenty years.[136] Health care and social assistance, Administrative and support services, and Retail trade have all grown faster than the total economy. Health care and social assistance has growth more than twice as fast as the whole economy. Accommodation and food services and Other services have grown positively but more slowly than the whole economy. If award reliance and resultant exposure to the decisions of the Panel and its predecessors held up industry growth, then the shares of the more award-reliant industries in the economy should consistently grow more slowly, but this is not observed.

3.4 Investment

164. The IMF said in its Article IV Consultation Staff Report for Australia released on 5 March 2020: "The investment slowdown, while not unique to Australia, has nonetheless been a drag on stronger economic growth. Australia can take measures to promote non-mining business investment, focused on policy uncertainty, product market reform, easing financial constraints, and encouraging investment through tax policy and R&D. Policy reforms should not favor established, larger firms over small companies and new entrants."[137]

165. RBA Governor Philip Lowe's Speech of 5 February said that the level of investment had trended "lower over recent years" relative to the size of the economy, although there has been some increase in public investment. A "troubling decline in productivity growth" had complex reasons but "it is hard to escape the conclusion that higher levels of investment spending would promote productivity growth and our collective living standards."[138]

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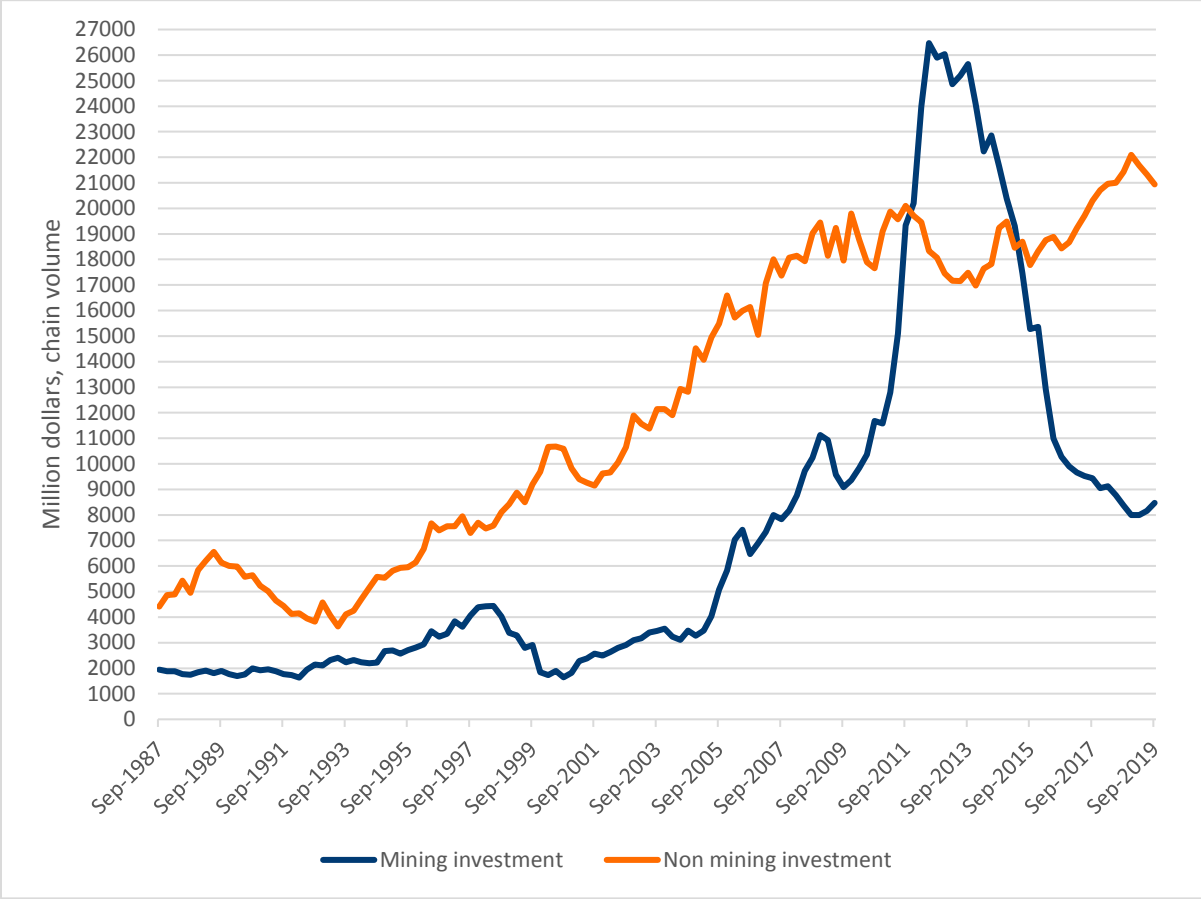
[136] ABS 520606 (seasonally adjusted) and ACTU calculations

[137] IMF 2020 Australia: Article IV Consultation Staff Report 6 February

[138] RBA Governor Philip Lowe Speech 2020 "The Year Ahead" Address to the National Press Club Sydney, 5 February

166. Although real non-mining investment appears to have turned down slightly over the six months to September, it remains higher than the previous height at December 2011, as shown in Figure 40. Mining investment has experienced a slight upturn over the same period. The December quarter 2019 update from the ABS release at 27 February 2020 shows that mining investment fell 2.7% in the December 2019 quarter and non mining investment also fell 2.9%. Whether these movements will be sustained remains to be seen.

Figure 40 Mining and non-mining private investment, quarterly, chain volume, million dollars



Source: ABS 5625003b

167. The IMF has said "Growth has been supported by public spending, including on infrastructure"[139] The IMF Executive Board Assessment "welcomed the expansionary fiscal policy stance in FY2019/20, driven by tax cuts and additional infrastructure

[139] IMF Staff Concluding Statement of the 2019 Article IV Consultation Mission made on December 13, 2019 https://www.imf.org/en/News/Articles/2019/12/12/mcs121319-australia-staff-concluding-statement-of-the-2019-article-iv-consultation-mission

spending" and recommended that a contractionary fiscal stance expected in FY220/21 should be avoided, including by maintaining state-level infrastructure spending at current levels."[140]

168. MYEFO said: "Public final demand" is also expected to continue to contribute to growth."[141] This is "particularly spending on the National Disability Insurance Scheme, transport infrastructure, healthcare and the National Broadband Network — and is forecast to continue to provide support to the economy over the forecast period."[142] Public final demand was reported in MYEFO as growing at 4.1% for 2018-19, while private final demand grew at 1.0% and non mining investment at 1.6%.

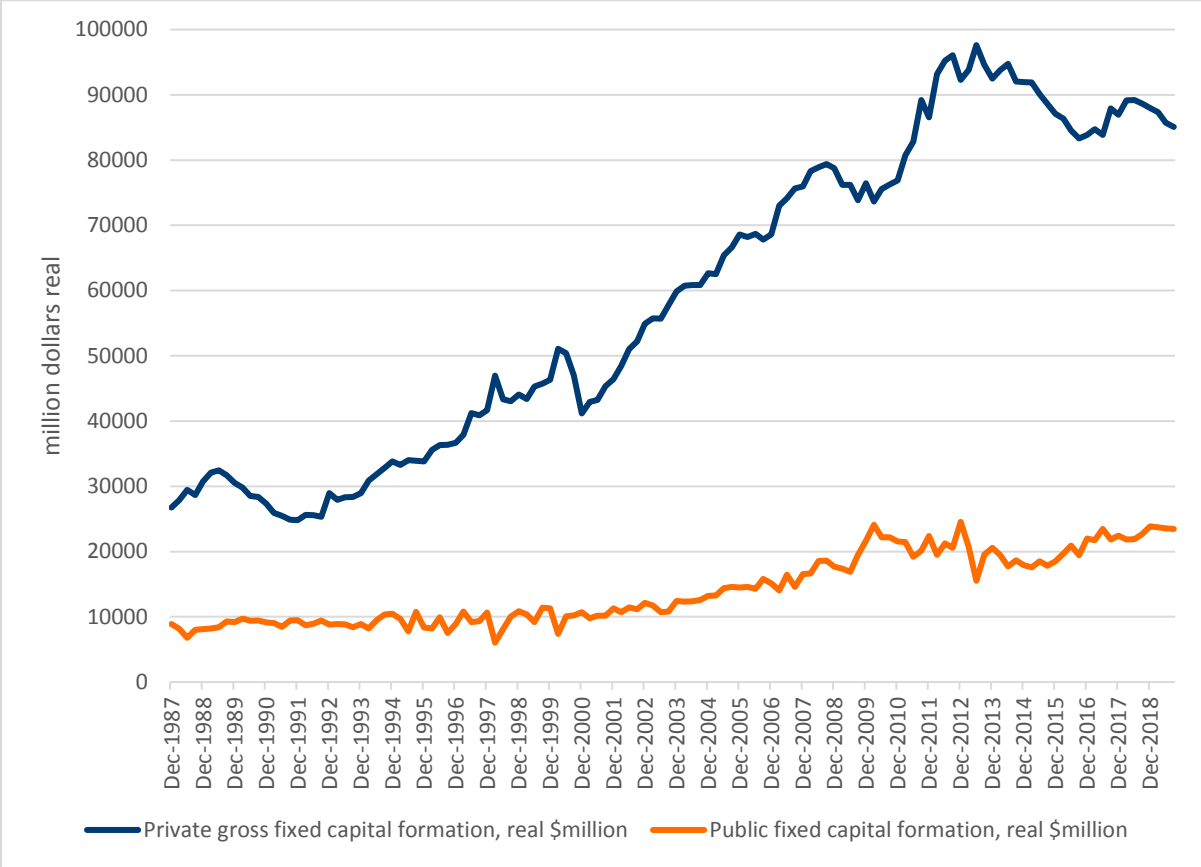
169. Figure 41 shows quarterly public and private gross fixed capital formation and GDP in real terms. Private gross fixed capital formation rose slightly over 2017 and 2018 then has fallen to September 2019 but remains above December 2016. Public gross fixed capital formation has increased slightly over the four years since September 2015.

[140] IMF 2020 *Australia: 2019 Article IV Consultation,* Press Release, Country Report no. 20/68, 5 March.

[141] The Treasury 2019 *MidYear Economic and Fiscal Outlook 2019-20* December, p.3, p.11, p.17

[142] The Treasury 2019 MidYear Economic and Fiscal Outlook 2019-20 December, p.22

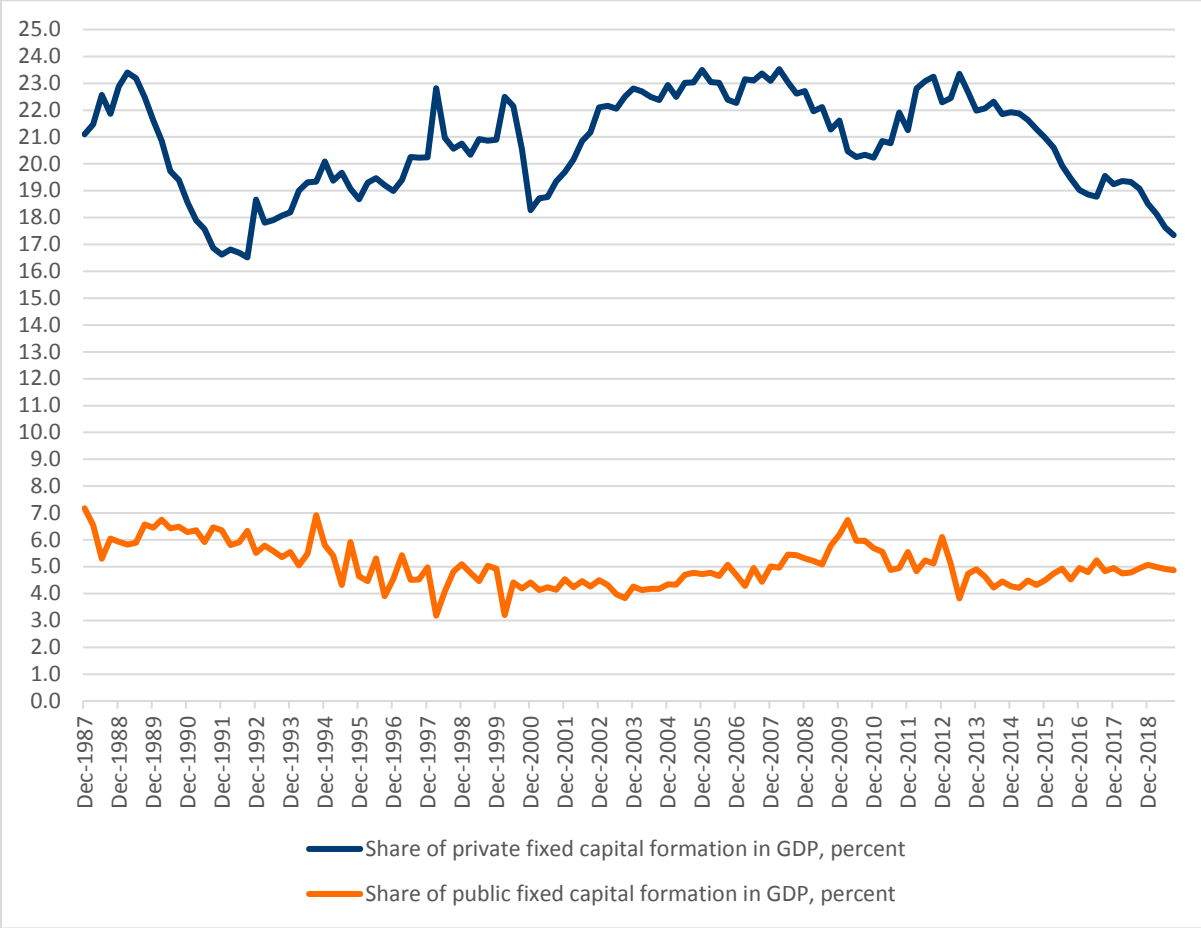
Figure 41 Private and public gross fixed capital formation and GDP, quarterly, seasonally adjusted, real $million



Sources: 5206001, 5206012, 5206005 and ACTU calculations, March 2017=100, private GFCF is nominal private GFCF deflated by private GFCF deflator, public GFCF is nominal total public GFCF deflated by public GFCF deflator.

170. This is confirmed in Figure 42 which shows the shares of public (general government and public corporations) and private gross fixed capital formation in GDP (quarterly data, seasonally adjusted at current prices). The share of public investment in GDP has risen very slightly since 2013. The share of private investment has fallen steeply on trend since 2013 and is the lowest it has been since 1991.

Figure 42 Shares of public and private capital formation in GDP, quarterly, seasonally adjusted, current prices, per cent



Sources: 5206001, 5206012 and ACTU calculations

171. In the ACTU's view, it remains to be seen how well public investment can address declines in private investment as heralded by the agencies. The business tax cuts, progressively introduced and broadened since 2015/16[143] do not appear to have driven any boom in private investment.

[143] 2015/16 rate company tax rate was reduced to 28.5% for businesses with an aggregated turnover of less than $2 million. Reduced in 2016/17 to 27.5% for businesses with an aggregated turnover of less than $10 million. Maintained at 27.5% in 2017/18 and extended to businesses with an aggregated turnover of less than $25 million provided 80% or less of the businesses' assessable income is "base rate entitle passive income" (a loose proxy for investment returns). For the 2018/19 and 2019/20 years the aggregated turnover eligibility requirement is lifted to $50 million. These changes have been accompanied from May 2015 with expansions to the instant asset write off/ accelerated depreciation rules allowing multiple assets each valued below a threshold amount to be deducted. From 12 May 2015 to 28 January 2019, the threshold was $20,000. From 29 January 2019 to 2 April 2019 the threshold was $25,000. From 2 April 2019 to 30 June 2020 the threshold is $30,000 and applies to businesses with a turnover of less than $50 million (previously, less than $10 million).

172. The current levels of investment again appear not likely to bring forth wage increases nor are any associated productivity increases likely to be passed into wages growth. Public investment is no longer the source of wage increases that it was in the past. Boosts to public infrastructure spending in the past such as the NBN and transport initiatives have not seen any noticeable wage increases forthcoming which could be connected to them. Nor do the measures introduced to date in the stimulus such as the instant asset write off or accelerated depreciation provide confidence that those funds will be dispensed towards capital investment. The NMW increase remains the main avenue to increase wages in the current circumstances.

3.5 Consumer spending and retail trade

173. In ABS data for the December quarter 2019, retail sales in volume terms grew 0.5% in the December quarter seasonally adjusted. Retail volume grew substantially in a number of sectors in the December quarter seasonally adjusted, including Household goods (1.4%), clothing and footwear (1.5%), Department stores (2.1%), and Cafes and takeaway (0.5%). The December increases were enough to ensure that the retail sales volume grew also 0.4% in annual real terms from December quarter 2018 to December quarter 2019. This was a recovery solely due to the December quarter, after recent quarters' falling growth. December quarter 2018 and March quarter 2019 had real growth of -0.1%, June quarter zero growth and September -0.1% real growth. The 0.4% real growth in total retail trade over the year 2019 was down from 1.5% real growth for 2018 in a volatile series.

174. The positive real growth in the December 2019 quarter resulted in annual increases from December quarter 2018 to the December quarter 2019 seasonally adjusted for Department store retailing of 2.6%, Clothing and footwear retailing of 2.3%, Household goods of 2.0%, and Cafes, restaurants and takeaway 0.8%. Other retailing fell 0.2% and Food retailing fell 1.3%, the latter possibly a consequence of increased hardship in the lower part of the income distribution.[144] The ACTU notes that variation in retail sales cannot be attributed to the effect of minimum wage increases on the supply side.

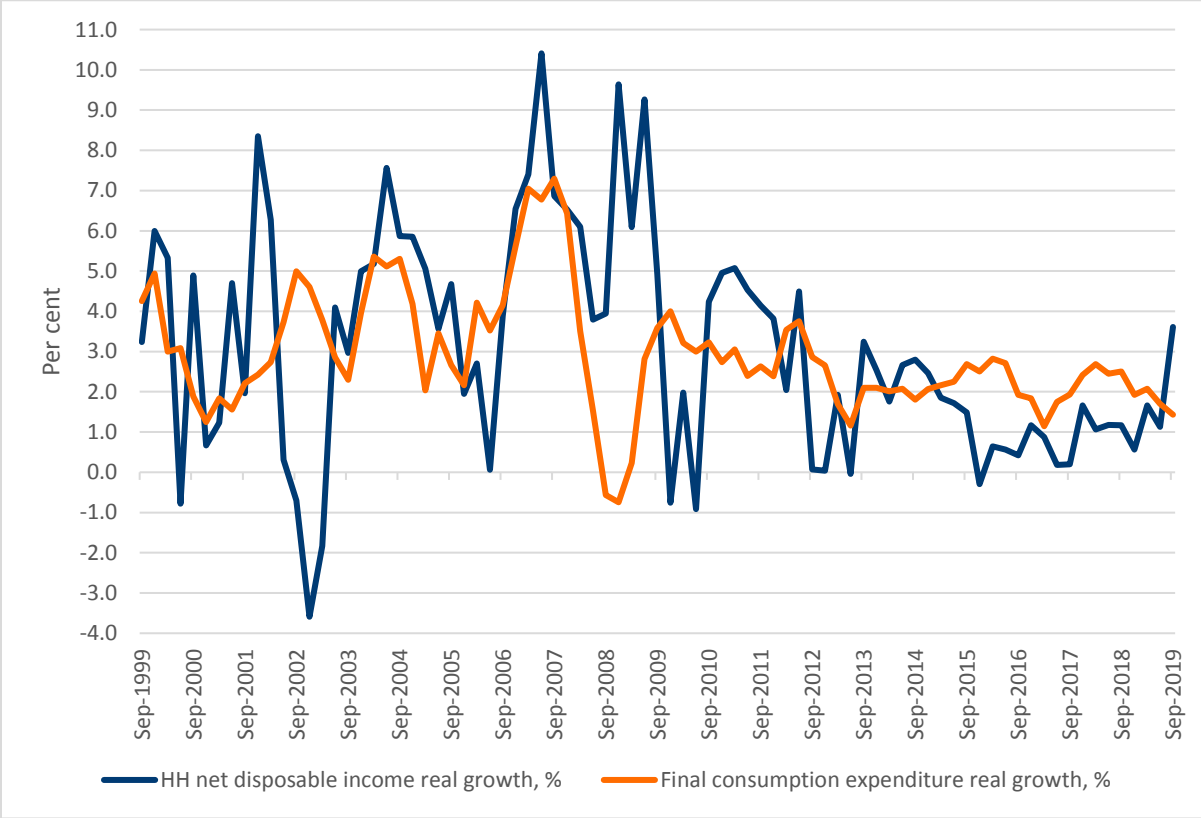
[144] 'Other retailing' includes newspaper and book retailing; sports, camping equipment, entertainment media, and toy and game retailing; pharmaceutical, cosmetic and toiletry goods retailing; stationery goods retailing; antique and used goods retailing; and flower retailing.

175. In our view, an increase to minimum wages would serve to raise income and spending, which would be particularly effective for lower income households. This is all the more apposite in light of fire and coronavirus impacts on the economy.

176. The ABS data released for December quarter 2019 find that households' quarterly real consumption expenditure was unchanged in the December quarter 2019, while household disposable income fell 1.2%.[145] These data resulted in an annual increase in real consumption of 1.2% for the year to December quarter 2019, and an increase in real household net disposable income of 1.8%. Figure 43 shows these series to September quarter 2019, bearing in mind drops in annual growth of both income and consumption, annual income growth still above consumption growth.

[145] The income measure referred to is household net disposable income, which is household gross disposable income less household consumption of fixed capital, ABS 5206020. This measure is used as this is what the ABS uses to calculate the household saving ratio. See ABS 2014, *Australian System of National Accounts, Concepts Sources and Methods*, Catalogue number 5216, p.669.

Figure 43: Annual growth in quarterly household income and final consumption, real, seasonally adjusted, September 1999 to September 2019



Source: ABS 5206020, 6401, and ACTU calculations. Household net disposable income is calculated as household gross disposable income less consumption of fixed capital.

177. The quarterly household savings ratio rose by two percentage points from 2.8% at September quarter 2018 to 4.8% at September 2019, as shown in Figure 44[146], then narrowing to 3.6% in the December quarter 2019 update as income growth slowed again.

[146] ABS 5206020, 6401 and ACTU calculations

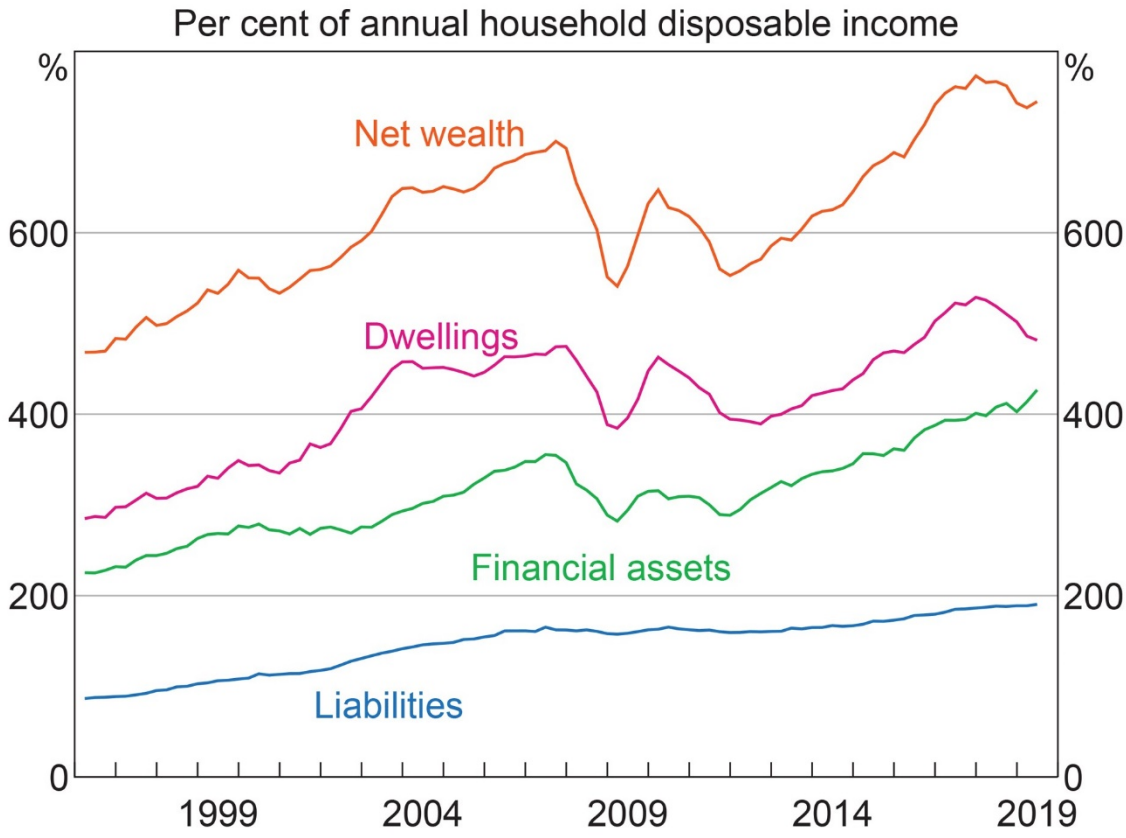
Figure 44: Household savings ratio, quarterly, seasonally adjusted, December 1998 to December 2018, per cent

Source: ABS 5206 Table 20. "The household saving ratio is the ratio of household net saving to household net disposable income." Household net saving is ABS (household net disposable income less consumption). "Household net disposable income is calculated as household gross disposable income less household consumption of fixed capital." http://www.abs.gov.au/Ausstats/abs@.nsf/glossary/5206.0

178. Figure 45, from the RBA's Chart Pack released 8 January 2020, shows the impact of the downturn in house prices over 2018-19 on household net wealth as a per cent of disposable income. The reduction in consumption growth may be due to 'a negative wealth effect' in that the reduction in household wealth has correspondingly led households to be more cautious about spending owing to pessimism about future income.

179. The update of data to December 2019 indicated that real consumer spending increased more slowly at 1.2% for 2019 compared 1.9% over the previous year, exceeded by real growth in household incomes of 1.8% in 2019., up from 0.6% for 2018. The savings ratio for the year to December quarter 2019 increased on the previous year, to 3.6% from 3.1%. Nominal growth in consumption in the December quarter of 0.7% amounted to zero in real terms after the 0.7% increase in CPI in that quarter. This compared with a fall in nominal disposable income of 0.4% amounting to a fall of 1.2% in real terms in that quarter.

Figure 45 Household wealth and liabilities (RBA)

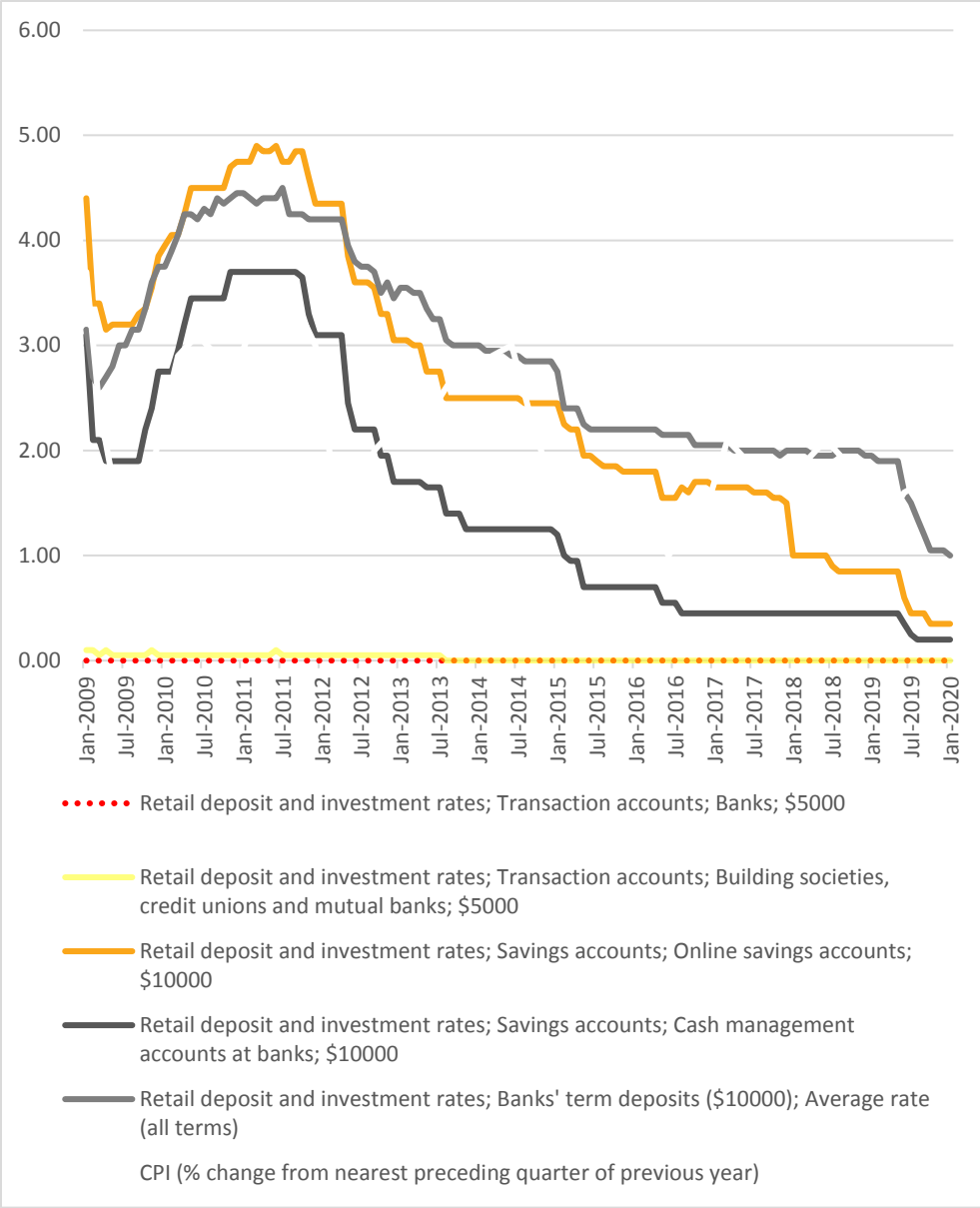


* Household disposable income is after tax, before the deduction of interest payments, and includes income of unincorporated enterprises

Sources: ABS; RBA

180. In the ACTU's view prolonged weak labour market conditions offer a strong reason why households are not inspired to spend. Job precarity in working conditions and sustained underemployment coupled with the recent house price downturn may exacerbate slow consumption growth. To the extent that households impacted by the Panel's decision are saving, it is worth observing that the real value of those savings is likely diminishing owing to very low retail deposit returns relative to CPI, as shown in Figure 46 below.

Figure 46: Annual interest rates on retail deposits vs. CPI, 2009-2020



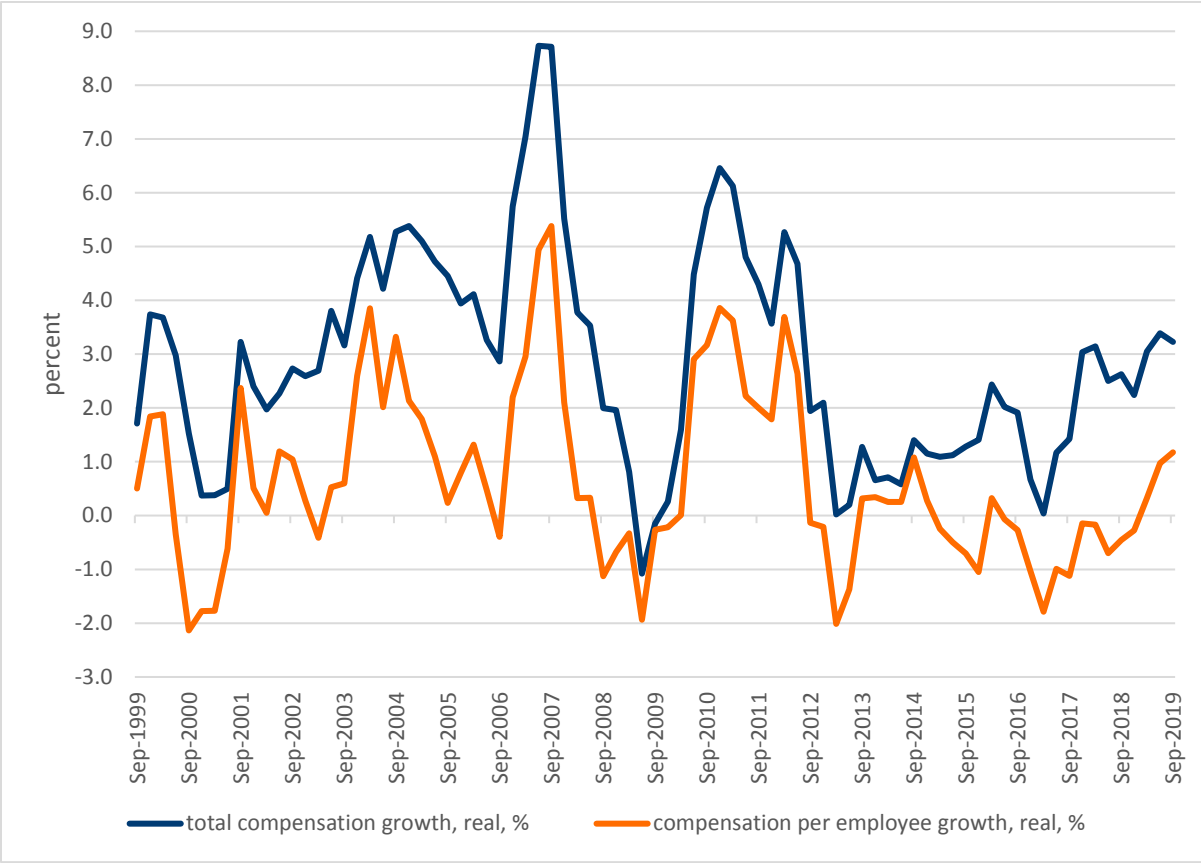
Source: RBA F4 Retail Deposit and Investment Rates, ABS 6401

181. Total annual compensation of employees increased 4.6% in nominal terms and 3.0% in real terms over the year to September 2019, with employment growing 2.6%.[147] However, this needs to be put in the context of population growth. The growth in real annual compensation per employee was 0.5% over the year to September 2019. This followed annual growth in real annual compensation per employee which had been negative over the four years from September 2015 to September 2018 as shown in Figure 47. Annual

[147] ABS 5206, 6401, 6202

growth in real compensation per employee of 1.0% at September 2019 is still below that of five years ago at September 2014 when it was 1.0%.

Figure 47 Total employee compensation and average compensation per employee, quarters, real, annual growth, per cent



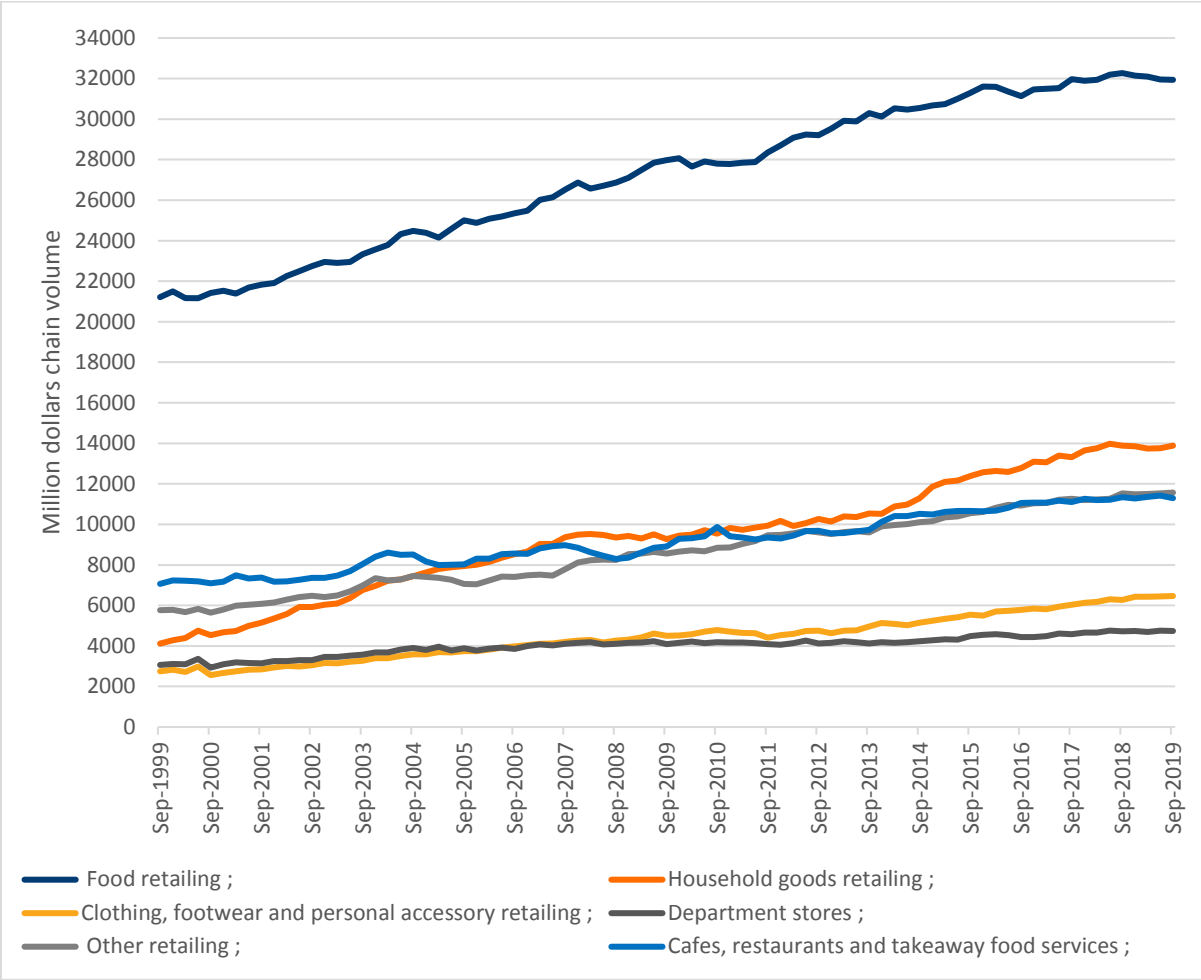
Source: ABS 520607, 5206024, seasonally adjusted, ABS 6401 and ACTU calculations.

182. There is a great deal of variation in the pace of turnover growth among different sub-sectors and from year to year, as shown in Figure 48 which presents quarterly sales in chain volume terms. In the December 2019 update in the ABS for retail sales in volume terms, the total grew 0.5% in the December quarter seasonally adjusted. Retail volume grew substantially in a number of sectors in the December quarter seasonally adjusted, including Household goods (1.4%), clothing and footwear (1.5%), Department stores (2.1%), and Cafes and takeaway (0.5%).

183. The December increases were enough to ensure that the retail sales volume grew also 0.4% in annual real terms from December quarter 2018 to December quarter 2019 after four quarters of zero or negative growth. The 0.4% real growth in total retail trade over the year 2019 was down from 1.5% real growth for 2018 in what is a volatile series.

184. The positive real growth in the December quarter 2019 in most sectors resulted in annual increases from December quarter 2018 to the December quarter 2019 seasonally adjusted for Department store retailing of 2.6%, Clothing and footwear retailing of 2.3%, Household goods of 2.0%, and Cafes, restaurants and takeaway 0.8%. Other retailing fell 0.2% and Food retailing fell 1.3%.

Figure 48: Retail turnover by industry sub-sector, quarterly, real, to September quarter 2019, chain volume



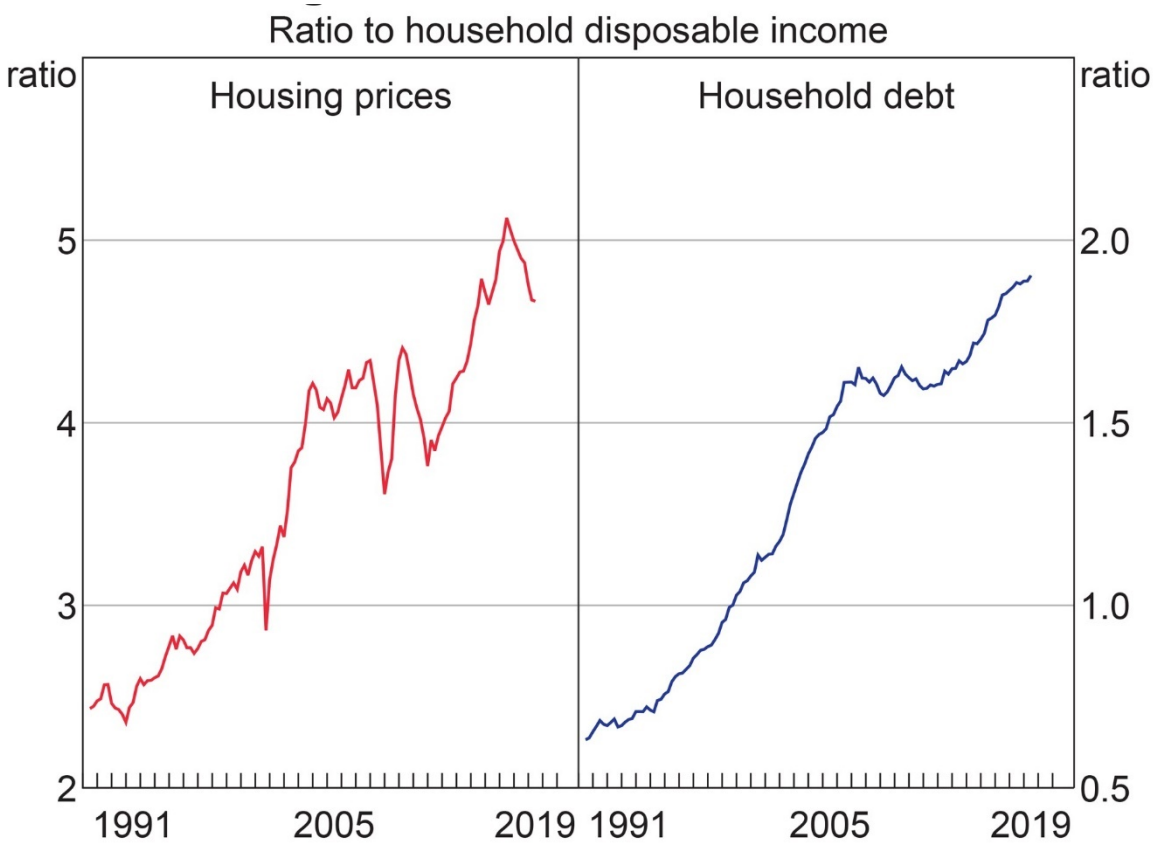
Source: ABS 850107, seasonally adjusted.

185. The increase in the prices of essential items, energy in particular, continues to impact on other spending especially for lower income households and may go some way to explaining slower growth in retail sales and consumption.

186. The impact of lower house prices appears to be only just beginning to result in slower growth in the household debt ratio. The RBA Chart Pack of 8 January 2020 presents the

ratio of housing prices to household disposable income and the ratio of household debt to household income as reproduced in Figure 49.[148]

Figure 49 Housing prices and household debt



* Household disposable income is after tax, before the deduction of interest payments, and includes income of unincorporated enterprises

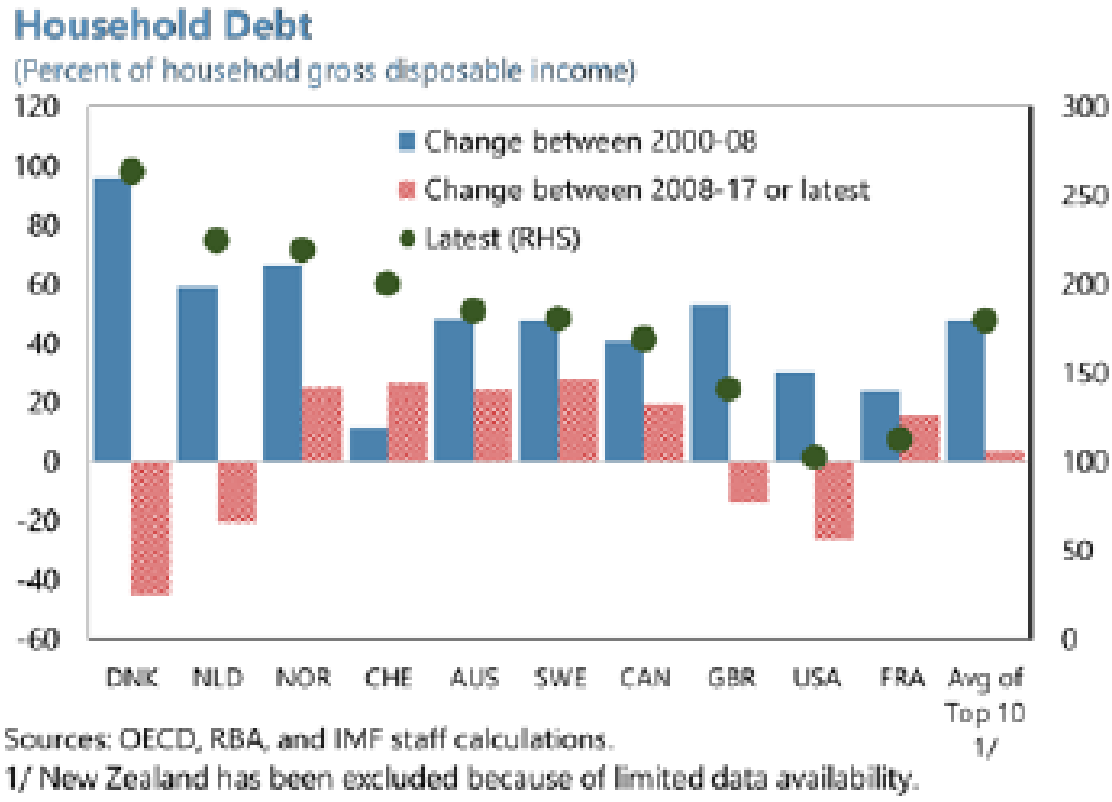
Sources: ABS; CoreLogic; RBA

187. An IMF working paper by Loukoianova et al of April 2019 says: "Household debt in Australia has been rising faster than household disposable income for the past three decades" resulting in one of the highest household debt ratios in the advanced economies. [149] This is shown in Figure 50 reproduced from Loukoianova et al 2019 with Australia fifth from the left.

[148] https://www.rba.gov.au/chart-pack/household-sector.html

[149] Elena Loukoianova, Yu Ching Wong, and Ioana Hussiada 2019 Household Debt, Consumption, and Monetary Policy in Australia IMF Working Paper WP/19/96 p.4

Figure 50 Change in household debt over two decades and the level of household debt, advanced economies

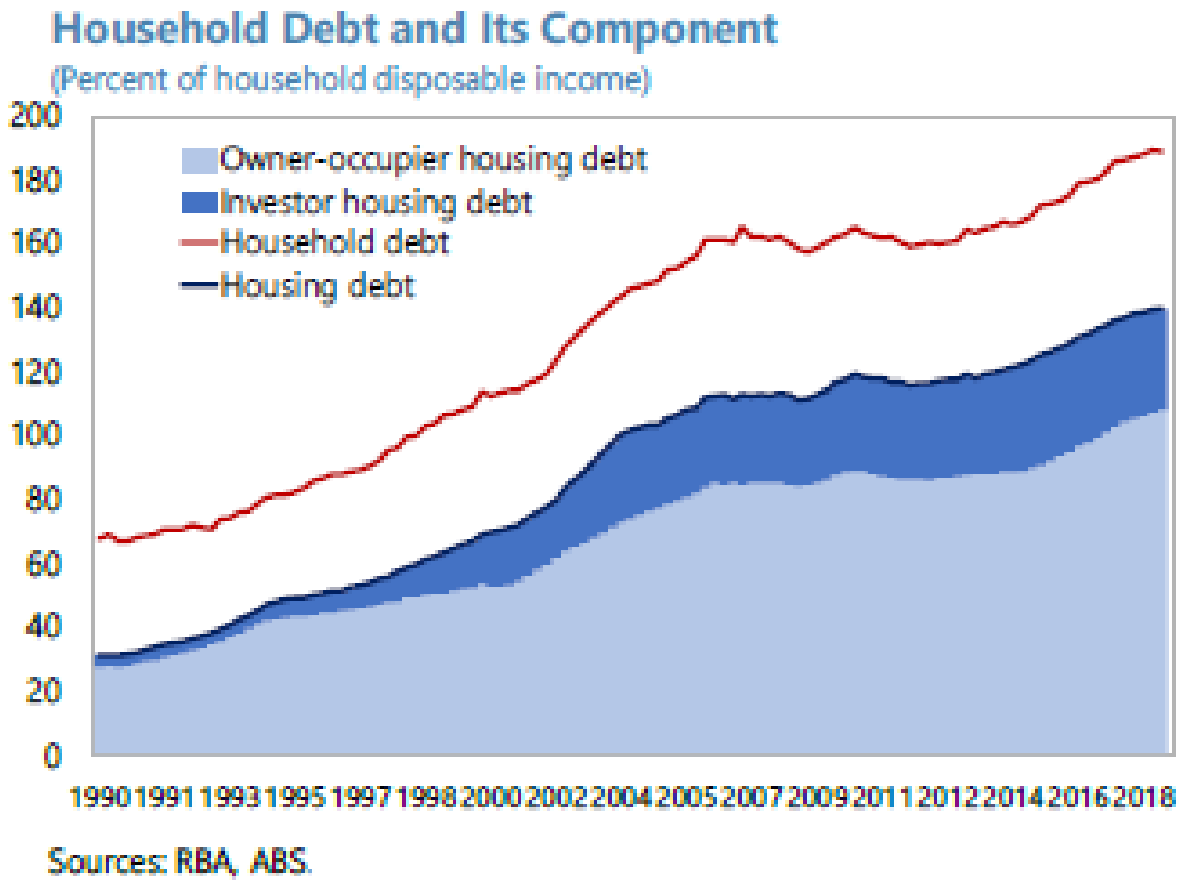


Source: Loukoianova et al 2019, p.5

188. Household debt in Australia grew as a proportion of household income over nearly three decades from 69% in 1990 to over 180% in 2018. This was strongly due to growth in owner occupier housing debt which rose from 28% in 1990 to around 90% in 2018.[150] This is shown in Figure 51 taken from Loukoianova et al 2019. In the ACTU's view low wage growth would contribute to this situation.

[150] Elena Loukoianova, Yu Ching Wong, and Ioana Hussiada 2019 Household Debt, Consumption, and Monetary Policy in Australia IMF Working Paper WP/19/96 p.5

Figure 51 Household debt and its components over three decades



Source: Loukoianova et al 2019, p.5

189. Loukoianova et al 2019 says that "the debt exposure of lower-income and more vulnerable households has also increased over time, and thereby more exposed to risks from rising debt service."[151] In the ACTU this exposure would be felt by households which are dependent on the minimum wage for income.

190. The data on consumption, savings and debt taken together with the likelihood of negative impact on employment and working hours will most affect low income workers and households.

[151] Elena Loukoianova, Yu Ching Wong, and Ioana Hussiada 2019 Household Debt, Consumption, and Monetary Policy in Australia IMF Working Paper WP/19/96 p.21

3.6 Productivity

191. The Panel's Decision of 2018-19 said: "The low rate of nominal wages growth cannot wholly or substantially be explained by low growth in labour productivity.. ".[152] The IMF offers a reason in that: "Non-mining business investment, including R&D, has been sluggish, contributing to lower productivity growth."[153]

192. The RBA said stronger employment growth and weaker GDP growth than expected "is an unusual combination of outcomes". It indicated that the measure of productivity is problematic due to the output of "non market" industries being difficult to measure, "especially over short periods of time." [154] The RBA indicated that short term movements are hard to interpret due to cyclical effects in which inputs change more slowly than outputs and also due to movements across industries with different levels of productivity.

193. The ACTU supports the RBA's expression regarding the difficulty of measuring productivity. In the ACTU's view this makes any connection between minimum and award wages and labour productivity particularly difficult to discern. This is particularly pertinent to the more award dependent service sectors. It may appear that award reliance is predominant in areas where productivity is lagging, but this is a result of these being in labour intensive service sectors where productivity measurement is unreliable and tends to present as low.

194. Indeed, award reliance is more prevalent in service sectors where traditionally output has been measured by cost of inputs, for instance the large and fast growing Health care and social assistance. In these labour intensive areas wages are a large proportion of costs.

195. The measure of productivity improvement particularly affecting service areas may be an artefact of outsourcing and privatisation where fees for service have been introduced and increased over time, and where those charges are not commensurate with quality improvements to output. They are also not translated into higher wages.

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[152] [2019] FWCFB 3500 at [88]

[153] https://www.imf.org/en/News/Articles/2019/12/12/mcs121319-australia-staff-concluding-statement-of-the-2019-article-iv-consultation-mission

[154] RBA 2019 Statement on Monetary Policy November, p.39

196. Monetisation of services has been associated with a deterioration in quality and quantity of service delivery, as indicated in the Royal Commission on Aged Care Quality and Safety.[155] This is a case of market failure where changes to the regulatory framework have been found to offer full exposure to moral hazard.

197. Genuine productivity growth in service areas would arise from the effects of the digital revolution on some traditionally labour intensive service sectors. This could apply to another award dependent service sector, Administrative support. It may be that at this point in time the effects on productivity of the digital revolution which introduced smart communications technology and the internet have worked through. The current declines in productivity could also reflect that degree of technological maturity.

198. In the case of Health care and social assistance and other award dependent service sectors at this stage it remains to be seen how much further the individual care tasks which form the majority of employment can be done by machines. There is little or no impetus toward wage growth through innovation, especially in rent seeking outsourced services areas. The minimum wage increase is the key, if not only, mechanism by which wage increases can be achieved.

199. Clearly, there is something missing throughout the methods of setting pay which enables appropriate increases in wages. One reason is the increase in weakness that has occurred in the bargaining power of workers. The ACTU maintains that increases in the minimum wage are intended to address this and should do so.

200. Chart 2.1 of the *Statistical Report* shows fairly flat indexes over the year to September 2019 for indicators of labour productivity - GDP per capita, GDP per hour worked, and GVA per hour worked in the market sector, while RNNDI per capita grew, most likely as a response to the improvement in the terms of trade.[156]

201. Table 2.1 of the *Statistical Report* showed that only RNNDI per capita growth was higher from September quarter 2018 to September quarter 2019 (most recent) compared with the previous year, with the other productivity measures showing very low (GDP per capita)

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[155] Commonwealth of Australia Royal Commission into Aged Care Quality and Safety 2019 *Interim Report Volume 1 Neglect* Tabled 31 October https://agedcare.royalcommission.gov.au/publications/Pages/interim-report.aspx

[156] Chart 2.1 p.6

or negative growth (GDP per hour worked and GVA per hour worked).[157] All measures of productivity for the year to September quarter 2019 were down on the 10 year average, except RNNDI which was 3.3% compared with the 10 year average of 3.0%.

202. Total productivity growth measures and growth in hours worked are compared with those for the market sector in Table 2.2 of the *Statistical Report*. [158] GDP grew 1.7% compared with the average for the previous ten years (2009-2017) of 2.6%. The increases in the other productivity measures for the year to September quarter 2019 were all below the average for the previous ten years. GDP per hour worked fell 0.2% compared with 2.0% average 10 year growth, and these were the same for GVA per hour worked market sector. However, hours worked measure all grew more than their 10 year averages, partly reflecting the increases in labour intensive industry sectors.

203. Figure 52 shows that most of a range of annual productivity measures for the year 2018-2019 were well below their 10 year averages, and growth in annual real GDP per hour worked and GVA per hour worked in the market sector both fell by 0.2%.

204. Growth in the real wage measures for the year to June 2019 were mixed relative to their 10 year averages. AWOTE real growth just exceeded the 10 year average of 1.3% by 0.2 percentage points while growth in real full time median weekly earnings for the year to June 2019 was just less than the 10 year average of 0.9%. This implies a widening of earnings distribution as the gap between AWOTE and median increases. This difference would have been even greater had not the NMW real increase for the year to June 2019 been 1.4% compared with the average of 1.0% over 10 years.

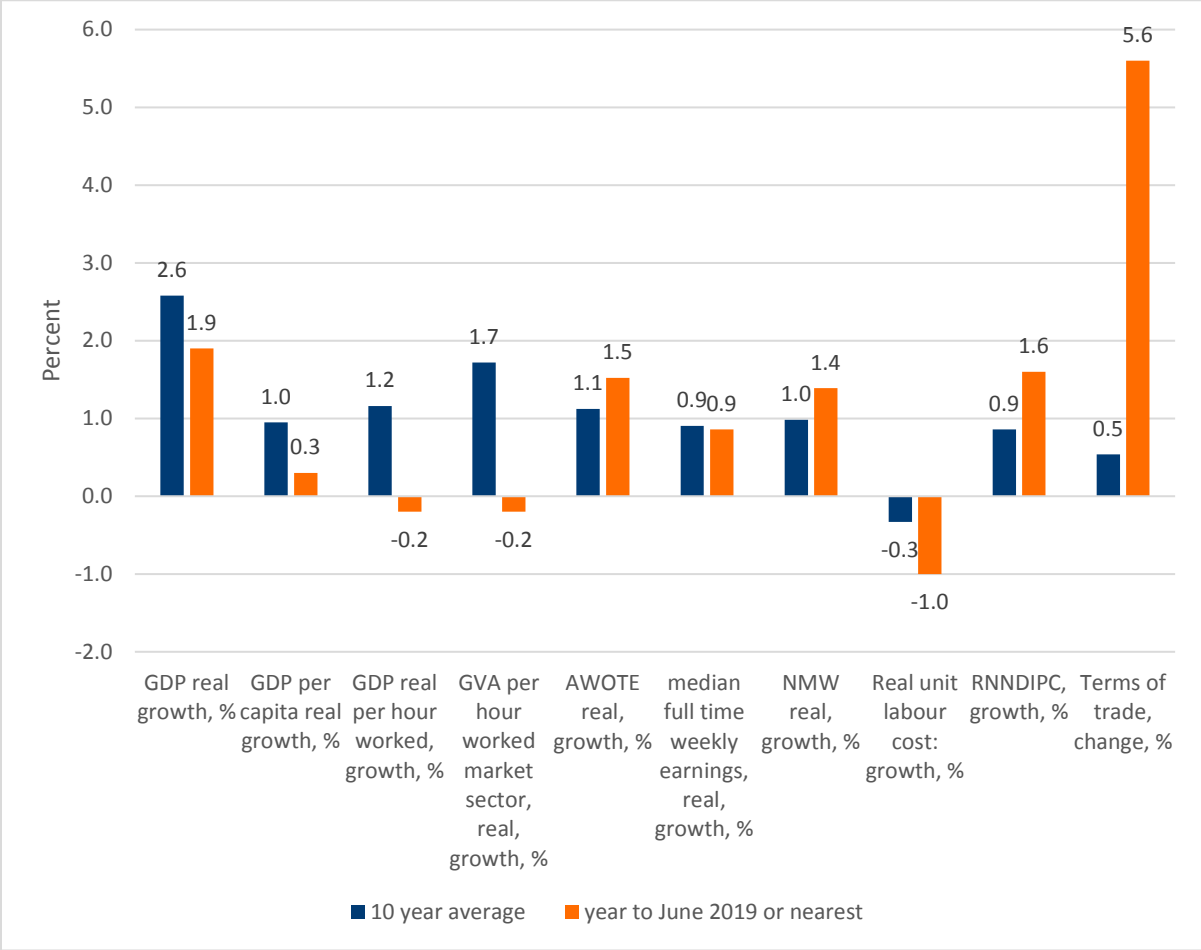
205. Real unit labour costs fell 1.0% for the year to June 2019 which was well below the 10 year average fall of 0.3%, assisted by slow wage growth generally.

206. The growth in RNNDIPC of 1.6% for the year to June 2019 was above the 10 year average of 0.9%. This reflected the increase in the terms of trade which make a significant contribution to movements in the RNNDIPC.

[157] Table 2.1 p.6

[158] Table 2.1 p.7

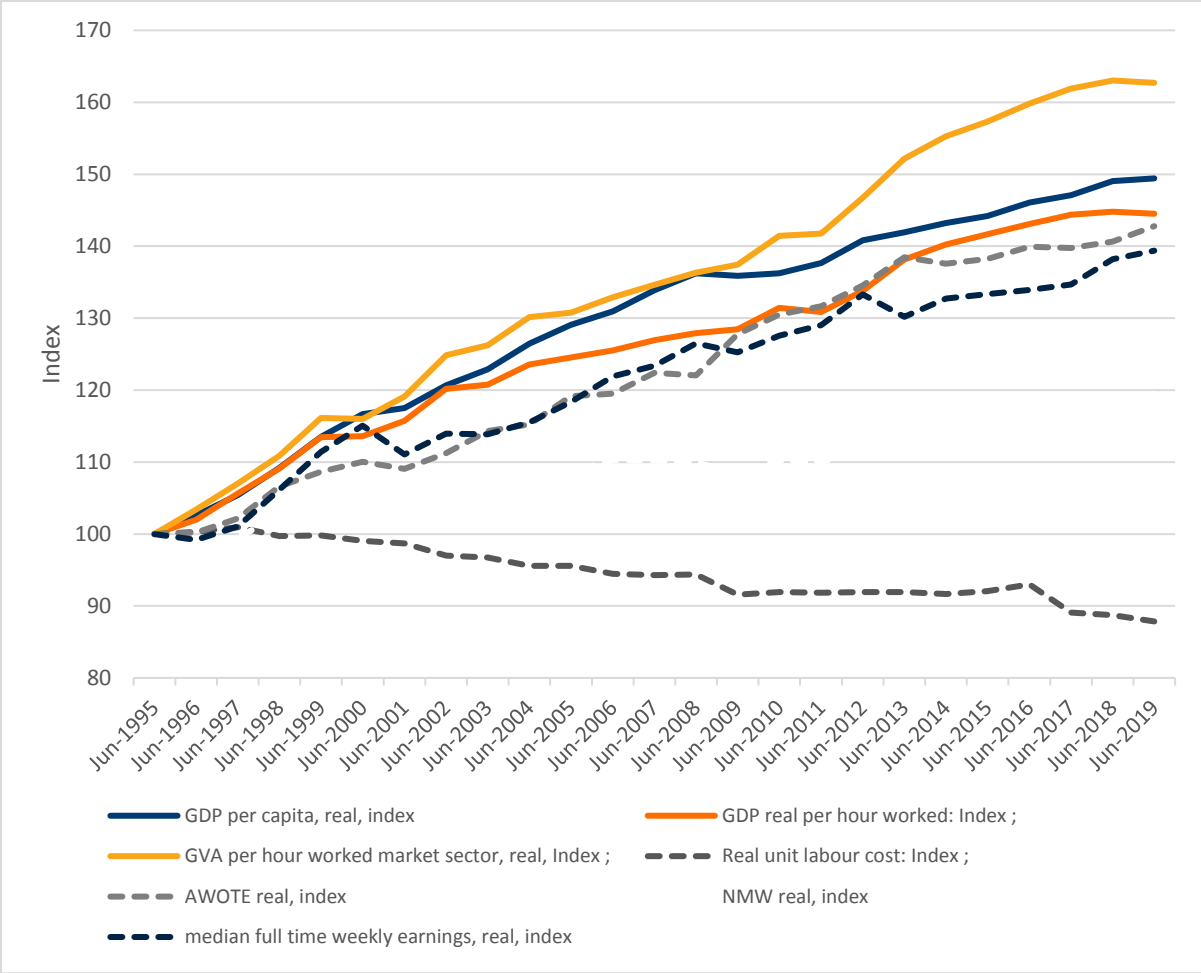
Figure 52 Ten year annual average growth, and annual growth for the year to June 2019 or nearest, in various productivity and wage measures, real, per cent



Sources: ABS 5204, 6302, 6401, 6333, NMW from Bray (2013), FWC and ACTU calculations.

207. The three solid lines in Figure 53 in order from the top show indexes based on 1995=100 in real terms for GVA per hour worked, GDP per capita, and GDP per hour worked. The four dotted lines below that are in downwards order, real Average Weekly Ordinary Time Earnings (AWOTE); real median full-time earnings; real NMW; and real unit labour costs. As the measures are expressed as indexes, they only show the movements in productivity according to the relative slopes, not the levels, of each series at any point in time, and the cumulative effects.

Figure 53 Various measures of labour productivity and wages, annual, 1995 to 2019

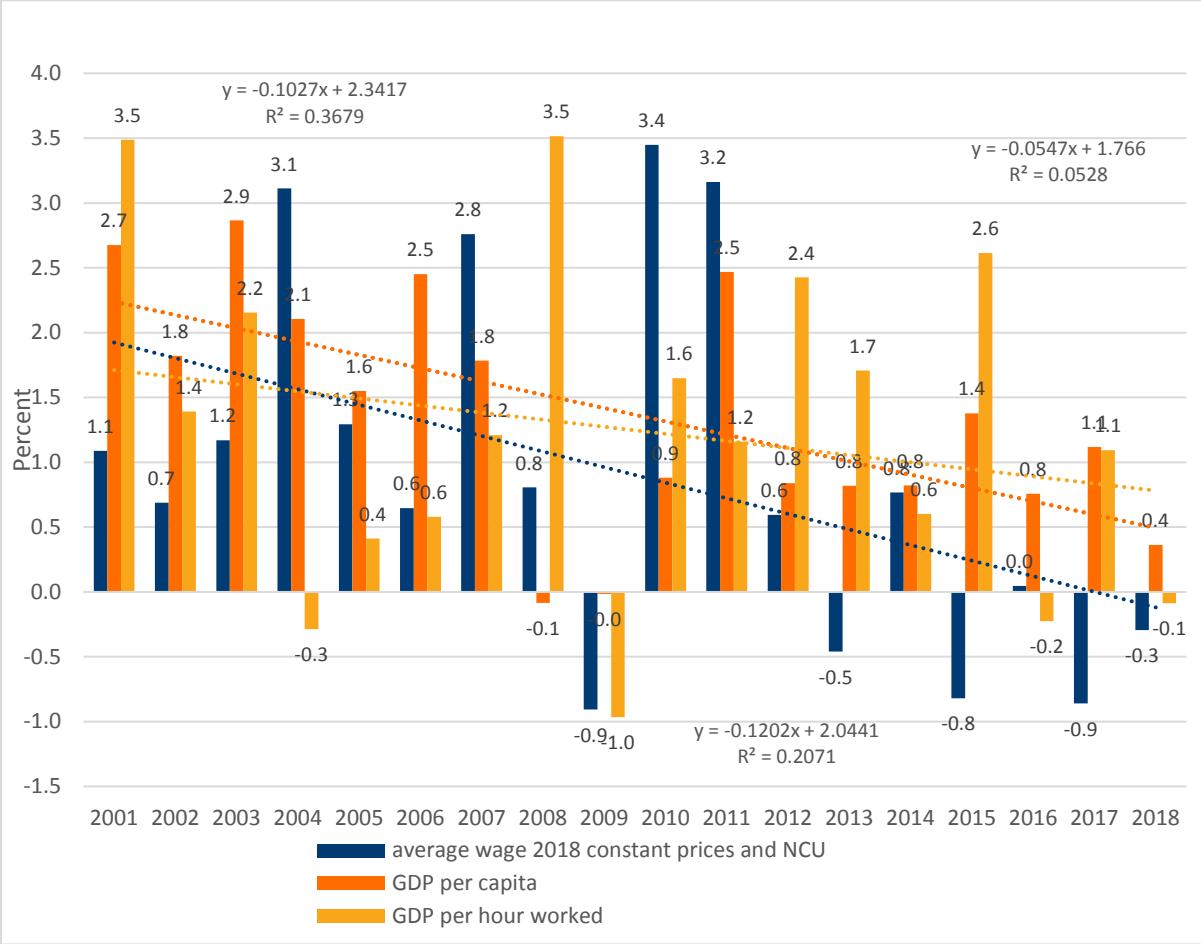


Sources: ABS 5204, 6302, 6401, 6333, NMW from Bray (2013) and FWC, and ACTU calculations.

208. In all cases shown in Figure 53, the labour productivity indexes grow faster overall than the wage measures. Even with a different starting date for the indexes, the results would be very similar. Average Weekly Ordinary Time earnings, AWOTE, generally fails to match the growth in labour productivity throughout the entire period since 1995. AWOTE grew faster last year than median full-time earnings indicating a widening of the earnings distribution.

209. We can make use of OECD data in order to compare its measures of growth of GDP per capita and growth of GDP per hour worked against growth of its measure of full time average wages. This is shown in Figure 54.

Figure 54 Annual growth in GDP per capita, GDP per hour worked and average wages, OECD data, 2001 to 2018



Sources: Average wage growth from https://stats.oecd.org/Index.aspx?DataSetCode=AV_AN_WAGE%20 and ACTU calculations. Growth in GDP per capita and growth in GDP per hour worked https://stats.oecd.org/Index.aspx?DataSetCode=PDB_LV

210. Growth is falling on trend in all three series', with wages growth falling the most. Wages growth is poorly correlated with either measure of productivity based on simple bivariate estimates, and there is virtually no relationship shown between wages and GDP per hour worked in these data.

211. Another contextual factor when considering labour productivity is the degree of innovation in industry. Whilst innovation captures a range of activities, it is expected that innovations in organisational and operational processes would be productivity enhancing. So much is acknowledged in OECD guidelines for the measurement of innovation.[159] Some data on the level of innovation in business is available and it tends to suggest that small

[159] Oslo Manual: Guidelines for Collecting and Interpreting Innovation Data, OCED, 2005, at [163] – [168] [177]-[184]

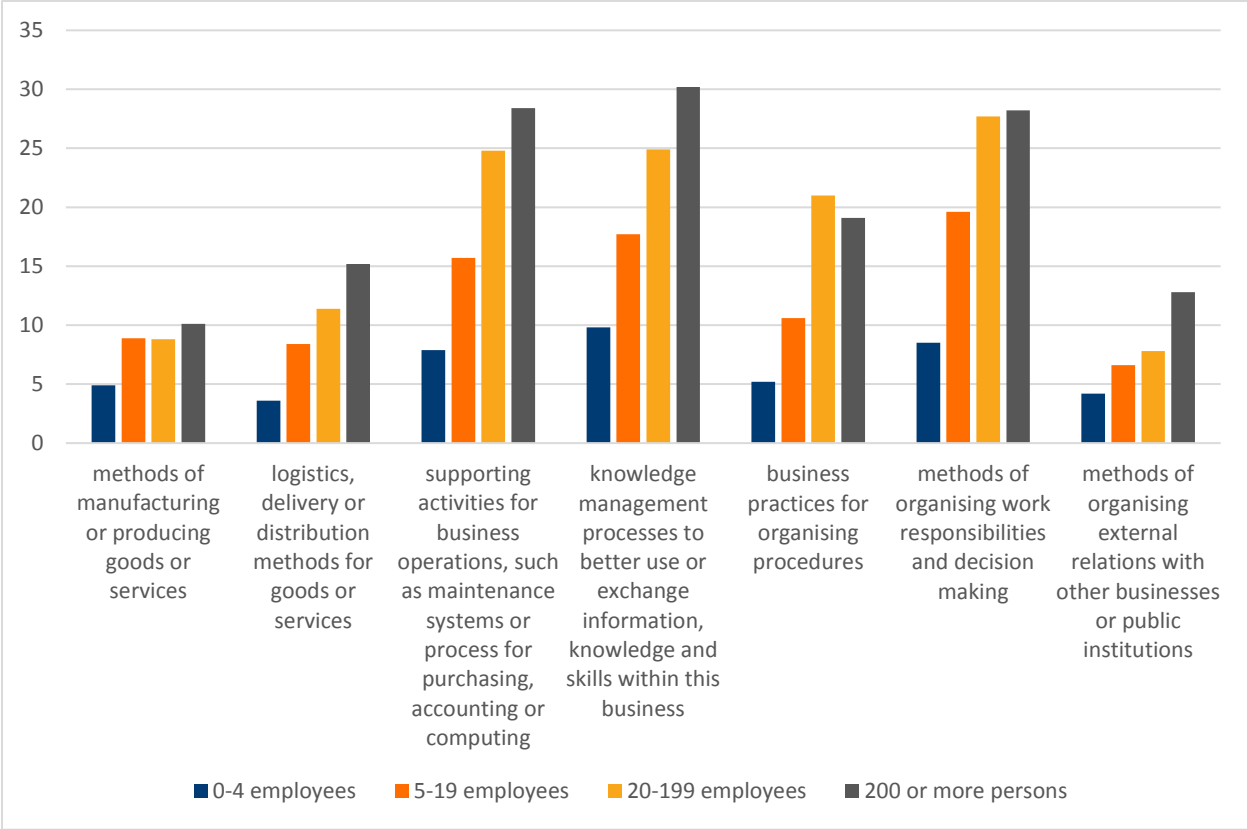
businesses are less likely to innovate in those areas than others. This is relevant given the Panel's previous acceptance that small businesses were more likely to employ a higher proportion of employees who are impacted by its decisions and are more sensitive to them.[160]

212. Figure 55 below sets out the percentage of business of various sizes which introduced or significantly improved particular forms of innovation as at the end of the 2018 financial year[161].

[160] [2019] FWCFB 3500 at [116].

[161] Survey participants are asked to provide responses to the financial year ending 30 June 2018 or another 12 month period ending between 1 October 2017 and 30 September 2018. The survey instrument is available from the ABS website.

Figure 55: Share of businesses that introduced particular forms of innovation, by business size



Source: ABS 8167.0

3.6.1 Terms of trade impacts

213. The RBA noted that growth in China had sustained demand for Australian bulk commodities despite slower growth. This has been positive for iron ore prices and with past supply disruptions this "has resulted in Australia's terms of trade holding up a little higher than earlier expected." [162] The effect of the higher level of the terms of trade on the economy is small. The RBA expects the terms of trade to decline gradually. [163]

214. Figure 56from annual data indicates that RNNDIPC continues to move with the terms of trade while real unit labour costs are moving in the opposite direction. As the terms of

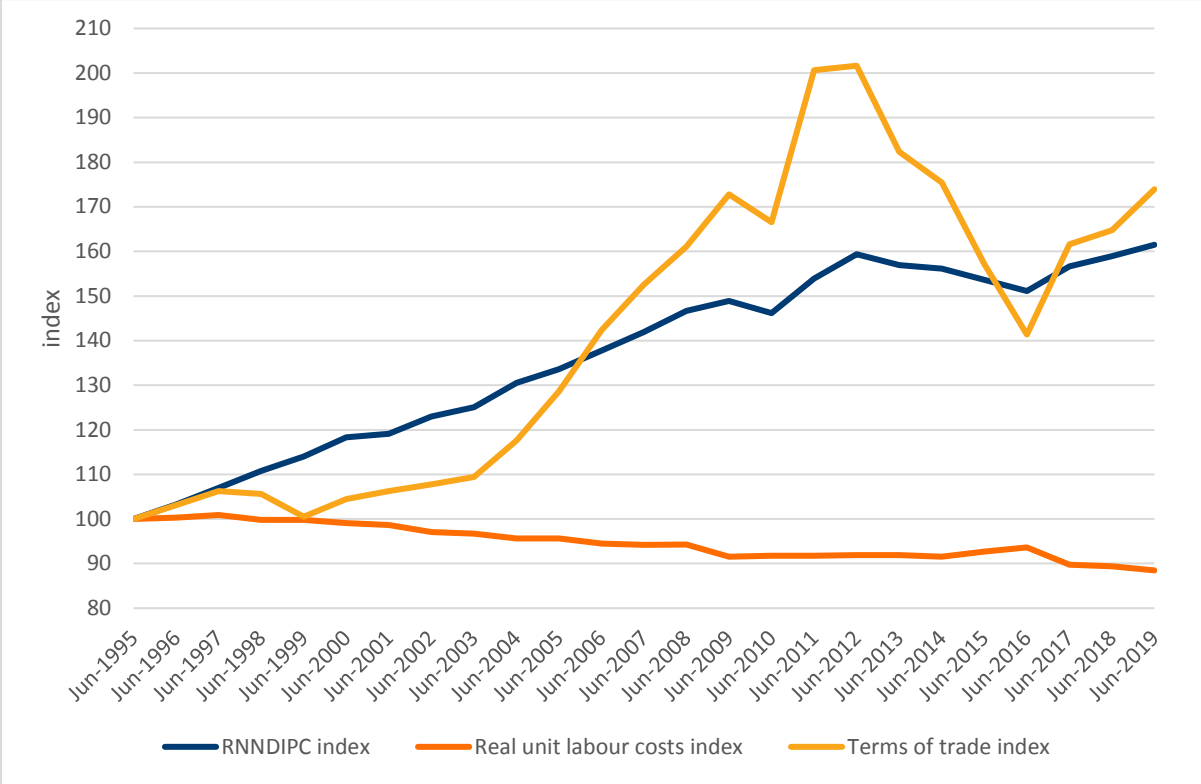
[162] RBA 2019 Statement on Monetary Policy November, p.1

[163] RBA 2019 Statement on Monetary Policy November, p.72

trade improve (one unit of Australian exports purchases more imports), net export income increases while unit labour (and import) costs fall as a share of the costs of production.

215. It is worth noting that in the update to December 2019 in the ABS data release, the quarterly terms of trade have moved down by 5.3% in the December quarter 2019 after rising on trend over more than three years. In the ACTU's view it would appear we cannot rely on terms of trade improvement to raise workers' wages. In any case, terms of trade improvements cannot be relied on to bring forth wage increases for lower paid people, otherwise these increases would have been observed most recently for other wage measures from 2016 onwards.

Figure 56 Terms of trade, real unit labour costs and real net national disposable income per capita



Source: ABS 5204, ACTU calculations

216. The Panel in its Decision of 2018-19 refers to the volatility in the terms of trade producing an unusual circumstance from 2009 to 2016 in which wages as received by consumers and paid by producers diverged, as shown in its Chart 2.13, with both rising faster,

particularly producer prices, than labour productivity.[164] By comparison the minimum wage whether deflated according to consumer price or producer cost advanced more slowly than labour productivity until 2016 when all series showed more even increases.[165] This suggests that minimum wage increases continue to be the mechanism for bringing wages growth into line with productivity growth, whatever the movement in commodity prices and the terms of trade.

217. The ACTU presents indexes for labour productivity (GDP per hour worked), real wages deflated by producer prices (GDP deflator) and by consumer prices (Household consumption expenditure deflator) respectively, and real NMW deflated by producer and consumer prices respectively in Figure 57. Figure 57 shows the decline in real NMW growth over the quarters following the decision each year.

218. Figure 57 shows that the "real consumer wage" at December 2019 is below the level of December 2014 five years ago, and has never exceeded its level at March 2012 almost nine years ago. The "producer wage" index gap with the consumer wage index which had opened up with the mining boom and looked like it was narrowing on trend from March 2016 to June 2016 has now widened with a flat consumer priced wage and a falling producer priced wage on trend to December 2019. The labour productivity index has also flattened out since mid 2016. That is, wages as paid by producers as at December 2019 are less of an impost to them than they were three and a half years ago.

219. It is a similar story for the NMW deflated by consumer and producer prices. In the last three years since September 2016 the NMW consumer deflated index has increased faster than labour productivity and average consumer deflated wages (but of course from a much lower real dollar level). Over the same period the NMW producer price deflated index has only a very slight upward trend in it and tracks the producer priced wage. This has resulted in an increasing gap also between the producer and consumer priced NMW indexes. Similarly as for wages, the NMW impost to producers is also not increasing.

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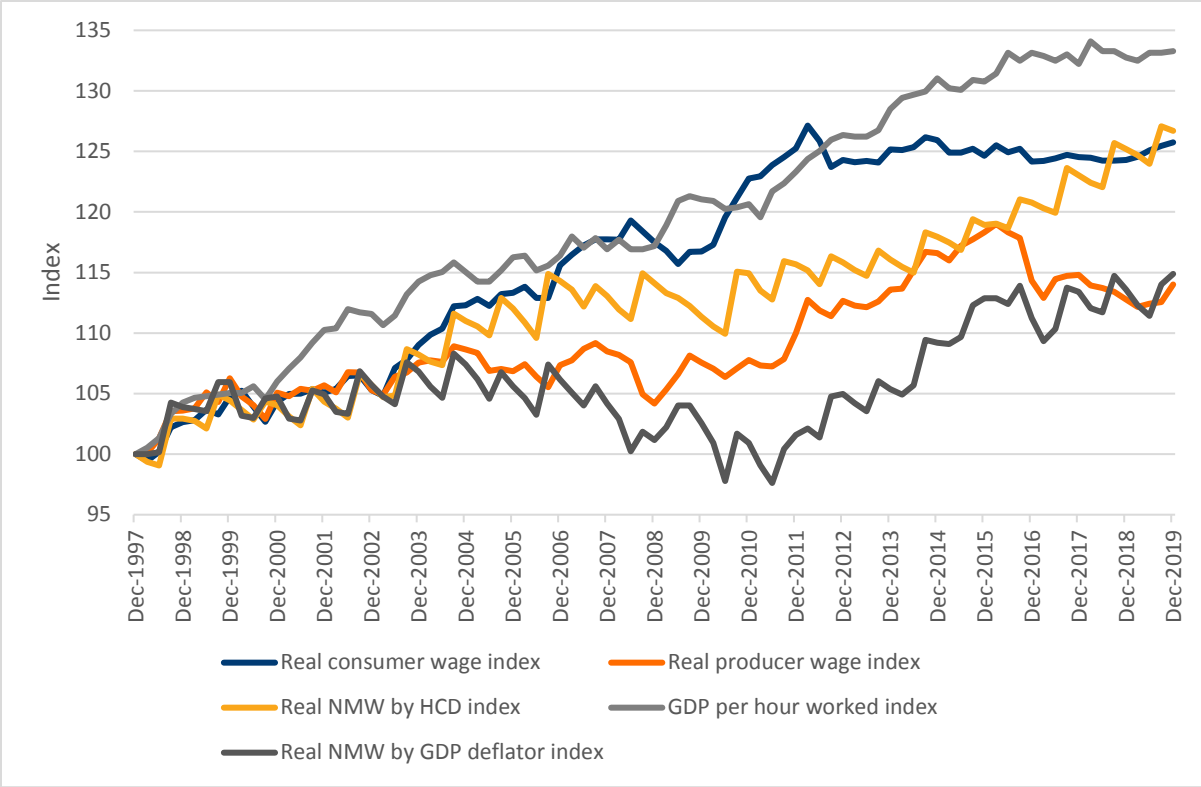
[164] [2019] FWCFB 2500 [136] referring to Chart 5.4 in the Statistical Report 2019

[165] [2019] FWCFB 2500 [136]

Figure 57 Consumer and producer real wages, NMW and labour productivity



Source: Real producer wage is average compensation per employee ABS 5206024 deflated by GDP deflator; real consumer wage is average compensation per employee deflated by household consumption deflator; ABS 5206007 labour productivity is GDP per hour worked index, ABS 5206001, real NMW is NMW from FWC and Bray (2013) deflated by cpi ABS 6401 and by household consumption deflator. All series indexed at March 2003=100. The household consumption deflator is re-weighted annually and includes more items (such as gambling and NG) that are not included in the cpi (ABS 6461.0 http://www.abs.gov.au/AUSSTATS/abs@.Nsf/7d12b0f6763c78caca257061001cc588/6b3475f5c1b2e517ca25768e002c8376!OpenDocument)

3.6.2 Productivity in industry sectors

220. In its last decision the Panel said it did not accept that labour productivity had been more subdued recently in most of the "award reliant" industries and it did "not accept that the position of award-reliant industries can validly be distinguished in this way, .."[166]

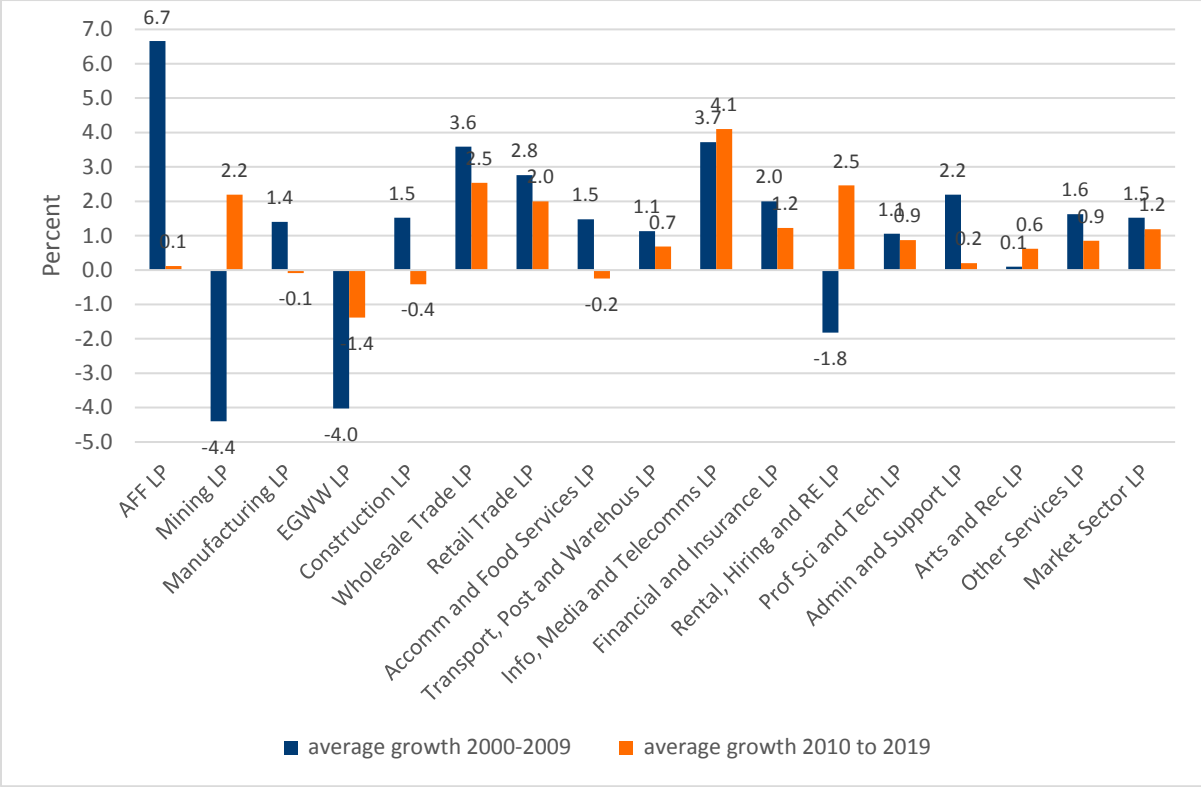
221. The Market Sector multifactor productivity measures from the ABS do not include the industries where productivity is least reliably measured and these latter include some

[166] [2019] FWCFB 2500 [104]

more award reliant such as Health care and social assistance. Four of the five most award reliant industries are included in the 'Market sector' productivity measures and may be considered with all the provisos about reliability.

222. Bearing in mind the need to view productivity movements over the long term, average annual growth in labour productivity and in multifactor productivity over the ten year periods prior and during (2000 to 2009) and after (2010 to 2019) the GFC are shown in Figure 58 and Figure 59. The periods before and after the GFC are an obvious basis for comparison. There is no discernible pattern for award reliant industries compared with other industries, for labour productivity and multifactor productivity, and between the two periods.

Figure 58 Average annual growth in labour productivity market sector industries 2000 to 2009, and 2010 to 2019



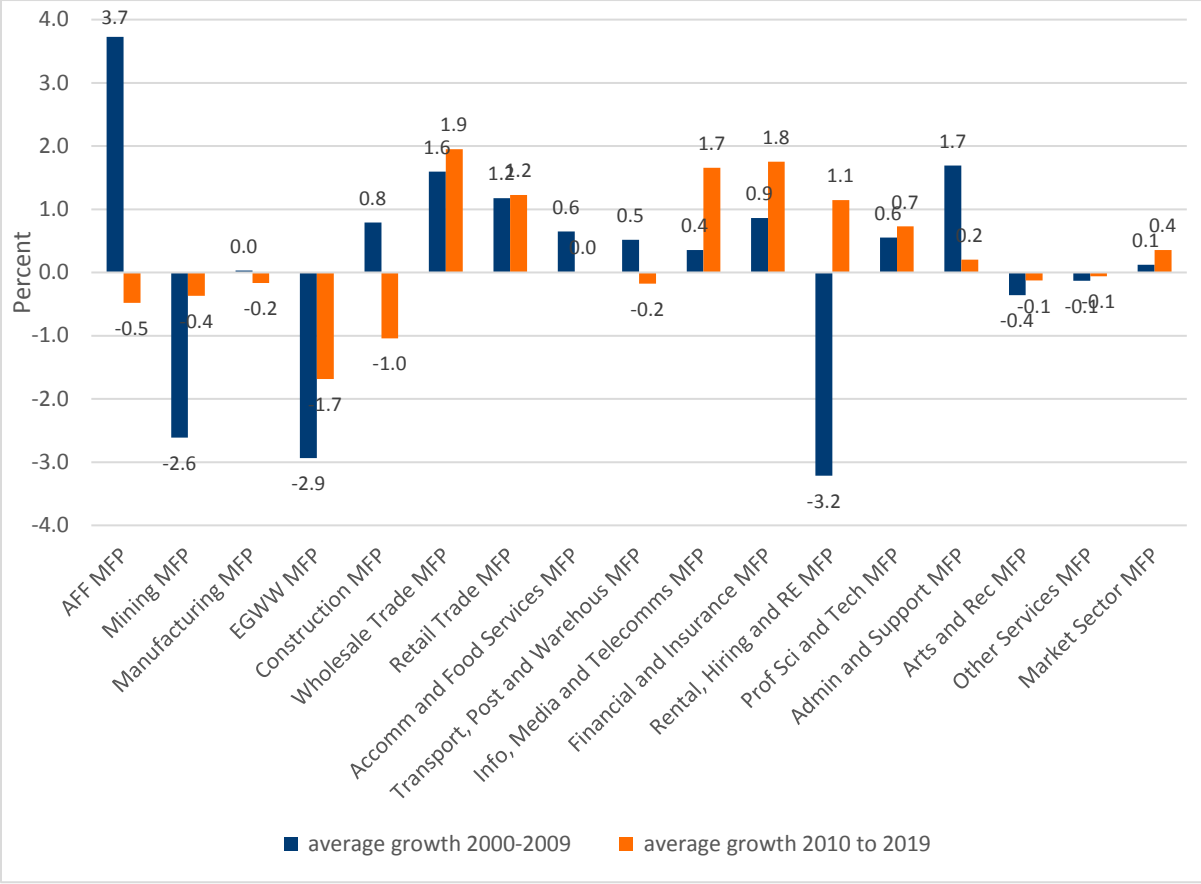
Source: ABS Cat 5260.0.55.002, quality adjusted hours worked basis, and ACTU calculations. * The market sector excludes services where output is particularly not well measured, that is excluding Public admin. and safety, Education and training, and Health Care and social assistance.

223. It is evident that both labour productivity and MFP have generally not recovered since the GFC. Overall labour productivity average annual growth in the market sector fell between the two periods from 1.5% to 1.2%, while multifactor productivity rose, from 0.1% to 0.4%.

These differences may reflect structural change over the periods. They do not reflect a consistent pattern that suggests recovery.

224. Considering the award dependent sectors, Retail trade growth in labour productivity fell from 2.8% for the period 2000 to 2009 to 2.0% for the period 2010 to 2019, while MFP rose very slightly, still at 1.2%. Accommodation and food services labour productivity growth fell from 1.5% to -0.2% and MFP fell from 0.6% to zero. Administration and support labour productivity growth fell from 2.2% to 0.2% while MFP fell from 1.7% to 0.2%. For Other services, labour productivity growth fell from 1.6% to 0.9% and MFP rose very slightly still at -0.1%. Given the wide variation in the other industries productivity growth cannot be readily linked to award reliance.

Figure 59 Average annual growth in multifactor productivity market sector industries 2000 to 2009 and 2010 to 2019

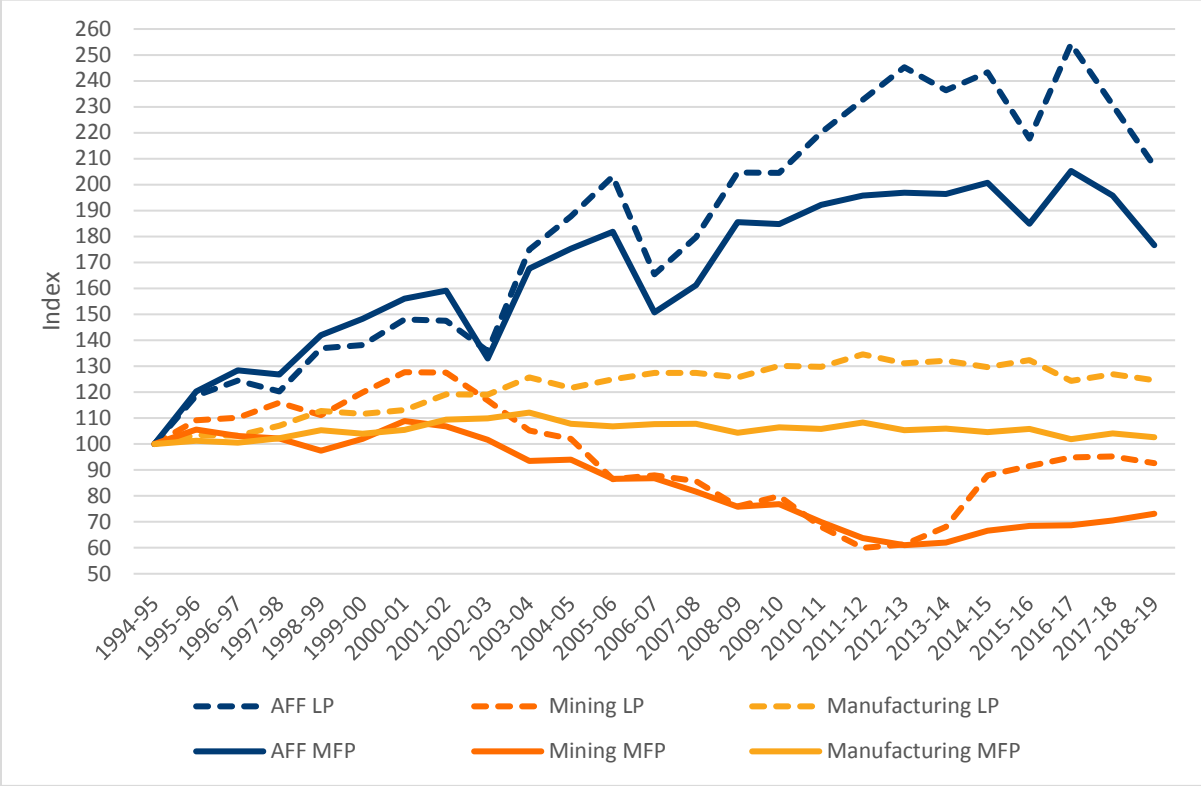


Source: ABS Cat 5260.0.55.002, quality adjusted hours worked basis, and ACTU calculations.

225. Annual average labour productivity growth and MFP growth indexes are compared for the physical industries in Figure 60 and award-reliant service industries in

226. Figure 61 and Figure 62. Again, we note that the service sectors are those where productivity is low and or poorly measured.

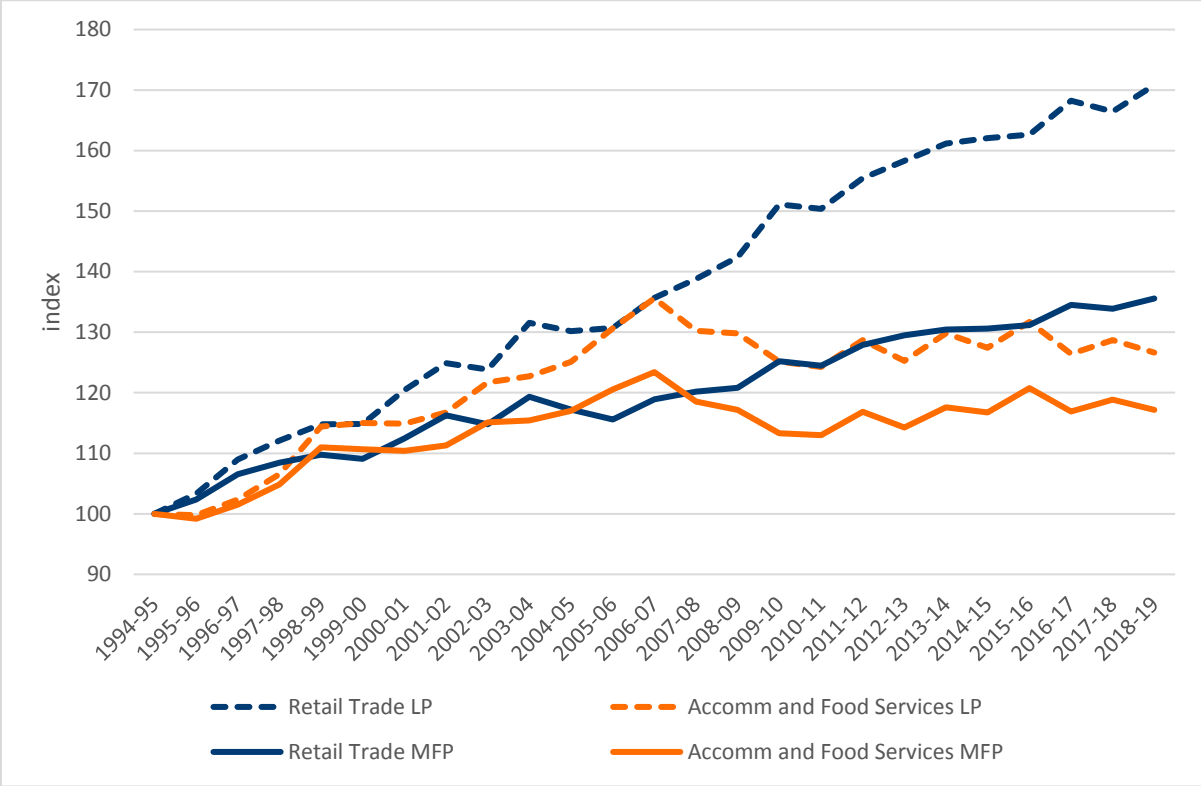
Figure 60 Labour productivity and MFP growth in AFF, mining and manufacturing, indexes



Source: ABS 5260.0.55.002 and ACTU calculations

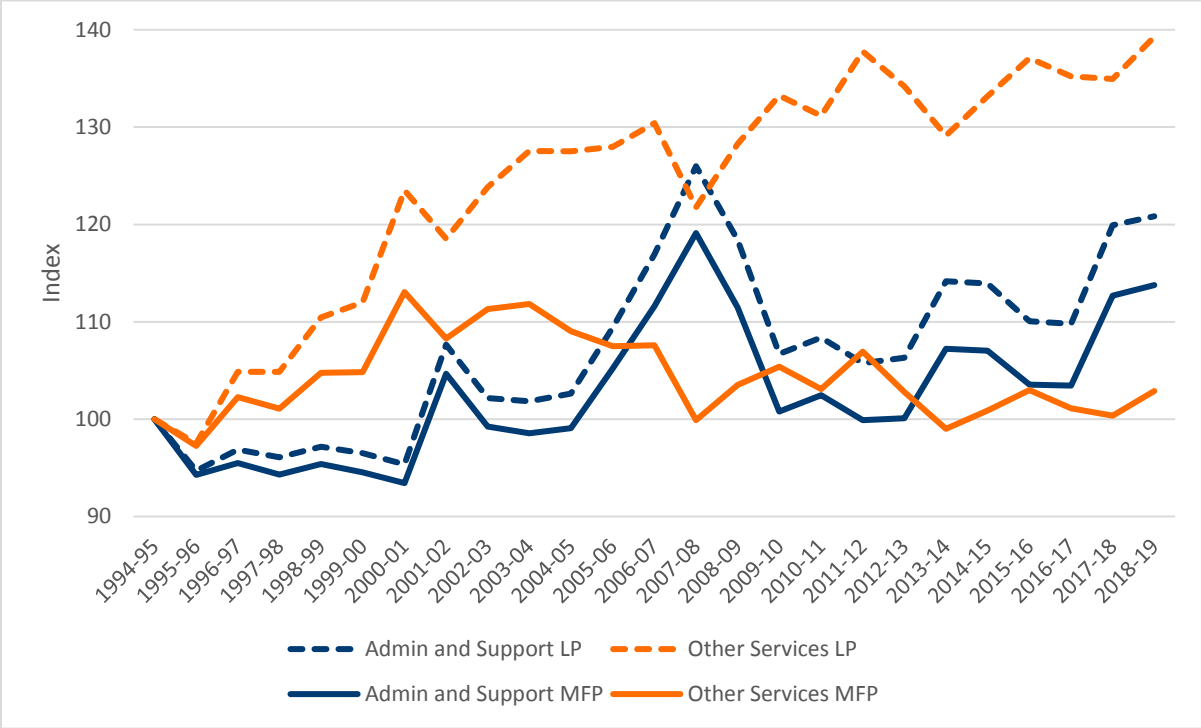
227. Figure 60 shows the impact of the end of the mining investment period on labour and multifactor productivities which have risen since 2012-13. Productivities in AFF have tracked the consequences of drought or climate events, tracking downward over the last three years and not boding well for current developments. In Manufacturing both labour productivity and MFP have grown little and trended down slightly since 2011-12.

Figure 61 Labour productivity and MFP growth in Retail and Accommodation and food services, index



Source: ABS 5260.0.55.002 and ACTU calculations

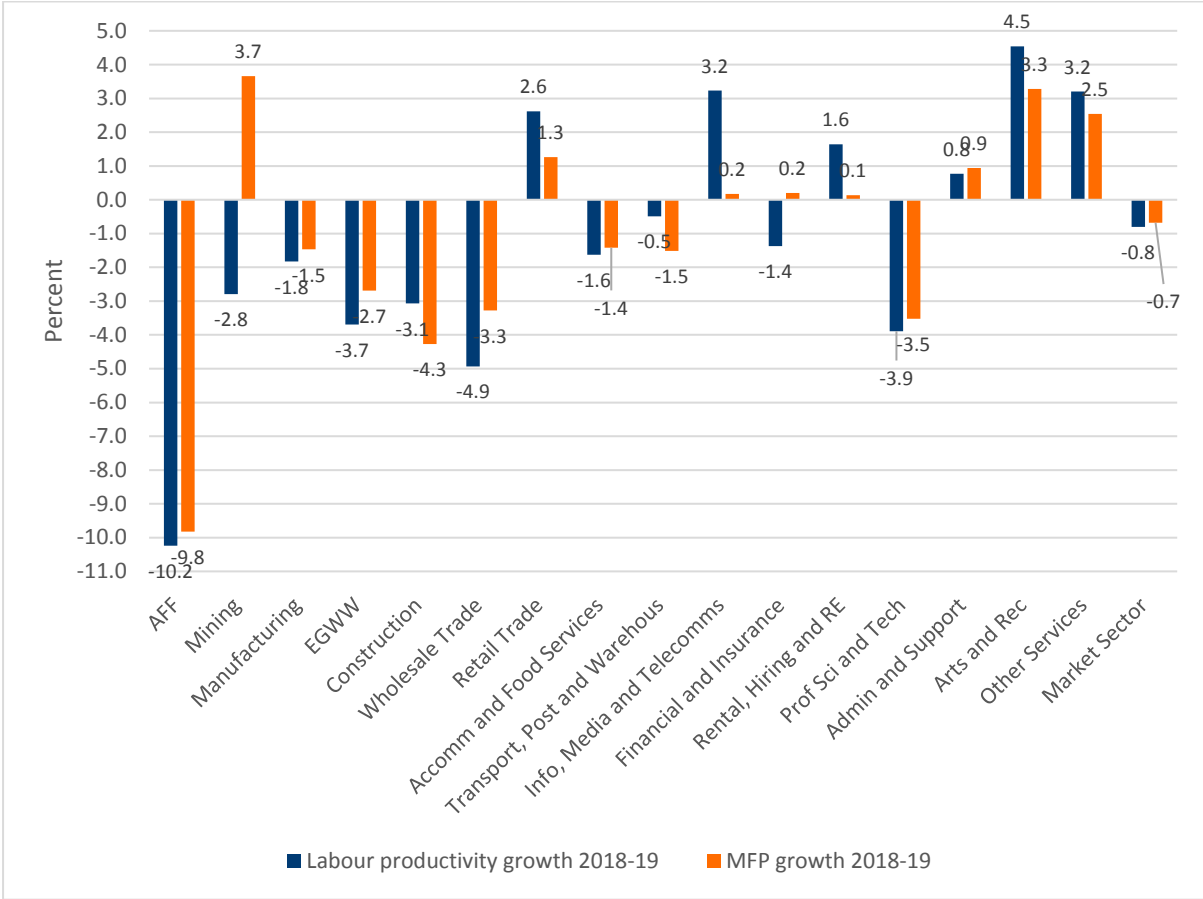
Figure 62 Labour productivity and MFP growth in Administrative and support services and other services, index



Source: ABS 5260.0.55.002 and ACTU calculations

228. Insofar as productivity growth over a year can be interpreted, the more award-reliant industries as shown in Figure 63 show positive growth for 2018-2019 in both labour productivity and MFP, with the exception of Accommodation and food services which has had flat series' for some time.

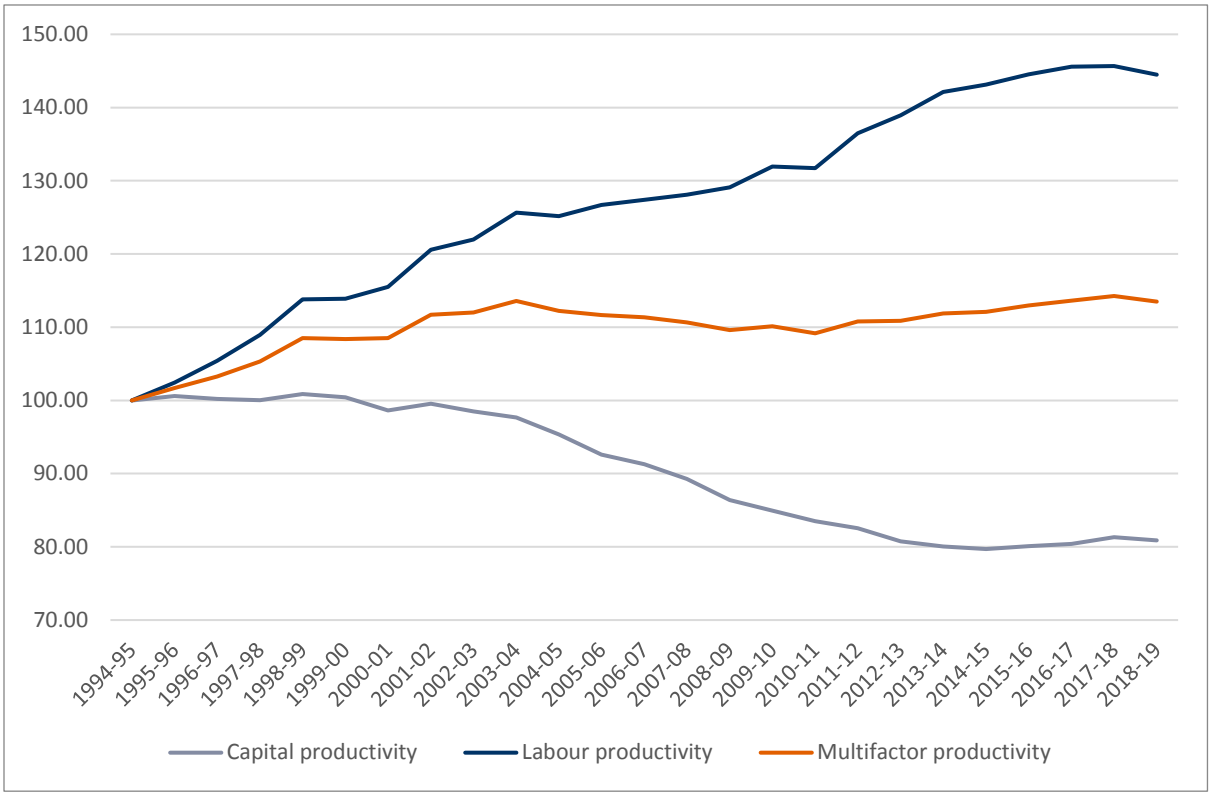
Figure 63 Growth in labour productivity and MFP, industry sectors, 2018-2019



Source: ABS 5260.0.55.002 and ACTU calculations

229. The positive productivity growth for three more award dependent industries contrasts with the Market sector negative aggregate figures with downturns: -0.8% in labour productivity and -0.7% of labour productivity for 2018-2019. These figures are shown in Figure 63 and the aggregates in the last data point on the RHS in Figure 64, along with a slight downturn of -0.5% also in capital productivity.

Figure 64 Estimates of labour, capital and multifactor productivity, market sector*, annual



Source: ABS Cat 5260.0.55.002, quality adjusted hours worked basis, and ACTU calculations. * The market sector excludes services where output is particularly not well measured, that is excluding Public admin. and safety, Education and training, and Health Care and social assistance.

230. The ACTU maintains that an increase in the minimum wage would serve to promote productivity growth through increased spending and increased aggregate demand channels across sectors.[167]

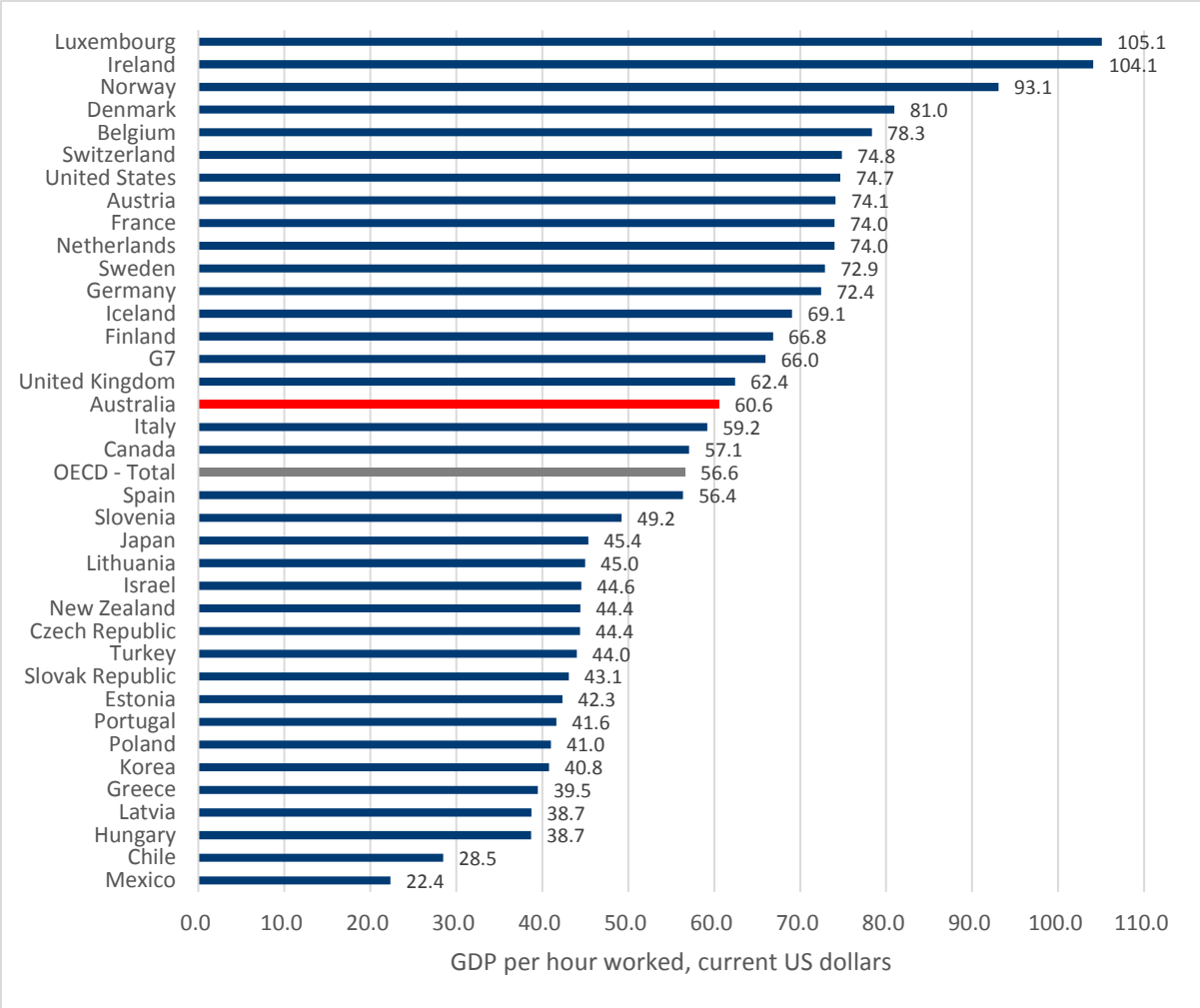
[167] Robert Skidelsky 2017 Stylised facts *Acta Oeconomica*, Vol. 67 (S), pp. 31–35, referring to the classic N. Kaldor 1966 *Causes of the Slow Rate of Economic Growth of the United Kingdom*. An Inaugural Lecture. London, Cambridge University Press. In the ACTU's view the analysis is applicable to Australia and to the role of the minimum wage in the economy.

3.6.3 International productivity comparisons

231. On average in 2018, Australian workers produced goods and services worth US$60.6 per hour worked in current dollars, current Purchasing Power Parity (PPP) terms. This compared to an OECD average of US$56.6 per hour worked, a similar dollar gap to 2017.

232. However, comparison in terms of current PPP dollar values over time except in terms of ranking is not reliable. Australia's level of labour productivity in 2018 most recent was again ranked in the bottom half of the high income OECD countries, as shown in Figure 65. This is a reflection of the capital and other inputs combined together with each hour of work.

Figure 65: Level of labour productivity (GDP per hour worked) in OECD countries, 2018, current US dollars, current PPPs

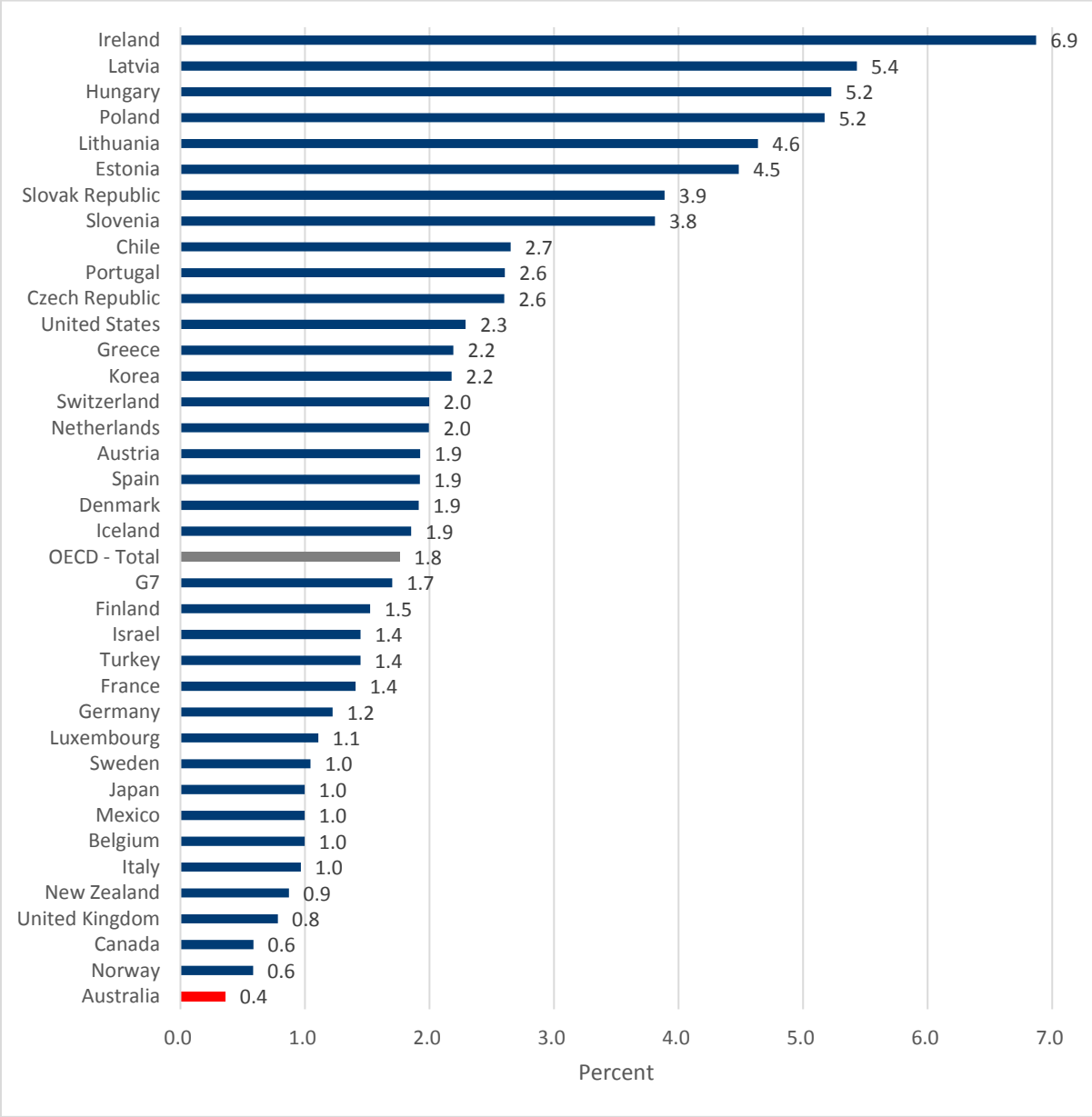


Source: OECD Stat https://stats.oecd.org/Index.aspx?DataSetCode=PDB_LV

233. Figure 66 shows the growth rate in GDP per capita rates across OECD countries in 2018 most recent. Australia has the slowest growth rates in GDP per capita at 0.4% at 2018,

well down from 1.1% for 2017, and well below the OECD average which has slid slightly from 2.0% for 2017 to 1.8% for 2018. The G7 country average growth in GDP per capita for 2018 stayed the same as it was for 2017 at 1.7%.

Figure 66: GDP per capita growth in OECD countries, constant prices, 2018, %



Source: OECD https://stats.oecd.org/Index.aspx?DataSetCode=PDB_LV

3.7 Unit labour costs and the labour share of income

234. The Panel said in the 2018-19 decision that "real unit labour costs continue to remain at unusually low levels."[168] This continues to be the case. The real unit labour costs annual index is shown by the bottom line in Figure 53. Figure 53 indicates that real unit labour costs fell further in 2018-19, on an annualised basis according to ABS 5204.

235. Real Unit Labour Costs (RULC) are defined by ABS as representing "a link between productivity and the cost of labour in producing output. Nominal ULC measures the average cost of labour per unit of output while a Real ULC adjusts the nominal ULC for general inflation. Positive growth in real ULC indicates that labour cost pressures exist."[169] This is not to be observed in the data in ABS 5204, 5206 or from the Overview Table or Chart 2.3 in the *Statistical Report*.

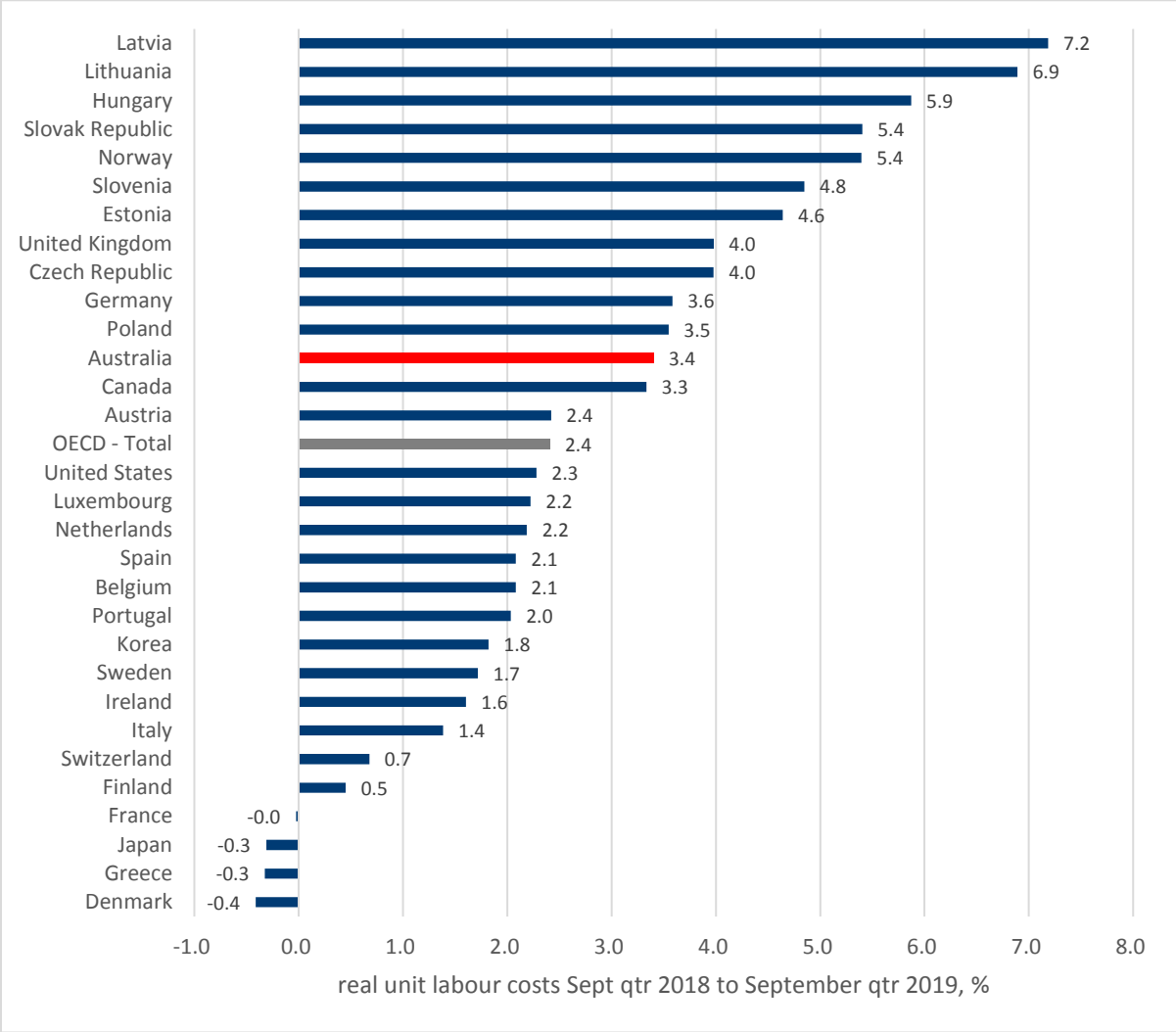
236. Based on the data in Chart 2.3 of the *Statistical Report*, RULC has been on a downward trend from 2015, flattening out over the last two years .[170]

[168] FWC 2019 AWR 2018-19 [105]

[169] ABS 5206, December 2015 http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/5206.0Main+Features2Dec%202015?OpenDocument accessed 26 February 2018

[170] Chart 2.3 p.9

Figure 67: Growth in quarterly real unit labour costs, OECD countries, September quarter 2019 over September quarter 2018

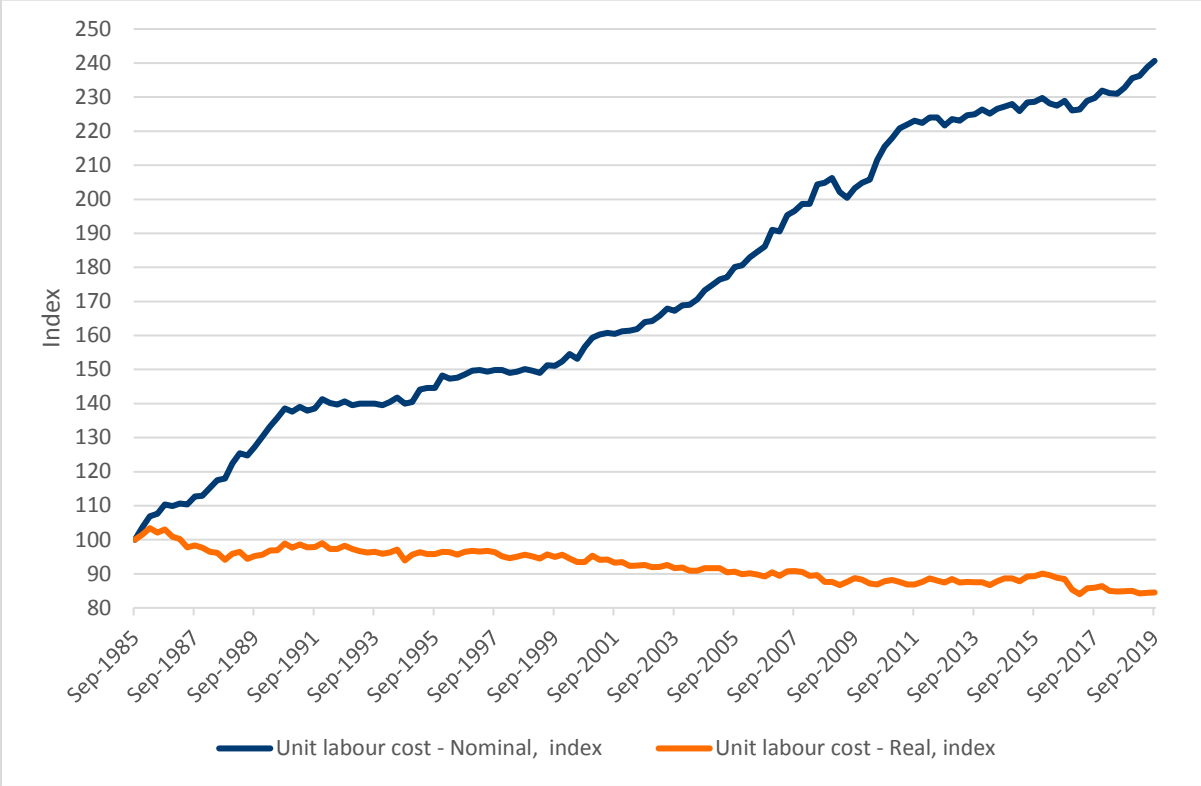


Source: OECD https://stats.oecd.org/Index.aspx?DataSetCode=PDBI_I4# unit labour costs, growth of quarter over same quarter of previous year, employment based, seasonally adjusted.

237. Figure 68 presents ABS quarterly index data, re based to September 1985 (the start of the series published), for nominal and real unit labour costs, to September 2019. Real unit labour costs are the nominal unit labour costs adjusted for inflation. For the year to September quarter 2019 Australia's real unit labour costs fell 0.4% (seasonally adjusted, ABS Cat 5206042), less than the fall of the previous year to September of 1.2%. This is likely the same data as in Chart 2.3 in the *Statistical Report* but starting from 1985 in order to obtain a longer term picture. Real unit labour costs have declined on trend over the whole period, with two dips evident in the late 1980s and then at the GFC. The downward movement of the last three years in RULC appears to be flattening with a recovery in 2019 , but still leaving the quarterly RULC based on hours worked close to the lowest it has ever been, as shown in Figure 68. The ABS update for December 2019

released on 4 March 2020 indicates that real unit labour costs grew 0.9% over the year 2019. Real unit labour costs are 10.5 percentage points below 1999.

Figure 68: Nominal and real Unit Labour Costs, quarterly, index, 1985-2019



Source: ABS 5206042, seasonally adjusted, ACTU calculations

238. Changes in real unit labour costs are equivalent to changes in the wages share of total income in the economy. So the movements in labour's share of income closely reflect the changes in the real unit labour cost and the long term downward trend in labour income.

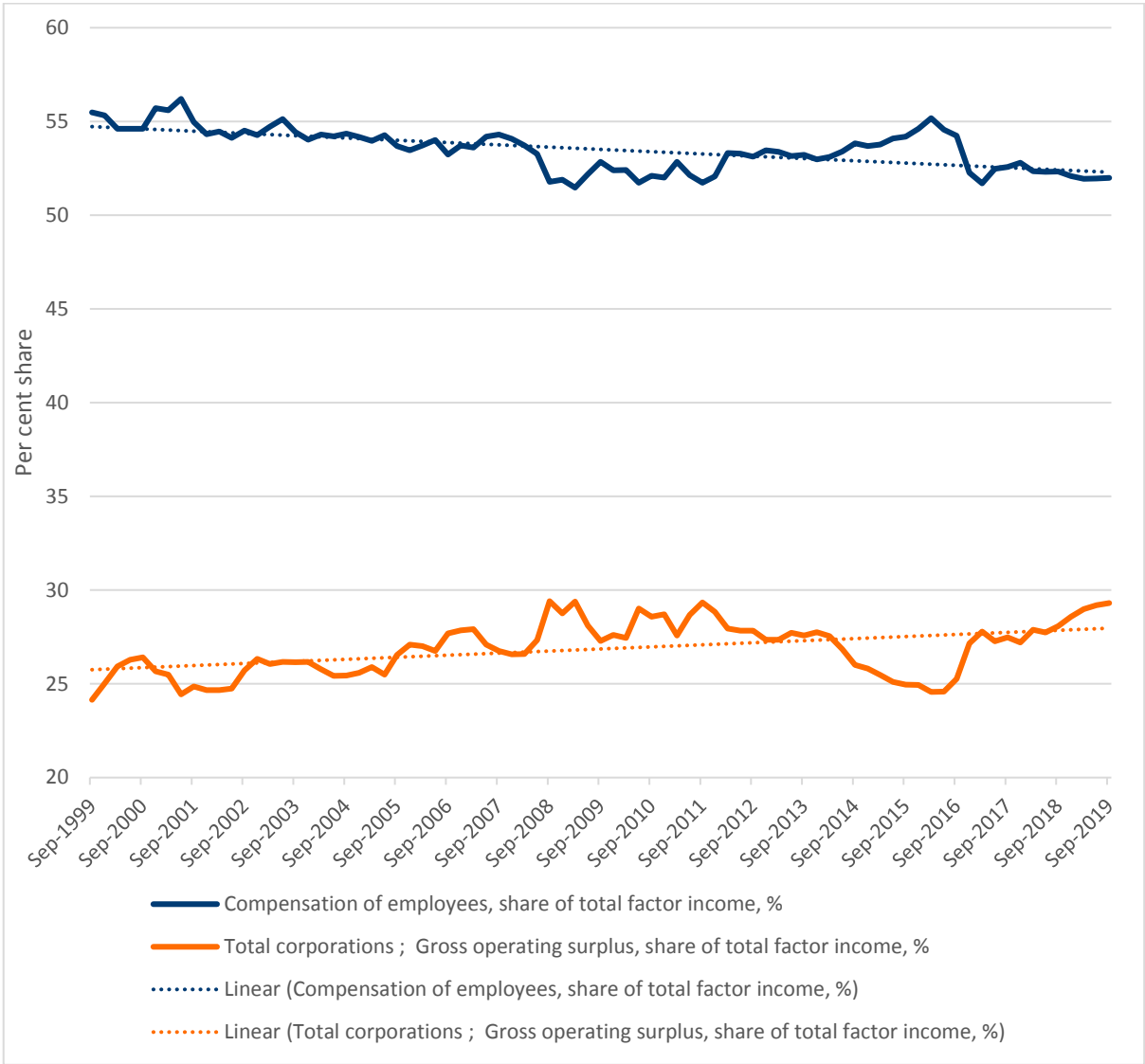
239. Chart 3.1 in *Statistical Report* presents the wages and profits shares in total factor income.[171] It shows an increase in the share of profits in total factor income over the year 2019, while the wages share has barely changed.

240. Profits (corporations' gross operating surplus) and wages (compensation of employees) are shown as shares respectively of total factor income over the twenty years to September 2019 in Figure 69. Fitting trendlines to the quarterly series' (not shown)

[171] Chart 3.1 p.10

indicates that the average rate of increase of the profits share over 20 years mirrors the rate of decline of the wages share of total factor income. On average compensation of employees loses 0.03 percentage points of share per annum, while gross operating surplus gains 0.03 percentage points of share per annum. This is because the shares of the other contributors to factor income, the ownership of dwellings, general government and gross mixed income have stayed fairly constant over the long term.

Figure 69 Corporations gross operating surplus and compensation of employees, share of total factor income, quarterly, %



Source: ABS 5206007, seasonally adjusted, ACTU calculations, and 5206042

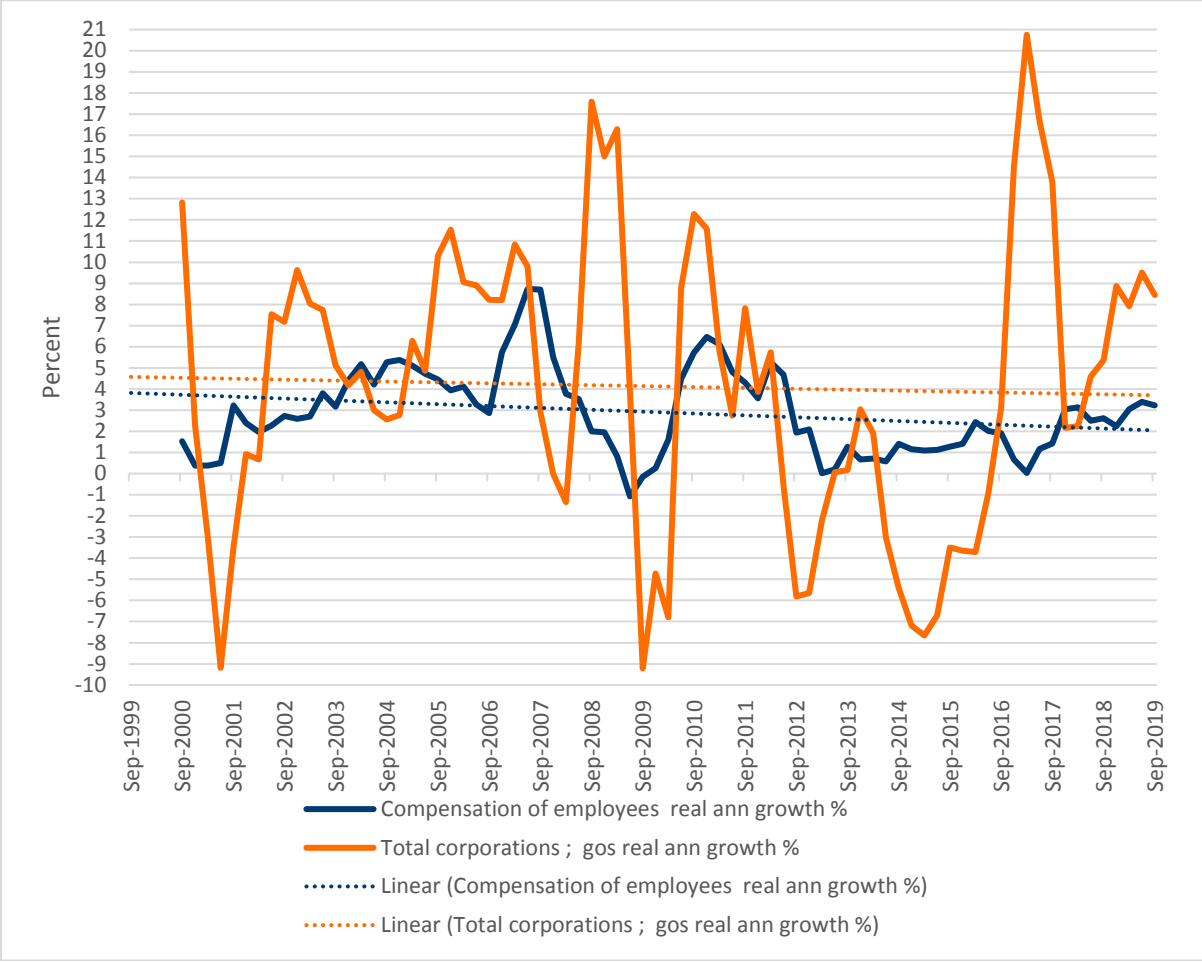
241. The share of employee compensation in total factor income continued to fall, from 52.6% at September 2017 to 52.3% at September 2018 to 52.0% at September 2019. At the

same time the share of corporations' gross operating surplus grew from 27.5% at September 2017 to 28.1% at September 2018 to 29.3% at September 2019.

242. While profits are much more volatile than wages they are growing faster on trend in real terms as indicated by the trend lines in Figure 70. Recently profits in real terms are growing faster than wages as gross operating surplus for corporations advanced 8.4% at September quarter 2019 compared with September quarter 2018, while compensation of employees advanced 3.5% over the same period. Profits grew twice as fast as wages between September 2018 and September 2019 as shown in Figure 70. The update of ABS data to December quarter 2019 shows the volatility of profits, with employee compensation growing 5.1% in nominal terms over the year to December quarter 2019 higher than 2017 while profits grew 4.3% in nominal terms, also above 2017. Again, the ACTU notes that a slow growth rate in profits does not make business unprofitable, particularly when business growth is in labour intensive areas.

243. The share of employee compensation in total factor income rose slightly to 52.3% in the December quarter 2019, still below December 2017 and below March 2012 almost eight years ago. The share of gross operating surplus fell slightly to 39.1%, above December 2017 and near the highest since December 2011 eight years ago.

Figure 70 Gross operating surplus of corporations, and compensation of employees, quarterly, year on year growth, %



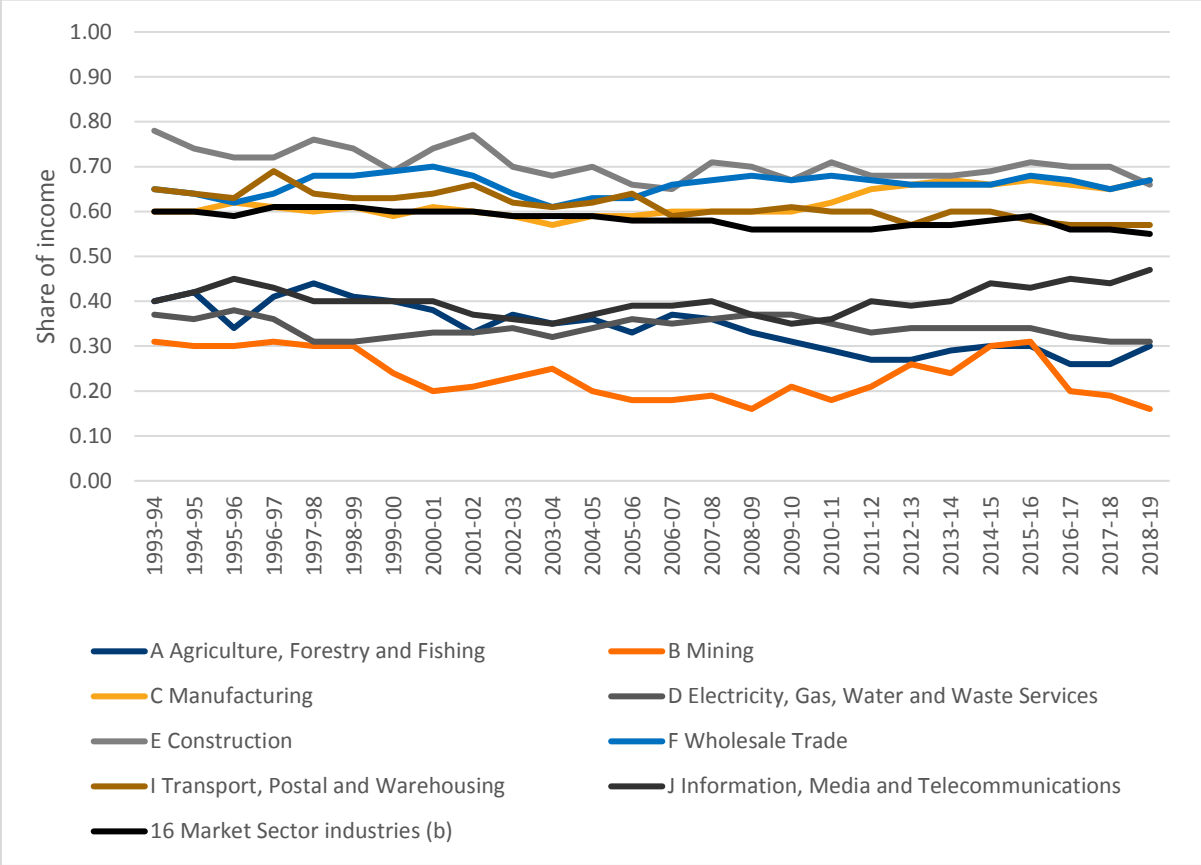
Source: ABS 5206007 and ACTU calculations

244. The increased share of profits is the more concerning given that the employment intensive services share of the economy has been growing at a faster rate than the more capital intensive share as indicated in Figure 39.. The recent increase in profit share and growth in total profit relative to wages do not suggest employers will be put into hardship by paying an increase in minimum wages.

245. Figure 71 and Figure 72 present the "labour income shares" provided by ABS for its MFP estimates in Cat 5260, Table 14, for industrial and services sectors respectively, both compared with market 16 sector labour share of income (black line). The labour income shares are generally larger for services sectors as shown in Figure 72 with more rapidly increasing employment, but Retail trade is the only services sector with an increased labour income share in the last year, while two fell and the others were unchanged. The labour income share for the industrial production sectors has fallen in two and stayed the

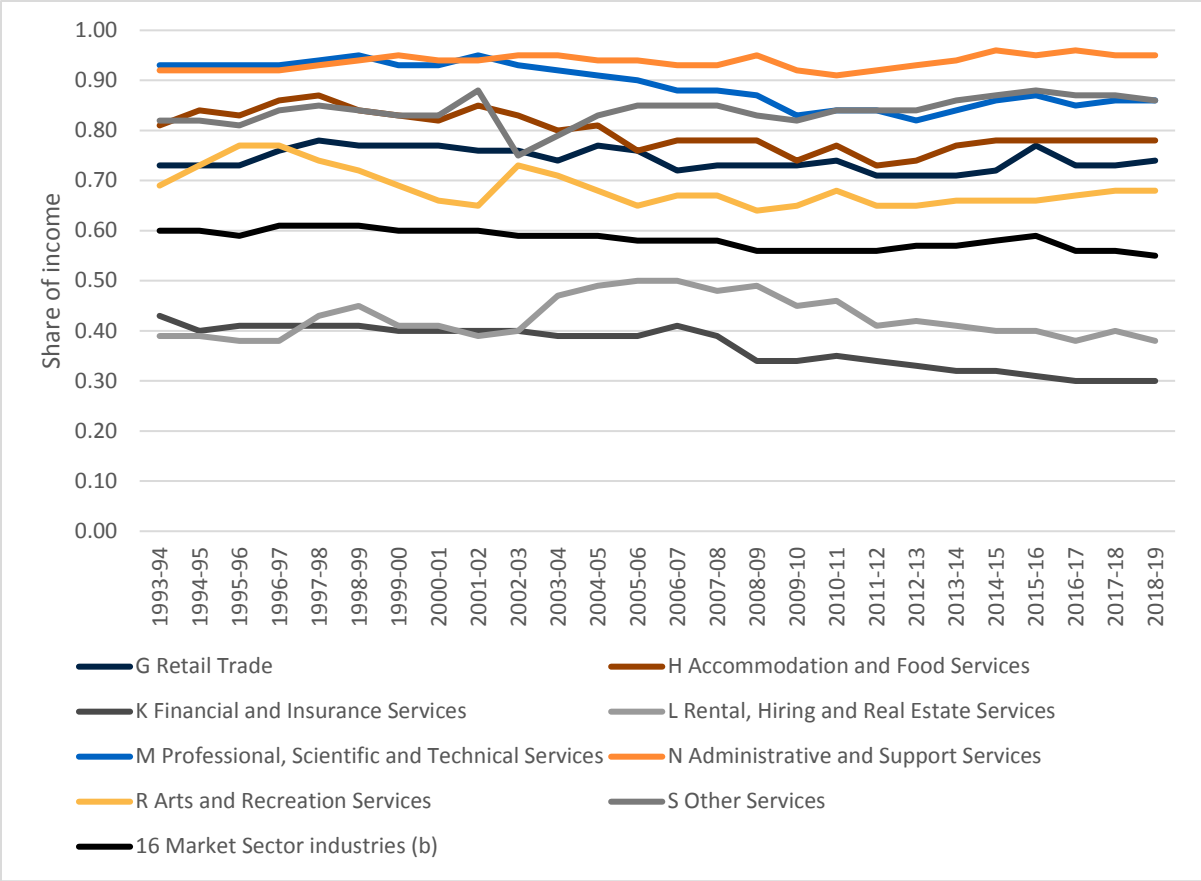
same in two in 2018-19. All together four industry sectors experienced falls in labour income share over the last year..

Figure 71 Labour income shares, industrial production sectors



Source: ABS 5260.0.55.002 Table 14

Figure 72 Labour income shares, services sectors



Source: ABS 5260.0.55.002 Table 14

246. The same ABS data shows the labour share of income has fallen for the 16 market sector average over the year to June 2019 by one percentage point of income, the same as the previous year. This was matched by a percentage point increase in the profit share. The market share does not include some award-reliant sectors such as Healthcare and social assistance.

3.8 Profits

247. The Treasury revised upwards its forecast tax take based on changes in parameters released in PEFO at 17 April 2019 and those in MYEFO released in December 2019. While compensation of employees was a quarter of a percentage point up at MYEFO on forecast at PEFO, corporate gross operating surplus was up half a percentage point over the

forecast.[172] The RBA said in its quarterly *Statement on Monetary Policy* of February 2020: "Strong growth in non mining profits over the past year should support conditions for firms to invest." [173] On that basis a good minimum wage increase can also be supported.

248. From December quarter 2018 to December quarter 2019 profits in Administrative and support services and Retail trade grew faster than wages. Profits grew but more slowly than wages in Accommodation and food services, and fell in Other services while wages grew. Profits have grown 2.3% for total industries counted compared with an increase of 5.0% in wages in the year to December 2019, reflecting the expansion in labour intensive service sectors.

249. The ACTU notes that slower growth in profits does not mean that the business is unprofitable. In concentrated sectors with associated supernormal profits businesses would be expected to have substantial room to operate and still retain adequate profit. It can be a growth strategy for businesses i e strategic.

250. Moreover, businesses exhibit an adeptness at adjusting their behaviour in response to changes in costs and the state of competition. Carter (2019) in the RBA Bulletin of June 2019 argues that a decline in net profit margins in the retail sector is consistent with information from the RBA's liaison program about heightened competition in the retail sector.[174] 60% of the retailers in the RBA's liaison program indicated that they currently review their prices either daily or weekly and the frequency is positively related to increased competition. An increase in price reviews over time is also likely to reflect lower information costs due to technological advance. Mark-ups as the ratio of price to marginal cost were found to have risen over the mid 2000s but to have declined in recent years which also suggests the retail sector has become more competitive.

251. Carter (2019) found that net margins (net profit (after operating costs) as a share of total income) have declined over the last decade. It found that this has been driven by a decline in gross margins which is due either to lower output costs or higher costs of goods sold, and not due to the costs of doing business which include labour and rent. It was found

[172] Australian Treasury 2019 Pre-election Economic and Fiscal Outlook, 17 April; Mid Year Economic and Fiscal Outlook 2019-20, December, p.48

[173] RBA 2020, Statement on Monetary Policy: February, p.36

[174] Matthew Carter 2019 Competition and profit margins in the retail trade sector *RBA Bulletin* 20 June, pp.111-124

that non-food retail firms had "considerable success in lowering their CODB over recent years by reducing their 'other expenses' while labour expenses had remained constant as a share of total income. Food retailing costs as a share of income had been fairly level over the decade, but were a much smaller share of income.[175] On this basis in the ACTU's view increases in the minimum wage in this highly award dependent sector would not appear to have deterred business activity nor threatened the competitiveness of the sector, particularly in relation to labour costs.

252. The Panel in its decision of 2018-19 indicated in reference to profits growth that "there is considerable volatility in the yearly figures over both the past 5 years and 10 years."[176] Figure 74 reveals the huge variation in profits between industry sectors and over time. Mining profits have been much more volatile than non mining profits. Non mining profits growth rates remain positive at 2.1% growth in annual profits for the year to September 2019, compared to mining profits increase of 24.9%.

253. Non mining profits growth is impacted in particular by negative profits growth in Financial and insurance services and in Rental Hiring and Real Estate. Performance in these sectors is subject to specific industry sector impacts and regulatory events. These include the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry established in December 2017 with final report in February 2019[177] and the recent falls in property prices through 2018 and much of 2019[178]. Growth rates in annual profits with the Financial and insurance services (FIS) and in Rental Hiring and Real Estate (RHRE) sectors removed from the non mining sector are greater over the year to September 2019 and pick up in the September quarter 2019 as shown in Figure 73.

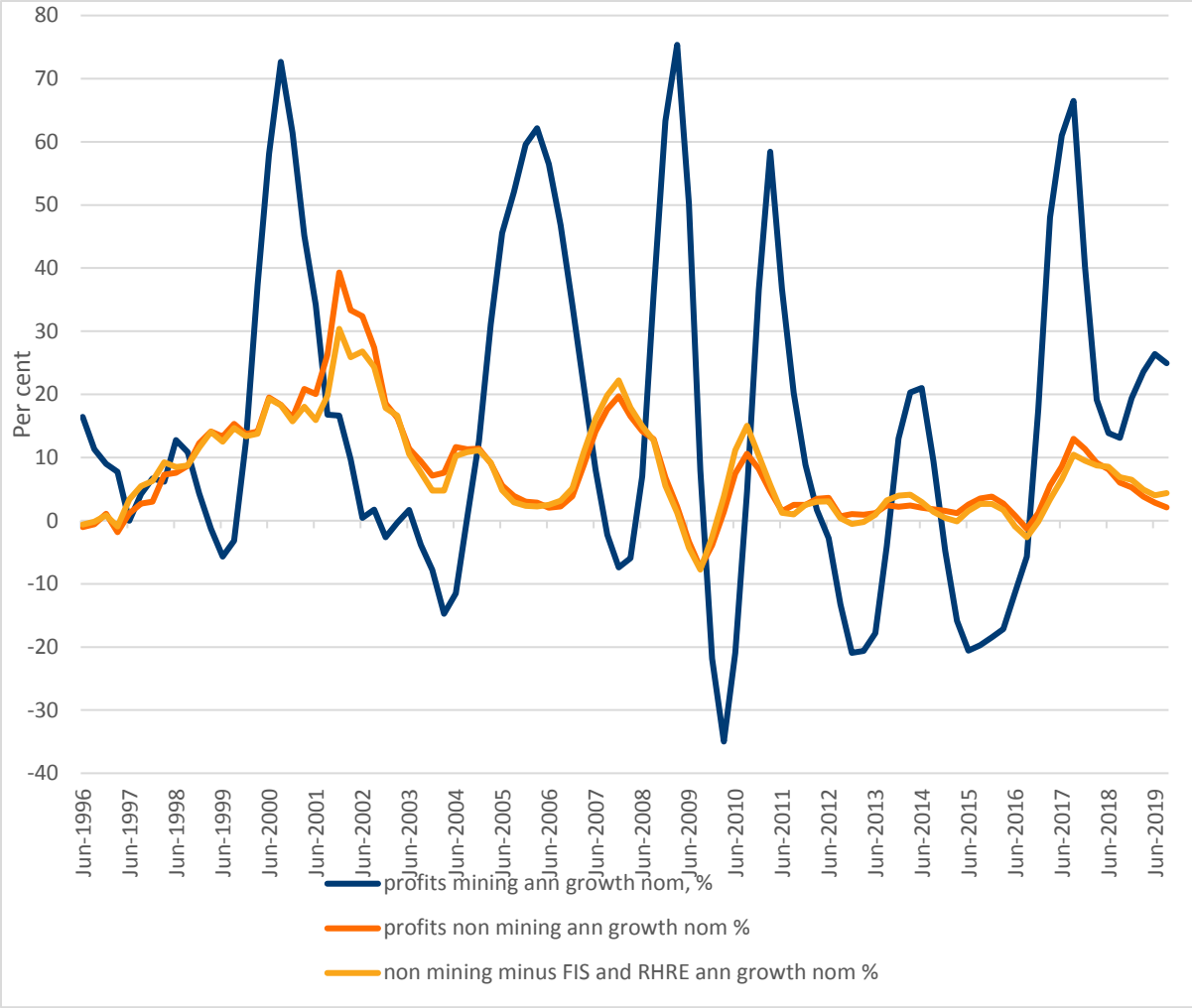
[175] Matthew Carter 2019 Competition and profit margins in the retail trade sector *RBA Bulletin* 20 June, p.120

[176] [2019] FWCFB 2500 [106]

[177] https://financialservices.royalcommission.gov.au/Pages/default.aspx

[178] https://www.rba.gov.au/chart-pack/household-sector.html

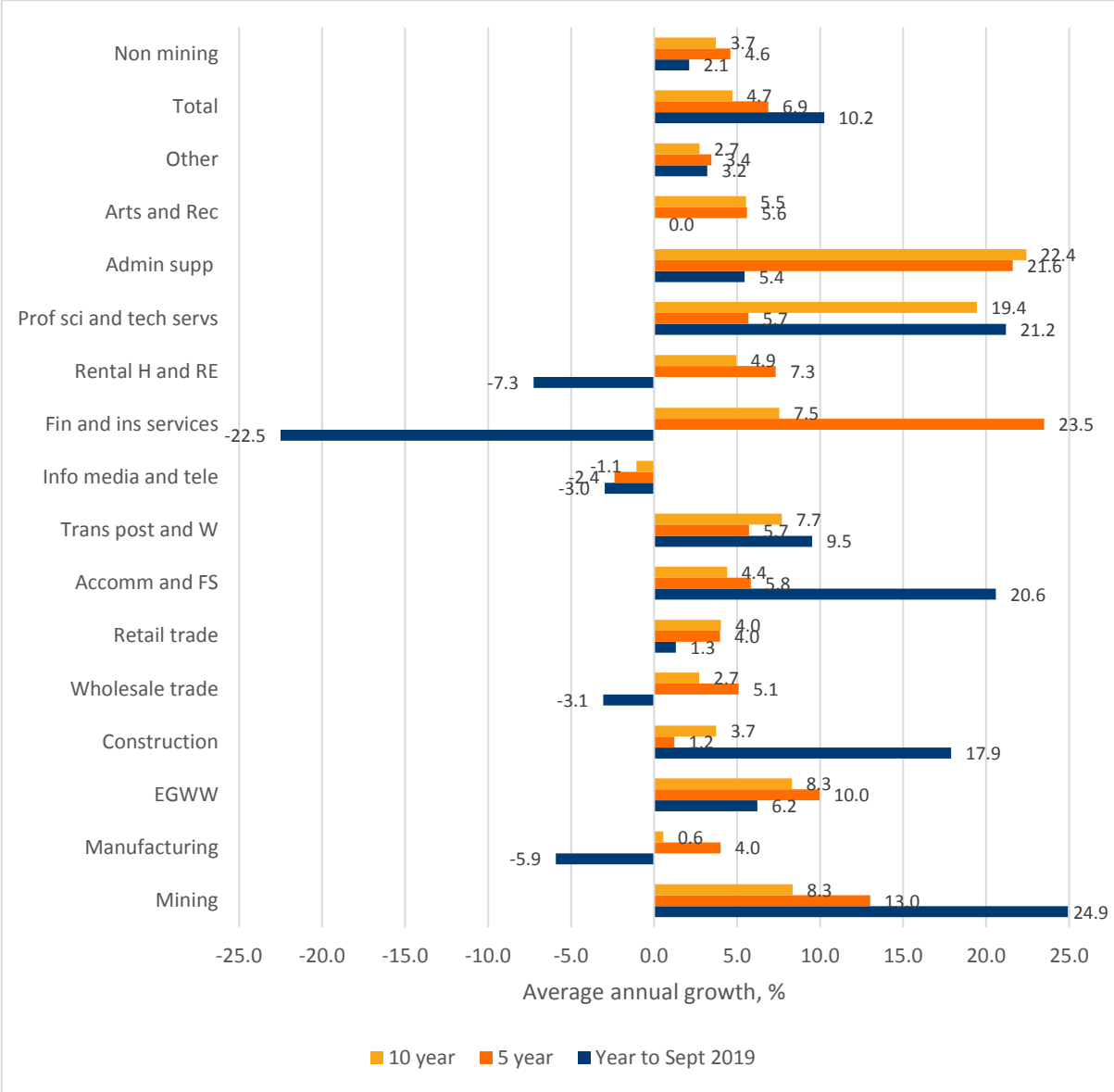
Figure 73 Growth in annual company gross operating profits, %



ABS 5676011 original and ACTU calculations

254. It is noted that the movement in the size of profits across industry sectors is dependent on structural change amongst industry sectors of differing capital intensities and pace of technological advance amongst them. It is also dependent on change in the extent of privatisation and outsourcing, in the amount of subsidy, in firm concentration and also on cyclical and international factors all of which affect different industry sectors differently over time. There has not been a discernible connection between the change in the minimum wage and company profits. Annual growth in mining and non mining annual profits is shown in Figure 73. Growth rates of non mining profits have only been negative at the GFC and at September 2016 as shown in Figure 73.

Figure 74 Average annual growth in year gross operating profits*, industry sector, year to September 2019, 5 year and 10 year averages



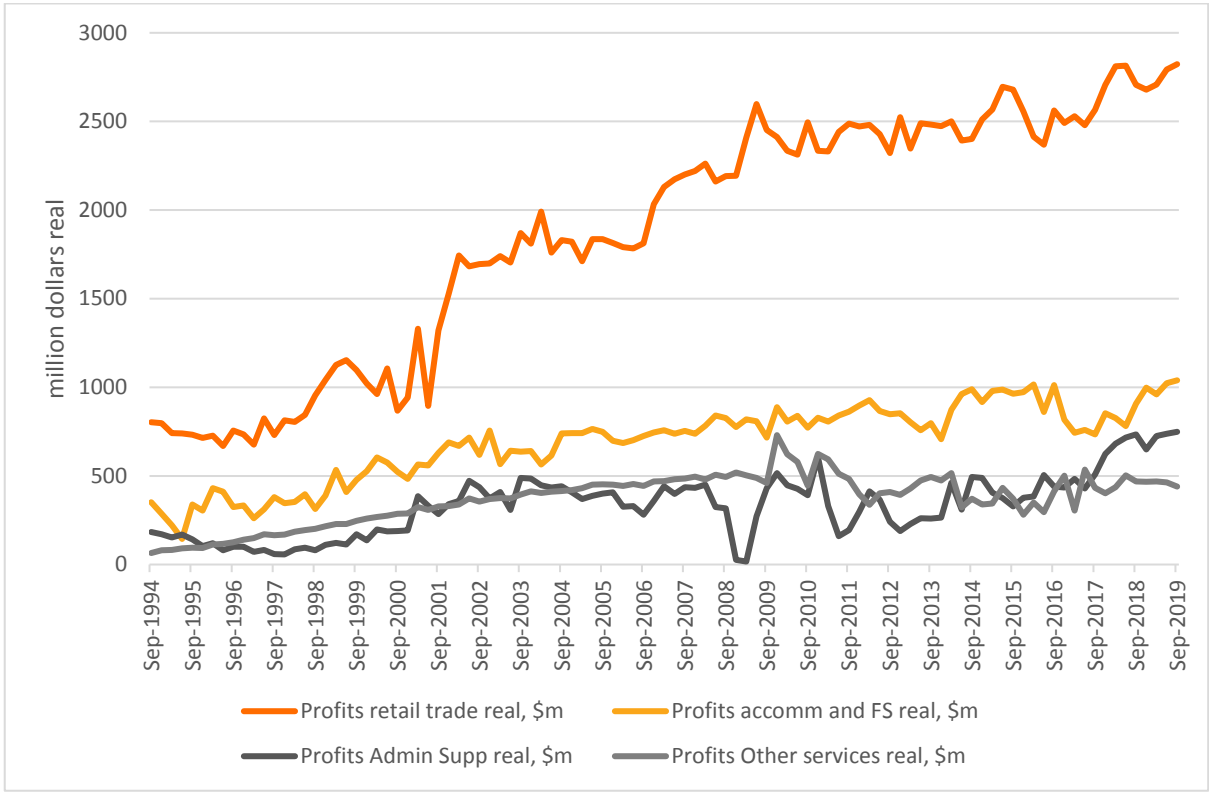
Source: ABS 5676011 and ACTU calculations. Gross operating profits excludes "interest income and expenses; depreciation and amortisation; and selected items which do not involve the production of goods and services such as net foreign exchange gains/losses, gains/losses arising from the sale of non-current assets, and net unrealised gains/losses from the revaluation of current or non-current assets."
https://www.abs.gov.au/AUSSTATS/abs@.nsf/Latestproducts/5676.0Glossary1Sep%202019?opendocument&tabname=Notes&prodno=5676.0&issue=Sep%202019&num=&view=

255. Average annual profit growth in the four more award dependent sectors remains positive for 10 year, 5 year and the most recent year to September 2019 as seen in Figure 74. The data does not include the award dependent sectors of Health care and social assistance and Education and training. The more award dependent sectors included are Retail trade in which profits grew 1.3% in the year to September 2019, Accommodation and food services, 20.6%, Administrative support 5.4%, and Other services, 3.2%. Positive profit growth is more consistent than for the other industry sectors.

256. By contrast with the more award reliant sectors there were five out of the eleven other less award dependent industry sectors which annual profit growth was negative in the year to September 2019. These were Rental hiring and real estate services (-7.3%), Financial and insurance services (-22.5%), Information media and telecommunications services (-3.0%), Wholesale trade (-3.1%) and Manufacturing (5.9%). It seems unlikely that increases in the minimum wage and awards influences profits negatively.

257. Quarterly profits in real terms are shown in Figure 75 to be increasing on trend for three of the more award reliant industry sectors, Retail trade, Accommodation and food services, and Administrative and support services while Other services which covers a wide variety of personal and other services has flattened out over the period after the GFC. This does not allow the inference that profits have been affected by increases in the minimum wage and awards.

Figure 75 Gross operating profits in more award reliant industry sectors, quarterly, real $ million



Source: ABS 5676011, seasonally adjusted, ABS 6401 and ACTU calculations

258. The *Statistical Report* shows that non-mining company gross operating profits grew 2.2% over the year to September 2019, compared with 4.7% average over the five years to September 2019 and 3.8% for the ten years.[179] This compares with the 21.5% increase for mining companies over the year to September 2019, and five year average of 16.4% and ten year average of 11.4% for mining companies. Mining profits have picked up with the production phase.

259. The *Statistical Report,* Table 3.4, shows that profit margins, "operating profits before tax divided by sales and service income" for small business have increased in 2017-18 most recent, and have been higher than for all business, and all very healthy.[180] Profit margins were 18.6% for small business compared with all sizes at 13.1% (excluding Financial and insurance services), also increased, in 2017-18. This compares with the average over five years to 2017-18 for small business profit margins of 17.0% and all sizes of 11.5%. These figures suggest that business and small business, in particular, are far from struggling and are in fact increasing their profits and could certainly afford and have been affording an increase in the minimum wage.

260. The ACTU's submission to last year's AWR offered the most recent data to date regarding small business employers.[181] It noted that the [higher] small business profit margins coincide with a much higher award reliance than for large business. It said:

> According to ABS data from *Employee Earnings and Hours* for May 2018, 35.6% of small business (less than 20 employees) employees (763,100) rely on awards for their pay levels, compared with 19.1% of employees (1,470,000) in larger businesses with 20 or more employees. Further, the average hourly payment for award-reliant workers in small businesses was $25.10 per hour, actually 19.0% less than for award-reliant workers in large businesses, where it was $31 per hour. Overall hourly rates of pay were also much lower for small business at $31.10 per hour compared with large businesses at $41.24, a difference of 24.6%.[182]

261. The ACTU notes that the small business sector accordingly has had much higher exposure to the recent minimum wage and award increases respectively than did large business. It cannot be said that the slightly lower increase in the minimum wage last year of 3.0% has

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[179] p.12, Table 3.3

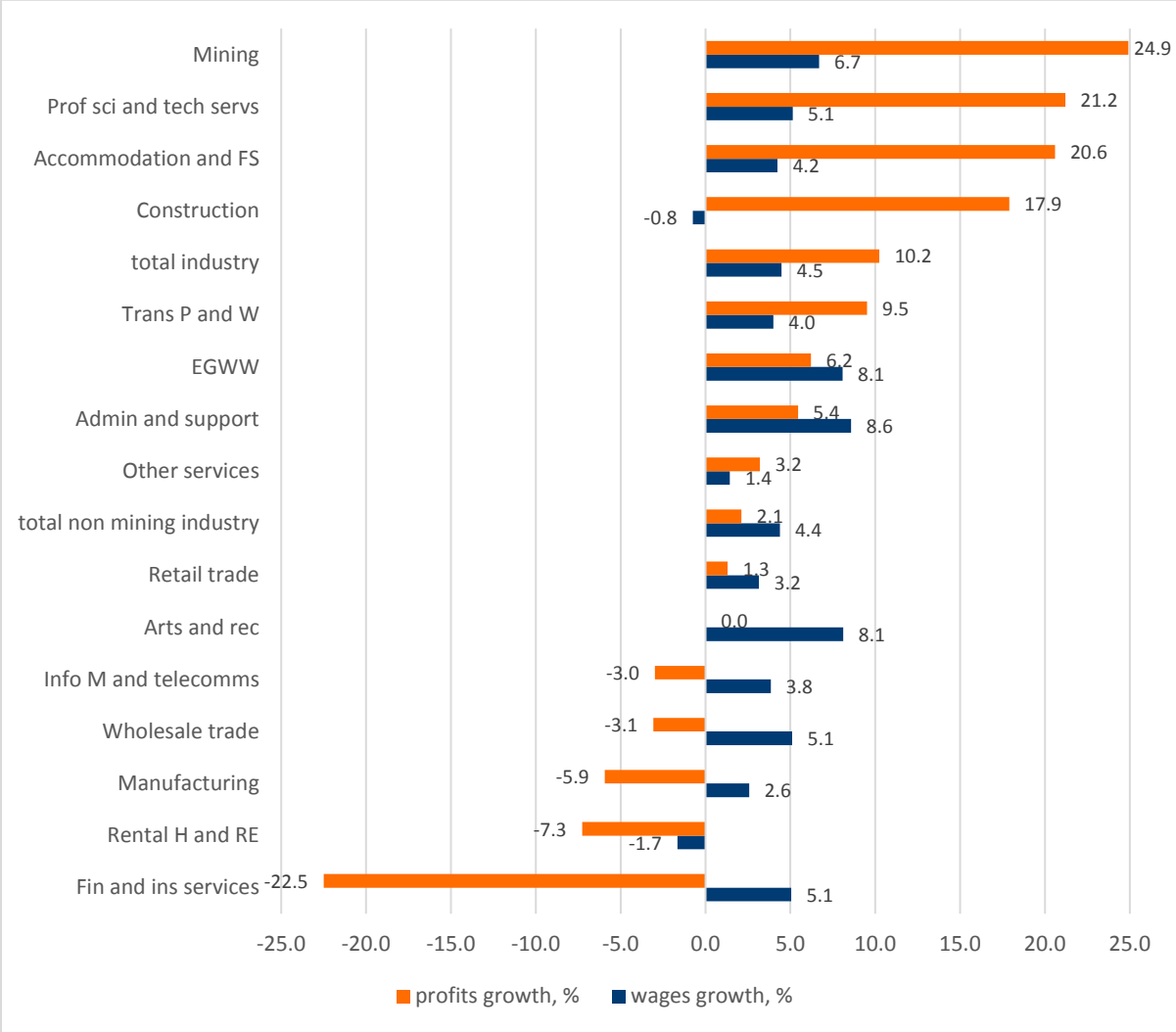
[180] p.13, Table 3.4, based on ABS 8155

[181] ACTU 2019 initial Submission to Annual Wage Review 2018-2019, pars 172 to 174

[182] ABS 2018 *Employee Earnings and Hours*, May 2018 63060DO005_201805, and ACTU calculations

led to higher profits than the previous two years' increases of 3.3% in 2017 and 3.5% in 2018. Figure 76 shows how annual profits have grown compared with annual wages over the year to September 2019.

Figure 76 Wages and profits, industry sectors, annual growth rates in annual, nominal, year to September 2019



Source: ABS 5676011 gross operating profits, 5676017 wages, original, ACTU calculations for annual totals and annual growth.

262. All the more award-reliant sectors have increased profits and wages for the 12 months to September 2019. Accommodation and food services profit grew 20.6% in the year to September 2019, the third highest rate of any industry, while its wages grew only 4.2%. Other services profits grew 3.2% while its wages grew 1.4%. However, in the very labour intensive Administration and support profits grew 5.4% while its wages grew faster at 8.6%. Retail trade profits grew 1.3% while its wages grew faster at 3.2% for the year to September 2019

263. There is no consistent pattern of profit and wages growth for the more award reliant sectors. No grounds can be found here for limiting the increase in the minimum wage, including in the fast growing labour intensive sectors. Moreover the additional spending forthcoming would in turn benefit the profits of businesses as the IMF has recognised in relation to fiscal stimulus and infrastructure spending for Australia.[183]

3.9 Business bankruptcy rates

264. The *Statistical Report* shows that the business bankruptcy rate fell slightly from 0.37% for 2017-18, to 0.34% for 2018-19, while remaining fairly constant for the two years prior and now similar to lowest point of 0.34% at the GFC, based on Australian Financial Security Authority (ASFA) data. The bankruptcy rate is defined as the number of business-related bankruptcies divided by the number of owner managers of an unincorporated enterprise in the economy.[184]

265. The ACTU notes there is a change in the way bankruptcies are counted by the Australian Financial Security Authority (AFSA) from March quarter 2019 whereby "If multiple debtors in the same state or territory enter into a joint administration, they are only included once in these figures."[185] Insofar as comparison with previous years can be made given the unknown impact of the change in the March quarter 2019 on the figures for financial year 2018-2019, there were fewer business-related bankruptcies in 2018-19 than any year since 1994-95. The series is volatile and highly procyclical as shown in Figure 77. For the financial year 2018-19 including the data change for March quarter 2019, there were 15,329 business-related bankruptcies, 1482 less than the 16,811 recorded in 2017-18. Bankruptcies fell in 2018-19 in all states except WA where they rose by 17 or 0.8%.

266. If falling bankruptcy is an indicator of the viability of firms, then we would expect that an increase in the minimum wage would not be an impost for them. As indicated in the ACTU's submission to last year's AWR, wage pressures have not been linked to

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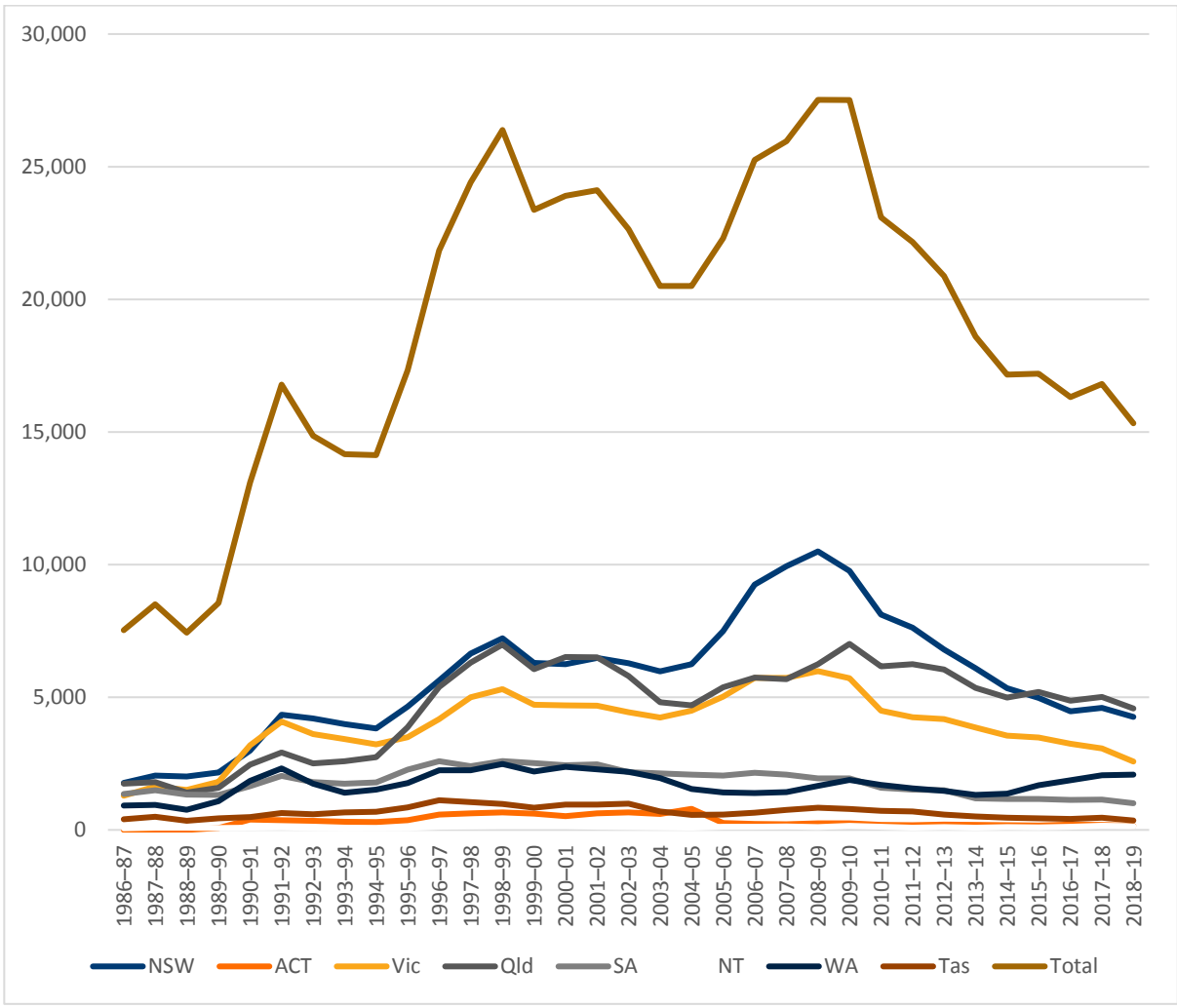
[183] Gerry Rice Director IMF Communications Dept IMF 2020 IMF Press Briefing https://www.imf.org/en/News/Articles/2020/01/30/tr013020-transcript-of-imf-press-briefing in which he indicated favouring stimulus: "We believe the government has more than sufficient fiscal space to be able to respond in terms of additional support to businesses and families which have been impacted."

[184] See Chart 3.3 of the *Statistical Report*, p.15

[185] Australian Financial Security Authority 'Quarterly personal insolvency time series December quarter 2019', Australian Government, Canberra https://www.afsa.gov.au/statistics/time-series [accessed 12 February 2020]

bankruptcy.[186] The puzzle remains that the slow growth in wages has been sustained despite falling rates of bankruptcy.

Figure 77 Number of bankruptcies, states and total Australia.



Source: Australian Financial Security Authority 'Quarterly personal insolvency time series December quarter 2019', Australian Government, Canberra https://www.afsa.gov.au/statistics/time-series [accessed 12 February 2020]

[186] ACTU 2019 initial Submission to Annual Wage Review 2018-2019, par 177

3.10 Business entry and exit

267. The number of businesses overall grew by 2.7% in 2018-19, down from 3.4% the previous year and 3.1% the year before that. Entries were a 15.4% increase on the number of businesses at the start of 2018-19, down from 15.4% in 2017-18. Exits were up to 12.7% in 2018-19 from 12.5% in 2017-18.[187] The slight differences in these figures from previous years, does not detract from a conclusion that the overall business is healthy, and growing.[188]

268. The number of businesses in three of the award-reliant sectors grew amongst the fastest of any sector in 2018-19. However, a number of heavily award reliant industries show positive results. The number of businesses in Retail trade is tracking upwards, having grown by 1.0% in 2018-19, up from 0.1% in 2017-18, reversing the pattern of negative growth in 2015-16 and 2016-27. The number of business in Health care and social assistance grew by 4.7%, up from 4.5% in 2017-18. The number of businesses in Administrative and support services by grew by 5.5%, only slightly down from 5.6% in 2017-18., while Accommodation and food services grew 0.8%, down from 1.6% in 2017-18.

269. Table 1 shows the growth in number of businesses, employment share, growth in the number of employees and growth in the number of hours worked by sector. The 5 award-reliant industries are highlighted.

[187] ABS 8165

[188] ABS 8165

Table 4: Growth in the number of businesses by industry, share of employment, growth in employees and in hours worked, 2018-19

Industry	Growth in number of businesses, % 2018-19	Share of employment, November 2019	Growth in number of employees, % Year to November 2019	Growth in hours worked, % Year to November 2019
Agriculture, Forestry and Fishing	-0.9	2.46	-4.22	-3.40
Mining	0.5	1.93	-2.08	-8.80
Manufacturing	1.1	7.06	1.66	1.63
Electricity, Gas, Water and Waste Services	5.1	1.19	-1.12	-0.53
Construction	2.4	9.15	2.67	0.36
Wholesale Trade	1.5	2.90	-7.15	-7.08
Retail Trade	**1.0**	**9.81**	**-1.51**	**1.74**
Accommodation and Food Services	**0.8**	**7.15**	**2.50**	**4.34**
Transport, Postal and Warehousing	7.7	5.07	-0.05	-0.90
Information Media and Telecommunications	4.7	1.61	-5.73	-10.33
Financial and Insurance Services	2.3	3.55	4.81	5.03
Rental, Hiring and Real Estate Services	1.8	1.66	1.15	-1.72
Professional, Scientific and Technical Services	3.4	8.83	7.06	9.57
Administrative and Support Services	**5.5**	**3.37**	**6.22**	**12.71**
Public Administration and Safety	2.4	6.44	0.39	0.67
Education and Training	5.1	8.38	2.51	0.67
Health Care and Social Assistance	**4.7**	**13.67**	**5.35**	**3.46**
Arts and Recreation Services	4.1	1.94	4.77	0.58
Other Services	**4.0**	**3.85**	**2.88**	**3.89**
All Industries	2.7	100.00	2.01	-0.51

Source: ABS cats 8165, 6291.0.55.003 (seasonally adjusted for growth, original for share) and ACTU calculations. First column shows the percentage change from businesses operating at the start of the 2017-18 financial year.

270. These data do not suggest business is facing increasing hardship. The hours worked increased by 4.34% in Accommodation and food services, and 3.46% in Health care and social assistance (a more significant increase than for the same dataset last year). The hours worked in Retail grew by 1.74%, against a fall for the same dataset in the previous year).

271. All of the award reliant industries recorded growth in the number of businesses, and the number of hours worked. All but Retail Trade recorded growth in the number of employees. That the number of employees fell in Retail Trade while the number of hours worked in that sector rose suggests an idiosyncratic cause – such as rationalisation of business structures in larger employers.

272. The business survival rate increased slightly from 64.1% for June 2013 to June 2017 to 64.5% for June 2014 to June 2018.[189] The business survival rate again increases again for the June 2015 to June 2019 data set, rising to 64.9.[190] The business survival rate has increased in each financial year from June 2014 to June 2019.[191]

273. The entry and exit data overall, in conjunction with the data on hours worked etc. shows a healthy Australian business environment that is continuing to grow. The data shows that the effect of previous wage panel decisions has not hampered the business environment - it certainly has not disinclined new entrants – nor has it led to reductions of working hours.

3.11 Inflation

274. The Panel stated in its Decision for 2018-19 that "Inflationary pressure is non-existent and, notably, the increases we have awarded appear to have had little effect on overall wages growth either generally or in the 5 most award-reliant industries."[192] Its decision of 2018-2019 had regard to the drop in inflation.[193] It was satisfied its increase would "mean an improvement in the real wages" for those reliant on the minimum wage and awards.[194]

275. The IMF Staff Concluding Statement of the 2019 Article IV Consultation Mission said on December 13, 2019: "Wage growth has remained sluggish, reflecting persistent labor market slack, and inflation and measures of inflation expectations have dropped to below Australia's 2 to 3 percent target range."[195]

276. Richard Varghese in the IMF Blog of November 11 2019 says in relation to Europe that "the link between wage growth and inflation has been weakened in recent years" with low inflationary expectations and "robust corporate profitability", while wage growth has

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[189] FWC Statistical Report – AWR 2019-20 p.16 Chart 3.5

[190] ABS cat 8165.0

[191] FWC Statistical Report – AWR 2019-20 p.16 Chart 3.5; ABS cat 8165.0

[192] [2019] FWCFB 3500 [72]

[193] [2019] FWCFB 3500 [81]

[194] [2019] FWCFB 3500 [82]

[195] IMF 2019 Staff Concluding Statement of the 2019 Article IV Consultation Mission, December 13 https://www.imf.org/en/News/Articles/2019/12/12/mcs121319-australia-staff-concluding-statement-of-the-2019-article-iv-consultation-mission

picked up in some European countries.[196] Varghese notes that "the passthrough of wage growth to inflation is significantly lower when corporate profits are healthy" because "profitable firms can absorb a higher wage bill without raising prices, especially if they want to preserve market share". The further puzzle for Australia is that while inflation and inflationary expectations are low and profitability healthy, wage growth continues over a long period to be low and lower than the increase in the minimum wage and awards. On the basis of the IMF argument for Europe, wages can be increased in Australia without hurting inflation or profitability, yet firms have not done that.[197] In the absence of other means of raising wages, it remains for the Annual Wage Review to effect that through an adequate increase in the minimum wage and awards.

277. In the ACTU's view conditions regarding inflation are little different this year. Indeed, the rate of inflation has been remarkably stable over the last five years, from December 2014 to December 2019. There is no evidence that the minimum wage increases of the last three years have fed through to inflation. This suggests that at least minimum wage and award increases along with any other wage increases occurred without recourse to raising prices.

278. As the RBA said in its February 2020 quarterly *Statement on Monetary Policy*: "Continued spare capacity in the economy and associated low wages growth have weighed on inflation outcomes for a number of years."[198]

279. The ACTU is of the view that the this presents a further opportunity to raise the minimum wage and modern award minimum wages. Inflation was at 1.8% for the year 2019, December quarter 2018 to December quarter 2019, the same as the previous year, 2018, and down from 1.9% for 2017 as measured by CPI.[199]

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196 https://blogs.imf.org/2019/11/11/europes-wage-price-puzzle/ accessed 13 February 2020

197 This is discussed in detail in IMF 2019 *Regional Economic Outlook for Europe* Ch2 Wage Growth and Inflation in Europe" A Puzzle?" October

198 RBA 2020, Statement on Monetary Policy: February, p.63

199 ABS 6401 and F *Statistical Report* Chart 4.1, p.18

280. The RBA has revised up its inflation forecasts to June 2020 in the *Quarterly Statement on Monetary Policy* of February 2020. It had forecast 1 ¾ % for December 2019 against the actual of 1.8% and has revised down its forecast for June 2020 of 2% down to 1 ¾%, and through to June 2021. In the ACTU's view, any impact of the fires on the cost of food, some essential items and the costs of building materials and potentially new builds and repairs is yet to be shown.

281. In the ACTU's view, there appears to be no mechanism in operation in the Australian economy for raising wages. Employers who are in the position to raise wages have not done so. Raising minimum wages may be the sole mechanism by which wage increases can occur, and certainly for low paid workers.

3.12 Wages

282. Despite a range of national and international authorities anticipating a pickup in wage growth for years now, there has been no significant increase in wage growth forthcoming. As referred to at paragraph 286 the IMF said that wage growth has remained sluggish. [200]

283. The Treasury in its *MidYear Economic and Fiscal Outlook* of December 2019 said: "Ongoing employment growth is expected to support a pick-up in wage and consumer price growth across the forward estimates, albeit more gradually than at PEFO."[201]. After an actual WPI figure of 2.3% for the year 2018-19, it revised down its forecast WPI for 2019-20 from 2¾% at PEFO to 2.5% at MYEFO.[202] However the WPI at the September quarter 2019 was 2.2%, and also 2.2% at the December quarter 2019. In the ACTU's view it is not evidence whence that wage increase would be forthcoming, if not through minimum wage and award increases.

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[200] IMF 2019 Australia: Staff Concluding Statement of the 2019 Article IV Consultation Mission, December 13 https://www.imf.org/en/News/Articles/2019/12/12/mcs121319-australia-staff-concluding-statement-of-the-2019-article-iv-consultation-mission

[201] The Treasury 2019 *MidYear Economic and Fiscal Outlook* December, p.12

[202] The Treasury 2019 *MidYear Economic and Fiscal Outlook* December, p.18

284. The RBA in its *Statement on Monetary Policy* of February 2020 said:

> "Wages growth has been low and steady for some time, in line with the spare capacity still in the labour market, as well as the constraints implied by the wages policies of various governments. As the unemployment rate declines and the labour market tightens, some limited upward pressure on wage outcomes can be expected."[203]

As unemployment has fallen on trend from 6.3% seasonally adjusted at July 2015, four and a half years to 5.1% at December 2019, no upward pressure on wage growth can be discerned. In the ACTU's view the RBA is wise to apply the qualifier 'limited' to any future upward pressure on wages outcome. If recent experience is anything to go by, the increases awarded by the Panel may be the only upward pressure on such outcomes.

285. The RBA also said: "The low rate of wages growth implies that there is spare capacity in the labour market .. . Despite strong employment growth, the unemployment rate is around the same level as one year ago and the underemployment rate remains elevated."[204] The RBA also indicates that "the distribution of wages growth across jobs has been more compressed over the prolonged period of low wages growth than it was during the 2000s."[205] In the ACTU's view even if the model of the relationship between spare capacity and wages is believed, there are no signals in the state of the labour market to suggest that wages will increase.

286. The RBA says that information based on its liaison program "suggests that the share of workers that have been receiving wage growth outcomes above 3 per cent has declined to around 20 per cent. Instead, close to half of the wages outcomes are now between 2–3 per cent."[206] The RBA also says

> "Over recent years, annual wages growth for award-reliant workers has been between 3–3½ per cent as a result of annual decisions by the Fair Work Commission (FWC). This directly affects wages growth for around 20 per cent of employees who are on an award wage. There has also been an increase in recent years in the number of wages outcomes in EBAs that are in some way linked to the FWC decision."[207]

1. The RBA says "The proportion of new EBAs with a term of three years or more has also increased; the average wage outcome in these agreements is around 2½ per cent. By

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[203] RBA 2020, Statement on Monetary Policy: February, p.2

[204] RBA 2020, Statement on Monetary Policy: February, p.68

[205] RBA 2020, Statement on Monetary Policy: February, p.68

[206] RBA 2019, Statement on Monetary Policy: February 2020, pp.68-69

[207] RBA 2019, Statement on Monetary Policy: February 2020, pp.69

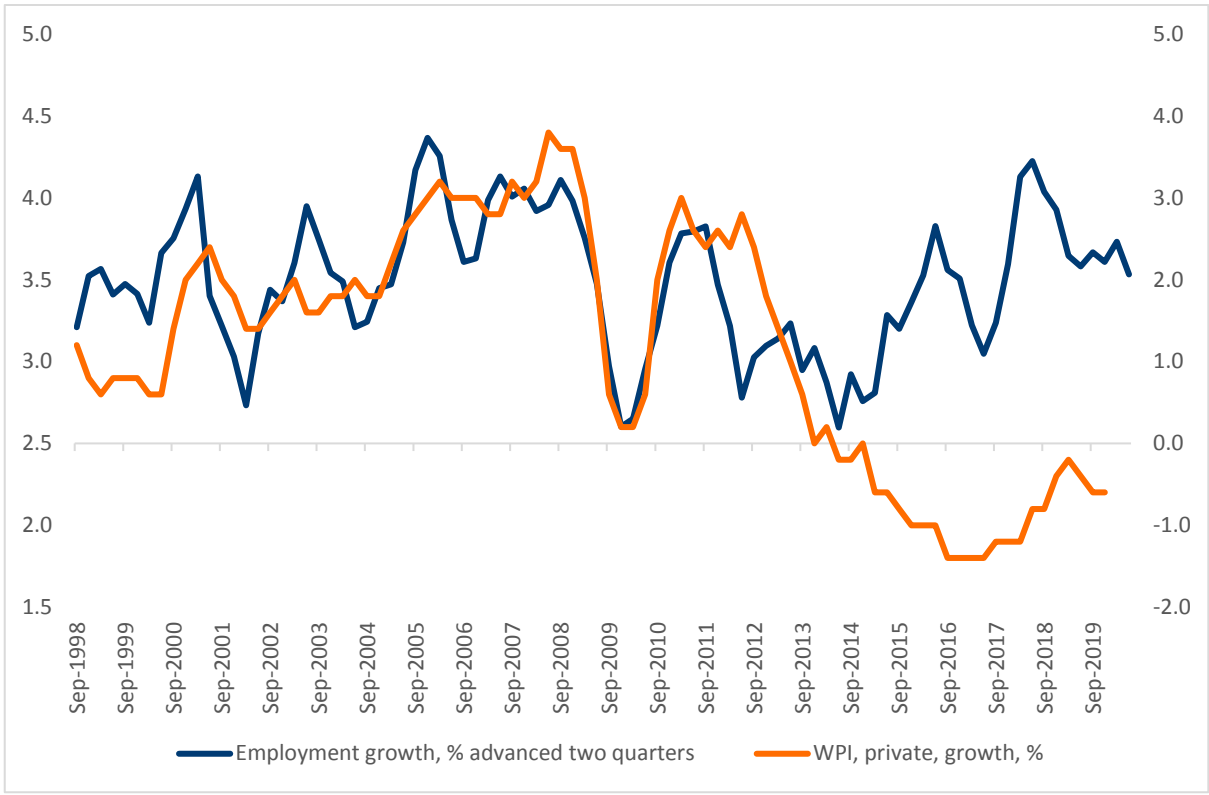
locking in lower wage outcomes for longer, these EBAs could contribute to wages of EBA-covered workers being slower to pick up than was the case in the past."[208] "The main driver of labour income growth is expected to be a pick-up in employment growth, rather than an increase in wages growth."[209]

287. Figure 78 indicates that employment growth has lead WPI up until 2014 but the relationship has collapsed thereafter. Figure 78 presents WPI private sector annual growth rates and annual employment growth with the latter advanced two quarters. It clearly shows that up to 2014, WPI followed employment growth of half a year earlier. Since then a wide gap has grown between the growth rates of WPI and employment, with WPI failing to respond to employment growth which has surged ahead regardless. In the ACTU's view this strengthens the argument that employment growth is failing to yield the wage increases anticipated from it.

[208] RBA 2019, Statement on Monetary Policy: February 2020, p.70

[209] RBA 2019, Statement on Monetary Policy: February 2020, p.73

Figure 78 WPI private sector growth and employment growth six months later, %



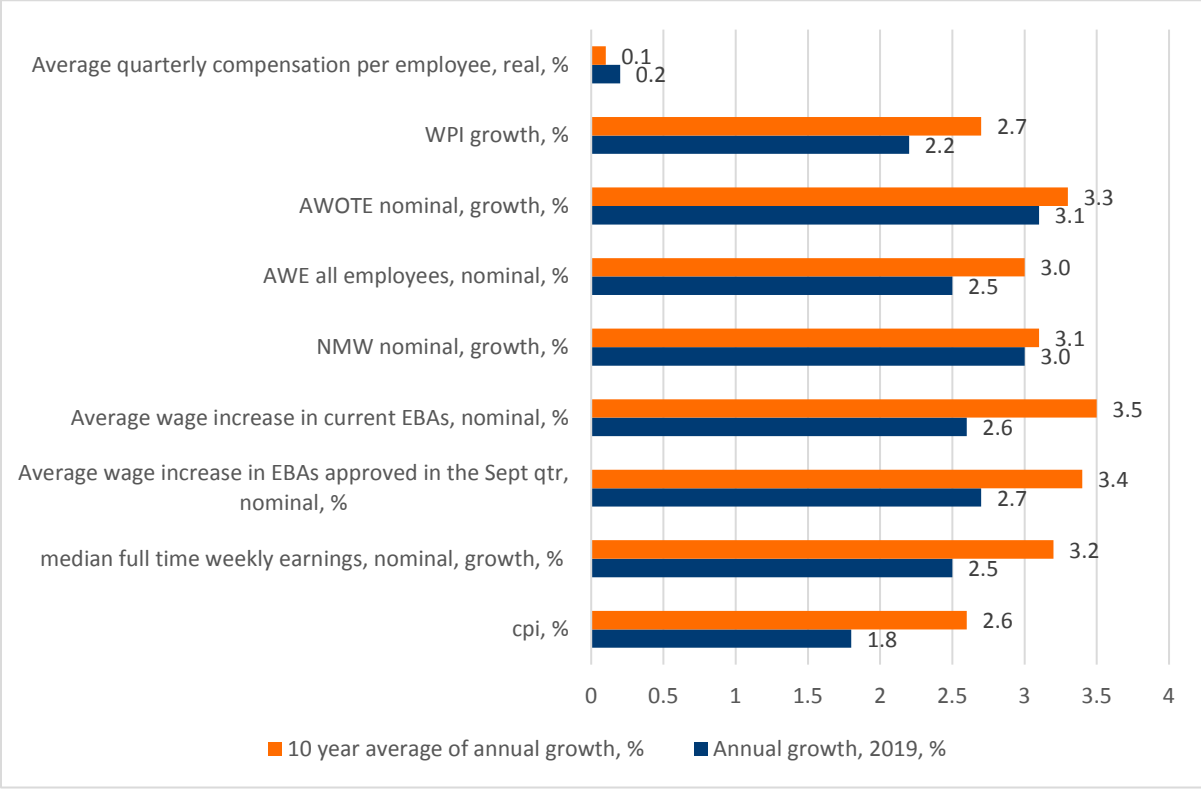
Sources: ABS 634501, 6202

288. In the ACTU's view the RBA's observations in paragraphs 297 and 1 point to the significance of the increase in the minimum wage and awards as a primary if not the only source of much needed wage growth.

289. In the ACTU's view, it is quite unclear from this where wages growth is expected to come from for Australia. It appears that an increase in the minimum wage is left to play an instrumental role, as indicated by the quarterly movements in WPI which generally decrease through the financial year.

290. Almost all measures of wages have grown less over 2019 than their average pace over the last ten years, as shown in Figure 79. The only exception is quarterly real compensation per employee which increased 0.2% in the December quarter compared with the average of quarterly growth over 10 years of 0.1%.

Figure 79: Various measures of wages growth, 2019, per cent



Source: Average compensation per employee is from ABS 520607, quarterly seasonally adjusted, and ABS 6401. Wage Price Index from ABS 6345 seasonally adjusted. AWOTE and AWE from ABS 6302 adult. Median weekly full-time earnings from ABS 6333. Minimum wage from past FWC/AFPC/AIRC decisions. Average annualised wage increases in federal enterprise agreements ('EBAs') from the Department of Employment Trends in Federal Enterprise Bargaining. Rates of change are ACTU calculations. CPI is from ABS 6401

291. The wage price index (WPI) is a measure provided by ABS which also informs on wage movements. "The WPIs measure changes over time in the price of wages and salaries unaffected by changes in the quality or quantity of work performed."[210] The ACTU notes that as such it cannot well reflect the changes in distribution of wages across workers, nor structural change which may affect the frequency of unpaid work.

292. The Wage Price Index for total industry rose by 2.2% from September quarter 2018 to September quarter 2019, the same as at September quarter 2018. This was the net outcome of quarterly movements which follow a pattern of being higher in the September quarter compared with the other quarters for each year since the WPI series commenced.

[210] http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/6345.0Explanatory%20Notes1Dec%202016?OpenDocument

The only exception was at the GFC when quarter figure for December quarter 2008 was higher at 1.2% than the September quarter of 1.1%.

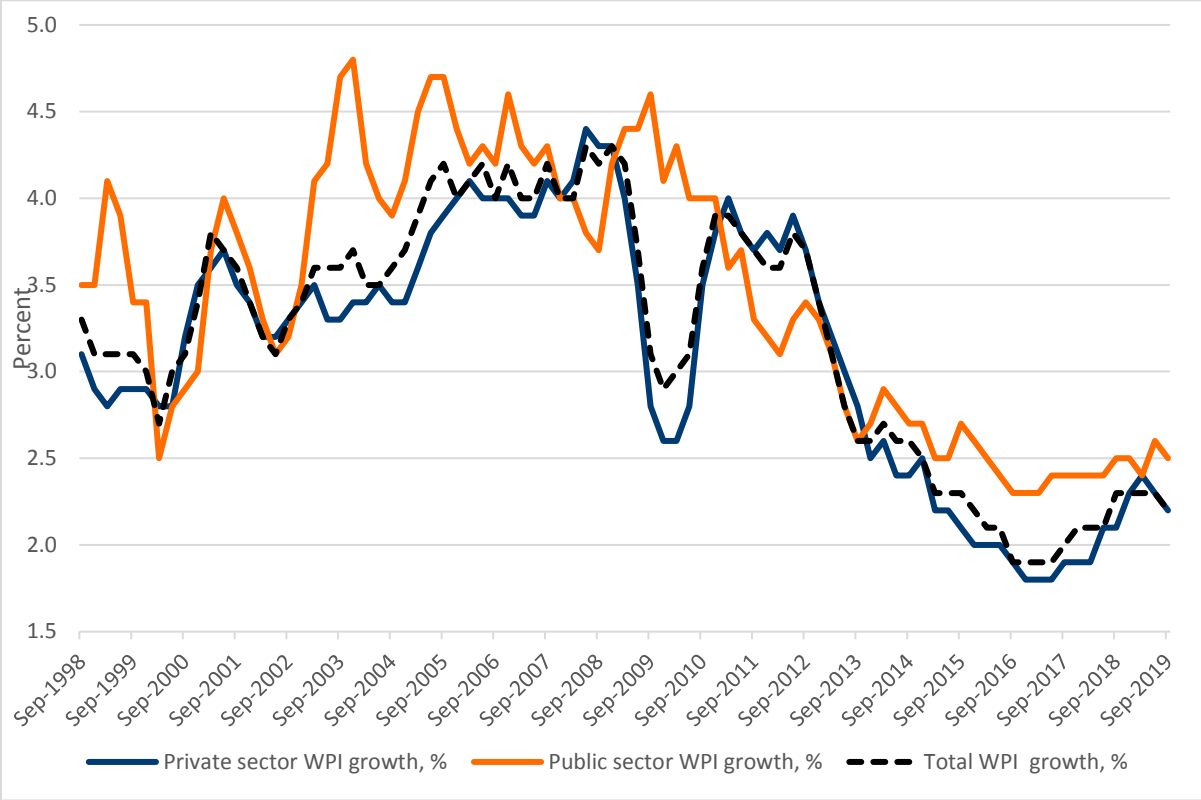
293. In the update to December quarter 2019, the Wage Price Index grew by 2.2% in the year to December 2019, just above 2.1% for 2018 and still close to the lowest on record.

294. The WPI has not been more than 2.3% for the year to any quarter since December 2014 when it was 2.5%, still lower than recorded previously as shown in Figure 80. The two previous low points were 2.7% at March quarter 2000 and 2.9% March quarter 2010. The WPI has been lower than 2.9% ever since June quarter 2013.

295. The WPI average for the last ten years, from December quarter 2009 to September quarter 2019 is 2.7%, a full percentage point lower than for the ten years prior of 3.7%, December 1999 to September 2009. It has never regained the growth rates prior to the GFC.

296. The growth rates of WPI in the public and private sector are also shown in Figure 80. Private sector WPI has grown 2.2% from September quarter 2018 to September quarter 2019, up from 2.1% for the previous year, and still below the low point at the GFC of 2.6%. Public sector WPI increase is 2.5% to September quarter 2019, unchanged from the year before. This amounts to a flattening out of WPI over the last year. The institutional forces that constrain wages remain in place. This leaves the increase in the minimum wage to do the heavy lifting for wage increases.

Figure 80: Growth in public sector, private sector and total WPI, from corresponding quarter of previous year, seasonally adjusted, %



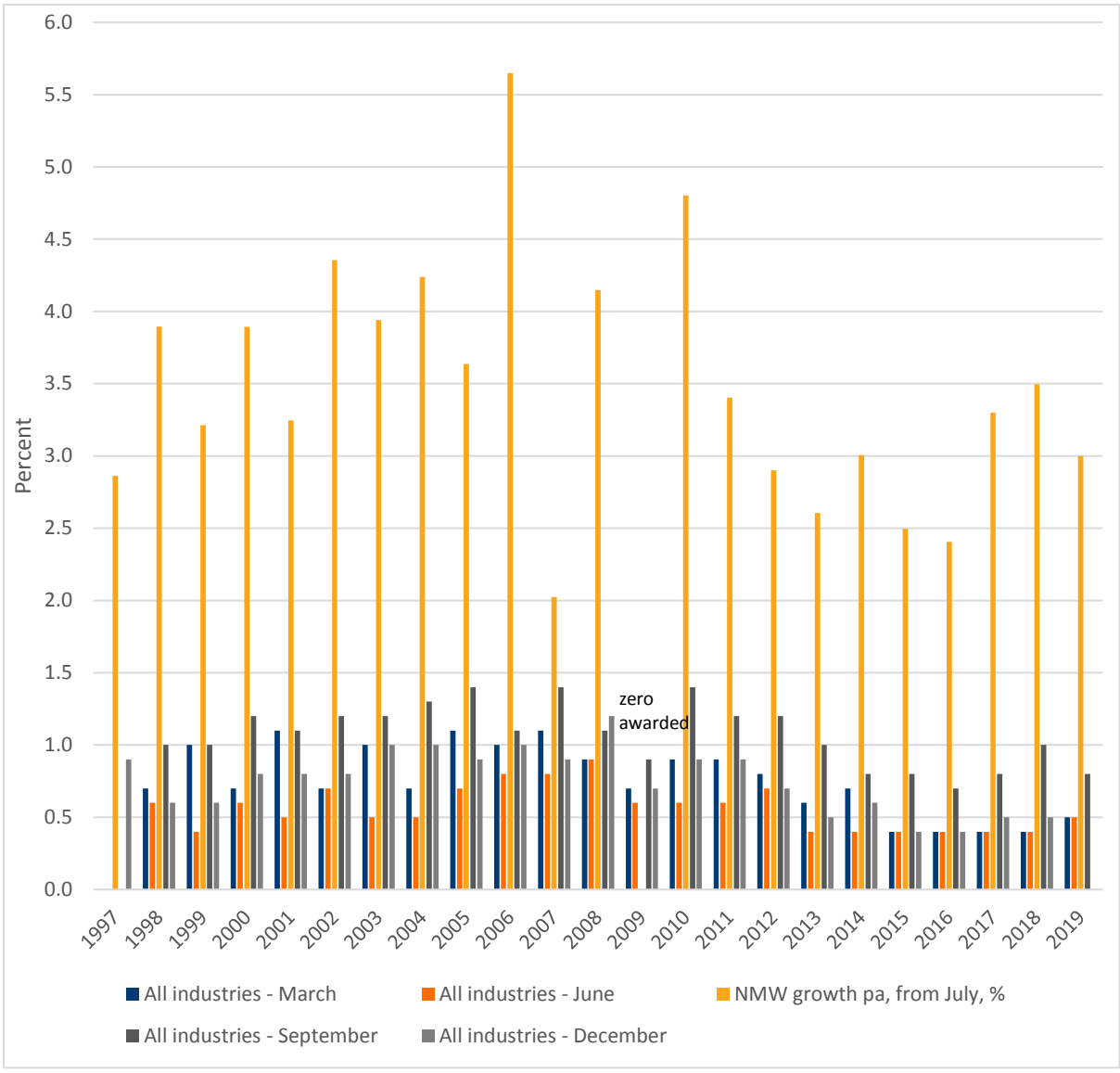
Source: ABS 634501, seasonally adjusted

297. Chart 5.2 of the *Statistical Report,* lends support to the slow growth of wages, showing the annual changes in WPI across industries to be lower for the year to September quarter 2019 to be lower than the ten year average except for Health care and social assistance (where workers will receive their last increment under the *Equal Remuneration Order* in December of this year).[211]

298. The ACTU notes that while the biggest effect of the NMW increase and awards on wages is clearly a direct one, there is some feed through into wage increases generally, based on the WPI quarterly measures. Figure 81 shows that the largest quarterly WPI increases are in the September quarter every year available, with two exceptions. Those exceptions are the strong recession years of 1999-2000 and 2008-09, the latter when there was no increase given.

[211] Chart 5.2 p.22. http://www.abs.gov.au/AUSSTATS/abs@.nsf/Previousproducts/6302.0Main%20Features9May%202014?opendocument&tabname=Summary&prodno=6302.0&issue=May%202014&num=&view= par.5, and ACTU communication with ABS

Figure 81 NMW annual increase and following quarterly WPI increases



Sources: NMW from FWC and Bray (2013), WPI from ABS 634505b. Note that the date for the NMW varied before 2010

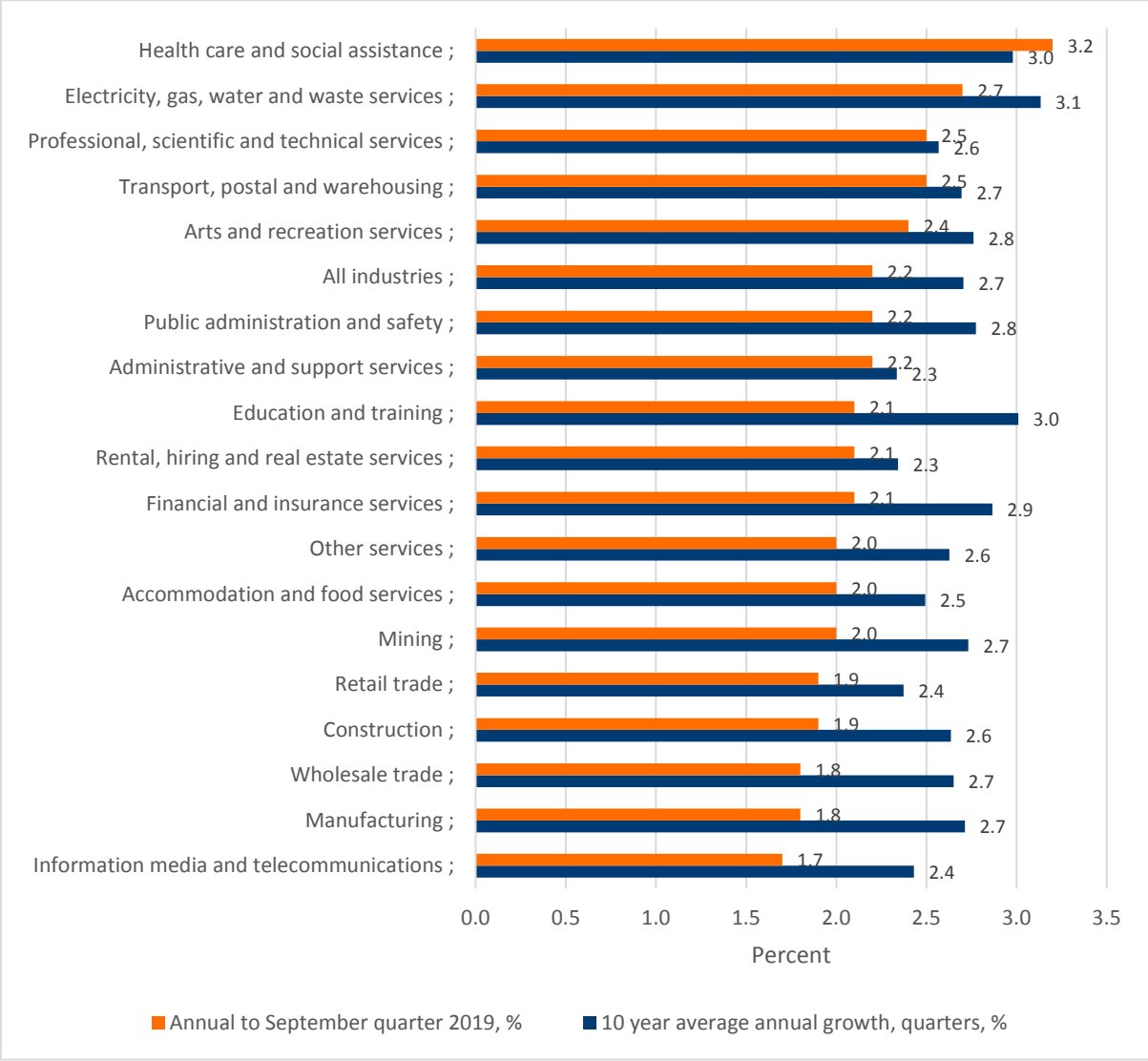
299. The average WPI September quarter increase was 1.1%, for December and March quarters each 0.8%, and for the June quarter 0.6%.

300. However, we note also that there are relatively bigger increases for the December and March quarters following 1 October 2007 when the minimum wage was awarded and also for the December quarter following 1 October 2008 when the minimum wage was awarded. There were relatively high increases for the March and June quarters following 1 December 2006 when the minimum wage was awarded. For the years prior to that, from 1 May 2000, the larger increases were in the September quarter, following award dates in April or May.

301. Most starkly, from 2015, while the September quarters showed higher wage increases, the other following quarters wage increases were unchanged at around 0.4% over four years. Following the award of 3.5% for July 2018, the September quarter 2018 increase of one percentage point was the highest quarterly wage increase since 2013-14. The increases of 0.5% in the WPI for each quarter December 2018, March 2019 and June 2019 were up on the 0.4% for all the corresponding quarters from March 2015. September 2019 was down again to 0.8% after an increase to 1.0% at September 2018 following the minimum wage award of 3.5% for July 2018.

302. Wages growth in industry sectors from September quarter 2018 to September quarter 2019 was below the industry's ten year average, except for the fast growing and award reliant sector of Health care and social assistance where it was just greater at 3.2% for the year to September quarter 2019 compared with a ten year average of 3.0% (outcomes in this sector are likely impacted by the increases paid under the *Equal Remuneration Order*). This is shown in Figure 82, which ranks sectors according to WPI growth September quarter 2019 from September quarter 2018. The WPI grew more slowly in the year to September quarter 2019 relative to the last 10 years in the other award-reliant industries of Administrative and support services (2.2% compared with the 10 year average of 2.3%), Other services (2.0% compared with 2.6%), Accommodation and food services (2.0% compared with 2.5%), and Retail (1.9% compared with 2.4%). These latter award dependent sectors also had lower WPI growth for the year to September 2019 quarter than they did for the previous year except for Administrative and support services where it was the same.

Figure 82: WPI growth September quarter 2018 to September quarter 2019 and 10 year annual average WPI, by industry, percent.

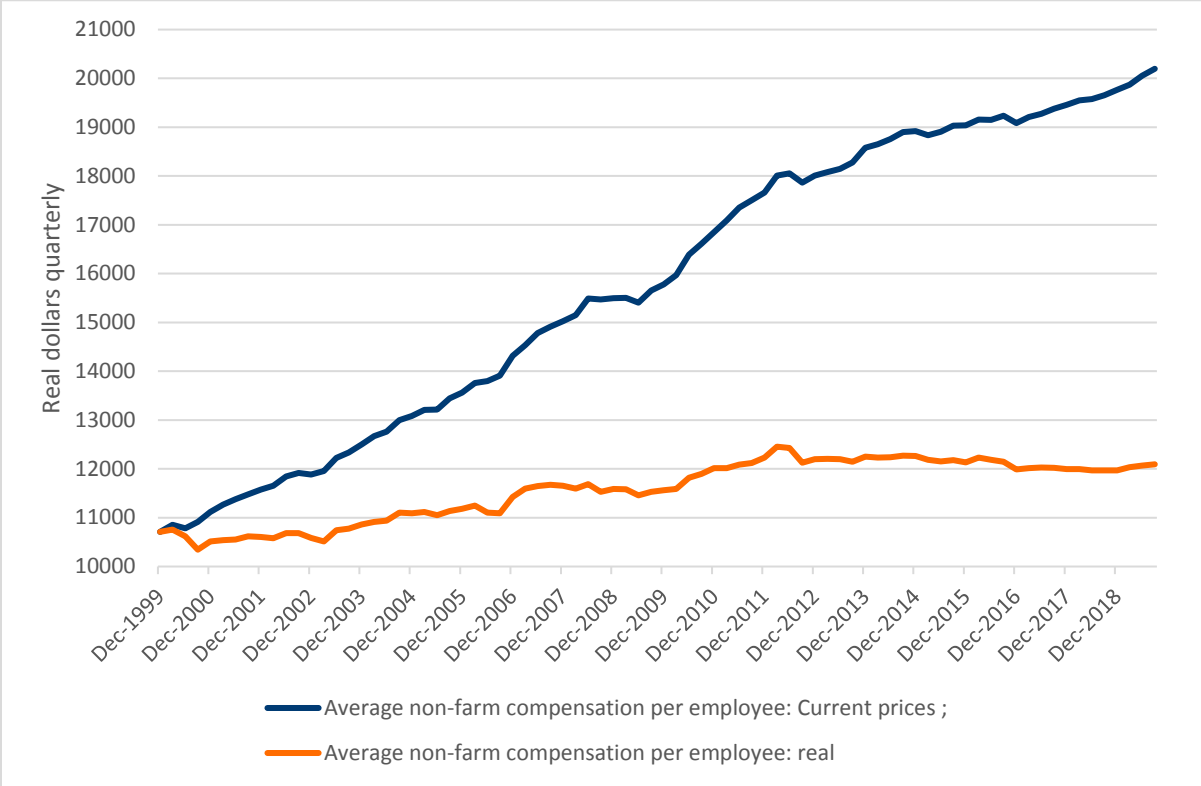


Source: ABS 634505b and ACTU calculations

303. Another indicator of wage growth is average compensation per employee given by ABS (AENA – Average Earnings National Accounts), referred to in real terms for comparison with other wage measures in Figure 79.[212] Figure 83 shows that quarterly real compensation per employee has declined on trend over nearly eight years, since March 2012. It is down to the level of eight years ago, at September 2010, soon after the GFC.

[212] ABS 5206024

Figure 83 Compensation per employee (AENA), seasonally adjusted, nominal and real, quarterly, December 1999 to September 2019



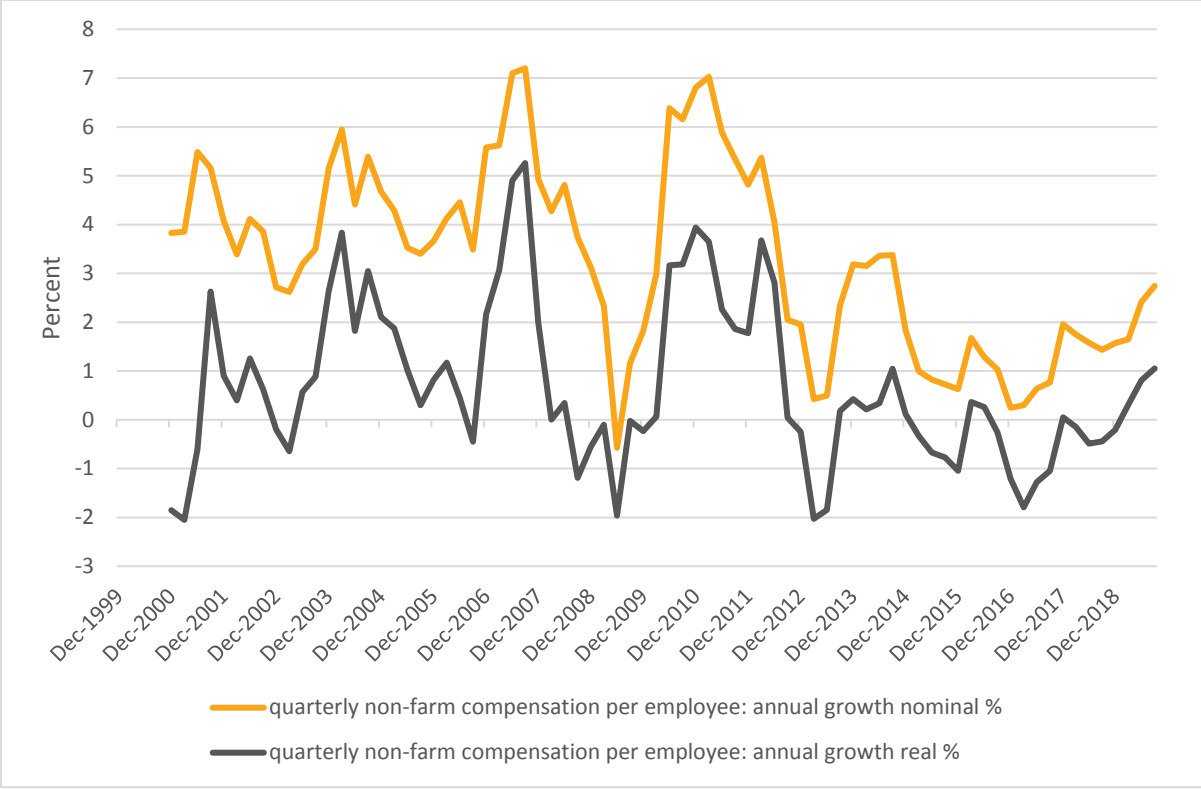
Source: ABS 5206024, 6401 and ACTU calculations

304. Figure 84 shows that quarterly compensation per employee has grown at one percent in real terms over the year to September 2019. This is the first time in five years since September quarter 2014 that it has reached one percent. Since September quarter 2012 when the stimulus package after the GFC appears to have worked through, annual real growth of quarterly AENA has been negative in 16 quarters, positive in 11 and zero in two. Since September quarter 2012 the average for positive growth rates has been 0.4% whereas the average for negative growth rates has been -0.8%, for an average of -0.3% since September quarter 2012. It cannot be assumed that the improvement in annual real growth from -0.2% at December quarter 2018 to 1.0% at September quarter 2019 will be sustained given the volatility in the series and the persistent low growth rates. It may be that the benefit of the minimum wage increases of the last three years is at last being felt.

305. In the data update to December quarter 2019, real average compensation per employee increased 1.1% for the year to December quarter 2019 compared with the year to December quarter 2018 when it had actually declined 0.3%. Real average weekly ordinary

time earnings increased 2.7% in the year to November 2018, assisted by the pick up in the mining sector.

Figure 84 Compensation per employee (AENA), seasonally adjusted, nominal and real, quarterly, growth from corresponding quarter previous year, to September quarter 2019, percent



Source: ABS 5206024, 6401 and ACTU calculations

306. In the ACTU's view, the data indicate little impetus for a wage increase emerging from sources outside this Review.

4. Relative Living Standards and the Needs of the Low Paid

307. The relative living standards of workers reliant on minimum wages have declined for many years throughout the 1990s, 2000s and early 2010s. They have declined through periods of economic boom and slowdown, and declined under the AIRC and AFPC and FWA/FWC.

308. Our proposed increase in minimum wages is intended to improve the minimum wage bite, and contribute to recovering and improving the relative living standards of low-paid workers. That such an increase is warranted is demonstrated in this Chapter, the key findings of which include the following:

a. Inequality in Australia is a persistent problem. Whilst policy makers might be tempted to direct attention to small improvements seen in recent years, the reality is that Australia is a far less equal society now than it strived to be, and managed to be, as recently as a decade or two ago.

b. Growth in both the minimum wage and median earnings have lagged behind growth in GDP and GDP per capita in Australia over several decades. In the last two decades alone, the real value of the minimum wage rose by 14%, against 77.2% growth in the economy. The share of equivalised household disposable income received by the lowest quintile is less than it was two decades ago.

c. Australia is one of only 6 countries in the OECD that can be shown to have a minimum wage which deteriorated as proportion of median earnings over that period. Over the decade to 2019, the minimum wage as a proportion of both median earnings and AWOTE fell by .5%. In addition, the ratios of the national minimum wage to most percentiles has been close to flat since 2012.

d. Whilst real household income per capita has been stagnant since 2011, the equivalised household disposable income of the top quintile of earners has risen more rapidly than that of any other quintile over the last 25 years, including seeing rises at times when others were falling. Our tax and transfer system has become demonstrably less effective at redistributing incomes to the two lowest two quintiles in the income distribution over time. The most recent personal income tax changes delivered a transient lift real household gross income per captia, but no ongoing improvement.

e. The costs facing workers for essential items have increased much faster than the headline CPI would indicate and an increasing number of renters are paying more than 30% of their disposable income in rent. Recent research by the Productivity Commission indicates that rental stress may still be encountered by households living according to budget standards have been described by their authors as "extremely tight".

f. The level of financial stress among the lowest paid workers has increased since 2017 on HILDA measures, including the extent to which such workers are going without meals, selling or pawning their possessions, are unable to pay housing costs or are reliant on help from friends or family. Well over a quarter of low paid employee households reported financial stress on 2018, with increases in those suffering high or moderate stress driving the increase in the level of overall stress compared to 2017.

g. The workers who benefit from the Panel's decision are not a homoogenous group, and this needs to be appreciated in setting a safety net that is both fair and relevant.

4.1 Inequality matters

309. Later in this chapter we present the data that shows how inequality has changed in Australia. Rising inequality has also presented in other economies, to varying degrees. But that phenomenon should not be treated as a reason to ignore its occurrence and effects in Australia.

310. The IMF, the World Bank and OECD have all advocated reducing inequality in order to promote faster and sustainable economic growth. There is a consensus among these institutions that a stronger focus on redistribution will enhance growth, not diminish it. For example the IMF have stated that:

"While some inequality is inevitable in a market based economic system, excessive inequality can erode social cohesion, lead to political polarization, and ultimately lower economic growth"[213]

311. The OECD met at Ministerial Level at the end of May 2018. The "*Framework For Policy Action On Inclusive Growth"* states:

"Contrary to those at the top, households at the bottom of the income distribution have experienced stagnant wages and low income growth…..OECD work on inequalities and growth show that the accumulation of disadvantages for certain income groups can have detrimental effects on the prosperity and well-being of all. Large degrees of inequality weigh on the potential for future economic and productivity growth."[214]

312. Raising minimum wage levels has been shown to be an effective strategy for reducing income inequality and combatting social disadvantage according to contemporary research in many jurisdictions. For example:

a. Pereira and Galego (2019) investigated wage inequality in Europe and found that minimum wage increases reduced inequality in Hungary and Poland and the fall in the minimum wage in Greece explained all the increase in inequality in that country.[215] It estimated a set of regression models for the determinants of the Gini index and the 90:10, 90:50 and 50:10 log ratios of wages, including individual, occupational and industry characteristics as explanatory variables. The changes in these inequality indexes were then decomposed into composition and wage structure effects, according to Fortin et al (2011) which extends the Blinder (1973) and Oaxaca (1973) decomposition to distributional statistics other than the mean.[216] It used data from the EU-SILC database from 2006 to 2014 for the 8 countries where both male wages and hours of work were available.

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[213] IMF "Fiscal Monitor', October 2017.

[214] OECD, Meeting of the Council at Ministerial Level, 30-31 May 2018, "The Framework For Policy Action On Inclusive Growth", C/MIN (2018) 5, p7. (https://www.oecd.org/mcm/documents/C-MIN-2018-5-EN.pdf).

See also the Statement of the Chair of the OECD Ministerial Council 2018 which notes that the Ministerial Council "welcomed the OECD new Framework for Policy Action on Inclusive Growth and its application through relevant cross- disciplinary analysis and specific studies in interested countries". (https://www.oecd.org/mcm/documents/Statement-French-Chair-OECD-MCM-2018.pdf).

[215] João M. R. Pereira and Aurora Galego 2019 Diverging trends of wage inequality in Europe *Oxford Economic Papers*, 71(4), pp.799–823

[216] Fortin, N., Lemieux, T., and Firpo, S. (2011) Decomposition methods in economics, in O. Ashenfelter and D. Card (eds) *Handbook of Labor Economics*, Vol. 4A, North-Holland, Amsterdam, 1–102. Blinder, A. (1973) Wage discrimination: reduced

b. Avram and Harkness (2019) estimated the impact of increases in the minimum wage on wage growth and wage distribution geographically and through time in the UK using ASHE data.[217] It finds that wage inequality has been compressed in the bottom half of the distribution with strong effects in areas with more minimum wage workers, confirming the previous findings of significant negative effects. It finds a large direct effect at the 5th percentile and also spillovers going up to the 30th percentile. Weekly earnings growth shows less progressive change than hourly wage distribution.

c. Jaumotte and Buitron (2020) from the IMF Research Department examined the increase in income inequality in "advanced economies" since the 1980s.[218] Using cross country regressions it found "some evidence" that the Gini coefficient of gross income increased 5% with a 10% reduction in minimum wage relative to the median wage, but did not independently affect the redistribution to net income.[219] The study considered a wide range of factors including union density which it found to decline as the income of the top decile increased, in both levels and first differences models.

d. Ghosh et al (2020) finds that from "fixed effects and 2SLS estimates that a one dollar increase in the state minimum wage leads to approximately 12-25 fewer incarcerations per 100,000 state residents in the US". This is a 4-8 percentage points decrease, significant given that the US incarceration rate has increased and is highest in the world.[220] It says that supports an argument for an increase in the state minimum wages to US$15.

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forms and structural estimates*, The Journal of Human Resources*, 8, 436–55. Oaxaca, R. (1973) Male–female wage differentials in urban labour markets*, International Economic Review*, 14, 693–709.

[217] Silvia Avram and Susan Harkness 2019 The impact of minimum wage upratings on wage growth and the wage distribution a report prepared for the Low Pay Commission, November, p.35

[218] Florence Jaumotte and Carolina Osorio Buitron 2020 Inequality: traditional drivers and the role of union power *Oxford Economic Papers*, 72(1), 2020, 25–58

[219] Florence Jaumotte and Carolina Osorio Buitron 2020 Inequality: traditional drivers and the role of union power *Oxford Economic Papers*, 72(1), 2020, p.26, p.40.

[220] Ghosh, Pallab K.; Hoover, Gary A.; Liu, Zexuan 2020 Do State Minimum Wages Affect the Incarceration Rate? *Southern Economic Journal.* Jan, Vol. 86 Issue 3, pp845-872, p.845, p.868.

e. Kaufman et al (2019) found for the US that a US$1 increase in the minimum wage "ranged from a 3.4% decrease (95% CI 0.4 to 6.4) to a 5.9% decrease (95% CI 1.4 to 10.2) in the suicide rate among adults aged 18–64 years with a high school education or less." They "detected significant effect modification by unemployment rate, with the largest effects of minimum wage on reducing suicides observed at higher unemployment levels."[221] The minimum wage variable was measured as the difference between the state and federal minimum wage in a differences-in-differences estimation using monthly data across states. The reduction in suicide at a higher minimum wage was greatest at times of high unemployment.

f. Rosenquist et al (2019) found for the US that "Increasing the minimum wage might be beneficial to infant health, especially among non-Hispanic black infants, and thus might decrease the racial disparity in infant mortality."[222] It estimated logit models to test whether state minimum wage was associated with infant mortality, stratifying by whether non-Hispanic mother was white or black.

313. Current minimum wage levels, in our view, provide neither a fair nor relevant safety net. The increase we propose would help to address the long-term erosion of relative living standards and restore fairness. This also has the advantage of arresting the drag on growth resulting from increased inequality.

4.2 Relative earnings and income

4.2.1 Minimum wage bites

314. In the last Review, the Panel said it takes "into account a range of measures when assessing inequality, relevant to our consideration of relative living standards"[223] and that it pays "… particular attention to changes in the earnings of NMW and award-reliant

[221] John A Kaufman, Leslie K Salas-Hernández, Kelli A Komro, Melvin D Livingston 2019 Effects of increased minimum wages by unemployment rate on suicide in the USA *J Epidemiol Community Health*;0:1–6.

[222] Natalie A Rosenquist, Daniel M Cook, Amy Ehntholt, Anthony Omaye, Peter Muennig, Roman Pabayo 2020 Differential relationship between state-level minimum wage and infant mortality risk among US infants born to white and black mothers *J Epidemiol Community Health* 74:14–19.

[223] [2019] FWCFB 3500 at [255]

workers compared to changes in measures of average and median earnings more generally.[224]

315. The Panel also indicated that due to volatility in the average and median measures of the minimum wage bite "it may be more useful to analyse the minimum wage bite over a longer period rather than focussing on movements from year-to-year."[225] It observed that "there was a degree of stability in the relative earnings distribution when compared with either mean or median earnings."[226]

316. Minimum wages have fallen sharply as a proportion of both average and median full-time earnings (the 'minimum wage bites') in the past few decades. The NMW was 59.1% of the median full-time earnings as at 1999, twenty years ago, falling to 53.6% at 2019. The minimum wage bite as a share of AWOTE has fallen from 51.5% over twenty years to 45.3% as at 2019. These movements are shown in Figure 85.

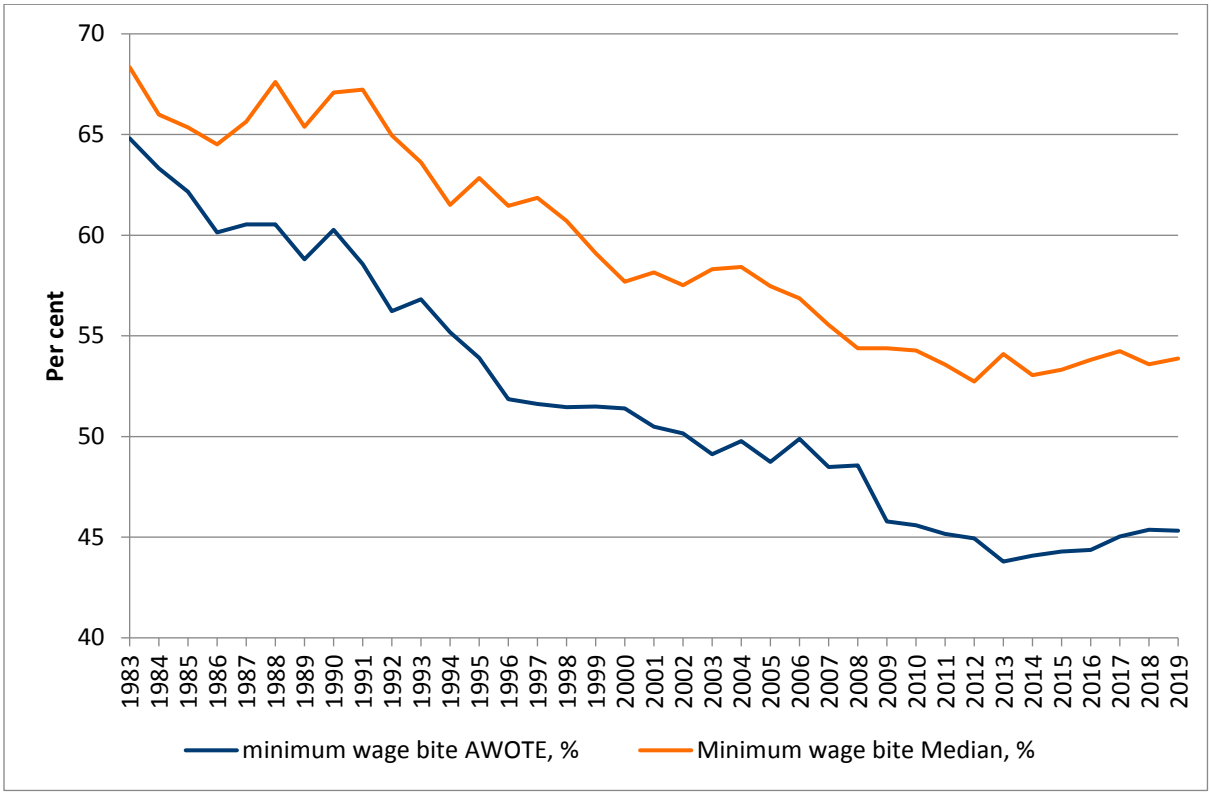
317. The flatter trend in both median and average wage bites since 2013 was assisted by slower growth on trend since then in both average and median wages as shown in Figure 88. The average (mean) wage bite has increased only slightly, by 1.5 percentage points between 2012 and 2019, having flattened out over the most recent year, falling by 0.1 percentage point.

[224] [2019] FWCFB 3500 at [16]

[225] [2019] FWCFB 3500 at [251]

[226] [2019] FWCFB 3500 at [254]

Figure 85: Minimum wage bites, ratio of the NMW to AWOTE, ratio of NMW to median FT earnings, 1983 to 2019



Sources: Average full-time earnings is AWOTE from ABS 6302. Median from ABS 6333. NMW Bray 2013 and FWC. All series deflated by the CPI (ABS 6401). ACTU calculations.

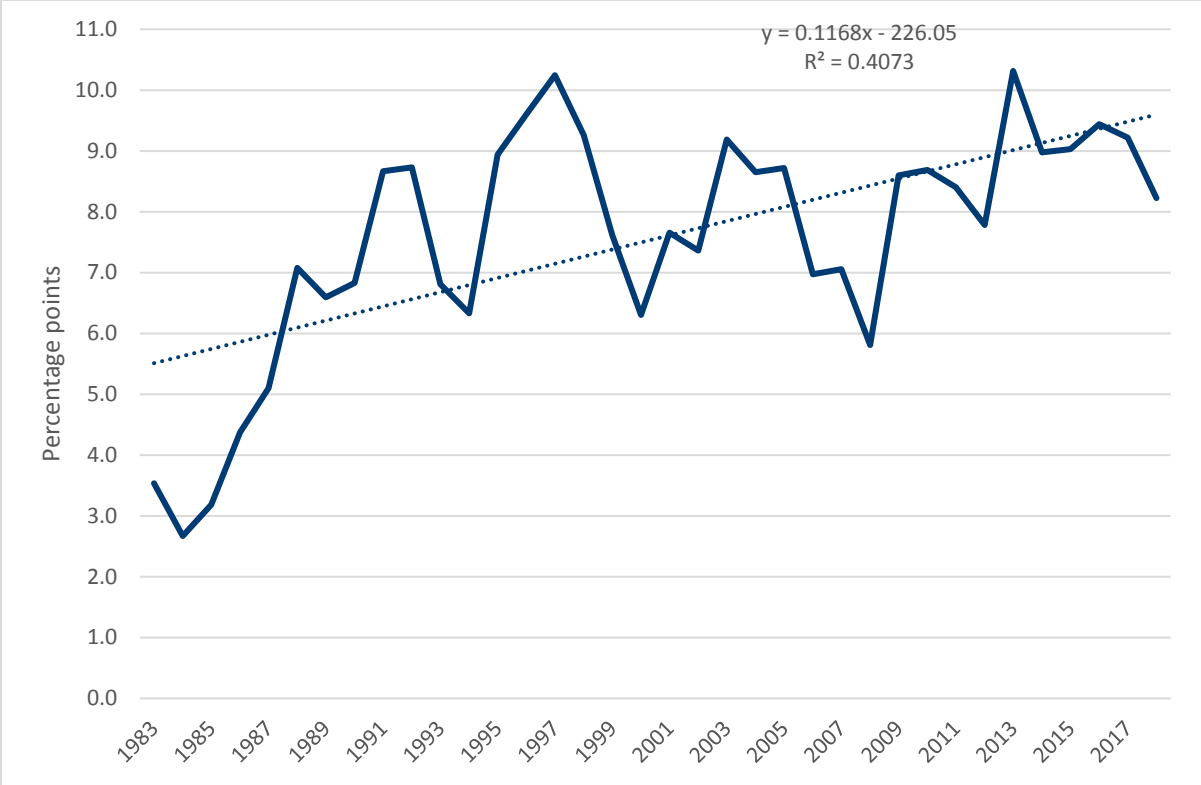
318. The minimum wage bite out of median earnings fell to 2012 then trended up slightly to 2019, by 1.2 percentage points overall. The median wage bite has increased very slightly in the last year by 0.3 percentage points, over which median wages have increased faster (assisted by award increases) than the minimum wage.

319. While sensitive to starting point, there has been an increase in fitted trend of around four percentage points of income on average in the gap between the median bite and the average bite measures over the 35 years of data indicating a general widening in the distribution of wage income.[227] The slight narrowing of the gap between the two wage bite measures since 2013 as appears in

[227] Fitting a trend for the 20 years to 2019 reduces the gap increase by a percentage point, poorer fit.

320. Figure 85 is similar to the range of volatility shown previously in wage bite movements resulting in the gap bouncing around. This is presented in Figure 86.

Figure 86 Difference between median and average minimum wage bites, 1983 to 2019, percentage points

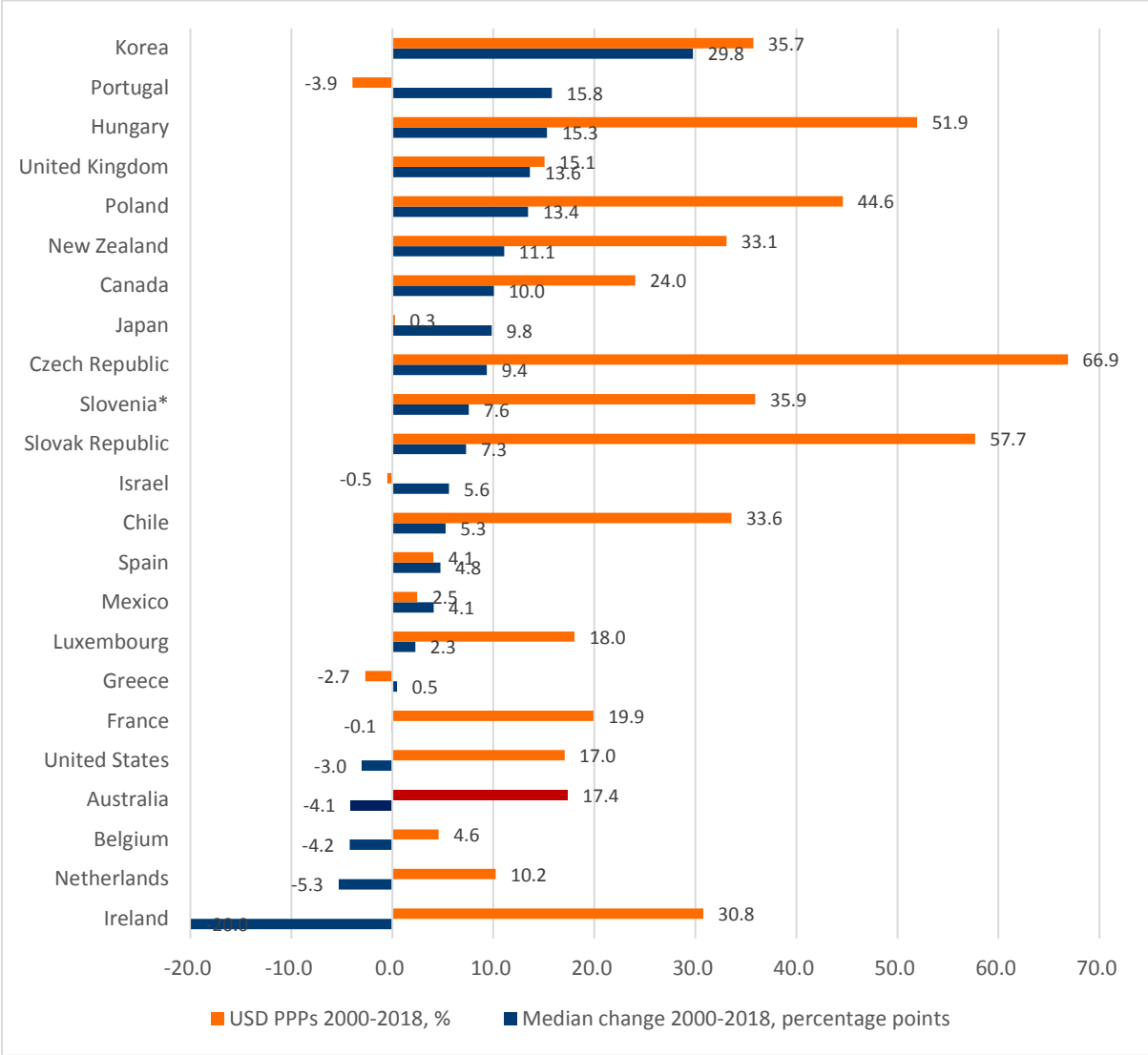


Sources: Average full-time earnings is AWOTE from ABS 6302. Median from ABS 6333. NMW Bray 2013 and FWC. All series deflated by the CPI (ABS 6401). ACTU calculations.

321. In international terms, Australia was one of only six OECD countries (out of 25 with data) where the median wage bite has fallen between 2000 and 2018, using the most recent OECD cross country data. OECD data shows that the minimum wage for Australia was 58% of the median wage in 2000 and fell to 54% in 2018, whereas for instance in the UK the median bite was 41% in 2000 and rose to 54% in 2018. This is shown in Figure 87. Figure 87 does not show the three Baltic countries included in the 25 countries, in which the median wage bite grew and where the average wage increased more than a hundred percent.[228]

[228] Lithuania (Median bite change 1.6 percentage points, real wage growth 133%), Estonia (8.9, 133) and Latvia (14.9, 133) not shown in chart.

Figure 87: Change in minimum wage bite out of median income, percentage points, and total growth in real average wage, US constant PPPs, %, 2000 to 2018, OECD countries



Source: Change in minimum wage bite https://stats.oecd.org/Index.aspx?DataSetCode=MIN2AVE , average wage growth https://stats.oecd.org/Index.aspx?DataSetCode=AV_AN_WAGE US constant PPPs, accessed 20 February 2020, ACTU calculations. Lithuania (Median bite change 1.6 percentage points, real wage growth 133%), Estonia (8.9, 133) and Latvia (14.9, 133) not shown in chart.

322. The other five countries where the median wage bite fell between 2000 and 2018 were particularly badly affected by the GFC by contrast with Australia. Countries with comparable institutions such as the UK, Canada and New Zealand experienced substantial increases in the median wage bite of the minimum wage over the period, with varying increases in the average wage.

323. According to ABS data, real Average Weekly Ordinary Time Earnings (AWOTE) for adults as shown in

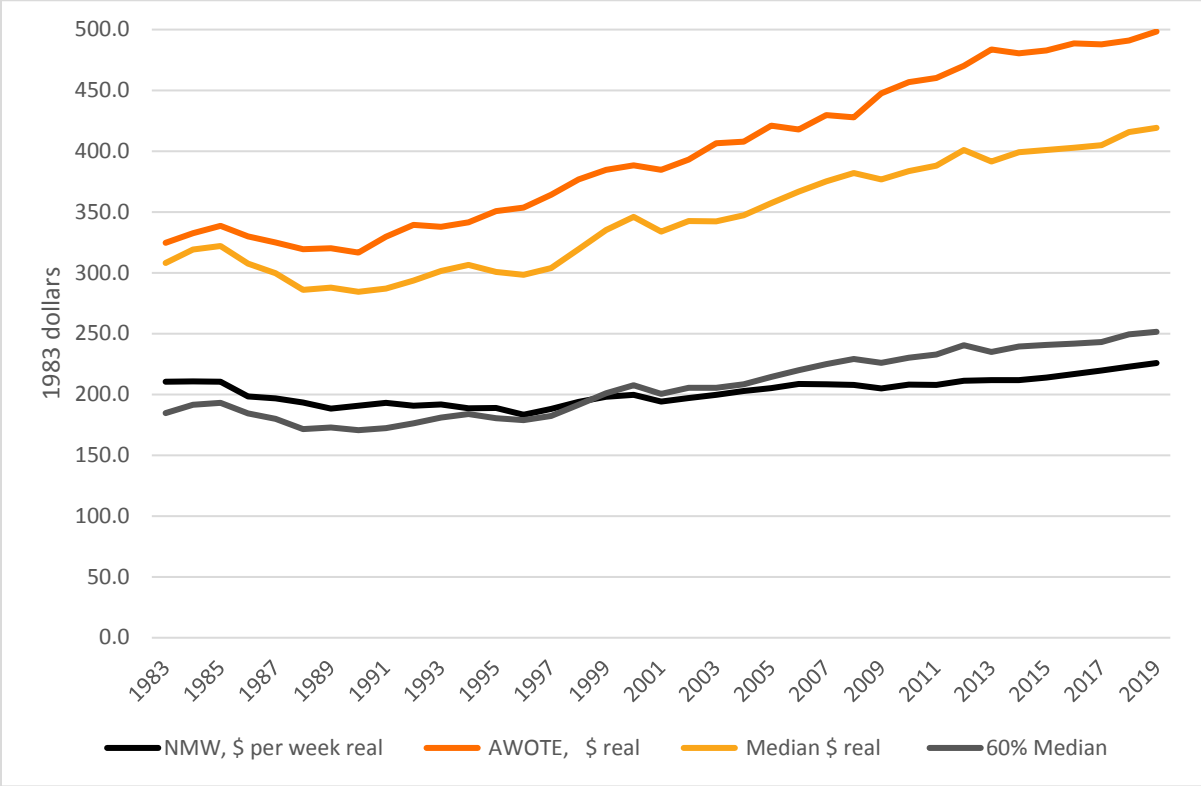
324. Figure 88 have risen by 29.5% between 1999 and 2019, much more slowly than chain volume annual GDP, which rose by 77.2%.[229] The real minimum wage (NMW) has risen by only 14.0% over the same twenty years. Real GDP per capita rose 31.6% over the last twenty years, faster than the increase in real AWOTE or the real median wage which increased 25.1%, and twice as fast as real NMW.

325. The increases measured are sensitive to the starting date for the calculation, so that NMW has risen only 7.3% in real terms since 1983. Nonetheless the NMW and median earnings have seriously lagged behind GDP and GDP per capita in terms of growth over decades, much more so in the case of the NMW. This indicates a widening of income distribution and substantial decline in the relative living standards of low-paid workers over many decades. It remains that the NMW has grown extremely slowly compared with the average and median earnings measures.

326. It can be seen that real AWOTE has flattened since 2013 with wages at the top falling at the end of the mining investment boom. Real AWOTE increased only a total of 3.0% in real terms over the six years from 2013 to 2019, increasing 1.5% in 2019: a year when inflation averaged only 1.6%. The rate of inflation has continued to be low, increasing by a total of only 11.7% between 2013 and 2019. Real median earnings grew 7.1% from 2013 to 2019 with 2018 a standout year for its growth of 2.6%, followed by only 0.9% growth in 2019.

[229] GDP from ABS 5204

Figure 88: Average weekly ordinary time earnings, median full-time earnings, the NMW and 60% of median earnings, 1983 to 2019, constant dollars (1983 = 100)



Source: Average full-time earnings - AWOTE from ABS 6302. Median ABS 6333. NMW from Bray (2013) and FWC. All series deflated by the CPI (ABS 6401). ACTU calculations.

327. Overall, the minimum wage bite out of AWOTE remains 0.5 of a percentage point below its level of a decade ago at 2009, just after the GFC and after the AFPC decided not to increase minimum wages. The median bite is also 0.5 of a percentage point below its level at 2009.

328. The real NMW has increased by just under one percent per year from 2013 to 2019 for a total of 6.6% increase in real terms, assisted by the increases in the NMW in the years up to 2018, with it being too soon to gauge the 2019 effect. This has still left the minimum wage bite, when expressed as the NMW as a share of AWOTE, to fall 0.2 percentage points since 2013, and the NMW as a share of the median wage to increase only 1.5 percentage points, as shown in

329. Figure 85, above.

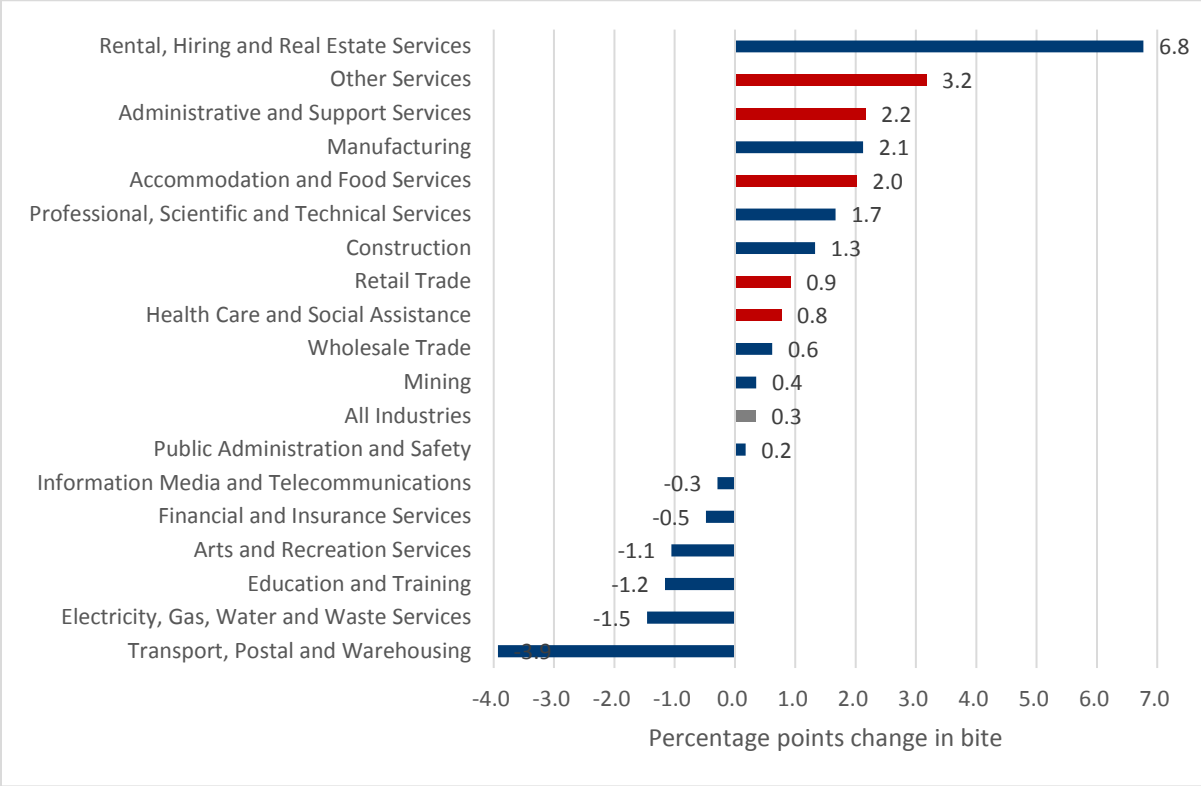
330. The gap in living standards between workers reliant on minimum wages and other workers is still close to as wide as it has ever been recorded, apparently moderated mainly by the recent minimum wage increases to 2018. This shows how important is the Panel's decision to addressing the deficit for workers on low pay. Indeed, in the absence of the Panel raising the NMW sufficiently to improve the minimum wage bite, there is little or nothing to prevent low wage growth and earnings inequality, and the prevalence of low pay, from continuing to increase into the longer term.

4.2.2 Relative earnings in the more award-reliant industries

331. Figure 89 shows that the NMW was higher compared to industry AWOTE for twelve out of the eighteen industries at November 2019 compared to ten years before at November 2009, including the more award-reliant industries. The more award-reliant industries' minimum wage bites out of industry AWOTE at November 2019 were all higher than ten years before, with greater increases than that for the total industry average wage bite of only 0.4 percentage points more than ten years ago. Average wage bites were not greatly higher than ten years before in the award dependent industries, with Other services at 3.2 percentage points more, Administrative and support services at 2.2, Accommodation and food services at 2.0, Retail trade at 0.9 and Health care and social assistance at 0.8 percentage points more. However, the differences in wage bites over 10 years are quite specific to the dates chosen and must be treated with caution.

332. Bigger minimum wage increases than hitherto awarded would be needed to address the glacial trends in minimum wage bites.

Figure 89: Change in the AWOTE minimum wage bite between November 2009 and November 2019



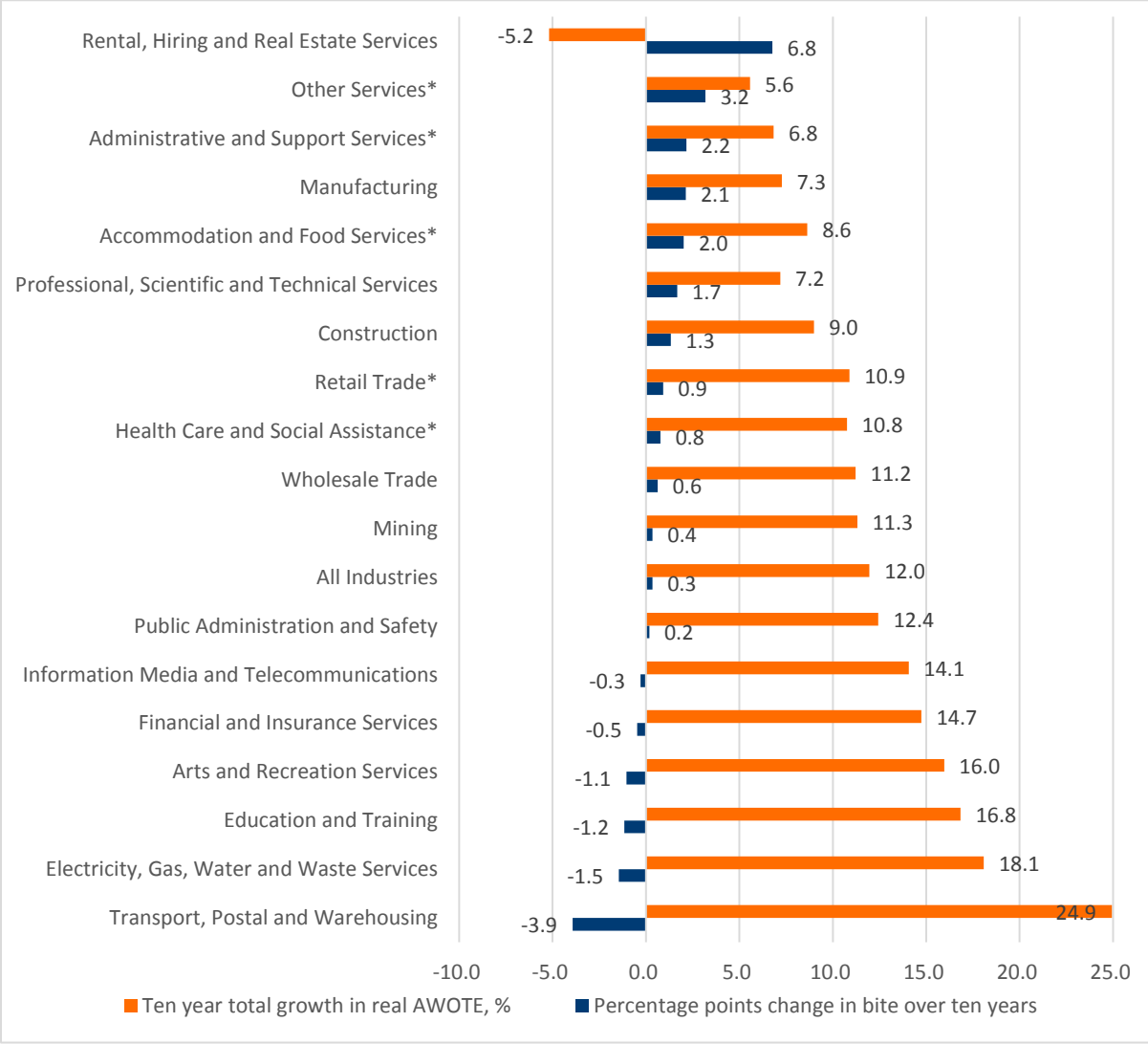
Sources: NMW from Bray (2013), FWC. AWOTE from ABS 6302010g, ACTU calculations

333. As would be expected, an inverse relationship is indicated between the extent to which NMW keeps track with average wages in a sector and the growth of wages in that sector, as shown in Figure 90. This further illustrates how slowly the minimum wage and awards have increased relative to the average. The minimum wage would need to increase at a faster rate to promote an increase in the wage bite.

334. Three of the most award dependent industries (asterisked in Figure 90) are also ones where average wages have increased more slowly from low levels, allowing the wage bite to show a slightly greater difference over ten years.

335. The bites of the more award-reliant industries were associated with lower AWOTE growth over the ten years than adjacent industries ranked by wage bite. This indicates just how dependent workers in those industries are on the minimum wage for wage increases. We can assume that wage growth for low-paid workers would be even slower in those industries without the minimum wage increases awarded. Cyclical movements cannot be relied on to increase minimum wage bites.

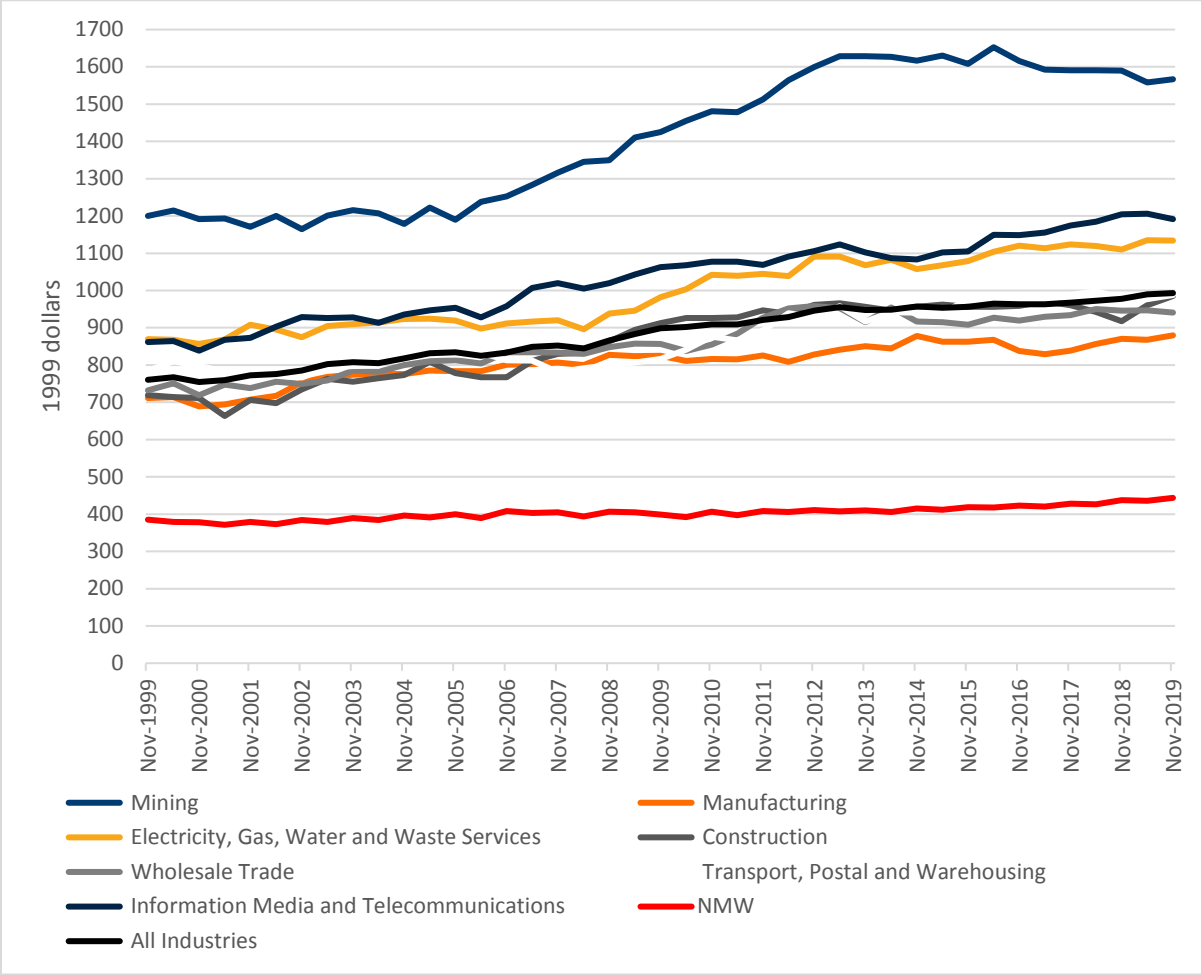
Figure 90: Change in minimum wage bite between November 2009 and November 2019, percentage points, and ten year total growth in industry real AWOTE, %



Sources: NMW from Bray (2013), FWC. AWOTE from ABS 6302, cpi from ABS 6401, ACTU calculations

336. Figure 91 and Figure 92 show AWOTE in real terms for each industry sector and total industry over the twenty years to November 1999, and the real NMW. Even through the numbers employed in mining are small, the wage levels are sufficiently higher than in other industries as to show significant influence on the wage figure for total industry. With the exception of mining, the levels of AWOTE in the physical and services industries are similar at the top of the range. However the award dependent sectors shown in Figure 92 are much closer in range than other sectors to the NMW, especially Retail trade, Accommodation and food services, and Other services.

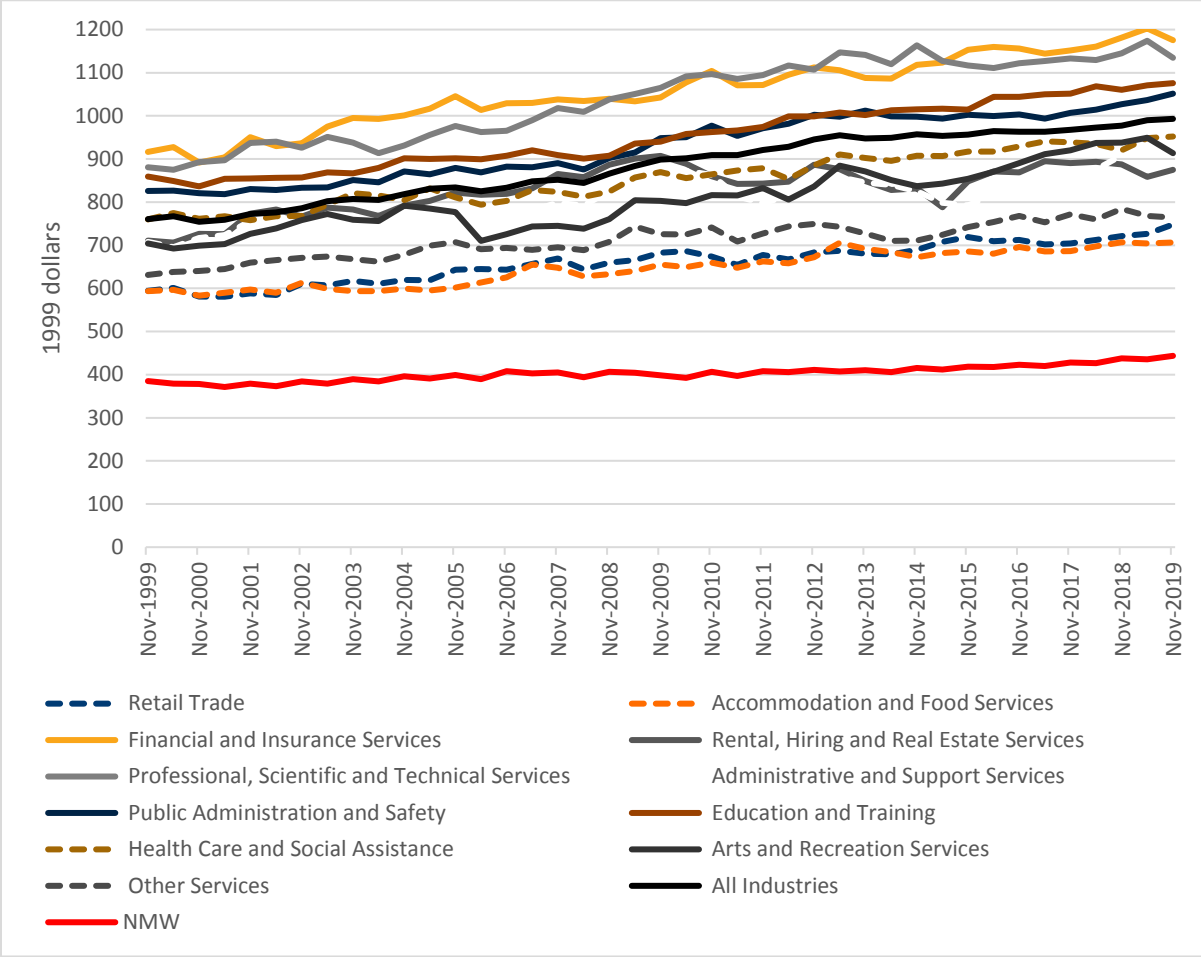
Figure 91: Real average weekly ordinary time earnings, more physical industries, total industry and NMW, November 1999 to November 2019



Sources: NMW from Bray (2013), FWC. AWOTE from ABS 6302010g, cpi from ABS 6401 previous observation, ACTU calculations

337. Wage growth over the year to November 2019 has not shown any particular pattern for the award dependent sectors. In real terms over the year to November 2019, in Retail trade AWOTE grew 3.7% after 2.4% for the year before. In Accommodation and food services wages barely fell at 0.1% compared with growth of 3.0% the previous year. In Administrative and support services wages grew 2.5% after 6.0% the year before. In Health care and social assistance wages grew 3.5% after falling 2.0% the year before. In Other services wages fell 2.6% after an increase of 1.6% the year before. These need to be compared with a 1.6% increase in real AWOTE for total industry after 1.0% the year before and 1.3% increase in real NMW and awards after 2.2% the year before. These results are quite variable from year to year within and between industry sectors. It is clear many factors are driving wage movements in these sectors apart from increases in the NMW and awards, including the rate of inflation.

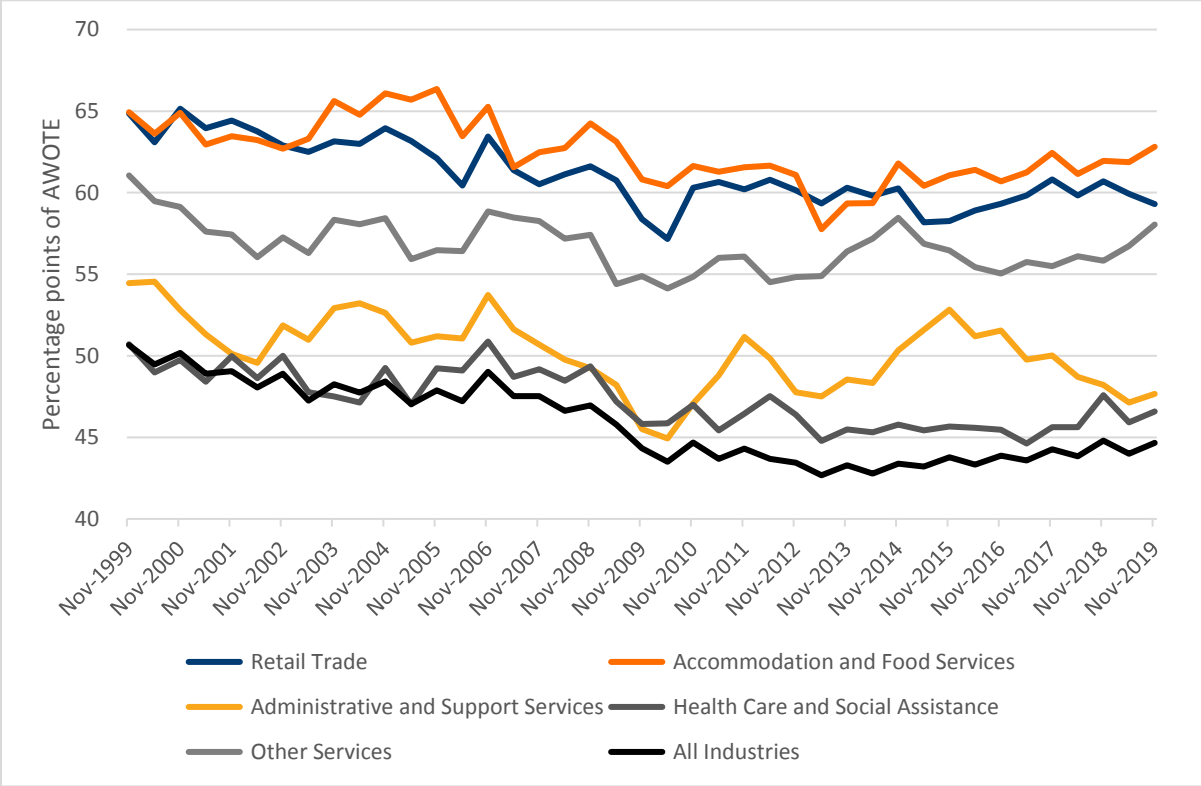
Figure 92 Real average weekly ordinary time earnings, service industries including more award dependent, total industry and NMW, November 1999 to November 2019



Sources: NMW from Bray (2013), FWC. AWOTE from ABS 6302010g, cpi from ABS 6401, ACTU calculations

338. Figure 93 shows the average wage bites, that is NMW as a percentage of AWOTE in the more award reliant industry sectors and for total industry. The average wage bite increased 0.9 percentage points over the year to November 2019 in the lowest wage sector of Accommodation and food services after falling 0.5 percentage points the year before. It fell 1.4 percentage points in Retail trade after falling 0.1 of a percentage point the year before. It rose 2.2 percentage points in Other services after an increase of 0.3 percentage points the year before. It fell 1.0 percentage points in Health care and social assistance after an increase of 2.0 percentage points the year before. It fell 0.5 percentage points in Administrative and support services after a fall of 1.8 percentage points the year before. This compares with a fall of 0.1 percentage point in the average wage bite for total industry in the year to November 2019 after an increase of 0.5 percentage points the year before.

Figure 93: NMW as a percentage of AWOTE, award-reliant industries, November 1999 to November 2019



Sources: NMW from Bray (2013), FWC. AWOTE from ABS 6302010g, cpi from ABS 6401, ACTU calculations

339. Awarding an increase at the top of our claim in this Review is vital as an avenue for addressing slow growth in minimum wages and to address the lack of improvement in the relative living standards of low-paid workers.

4.2.3 The employees most impacted by the decision

340. All employees who are reliant on the NMW or an award are directly affected by the Panel's decisions, and all such employees are paid the lowest rate of pay which they may legally be paid. Other employees have rates of pay which are determined by reference to the Panel's decisions. In the September Quarter 2019, around 31,000 employees became covered by enterprise agreements which linked wages in some way to the decisions of

the Panel.[230] In the 5 Quarters before the September Quarter 2019, around 111,000 employees became so covered.[231]

341. Not all award reliant employees, or employees reliant on the decisions of the Panel, are "low paid" according to the threshold of two thirds of adult median full time earnings adopted by the Panel.[232] Research conducted for the Commission by Wilkins and Zilio has sought to identify the number and characteristics of employees who are both award reliant and low paid.[233] In doing so, it has adopted a low paid threshold of two thirds of median *hourly* earnings of all employees.[234] In our view, whilst the research contributes to our understanding of the extent and characteristics of low paid award reliant employment, the chosen threshold provides an underestimate of the extent of low paid employment in the broader sense. The research makes no claim about the adequacy of living standards of those who are above or below the low paid benchmark it adopts and we would not recommend that the Panel do so either. In support of this we observe that Wilkins and Zilio detected a degree of similarity in the scores provided for low paid award reliant and higher paid award reliant employees in relation to their financial comfort, both of which had a clear margin over the "all employees" category. This is seen in Table 5 below.

[230] Attorney General's Department (2020), Trends in Federal Enterprise Bargaining: September Quarter 2019, Chart 7 and Table 12.

[231] Ibid & Attorney General's Department (2019), Trends in Federal Enterprise Bargaining: M arch Quarter 2019, Table 12

[232] [2019] FWCFB 3500.

[233] Wilikns, R., & Zilio, F. (2020), *Prevalence and persistence of low-paid award-reliant employment*, Melbourne Institute of Applied Economic and Social Research, Fair Work Commission Research Report 1/2020, February.

[234] *Ibid.* at page 8.

Table 5: Financial well-being of low paid award reliant employees compared to other groups (%)

	Low paid award reliant	Higher paid award reliant	All Employees
Financial Prosperity			
Prosperous	0.6	0.7	1.7
Very comfortable	13.1	12.7	16.5
Reasonably comfortable	43.8	46.3	53.8
Just getting along (a)	38.4	37.1	26.3
Poor (b)	3.4	2.8	1.3
Very Poor (c)	0.8	0.6	0.3
Sum (a)-(c)	*86.4*	*86.8*	*27.9*
Financial Stress Indicators			
Could not pay electricity, gas or telephone bills on time	15.7	16.0	10.2
Could not pay the rent or mortgage on time	8.5	9.5	5.3
Pawned or sold something	4.8	6.3	3.9
Went without meals	5.5	5.2	2.5
Was unable to heat home	3.5	3.0	1.8
Asked for financial help from friends or family	18.1	15.5	10.7
Asked for help from friends of family	4.1	3.8	1.7

Source: Wilikns & Zilio at Table 9, ACTU calculations

342. Wilkins and Zilio find, on the basis of HILDA data, that over the last year of the study period (2017-2018), award reliant low paid employment fell from 6.1% to 5.9% of all employees, while the share of award reliant employees remained stable at 16.2% and the share of low paid employees fell from 15.7% to 14.2%. Wilikins and Zilio were also able to show the diversity of characteristics of low paid award reliant employees, which is important for the Panel to bear in mind when maintaining the safety net. Whilst it is true that there are concentrations of characteristics among award reliant low paid employees compared to other employees, it would be incorrect to establish and maintain a safety net on the basis of the most common experience alone. For example, compared to other employees, low paid award reliant employees are more likely to:

- be 21-25 years old (29.7% vs 13.5%), yet 41.1% of them are over 35 years old;

- have Year 12 as their highest level qualification (27.4% vs 15.3%), yet 19.7% never finished school and 24.9% have a diploma qualification or higher;
- be casual employees (66.5% vs 16.7%), yet 42% work full time hours;
- work more than one job (9% vs. 7.4%), yet 32.8% would prefer to work more hours;
- be dependent children (4.8% vs. 1.6%), yet 40.2% of them are parents and 30.8% of them are the sole earner in the household.

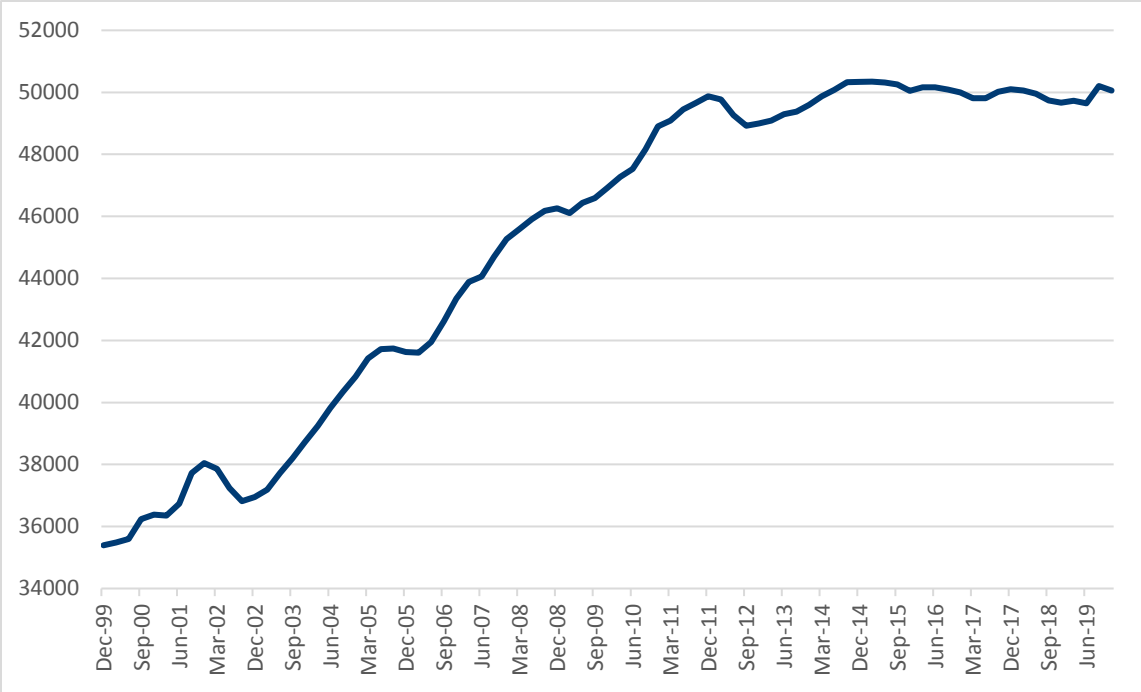
343. Wilkins and Zilio find that, taken as a whole, low paid award-reliant workers are more likely to remain low paid award reliant workers one year later than they were to find higher paid work (37.3% vs. 31.6%). Encouragingly, the rates of transition to higher paid work were greatest, and the rates of transition to unemployment were lowest, in the more recent study period (2014-2017). However, Wilkins and Zilio's study is not concerned with how workers enter low paid and / or award reliant work in the first place, that is their labour market status and earnings position prior to entry into low pay and / or award reliance. An examination of the extent of downward mobility would contribute to further understanding relevant to the assessment of relative living standards and the needs of the low paid.

344. Our own analysis of the extent of award reliance and the characterstics of the award reliance workforce is based on the ABS *Employee Earnings and Hours* survey, last conducted in 2018 and published 2019. This analysis was presented in our submission to last years Review. Unless otherwise stated, claims in this submission about the extent of award reliance remain based on the analysis. We reproduce it, in abridged form, as an Appendix to this submission.

4.2.4 Distribution of earnings and household income

345. Movements in the data on the distribution of earnings and in household income can be viewed in the context of the overall movement in average real household disposable income, which is shown in Figure 94 below.

Figure 94 Real household disposable income per capita 1999 - 2019

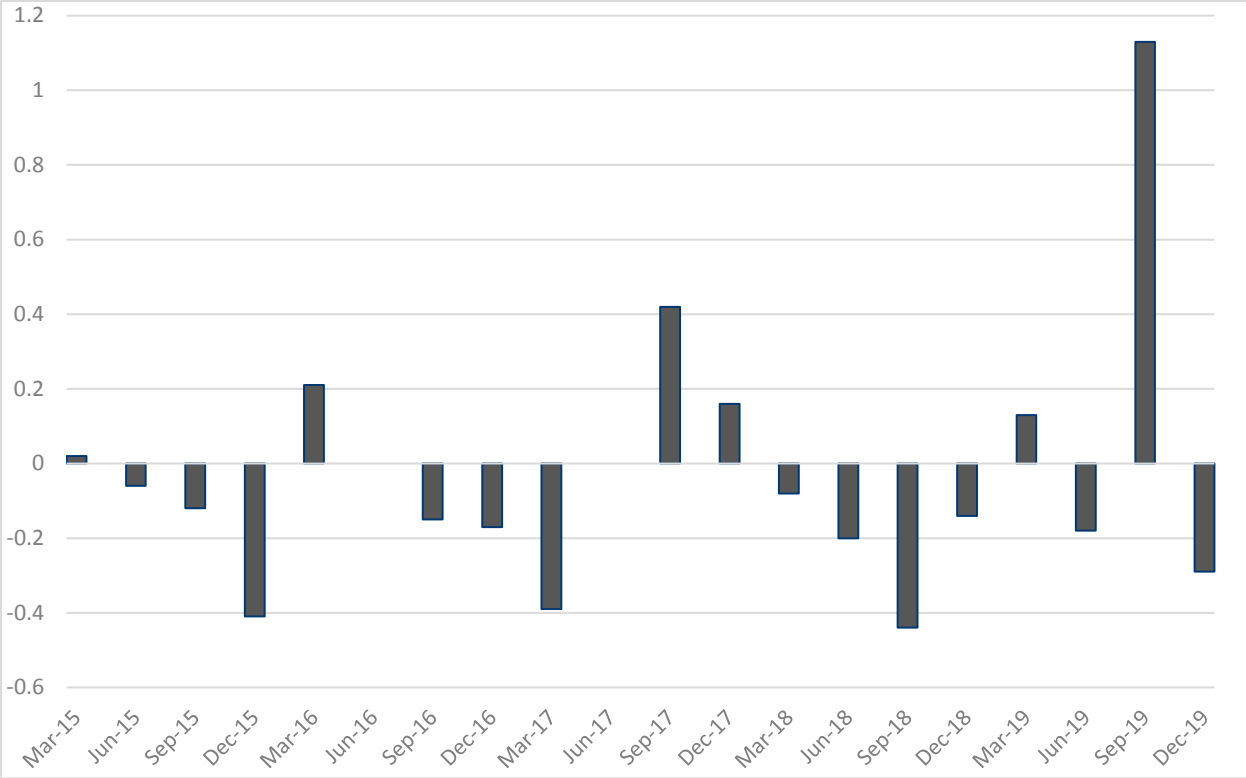


Source: ABS 5206.0 Tables 1, 5 & 20, derived

346. Figure 94 shows that average Australian real household disposable income per capita is $50,063 at December 2019 – barely above what it was at the end of 2011. This indicates the stagnation of living standards since 2011. Whilst this is unsurprising given the weak wages growth we have seen over this period, it reflects the importance of the Panel's decisions to the household incomes of award reliant workers as the only source of income they are privy to. The Panel's decisions appear not to have prevented the widening on trend of the distribution of earnings or of household income.

347. Looking at household disposable incomes we see that the tax cuts merely provided a one-off sugar hit but generated absolutely no ongoing improvement, as presented in Figure 95. In September 2019, household disposable income grew by 1.1% in the quarter; and yet total household income in that quarter actually fell by 0.1%. What this showed was that the only reason households had more after-tax income in real terms was due to the tax cuts, not because of any actual permanent and ongoing increase in their income. And with the impact of the tax cuts all gone in the December quarter, so too was any rise in our disposable income – this actually fell 0.3%

Figure 95 Real household gross income per capita - quarterly growth, %



Source: ABS 5206.0, Tables 1, 5 & 20, derived

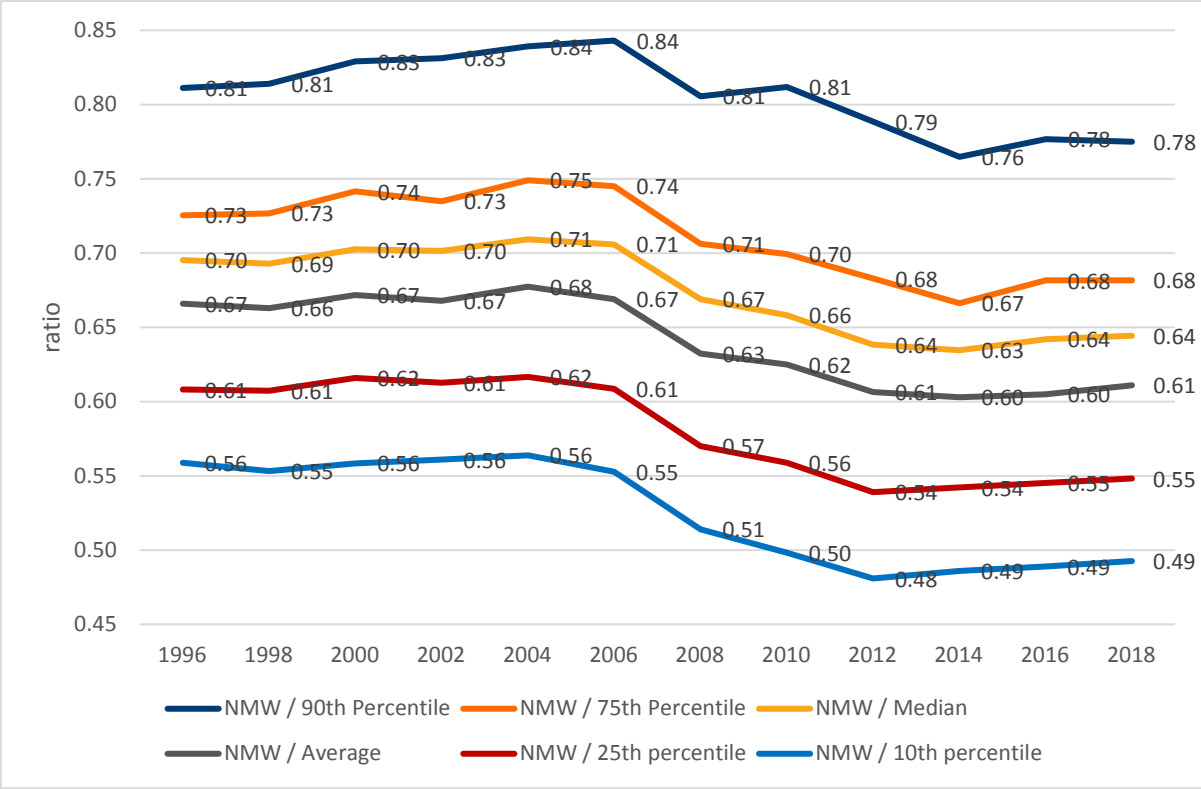
348. ABS 6306 *Employee Earnings and Hours* provides data on the distribution of earnings every two years, the last release being for May 2018. The ACTU submission to last year's Annual Wage Review applied that most recent release.[235] The ACTU in this submission seeks to provide some additional observations relating to ABS 6306 earnings distribution data. This data was presented in Table 3.5 in the decision to the AWR 2018-19[236], and Table 8.3 of the *Statistical Report*.

349. The relativities expressed through the total cash earnings ratios of percentiles have not changed very much according to Table 8.3 in the *Statistical Report*. However, in order to adequately capture the changing experience for workers on the minimum wage, a useful percentile ratio in the ACTU's view is that between the NMW and the earnings at a given percentile or median or average earnings. This is shown in Figure 96.

[235] ACTU 2019 initial Submission to the Annual Wage Review 2018-19 at [385] to [388]

[236] [2019] FWCFB 3500

Figure 96 Ratios of the NMW to various earnings percentiles, median and average earnings

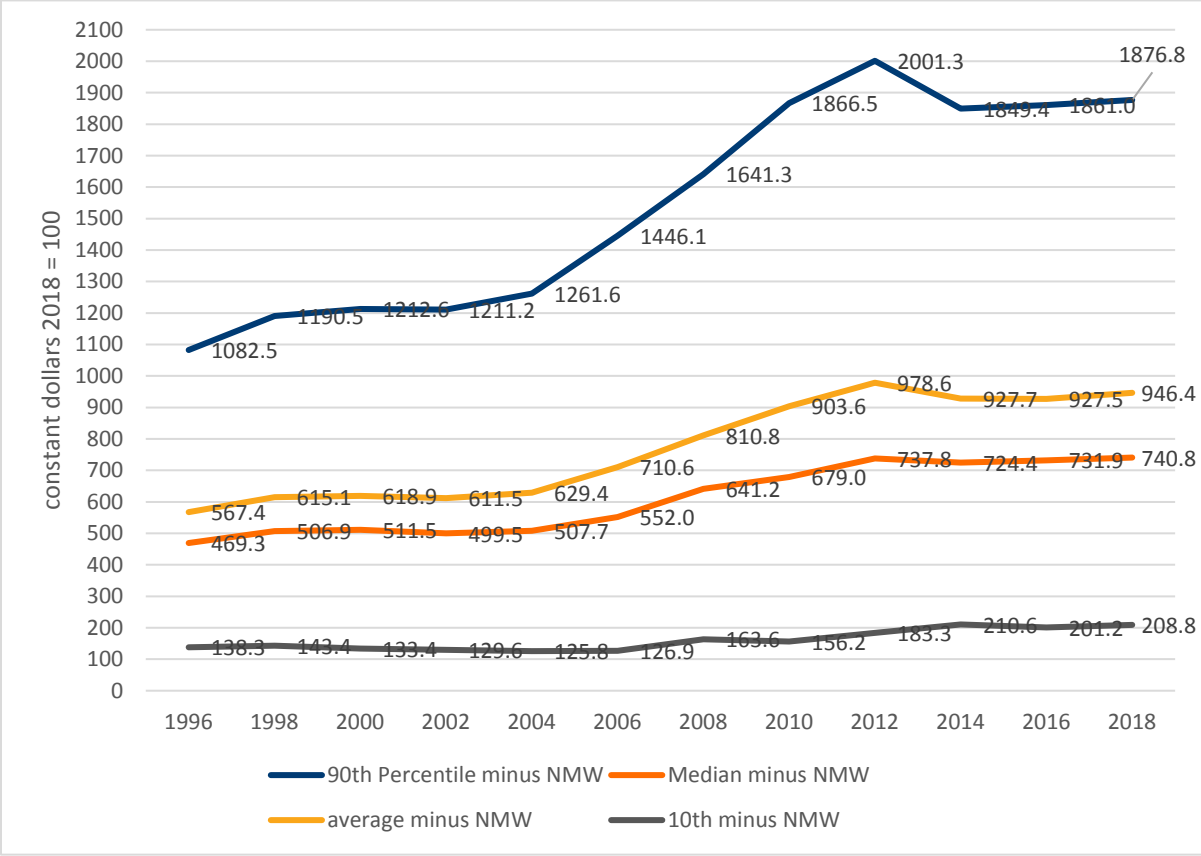


Source: ABS 6306 various years, 6401 and ACTU calculations. Earnings figures pertain to full-time non-managerial adult employees.

350. In Figure 96 the ratios of NMW to all earnings intervals increase slightly to 2006, with the 10th percentile ratio increasing the most and until 2006. From there the ratios fall to 2014, with the ratios at higher earnings percentiles stopping their fall at 2012. The NMW to earnings ratios are then almost flat to 2018. There is more of a slight increase in the ratios at lower earnings percentiles from 2014 where NMW increases are likely to make more of an impact with a greater proportion of workers within those lower percentiles being award dependent.

351. It is also useful to consider the real dollar differences between earnings at a given percentile in the distribution and the minimum wage over time as shown in Figure 97 which is expressed in 2018 dollars using CPI. It is these differences that are meaningful for the relative living standards of workers on the minimum wage. For instance, in 2018 their earnings are much further below median earnings in real dollar terms than they were in 1998. That is the gap in purchasing power between someone earning at the median wage and someone at the minimum wage is much greater than it was. The perception of workers is not in terms of proportions; it is in terms of how much better off others seem: how much more purchasing power there is at the median compared with the minimum wage.

Figure 97 Real dollar differences between total cash earnings at the 90th percentile, average earnings, median earnings, and the 10th percentile earnings respectively and the NMW 2018=100.



Source: ABS 6306 various years, 6401 and ACTU calculations. Earnings figures pertain to full-time non-managerial adult employees.

352. A worker being paid the minimum wage in 1998 was $143.40 below the 10th percentile (bottom) earnings in 2018 dollars, and by 2018 this gap was $208.80, slightly down from a peak difference at 2014 of $210.60. In 1998 the NMW worker was being paid $506.90 below median earnings, and by 2018 the gap was $740.80, just above the previous peak gap at 2012 of $737.80 in 2018 dollars.

353. In terms of how far the NMW was below average earnings in 2018 dollars, in 1998 it was $615.10 below average earnings, while at 2018 it was $946.40 below average earnings, down from peak average earnings at 2012 of $978.60. The real dollar gap has widened even further at the top. In 1998 real earnings at the 90th percentile were $1190.50 higher than the NMW, and by 2018 this was $1876.80 higher, down from a peak difference of $2001.30 at 2012, at the height of the mining investment boom. The coverage and increase of the NMW over the three years prior to May 2018 may have assisted in not

widening the gap between the earnings percentiles and the NMW in real terms in that period.

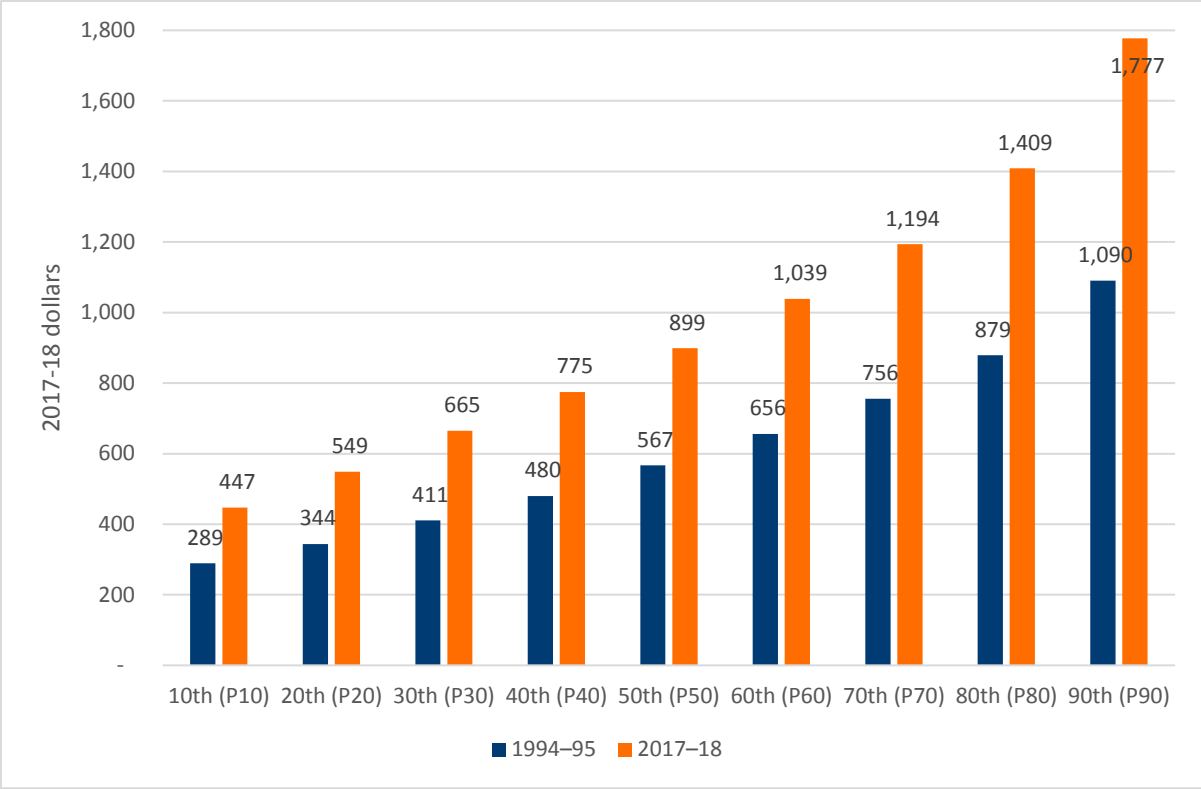
354. The ABS's most recent release of *Household Income and Wealth* is that of 2017-18 released in July 2019.[237] Figure 98 shows the equivalized disposable household income (EDHI) at the top of each decile for the years 1994-95 and 2017-18 in real dollars.[238] Figure 98 shows that taxes and transfers have not prevented the widening of household equivalised income at the top of each decile over the period from 1994-95 to 2017-18.

355. Over the period 1994-95 to 2017-18, equivalised disposable household income (EDHI) grew 57.1% in the bottom quintile average having actually fallen 0.7% between 2015-16 and 2017-18. EDHI rose 62.0% in the second quintile and 58.8% in the third and fourth quintiles. Average EDHI rose 76.9% in the top quintile from 1994-95 to 2017-18, having increased 2.8% from 2015-16, more on both counts than any other quintile. This implies the tax and transfer system is regressive over time, leaving income more unequal than earlier.

[237] ABS 2019 Cat 6523 *Household Income and Wealth 2017-18*
https://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/6523.0~2017-18~Media%20Release~Average%20household%20wealth%20tops%20$1%20million%20(Media%20Release)~21

[238] EDHI is household income after taxes and transfers, as if the household income for a household of any size is the equivalent for one person. https://www.abs.gov.au/ausstats/abs@.nsf/Lookup/6553.0Glossary12017-18

Figure 98: Equivalised household income distribution, 1994-95 and 2017-18



Source: ABS 6523

356. The result over time is that the share of EDHI received by the lowest quintile is 7.5%, less than the share twenty years ago at 1997-98 of 8.0%. The share of EDHI received by the other quintiles has also fallen over the last twenty years, except for the highest quintile, where it has increased from 37.9% at 1997-98 to 40.4% at 2017-18 clearly indicating the regressive character of the tax and transfer system. An increase in the minimum wage in awards is a means available to address this deterioration in relative living standards.

357. From the published ABS data for 2017-18[239], we know that 43.0% of all people live in households where one or two people or more people are employed and in the bottom three quintiles of EDHI, slightly up from 42.6% at 2015-16. This was less than EDHI at the top of the third quintile of $1099 (as if for a single person household) at 2017-18 prices.[240]

[239] ABS 65230do004_2017-19 Table 4.1

[240] Low-paid receive less than two thirds of median hourly earnings for full time adults including junior rates. ABS 65230do001_2017-18 Table 1.1, ACTU calculations

358. Chart 8.7 of the *Statistical Report* shows that nearly two thirds of low-paid employees are in employee households of below median income, and three quarters are in employee households with income at the sixth decile or less.[241] For all households, low-paid employees are shown to be in higher income households in Chart 8.7, but this is because all households includes retirees and those not in the workforce for a variety of reasons who are living on lower household income relative to the total household distribution.

359. From the ACTU's calculations based on Table 4.1 of ABS 6523, 16.7 percent of people aged 15 or more are not in the workforce, with 11.2 percentage points of these aged 65 and over.[242] 3.3 million out of the total 4.0 million people not in the labour force are in the bottom two quintiles of household equivalised income, pushing low-paid employees into the higher quintiles for total households. It cannot be assumed therefore that lower-paid employees are most likely in higher income households.

4.3 Living standards and the tax and transfer system

360. The Panel in its decision last year observed that "to the extent that the tax transfer system fails to adequately address the 'needs of the low paid' more may need to be done through the minimum wages system."[243] It said: "The requirement to take into account the relative living standards and the needs of the low paid supports a real increase in the NMW and modern award minimum wages."[244] The ACTU welcomes those statements by the Panel and maintains that nothing has eventuated since last year that would alter their applicability.

361. The ACTU recognises that the Panel has a statutory obligation to establish and maintain a fair safety net of minimum wages. It is appropriate for it to take taxes and transfers into account when doing so. However, we would submit that the tax and transfer system cannot be relied upon to alleviate the impact of small increases in the minimum wage. This is all the more apposite in the prevailing careless policy environment where transfers

[241] FWC 2019 Statistical Report – Annual Wage Review 2019-20, p.49, Chart 8.7

[242] ABS 65230do004_2017-18 Table 4.1, ACTU calculations

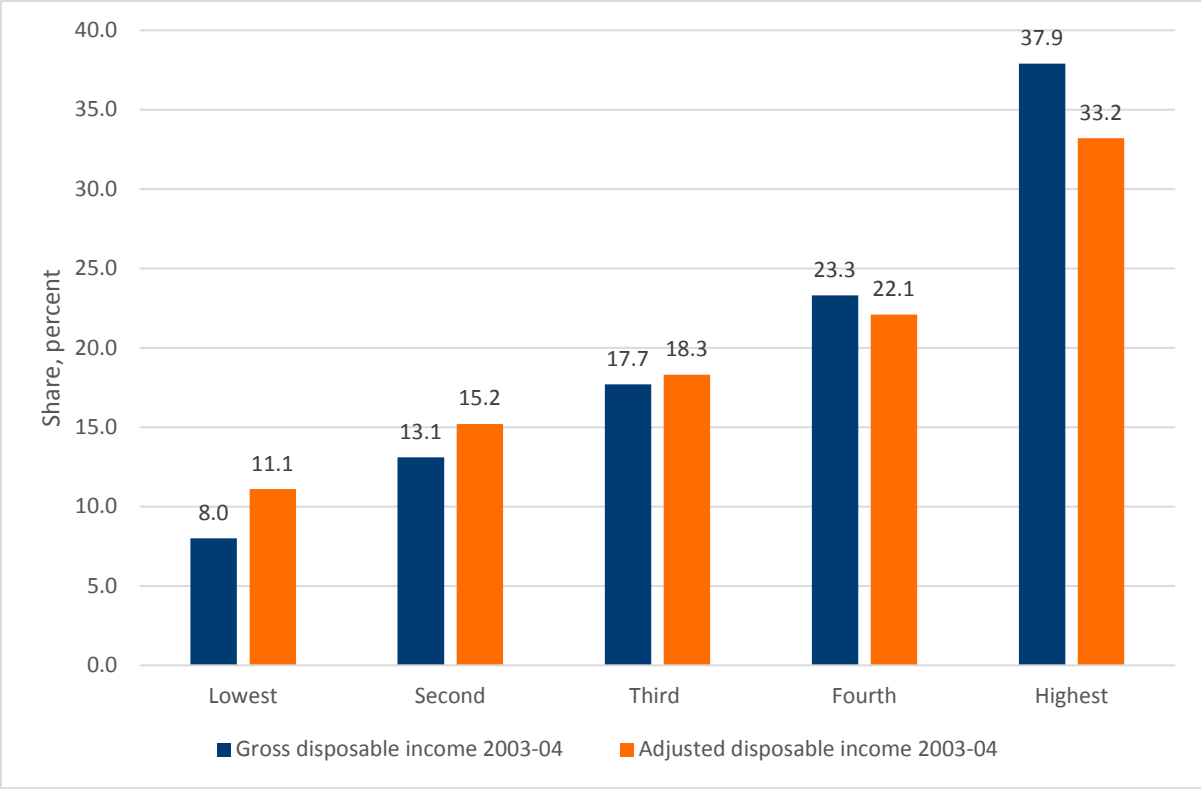
[243] [2019] FWCFB 3500 at [63]

[244] [2019] FWCFB 3500 at [66]

have been reduced and are likely to be reduced further, in effect bringing still more people into the low disposable income range.

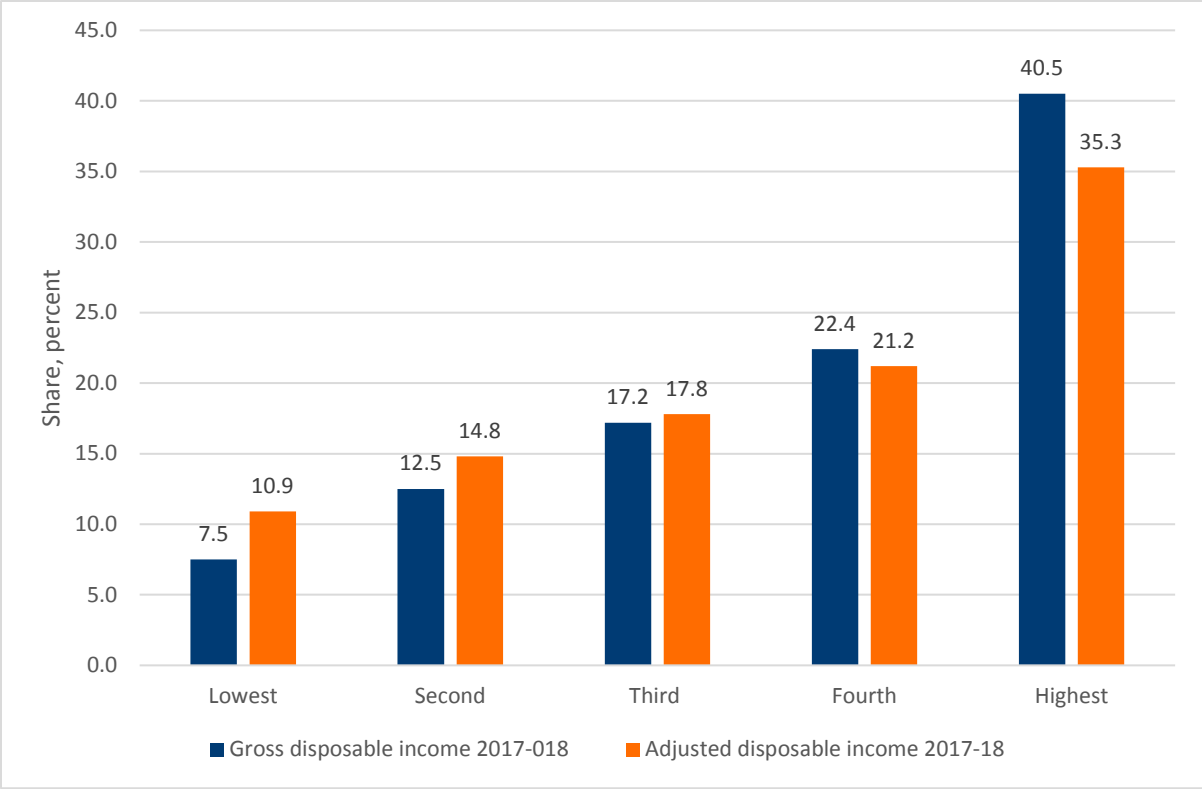
362. Figure 99 for 2003-04 and Figure 100 for 2017-18 present ABS data that show the distribution of total income between quintiles of both gross disposable income and adjusted disposable income have become more unequal across quintiles and through time. Gross disposable income is that before, and adjusted disposable income is that after, the impact of taxes and cash transfers such as the aged pension, unemployment benefit, family payments and in-kind public services such as health and education.

Figure 99 Gross and Adjusted Disposable Income, income quintile shares, 2003-04



Source: ABS Cat 5204.0.55.011 - Australian National Accounts: Distribution of Household Income, Consumption and Wealth, 2003-04 to 2017-18 Table 2.1

Figure 100 Gross and Adjusted Disposable Income, income quintile shares, 2017-18



Source: ABS Cat 5204.0.55.011 - Australian National Accounts: Distribution of Household Income, Consumption and Wealth, 2003-04 to 2017-18 Table 2.8

363. Taxes and transfers did redistribute some income to the bottom three quintiles in both 2003-04 and 2017-18. However, it is stark that the distribution of gross disposable income is more unequal in 2017-18 than in 2003-04 and the adjustment from taxes and transfers has not addressed that unequal distribution as much in 2017-18 as it did in 2003-04. For instance, the share of income in the second quintile in 2003-04 was 13.1 percent before and 15.2 percent after adjustment, whereas the second quintile share in 2017-18 was lower at 12.5 percent before adjustment, and still lower after at 14.8 percent. At the top of the distribution in the highest quintile, in 2003-04 the share was 37.9 percent before adjustment and 33.2 percent after, whereas in 2017-18 the highest quintile share had increased to 40.5 percent before adjustment and 35.3 percent after taxes and transfers, still more unequal than 24 year earlier. An increase in the minimum wage would go towards addressing the widening income inequality after taxes and transfers particularly for low paid workers in the lower three quintiles.

364. The *Statistical Report* presents the Gini coefficient in Chart 8.5. The Gini coefficient appears to have fluctuated roughly around a level trend since the GFC at 2008-09 through to 2017-18. As noted in submissions by the ACTU to previous Annual Wage Reviews, the

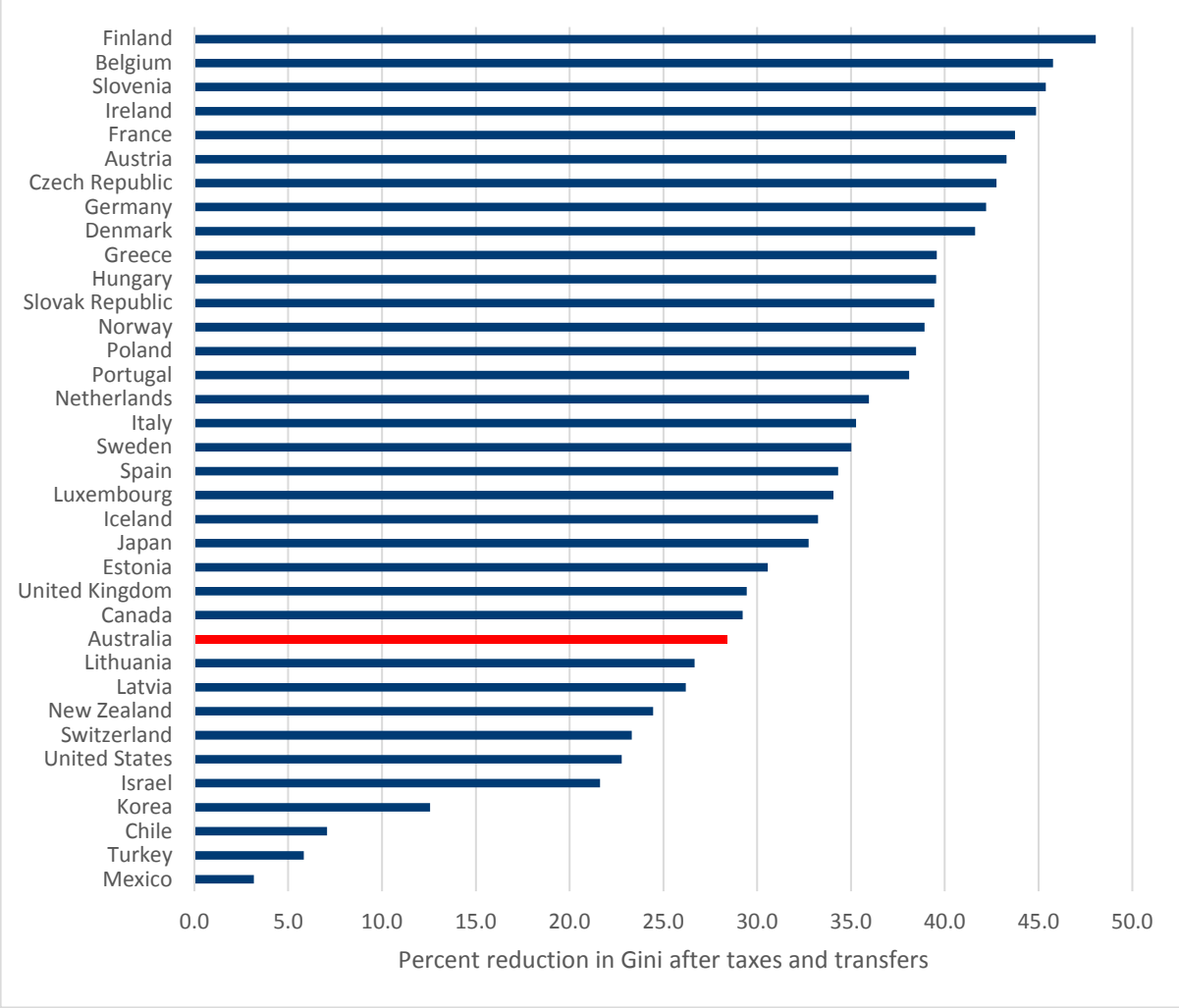
Gini coefficient does not reflect well the spread at each end of the income distribution, whereas the bottom tail is of most relevance to the Annual Wage Review.[245]

365. The ACTU notes that, by international standards, Australia's policies are not particularly progressive. The gross minimum wage in Australia has to do relatively more heavy lifting than in many other OECD countries. This is a due to a combination of the weakness of the tax and transfer system in Australia, and its relatively poor provision of in kind public goods and services, comprising the social wage. OECD's data indicates that Australia has one of the smaller percentage reductions in market income inequality through taxes and transfers, and this has shifted down from thirteenth lowest of the OECD countries at 2016 to tenth lowest at 2018.[246] This is shown in Figure 101.

[245] For instance ACTU 2018 initial Submission to the Annual Wage Review 2017-18 at [229]

[246] https://www.oecd.org/social/OECD2016-Income-Inequality-Update.pdf Chart 5, and https://stats.oecd.org/Index.aspx?DataSetCode=IDD accessed 3 March 2020, most recent data, mostly 2017, Australia 2018

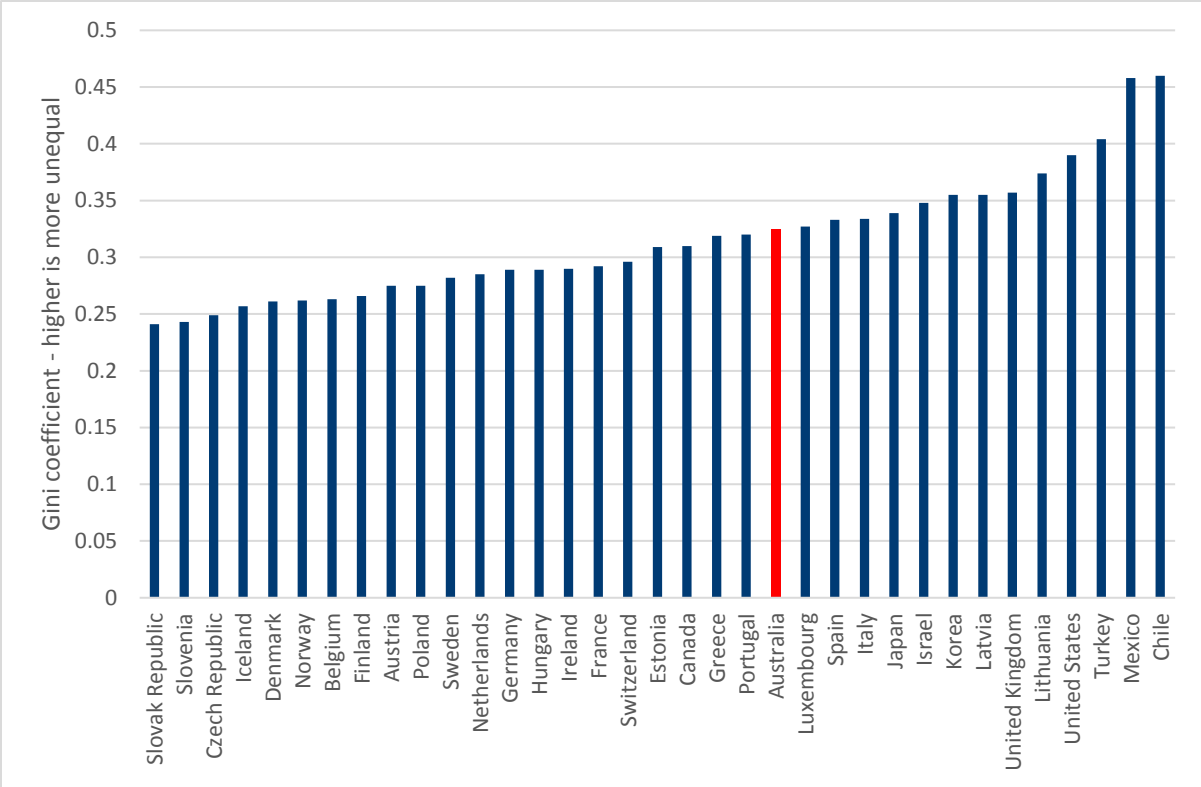
Figure 101 Reduction in Gini coefficient measure of inequality of income due to taxes and transfers, OECD countries, most recent



Source: https://stats.oecd.org/Index.aspx?DataSetCode=IDD accessed 3 March 2020, most recent data, mostly 2017, Australia 2018

366. The relatively weak reduction in inequality in Australia is not due to Australia's income being more equal in the first place. Figure 102shows that Australia is in the more unequal half of OECD countries, with the three least developed countries in the OECD above it with most unequal Gini values.

Figure 102 Gini coefficient OECD countries

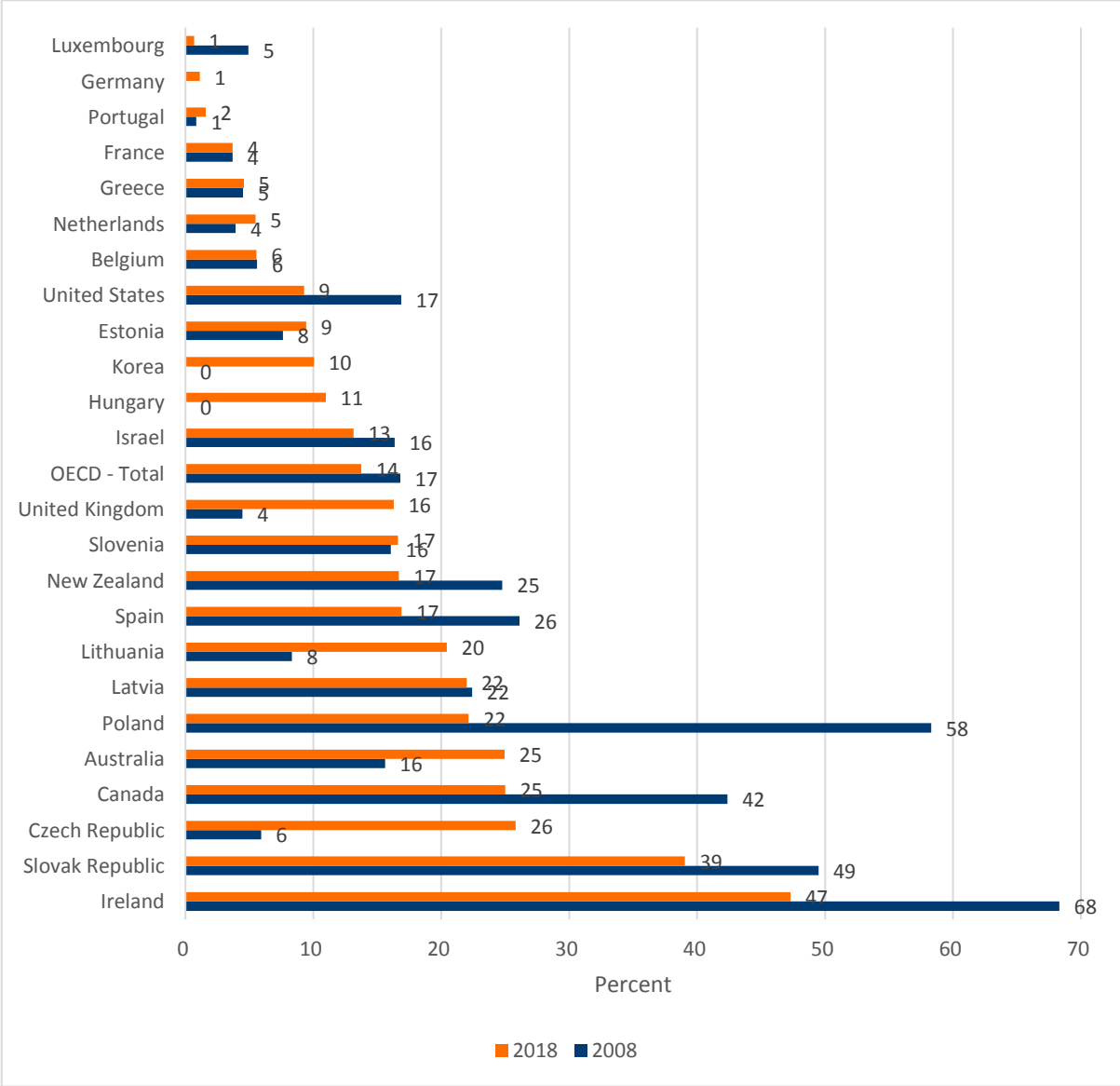


Source: OECD Stats https://data.oecd.org/inequality/income-inequality.htm 2018 or latest available, accessed 27 February 2020.

367. There are other reasons to believe that Australia's tax and transfer system has not been as redistributive towards equity as other OECD countries and that its performance continues to deteriorate. The OECD provides data for childcare costs for various household structures as a percentage of net household income, that is after taxes and transfers.[247] The OECD data show that a single person with two children on the minimum wage pays 25% of net income on childcare in 2018 (most recent) and this has gone up dramatically from 20% in 2015 and 16% in 2008 (14% in 2004), Figure 103.

[247] https://stats.oecd.org/Index.aspx?DataSetCode=IDD accessed 27 February 2020

Figure 103 Childcare costs as a percentage of net income of minimum wage earner single parent with two children



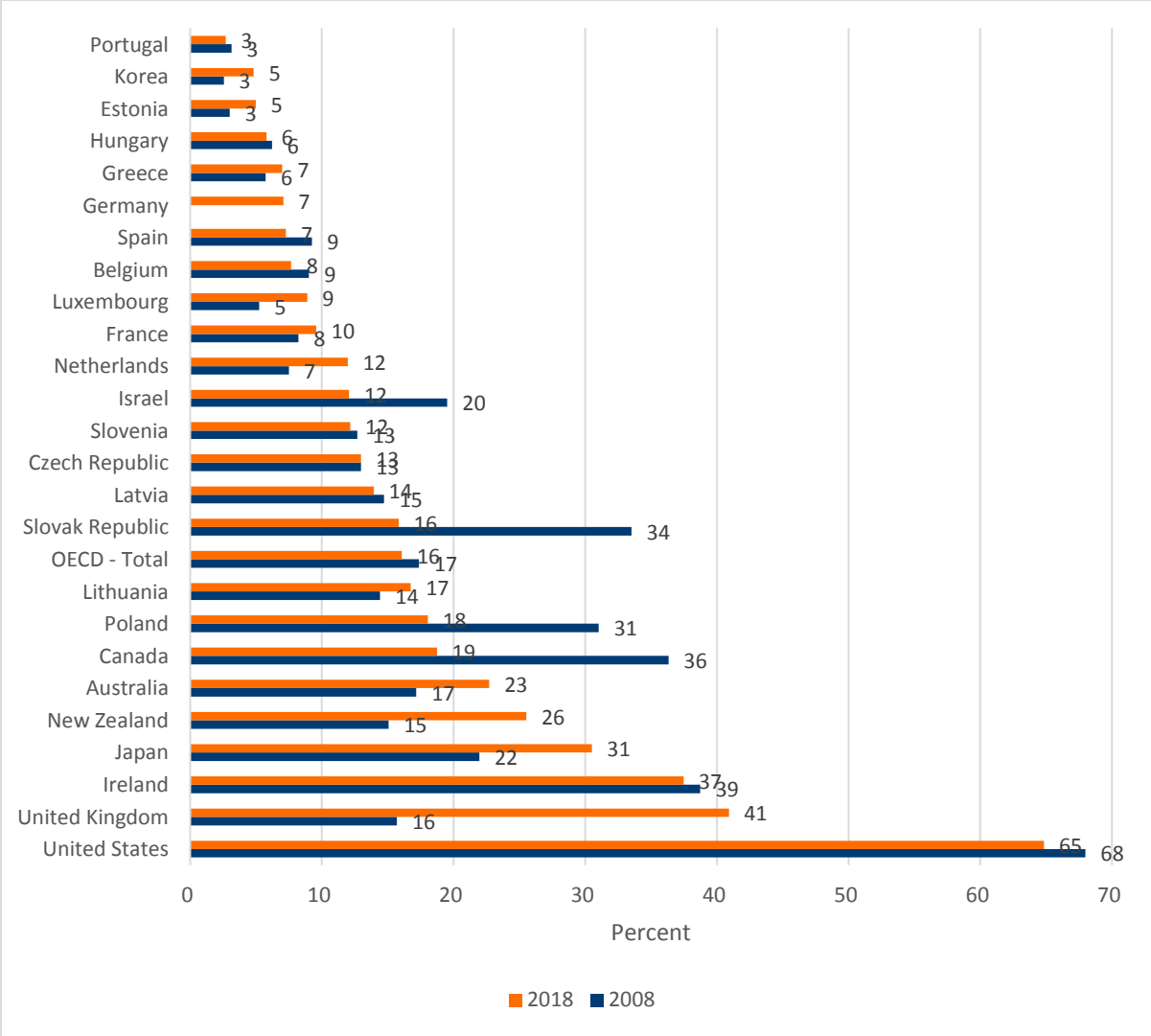
Source: OECD https://stats.oecd.org/Index.aspx?DataSetCode=IDD accessed 27 February 2020

368. Australia's childcare costs in 2018 for a single parent with two children on the minimum wage are the equal fourth highest out of 24 OECD countries at 25%, equal with Canada and less than only Czech Republic, Slovak Republic, and the highest, Ireland. There are some countries where it has been and / or is free, and others with no data. The ACTU notes this does not indicate the rate of availability of childcare.

369. Figure 104 shows that childcare costs remain a similar impost out of household income for households in Australia with one parent earning the minimum wage and another on two thirds of the average wage, with two children. That household paid 17% of its net income in 2008 and 23% in 2018. Its ranking is slightly improved for the slightly higher

income household, sixth highest childcare costs share, with the USA now coming last at 65% of that category of household income in 2018.

Figure 104 Childcare costs as a percentage of net income of minimum wage earner with partner earning 67% of the average wage with two children



Source: OECD https://stats.oecd.org/Index.aspx?DataSetCode=IDD accessed 1 March 2020

370. According to OECD data, 9.6% of people of working age in Australia had incomes below the OECD poverty line set at 50% of median disposable income (after taxes and transfers) in 2018. Based on the most recent OECD data, fourteen countries had lower poverty rates for working age people ranging down to Czech Republic with 4.7%, and 21 countries had higher ones, ranging up to the US with 15.4%.[248]

[248] https://stats.oecd.org/Index.aspx?DataSetCode=IDD accessed 1 March 2020.

4.4 The needs of the low-paid

371. The Panel said in last year's decision:

> *"The assessment of the needs of the low paid requires an examination of the extent to which low-paid workers are able to purchase the essentials for a decent standard of living and to engage in community life, assessed in the context of contemporary norms. The risk of poverty is also relevant in addressing the needs of the low paid. We accept, as we have in previous Review decisions, that if the low paid are forced to live in poverty then their needs are not being met. We also accept that those in full-time employment can reasonably expect a standard of living that exceeds poverty levels"*

and:

> *"There is no single contemporary measure of the needs of the low paid."*[249]

372. The ACTU is in agreement that the risk of poverty is relevant in assessing the needs of the low paid. In the ACTU's view in the first instance that relates to the inability of low paid workers to bargain for higher wages, an instance that the minimum wage and awards system was intended to address. The risk of poverty is also strongly related to events and changed circumstances outside the control of the individual that involve unexpected inability to work and / or financial outlays beyond their means to meet. The need to address this risk is even more apposite in the context of prolonged slow wage growth.

373. Relying on multiple source of measurement of poverty, and understanding their limitations, is also critically important. The ABS has published a fact sheet on household economic wellbeing in low economic resource households, which notes that "the number of people in poverty is determined by an arbitrary fraction of income (which may not reflect actual hardship)." [250] The proportions are very sensitive to changes in the median [or average] income measures and to changes in taxes and transfers. The definition of income is important, in particular whether it includes imputed rents for owner occupier

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[249] 2019 FWCFB 3500 at [200]-[201]

[250] ABS Household Economic Wellbeing Low economic resource households Fact Sheet Three https://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/EFCFEEC2D8972756CA257C20000E20DB/$File/fact%20sheet%203.%20low%20economic%20resource%20households.pdf

households and the receipt of services from the government "e g a person able to access free or subsidised health care can be better off than a person with similar income but not able to access these social provisions."[251]

374. The ACTU reiterates the view that all workers dependent on the minimum wage and modern award minimum wages are low-paid in the sense that they are paid the lowest wage that is legal to pay to them for the work they perform. All award classifications from C3 downwards are below two thirds of AWOTE for persons, or $1105.60, with C2(a) just above that threshold at $1117.60. This means the vast majority of award-dependent employees fall below this low pay benchmark. This is exacerbated by the one of the highest rates of part time work in the OECD, at 31.5% of total employment[252] and a high casual employment rate of 22.0%.[253] In the ACTU's view these workers are also low paid in the sense that realistically these are amounts that are at the very least not easy to live on.

375. The ACTU is of the view that the Panel's assessment of the needs of the low paid (and relative living standards) should encompass a phenomenon which was recognised as 'new' in 1998, that of 'working poverty'.[254] Eardley (1998) found that from the 1990s it became increasingly clear that having employment was "in itself no longer a guarantee of staying out of poverty: "There has been talk of a new phenomenon of 'working poverty' in Australia, whereby the levels and concentration of low pay are combining to see incomes in a significant number of households fall below the poverty line even where family members are in paid employment. The links between individual low pay and family poverty, however, are complex."[255] Sadly this is a situation to which people have become inured. The ACTU would argue that an increase in minimum wages is the key and most direct means for addressing the long term increase in the low paid who experience inadequate living standards.

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[251] Ibid.

[252] ABS 6202 January 2020 and ACTU calculation.

[253] ABS 6306 May 2018 most recent

[254] Eardley Tony 1998 Working but poor? Low Pay and Poverty in Australia SPRC Discussion Paper No.91 November

[255] Eardley Tony 1998 Working but poor? Low Pay and Poverty in Australia SPRC Discussion Paper No.91 November, p.1

4.4.1 Costs of living

376. In 2019, the Panel awarded a 3.0% increase in the minimum wage. Over the year to December quarter 2019, CPI inflation was 1.8%, while the employee Living Cost Index (LCI) for an employee household increased by 1.0%.[256] The LCI index increase was less for employee households than other households. The LCI reflects the costs for an average employee household and is according to ABS lower due to the impact of lower housing costs than previously including insurance and financial services and mortgage interest charges.[257] However in the ACTU's view households of lower paid employees are unlikely to have faced the same reduction in housing costs gained by the average employee household, because the proportion of lower paid employee households which are renting is expected to be higher than for other employees and more of them would be facing fixed rents. It is to be noted in this regard that the Productivity Commission has recently found that, among those of working age, a greater proportion of private renter than owner occupier households (35% vs. 23%) have a refence person with an income between the 3rd and 40th percentile of EHDI and that private renter household tend to have "materially lower: weekly equivalised incomes than owner occupiers (a median of %902 vs $1097).[258]

377. The Reserve Bank of Australia (RBA) forecast for CPI inflation of 1¾% over the year 2019 was close to the result of 1.8%.[259] Similarly it is forecasting 1¾% through to June 2021.[260] This offers and opportunity for an increase in the minimum wage and awards to be sufficient as to act on real wage growth.

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[256] ABS 6401, ABS 6467. LCI is 'concerned with measuring the impact of changes in prices on the out-of-pocket expenses incurred by households to gain access to consumer goods and services.' The biggest difference with cpi is that LCI accounts for housing costs in terms of actual cash outlays incurred, and may better reflect changes in purchasing power at lower income levels.
http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/6467.0Explanatory%20Notes1Dec%202016?OpenDocument

[257] ABS 6467
https://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/6467.0Main%20Features2Dec%202019?opendocument&tabname=Summary&prodno=6467.0&issue=Dec%202019&num=&view=

[258] Productivity Commission 2019, *Vulnerable Private Renters: Evidence and Options*, Commission Research Paper, Canberra, at page 46.

[259] Reserve Bank of Australia 2019, Statement on Monetary Policy: February 2019, p.66.

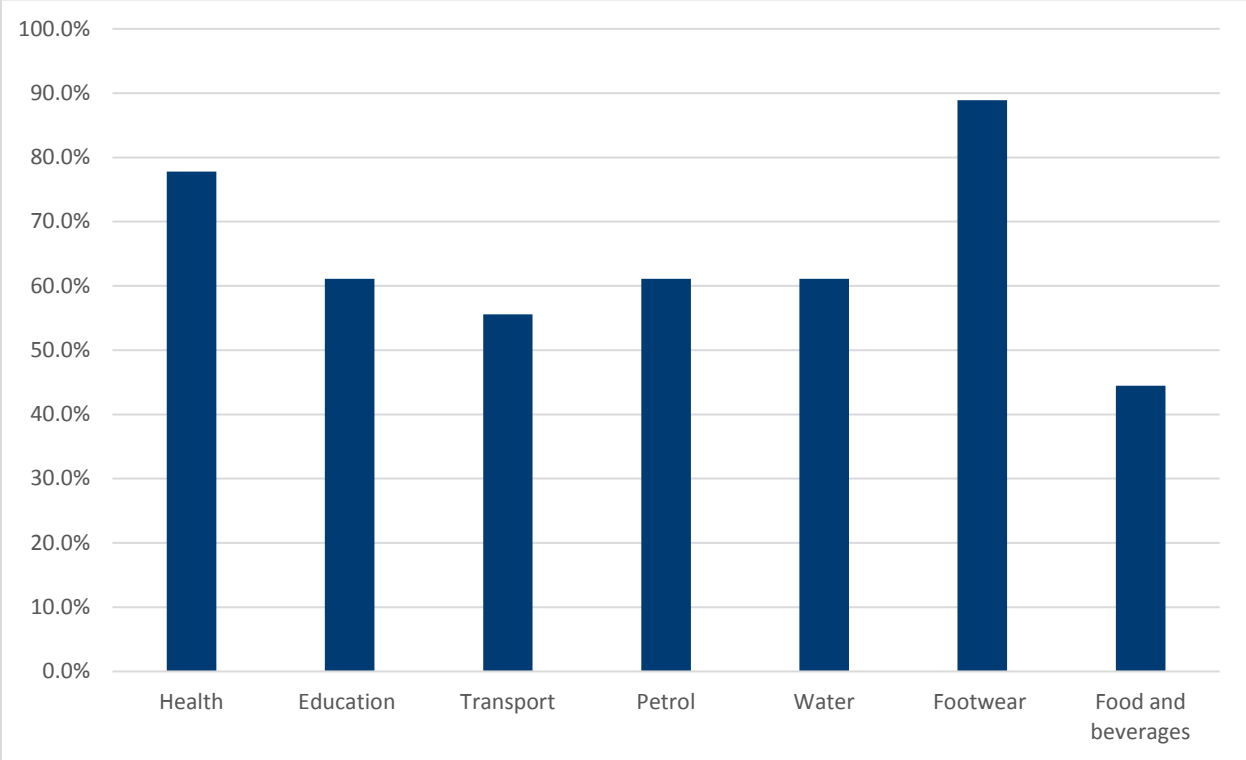
[260] Reserve Bank of Australia 2020, Statement on Monetary Policy: February 2020, p.72.

378. Increases in the price of any essential items has a bigger impact on the low paid as essential items form a bigger proportion of the household budget than for higher paid households. The ACTU would seek a minimum wage increase that takes account of the greater hardship caused to award-reliant employees by disproportionate increases in the cost of non-negotiable items.

379. A balanced approach to minimum wage setting, focusing more attention on the real costs facing award workers, would lead to a significant increase in the minimum wage. To illustrate this point, it is interesting to compare recent price hikes for some of the most basic commodities and services that award workers need to survive with changes in the rate of inflation, as shown in Figure 105. A breakdown of official (ABS) data how the following increases over the last year compared to the rate of inflation:

a. The price of healthcare costs has increased 77.8% faster than CPI;
b. Education increased 61.1% faster;
c. Transport costs increased 55.6% faster;
d. Petrol costs increased 61.1 faster;
e. Water increased 61.1% faster;
f. Footwear increased 88.9% faster; and
g. Food and beverages increased 44.4% faster

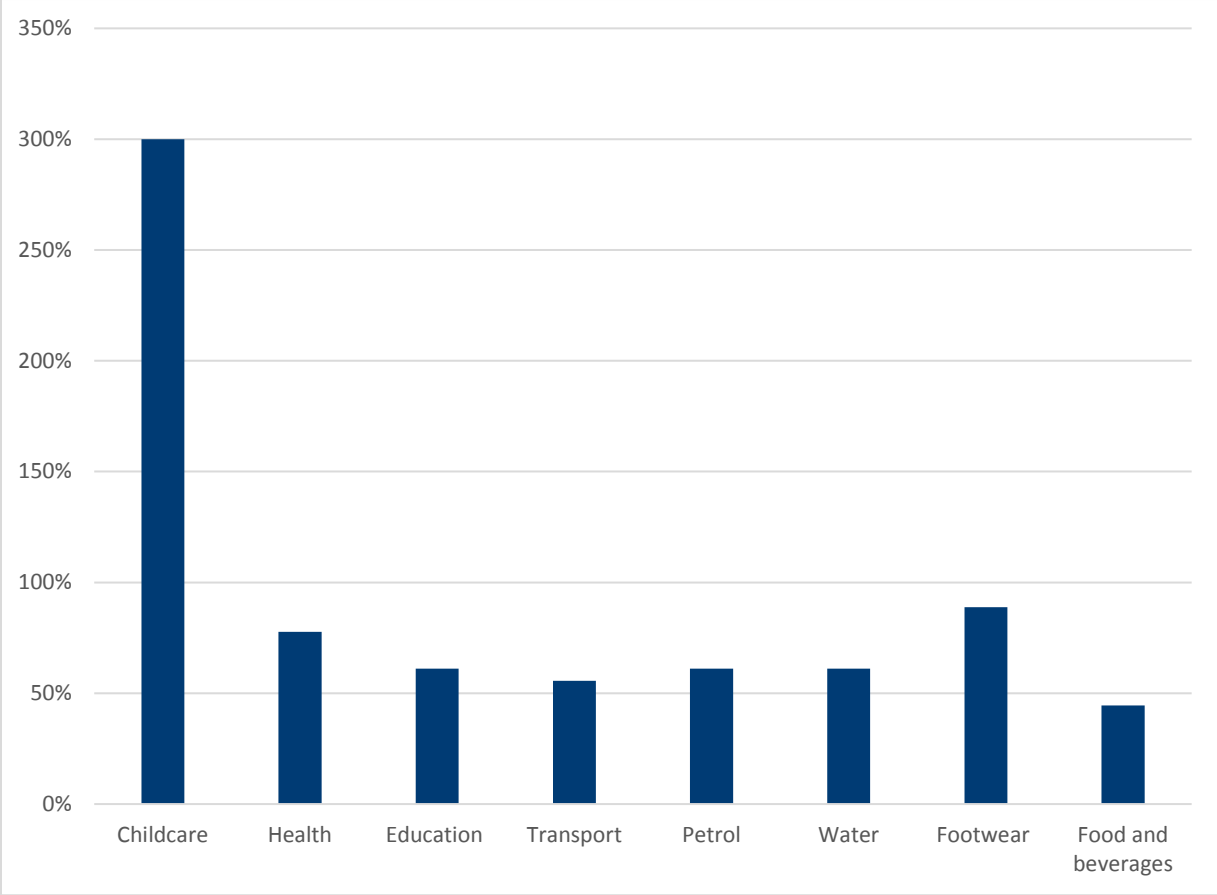
Figure 105 Cost of essential items increase relative to CPI 2019



Source: ABS 6401.0 - Consumer Price Index, Australia, Dec 2019

380. If we include childcare costs, we can see that the price of childcare costs have increased 300% faster than CPI far outweighing the increase in costs of other essential items as shown in Figure 106.

Figure 106 Cost of essential items increase relative to cpi including childcare, 2019



Source: ABS 6401.0 - Consumer Price Index, Australia, Dec 2019

381. This analysis does not include the cost of 'unexpected events' which can be significant for low paid households. If your car breaks down, or you have to bear the costs of a funeral or such like then the costs can be significant for those on low incomes.

382. According to the Roy Morgan Swinburne RMIT Australian Digital Inclusion Index 2019 *Measuring Australia's Digital Divide*: "In general, Australians with low levels of income, education, and employment are significantly less digitally included." The overall proportion that people spend on internet services out of income has grown on trend since 2014. People in low income households spent "a substantial proportion of income on network access (approximately 4%) in sharp contrast with high income households who

spent less than 1% of household income on network access.[261] People with mobile only access to the internet, a criterion for relative digital exclusion, are more likely to be in lower socioeconomic sectors.

383. The Productivity Commission has recently described "rapid growth" in the number of low income households experiencing rental stress, which it defines as households in the 3rd to 40th percentile of EHDI spending more than 30% of their disposable income on rent.[262] Specifically, between 1994 and 2018 the number of households in rental stress doubled (to approximately 710,000 households) while the total number of households in Australian increased by only 40%. The Productivity Commission attributes this shift to low income households becoming more prevalent in the rental market, owing to both a decline in the share of low income households owning a home and a decline in the availability of public housing.

384. The Productivity Commission also found that, as at 2018, nearly 60% of low income *working* households were in rental stress, with the Productivity Commission attributing some of this to the extent of underemployment, with 42% of private renters in the lowest income quintile and 32% in the second lowest income quintile expressing a desire to work more hours.[263]

385. The slight increase in the real minimum wage of 1.2% last year does not go far towards ensuring that low-paid workers are able to live better. In particular, the disproportionate share of costs of a range of essential items, such as health, education and the generally largest item, housing costs, means that discretionary spending is squeezed proportionately more at lower incomes.

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[261] Roy Morgan Swinburne RMIT Australian Digital Inclusion Index 2019 *Measuring Australia's Digital Divide* file:///U:/minimum%20wage%20case/minimum%20wage%20case%202019-20/RLS%20and%20NLP/2019_ADII_Report.pdf p.6, p.16

[262] Productivity Commission 2019, *Vulnerable Private Renters: Evidence and Options*, Commission Research Paper, Canberra, at Chapter 3.

[263] Productivity Commission 2019, *Vulnerable Private Renters: Evidence and Options*, Commission Research Paper, Canberra, at Figure 3.9.

4.4.2 Relative poverty

386. The Panel said in its 2018-19 Decision: "The Panel has generally relied on poverty lines that are measured relative to median equivalised household disposable income and has considered that a threshold of 60 per cent of median equivalised household disposable income is more appropriate when using relative poverty lines to set minimum wages, as those in full-time employment can reasonably expect a standard of living that exceeds harsher poverty levels."[264]

387. The Panel said that: "Relative poverty 'captures the notion that preferences and norms in society on what is an acceptable standard of living—and the costs associated with it—change over time as incomes rise'.[265] However, relative poverty lines are more a measure of inequality than an assessment of whether low-income households have enough income to meet their basic needs."[266]

388. The ACTU observes accordingly that obtaining an income in excess of relative poverty levels does not necessarily indicate that low-paid workers' needs are being met adequately or decently. People above the relative poverty line may still experience poverty, as the line is relative to median, or sometimes mean, income. An individual's income can move either side of the relative poverty line while remaining the same in terms of purchasing power.

389. Sixty per cent of median earnings is the measure of the relative poverty level used by the UK Low Pay Commission as directed by the UK government[267], and is accepted by other jurisdictions and international organisations.

390. The NMW has not kept pace with relative poverty thresholds such as 60% of the median, and has fallen below that level since 1999, nearly 20 years ago, as shown in

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[264] 2019 FWCFB 3500 at [322]

[265] 2019 FWCFB 3500 at [319] citing Urban Sila and Valéry Dugain 2019 income poverty of households in Australia: evidence from the HILDA survey OECD Economics Department Working Papers No. 1539, p.9

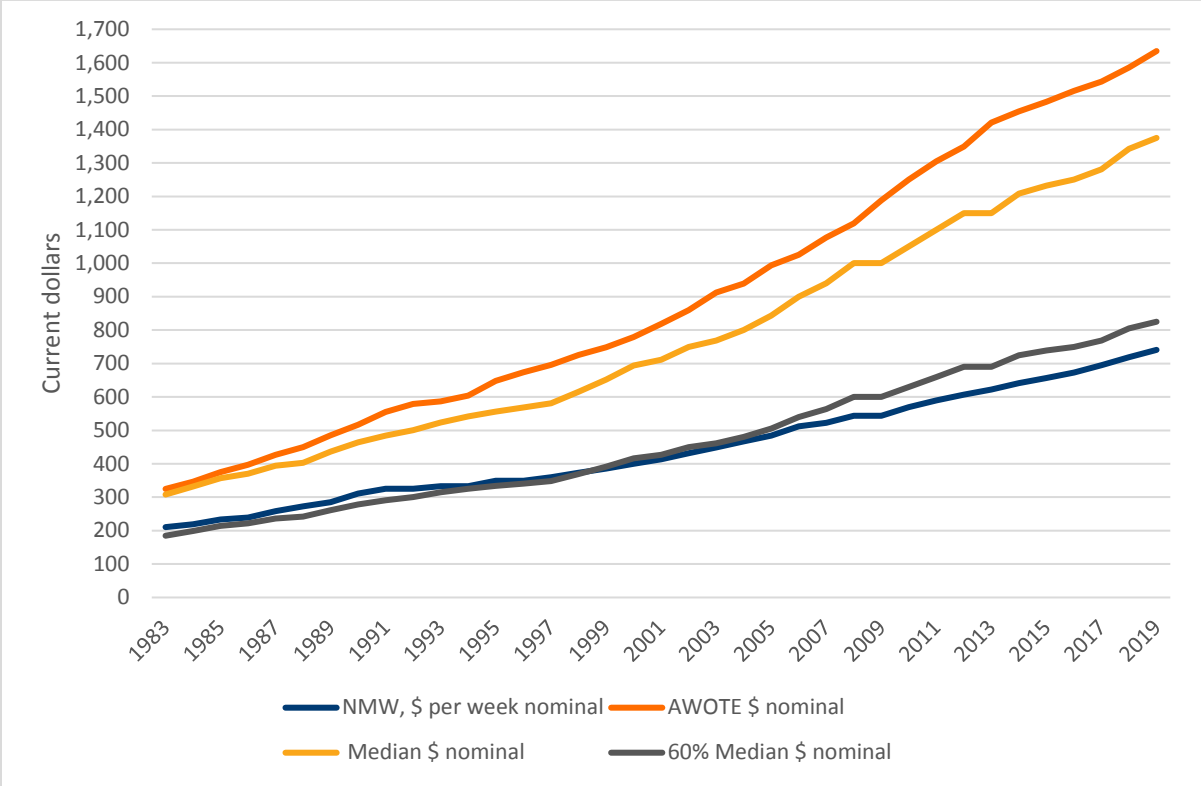
[266] 2019 FWCFB 3500 at [319] citing [2016] FWCFB 3500 at [431]

[267] UK Low Pay Commission Report 2018 *National Minimum Wage,* p.xii

391. Figure 88 in which the data is expressed in real terms. A recent slight narrowing of the gap between the NMW and 60% of the median is due both to the flattening out over time of the median wage due to its particularly slow growth since 2012, and recent increases granted in the NMW.

392. Figure 107 shows the NMW, AWOTE, median earnings and 60% of median earnings in nominal terms, and may be compared with the same data expressed in real terms in Figure 88. Thus both figures start at the same values in 1983 but the nominal data in Figure 107 increase much faster than the real data in Figure 88. The wide variation from year to year is apparent, including in the NMW. The variation from year to year is even greater in Figure 88 which presents real terms where the unforeseeable consequences of variations in the CPI become apparent.

Figure 107 National minimum wage, Average Weekly Ordinary Time Earnings, Median Earnings, and 60% of Median Earnings, nominal (current) dollars



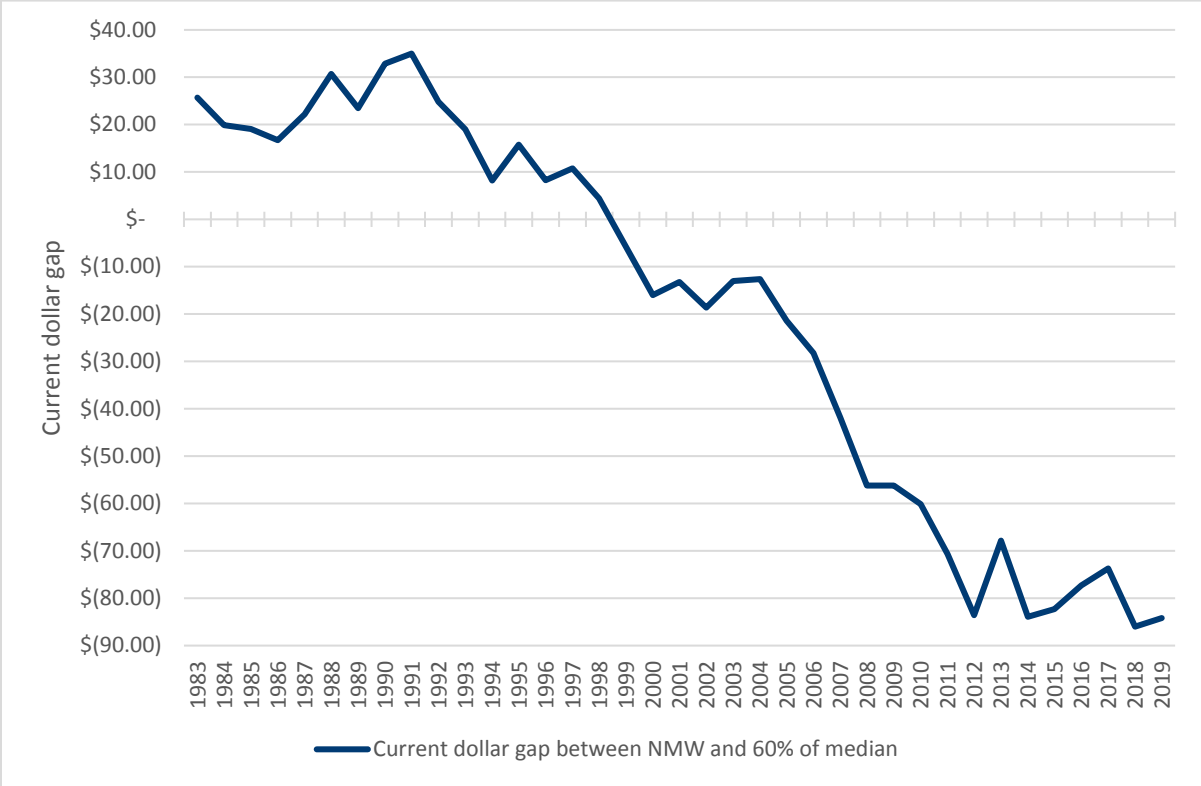
Sources: FWC and Bray (2013), ABS Cats 6302, 6310, 6333, and ACTU calculations

393. We also subtract 60% of nominal full-time median earnings from the NMW for each year from 1983 to 2019, as shown in Figure 108, where 60% of median earnings is given by zero on the vertical axis. The gap appears to have stabilised at 2012 after roughly trending down over two decades. The gap at 2019 was $84.20, having slightly narrowed from $86.00 at 2018. The gap was slightly more than at 2011, seven years ago. In our

submission, the modest and more granular improvements in relatively recent times must be seen against the background of the long-term trend and trajectory seen in Figure 108.

394. It is estimated that the gap between NMW and 60% of nominal median earnings at 2019 would require an increase of around $84 per week or 11.4% in order for the current NMW to reach a level of 60% of the median equal to $825 per week at 2019. This amounts to around $2.20 per hour. A practical proposal for an increase to the minimum wage at the top of our claim by 6.0% or $44.45 per week would mark significant progress in moving toward that objective. This increase would amount to $1.17 an hour, to reach a total of $20.66 per hour. If the minimum wage is increased by the bottom of the range in our claim of 4.0% it would add $29.60, amounting to 78 cents an hour, to reach a total of $20.27 per hour. This range is well within range of the minimum wage increases that other countries have put into place.

Figure 108 Nominal NMW minus 60% of median earnings



Sources: FWC and Bray (2013), ABS Cats 6302, 6310, 6333 and ACTU calculations

395. Another measure of relative earnings is 60% of median equivalised household disposable income (EHDI), which is shown in Table 8.6 of the *Statistical Report* 2019-20 for various household types. Whilst a single adult provides the starting point for the assessment of relative living standards and needs, the relative living standards and needs of other family

types are also relevant and should considered.[268] Further, the Panel has repeatedly recognised that if the low-paid are forced to live in poverty, then their living standards are not being met. Accordingly, the Panel is not required (and does not) treat the needs of the low paid as being met merely because the reference household is not demonstrated in a particular Review to be living in poverty (under one or another measure of poverty).

396. As the ACTU has previously indicated, equivalised disposable household income (EDHI) measures have limitations as a method of assessing where an individual household stands in relation to the relative poverty line because inevitably they are assessed for an average of the type of household rather than individual circumstances. They do not translate directly into an equivalent value for actual wages, for a one person or any other composition of household with a big range of interactions with the labour market and domestic circumstances, childcare costs, caring responsibilities et cetera. They cannot adequately reflect the impact of increasing the minimum wage for a wide variety of workers in low-paid low income households. This is manifest in that the EDHI calculations result in low dollar amounts of income that correspond to the 50% and 60% relative poverty lines. These are not dollar amounts that anyone realistically could live on. In addition, they are very sensitive to changes in the tax and transfers thresholds and eligibility, not least of which are changes to the massive impost of childcare costs for dependent children.

397. However, EHDI measures can provide information as to the movements of hypothetical types of households' wellbeing over time in relation to a given relative poverty line; that is, whether or not they are relatively better off compared with the median or average benchmark. It also can show where those household types stand in relation to each other (better or worse off) over time. In this context, we do not describe the household types as "hypothetical" pejoratively, but merely to highlight that the equivalence scales upon which they are based are modelling parameters that do not necessarily represent the lived experience of all households which meet the category description such of "Single parent", "Dual earner couple" and so on. Above all in the ACTU's view the criteria are so modest as to be implausibly low for a large proportion of individual households facing those circumstances.

[268] See [2015] FWCFB 3500 at [323]-[344]

398. In particular the measurement must be very sensitive to housing costs and therefore location of the household which is significant for Australia. The other major source of sensitivity for household types with dependent children is in variations to the childcare subsidy. The measures are not contingent and cannot measure the consequences of increasingly precarious work and the consequences of events involving financial outlays.

399. Table 8.6 in the *Statistical Report* shows the ratio of C14, C10, C4 and AWOTE to 60% of median household disposable income at 2014, 2018 and 2019. The reference household of a single adult at July 2019 remains above the 60% median disposable income threshold. The household types at the minimum wage, C10 and C4 have improved very slightly on their position compared to 2018. Some single parent household types with children and some single earner couple household types being paid at NMW or at C10, remain below the relative poverty line. The single parent working part time with two children household type remains below the poverty line at C4. While it is not clear how household types with a single earner would include a partner eligible for New Start Allowance, those that evidently do are at or barely above the poverty line at the minimum wage and C10.

400. Single parents working part-time with one or two children continue to be among the most disadvantaged of all, notwithstanding the model in Table 8.5 of the *Statistical Report* indicating that they were the only groups which retained 100% of the NMW increase. Single parents working part-time with one child were below the 60% of median threshold of $705.35 at C14 and C10. Single parents working part-time with two children were in a similar position, below their 60% of median threshold of $868.13 at C14, C10 and just below it at C4 at 2019. Single earner couples with no children and no NSA were well below the 60% line of $813.87 at C14 and C10.

401. Single earner couples with one or two children without receiving NSA were below the 60% line at C14, and with two children were below the poverty line at C10. Receiving NSA put single earner couples with one or two children just above at all rates shown. The other household types, single adult, single parent with one or two children working full-time, and dual earners working full-time, with no, one or two children were all above the 60% for all awards shown.

402. However, only three types of households exceeded 1.5 times 60% of median earnings and only at C4. These were single adult down very slightly to 1.60 on $868.13, single

parent working full-time with one child up very slightly to 1.58 on $1114.45 and dual earners with no children on 1.67 on $1359.16.

403. No households of award only employees got near the AWOTE rates for their type of household. Moreover, Table 8.6 shows that the circumstances have not shifted significantly between September 2014 and September 2019.[269] It is unclear how these data take account of housing costs.

404. The report by ACOSS and UNSW *Poverty in Australia 2020 Part 1: Overview* said: "From 2005 to 2017, average housing costs for the lowest 20% of working-age households (under 65 years) grew more than twice as fast as those of the middle 20% (by 42% compared with 15%)."[270] The report also points out that "a key contributing factor to slower growth in median household incomes is sluggish wage growth since the GFC".[271] It says that trends in child poverty was especially influenced by a number of measures since 2007 which included the indexation of Family Tax Benefits (FTB) for low income families to "consumer prices only rather than movements in pension rates and wages", with FTB temporarily frozen in dollar terms at 2015.[272]

4.4.3 Absolute poverty, financial stress and deprivation

405. The Panel said in its last decision: "Some low-paid households are plainly experiencing significant disadvantage. A real wage increase would assist these employees to better meet their needs."[273] The extent to which award-reliant employees are able to meet their needs is difficult to measure directly, but can be inferred from information such as absolute poverty rates and measures of financial stress and deprivation.

406. Financial stress and deprivation measures are imperfect measures of the degree to which needs are not being met. The absence of deprivation among workers (e.g. if workers do not have to go without meals due to lack of money) does not necessarily indicate that

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[269] FWC 2020 Statistical Report – Annual Wage Review 2019-20, p.46, Table 8.6

[270].ACOSS and UNSW Sydney 2020 *Poverty in Australia* 2020 *Part 1: Overview*, p.10

[271] ACOSS and UNSW Sydney 2020 *Poverty in Australia 2020 Part 1: Overview*, p.20, footnote 14, citing The Treasury 2017 and Davidson P et al (2018), Inequality in Australia, Australian Council of Social Service and UNSW Sydney.

[272] ACOSS and UNSW Sydney 2020 Poverty in Australia 2020 Part 1: Overview, p.28

[273] 2019 FWCFB 3500 at [360]

their incomes are sufficient to meet a socially acceptable standard. These measures are nevertheless useful, when viewed in conjunction with other information about low-paid workers' living standards and also the precarity of circumstances.

407. The *Food Bank Hunger Report 2019*[274] combines insights from charities and community groups across Australia providing food relief as well as individual Australians who experience food insecurity. This was the fourth time Foodbank conducted research amongst those directly affected by food insecurity. Food insecurity is "defined as individuals or households having limited or uncertain physical, social or economic access to sufficient, safe, nutritious and culturally relevant food."[275]

408. Two surveys were used to collect these insights. The first was the Charity Partner Survey conducted from December 2018 to May 2019 and completed by charities across Australia that source food from the food rescue sector. This survey received 2089 responses which represented 71% of registered agencies across Australia that had received Foodbank food in the last 12 months. Measures were applied to ensure robustness of results. "The total number of people receiving assistance from Foodbank's agencies was calculated by finding the average number of people assisted by agencies for each state and multiplying this by the number of agencies in each state that had received food from Foodbank in the last 12 months." The second survey was conducted online by McCrindle and explored the prevalence of food insecurity in Australia, as well as the experiences of those living with food insecurity, gathering responses from a sample of 1017 food insecure Australians.[276]

409. The *Food Bank Hunger Report* found that over the last year 21% of Australians have been in a situation where they have run out of food and have been unable to buy more, the equivalent of five million people. At least once a week around half of these skip a meal (55%) or cut down on the size of their meals to make food go further (50%). At least once a week three in ten (30%) of these food insecure people go a whole day without eating. [277] 20% of parents experiencing food insecurity say their children go at least one day a week without eating meat or fresh fruit or vegetables and another 18% say their children

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274 McCrindle 2019 *The Foodbank Hunger Report 2019*

275 McCrindle 2019 The Foodbank Hunger Report 2019, 04

276 McCrindle 2019 The Foodbank Hunger Report 2019, 04, 23

277 McCrindle 2019 The Foodbank Hunger Report 2019, 08, 13

go at least one day a week without eating at all. For 42% of those experiencing food insecurity, it was due to "living on a low income or pension."[278]

410. The number of people seeking food relief has increased 22% over the last 12 months, and less than two in five charities believe they are currently meeting the full needs of the people they assist. Women are particularly vulnerable with 27% of them compared with 18% of men having experienced food insecurity in the last 12 months. 49% of these food insecure women are likely to have raised children on their own for an extended period.

411. As an indication of the importance of events affecting people on low incomes, unexpected bills or housing payments affected 49% of people experiencing food insecurity, with one in three going without food in order to pay bills, rent or mortgage.[279]

412. The ACTU in its initial submission to last year's Review reported findings from the 2016 Census on the work status of homeless people.[280] It found that more than one in three (35.4%) homeless people aged 15 and over were employed. In raw numbers this is 61,500 out of the 173,800 total either homeless or in marginal housing (more than severely crowded, improvised or marginal in caravan parks). One in six homeless people (16.4%, 28,600) were working full-time (35 hours per week or more). There were 45.6% or 79,300 homeless people in the labour force; that is, working or looking for work. Almost half (48.8%, 85,000) of homeless people had a Year 12 education or higher, while more than one in eight, or 12.9%, of homeless people had one degree or more.

413. More than one in five (21.9%, 38,100) homeless people had incomes above $650 per week and 15% had more than $800. This is an indication of the inadequacy of the minimum wage in relation to affording housing, [281] and highlights the importance of factoring in housing expenses into consideration of poverty levels.

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[278] McCrindle 2019 The Foodbank Hunger Report 2019, 16

[279] McCrindle 2019 The Foodbank Hunger Report 2019, 09

[280] ACTU 2019 initial Submission to the Annual Wage Review 2018-19 at [447] to [448]

[281] ABS 2018 2049 Census of Population and Housing: Estimating homelessness, 2016, 14 March http://www.abs.gov.au/ausstats/abs@.nsf/lookup/2049.0Media%20Release12016 ACTU calculations from ABS 20490DO001_2016 Table 1.10

414. An important aspect of whether needs are being met is the extent of precariousness of existence faced by low paid employees and their dependents. While indicators of financial stress seek to quantify this, it calls for evaluation on a much broader basis. This has become increasingly important with the increasing precarity of employment, pay and working conditions in a context of climate change over time. Yet as it stands there is insufficient attention to this in the empirical literature.

415. The other area that calls for more attention in terms of whether needs are being met is in relation to the higher proportion of females than males that are low paid. The standard low paid worker has been cast as a male. Yet the average low paid worker is a female. Female patterns of consumption and living requirements differ from males, not least in that they are more likely to have primary care of dependents including children and others needing care, while they are in the workforce. Additional requirements are entailed in their personal consumption and in relation to those they for whom they have carer responsibilities also.

416. The *Statistical Report* reports indicators of financial stress for all employee households in Table 12.1 and low paid employee households in Table 12.2, based on HILDA data. Employee households are those whose main source of income is from wages or salary. It can reasonably be assumed that these estimates are conservative. [282] The financial stress must be reported by both partners in a couple household, the lone parent in a lone parent household, and the lone person in a lone person household.

417. According to Table 12.2 in the *Statistical Report* financial stress has increased in every indicator for low paid households from 2017 to 2018 (the latest available data);
- Unable to raise 3,000 a week for something for important – increased
- Could not pay electricity, gas or telephone – increased
- Could not pay mortgage of rent on time – increased
- Pawned or sold something – increased
- Could not afford to heat home – increased
- Sought assistance from welfare community organisation – increased

[282] The ACTU notes that HILDA is a longitudinal survey which details that it energetically seeks to maintain its sample over time. Inevitably the most vulnerable e g those poor, itinerant, homeless, recent immigrants and marginal to labour force are more likely to drop out especially with an increase in financial hardship, or not be included and these are the most exposed to financial stress.

- Sought financial help from friend or family – increased

418. For *all employee* households, five out of eight indicators worsened in 2018 compared with 2017. These were: "unable to raise $3000 in a week for something important" (4.5% to 5.0%), "could not pay the mortgage or rent on time" (2.9% to 3.9%), "pawned or sold something" (2.1% to 2.5%), "went without meals" (1.7% to 2.0%), and "sought financial help from friends or family" (6.1% to 7.2%). 7.3% of employee households continued to not be able to "pay utility bills on time".[283]

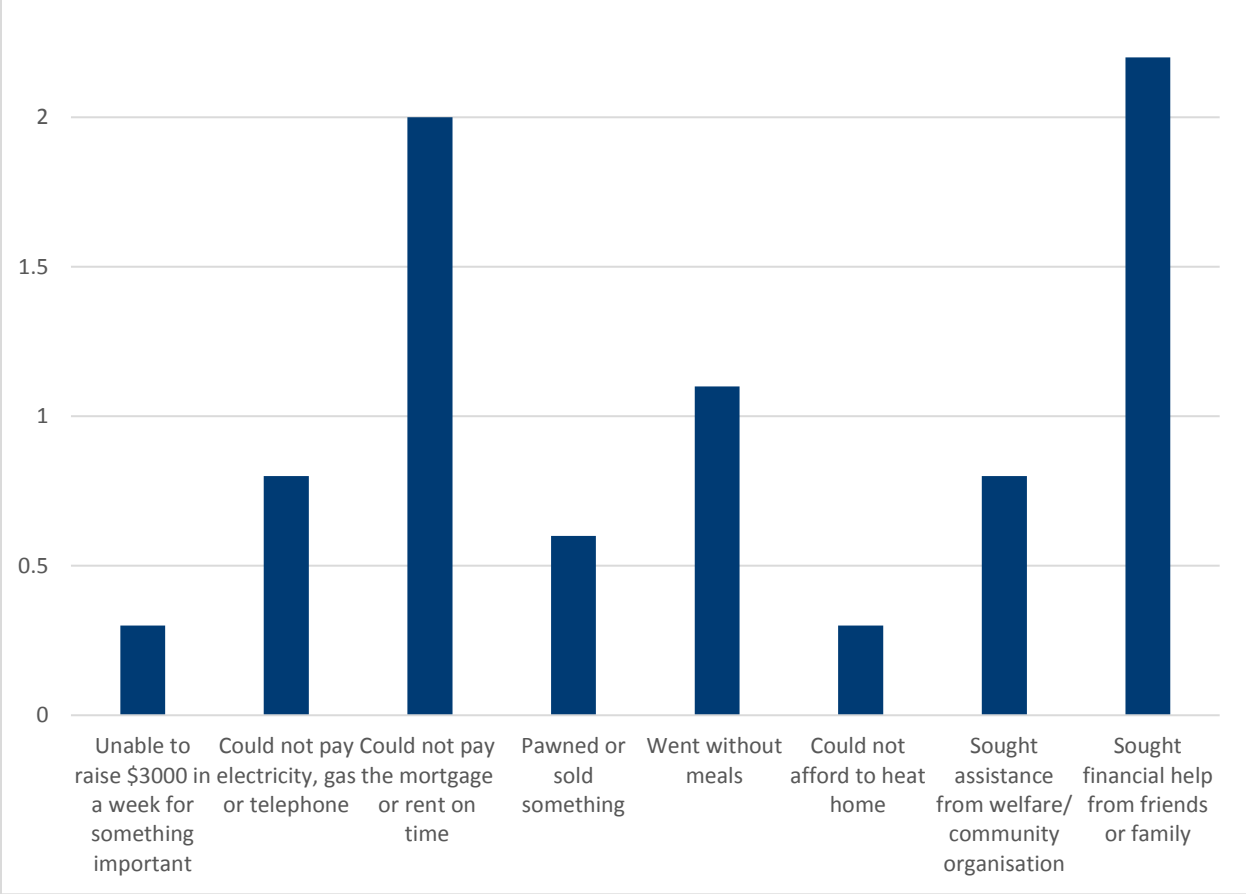
419. For *low paid employee* households, all eight indicators of financial stress worsened.[284] These were: "unable to raise $3000 in a week for something important" (12.3% to 12.6%), "could not pay the electricity gas or telephone bills on time" (14.2% to 15.0%), "could not pay the mortgage or rent on time" (5.5% to 7.5%), "pawned or sold something" (4.3% to 4.9%), "went without meals" (2.7% to 3.8%), "could not afford to heat home" (3.3% to 3.6%), "sought assistance from welfare/community organisation" (2.8% to 3.6%) and "sought financial help from friends or family" (11.2% to 13.4%).[285] This is shown in Figure 109.

[283] FWC 2020 Statistical Report – Annual Wage Review 2019-20, p.53, Table 12.1

[284] Low paid employee households are those in the bottom quintile of EDHI for employee households, FWC 2020 *Statistical Report – Annual Wage Review 2019-20*, p.54,

[285] FWC 2020 Statistical Report – Annual Wage Review 2019-20, p.54, Table 12.2

Figure 109 Financial stress by low paid households has increased in every indicator from 2017-2018



Source: Statistical report, 2019

420. Even small increases in the percent share of employees affected by financial stress would amount to a significant addition to difficulty, given they represent a significant increase in actual numbers of employees over the year, and are concentrated amongst the lower paid. Moreover, it is concerning that those measures did not improve, particularly as employment has grown strongly over the period. It follows that a higher increase in minimum wages would go a long way to alleviating this stress.

421. The ME Bank's *Household Financial Comfort Report* of February 2020 found that in contrast with other households, the record low official interest rate left 30% of households "with lower income (less than $40,000 per annum) reportedly "worse off" compared with 13% of households with high incomes (over $100,000 per annum).[286] Of those "worse

[286] ME Bank 2020 Household Financial Comfort Report February, p.13

off" the most frequent response to low interest rates was to reduce spending on non essentials (47%) or essentials (27%). Interest rates had no impact on half of households, those with little or no debt or savings as well as "indirectly limited wealth". It is likely that a significant proportion of these are low paid employees.

422. Despite the fall in home loan interest rates "there remained a relatively high mortgage stress and other financial stress among households." [287] A fall of two percentage points in the proportion of households spending more than 30% of their disposable household income on their mortgage left the proportion of households still in that situation at 41%. By contrast 22% of renters were worse off compared with 18% who said they were better off.[288] The proportion of renters paying more than 30% of disposable income towards accommodation rose by 3 percentage points to 65%, with a substantial increase of 8 percentage points to 30% of renters paying 30% to 40% of disposable income on rent. "These results suggest that despite continued subdued rental growth and recent income tax cuts, rental stress remains very significant for the vast majority of renters."[289] Also from ME's data an increase of two percentage points to 16% of renters were paying more than 60% of their disposable income in rent.

423. In other findings, the cost of necessities remained the "biggest worry" of households at 44% during the six months to December.[290] 27% of part time and casual workers continued to seek more hours and full time work, on average 17 hours more per week.[291]

424. 21% of households reported decreased household income, down 4 percentage points but still significant.[292] Households with lower incomes were less likely to report income gains than households on higher incomes.[293] 32% of households with incomes under $40,000 and 20% of households with between $40,001 and $75,000 of income reported lower incomes, with only 9% of households with incomes over $100,00 reporting lower incomes.[294] Casual workers were much more likely than other workers to report income

[287] ME Bank 2020 Household Financial Comfort Report February, p.15
[288] ME Bank 2020 Household Financial Comfort Report February, p.13
[289] ME Bank 2020 Household Financial Comfort Report February, p.32
[290] ME Bank 2020 Household Financial Comfort Report February, p.19
[291] ME Bank 2020 Household Financial Comfort Report February, p.28
[292] ME Bank 2020 Household Financial Comfort Report February, p.35
[293] ME Bank 2020 Household Financial Comfort Report February, p.36
[294] ME Bank 2020 Household Financial Comfort Report February, p.36

falls than other workers. 39% of casual workers reported income falls compared with 12% of full time workers interestingly and 19% of part time workers.[295]

425. The ME Bank report also produces an index of comfort with households' current level of cash savings scaled out of 10 and finds that single parents including working ones have the lowest 'comfort with cash savings'.[296] Single parents and middle aged singles and couples with no kids had lowest comfort with their ability to handle a financial emergency.[297] 29% of households would have to do something drastic like sell an important possession or don't think they could raise $3000 dollars for an emergency.[298]

4.4.4 Secondary Employment

426. In the 2018-19 Annual Wage Review decision ([2019] FWCFB 3500), the panel observed that:

The ACTU submitted that the record high proportion of secondary jobs was also an indicator of financial stress, with workers 'resorting to taking up a secondary job to get by', a view that was echoed by the Federal opposition. The ACTU argued that the median income for people working more than one job either concurrently or within a year ($44 531) was lower than for people who only worked one job ($48 344) and the highest proportion of multiple jobholders worked in award-reliant industries. In response to a question on notice, NRA argued that whilst the holding of a second job may in some circumstances be due to financial difficulty, this should not be taken as an indicator of financial stress and may equally be a signifier of financial aspiration. ACCI submitted that it has 'nothing to do with inadequacy or financial stress', and Ai Group commented that 'people work in secondary jobs for a wide variety of reasons'.

While the hypothesis advanced by the ACTU is one of a number of plausible explanations for the recent high proportion of secondary jobs, the ABS data referred to by the ACTU has only recently been published and does not provide any insight into the reasons why people work secondary jobs. Absent any research that sheds light on the reasons why people work secondary jobs we do not propose to regard this as an indicator of financial stress.[299]

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[295] ME Bank 2020 Household Financial Comfort Report February, p.37

[296] ME Bank 2020 Household Financial Comfort Report February, p.39

[297] ME Bank 2020 Household Financial Comfort Report February, p.44

[298] ME Bank 2020 Household Financial Comfort Report February, p.45

[299] [2019] FWCFB 3500 at [350]-[351]

427. The September 2019 figures show that Australians are working more hours, in more jobs. Within an increase in the total number of jobs by 86,200 over that quarter, was an increase of 23,900 secondary jobs.[300]

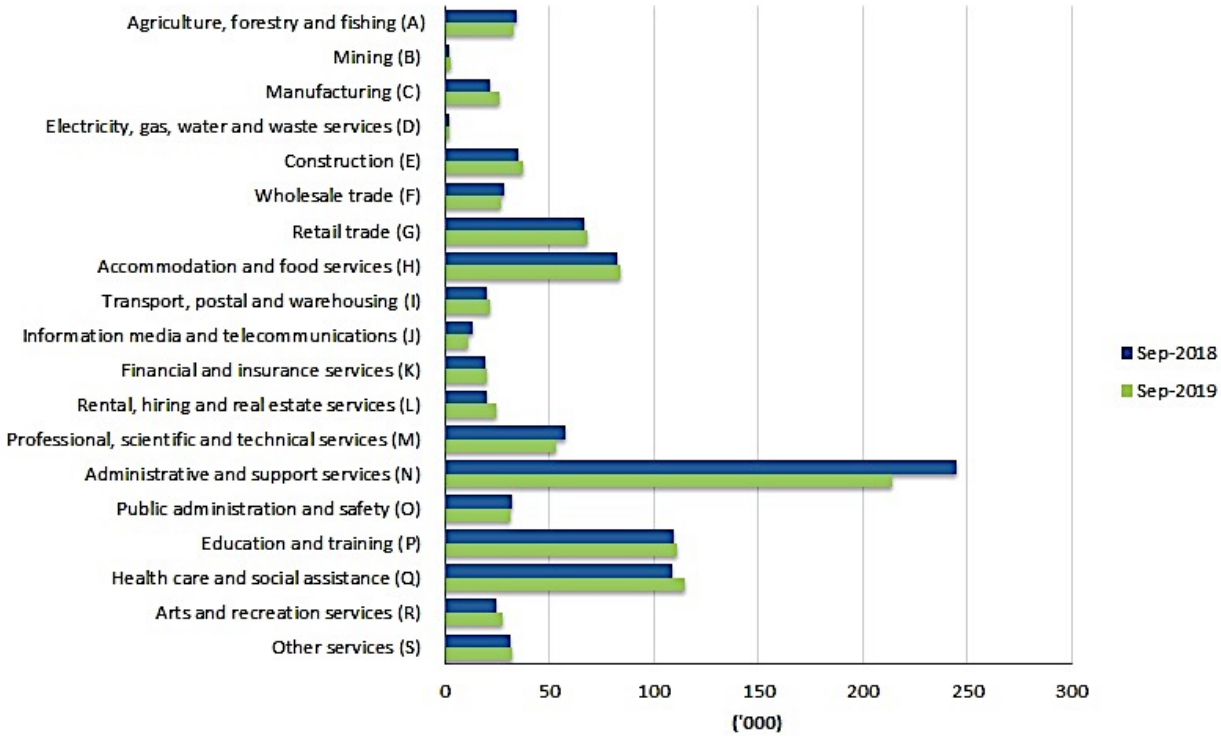
428. The proportion of secondary jobs to filled jobs grew to 6.5% in the September 2019 quarter, from 6.4% in the previous quarter.[301] Figure 110 below shows growth in the number of second jobs in most industries in the year to September 2019.[302]

[300] ABS, *6150.0.55.003 – Labour Account Australia, Quarterly Experimental Estimates*, September 2019 < https://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/6150.0.55.003Main+Features1September%202019?OpenDocument >

[301] ABS, *6150.0.55.003 – Labour Account Australia, Quarterly Experimental Estimates*, September 2019 < https://www.abs.gov.au/AUSSTATS/abs@.nsf/Latestproducts/6150.0.55.003Main%20Features3September%202019?opendocument&tabname=Summary&prodno=6150.0.55.003&issue=September%202019&num=&view=>

[302] ABS, *6150.0.55.003 – Labour Account Australia, Quarterly Experimental Estimates*, September 2019 < https://www.abs.gov.au/AUSSTATS/abs@.nsf/Latestproducts/6150.0.55.003Main%20Features3September%202019?opendocument&tabname=Summary&prodno=6150.0.55.003&issue=September%202019&num=&view=>

Figure 110: Secondary jobs, by Industry, 2018 and 2019 (September Quarter)



Source: ABS 6150.0.55.003, reproduced from ABS Summary.

429. The ACTU submits that the reasons for workers, particularly those who are award covered, seeking secondary or even tertiary employment are primarily economic and financial, rather than any other reason. Low-paid workers who work multiple jobs do so out of necessity to "make ends meet".

430. The taking of a second job has been regularly reported as being for reasons of financial necessity.[303] Cairnduff *et al* (2018) chart the changing nature of work, and the particularly pronounced effect that technological change and new forms of work are having on young Australians, who are in particular taking longer into their working lives to

[303] The Advertiser (Adelaide, South Australia, Australia) 2019, 'More of us take on a second job to pay the bills', viewed 17 February 2020; The Advertiser (Adelaide, South Australia, Australia) 2018, 'More seek income top up with second job', viewed 17 February 2020; The Courier-Mail (Brisbane, Queensland, Australia) (2018) 'Aussies forced to take second job to survive' viewed: 17 February 2020; The Mercury (Hobart, Tasmania, Australia) 2018, 'More people looking for second job', viewed 17 February 2020; Parramatta Advertiser (New South Wales, Australia) 2018, 'Juggling a second job for extra cash', viewed 17 February 2020.

obtain secure work (if able to do so at all).[304] Sliter & Boyd (2014), in a US study, observe as follows:

> *In terms of why people work multiple jobs, accumulated evidence suggests that economic factors are the primary drivers behind this decision. That is, people either work to earn extra money (38.1%) or to meet expenses or pay off debts (25.6%).*[305]

431. Kimmel & Conway (2001), whilst acknowledging that some people to take on multiple employment for reasons other than to alleviate hardship, found that:

> *'most moonlighters in our sample work full time on their primary jobs and 15 to 20 hours a week on lower-paying second jobs and, despite these long hours, tend to be somewhat poorer than the average worker. This suggests that most are moonlighting due to the constraint motive and that moonlighting is not entirely eliminating economic hardship.'*[306]

432. Mastermann-Smith & Pocock (2018), in an Australian study of cleaners and early childhood educators, draws attention to how low-paid workers supplement income through multiple jobs.[307]

433. The data shows that secondary employment is rising. Even if this is only partially comprised of low income award dependant workers seeking to supplement their incomes in order to make ends meet, it is a relevant consideration in deciding the quantum by which minimum wages should rise.

434. Of particular relevance is the growth in secondary employment in award reliant industries. As Figure 110 above shows, secondary employment grew in 4 of the top 5 award reliant industries[308].

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[304] Cairnduff, A., Fawcett, K., & Roxburgh, N. (2018). Young Australians and the disrupted economy. In Stewart A., Stanford J., & Hardy T. (Eds.), *The Wages Crisis in Australia: What it is and what to do about it* (pp. 251-262). South Australia: University of Adelaide Press.

[305] Sliter M & Boyd, E (2014). Two (or three) is not equal to one: Multiple jobholding as a neglected topic in organizational research. *Journal of Organizational Behavior, 35*(7), 1042-1046, 1043

[306] Kimmel, J & Conway, KS (2001), 'Who Moonlights and Why? Evidence from the SIPP', *Industrial Relations*, 40 (1), 89–120, 91

[307] Mastermann-Smith and Pocock 2018 in Bamberry, L & Campbell, I 2012, 'Multiple Job Holders in Australia: Motives and Personal Impact', *Australian Bulletin of Labour* 38(4), 293–314, 296

[308] Administration and support services, which accounts for a comparatively low number of total jobs but already has a disproportionately high incidence of secondary employment, is the exception.

4.4.5 Budget standards

435. The Panel said in its Decision of last year: "The assessment of the needs of the low paid requires an examination of the extent to which low-paid workers are able to purchase the essentials for a decent standard of living and to engage in community life, assessed in the context of contemporary norms. The risk of poverty is also relevant in addressing the needs of the low paid."[309] The development of budget standards can assist with this assessment.

436. The Panel said in its Decision of last year: "There is no single contemporary measure of the needs of the low paid. We use a variety of measures, including budget standards .."[310] It said that the MIHL (Minimum Income for Healthy Living) "budget standards .. indicate that the NMW combined with the tax-transfer system is sufficient for 'healthy living' of a single adult, but not for most other family types."[311] This was based on the Social Policy Research Centre (SPRC) at UNSW 2017 Budget Standards Report [the SPRC report].

437. The ACTU is in agreement with the Panel that budget standards is one of the methodologies for consideration of the needs of the low paid. However, in the ACTU's view the methodology and application of budget standards needs to be approached with extreme caution. The ACTU has commented on the use of budget standards to judge the needs of the low paid in its initial submissions to the 2017-18 Review.[312]

438. The Panel recognised the importance of adjusting budget standards in order to "maintain relevance" and in a longer time frame "reflect change in, among other things, the 'basket' of goods and services required to meet the relevant standard."[313] The ACTU would agree, and finds that the measurement raises other issues.

439. In the ACTU's view key issues include the assumptions underlying and reliability of the methodology by which the acceptable consumption bundle is obtained and the characteristics of the reference individual and / or households.

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[309] [2019] FWCFB 3500 at [17]

[310] [2019] FWCFB 3500 at [53]

[311] [2019] FWCFB 3500 at [57]

[312] ACTU 2018 Submission to the AWR 2018, Section 4.5.1, pp.109-114;

[313] [2019] FWCFB 3500 at [278]

440. A separate issue is how to value vital intangibles such as digital access and the differential and changing availability, quality and cost of public services such as childcare, health care, education, public transport and emergency services, disability and care support etc. If we call these uncharged available public services the social wage, the larger the social wage is, the less heavy lifting need be done by wages paid after taxes and transfers.

441. Another area of concern in is in the recognition of different consumption needs for females and the associated expense, including additional employment costs, where females are predominant in low paid work and in low income households. Children and other caring responsibilities also add expenses that may not be immediately apparent, not only childcare fees. This is further reason for ensuring widely representative focus groups from across the socioeconomic spectrum when developing budget standards.

442. A further key issue is the recognition of the relevance of higher levels of precarity of employment, existence, wellbeing and the meaning of living with dignity for low paid people and their dependents and those they care for and how those are factored in. The experience of precarity and how to control for and manage it changes over time. The costs of employment increase when working hours are random and people can be laid off at a moment's notice. The increasing cost and declining quality of various forms of insurance introduces an additional source of precarity. A washing machine breakdown becomes a catastrophic event. The low paid cannot afford large outlays for consumer durables, and as a result may spend more on a weekly basis for instance in going to the laundromat or in paying punitive rates of consumer credit. The recent Big Ideas program on Radio National featuring Rick Morton: the power of money offers some insight into the effects of this precarity.[314] The radio program reflects on the psychological impacts of low income and precarity experienced in Australia, which are pertinent to the needs of the low paid.

443. In the case of Australia, the tyranny of distance and rural, regional and remote offer perhaps an additional challenge in formulating representative budget standards. Some essentials cost much more in cities, others much more in rural and remote areas.

[314] https://www.abc.net.au/radionational/programs/bigideas/the-power-of-money/12017446 9 March 2020, 8:05pm

444. The FWC Research report 2/2020 "Budget standards: International measures and approaches" by Brocchi and De Leon sets out the wide range of methodologies used internationally for budget standards, referring to five anglosphere countries, three others which use UK methodology and the EU. Both the amount of resources and the purpose affects the approach taken.

445. The SPRC report took a top down approach "where the main information source for prices and basket items come from expert opinion or expenditure data. Public opinion through focus groups was only used as a sounding board to check the assumptions of experts." Countries which also took a top down approach included other anglosphere countries: Canada, the US and New Zealand. By contrast "many of the other countries covered in this report follow the Minimum Income Standard (MIS) 'bottom-up' approach, which was developed in the UK". [315]

446. The focus groups used for reference in the SPRC report were from low income backgrounds. By contrast the UK "seminal research" which has "formed the basis for much of the research on budget standards around the world" focuses on public consensus to establish a basket of goods and services using a 'bottom-up' approach to identify needs". The top-down approach measures what low income people currently purchase, which is shaped by the financial resources that a person or household currently has access to, and may not necessarily consider what people need to reach a particular standard of living." [316]

447. In the ACTU's view limiting focus groups to people with low incomes means that views are likely to be circumscribed by the expectations engendered by simply trying to survive from day to day and not necessarily being aware of other rights and possibilities that others in the population take for granted. This is a poor basis upon which the Panel may make a judgement about "contemporary norms", either in relation to for what is essential for a "decent standard of living" or in relation to what is involved in "engaging in community life". In addition, the researchers interacting with such focus groups are not necessarily in a position to recognise what is being omitted.

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[315] Ben Brocchi and Maverick De Leon 2020 Budget standards: international measures and approaches FWC Research report 2/2020 February, pp.2-3

[316] Ben Brocchi and Maverick De Leon 2020 Budget standards: international measures and approaches FWC Research report 2/2020 February, p.6

448. The SPRC report had involved low-income participants whose roles were advisory as a sounding board for experts and turned out to be largely unemployed or outside the workforce, for assessing budget standards for 6 different household types with up to 2 children. By stark contrast the UK included "a mixture of socio-economic backgrounds, made up of participants of from within the household type under discussion", which included 13 core household types with up to four children.[317] In the ACTU's view the inclusion of households of all types with income across the distribution is crucial to obtaining a realistic and inclusive assessment of budget standards according to "contemporary norms". Such an approach reduces the risk of patronisation of people who are lower paid, and exposes many more requirements for a decent standard of living.

449. The UK research sought to establish public consensus from consensuses reached by each of over 120 focus groups each with mixed socioeconomic members from over a decade of research. Members of the public define a minimum standard income as being more than food, clothes and shelter, it is also about having what you need in order to have the opportunities and choices necessary to participate in society. Budget could be calculated for over one hundred different household types covering 80% of the population. "Unlike other research that consults exclusively with people from low-income backgrounds, by considering a socially diverse mix, the methodology is able to develop a budget intended to be suitable for the general population, not just for those with low incomes. … The Australian research focuses only on the low paid and unemployed, whereas the UK research sought input from across British society."[318]

450. The UK basket includes housing (rent and council taxes), transport and childcare costs. The tax-transfer system is taken into account. The household structure and the wage to which it corresponds is varied regionally, for instance with more single households in London.[319] This would be even more key for Australia given the huge regional disparities for various costs and accessibility of items.

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[317] Ben Brocchi and Maverick De Leon 2020 Budget standards: international measures and approaches FWC Research report 2/2020 February, p.7, see Table 2

[318] Ben Brocchi and Maverick De Leon 2020 Budget standards: international measures and approaches FWC Research report 2/2020 February, p.10

[319] Ben Brocchi and Maverick De Leon 2020 Budget standards: international measures and approaches FWC Research report 2/2020 February, p.9, p12

451. The UK basket does include "Household goods" and "Social and cultural participation". There is a large emphasis on childcare costs in the UK MIS budget standards.[320] These are not mentioned once in the SPRC report in relation to contribution to budget standards unlike other countries.

452. Finally, we note that the budget standards developed in the SPRC report, and described by it as "extremely tight", were utilised by the Productivity Commission recently in an effort to estimate a residual based measure of rental stress.[321] Such a measure identifies rental stress when "the amount of money left over after a household meets is housing costs is less than some amount of money deemed necessary for that household to meet its other needs, often referred to as a budget standard"[322]. When adopting the SPRC report budget standards as the reference standard and applying them to private renters in various categories matched to the relevant budget standards, households were identified which would be in rental stress. To the extent that Productivity Commission was able to test whether each of the household types for which the SPRC report had developed a budget standards could pay private rent and have enough residual income left to satisfy the relevant budget standard, it found that in each household group many could not. This includes 115,000 households where the reference person was employed, and almost 100,000 single adult households. Below reproduces the Productivity Commission's findings and its notes as to its methodology.

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[320] Donald Hirsch 2019 A Minimum Income Standard for the United Kingdom in 2019, Joseph Rowntree Foundation https://www.jrf.org.uk/report/minimum-income-standard-uk-2019

[321] Productivity Commission 2019, *Vulnerable Private Renters: Evidence and Options*, Commission Research Paper, Canberra, at page 70.

[322] Ibid.

Table 6: Residual based rental stress in private renter households

Number of private renter households of each type and share of households whose residual was less than their relevant budget standard, 2017-18[a,b,c]

	Number of households	*Share in rental stress (%)*	*Number of households in rental stress*
Single adult	634 000	15	98 000
Sole parent, one child	66 000	14	9000
Couple, no children	690 000	8	59 000
Couple, one child	207 000	13	27 000
Couple, two children	162 000	17	28 000
Total	**1 759 000**	**13**	**221 000**
Reference person employed	1 419 000	8	115 000
Reference person not employed	340 000	31	106 000
Total	**1 759 000**	**13**	**221 000**

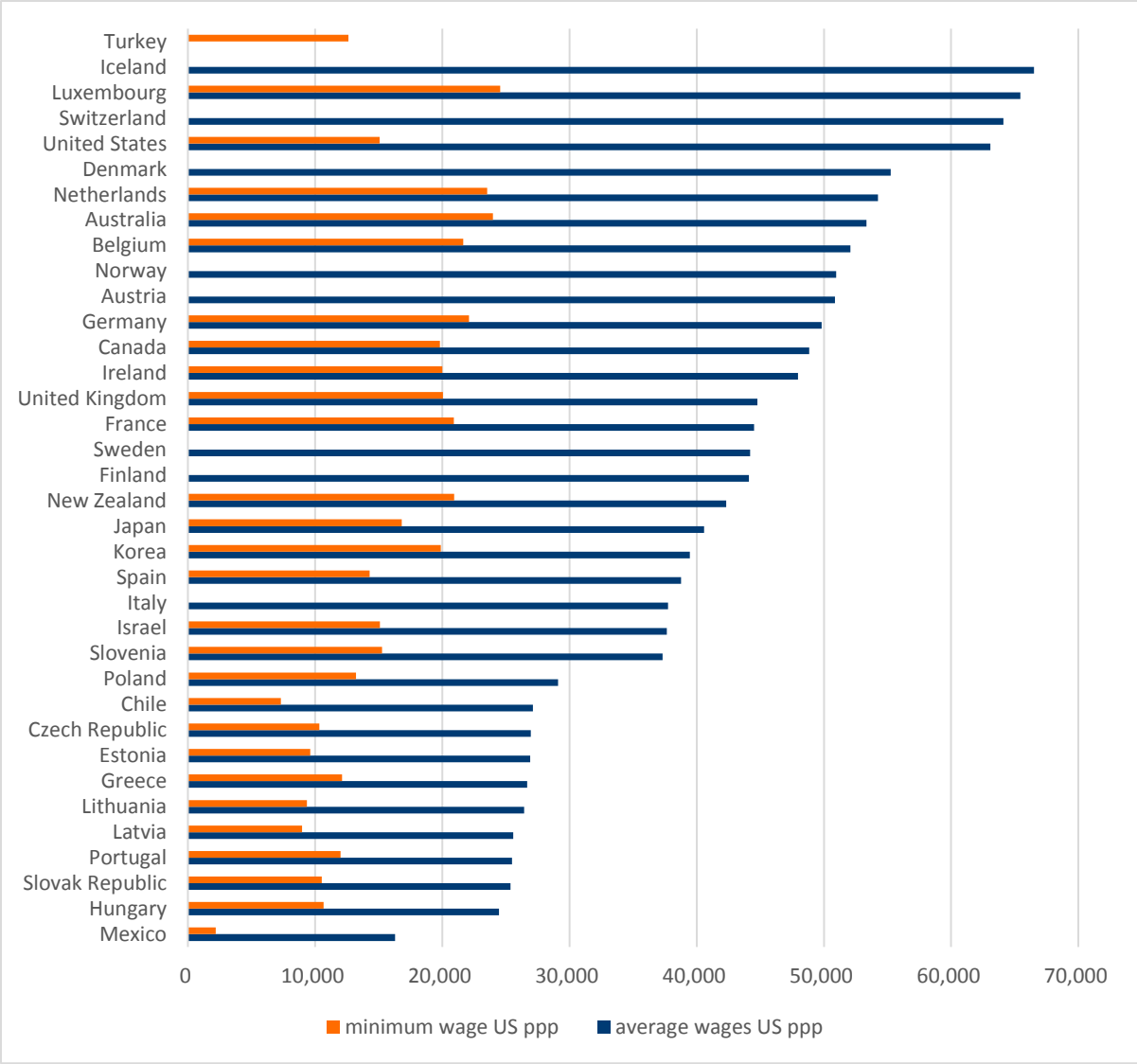
[a] The mapping between MIHL household types and households in the data used is based on the equivalisation factor they attract. [b] Saunders and Bedford (2017a) produced separate budget standards for whether the 'main adult' in the household is employed or not. Households in the ABS source have been disaggregated based on whether the reference person for the survey was employed or not. Budget standards drawn from Saunders and Bedford have been inflated to 2018 dollars based on the spending within each budget standard on different Groups and those Groups' inflation.[c] Total household numbers may not equal the sum of the numbers in the above rows due to rounding. In addition, the households included in this analysis only represent around 71 per cent of all private rental households — these are the only household types for which MIHL budget standards have been developed.

Sources: Productivity Commission estimates using ABS (*Microdata: Household Expenditure, Income and Housing, 2017-18*, Cat. no. 6540.0); Saunders and Bedford (2017a).

4.5 Australia's minimum wage in international context

453. A comparison of minimum wages with average wages across the OECD in 2018 PPP US dollars, most recent data, is shown in Figure 111 below.

Figure 111 Average and minimum wages, OECD countries, constant US PPP dollars, 2018



Source: https://stats.oecd.org/Index.aspx?DataSetCode=MIN2AVE accessed 10 March 2020

454. Figure 111 shows that Australia has six countries above it in terms of average income in 2018 constant PPP US dollars. There are five countries in proximity of average income with minimum wages very close to Australia's.

455. This needs to be viewed in the context of the general level of development of those economies. The standard of living is clearly related to the minimum wage, and raising it can improve it. Historically Australia was a leader on the minimum wage; there is no reason not to attain that standing again.

5. The gender pay gap

456. The need to prevent discrimination and close the gender pay gap should be central considerations of the Panel in the Review. The increases sought by the ACTU will contribute to the reduction of Australia's gender pay gap, contributing to equality and non-discrimination, productivity, social inclusion, fairness, and economic prosperity.

457. The Review is a significant mechanism for reducing the gender pay gap and addressing the gender-based undervaluation of women's work. The award system has a significant impact on the gender pay gap – both positive and negative. On the one hand, the award system entrenches the gender pay gap through setting lower minimum wages in female-dominated industries. On the other hand, award wages can and do compress gender pay gaps, evidenced by findings that the gender pay gap within awards is smaller than the gender pay gap outside awards.[323] While uniform increases to award wages cannot fix gender-based pay disparities between awards, they can 'lift all boats', which disproportionately benefits women and plays a significant role in narrowing the gender pay gap and addressing the undervaluation of feminised sectors.

458. The analysis below shows that the impact of increases to the minimum wage on closing the gender pay gap should not be underestimated. Women are more dependent on minimum wages than men, which means that the upward adjustment of minimum wages - particularly when increases exceed bargained increases - plays a key role in closing the gender pay gap. Further, the retirement incomes gap is directly related to the gap in women's and men's earnings. Women earn less income than men over their lifetimes, and therefore have less security in retirement. The average superannuation balances for women at retirement (age 60-64) are 42% less than those for men.[324] Increases to the minimum wage will have a beneficial impact on the retirement incomes of award-reliant women.

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[323] Broadway, B. and Wilkins., R., "Probing the Effects of the Australian System of Minimum Wages on the Gender Wage Gap", Melbourne Institute, December 2017, at p 12 and 14

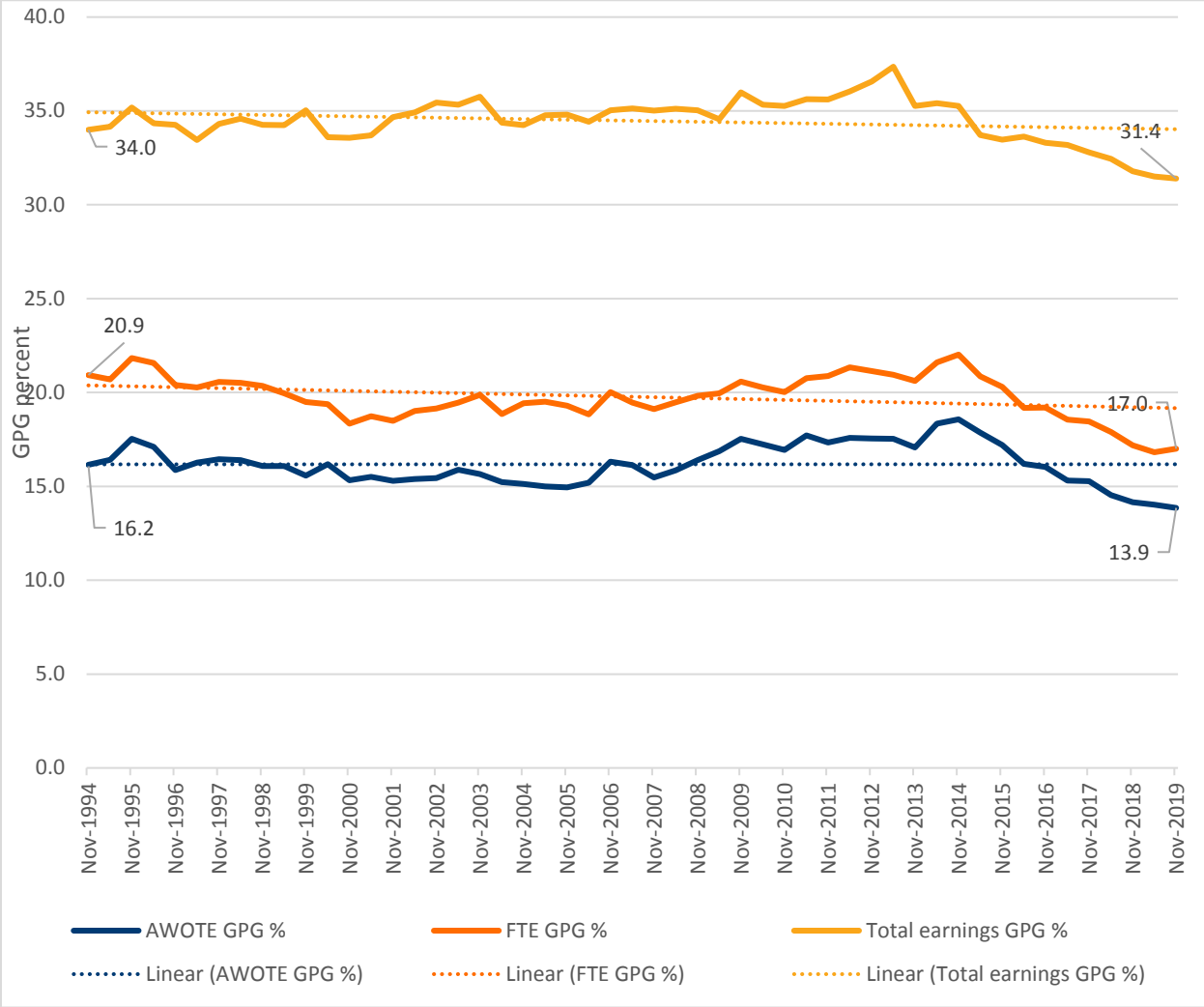
[324] Clare R. (2017), Superannuation account balances by age and gender, Sydney: ASFA Research and Resources Centre

5.1 Measuring the gender pay gap

459. While there are a number of ways to measure the gender pay gap, all data sources show ongoing gender pay gaps and high-levels of gender segregation across and within industries and occupations. The most recent ABS Full-Time Adult Average Weekly Ordinary Time Earnings (**AWOTE**) series released on 20 February 2020 shows that the national gender pay gap is currently 13.9%, which means women working full-time earn $242.90 a week less than men working full-time.

460. It is crucial to note the limitations of various measures of the gender pay gap. AWOTE, which is used to measure the national gender pay gap, only compares the *ordinary time* weekly earnings of men and women. It therefore excludes overtime or bonuses or other top-ups, which often are significant contributors to the gender pay gap. Figure 112below shows that when Full-Time Earnings (**FTE**) are measured, the gap increases to 17%, and has persisted at this level since the early 1990s, in spite of the growth in women's education and experience. Significantly, both the AWOTE and FTE measures exclude women who work less than full-time hours, which means that the true gap between men and women's earnings is significantly underestimated by these measures because they fail to capture women's reduced working hours, which are due in significant part to unpaid domestic and care work commitments. When the average weekly earnings (AWE) of men and women workers are measured, the gender pay gap rises to 31.4%.

Figure 112 Gender pay gaps for Average Weekly Ordinary Time Earnings, Full Time Earnings, and total earnings, female and male



Sources: ABS 6302010a, 6302010b, 6302010c, 6302010d, 6302010e, 6302010f, and ACTU calculations

461. In the 2018-19 Review, the Panel noted that most measures of the gender pay gap have fallen in recent years, including AWOTE. While there has been a small downward trend in the AWOTE gender pay gap, the longer term view shows a persistent problem. Figure 112 shows the gender pay gaps in AWOTE, FTE and AWE. While the measures have improved over 25 years, progress can only be regarded as glacial. Between May 1994 to November 2019, the gender pay gap has fallen only 2.3 percentage points in AWOTE, 3.9 percentage points in FTE, and 2.6 percentage points in AWE. In addition, not all measures of the gender pay gap have fallen in recent years: the gender pay gap for average hourly total

cash earnings has widened between May 2016 and May 2018, based on the ABS biennial Employee Earnings and Hours, and now sits at 12.7% across all employees.[325]

5.2 Impact of minimum wages on the gender pay gap

462. In the 2018-19 Review, the Panel found that increases in the national minimum wage and modern award minimum wages would be likely to have 'a relatively small' effect on the gender pay gap. The ACTU submits that increases at or beyond the midlevel of those we have we have proposed will have a significant positive impact on addressing gender discrimination and closing the gender pay gap. Australian minimum wages bind a relatively large proportion of the Australian workforce (21%) which means that minimum and award wages provide a substantial opportunity to reduce the gender pay gap.

463. Women currently comprise 47.4% of the workforce. . As was seen in Chapter 3, much of the overall growth in employment has occurred in part-time employment in award dependent industries. Women account for 68.4% of the part-time workforce.[326] This means that an increase to minimum and award wages, particularly an increase that is higher than the increases in average weekly earnings and collectively bargained outcomes, will have a related impact on closing the gender pay gap.

464. As noted by the Panel last year, there are more women than men who are award-reliant; award-reliant workers are more likely to be low paid than other workers; women are significantly more likely to be paid at the award rate than are men at all levels of education and experience (except in their first year of work); and men are more likely to receive over-award payments or be subject to the higher rates of pay in collective agreements due to the industry or occupation in which they work.[327] It is important not to underestimate the significance of the benefit that increases to the minimum wages provide to women in particular.[328] In 2006, the Chair of the British Low Pay Commission noted that the minimum wage had played a 'major role' in narrowing the gender pay gap in the UK.[329]

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[325] Gilfillan, G. and King, E. (2019), Wage developments in Australia, Australian Parliamentary Library July 2019.

[326] ABS 6202

[327] [2019] FWCFB 3500 at [77], [391]

[328] See, for example, the submission made by the Council of Single Mothers and their Children to last year's Review.

[329] National Minimum Wage, Low Pay Commission Report, 2006 at vii

465. As noted by the Panel in 2018-19, increases in minimum wages, particularly adjustments that might exceed increases evident through bargaining, are likely to have a beneficial impact on gender pay equity. This is so because of the dispersion of women within award classification structures and the greater propensity for women to be paid award rates, and because women are disproportionately represented among the low paid.[330] These factors mean that minimum wages function as a crucial mechanism to prevent women's wages falling even further behind men's wages.

466. Broadway and Wilkins point to several international studies which show that minimum wages reduce the gender wage gap by elevating minimum standards, including research examining 31 OCED countries which finds that countries in which wage distributions are more compressed for everyone also produce lower gender pay gaps.[331]

467. Our analysis shows that any downward trend in measures of the gender pay gap in recent years is likely related to two key factors: 1) the beneficial effect of increases in modern award minimum wages which have exceeded the increase in AWOTE, and 2) stagnant male earnings. Figure 112 above, Figure 113 and Figure 114 below illustrate these points.

468. There is a gender pay gap within the award system as well as outside it. Comparing the mean wages of award-reliant men and women over the period 2008-2014, Broadway and Wilkins find that award-reliant women earn 10% less per hour than award-reliant men, particularly at the lower paid classification levels, compared with a 19% gap outside the award system.[332] The authors find a *'strong penalty for working in an industry that is typically female'*, for both male and female employees, suggesting that *'the award system sets systematically lower minimums the more heavily an industry employs women.'*[333] In

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[330] [2019] FWCFB 3500 at [399]

[331] See Note 1 above, referencing Kahn, L. (2015) 'Wage compression and the gender pay gap', IZA World of Labor 2015: 150.

[332] Barbara Broadway Roger Wilkins, Working Paper Series: Probing the Effects of the Australian System of Minimum Wages on the Gender Wage Gap, December 2017 at 20

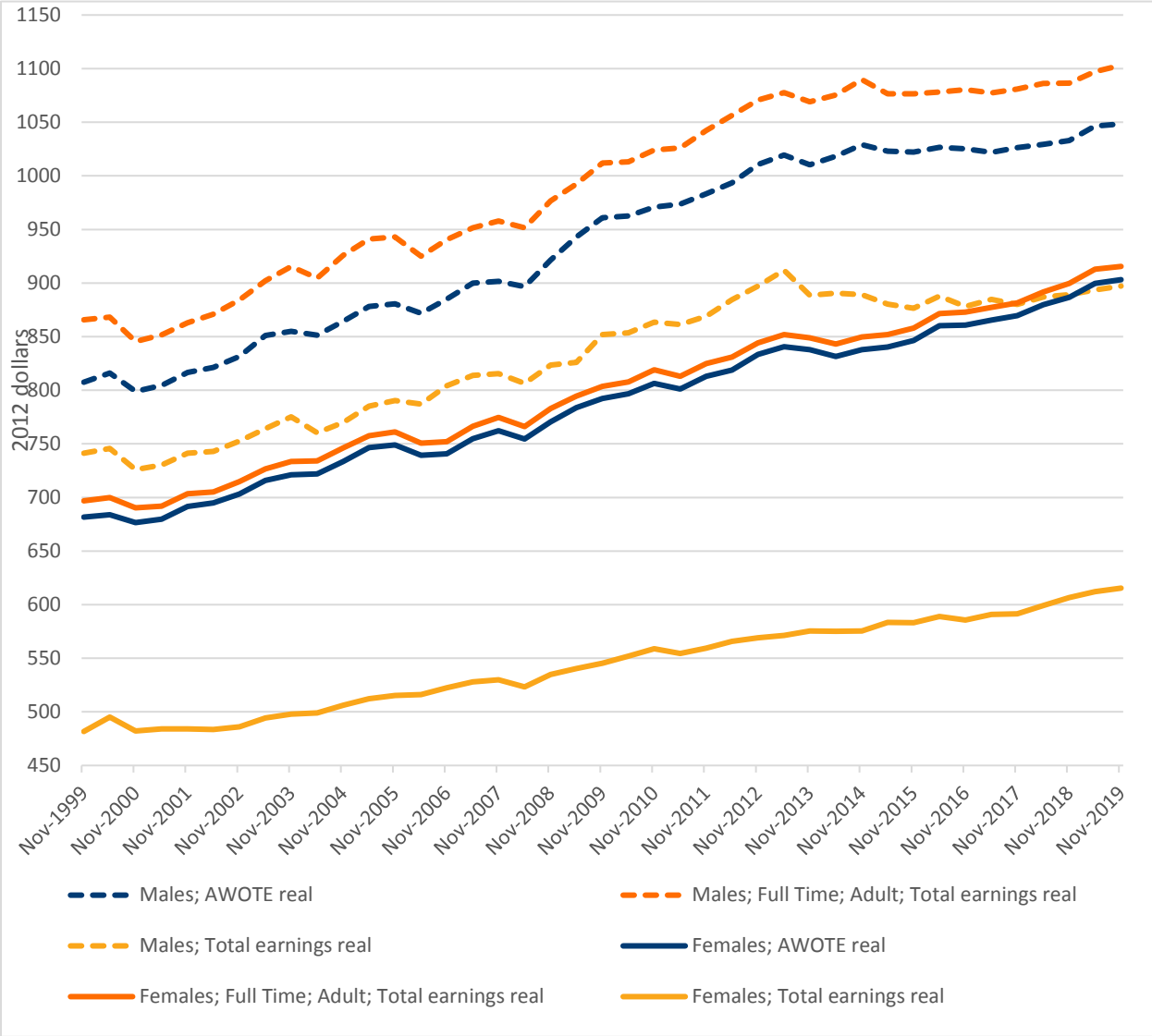
[333] The authors speculate that the pay gap may be explained by 'non-monetary' characteristics such as the 'dirtiness or dangerousness' of work, suggesting that male jobs 'tend to have less desirable traits than typical female jobs'. This speculation is unsupported by evidence and appears to reinforce problematic stereotypes about the nature and value of men's and women's work, which themselves contribute to the gender pay gap. Work in feminised industries, such as nursing, personal care work and retail, is often characterised by 'undesirable traits'. However, because this takes forms that have not

this, way the award and minimum wage system operates to exacerbate and entrench the gender pay gap. On the other hand, the fact that the gender pay gap is smaller within the award system than outside it provides an indication that the award system has a positive impact on the gender pay gap.

469. Figure 113 shows the flatlining of male earnings from 2013 onwards, showing that reductions in gender pay gaps may not necessarily be due to any improvement in equity for working women. Figure 2 also highlights the high-level of gender-segregation between industries. In particular, the flatlining of wages in male-dominated mining sectors resulted in a reduced gender pay gap overall.

previously been addressed by health and safety laws as serious hazards capable of causing harm, or have been considered to be 'just part of the job', such as sexual harassment in retail, occupational violence in nursing, or direct contact with bodily products in aged care work) they are often overlooked or disregarded and therefore go uncompensated. See for example Therese Jefferson et al, Dirty Work and Maldistribution in Aged Care Work, 2013.

Figure 113 Average Weekly Ordinary Time Earnings, Full Time Earnings, and total earnings, female and male, real dollars



Sources: ABS 6302010a, 6302010b, 6302010c, 6302010d, 6302010e, 6302010f, 6401 and ACTU calculations

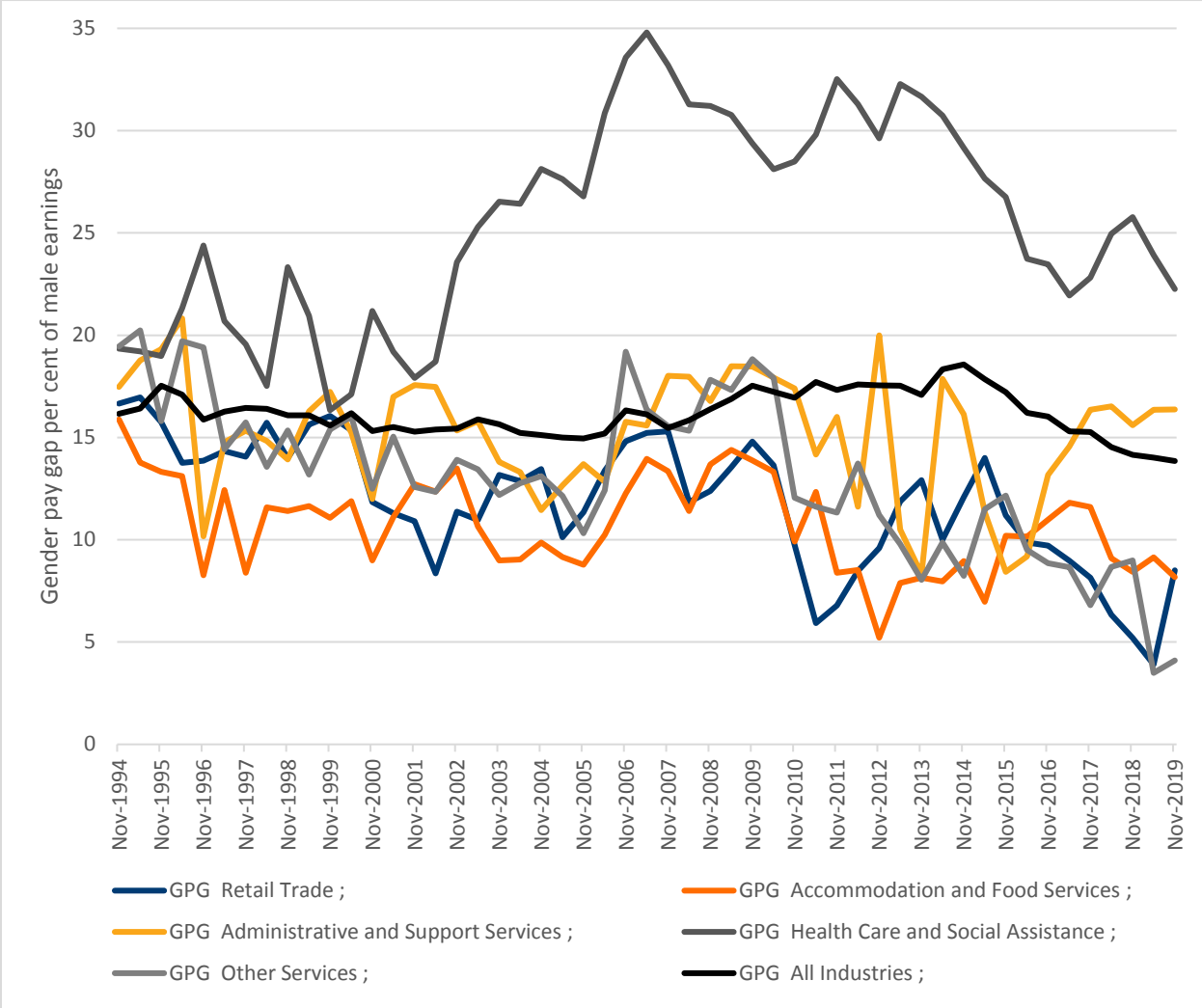
470. The decline in the gender pay gap seen in Figure 114 for AWE from a high peak of 37.4 percentage points in May 2013 is likely to be due to reduced hours, overtime, bonuses and salary rates in male-dominated sectors (such as mining), with part-time hours increasing for women workers. Similarly, reductions in the gender pay gap in AWOTE and FTE coincide with male earnings coming down at the top due to the end of the mining investment boom. The gender pay gap for FTE shows a slight increase from May to November 2019, which may be due to the current mining production phase pick up

Figure 114 shows that the gender pay gap has declined more in award-reliant sectors relative to other industries since around the time of the introduction of the Fair Work Act. The gender pay gap is stable until around 2009 for all sectors shown and all industries except Health care and social assistance, where it increased significantly after 2001,

reflecting the massive expansion in low-paid female employment in residential care and social assistance. Since 2009, the gender pay gap has declined slightly, including in Health Care and Social Assistance.

471. It can be seen from this analysis that increases in the minimum wage are highly likely to have assisted in narrowing the gender pay gap in award-reliant sectors, and by inference the others. In considering increases to the minimum wage in 2020, the Panel must take into account the demonstrable capacity of above-AWOTE increases to reduce the gender pay gap, address the systemic undervaluation of female-dominated work, reduce discrimination and promote fairness, social inclusion and better living standards for the low-paid.

Figure 114 Gender pay gap for AWOTE, more award reliant industry sectors and for all industries, percent of male earnings.



Source: ABS 63020010a, 63020010a, ACTU calculations

5.3 Causes of the gender pay gap

472. In 2016 Panel the stated that:

> *The causes of the gender pay gap are complex and influenced by factors such as: differences in the types of jobs performed by men and women; discretionary payments; workplace structures and practices; and the historical undervaluation of female work and female-dominated occupations.*[334]

473. There is a significant body of research highlighting and describing the causes of the gender pay gap. Key factors include the undervaluation of work in female-dominated industries and occupations, the disproportionate responsibility that women have for unpaid caring and domestic work and the workforce disruption this causes, lack of access to secure, quality flexible work, and discrimination in hiring, access to training, pay decisions and other employment matters. These factors, and their relationship to the statutory criteria which condition the Panel's exercise of its functions, are explored further in the following Chapter.

[334] [2016] FWCFB 3500 at [546].

6. Fair and equal remuneration

474. The narrow interpretation of the principle of 'equal remuneration for work of equal or comparable value' by the Commission in cases brought under Part 2-7 of the FW Act does not mean that the Panel should take a limited approach to gender equity issues in Annual Wage Reviews.

475. A number of provisions of the *Fair Work Act 2009* (**FW Act**) are directly relevant to Panel's task in relation to gender pay equity and the gender pay gap in the annual wage review. The 'minimum wages objective' (s 284), the 'modern award objective' (s 134), the objects of the FW Act in s 3, and the general provisions in Part 5-1 all apply to the performance or exercise of the Panel's functions or powers in the annual wage review. These provisions require the Panel to take into account:

a. The need to ensure equal pay for work of equal or comparable value (ss 134(1)(e) and 284(d));
b. Relative living standards and the needs of the low paid - ss 134(1)(a) and 284(1)(c);
c. The need to prevent discrimination on the grounds of sex, family responsibilities and pregnancy – s 578(c);
d. The need to promote social inclusion through workforce participation – ss 3(b), 134(1)(c) and 284(1)(b);
e. The need to ensure that the minimum wage is 'fair' and 'relevant' - ss 3(b), 134(1) and 284(1); and
f. Australia's international labour obligations - s 3(a).

6.1 Equal remuneration for work of equal or comparable value

476. Both the modern awards objective and the minimum wages objective require the Commission to take into account 'the principle of equal remuneration for work of equal or comparable value'.[335] In 2018-19, the Panel said of that principle that:

[335] Sections 134(1)(e) and 284(d)

> *"For the reasons given in the 2017–18 Review decision, Review proceedings are of limited utility in addressing any systemic gender based undervaluation of work. Proceedings under Part 2-7 and applications to vary modern award minimum wages for 'work value reasons' pursuant to s 157(2) or in the current 4 yearly review of modern awards provide more appropriate mechanisms for addressing such issues. But the broader issue of gender pay equity, and in particular the gender pay gap, is relevant to the Review. This is so because it is an element of the requirement to establish a safety net that is 'fair'."*[336]

477. The ACTU submits that Review proceedings have a significant role to play in addressing the systemic gender-based undervaluation of work. Unfairly low award wages are inherently linked to the systemic gender-based undervaluation of female-dominated work. The majority of low-paid award-reliant workers are women. Therefore, increases to award wages, particularly those which exceed bargained outcomes, increase the value placed on women workers and the work they perform, thereby contributing to addressing the systemic gender-based undervaluation of female-dominated work.

478. The principle of equal remuneration for work of equal or comparable encompasses the idea that women and men should be remunerated justly and fairly for the work that they do, without gender discrimination undervaluing either the worker or the work. The concept of 'equal pay for equal work' requires individuals to be paid the same pay for the same work. The concept of 'comparable value' was intended to allow consideration of the historical and continuing undervaluation of feminised work.[337] While the equal pay principle, first introduced in 1969, has been successful in removing differential wages for individuals performing the same work or job, it has been much less effective in addressing the ongoing undervaluation of feminised work.

479. A contributing factor to the persistence of gender discrimination and the gender pay gap is the failure of legislative provisions specifically designed to address these problems, including the equal remuneration provisions in Part 2-7 of the FW Act. There has been only one successful case under Australia's federal equal pay provisions since they were

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[336] *Annual Wage Review 2018-19* [2019] FWCFB 3500 at [18]

[337] Making it Fair: Pay equity and associated issues related to increasing female participation in the workforce, House of Representatives Standing Committee on Employment and Workplace Relations, 2009 at pp 125-127

introduced in 1993.[338] This relates largely to the drafting of the provisions, in particular the need to identify a male 'comparator group' in order to prove undervaluation.

480. On 30 November 2015, the Full-Bench of the Commission issued a decision in relation to an Equal Remuneration case brought by United Voice and the Australian Education Union (Vic Branch) seeking pay increases for early childhood teachers. The Full-Bench determined, inter alia, that a 'male comparator group' was necessary for the making of an equal remuneration order (**ERO**) under s.302(5). This seriously limits the capacity of the ERO provisions to address the gender-based undervaluation of female-dominated work in awards, because it is inherently problematic to require a comparison of female and male-dominated jobs which may be unsimilar in character, but equal in value. Requiring women seeking gender pay equity to compare themselves to male workers simply exacerbates and entrenches the underlying problem. By contrast, a number of successful cases have been brought under laws in Queensland and NSW, resulting in pay increases for early childhood education and care workers, librarians, dental assistants and community service workers.[339] The success of these cases was largely tied to the fact that applicants under the state laws did not have to identify male-comparators.

481. The technical limitations of the interpretation of the equal pay principal in the context of the ERO provisions should not have the result the Panel fails to consider, or considers only peripherally, the need to prevent discrimination and close the gender pay gap.

6.2 Relative living standards and the needs of the low paid

482. The Panel has previously observed that:

> "The assessment of relative living standards requires a comparison of the living standards of workers reliant on the NMW and modern award minimum wages with those of other groups, in particular other workers, especially non-managerial workers." [340]

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[338] Equal Remuneration Case [2001] FWAFB 2700

[339] See Whitehouse G and T Rooney, 2007, 'The Queensland Dental Assistants' Equal Remuneration Case: Advancing Gender Pay Equity at State Level?', Labour and Industry 18 (2): 85-104; Decision [2002] NSWIR Comm 55-28 March 2002, Application under Equal Remuneration Principle; Re Queensland Community Services and Crisis Assistance Award (Queensland Industrial Relations Commission, Commissioner Glenys Fisher C 6 May 2009); Miscellaneous Workers Kindergartens and Child Care Centres &c (State) Award, Re [2006] NSWIRComm 64

[340] [2019] FWCFB 3500 at [197]

483. And, that:

> "The assessment of the needs of the low paid requires an examination of the extent to which low paid workers are able to purchase the essentials of a decent standard of living and to engage in community life, assessed in the context of contemporary norms. The risk of poverty is also relevant in addressing the needs of the low paid. We accept, as we have in previous decisions, that if the low paid are forced to live in poverty, then their needs are not being met"[341]

484. We do not take the Panel as being limited by the legislation, or to have limited itself to examining, the needs of the "low paid", or the living standards of workers reliant on its decisions, on the basis that either are a homogenous group. There are differences with those groups, which need to be taken into account in developing and maintaining a safety net for them. One of the key differences is gender: although women's participation in paid work is increasing overall (women were 47% of the workforce in July 2019), their work experiences are significantly different from those of men.

485. Women are disproportionately affected by the trend towards insecure and underemployment:

a. 58.9% of underemployed Australians are women.[342]
b. 25% of all women employed are paid casual rates (compared with 19.0% of men) and 56.9% of all casual employees are women.[343]
c. Women form a large majority of part-time workers (68.03%) and a minority of full-time workers (37.37%).[344]

486. One of the key areas of growth in women's workforce participation has been in early education and childcare, aged care, disability care and retail: sectors are characterised by lower hours and lower incomes. For example, the underemployment rate in community and personal services jobs is 18% and in retail is 21%.[345]

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[341] [2019] FWCFB 3500 at [200]

[342] ABS 6202

[343] According to ABS 6306 Employee Earnings and Hours, May 2018, Data cube 1, Table 3.

[344] ABS 6202

[345] Charlesworth, S. & Smith., M., "Gender Pay Equity", in Stewart, A., Stanford, J. & Hardy, T. (eds), The Wages Crisis in Australia: What it is and what to do about it, University of Adelaide Press 2018, pp 85-101: 88

487. These employment trends are directly related to women's disproportionate responsibility for providing unpaid care to infants and children, as well as disabled, frail and elderly family members. A 2017 study by PWC found that women undertake 76% of childcare, 67% of domestic work, 69% of care for adults, and 57% of volunteering; a total contribution of 20% of the Australian economy.[346] This unpaid work limits women's engagement in paid work and contributes to the persistence of significant gender gaps in earnings and retirement income. The disruptive effects of parenthood in particular on women's employment, and the 'motherhood pay penalty' this contributes to, is well-documented. In 2005, the predecessor to this tribunal found that parenthood and family caring responsibilities affect female employment, while male participation rates are largely unaffected by it.[347] This has not changed significantly since those comments were made more than a decade ago.

488. Women bear negative financial impacts as they transition to lower paid and/or less secure work in order to try to accommodate parenting and caring responsibilities. A report provided to this Commission in 2017 analyses the phenomenon of 'occupational downgrading':

> "The evidence assembled in this report clearly shows that parenthood in particular disrupts women's participation in paid work, whilst the labour force participation of men remains largely unaffected by this key life event. Women drop out of paid work in large numbers following the birth of their child. Many do not return, whilst others move to a part-time role, sometimes at a lower occupational grade, and/or on a casual contract. These changes are the source of both immediate and long-term economic costs for the women involved – and their families – and have macroeconomic significance due to their impacts on labour productivity (through the underutilisation of human capital) and household savings."[348]

489. The report finds that almost one in four women who changed employers as part of a shift from full-time to part-time work moved into a lower skill or status occupation. Of new

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[346] PwC, Understanding the unpaid economy, 2017

[347] [2005] AIRC 692 at [86]

[348] Dr Siobhan Austen, The Effects of Parenthood and other Care Roles on Men's and Women's Labour Force Participation and Experiences of Paid Work, May 2017 at [5].

mothers, 21.8% who moved from full-time to part-time work reported that their employment contract changed from permanent to casual.[349]

490. This is consistent with analysis provided to this Commission in 2004, which concluded that 'casual employment is disproportionately made up of many people who have particularly strong needs for family-friendly benefits'.[350] Recent research shows that part-time, underemployed women are likely to be unsatisfied with their pay and job security, even while being satisfied with the work/life balance and tasks offered by their part-time job, suggesting that women are required to trade off pay and job security in order to obtain reduced hours to accommodate unpaid caring responsibilities.[351]

491. The availability of paid parental leave is a key factor that can encourage women to remain connected to the workforce after the birth of a child. Australia's Paid Parental Leave (**PPL**) scheme was introduced in 2011 and provides for 18 weeks pay to eligible 'primary carers' at the rate of the national minimum wage. Eligible working dads or partners are entitled to up to two weeks pay at the rate of the national minimum wage. A review of the PPL scheme in 2014 confirmed that 99.4% of parental leave was taken by birth mothers.[352]

492. Australia's PPL scheme is one of the least generous of any comparable country. Australia ranks 40th of 41 comparable EU and OCED countries on paid parental leave provided to mothers – providing the full-time equivalent of only 8 weeks paid leave. Australia ranks 27th on the amount of parental leave provided to fathers, providing the full-time equivalent of 0.8 weeks paid leave.[353] Superannuation is not paid on Australia's PPL scheme. The Panel should consider the significant benefit that increases to the minimum wage will deliver to families accessing PPL. Increases in the rate at which PPL is paid may also incentivise more fathers to access parental leave and assist with caring responsibilities.

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[349] Above, note 8, at [25]; See also Connolly, S. and Gregory, M. (2008). "Moving down: Women's Part-Time Work and Occupational Change in Britain 1991-2001", The Economic Journal, 118(526): F52-F76

[350] Iain Campbell and Sara Charlesworth 2004, KeyWork and Family Trends in Australia, Background Report, RMIT University: Centre for Applied Social Research, page 46.

[351] Kler P, Potia AH & Shankar S (2019), *Nappies, books and wrinkles: how children, qualifications and age affect female underemployment in Australia*, Life Course Centre Working Paper Series, 2019-24, Institute for Social Science Research, The University of Queensland at p 15

[352] Department of Social Services, *Paid Parental Leave scheme Review Report*, June 2014 at p 28

[353] See Figure 1 on p 6 and Figure 2 on p 9: https://www.unicef-irc.org/publications/pdf/Family-Friendly-Policies-Research_UNICEF_%202019.pdf

493. The high cost of childcare (in addition to its availability and quality) has been identified as a significant barrier to women's workforce participation.[354] The interaction of tax family payment and childcare subsidies results in a loss of earnings when women increase their working hours through additional income tax paid, loss of family payments, loss of childcare payments and increased out-of-pocket childcare costs.

494. KMPG modelling shows that a couple with two young children in long day care who both earn the minimum wage rate, is only $929 per annum better off from the mother increasing her working days from three to four per week. On the extra day, the mother is effectively working for just $2.50 an hour. Another scenario finds that a father working full time on the minimum wage and a mother on the part-time equivalent of the minimum wage would lose 88 per cent of the mother's extra $7,500 in income if she increased her working days from three to four per week. She would lose 86 per cent of any wage increase if she increased from four to five days of work per week.[355]

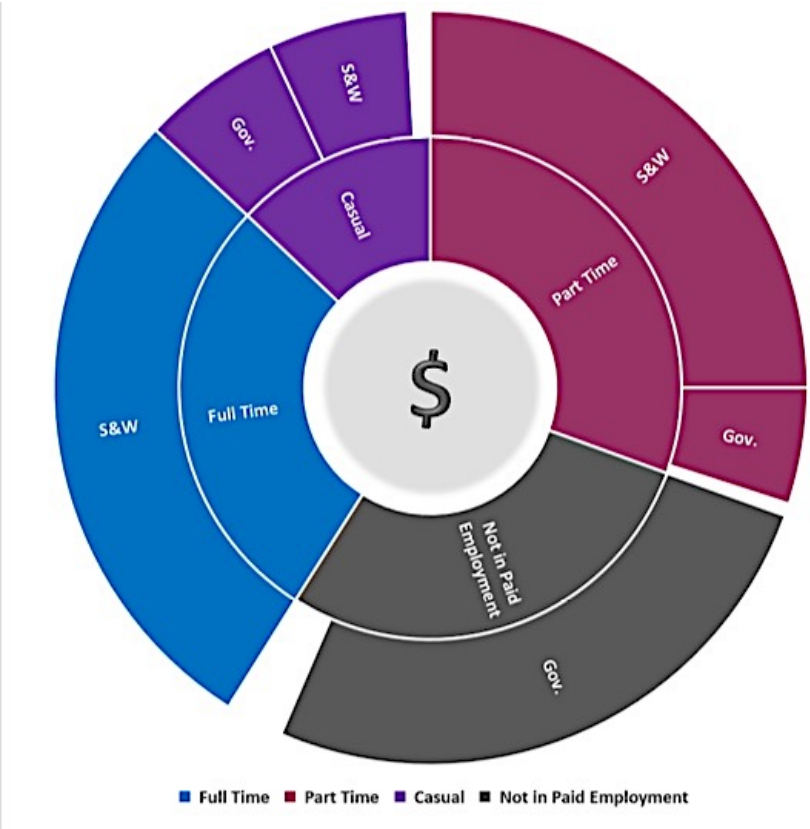
495. Looking beyond the economic modelling, a survey of single mothers conducted in late 2018 by the Council of Single Mothers and their Children[356] found that 53% had gross household incomes of $40,000 or less and 20% had gross household incomes of $20,000 or less and 45% report having no savings. This situation is prevailing while income from working is the major source of income for those who do participate in paid employment, as shown in below.

[354] KPMG, The cost of coming back: Achieving a better deal for working mothers, 2018

[355] Above Note 16, at [3] and [11]

[356] Sebastian, A. & Ziv, I., "One in eight families – Australian single mothers' lives revealed", Council of Single Mothers and their Children, 2019.

Figure 115: Share of Salary & Wages vs Government Payments in Single Mother Incomes



Reproduced from Sebastian & Ziv (2019), note 356 below.

Costs associated with childcare effectively 'cancel out' the amount of money women are able to earn when working in the low-paid part-time or casual roles they often take following childbirth. Clearly changes to the structure of the childcare subsidy are required in order to address these disincentives. Increases to the national minimum wage will mean that childcare is less likely to cancel out low-paid women's earnings, decreasing the disincentive to access childcare and encouraging women to return to the workforce.

6.3 The obligation to prevent and eliminate discrimination

496. Section 578 of the FW Act requires the Commission to take into account *'the need to respect and value diversity of the work force by helping to prevent and eliminate discrimination on the basis of … sex … family or carer's responsibilities, [or] pregnancy'*.[357]

[357] FW Act, ss. 578(a), (c)

497. An employee's experience of gender discrimination in relation to pay is affected by both their own gender as well as the 'gender' of the industry and occupation they work in. 'She's Price(d)less' is a series of three reports released by KPMG in 2009, 2014 and 2019 that uses the HILDA Survey to examine the causes of the gender pay gap. The most recent report finds that 'gender discrimination' is responsible for 39% of the gender pay gap, which makes it the highest single contributor, up from 29% in 2014. The report notes that this is 'in line with a considerable body of evidence about the impact of discrimination on wage gaps in Australia and elsewhere'.[358]

498. The report defines 'gender discrimination' as the element of the gender pay gap that cannot be explained by other factors or differences. The report notes that human capital differences between men and women (such as education and experience) have over time been largely eliminated, yet discrimination in relation to hiring, promotion, workplace culture, and access to training persists. This is consistent with analysis of the gender pay gap within the award system which finds that 'human capital endowments explain at best a very small part of the average gender wage gap within the award reliant population.'[359]

499. The KMPG Report finds that the other factors contributing to the gender pay gap are the combined impact of time-away from paid work due to interruptions, part-time employment and unpaid work (39%), and occupational and industrial segregation (17%) (down from 31% in 2014).[360]

500. Occupational and industrial segregation refers to the over-representation of women in lower-paid roles and under-representation in higher paid roles within industries and occupations, and the concentration of women in industries and occupations which are characterised by lower wages, and the concentration of men in industries and occupations which are characterised by higher wages. This phenomenon is readily observable within the award system, as noted in Chapter 6. The factors of career interruptions and occupational and industrial segregation are themselves influenced and underpinned by gender norms and gender discrimination.

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[358] KPMG, *She's Price(d)less*, 2019 at p 24

[359] Broadway, B. and Wilkins., R., "Probing the Effects of the Australian System of Minimum Wages on the Gender Wage Gap", Melbourne Institute, December 2017, at p 14

[360] Above Note 20 at p 8

501. Unfairly low award wages are inherently linked to the systemic gender-based undervaluation of female-dominated work. The majority of low-paid award-reliant workers are women. Therefore, increases to award wages, particularly those which exceed bargained outcomes, increase the value placed on women workers and the work they perform, thereby contributing to addressing the systemic gender-based undervaluation of female-dominated work and reducing discrimination against women.

502. Increases to the minimum wage may also help to reduce the impacts of indirect discrimination against women on the grounds of pregnancy and family responsibilities, including through increasing the amount of paid parental leave families receive, reducing the financial impact of occupational downgrading, underemployment, and reduced hours due to unpaid domestic and care work, decreasing the financial disincentive to accessing childcare, and encouraging families to share caring responsibilities more equally by reducing the incentive for women to drop out of the paid workforce.

6.4 The need to promote social inclusion through increased workforce participation

503. Section 3 of the FW Act's object is to *"provide a balanced framework for cooperative and productive workplace relations that promotes national economic prosperity and social inclusion for all Australians..."* through a number of methods, including the safety net of the national minimum wage and modern award minimum wages. Both the minimum wages objective and the modern award objective require the Commission to take into account the need to promote social inclusion through increased workforce participation.[361] This obligation has been interpreted to mean increased employment.[362]

504. It has been demonstrated that the gender pay gap strongly influences family decisions regarding caring roles.[363] In particular, families with new-born children generally make a pragmatic decision that the highest paid member of the household will return to full-time work, and the lower-paid partner will take extended leave to become the primary carer. Due to the gender pay gap, this usually results in the male partner in heterosexual

[361] Section 134(1)(c)

[362] Annual Wage Review 2015–2016 [2016] FWCFB 3500, [465].

[363] See for example https://www.epi.org/publication/womens-work-and-the-gender-pay-gap-how-discrimination-societal-norms-and-other-forces-affect-womens-occupational-choices-and-their-pay/

partnerships returning to full-time work, thereby impacting the woman's current and future earnings and retirement income, and entrenching gendered caring roles even further. Increasing the minimum wage may encourage families to share caring responsibilities more equally by reducing the incentive for women to drop out of the paid workforce.

505. Women are of course not a homogenous group: their work experiences are influenced by the intersection of characteristics such as age, education levels, the presence or absence of caring responsibilities, as well as race, disability, and sexual orientation and gender identity. For example, analysis of the gender pay gap in the USA shows a marked disadvantage based on race: Hispanic women earned just 53.0 percent and Black women earned just 60.8 percent of White men's median annual earnings in 2017. Section 578 of the FW Act requires the Panel to take into account the need to eliminate discrimination not only on the basis of sex, family or carer's responsibilities and pregnancy, but also on the basis of race, colour, sexual orientation, age, physical or mental disability, marital status, religion, political opinion, national extraction and social origin. Further research is needed in Australia to understand the impact of the national minimum wage on different groups of people, including those groups that experience multiple and compounding forms of discrimination, such as Aboriginal and Torres Strait Islander women.

6.5 Fair and relevant minimum terms and conditions

506. Section 3(b) of the FW Act provides that one means of delivering of its object to "provide a balanced framework for cooperative and productive workplace relations that promotes national economic prosperity and social inclusion for all Australians" is by "*ensuring a guaranteed safety net of fair, relevant and enforceable minimum terms and conditions through … modern awards and national minimum wage orders*". The modern award objective requires the Commission to *"ensure that modern awards, together with the National Employment Standards, provide a fair and relevant minimum safety net of terms and conditions…"*.[364] The minimum wage objective requires the Commission to *"establish and maintain a safety net of fair minimum wages…"*.[365]

[364] FW Act s 134(1)

[365] FW Act s 284(1)

507. It is clear that 'fairness' is a central and fundamental object of the FW Act and intended to be a key characteristic of the minimum employment safety net. The FW Act establishes modern awards and the national employment standards as a minimum safety net, with the assumption that employees will participate in single enterprise bargaining[366] or negotiate an individual flexibility arrangement (IFA) for higher wages and conditions. The problem is that not all employees have equal access to the benefits of single-enterprise bargaining or IFAs, particularly employees in feminised industries with limited bargaining power. Women are more reliant on awards to set their terms and conditions than men: in health care and social assistance for example award reliance has increased since 2008 from 17.2% to 28.8% in 2016.[367] This imbalance means that the fairness of the safety net for workers in those industries is particularly important. For workers who cannot access bargaining, awards provide not only a safety net, but also a 'ceiling' or a cap on wages, which can be addressed only by increases to the minimum wage.[368]

508. The Commission has said the requirement of 'relevance' in the FW Act involves a reference to 'contemporary standards'.[369] There is little doubt that there is an 'increasing focus on gender inequality and the level and drivers of the gender pay gap'.[370] This is true both nationally and internationally. More broadly, inquiries such as the Victorian Royal Commission into Family and Domestic Violence and the National Inquiry into Sexual Harassment in Australian workplaces have drawn attention to the barriers women face at work and the central importance of economic and financial security for gender equity. Contemporary community and industrial standards require detailed and serious attention to be paid to the prevention of gender discrimination at work and the reduction of the gender pay gap.

6.6 International labour obligations

509. The objects of the FW Act include *'providing workplace relations laws that … take into account Australia's international labour obligations'*.[371] There are a number of

[366] The FW Act places a number of limitations on multi-employer bargaining

[367] Above Note 7, p 89

[368] Above Note 7, p 88

[369] 4 Yearly Review of Modern Awards – Fire Fighting Industry Award [2016] FWCFB 8025 at [29]

[370] Above Note 20 at p 12

[371] FW Act, s. 3(a)

international obligations relevant to the gender pay gap and the need to prevent discrimination on the grounds of sex. In particular:

a. ILO *Equal Remuneration Convention, 1951* (No. 100), which requires ratifying countries to ensure the application to all workers of the principle of equal remuneration for men and women for work of equal value. The term "remuneration" is broadly defined to include the ordinary, basic or minimum wage or salary and any additional amounts payable.
b. ILO *Discrimination (Employment and Occupation) Convention, 1958* (C. 111), which requires ratifying countries to eliminate "any distinction, exclusion or preference made on the basis of race, colour, sex, religion, political opinion, national extraction or social origin, which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation".
c. ILO *Workers with Family Responsibilities Convention, 1981* (No. 156), which requires ratifying States to enable persons with family responsibilities to exercise their right to work without discrimination and, to the extent possible, without conflict between their employment and family responsibilities.
d. The *International Covenant on Economic, Social and Cultural Rights 1966*, which requires fair wages and equal remuneration for work of equal value without distinction of any kind, in particular women being guaranteed conditions of work not inferior to those enjoyed by men, with equal pay for equal work.
e. The *Convention on the Elimination of all Forms of Discrimination Against Women 1979*, which recognises the right to equal pay for equal work.

7. Encouraging Collective Bargaining

510. The Panel has identified two sources of its obligation to consider encouraging collective bargaining in the course of an Annual Wage Review. The first is the obligation in section 134 of the Act to "...ensure that modern awards, together with the National Employment standards, provide a fair and relevant safety net of terms and conditions, taking into account... the need to encourage collective bargaining". [372] The second is a reference in the object of the Act to "...provide a balanced framework for cooperative and productive workplace relations that promotes national economic prosperity and social inclusion for all Australians by...achieving productivity and fairness through an emphasis on enterprise level collective bargaining..." in conjunction with a consideration of the purpose of the Act as a whole.[373] It is uncontroversial that the a corollary of the above considerations is that Panel must take into account the extent to which (if any) its decision might discourage collective bargaining.

511. The Panel has previously concluded that:

> "When the wide range of factors which impact on collective bargaining are taken into account, it is unlikely that the adjustments to wages made by the Panel in recent Reviews have discouraged collective bargaining, particularly in light of the increase in collective agreement coverage in at least some of the award-reliant industries. Further, the rate of the decline in collective agreement making from the peak around 2010 has not increased significantly to the extent where it could be concluded that wages outcomes from recent Reviews have discouraged collective bargaining."[374]

512. The ACTU submits that it remains open to the Panel to conclude that recent Reviews have not discouraged collective bargaining, and equally that awarding the wages increase proposed by the ACTU in this submission would further not do so. In the alternative, it is the submission of the ACTU that the Panel could reasonably find that it cannot conclude that past NMW outcomes, and the outcome proposed in this review by the ACTU would

[372] [2019] FWCFB 3500 at [7]; [2018] FWCFB 3500 at [11]

[373] [2019] FWCFB 3500 at [7], [364]; FWCFB 3500 at [11]

[374] [2019] FWCFB 3500 at [386]

have an adverse effect on the encouragement of collective bargaining. It is open, and appropriate for the Panel to do so based on a number of grounds:

a. The increases to the minimum wage and modern award minimum wages in the last three Reviews have cumulatively been the most significant since the introduction of the Fair Work Act.
b. The data shows that there is not a decline in the number of workers covered by enterprise agreements over that period, and that the trend for the number of workers covered by enterprise agreements (current and approvals) is trending upwards.
c. Although enterprise bargaining has declined over the longer term, the reasons are many and varied and there is not enough available evidence to conclude that previous decisions of the Panel have discouraged bargaining.

These grounds are addressed below.

7.1 No actual decline in collective bargaining since 2016 Review

513. Employer representative groups (such as ACCI and AIG) have made, and predictably will again make, submissions that too sharp an increase to the minimum wage will discourage collective bargaining.[375] We say that this submission by employer representative groups is fundamentally flawed.

514. The submission that too great an increase to the NMW will discourage collective bargaining is not one of disinterested objective parties and is not one which is grounded in the evidence. For all of the recent years in which employer representative groups have submitted that any wages increase beyond the quantum for which they contend could lead to a decline in collective bargaining, no clear trend to this effect has been observed.

[375] [2019] FWCFB 3500 at [381], [383]; 2018 FWCFB 3500 at [403].

515. As at the September quarter 2019 there were 10,877 enterprise agreements covering 2,160,400 workers.[376] The number of enterprise agreements in operation as at that time is lesser than the number of enterprise agreements in operation in the June quarter 2019 (11,338), but greater than the number in the March quarter 2019 (10,575) and negligibly less than the number in December and September quarters of 2018 (10,904, 10996). However, a different, and perhaps more insightful trend is also present. The number of workers covered by an enterprise agreement in the September quarter 2019 (2,169,400) was greater than the number of workers covered by an enterprise agreement at any other point in the data since the September quarter of 2016, with the exception of the June quarter of 2019 (which was minimally higher at 2,189,700).[377] Further, from June quarter 2019 to September quarter 2019 the decline in the number of employees covered by an enterprise agreement was proportionally less than the decline in the number of enterprise agreements.[378] This is not the result the employers would predict on the back of the 3.3% increase to minimum wages from July 2017, the 3.5% increase in the following year and the 3% increase in the year after that.

516. Table 7 below shows the number of agreement approvals from September quarter 2016 to September 2019, the number of employees those agreements cover.

Table 7: Approvals of Enterprise Agreements, 2016-2019 (September Quarters)

	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19
Agreement Approvals	1686	1356	969	846	679	1048	957	1111	873	924	1330	1581	1249
Number of Employees ('000)	148.4	246.2	151.8	114.2	236.2	149.9	126.3	271.0	132.8	138.4	367.7	195.3	168.6

Source: Attorney-General's Department, Trends in Federal Enterprise Bargaining, September quarter 2019

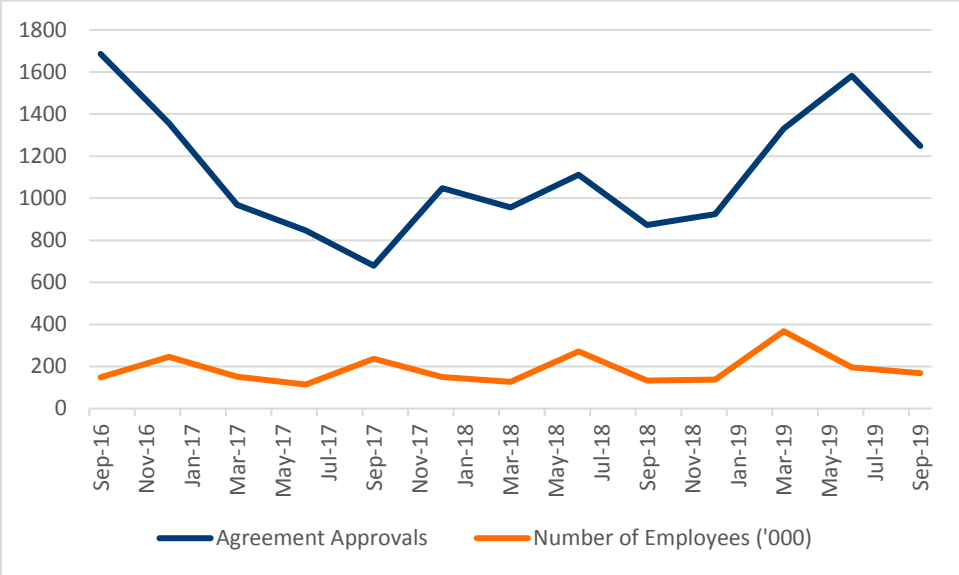
[376] Attorney Generals' Department (Report, Trends in Federal Enterprise Bargaining, 2020) Table 4 <https://www.ag.gov.au/industrial-relations/enterprise-agreements-data/Documents/trends-federal-enterprise-bargaining-report-september-2019.pdf>

[377] Ibid

[378] Ibid

517. In chart form, the data shows an upwards trend in EA approvals since 2017, and a relatively flat, but slightly upwards, trend when the number of employees covered by agreement approvals is considered.

Figure 116: Approvals of Enterprise Agreements, 2016-2019 (September Quarters)



Source: Attorney-General's Department, Trends in Federal Enterprise Bargaining, September quarter 2019.

518. The data suggests that there has taken place a rationalisation of enterprise agreements (i.e. workplaces with fewer enterprise agreements covering the same or greater number of workers) as opposed to a decline in collective bargaining *per se*. If anything, the data suggests that there may well be more enterprise bargaining (albeit with fewer agreements covering more workers) over the recent course of the dataset.[379] Caution should however be exercised in interpreting this data on the basis that industries that bargain heavily (such as construction and manufacturing) tend to bargain in cycles.

519. A further consideration is the way in which the data counts current enterprise agreements, being that enterprise agreements which have passed their nominal expiry date are not recorded as current agreements. This could lead to an incorrect perception that bargaining is declining, when in fact it is not.

[379] Ibid

520. We contend that it is open to the Panel to conclude that its decision in this Review will not discourage collective bargaining.

7.2 Employers remain willing to pay more than the current Award minima

521. The number of approvals of enterprise agreements which contain a non-quantifiable wages increase is trending upwards and rose in the September 2019 quarter.[380]

522. There are a number of reasons why a wages increase may be non-quantifiable, a significant one of which is that the employer has elected to increase wages according to the Annual Wage Review (whilst setting other conditions in an enterprise agreement). In the September quarter, some notable examples of employers who did this were in the retail sector and had agreements covering about 25,000 workers (one of these alone, Big W, covered just under 16,000 workers).

523. The employers that have done this have consciously elected to outsource wage setting to the Panel, even while they have an enterprise agreement in place. This suggests that these employers are not concerned by the possibility that they may be bound by a large wage increase, and are willing to accept any wages quantum determined for them by the Panel.

524. Further, the use of individual arrangements as a method of setting pay has remained relatively stable, recording a slight increase.[381] This method now accounts for 41.1% of all wage setting, within 3% of its highest and lowest values since 2000.[382]

525. This offers a powerful critique of the arguments made by employer groups to the effect that setting a minimum wage too close to market rates would discourage bargaining.[383] A near majority of employers are clearly willing to pay agreed rates beyond award minima.

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[380] Attorney General's Department, Trends in Federal Enterprise Bargaining, September 2019,

[381] Fair Work Commission 2019, Statistical report—Annual Wage Review 2019–20, Chart 7.1

[382] Ibid.

[383] See [2019] FWCFB 3500 at [383]

526. The relative stability in recent years of the "individual arrangements" category (and the slight rise in recent years) suggests that employers are content to pay above award wages. The implication is that any decline in bargaining could be attributed to factors other than the Panel's decisions, and do not reflect an unwillingness on the part of workers and employers to negotiate with respect to wages. Given that the only impact the Panel's decisions have is on minimum rates of pay, those other factors associated with bargaining are factors beyond the Panel's control.

7.3 There are many factors that impact collective bargaining

527. Over the longer term, collective bargaining has been declining in Australia. We are not unique among global economies in this regard. Indeed, the OECD has previously found that collective bargaining is declining in a number of economies.[384]

528. Through consideration of various research papers (including research initiated by the Commission), statistical series and submissions made to it, the Panel previously been able to observe movements in the number of enterprise agreements approved, the number of employees covered by them and identify the variables that may influence this.[385] However, a precise and proven hypothesis on the relationship between wages the Panel adjusts and the incidence and prevalence of enterprise agreements remains elusive. This is, we suggest (and as the Panel has intimated[386]) is likely because the "complexity of factors which may contribute to decision making about whether or not to bargain"[387] are not homogeneous between (or even within) industries.

529. Bray et. al., commenting on Australia note a contraindicative rise in the number of workers covered by collective agreements against a declining number of collective agreements and observe as follows (citing Chaudhuri and Sarina 2018):

> *There are potentially many broader causes for the conspicuous decline of collective bargaining since 2012. It is difficult not to attribute much of the decline*

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[384] OECD 2004 in Antonczyk et. al. 'Rising wage inequality, the decline of collective bargaining, and the gender wage gap' (2010) 17, Labour Economics 835-847, 835

[385] [2018] FWCFB 3500 at [94] – [96];

[386] [2018] FWCFB 3500 at [405]-[410];

[387] [2018] FWCFB 3500 at [409].

to the peculiar provisions of the Fair Work Act that give employers the right to make key decisions in the bargaining process and the new ways in which employers are exercising that discretion.[388]

530. In its 2018 decision, the Panel looked to aggregates and effectively discharged its obligation to take potential effects on bargaining into account by concluding that it could not be satisfied that the increase it was disposed to determine would either discourage or encourage bargaining. Similarly, in its 2019 decision, the Panel observed that:

> *'We do not detect anything in these data to suggest that past Review decisions have impacted on collective agreement coverage. We see nothing to change the view expressed in previous Review decisions that the extent of enterprise bargaining is likely to be impacted by a range of factors.'*[389]

531. We do not expect that any party to this matter can identify the precise effect of minimum wage adjustments on collective bargaining within the broad causal milieu. In Chapter 7 of our submission to last year's Review, we highlighted a number of matters that contribute to the finding that factors other than the increases awarded by the Panel have impacted, and continue to impact bargaining, methods of setting pay and the measurement of both. We have nothing to add to that analysis and adopt it in full.

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[388] Bray et. al. 'Unions and Collective Bargaining in Australia in 2018' 2019, Vol. 61(3) *Journal of Industrial Relations* 357–381

[389] [2019] FWCFB 3500 at [372]

8. Other matters

532. The National Minimum Wage Order made as a consequence of the Review must set the National Minimum wage as well as special national minimum wages for award/agreement-free employees who are junior employees, employees to who a training arrangement applies, and employees with a disability. It must also set the casual loading for award/agreement free employees. The Panel's review of modern award minimum wages encompasses casual loadings and piece rates in modern awards, as well as modern award minimum wages for junior employees, employees to whom a training arrangement applies and employees with a disability. This chapter sets out our position on how these various minimum wages and modern award minimum wages ought to be adjusted in this Review.

8.1 Juniors

533. Minimum rates for juniors in modern awards are usually expressed as percentage of an adult rate of pay in modern awards. Adjusting modern award minimum wages in the usual way, via a uniform percentage increase, will preserve the existing relativities between adult rates and junior rates in particular awards.

534. The existing relativities are not without difficulty in our view, given the outcome is that some award covered junior employees are entitled to lower hourly rates of pay than would be the case if the National Minimum Wage order applied to them. This issue received some consideration by the Panel and through conferences as part of last year's review. The Panel has noted in this context that "..there is no mandated relationship between wage rates set by a NMW order and the modern award minimum wages, and certainly no requirement that any particular modern award minimum wage rate be no less that a NMW rate".[390]

535. In our view, the lack of a specific section in the Act prohibiting a modern award minimum wage being lower than a National Minimum Wage is explicable by the legislative arrangements that applied during and immediately before award modernisation. These

[390] [2019] FWCFB 3500

ensured that any basic periodic wage rates applicable to national system employees in source State or Federal safety net instruments that *were* expressed to be below the Federal Minimum Wage (as it then was called), were deemed to be equal to it.[391] With award modernisation being conducted on the explicit basis that it was "not intended to disadvantage employees"[392], it was arguably beyond the contemplation of the Parliament that any modern award minimum wage, for adults at least, would be set lower than the minimum established by those source instruments or the transitional federal minimum wage which formed the rate which was reviewed in the first annual wage review conducted by Fair Work Australia[393].

536. Junior employees were however treated differently under the relevant legislative provisions. The general rule whereby the standard Federal Minimum Wage would override lesser rates in Australian Pay and Classifications Scales did not apply automatically to special federal minimum wages for junior employees made by the Australian Fair Pay Commission, although the Australian Fair Pay Commission was empowered to make a decision to the same effect as that rule.[394] Moreover, the Australian Fair Pay Commission had a discretion as to whether to determine a special federal minimum wage for junior employees at all.[395] In the event, the Australian Fair Pay Commission chose not to establish a special federal minimum wage for junior employees, pending further research which was not completed before changes were made to the institutional arrangements for wage fixation[396]. As a result, the opportunity to set an "absolute floor" for junior rates, that could potentially cascade through multitude of award derived pay scales that informed the award modernisation process, never arose.

537. Notwithstanding these matters, we did not elect to further pursue an adjustment of modern award minimum wages for junior employees. We will give the matter further consideration once the reviewed modern awards are in operation and following the

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391 *Workplace Relations Act* 1996, pre 2008, s. 193, 194, 198, 207, 208, and, from 2008, s. 576B(2)(h) and (i); Items 12 and 16 of Schedule 9 of the *Fair Work (Transitional Provisions and Consequential Amendments) Act* 2009.

392 Award Modernisation Request, at 2(c). See also Item 8(1) of Schedule 5 of the *Fair Work (Transitional Provisions and Consequential Amendments) Act* 2009.

393 Items 12 and 16 of Schedule 9 of the Fair Work (Transitional Provisions and Consequential Amendments) Act 2009.

394 *Workplace Relations Act* 1996, pre 2008, s. 193(3) and 198.

395 *Workplace Relations Act* 1996, pre 2008, s.197.

396 Australian Fair Pay Commission: Wage setting decision October 2006 at section 6, Wage setting decision July 2007 at section 4, Wage setting decision July 2008 at section 5.3.

conclusion of other matters which might impact modern award minimum wages more generally. In this Review, we make no submission that the Panel should depart from its usual course of allowing the automatic adjustment of junior rates in modern awards through the operation of the discount rates on the rates adult rates of pay as otherwise varied in this Review. Nor do we contend that the discount percentages for the National Minimum Wage for Junior employees be altered from those expressed in the Minimum Wage Order issued last year (adopted from the *Miscellaneous Award*).

8.2 Apprentices and trainees

538. In our submission to last year's review, we provided data from the National Centre for Vocation Education and Research on apprenticeship and trainee completions and commencements to the September quarter of 2018. September Quarter 2019 data will be available on 16 March 2020.

539. The latest available data at the time of writing, to the June 2019 Quarter[397], continues to paint a reasonably bleak picture of the state of the training system in the medium term, although the more recent observations are more stable than in the years preceding them. Whilst there has been a drop in commencements, there has been a small but welcome rise in completions, the first rise in the 5 year period. The number of cancelations and withdrawals has been reasonably stable compared to the previous year. The observations over the past three years are overall less dramatic than those at the beginning of the 5 year period shown in Table 8 below.

397 https://www.ncver.edu.au/research-and-statistics/publications/all-publications/apprentices-and-trainees-2019-june-quarter-australia

Table 8: Apprentice and Trainee Commencements and Completions, year to June 30

	2015	2016	2017	2018	2019
Commencements over the year to June 30 ('000)	184.4	169	162.6	160.3	156.2
Cancellations and withdrawals over the year to June 30 ('000)	105.3	83.6	90.6	88.7	89.8
Completions over the year to June 30 ('000)	129.7	108	96.8	89.1	89.4
In-training as at 30 June ('000)	302.2	281.9	274.4	276.9	272.9

Source: National Centre for Vocational Education Research

540. There is considerable variation that lies beneath the headline data, which makes it difficult to make broad observations about the relative contributions of particular factors (including numerous policy areas beyond those the Panel is focussed on) on decisions or opportunities to commence or complete apprenticeships and traineeships. For example, the direction of change in the number of apprentices and trainees bearing particular characteristics as at June 30 2019 compared to 30 June 2018 is shown below. There is a lack of uniformity of outcome between each group. Moreover, the outcomes are not clearly positive or negative within particular groups: a clear positive outcome would consist of increased commencements and completions and reduced number of cancellations or withdrawals, a negative outcome would consist of the reverse.

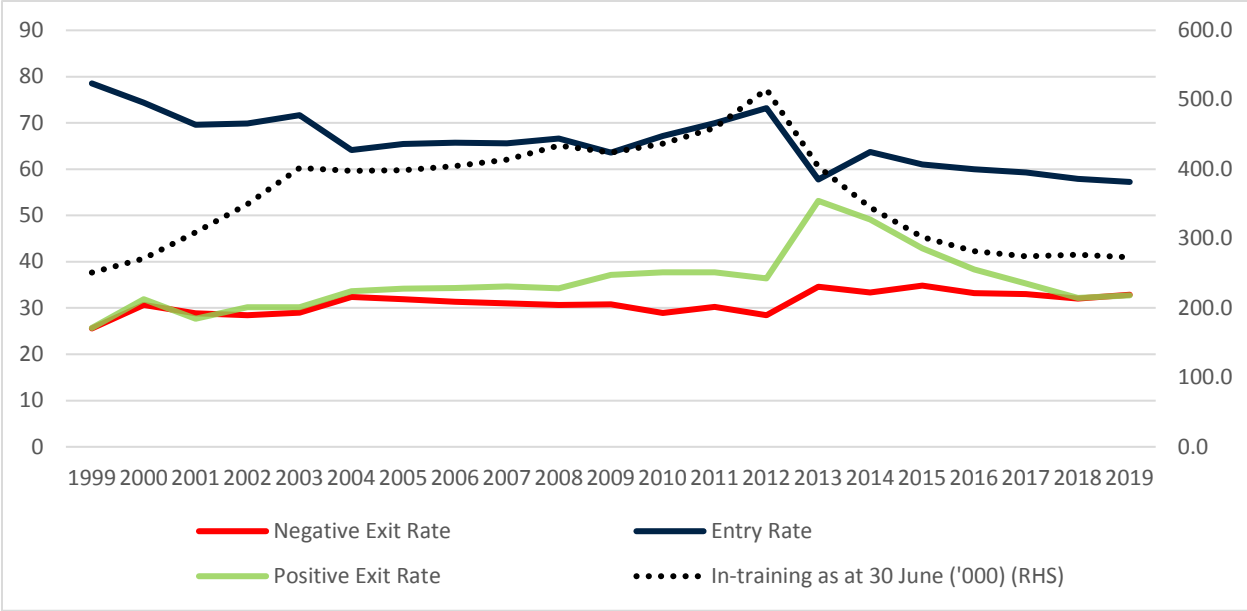
Table 9: Change in particular characteristics of apprentices and trainees, 2018-2019.

	Number of Commencements	Number of Completions	Number of Cancellations or withdrawals
Under 24 years of age	↓	↑	↑
Over 24 years of age	↑	↑	↓
Male	↓	↓	↑
Female	↑	↑	↑
In a trade occupation	↓	↓	↑
In a non-trade occupation	↓	↑	↓

Source: National Centre for Vocational Education Research

541. For a longer term overview, we have constructed the following measures shown in Figure 117 below. The *entry rate* is the number of commencements as a share of the number of persons in training, expressed as a percentage. The *positive exit rate* is the number of completions as a share of the number of persons in training, expressed as a percentage. The *negative exist rate* is the number of cancellations or withdrawals as a share of the number of persons in training, expressed as a percentage. These measures are shown alongside the number of persons in training (on the opposite axis).

Figure 117: Entry and Exit from Apprenticeships and Traineeships, 1999-2019



Source: National Centre for Vocational Education Research, ACTU calculations

542. It can be seen that the numbers of persons in training, the positive exit rate and the negative exit rate have stabilised in recent years at levels much the same as they were two decades ago. Overall the data suggests that policy settings over the past two decades have had very little effect on the rate of abandonment of apprenticeships and traineeships and that more recent policy settings have perhaps been very slightly more effective at raising the positive exit rate for a given rate of increase of student numbers.

543. Given our observations about the shorter and longer term movements in apprentice and trainee numbers, we do not urge the Panel to depart from the view expressed at paragraph [172] of last year's decision. With the exception of one matter, we do not seek that the Panel depart from its usual approach of flowing any general increase awarded in this review to apprentices and trainees rates in modern awards and to employees who are award or agreement free.

544. We do however note that the Rail, Tram and Bus Union seeks an adjustment to apprentice rates of pay in the *Rail Industry Award*. We support the award specific arrangements sought by our affiliate and note that immediately before award modernisation, the wage setting arrangements for employees to whom a training arrangement applies were subject to the same legislative provisions which applied to junior employees, as referred to in paragraphs 542-543 above. As was the case with junior employees, a decision by the Australian Fair Pay Commission on any special federal minimum wage applying to apprentice and trainees was deferred pending further research which was never

completed.[398] Had such a rate been set, and the Australian Fair Pay Commission made the consequential order to declare that rate a default rate, the starting point for the Full Bench which made the *Rail Industry Award* and the *Miscellaneous Award* may have been quite different.[399]

8.3 Employees with a disability

545. Special National Minimum Wage 1 should continue to be set at the same level as the National Minimum Wage, as varied in this Review. Noting that proceedings to Review the *Supported Employment Services Award* are likely to result in a unique Supported Wages System Schedule to that award only[400], Special National Minimum Wage 2 should continue to be set by reference to the National Minimum Wage on the basis of the discounting methodology adopted from the Supported Wages System Schedule as reproduced in modern awards other than the *Supported Employment Services Award*.

546. Employees with a disability covered by an award other than the Supported Employment Services Award should continue receive the benefit of the decision in this Review through the application of the Supported Wage System Schedule to the minimum rates of pay expressed in the Award and an adjustment to the minimum weekly payment in line with the income test free area for the disability support pension. The current terms of the Supported Wages System Schedule that forms part of the *Supported Employment Services Award* does not require the separate adjustment of a minimum weekly payment. The adjustment of the minimum rates expressed in the *Supported Employment Services Award* is sufficient to flow the effects of the current decision on to employees covered that Award.

547. The outcome of the present review should be taken into account in varying the proposed new (and yet to commence) classification structure in the *Supported Employment Services Award* that is proposed to trialled this year.[401]

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[398] Australian Fair Pay Commission: Wage Setting Decision October 2006 at section 7 and page 15, Wage Setting July 2007 at section 4, Wage Setting Decisions July 2008 at section 5.3

[399] *Workplace Relations Act* 1996 (pre 2008), s. 193, 198.

[400] [2019] FWCFB 8179.

[401] [2020] FWCFB 343

8.4 Casual loading

548. The casual loading in modern awards and the National Minimum Wage Order should be maintained at 25%. We would also encourage the Panel to complete the agreed phasing up of the casual loading in the Business Equipment Award toward that level by raising it in this Review to 25%.

8.5 Piece rates

549. Piece rates payable under modern awards in modern awards are generally either unspecified in dollar terms and subject to either a "no disadvantage" provision[402] or a requirement to set piece rates by reference to a percentage premium over minimum rates elsewhere expressed in the award[403]. Such rates do not require sperate adjustment. Specified piecework rates, such as those found in Schedule E of the *Timber Industry Award* and in the *Pastoral Award* will require adjustment on the basis of the percentage increase otherwise determined as appropriate for those modern awards.

8.6 Other instruments

550. The Panel should, for consistency, adopt the approach confirmed in last year's decision in relation to copied State Awards. We are unaware of any party seeking an exemption at this stage. The remaining operating transitional instruments should have any increase determined in this Review applied to them in the usual way.

551. Finally, we note that this review is the first to apply to any replacement modern awards determined through the four yearly review of modern awards. There are some new design features of those awards, such as renumbered clauses and schedules; rates tables; allowances schedules; and a tendency to express special rates or allowances previously expressed as a percentage of a "standard rate", in dollar terms in the body of the award and in dollar and percentage terms in a schedule thereto. There is accordingly greater potential for inadvertent errors to be expressed in the determinations which give effect to

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[402] E.g. Building and Construction Industry General On-Site Award, Wool Sampling, Storage and Testing Award, Silviculture Award.

[403] E.g. Timber Industry Award (with the exception of Schedule E thereof), Horticulture Award, Wine Industry Award, Sugar Industry Award, Real Estate Industry Award.

the outcome of the Review. We accordingly request that the draft determinations to give effect to the determination of the Panel in this review be published promptly, in order that they can be reviewed closely by affected parties. We will consult with our affiliates to ensure engagement in this process once the draft determinations are available.

APPENDIX: Overview of Employees Affected by the Panel's Decision

1. This attachment and the submission it accompanies refers widely to the ABS Survey of Employee Earnings and Hours (EEH), which is conducted every two years. The most recent survey was conducted in May 2018. Results from this survey were released in January 2019. The ACTU has relied on the indicative comparable estimates (hereafter, "2016 indicative estimates") released by the ABS for May 2016 EEH[404] at the same time as the 2018 data and taken into account the ABS' statements as to comparability of other releases with the May 2016 release of EEH. The ACTU has also acquired unpublished data at finer ANZSCO levels of occupation.[405].

2. In the EEH survey, employees are classified according to the 'main method' of setting their pay: 'award only', 'collective agreement', and 'individual arrangement'. They are 'award only' if they are "paid exactly at the rate specified in the award, and are not paid more than that rate of pay."[406] Workers paid above an award are classified to either the 'collective agreement' or 'individual arrangement' categories. There have been some changes in the classification process over the years the EEH has been conducted.

3. The ACTU understands that workers who are paid the National Minimum Wage (NMW) are classified as 'award only' in the EEH survey. 'Awards' are defined for the purposes of ABS surveys as "legally enforceable determinations made by Federal or State industrial tribunals or authorities that set the terms of employment (pay and/or conditions) usually in a particular industry or occupation."[407] In the federal system, this includes Modern Awards and the National Minimum Wage Order. A majority of award only employees would have their wages determined in the federal system, through the decisions of the Panel.

4. In this attachment, the ACTU uses the phrase 'award-reliant workers' to refer to employees who are classified as 'award only' in the EEH survey. 'Award-reliant', 'award only', 'minimum wage workers', and 'workers reliant on minimum wages' are used interchangeably in this submission to mean workers paid exactly at an award rate or the

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[404] "Appendix to Guide to Understanding Employee Earnings and Hours Statistics", ABS 2018.

[405] Finer ANZSIC division data was unavailable for 2016 and 2018.

[406] ABS 2017,*Employee Earnings and Hours*, Australia, May 2016, Catalogue number 6306.

[407] ABS 2013, Labour Statistics: Concepts, Sources and Methods, Catalogue number 6102.0.55.001.

NMW. 'Low-paid workers' is also intended to have the same meaning, except where it is clear that 'low-paid' refers to workers with earnings below a particular threshold, regardless of their pay-setting method.

A.1 How many people rely on minimum wages in Australia?

5. There were 2,234,800 employed persons (including OMIEs, "Owner Managers of Incorporated Enterprises") paid exactly at a minimum wage order rate or modern award rate in May 2018, representing 21.0 per cent of all employed.[408] There were 37.9 per cent of employees paid according to a collective agreement and 37.3 per cent paid according to an individual arrangement. Another 404,600, or 3.8 per cent, were OMIEs.

6. The proportion of employees paid according to an award has been rising in recent years after falling during the previous decade, based on the EEH data. In 2000, around 23.2 per cent of employees were award-reliant, falling throughout the 2000s to a low of 15.2 per cent in 2010. It increased to 18.8 per cent in May 2014[409]. Award reliance rose to a share of 21.0 per cent in May 2018. On the 2016 indicative estimates, the proportion of employees on collective agreements increased 0.4 percentage points over the two years to May 2018.[410] It is safe to say that the direct impact of an increase in the minimum wage and modern award minimum wages (or, previously, award rates) has continued to increase over the long-term, both in terms of the numbers of employees and the share of employees affected. There are, however, some caveats and unknowns concerning the precise extent of this.

7. Comparison with the share of award-reliant employees in 2016 is problematic. The 2016 indicative estimates are presented by ABS due to changes in its survey criteria that were

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[408] ABS EEH Cat 6306, employees includes OMIEs (Managers of Incorporated Enterprises), at 63060DO009_201805

[409] The ABS says the estimates of 2012 and 2014 "should be considered broadly, rather than directly, comparable." ABS 6306 Employee Earnings and Hours, May 2018 "A Guide to Understanding Employee Earnings and Hours Statistics" Appendix 1 http://www.abs.gov.au/AUSSTATS/abs@.nsf/Latestproducts/6306.0Feature%20Article99May%202018?opendocument&tabname=Summary&prodno=6306.0&issue=May%202018&num=&view=#

[410] ABS 6306 Employee Earnings and Hours, May 2018 "A Guide to Understanding Employee Earnings and Hours Statistics" Appendix 1 http://www.abs.gov.au/AUSSTATS/abs@.nsf/Latestproducts/6306.0Feature%20Article99May%202018?opendocument&tabname=Summary&prodno=6306.0&issue=May%202018&num=&view=#

applied for the 2016 EEH and mostly reverted for the 2018 EEH[411]. The 2016 indicative estimate for award-only employees is 20.6 per cent of all employees rather than the 22.7 per cent which was published when the 2016 EEH was released. This would leave us with a small increase in the share of award-reliant employees from 20.6 per cent at 2016 to the 21 per cent measured in 2018. We estimate that this equates to 144,500 employees.

8. We note that the ABS usefully provides bootstrapped standard errors for their estimates for the population based on their sample survey. ABS gives the standard error for their 2016 figure for the number of award-reliant employees (including OMIEs) as 71,700[412], and for their 2018 figure as 75,000[413]. We make use of the standard errors in order to test whether we can be confident that the difference in award-reliant numbers between 2016 (figure estimated by the ACTU from the 2016 indicative estimates) and 2018 is statistically significant with a 95% level of confidence.[414] When the test is applied to the difference in numbers between 2016 and 2018, we find we cannot state with confidence that the 2016 indicative numbers and 2018 numbers of employees paid by award are statistically significantly different at a 95% level of confidence.[415] However, we can state that the total number of employees increased by 500,200 over the two years to 2018 and that this is statistically significant with a 95% level of confidence. While the increase in the number of award-reliant workers between indicative 2016 and 2018 is not statistically significant, the increase in number of total employees is and therefore we can reasonably infer that the share of award-reliant employees has increased.

9. From ACTU estimates based on the ABS indicative shares for 2016, a fall of 163,500 in the numbers paid by collective agreement, or 4.0% between 2014 and 2016 was followed by an increase of 127,000 or 3.3% between 2016 and 2018, however the latter is not statistically significant at the 95% level of confidence.

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[411] Whilst it seems that most of the criteria affecting whether a method of pay was classified as an "award" have reverted to their pre-2016 state, it is possible that the 2018 figures are different to what they would have been had the 2016 criteria been strictly adopted.

[412] ABS 6306 for May 2016, at 63060DO009_201605, Table 1

[413] ABS 6306 for May 2018, at 63060DO009_201805, Table 1

[414] ABS What is a Standard Error and Relative Standard Error, Reliability of estimates for Labour Force data http://www.abs.gov.au/websitedbs/d3310114.nsf/Home/What+is+a+Standard+Error+and+Relative+Standard+Error,+Reliability+of+estimates+for+Labour+Force+data accessed 25 January 2019

[415] The ABS communicated information on the appropriate test to apply to the data in ABS 6306. We can be confident the numbers represent that the relevant populations are different if the test statistic is greater than 1.96.

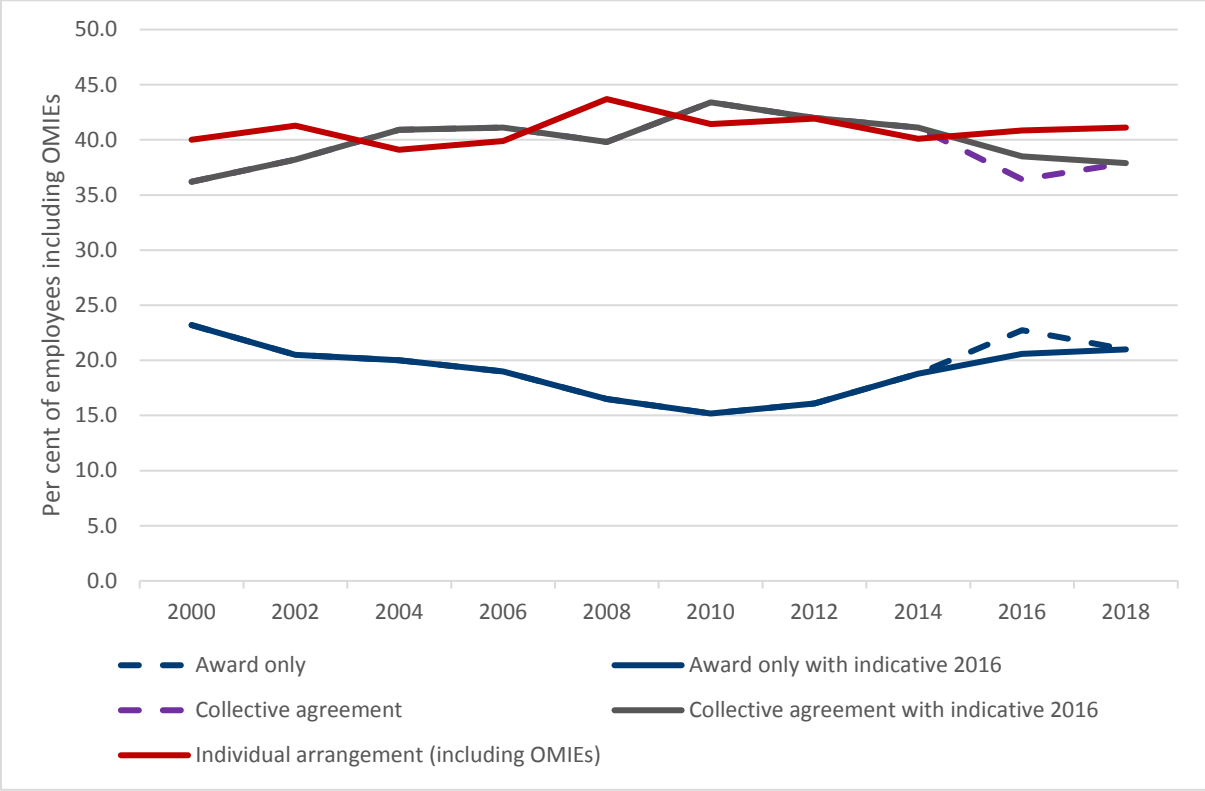
10. The share of those on individual arrangements and OMIEs is 41 per cent in May 2018 or 4,378,800 and the numbers have increased by 243,300 between 2016 and 2018.[416] The increase in those on individual arrangements and OMIEs contributes almost half, 46.8 per cent, of the increase of half a million (500,200) in total employees. In the case of all employees, including OMIEs, the number of those paid by individual arrangement increased 191,600 between 2016 and 2018, leaving the share on individual arrangements out of total employees (including OMIEs) constant at 37.3 per cent. The difference between the numbers on individual arrangements at 2016 and 2018 is not statistically significant at the 95% level of confidence. During the two years up to May 2018, the total number of employees (including OMIEs) increased 500,200, growing 4.9% between 2016 and 2018 to 10,647,200.

11. The 2016 indicative estimates include a table of estimates of non-managerial employees by shares of each method of setting pay at industry level. This shows that the differences between the originally published 2016 data and the 2016 indicative estimates on shares of award-reliant employees and those on collective agreements are primarily in Transport postal and warehousing, Public safety and administration, Health care and assistance and especially Education and training.[417]

[416] The ACTU understands no adjustment was required to be made by ABS to these estimates.

[417] ABS 6306 Employee Earnings and Hours, May 2018 "A Guide to Understanding Employee Earnings and Hours Statistics" Appendix 1 http://www.abs.gov.au/AUSSTATS/abs@.nsf/Latestproducts/6306.0Feature%20Article99May%202018?opendocument&tabname=Summary&prodno=6306.0&issue=May%202018&num=&view=#

Figure 118 Proportion of total employees including OMIEs by method of setting pay, including indicative comparable estimate estimates for 2016, per cent



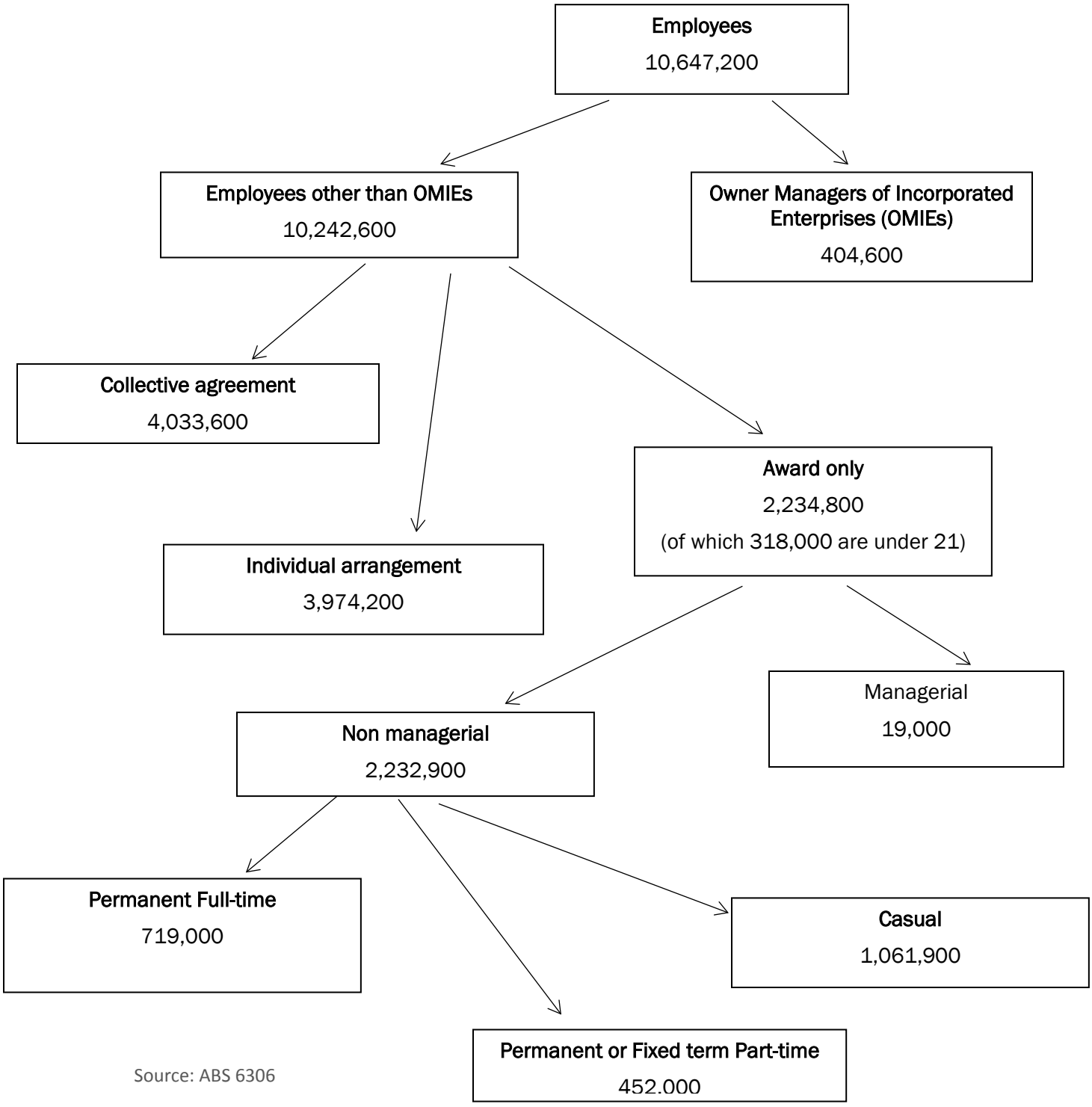
Source: ABS 6306 (various years) and ACTU calculations. Individual arrangements include OMIEs

12. All things considered, and as evident from Figure 125 above, it appears that, since the 2016 survey, the rate of decline in collective agreement coverage has decelerated, the share of individual arrangement coverage has increased modestly and the rate of growth in award-only coverage has declined, but there is reason to be cautious about the accuracy of some of the estimates. The current relative shares of method of pay are not dissimilar to those observed in the 2002 survey (shown in Chart 7.1 of the Statistical Report), taken during a period of regulatory stability and at a time when the minimum wage bite was 57.5% compared with 54.5% in 2018. In the ACTU's view, a shift toward employment by collective agreements, individual arrangements or both in aggregate terms may be taken to imply that employers can afford to pay higher wages and therefore can afford to pay minimum wage increases. In our submission, the increases in the NMW and awards of the years between the EEH survey intervals have not left employers out of pocket in terms of their ability to pay higher wages.

A.1.1 Overview of the minimum wage workforce

13. Figure 119 shows the minimum wage and award dependent workforce by age and full-time/part-time status as at the most recent ABS data breakdown, May 2018.

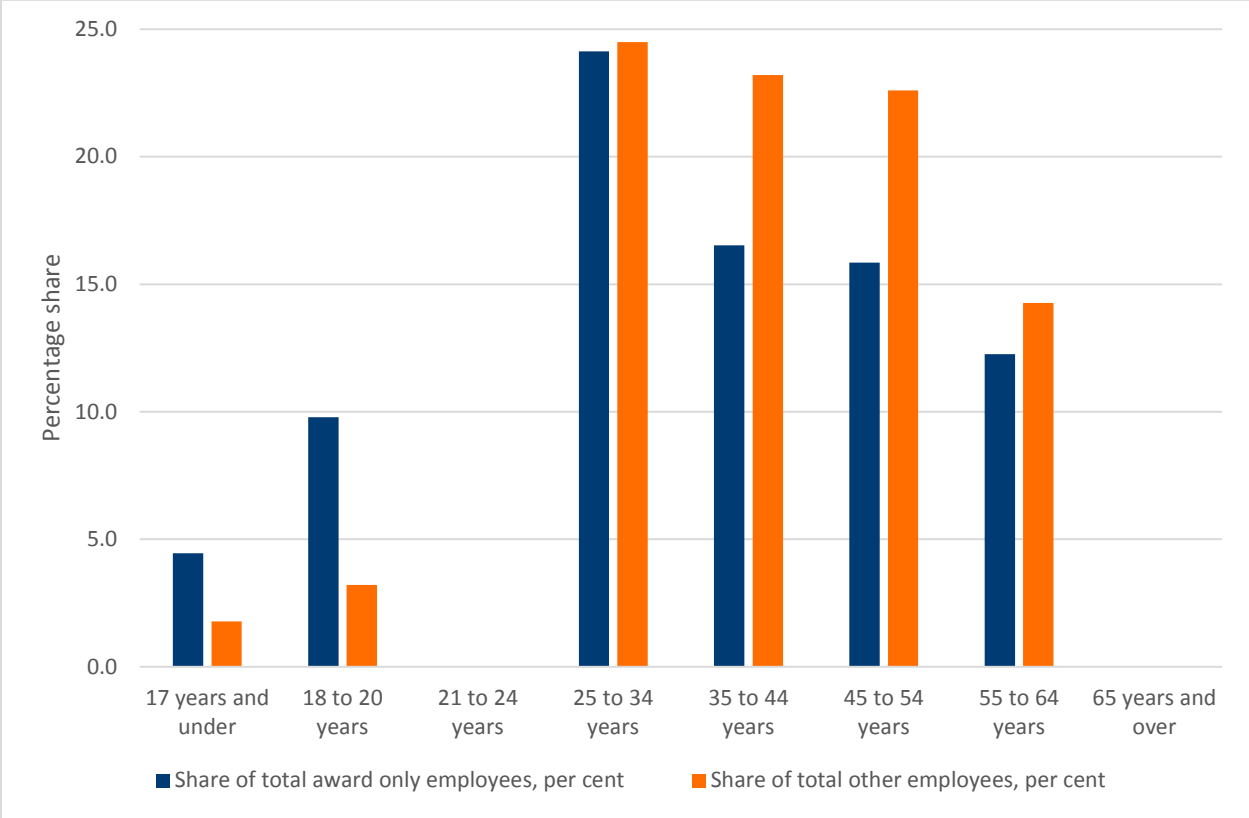
Figure 119: Employees by method of setting pay



Source: ABS 6306

14. Most award only workers are adults, with 85.8% of them aged 21 or above – the equivalent figure for all employees is 93.1%, both slightly higher adult shares than for 2016. Figure 120 compares the proportions of employees on award only in each age group with the proportions of all other employees in each group, except where data are not provided. Award-only employees are over represented in the lower age groups, with the position reversing at age 25 and over. The 'under representation' of award only in the 35 to 54 year-old range, in particular, is not only due to people rising into over award positions. It is also due to women with children being removed from employment, where women are disproportionately reliant on awards only.

Figure 120: Award only employees by age – May 2018



Source: ABS 6306 and ACTU calculations. Note where data missing, group data not published.

15. Compared to other workers, award-only workers are:
    a. more likely to be female – 60.9 percent of workers paid by award only are female at May 2018, compared with 61.8 percent at May 2016 and 57.5 percent at May

2014. 49.0 percent of other workers are female at May 2018, compared with 49.3 percent at May 2016 and, 48.9 percent in May 2014; [418]

b. more likely to be part-time than other workers (62.1 percent vs 35.8 percent);
c. more likely to be casual rather than permanent or fixed term (47.6 percent vs 16.7 percent);
d. more likely to work in a small business (34.2 percent vs 18.8 percent), although almost one half (48.8 percent) of award-only workers are employed in businesses with 50 or more employees;[419] and
e. less likely to work in the public sector (12.3 percent of workers on award rates work in the public sector vs. 21.9 percent of other workers work in the public sector).

A.1.2 Industry

16. More than 60 percent of all award-only workers (61.7 percent) were employed in four industries at May 2018:

    a. Health care and social assistance (employed 20.3 percent of all workers paid by award);
    b. Accommodation and food services (15.5 percent);
    c. Retail trade (14.3 percent); and
    d. Administrative and support services (11.6 percent).

17. The number of industry divisions with more than 20 percent of employees who are award-reliant is eight out of eighteen at May 2018. This proportion is called the 'density' of award only employees. Seven of the industries which had a density of award only employees greater than 20 percent are the same industries as at May 2016 ABS indicative. The eighth industry with more than 20 per cent award-reliant employees at May 2018 is Manufacturing, where the award density has risen to 20.8 percent from 17.7 percent at May 2016. This could potentially relate to jobs lost in the collective agreement covered workforce involved in vehicle manufacturing, between the survey periods.

[418] These figures are for non managerial employees.

[419] Small business here uses ABS measure for under 20 employees. 'Other employees' excludes OMIEs.

18. Education and training had an award density in May 2016 of 26.0 percent, as published, which became 8.5 percent in the in ABS indicative share, remaining low at 10.0 percent at May 2018.

19. The industry with the highest share of award-reliant workers at May 2018 is Accommodation and food services, in which 44.9 percent of employees are paid at award-only, up from 42.7 percent at May 2016. The seven other industries in which the density of award-only employees exceeded 20 percent are Manufacturing, Retail trade, Rental hiring and real estate, Administrative and support services, Health care and social assistance, Arts and recreation, and Other services. This is shown in Table 10, sorted by density of award reliance.

Table 10: Award only employees, non managerial (NM), by industry – May 2018

Industry	Award-only NM employees (Thousands)	Total NM employees (Thousands)	Density of award only employees in industry (Per cent)	Industry's share of all award only employees (Per cent)	Industry's share of total NM employment (Per cent)
Accommodation and food services	347.0	773.4	44.9	15.5	7.8
Administrative and support services	258.1	624.8	41.3	11.6	6.3
Other services	128.5	336.9	38.1	5.8	3.4
Health care and social assistance	452.5	1,426.9	31.7	20.3	14.4
Retail trade	320.2	1,064.2	30.1	14.3	10.7
Rental, hiring and real estate services	54.1	184.0	29.4	2.4	1.9
Manufacturing	137.3	660.9	20.8	6.1	6.7
Arts and recreation services	35.9	159.6	22.5	1.6	1.6
All Industries	**2,232.9**	**9,916.5**	**22.5**	**100.0**	**100.0**
Construction	110.5	666.9	16.6	4.9	6.7
Wholesale trade	68.0	422.9	16.1	3.0	4.3
Transport, postal and warehousing	50.1	395.2	12.7	2.2	4.0
Public administration and safety	78.7	723.1	10.9	3.5	7.3
Education and training	100.1	999.5	10.0	4.5	10.1
Professional, scientific and technical services	57.5	717.7	8.0	2.6	7.2
Information media and telecommunications	9.8	137.2	7.1	0.4	1.4
Finance and insurance services	19.1	366.8	5.2	0.9	3.7
Electricity, gas, water and waste services	3.9*	95.0	4.1	0.2	1.0
Mining	1.4*	161.4	0.9	0.1	1.6

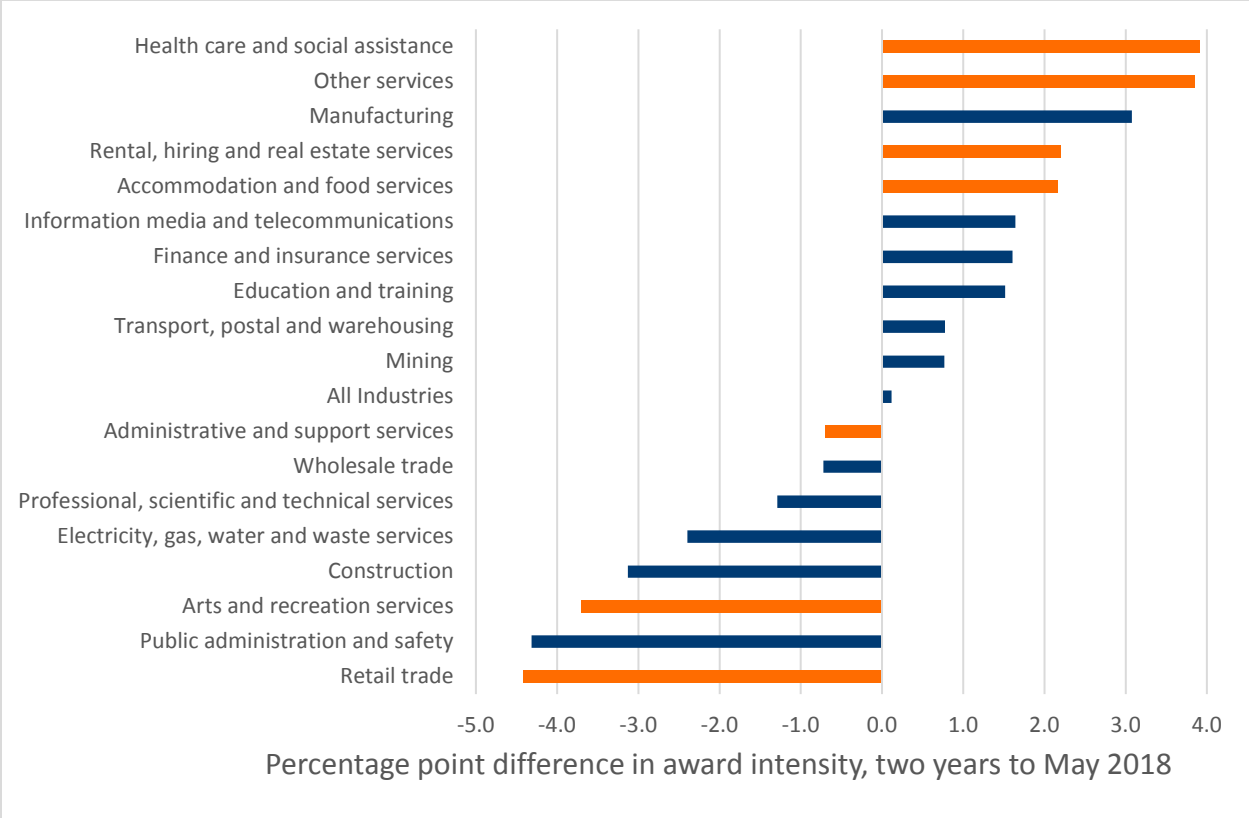
Source: ABS 6306 and ACTU calculations. *Large standard errors.

20. The share of award-reliant employees in industries with award-only densities over 20 percent has increased to 77.6 per cent at 2018, up from 70.5 percent at 2016. Employees in industries with award concentration over 20 percent are 52.7 percent of total employees at 2018, whereas they were only 45.9 percent of total employees in May 2016, according to ABS indicative figures.

21. The change in award reliance by industry between May 2016 (based on ABS indicative figures) and May 2018 is shown in Figure 121, with the more award-reliant industries

shown in red. It can be seen that the change in award reliance among the more award-reliant industries is not uniform.

Figure 121: Change in level of award reliance between May 2016 and May 2018 by industry, non-managerial employees



Source: ABS 6306 and ACTU calculations. Industries in which more than 20% of employees were award only in 2016 (ABS indicative) are shaded red.

22. The absence of a relationship between the level of award reliance in 2016 (ABS indicative) and the change in award reliance between 2016 and 2018 supports the conclusion that the Panel's decisions have not affected award-reliance. The more award-reliant industries have not experienced the largest increases in award reliance.

23. Up to and including 2014, the ACTU had been able to obtain unpublished data from the ABS from Cat 6306 Employee Earnings and Hours (EEH) released biennially for the breakdown of award-reliant employees by subdivision of the most award-reliant industries. Since then, the figures for award reliance at industry subdivision level have

been unfortunately unavailable. These are shown for May 2014 in Table 11 below, from the ACTU's submission to the 2014-15 AWR.[420]

24. The May 2014 data showed that within the four industries that employ the largest proportions of award-only employees at that time, there was substantial variation in the extent of award reliance. For example, within the Health Care and Social Assistance industry, 50.9% of employees in the 'Social assistance services' subdivision were award only, but only 4.7% of employees in 'Residential care services' were award only. Within Administrative and support services, 'building cleaning, pest control and other support services' had a particularly high award reliance at 60.2%, or 95 000 employees.[421]

25. We cannot be sure how the distribution of award reliance across industry subdivisions has changed since May 2014, given the changes in award reliance across industry divisions over the four years since then. The distribution of award reliance across industry subdivisions may have changed considerably, but we have no further information in this area in which these data had been historically available.

[420] ABS 6306 unpublished data for May 2014, cited in ACTU 2015 *Submission to Annual Wage Review 2014-15*, 27 March, pp.16.

[421] ABS 6306, unpublished data for May 2014. Density and proportion are ACTU calculations.

Table 11: Award-reliant employees by subdivisions of the most award-reliant industries as at May 2014, most recent data available

	Award-reliant employees in industry (thousands)	Total employees in industry (thousands)	Density of award-reliant workers (per cent)	Proportion of all award-reliant workers in industry (per cent)
Retail trade	**320.3**	**1122.3**	**28.5%**	**17.2%**
Motor vehicle & motor vehicle parts retailing	25.9	99.7	-	-
Fuel retailing	np	*17.2	-	-
Food retailing	59.7	354.5	16.8%	3.2%
Other store-based retailing	224.9	635.1	35.4%	12.1%
Non-store retailing & retail commission-based buying &/or selling	np	**15.8	-	-
Accommodation & food services	**316.9**	**739.7**	**42.8%**	**17.0%**
Accommodation	*41	88.4	46.4%	4.8%
Food & beverage services	275.9	651.3	42.4%	14.8%
Administrative & support services	**227.9**	**611.8**	**37.3%**	**12.2%**
Administrative services	132.8	453.8	29.3%	7.1%
Building cleaning, pest control & other support services	95.1	158.0	60.2%	5.1%
Health care & social assistance	**281.4**	**1262.4**	**22.3%**	**15.1%**
Hospitals	103.4	506.1	20.4%	5.6%
Medical & other health care services	50.4	281.8	17.9%	2.7%
Residential care services	11.5	246.5	4.7%	0.6%
Social assistance services	116.1	228.0	50.9%	6.2%

Source: ABS 6306 unpublished data from May 2014, cited in ACTU 2015 *Submission to Annual Wage Review 2014-15*, 27 March, pp.16. Density and proportion columns are ACTU calculations. * indicates a relative error or between 25% and 50%; ** indicates a relative standard error greater than 50%. 'np' means the ABS has not published the information.

A.1.3 Occupation

26. Table 12shows the number and proportion of award-only employees by broad occupational group, sorted by density in occupation. Community and personal service workers have the highest proportion of any broad occupational group paid at the award at 38.6 percent, followed by 34.6 percent of labourers and 30.4 percent of sales workers reliant on awards.

Table 12: Award only employees, non-managerial (NM), by broad occupational group – May 2018

Occupation	Award-only NM employees (Thousands)	Total NM employees (Thousands)	Density of award only NM employees in occupation (Per cent)	Occupation's share of all award only NM employees (Per cent)	Occupation's share of total NM employment (Per cent)
Community and personal service workers	533.30	1,383.30	38.6	23.9	13.9
Labourers	387	1118.8	34.6	17.3	11.3
Sales workers	374.00	1,232.00	30.4	16.7	12.4
All occupations	**2232.9***	**9916.5***	**22.5**	**100.0**	**100.0**
Technicians and trades workers	269.20	1,215.70	22.1	12.1	12.3
Machinery operators and drivers	139.3	679.3	20.5	6.2	6.9
Clerical and administrative workers	280.70	1,702.20	16.5	12.6	17.2
Professionals	221.20	2,235.70	9.9	9.9	22.5
Managers	28.2	349.7	8.1	1.3	3.5

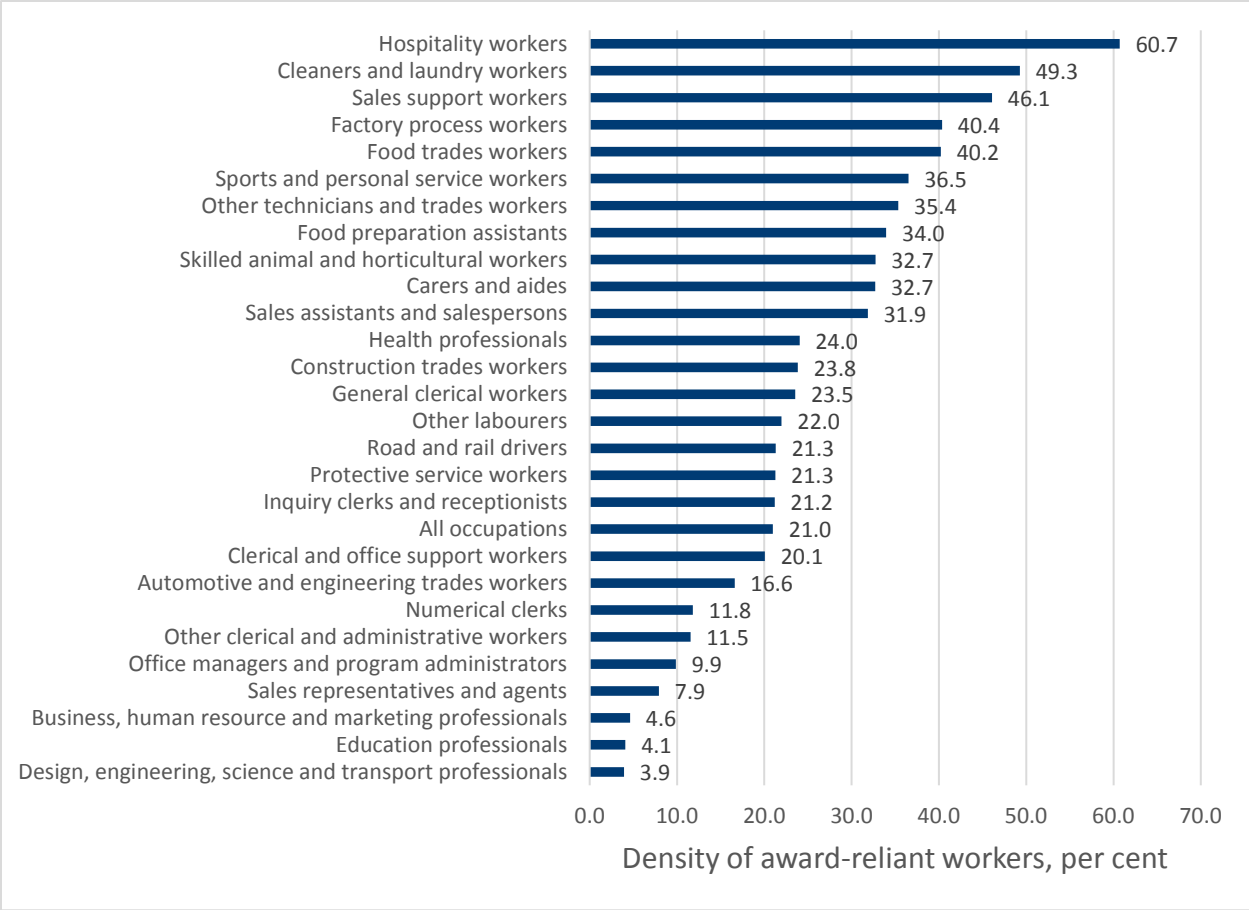
Source: ABS 6306 and ACTU calculations. *Non managerial employees.

27. 1.6 million employees or 70.5 percent of all award-reliant non-managerial employees are in four occupations. These are Community and personal service workers (533,300), Labourers (387,000), Sales workers (374,000), and Clerical and administrative workers (280,700).

28. In order to ascertain more information about the types of jobs that award-reliant employees are doing, the ACTU has again been able to acquire some unpublished data from the ABS's biennial EEH survey, the most recent being May 2018, released on 5 March 2019. The unpublished data shows the number of award-only workers by two-digit ANZSCO code, a much finer grained definition of occupation.

29. As shown in Figure 122, Hospitality workers have the highest density of award-reliant employees at over 60 percent (200,000 workers). They are followed by Cleaners and laundry workers (49.3%, 121,000) and Sales support workers (46.1%, 66,000) with nearly half in the latter two occupations being paid by award only.

Figure 122 Density of award-only employees in most award-reliant occupations

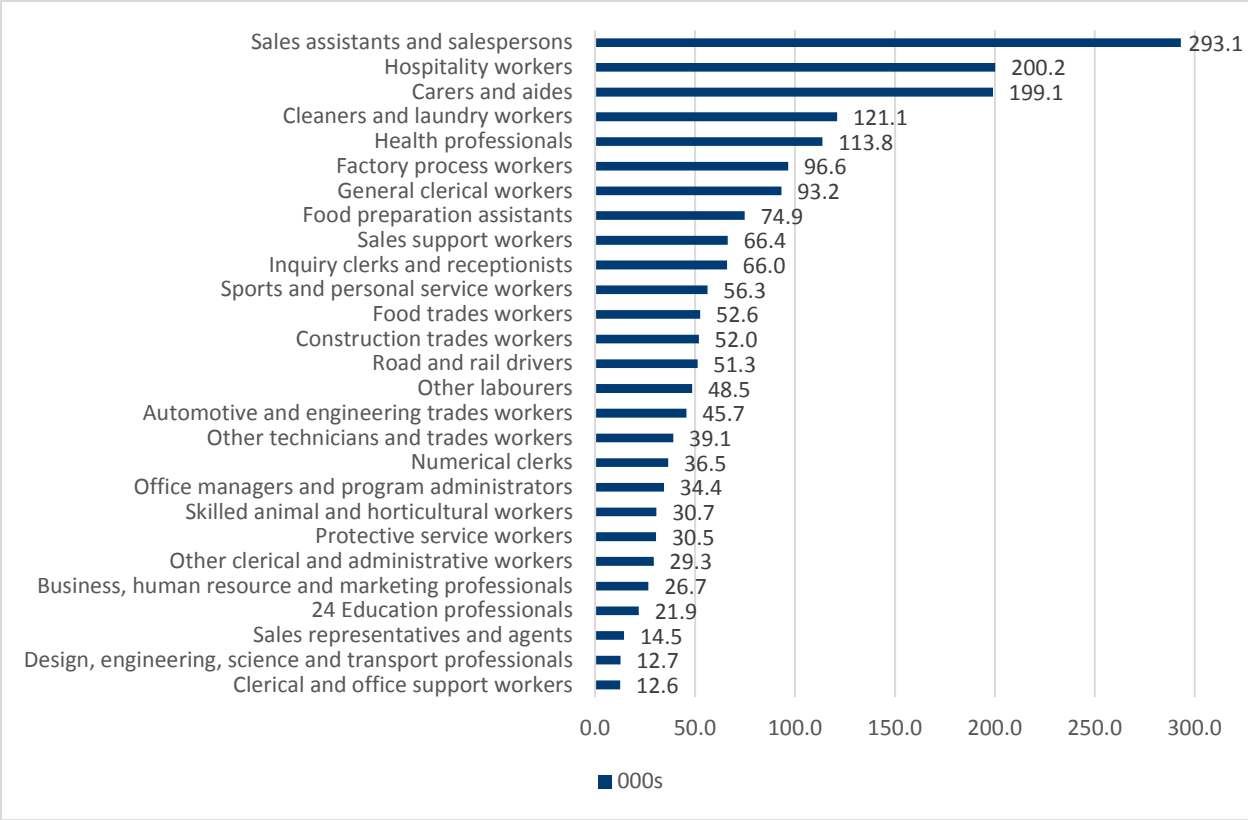


Source ABS 6306 May 2018 (unpublished data) and ACTU calculations.

30. Some of the occupations with lower award-reliant densities involve very large numbers of workers. Sales assistants and salespersons are only the eleventh most award-reliant occupation, with 31.9% of employees in the occupation being paid by award only, but that is 293,000 workers, more than any other occupation. The other occupations with large numbers of award-reliant employees in order are Carers and aides (199,000), tenth most award-reliant, Health professionals (113,800) in twelfth place, and Factory process workers (75,000), in fourth place with 40.4% award density.[422] The number of award-reliant employees by occupation is shown in Figure 123.

[422] ABS 6306 unpublished data, May 2016 and ACTU calculations

Figure 123: Number of award-reliant employees in the most award-reliant occupations



Source: ABS 6306 (unpublished data)

31. Table 13 shows the number and density of award-reliant employees for each 2-digit ANZSCO occupation in May 2018.

Table 13: Award-only employees by occupation (2-digit ANZSCO), May 2018 (most recent)

Occupation(c)	Award-only ('000)	All methods of setting pay ('000)	Density of award-reliant workers per cent	Occupation's share of all award-reliant workers per cent
Managers	**28.2**	**760.9**	**3.7**	**1.3**
Chief executives, general managers and legislators	np	92.0		
Farmers and farm managers	np	*3.4		
Specialist managers	*17.9	514.1	3.5	0.8
Hospitality, retail and service managers	*10.3	151.4	6.8	0.5
Professionals	**221.7**	**2,347.3**	**9.4**	**9.9**
Arts and media professionals	*2.3	39.7	5.8	0.1
Business, human resource and marketing professionals	26.7	578.7	4.6	1.2
Design, engineering, science and transport professionals	12.7	323.2	3.9	0.6
Education professionals	21.9	535.2	4.1	1.0
Health professionals	113.8	473.4	24.0	5.1
ICT professionals	*6.3	261.0	2.4	0.3
Legal, social and welfare professionals	*38	136.1	27.9	1.7
Technicians and Trades Workers	**269.8**	**1,296.3**	**20.8**	**12.1**
Engineering, ICT and science technicians	*19.1	259.0	7.4	0.9
Automotive and engineering trades workers	45.7	275.3	16.6	2.0
Construction trades workers	52.0	218.2	23.8	2.3
Electrotechnology and telecommunications trades workers	*30.6	208.6	14.7	1.4
Food trades workers	52.6	130.8	40.2	2.4
Skilled animal and horticultural workers	30.7	93.8	32.7	1.4
9 Other technicians and trades workers	39.1	110.6	35.4	1.7
Community and Personal Service Workers	**533.3**	**1,387.9**	**38.4**	**23.9**
Health and welfare support workers	*47.2	151.6	31.1	2.1
Carers and aides	199.1	609.0	32.7	8.9
Hospitality workers	200.2	329.7	60.7	9.0
Protective service workers	30.5	143.4	21.3	1.4
Sports and personal service workers	56.3	154.2	36.5	2.5
Clerical and Administrative Workers	**280.8**	**1,769.0**	**15.9**	**12.6**
Office managers and program administrators	34.4	348.9	9.9	1.5
Personal assistants and secretaries	*8.8	87.2	10.1	0.4
General clerical workers	93.2	396.1	23.5	4.2
Inquiry clerks and receptionists	66.0	311.6	21.2	3.0
Numerical clerks	36.5	308.6	11.8	1.6
Clerical and office support workers	12.6	62.8	20.1	0.6
Other clerical and administrative workers	29.3	253.8	11.5	1.3
Sales Workers	**374.0**	**1,246.5**	**30.0**	**16.7**
Sales representatives and agents	14.5	182.5	7.9	0.6
Sales assistants and salespersons	293.1	919.9	31.9	13.1
Sales support workers	66.4	144.1	46.1	3.0
Machinery Operators And Drivers	**139.4**	**702.1**	**19.9**	**6.2**
Machine and stationary plant operators	*15.5	178.1	8.7	0.7
Mobile plant operators	*15.3	87.4	17.5	0.7
Road and rail drivers	51.3	240.6	21.3	2.3
Storepersons	*57.3	196.0	29.2	2.6
Labourers	**387.1**	**1,137.0**	**34.0**	**17.3**
Cleaners and laundry workers	121.1	245.8	49.3	5.4
Construction and mining labourers	*24.2	147.9	16.4	1.1
Factory process workers	96.6	239.4	40.4	4.3
Farm, forestry and garden workers	*21.8	62.8	34.7	1.0
Food preparation assistants	74.9	220.5	34.0	3.4
Other labourers	48.5	220.6	22.0	2.2
All occupations	**2,234.8**	**10,647.2**	**21.0**	**100.0**

Source: ABS 6306, including unpublished data. The final two columns are ACTU calculations. * indicates a relative standard error between 25% and 50%.

A.1.4. Employer size

32. Small businesses, those with fewer than 20 employees, employ 764,400 771,500 award-only workers. This is 34.2% of the workers reliant on awards. This share has fallen from 37.9% at May 2014, having increased slightly from 2016 when it was 33.4%, according to the ABS data.

33. This does not suggest that an increase in award wages has been a particular imposition on small business, as the share of award-reliant employees in small business has increased from 2016, despite a trend downwards over time, which is clearly unrelated to minimum wage increases.

34. Although award-only employees are more likely (34.2%) than other employees (22.6%) to be employed in small businesses, a substantial proportion of them are employed in larger businesses. Almost half 48.8%, of award-reliant workers are employed in businesses with 50 or more employees at May 2018, up considerably from 42.4% at May 2014, having fallen slightly from 50.0% at May 2016. This compares with the share of other employees in employment in businesses with 50 or more employees, which is 66.9%.

Table 14: Award-only employees by size of business – May 2018

	Award-only	All methods of setting pay	Density of award only employees by business size	Business size share of all award only employees	Business size share of total employment
Employer size	**('000)**	**('000)**	**(Per cent)**	**(Per cent)**	**(Per cent)**
Under 20 employees	764.4	2,661.9	28.7	34.2	25.0
20 to 49 employees	379.9	957.5	39.7	17.0	9.0
50 to 99 employees	231.5	795.4	29.1	10.4	7.5
100 to 999 employees	459.9	2,800.9	16.4	20.6	26.3
1000 and over employees	399.1	3,122.8	12.8	17.9	29.3
All employers	**2,234.8**	**10,647.2**	21.0	100.0	100.0

Source: ABS 6306 May 2016 unpublished data and ACTU calculations.

A.1.5 Classification and earnings

35. In previous reviews we made use of unpublished ABS EEH data on the distribution of award only workers by hourly earnings to estimate the number of employees at each award classification level.

36. We estimate that 44.0% of award-only employees have hourly earnings at or below the C10 rate of pay at May 2018, an increase on 2016. In our analysis, we deflate casual employees' hourly earnings by a fifth to remove an assumed casual loading of 25%, consistent with our practice in previous years.

37. Using unpublished data obtained from ABS 6306 for May 2018 we estimate the number and proportion of award only workers in each award classification range as at May 2018. These data are presented in Table 15.

Table 15: Estimate of the number of award-only employees by classification (May 2018)

	Number of employees in range (thousands)			Percentage of employees in range
Classification level	Award only perm/fixed term, 1000s	Award only casual, 1000s	Total award only	Total award only, %
Below NMW/C14	94.6	193.1	287.7	12.9
At or above NMW/C14, below C9	212.9	482.7	695.6	31.2
At or above C9, below C5	212.9	203.8	416.7	18.7
At or above C5, incl. C2(b)	224.7	107.3	332.0	14.9
Over C2(b)	425.8	75.1	500.9	22.4
Total award-reliant	1171.0	1061.9	2232.9	100

Source: ACTU calculations based on ABS 6306 (unpublished), May 2018. The figures include juniors, apprentices, trainees, and people with disability. The classification levels are based on adult minimum wages as at July 2017. The earnings of casual have been deflated by a fifth to remove an assumed 25% casual loading. They are based on summing to the percentile with the average 'below' the classification, or the percentile above it for 'at' or 'over' the classification.

38. Our estimate of the proportion of award-only employees whose earnings are at or below C10 at May 2018 was also slightly above estimates for 2012 and 2014. Previous estimates of the proportion of award-reliant workers employed at or below the C10 rate, by the ACTU and others, have ranged widely.[423]

39. With the difficulties identified regarding the numbers on awards at May 2016 we can compare May 2014 with May 2018. The increase in proportion which are award-reliant at or over C2(b) has increased to 24.4% at May 2018, up from 20.9% at May 2014, four

[423] See ACTU 2015 Submission to Annual Wage Review 2014-15, 27 March,p.22 Table 9

years earlier. The number of Health professionals on award has risen from 66,800 at May 2014 four years earlier to 113,800 at May 2018, with a corresponding increase in award density from 15.4% at May 2014 to 24.0% at May 2018. In the absence of industry subdivision breakdowns which had been available up to 2014 from ABS, we are unable to analyse the change in award-reliant structure in relation to industrial changes.

40. Award-only workers employed in small business have lower average hourly earnings. The average earnings of award-reliant workers rises with the size of the firm, from $24.90 per hour on average in firms with under 20 employees to $39.80 an hour on average in firm with over 1000 employees, lower than 2016, as shown in Table 16.

Table 16: Average hourly ordinary time cash earnings of non-managerial award-only employees by firm size

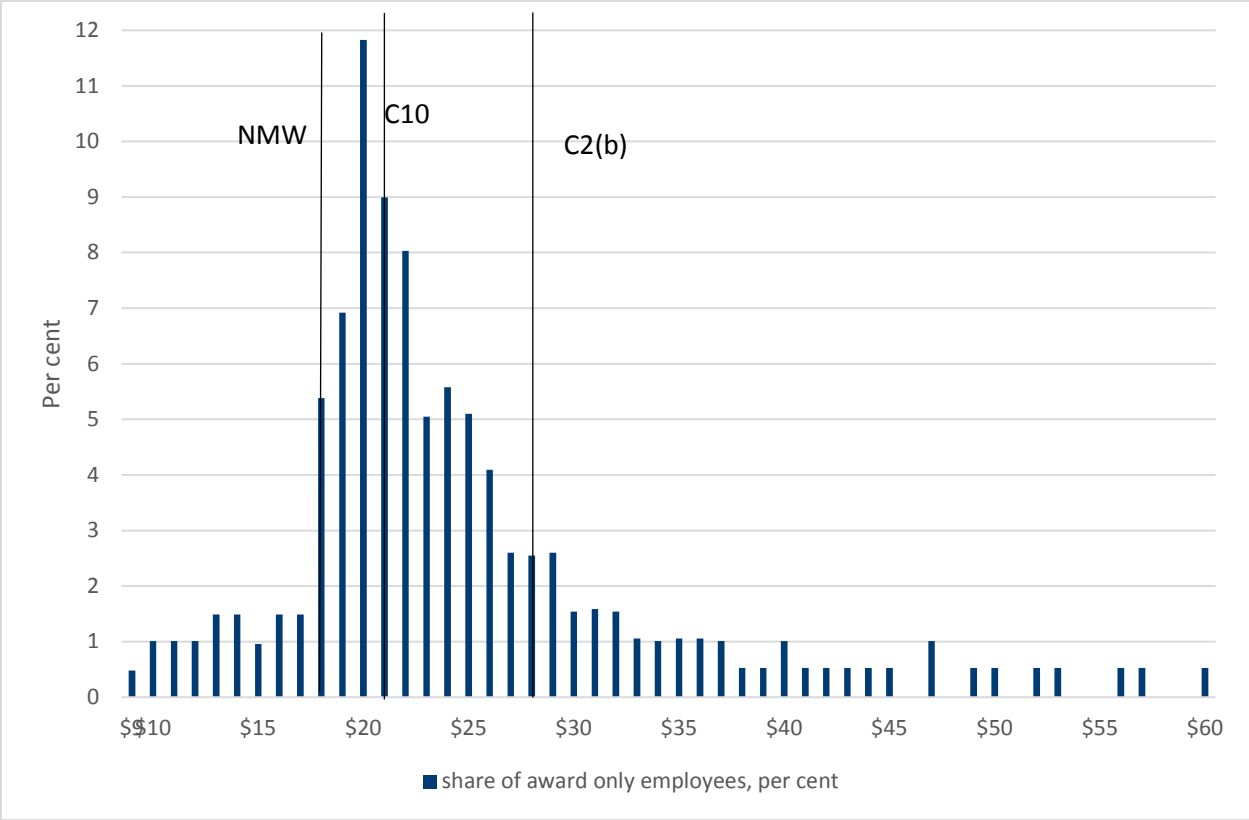
	Permanent/fixed term	Casual	Total
Under 20 employees	23.50	26.50	24.90
20 to 49 employees	25.30	26.20	25.70
50 to 99 employees	np	np	27.00
100 to 999 employees	np	np	28.50
1000 and over employees	np	np	39.80

Source: ABS 6306 (unpublished), May 2018. np not published.

41. Figure 124 shows the distribution of award-only employees by earnings, in particular the percentage of award-only employees who are employed in each $1 earnings interval. The highest frequencies of award-only employees lie in the range from the NMW up to and including C10—about 30% of award only employees. Another 28% lie in the range between C10 and C2(b). The distribution of nominal hourly earnings appears to have shifted downwards since May 2014.[424]

[424] See ACTU 2015 Submission to Annual Wage Review 2014-15, 27 March,p.23 Figure 6

Figure 124: Distribution of hourly earnings of award-only employees at May 2018



Source: ACTU analysis of ABS 6306 (unpublished), May 2018. Casuals' earnings deflated by a fifth. NMW and award wages as at July 2017

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