



Supplementary Submission to the Annual Wage Review 2026

ACTU Submission, 15 May 2026

ACTU D. No 35/2026

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1. INTRODUCTION

1. The ACTU encourages the Fair Work Commission's (FWC) Expert Panel for this year's Annual Wage Review (AWR) to lift minimum and award wages by 6%. This would lift the National Minimum Wage (NMW) by \$1.50 an hour to be \$26.45, and for the weekly rate to be \$1004.88. This is a 1 percentage point increase on our earlier claim of 5% put in our Initial Submission for the following reasons.
2. Firstly, the fuel supply shock caused by the Middle East conflict has caused headline inflation to rise sharply. The March month CPI rose to 4.6% from 3.7% in February. The Federal Budget forecasts inflation will peak at 5% by the middle of this year, with the RBA similarly expecting it to reach 4.8% (see paragraphs 19 and 20. This is putting acute pressure on award reliant workers and particularly the low paid.
3. Secondly, the economy is well placed to weather the current oil price shock. Economic growth is now forecast by Treasury to be slightly lower than pre-crisis forecasts, but still higher for the next financial year than the average annual growth across 2023-24 and 2024-25 of 1.4 %. While the unemployment rate is expected to rise, it would remain well below pre-pandemic levels. The labour market is expected to remain resilient: employment is expected to continue to grow and the participation rate to remain elevated.
4. Thirdly, inflation is expected to subside in the near-term, with both the Treasury and the RBA expecting inflation to return to the middle of the target band by the end of 2027. This should give the Panel additional confidence that its decision will not delay the return of inflation to the middle of the RBA's target band.
5. Fourthly, the task of restoring the real value of award wages has become slightly harder and more urgent. On the ACTU's analysis (see section 2.2), award wages will likely need to increase by between 5.3% to 5.5% on 1 July 2026 to reach parity with their real value five years earlier, the point the FWC accepts that real award wage decline commenced. Yet that parity would be lost the next day as inflation again takes it below that level. For real award wages to be sustainably above forecast inflation for next year, they would need to increase by between 7.9% and 8.2%, factoring in Treasury and RBA inflation forecasts respectively. The ACTU claim would make an important contribution to restoring the real value of award wages and addressing the cumulative loss in purchasing power.
6. Fifthly, modern award reliant employees are now more likely to be lower paid, in casual work, and female, according to the newly released microdata for the ABS EEH (see Section 2.6), providing additional weight to the case for a substantial wage increase.
7. Finally, the Panel may be tempted to instead postpone real wage catch up to next year because of the uncertainty with the conflict. We encourage it not to do so. This would seriously risk a "reduction in real wages" becoming "permanently embedded in the modern award system" – an outcome the Panel warned against last year.¹ It would also be to preference uncertainty over known data and credible near-term forecasts.
8. Last year a number of parties to this Review argued that Trump's tariffs were a compelling reason for the Panel to set lower wages. Its impacts were uncertain, but the Panel rightly did not place significant weight on any purported impacts, knowing that, should they be genuine, this could be addressed in subsequent reviews. It was clearly the right call: any impacts are marginal which is likely why very few parties to these proceedings have even raised the issue of tariffs.
9. This Supplementary Submission first considers a range of new data since Reply Submissions were filed. It then answers five of the Questions on Notice from the Panel, before responding to additional issues raised in the employer group's Reply Submissions.

¹ AWR Decision 2025 at [140].

2. NEW DATA

2.1 Economic forecasts and the impact of the Middle East conflict

10. The energy and fuel shock emerging from the US-Israeli attack on Iran and the consequent closure of the Strait of Hormuz is a substantial uncertainty for the Australian economy and poses a challenge for these proceedings. At time of writing, negotiations between the Trump Administration and the Iranian authorities have stalled, with the ceasefire that commenced on 8 April still ongoing but with no resolution to the conflict yet achieved through negotiation, and as a result the Strait of Hormuz remains closed.
11. There are a wide range of uncertainties concerning the war, not least of which is its conclusion. However, forecasts published by the Reserve Bank of Australia in the May 2026 *Statement on Monetary Policy* and the Treasury in the 2026-27 Budget provide a guide to its expected impacts.
12. It is worth noting at this juncture that forecasts are inherently uncertain, with those uncertainties widening further into the detailed forecast period. Forecasts are subject to the judgement and information set of the analysts undertaking them, which in the case of both these institutions includes their respective business liaison programs, in addition to the output of forecasting models (and the assumptions required for that output). Nevertheless, at this juncture, the RBA and Treasury forecasts provide the best available guide to the near-term path of the economy, noting the inherent limitations and uncertainties of relying on projections.
13. Both sets of forecasts are conditioned on market expectations for oil prices, with Treasury and the RBA each assuming that oil prices average around US\$100 per barrel before declining to stabilise from around the middle of 2027.²
14. As a result of higher oil prices, growth has been revised down by both Treasury and the RBA. Treasury forecasts economic growth to slow from 2¼ % in 2025-26 to 1¾ % in 2026-27 as higher prices across economy weigh on activity, with higher fuel prices expected to ‘dampen consumption and put pressure on business operations’.³ Growth is expected to pick back up in 2027-28 to 2¼ %. Relative to MYEFO, growth is ½ a percentage points lower in 2026-27 and ¼ of a percentage point lower in 2027-28.⁴
15. The May 2026 *Statement on Monetary Policy* also shows an easing in growth, with real GDP forecast to grow 1.9 % in the year to June 2026; 1.3 % in the year to June 2027 and 1.4 % in the year to June 2028. The RBA expects the Middle East conflict to ‘weigh directly on economic activity’ through lower household incomes and consumption, though does qualify this by noting that ‘the effects are expected to be relatively small in the baseline forecast’.⁵ Relative to the February 2026 *Statement on Monetary Policy*, growth in the year to June 2026 has been revised down by 0.2 percentage points; growth in the year to June 2027 has been revised down by 0.3 percentage points; and growth in the year to June 2028 has been revised down by 0.2 percentage points.⁶
16. These are modest downgrades in growth forecasts. To put them into perspective, the projected outcomes in the 2026-27 Budget for the next financial year are an improvement on average annual growth in 2023-24 and 2024-25 of 1.4 % each according to Treasury.

² Treasury, ‘Statement 2: Economic Outlook’, Budget 2026-27, available: [Budget Paper No. 1 | Budget 2026–27](#), p. 57 & Reserve Bank of Australia, ‘Outlook’, *Statement on Monetary Policy*, May 2026, available: [Outlook | Statement on Monetary Policy – May 2026 | RBA](#), Table 3.1

³ Treasury, ‘Statement 2: Economic Outlook’, Budget 2026-27, available: [Budget Paper No. 1 | Budget 2026–27](#), p. 57

⁴ Treasury, ‘Part 1: Overview’, Mid-Year Economic & Fiscal Outlook 2025-26, available: [Budget 2025–26](#), p. 3, Table 1.1

⁵ Reserve Bank of Australia, ‘Outlook’, *Statement on Monetary Policy*, May 2026, available: [Outlook | Statement on Monetary Policy – May 2026 | RBA](#), 3.4 Baseline domestic outlook

⁶ Reserve Bank of Australia, ‘Outlook’, *Statement on Monetary Policy*, February 2026, available: [Outlook | Statement on Monetary Policy – February 2026 | RBA](#)

17. The relatively moderate impact on growth forecasts is also reflected in expected unemployment outcomes. Treasury expects the labour market ‘to remain resilient despite the impacts of the Middle East conflict’, with employment ‘expected to continue to grow’ and the participation rate ‘expected to remain close to its recent record high’.⁷ Treasury expects the unemployment rate to drift up from 4¼ % in 2025-26 to 4½ % in 2026-27 and hold there into 2027-28. This is not a significant departure from the 2025-26 MYEFO, with the unemployment rate unchanged in 2026-27 and revised up by ¼ of a percentage point in 2027-28 relative to MYEFO. As Treasury notes, the labour market ‘is well placed to withstand slower economic growth in 2026-27 due to its strong fundamentals’.⁸
18. The RBA have a mildly more pessimistic view of the labour market, though do not expect a return to unemployment rates observed before the pandemic. For the RBA, some ‘easing in labour market conditions is expected over 2026 as the conflict and earlier tightening in the cash rate reduce labour demand somewhat, and from 2027 onwards ‘the unemployment rate is expected to increase a little more quickly than expected...given the weaker outlook for domestic activity’.⁹ Employment is expected to continue to grow, though a little more softly than previously forecast. The unemployment rate is forecast to be 4.2 % in June 2026; 4.4 % in June 2027; and 4.7 % in June 2028.
19. Neither sets of forecasts represent a significant deterioration in the labour market nor a return to the expansive labour market slack that prevailed before the pandemic. Nor do they represent a severe drop off in growth, with the impacts of the Middle East crisis far from ideal but nonetheless relatively mild given current conditions. The most significant impact appears to be on inflation, though even on this score the return to the RBA’s target range is within sight.
20. Treasury expects headline inflation to peak at 5 % through the year to the June quarter 2026 and then, in line with the assumption of easing global oil prices, inflation is expected to decline to 2½ % through the year to June quarter 2027. Treasury also forecasts that inflation will ‘sustainably return to the RBA’s target band in the middle of 2027’, abstracting from the impact of oil prices.¹⁰
21. The RBA expects a similar near-term pick-up in headline inflation, which is expected to peak at 4.8 % in the year to June 2026 before easing to 2.4 % in the year to June 2027, before again picking up marginally to 2.5 % in the year to June 2028. Core inflation is expected to follow a similar trajectory, peaking at 3.8 % in the year to June 2026, before easing to 3.1 % in the year to June 2027 and easing further to 2.5 % in June 2028. As with Treasury, the RBA expects that the assumed decline in fuel prices ‘leads to downward pressure on headline inflation’. Weaker than previously expected growth is forecast to contribute to a decline in core inflation and its return to the midpoint of the target range.¹¹ Further, both institutions predict that headline inflation to June 2027 will be lower than previously published forecasts.
22. Noting the uncertainties arising from the stalemate in the Strait of Hormuz and the assumptions that condition the forecasts published by the Treasury and the RBA, the impact of the Middle East conflict appears to be relatively mild, with growth easing in the near-term but picking up as the effects wash through the economy. Despite even this, the labour market is expected to remain resilient and not experience a significant deterioration.
23. The major challenge is the spike in inflation arising from the oil price shock is its impact on the real income of Australia’s workers. The impact on real wages will be felt most acutely by Australia’s minimum and award wage workers. This Review should strive to restore the real wages of award and minimum wage workers to

⁷ Treasury, ‘Statement 2: Economic Outlook’, Budget 2026-27, available: [Budget Paper No. 1 | Budget 2026–27](#), p. 73

⁸ Treasury, ‘Statement 2: Economic Outlook’, Budget 2026-27, available: [Budget Paper No. 1 | Budget 2026–27](#), p. 61

⁹ Reserve Bank of Australia, ‘Outlook’, *Statement on Monetary Policy*, May 2026, available: [Outlook | Statement on Monetary Policy – May 2026 | RBA](#), 3.4 Baseline domestic outlook

¹⁰ Treasury, ‘Statement 2: Economic Outlook’, Budget 2026-27, available: [Budget Paper No. 1 | Budget 2026–27](#), p. 74

¹¹ Reserve Bank of Australia, ‘Outlook’, *Statement on Monetary Policy*, May 2026, available: [Outlook | Statement on Monetary Policy – May 2026 | RBA](#), 3.4 Baseline domestic outlook

prevent further income losses and to prevent disadvantage for the lowest paid workers becoming further entrenched in the wage system as a result of the impacts of the Middle East conflict.

2.2 Update of real award and NMW wage loss

24. In meeting its statutory function, the Panel last year affirmed the principle that, in the medium to long term, it is desirable that modern award minimum wages maintain their real value and increase in line with the trend rate of national productivity growth. The Panel has also recognised that, for modern award-reliant employees (other than those the subject of the aged care work value proceedings), there has been a significant reduction in real wages since the onset of the inflationary spike in 2021.¹²
25. The Panel most clearly illustrated that movement in Chart 2 ([104]) of the *AWR 2025 Decision*. That chart compared the trajectory of nominal award wages and the NMW against the CPI, incorporating an RBA forecast CPI outcome to June 2025 of 2.1 %. On that basis, the chart showed a gap of –4.5 percentage points between the award rate and CPI (114.8 compared to 119.3), and a smaller gap of –0.8 percentage points for the NMW. A key purpose of the *AWR 2025 Decision* was to reduce that divergence.
26. Following the 2025 Review decision and the actual CPI outcome for the June quarter 2025, the position had unsurprisingly shifted. At that point, as at 1 July 2025, the award rate was 0.6 percentage points below CPI, while the NMW was 3.4 percentage points above it.¹³
27. The Panel in last year’s decision identified for this Review the question of “the extent to which the reduction in the real value of modern award wages which has occurred since 2021 may by then be fully remedied.”¹⁴
28. To assist in that task, FWC staff reproduced the earlier analysis as Chart 3 in the Background Paper *C12 and C13 classification rates in modern awards*, using the February 2026 RBA forecast of 4.2 %. On that basis, as the chart shows, the CPI index rises from 119.4 at 1 July 2025 to 124.4 by June 2026. The corresponding award rate index remains at 118.8.
29. However both the RBA and the Treasury have recently revised their inflation forecasts. Table 1 below includes those new forecasts for both the year to June 2026 and June 2027, as well as updating the index numbers accordingly.

Table 1: Forecast growth in CPI

	Index at June 2025	To June 2026	Index to June 2026	To June 2027	Index to June 2027
RBA May 26 SMP	119.4	4.8%	125.1	2.4%	128.1
Federal Budget	119.4	5.0%	125.4	2.5%	128.5

Note: Index 1 July 2021 = 100

Source: RBA SMP May 2026, Federal Budget, ACTU calculations.

30. Table 2 below then calculates the wage increases required for both the C10 rate and the NMW rate to firstly achieve parity with real wage levels as of 1 July 2021. That requires a lift of 5.3% to 5.5% to the C10 rate based on the RBA and Treasury forecasts respectively. However that parity would then be lost the very next day as inflation again eats into the real value of the wage. So to consistently stay above that level for the upcoming year, the C10 rate would need to lift by 7.9% to 8.2%. This is effectively incorporating the predicted inflation to June 2027. The NMW only requires a lift of 4.4% to 4.7% to consistently stay above

¹² *AWR Decision 2025* at [131] and [138].

¹³ Hayler N, Kuzyk A, Rozenbes D & Wray T (2026), *C12 and C13 classification rates in modern awards*, Fair Work Commission Background Paper 2026, April at page 24.

¹⁴ *AWR Decision 2025* at [7].

the 1 July 2021 level, but this is a slightly artificial construct given it was repegged from the C14 rate to the C13 rate over this period.

Table 2: Award and NMW wage growth required to restore real wages to 1 July 2021 levels, and to stay above them for 2026-27.

	To match 1 July 2021 levels	To stay above throughout 2026-27.
C10 (RBA projection)	5.3%	7.9%
C10 (Budget projection)	5.5%	8.2%
NMW (RBA projection)	2.0%	4.4%
NMW (Budget projection)	2.2%	4.7%

Source: ACTU calculations from Table 2 above.

31. The ACTU acknowledges that the Panel in recent years has been reluctant to restore real wages given the high levels of inflation and other economic conditions.
32. In the 2022 Award Review Decision the Panel said: “We acknowledge that the increases we have determined will mean a real wage cut for some award[-]reliant employees. This is an issue that can be addressed in subsequent Reviews.” The CPI headline rate at the time was 5.1% for the March Quarter 2022 and forecast by the RBA to be 4.3% by June 2023.¹⁵
33. In the 2023 Award Review Decision the Panel acknowledged “[a] decline in real wages amongst the modern award-reliant [which] has had significant adverse effects on the low paid, causing a decline in living standards, financial pressure on households and, for some household types, a likely incapacity to meet basic budgetary needs”. The Panel commented “the increase to minimum wage rates in modern awards in this Review will not maintain the real value of award wages or reverse the earlier reduction in real value which has occurred... Future Reviews, if conducted in a lower inflationary environment, are likely to provide an opportunity to make up the loss of real value in modern award minimum wages rates”. The CPI headline rate at the time was 7% for the March Quarter 2023 and forecast by the RBA to be 3.6 % by June 2024.¹⁶
34. In the 2024 Award Review Decision the Panel stated “[d]espite the increase of 5.75 % to modern award minimum wage rates in the AWR 2023 decision, the position remains that real wages for modern award-reliant employees are lower than they were five years ago”. The Panel, while not prepared to begin the task of restoring real wages, determined that award wages should fall no further. The CPI headline rate at the time was 3.6% for the March Quarter 2024 and forecast by the RBA to be 3.2% by June 2025.¹⁷
35. In the 2025 Award Review Decision, the Panel acknowledged that the previous year’s increase had, again (marginally) not kept pace with inflation and indicated that it was now however willing to begin to restore the lost value. As the Panel stated “if this opportunity is not taken in this Review, the loss in the real value of wages which has occurred will become permanently embedded in the modern award system and the NMW and a reduction in living standards for the lowest paid in the community will thereby be entrenched. The CPI headline rate at the time was 2.4% for the March Quarter 2025 and forecast to be 3.2% by June 2025.¹⁸
36. Unfortunately, the CPI headline rate has again outstripped the increase awarded. The figures are worse if non-discretionary items, those likely to be of more significance to award-reliant employees than other items, are considered.

¹⁵ [AWR Statistical Report 2022](#) (Version 9) Table 14.4.

¹⁶ [AWR Statistical Report 2023](#) (Version 6) Table 14.4

¹⁷ [AWR Statistical Report 2024](#) (Version) 6 Table 14.4.

¹⁸ [AWR Statistical Report 2025](#) (Version 5) Table 14.4.

37. The Panel has previously been careful to indicate that the general principle it has adopted, that it is desirable that award wages maintain their value and increase with productivity “operates subject to the qualification that in the immediate circumstances of particular Reviews”.¹⁹ The ACTU accepts the reality of that position and how it has operated. However, as real wages for award-reliant employees have now fallen for at least 5 years, greater weight must be given to restoration notwithstanding some of the immediate circumstances of this years’ Review. Unlike the Reviews in 2022, 2023 and 2024, half a decade of loss of purchasing power now weighs more heavily on the needs of the low paid. Further, whilst we acknowledge inflation is currently above the RBA’s band, it is forecast by the RBA to peak in the June Quarter 2026 – at a rate well under the last inflation spike - and then fall to be only 2.4% by June 2027.²⁰

2.3 Wage Price Index

38. Wages rose 0.8 % in the quarter in March 2026, to be 3.3 % higher over the year. March 2026 marks the third consecutive quarter of 0.8 % growth, with annual growth not much changed over the past five quarters at a nearly alternating 3.3-3.4 %. According to the ABS, the Healthcare and social assistance industry made the largest contribution to wage growth, with a major Commonwealth funded initiative in the Early Childhood Education and Care workforce seeing wage rises paid in the private sector. Queensland hospital health care workers were the main driver of public sector wage growth.²¹

39. For the second quarter in a row, the quarterly average inflation growth was higher than nominal wage growth, leading to consecutive declines in aggregate real wages over the last six months. Real wages fell 0.2 % over the year to December 2025 and were 0.8 % lower in the year to March 2026, reflecting the near-term impact on working people of higher oil prices arising from the conflict in the Middle East.

40. By pay-setting method, wages on enterprise agreements grew most strongly, rising 4.4 % in the year to March 2026, up from 4.1 % annual growth in December 2025. Wages for workers on awards were 3.4 % higher in the year to March 2026. While workers on enterprise agreements saw a modest real wage rise of 0.3 % in the year to March 2026 – the tenth consecutive quarter of real wage rises – award real wages went backwards, declining 0.7 % in the year to March 2026 as higher inflation across the March quarter eroded the real incomes of workers reliant on awards. Given the outlook for higher inflation in the year ahead, the erosion of the real wages of award workers can be expected to continue. This Review should strive to get ahead of this issue and restore the real wages of award and minimum wage workers to prevent further income losses and to prevent disadvantage for the lowest paid workers becoming further entrenched in the wage system as a result of the impacts of the Middle East conflict.

¹⁹ AWR Decision 2025 at [131].

²⁰ AWR Statistical Report 2026 (Version 5) Table 14.4.

²¹ ABS, ‘Wage growth steady in March quarter’, Wage Price Index, Australia, 13 May 2025, available: [Wage growth steady in March quarter | Australian Bureau of Statistics](#)

Figure 1: Nominal and real wage growth for enterprise agreement

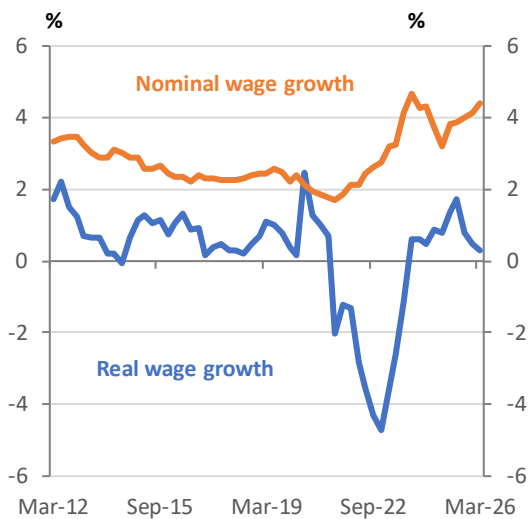
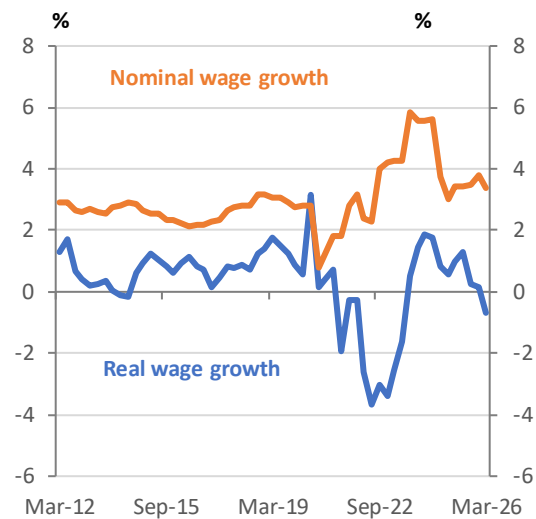


Figure 2: Nominal and real wage growth for awards



Source: ABS Wage Price Index, Australia, ABS Consumer Price Index, Australia & ACTU calculations

2.4 Insolvencies

41. The AWR 2026 Statistical Report (Version 6) incorporated updated insolvency statistics, which have been supplemented by figures released by ASIC on 11 May 2026. That data indicates that tracked insolvencies totalled 3,200 in the March quarter 2026, marginally *lower* than the 3,394 recorded in the March quarter 2025. The April 2026 monthly outcome of 913 was similarly *below* the April 2025 figure of 1,225. On a progressive cumulative basis, the 10 months to April 2025 recorded a total of 12,105 insolvencies, compared with 11,526 over the 10 months to April 2026.²² As to the overall number of insolvencies, the ACTU continues to rely on the submissions made in its Initial Submission at paragraphs [150] and [151].

2.5 Federal Budget

42. The Federal Budget on 12 May 2026 contained new measures that will have some impact on the incomes of award reliant workers, as well as on businesses and the economy more broadly. The principal cost-of-living measures were:
- The Working Australians Tax Offset (WATO) is a tax offset of up to \$250 for people earning a salary or wage. It is not relevant to the Panel’s considerations this year because it comes into operation for the 2027-28 financial year.
 - The income tax cuts legislated last year will come into operation on 1 July 2026, and reduce the lowest tax rate from 16% to 15%. For someone earning \$45,000 and over, that will lower their tax paid by \$268. However with average modern award wages likely below that threshold²³, most modern award reliant employees will receive less than that, or nothing at all if they are below the \$18,200 tax free threshold. Further, the expected increase in nominal wages will likely see them pay more tax in this upcoming financial year than they recoup from this tax cut. For example, a worker on \$50,000 would pay \$5,787 in tax under current settings (ignoring the Medicare levy), but pay \$6,120 in tax if their pay increased by, say, 4% and the new tax settings applied.

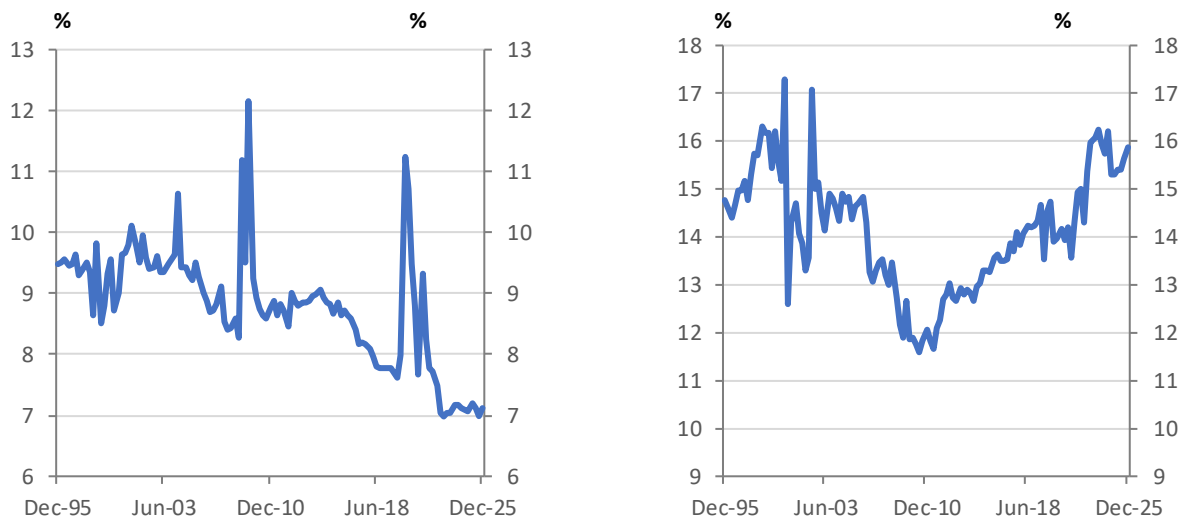
²² Australian Securities and Investments Commission. (2026). *ASIC insolvency statistics: Series 1 and Series 2* (Published 11 May 2026) [Data set]. <https://download.asic.gov.au/media/jxjl3avu/asic-insolvency-statistics-series-1-and-series-2-published-11-may-2026.xlsx>.

²³ The total weekly cash earnings of an award reliant employee is \$922 per week, or \$47,944 (ABS EEH, May 2025). However the average wage for modern award reliant employees is typically far lower (See discussion in section 3.2). New microdata for this ABS release may also see these figures adjusted slightly.

- (c) The \$1,000 instant tax deduction comes into operation for the next financial year. This will enable taxpayers to deduct \$1,000 from their taxable income without the need to provide receipts. This will provide some additional relief for some taxpayers. Its impact, however, should not be overstated, as the majority of workers already claim more than this in deductions so will see no benefit.²⁴
- (d) The Federal Budget did not contain any measure to extend the halving of the fuel excise by 50% beyond 30 June 2026, or the Energy Bill Relief which expired on 31 December 2025. The financial impact of these measures ending has and will be detected in the inflation figures, but is and will be felt more acutely by low paid workers.

43. We continue to encourage the Panel to look beyond select measures announced in the Budget to also consider the overall impact of tax and transfer settings on modern award reliant employees. In this regard social assistance benefits as a share of gross household income was 7.1% in December 2025, unmoved from a year earlier, but close to a record low over the past three decades (see Figure 3). Personal income tax as a share of gross household income also rose to 15.9% in December 2025, up from 15.3% a year earlier (see Figure 4). While the modest cut to the lowest income tax rate coming into effect on 1 July is welcome, it alone will not shift this longer-term trend. With the tax and transfer system providing less support to award-reliant households over time, award wages are required to do more of the heavy lifting.

Figure 3: Social assistance benefits as a share of gross household income Figure 4: Personal income tax as a share of gross household income



Source: ABS National Accounts: Income, Expenditure and Product & ACTU calculations

44. The Federal Budget also included more ambitious measures to enhance productivity and business performance. This included expanded tax incentives for research and development and venture capital, better and quicker skills recognition, and modernising energy markets, including establishing an east coast domestic gas reservation to put downward pressure on domestic gas prices, among many other reforms. The Government claims that these reforms will “reduce regulatory burden by \$10.2 billion each year” and “boost long-run GDP by around \$13 billion a year”,²⁵ providing a clear positive impact on all the factors in subsections 134(f) and (h) of the modern awards objective.

²⁴ [\\$1,000 instant tax deduction to deliver lower, simpler taxes for 6.2 million workers | Treasury Ministers](#)

²⁵ Federal Government, [Productivity | Budget 2026-27](#)

2.6 Update Microdata – ABS Employee Earnings and Hours (EEH) survey

45. Version 5 of the *AWR 2026 Statistical Report* contains updated data on the characteristics of modern award reliant employees. The ACTU notes that while award reliance overall dropped from 23.7% to 22.7% from 2023 to 2025,²⁶ the microdata suggests a marginal increase in the proportion of employees that are *modern* award reliant from the figure used in last year’s Review decision from 20.7% to 21.1%.²⁷ Table 3 shows that, over the last two year, the modern award-reliant workforce has become more concentrated in low paid, part-time and casual forms of employment, and more female. At the same time, there has been a reduction in the proportion of younger workers and those employed by small businesses.

Table 3: Selected characteristics of modern award reliant employees (2023 vs 2025)

	2023	2025	Change (pp)
<i>Low paid</i>	35.5%	35.9%	0.4
<i>Casual</i>	52.8%	55.0%	2.2
<i>Part time</i>	69.6%	71.8%	2.4
<i>Female</i>	58.6%	60.6%	2.0
<i>Aged 24 or younger</i>	37.3%	34.7%	-2.6
<i>On Junior Rates of Pay</i>	12.5%	11.6%	-0.9
<i>Employed by Small Business</i>	33.6%	30.5%	-3.1

Source: AWR Decision 2025 Table 1; Statistical Report AWR 2026 (Version 5) Table 7.5 and [17]

3. REPLIES TO QUESTIONS ON NOTICE

3.1 Question 1. Australian Government and RBA recent forecasts

46. The ACTU encourages the Panel to place significant weight on the near-term forecasts of the RBA and the Treasury because they are credible and the best available.
47. Additionally, the Panel should take some comfort in the broad similarities in the near-term forecasts of the RBA and Treasury, analysed in some detail in section 2.1 of this submission. It signals some degree of verification that two agencies are reaching similar conclusions. Relatedly, these forecasts are also broadly consistent with the IMF and the OECD. In its latest *World Economic Outlook*, published in early April, the IMF forecasts that Australia’s GDP growth will come in at 2% for 2026 and 1.7%.²⁸ While published earlier into the crisis, this forecast is very close to the Treasury forecast. The OECD forecasts for Australia’s GDP published in its *Economic Outlook* in late March are more optimistic, but produced even earlier into the conflict.²⁹
48. As we noted earlier at paragraph [11] forecasts are inherently uncertain, with those uncertainties widening further into the detailed forecast period. Forecasts are subject to the judgement and information set of the analysts undertaking them, which in the case of both these institutions includes their respective business liaison programs, in addition to the output of forecasting models (and the assumptions required for that output). Nevertheless, at this juncture, the RBA and Treasury forecasts provide the best available guide to the near-term path of the economy, noting the inherent limitations and uncertainties of relying on projections.

²⁶ AWR Statistical Report 2026 (Version 5) at Chart 7.1.

²⁷ AWR Decision 2025 at [16] & [17]; Statistical Report AWR 2026 (Version 4) Table 7.5.

²⁸ IMF (April 2026) [World Economic Outlook](#), page 40.

²⁹ OECD (March 2026) [Economic Outlook, Interim Report](#), page 7

49. The ACTU would encourage the Panel to adhere to its established approach in handling uncertainties with forecasting. The Panel's approach to the assessment of forecasts in the context of its broader statutory function was articulated in the *AWR Decision 2013*³⁰ and subsequently re-endorsed by the Panel in *AWR Decision 2022*.³¹ The earlier Panel provided:

[7] In assessing the various economic considerations the Panel takes into account both actual economic indicators and those that are forecast at the time of each decision. Of these, the actual indicators tend to be the primary consideration, because they are by definition more reliable than forecasts. However, it is also appropriate to have regard to future projections that cast some light on the economic circumstances that are expected to apply during the period when any adjustment will operate.

[8] To the extent that the forecast economic indicators do not ultimately reflect the actual performance of the economy, this forms part of our broad assessment and our consideration of the actual indicators in subsequent reviews. Importantly, when considering both actual and forecast indicators, the Panel pays particular attention to trends, because of the volatility in some of the economic indicators.

[9] It is also important to recognise that the range of matters the Act requires us to take into account is not limited to economic considerations. In particular we are also required to take into account relative living standards and the needs of the low paid. The submissions of the parties tended to focus, naturally enough, on those statutory considerations which support the outcome for which they contend. But the Act requires the Panel to take into account *all* of the relevant statutory considerations.

50. Consistent with that approach, uncertainty arising from current geopolitical events should not outweigh the value of actual indicators and the near-term forecasts produced by the Australian Government and the Reserve Bank of Australia. In that context, it is relevant to note the Reserve Bank's most recent *Statement on Monetary Policy*, which observed:

"There is little evidence so far that overall economic activity in Australia has been significantly affected by the conflict. The fuel price increases seen to date imply a limited impact on households' real income. While consumer and business sentiment indicators have fallen sharply in Australia since the start of the conflict, these series are typically only weakly correlated with actual spending. By contrast to the sentiment data, recent survey and liaison evidence do not suggest a material decline in business conditions, and early consumer spending data – while volatile – do not suggest a material slowing in real household consumption."

51. The Panel has dealt with an analogous situation last year when considering the possible impact of US President Donald Trump's tariffs on the Australia economy. With the benefit of subsequent developments, however, it is apparent that those anticipated downside risks did not materialise in the way suggested, and did not prevent the Panel from making an award directed to the restoration of real wages.
52. The ACTU encourages the Panel to adopt the same approach in this Review, by proceeding on the basis of the data before it, including the RBA and Budget near-term forecasts. Having regard to the limited impact of Annual Wage Review outcomes on inflation, and the stable employment outlook, the more significant risk is that award-reliant employees, who are already vulnerable, will experience a further decline in real wages.

³⁰ [2013] FWCFB 4000 at [7] to [9].

³¹ [2022] FWCFB 3500 at [137].

3.2 Question 2. Australian Government estimates of the modern award wages bill

53. Although this question is directed at the Australian Government, the ACTU wishes to respond because it goes to a disagreement between itself and the Ai Group over the size of the so called “wage bill” of modern award reliant employees.
54. In our initial submission, we quoted a paper by Greg Jericho of The Australia Institute which demonstrated that the wage bill of modern award reliant employees constituted just 10.2% of the total national wage bill.³² The paper contained all assumptions and data sources to arrive at this figure. The Australian Government had instead arrived at 13% in its Initial Submission.³³
55. Attempting to resolve this discrepancy, the AiG ran its own figures by taking the weekly total cash earnings of award reliant employees in the ABS EEH, annualised that figure and then compared it to the annual total cashing earnings of all employees, arriving at 13.0%.³⁴ This may be the basis on which the Australian Government arrived at its figure of 13%, but it is not clear.
56. The AiG committed two errors with this calculation. Firstly, it included all award reliant employees, instead of just modern award reliant employees. The Australian Government elsewhere uses the figure of 20.4% of employees being modern award reliant as opposed to 22.7% of employees covered by any award.³⁵ Secondly, it assumed that the average wage of an award reliant employee is the same as the average wage of a modern award reliant employee. In May 2023, a modern award reliant employee only earned 88.2% of the average weekly wage of an award reliant employee according to the FWC,³⁶ a differential Jericho then used in his updated calculations because presumably the new EEH data was not publicly available. Correcting for these two AiG errors would take the calculation from 13% down to 10.2%. This is the basis upon which the FWC itself has calculated the total wage bill of modern award reliant employees over the past three wage reviews, an approach we encourage it to continue.³⁷
57. Further, we note that the FWC has recently recalculated the wage bill of modern award reliant workers to be 11.2%.³⁸ This is based on the method above but using updated microdata which shows that modern award reliance has lifted slightly to 21.2% since the last ABS EEH survey in May 2023. It has not published new data on the average wage of a modern award reliant employee.
58. This finding reaffirms the FWC’s consistent conclusion that AWR decisions have a limited impact on overall wages growth, aggregate labour costs and inflation because of the comparatively small size of the wage bill.³⁹

3.3 Question 7. Phase out of the C13 rate and related issues

59. In response to the Panel’s question on notice, and in circumstances where modern awards distinguish C13 classifications from C12 by reference to specific skillsets, competencies or qualification requirements, there are a number of ways in which the phasing out of the C13 rate (and higher rates) to the C12 rate could be implemented while accommodating existing classification structures.
60. One option would be for the Panel to increase the sub-C12 wage rate to the C12 rate with effect from 1 July 2026, and for the Commission subsequently to review affected classification structures to determine whether any adjustments are required in circumstances where classifications with distinct skillsets, competencies or qualification requirements would then attract the same wage rate. Pending any such

³² Jericho, G, May 2026 “[Inflation remains unaffected by Minimum Wages](#)”, Australia Institute Briefing Paper, page 16-17.

³³ Australian Government [Initial Submission](#) paragraph 39.

³⁴ AiG [Reply submission](#) page 13-14.

³⁵ Australian Government [Initial Submission](#) Chart 4.1.

³⁶ FWC 2024 [Information Note – Award-dependent wages in the economy](#)

³⁷ [2025] FWCFB 3500 at [3]; [2024] FWCFB 3500 at [36]; and [2023] FWCFB 3500 at [5].

³⁸ AWR [2026 Statistic Report 6](#) Table 7.5

³⁹ See e.g. [2025] FWCFB 3500 at [22] and [2024] FWCFB 3500 at [36] and [148]; and [2023] FWCFB 3500 at [178].

review or variation, no issue of compliance or enforcement would arise simply because two classifications carried the same rate of pay.

61. Alternatively, if the Panel considered that the alignment (even a transitional alignment) of wage rates for classifications with different skillsets, competencies or qualification requirements could give rise to uncertainty, it could adopt a principle that classifications currently paid below the C12 rate for ongoing employment would be set at a common rate marginally below the C12 rate. In that context, and as the Panel will be aware, the current monetary differentials between classifications in the *Manufacturing and Associated Industries and Occupations Award 2020* do not reflect their historically determined work value relativities (as recorded in clause A.3 of the award), and have not done so for many years.
62. To illustrate how such an approach could operate in practice, the examples identified as problematic at pages 22–23 of Ai Group’s Initial Submissions could be addressed as follows:
 - (a) In the *Airline Operations – Ground Staff Award 2020*, an Aircraft Worker 2 Classification could be adjusted so that the hourly wage rate rose from \$24.95 to \$25.80 (5 cents an hour below the C12 rate); while still maintaining a difference with the Aircraft Worker 3 at the C12 rate of \$25.85.
 - (b) In the *Business Equipment Award 2020*, the Level 1 Technical Employee classification could be adjusted so that the hourly wage rate rose from \$24.95 to \$25.80; while still maintaining a difference with the Level 2 Technical Employee whose hourly wage rate could be adjusted from \$25.84 to the C12 rate of \$25.85.
 - (c) In the *Horticulture Award 2020*, the Level 2 classification could be adjusted so that the hourly wage rate rose from \$24.95 to \$25.80; while still maintaining a difference with the Level 3 classification whose hourly wage rate could be adjusted from \$25.63 to the C12 rate of \$25.85. For completeness, we note that this would not affect the Level 4 classification at \$26.55.
 - (d) In the *Cement, Lime and Quarrying Award 2020*, the Grade 2 classification could be adjusted so that the hourly wage rate rose from \$24.95 to \$25.85, the C12 rate, without disturbing the Grade 3 rate of \$26.53.
 - (e) In the *Electrical, Electronic and Communications Contracting Award 2020*, the Electrical Worker Grade 1 classification could be adjusted so that the hourly wage rate rose from \$24.95 to \$25.80; while still maintaining a difference with the Electrical Worker Grade 2 classification whose hourly wage rate could be adjusted from \$25.45 to the C12 rate of \$25.85. For completeness, we note that this would not affect the Electrical Worker Grade 3 classification at \$26.30.
63. Consultation regarding any subsequent changes to classifications definitions or structure could, again, be dealt with on the Commission’s on motion or on application under s.157 of the FW Act.
64. In response to the Panel’s question on notice concerning the timing of any phasing of the C13 rate, including issues of consultation and interaction with other award variation matters, the ACTU maintains its opposition to phasing for the reasons set out in its Initial Submissions.
65. In response to the Panel’s question on notice as to whether this matter should be dealt with separately from this year’s Annual Wage Review proceedings, the ACTU submits that it is appropriately addressed by the Expert Panel as part of the Annual Wage Review. Outside that process, the only available mechanism would be the exercise of the Commission’s powers under s.157 of the FW Act, which would require the Commission to be satisfied that any variation is justified by work value reasons within the meaning of s.157(2)(a).

66. Work value determinations of that nature are necessarily slow and highly resource intensive for both the Commission and the industrial parties. In the earlier proceedings concerning progression to the C13 rate, the Commission was able to rely on the (respectfully, correct) proposition that the C14 rate was not intended to operate as an ongoing classification and that, unless the Commission could be satisfied otherwise, work value considerations, understood in light of the history of the award system, underpinned movement from C14 to C13. That approach may be less available in the present context, where the Panel's proposal concerns the folding of the wage rate for the C13 classification into the C12 classification wage rate. In those circumstances, if the Panel's proposal to lift the pay of some of the very lowest paid is to proceed in a timely and expeditious manner, the Annual Wage Review process is the most appropriate vehicle.

3.4 Question 8. Approaches to measuring employees paid at the C13/NMW rate

67. The FWC is measuring employees paid up to the C13/NMW rate of \$24.10 at May 2025, but set 25 cents higher at \$24.35 to allow for measurement error. The Australian Government instead is measuring employees paid in a band stretching 25 cents on either side of that rate of \$23.85 to \$24.35.
68. Which approach is preferred depends on what issue the Panel is considering. The FWC approach above is more helpful in understanding the cohort that may be impacted by the proposed phase out of the C13, because this would presumably also have an impact on all employees paid below the C13 rate. However using a measurement closer to the C12 rate would have given a more accurate picture of the impact. The FWC approach would also provide some assistance, albeit very limited, in understanding possible award non-compliance. The Australian Government approach gives a closer answer to who is paid at the C13/NMW rate which is of some relevance in considering the Minimum Wage Objective. Importantly, neither figure captures those employees not on the adult rate which is a substantial cohort.
69. Further, the number of employees paid below the low paid benchmark of two thirds of median hourly ordinary time earnings is far larger than either of these figures. If 35.9% of modern award reliant employees are low paid, along with 6% of all other employees, then over 1.54 million employees are low paid (table 7.5 in statistic report). Again, this does not include those employees not on an adult rate.

3.5 Question 9. Recent trends in labour market participation rates

70. The Panel has asked what it should conclude about recent trends in the participation rate. Table 2 and paragraphs [35] and [36] of the ACTU's Reply Submission explain that the slight decline in the quarterly average participation rate between December 2025 and December 2026 was driven mainly by a decline in participation by people aged 55 and over. This can be most readily explained by an exit from the labour force of people close to retirement age, and it would be an overly strong interpretation to suppose these individuals reflect a pool of discouraged labour that is otherwise disguising a potentially higher unemployment rate, at least in a conventional sense. People close to retirement have a more genuine option to choose not to work, being supported by superannuation and the aged pension, one that is not afforded to young individuals who would indeed, in a conventional macroeconomic sense, represent a pool of discouraged labour.
71. For the Panel's interest, the data presented in Table 2 of the ACTU's Reply submission can be pushed further using a shift-share analysis. The shift-share analysis decomposes changes in the participation rate into a within age group effect, which captures the net change in the participation rate due to the change in participation within a particular aged group; and a between aged group effect, which captures the net change in participation due to the change in the relative size of an age group within the population. In the context of the between aged group effect, a decrease in the share of the population for an age group with

a high participation would weigh on the participation rate, as would an increase in the share of the population with a low participation rate.⁴⁰

72. Table 4 shows the decomposition results for the December 2024 to December 2025 period. In this case, the main driver of the decline in the participation rate was the within age group effect for Males aged 55 and over, which pulled the overall participation rate down by 0.22 percentage points over the period. A decline in participation by women aged 55 and over also pulled the participation rate down by 0.04 percentage points over the period, but this was more than offset by an increase in participation by women aged 15-24 years. In aggregate, the within aged group effect had by far the largest impact on the decline in participation between December 2024 and December 2025, with persons aged 55 and over accounting for 95.7 % of the total decline in the participation rate over the period.

73. Table 5 shows the same decomposition exercise for March 2025 to March 2026. As with the year to December 2025, the main driver in the decline in the participation rate was the within aged group effect for people aged 55 and over, although in the year to March 2026 the contribution to the change was smaller and more evenly split between men and women aged 55 and over. In total, the decline in participation for people aged 55 and over pulled the participation rate down by 0.15 percentage points, a larger drag than the entire net decline. The effect of the decline in participation by people aged 55 and older was offset by an increase in participation by people aged 15-24 years, with young men adding 0.05 percentage points to the participation rate and young women added 0.12 percentage points to the participation rate.

74. The shift-share analysis of the dynamics in the participation rate reinforces the conclusion arrived at in paragraphs [35] and [36] of the ACTU's Reply submission. Changes in the participation rate have been significantly driven by declines in participation by workers aged 55 and over and by increases in participation for workers aged 15-24 year old, particularly young women, though more generally women of prime working aged have tended to make a positive contribution to participation rate outcomes.

Table 4: Decomposition of change in participation rate, Dec-24 to Dec-25

	Within	Between	Total
15-24 years			
Male	-0.01	0.00	-0.01
Female	0.06	0.00	0.06
25-34 years			
Male	-0.05	0.00	-0.06
Female	0.03	-0.01	0.03
35-44 years			
Male	-0.04	0.01	-0.03
Female	0.04	0.01	0.04
45-54 years			
Male	0.05	-0.02	0.03
Female	-0.02	-0.01	-0.03
55+ years old			
Male	-0.22	-0.01	-0.23
Female	-0.04	-0.03	-0.07
Total	-0.20	-0.07	-0.27

Table 5: Decomposition of change in participation rate, Mar-25 to Mar-26

	Within	Between	Total
15-24 years			
Male	0.05	0.00	0.05
Female	0.12	0.00	0.12
25-34 years			
Male	-0.04	0.00	-0.05
Female	0.03	-0.01	0.03
35-44 years			
Male	-0.03	0.01	-0.02
Female	0.03	0.01	0.03
45-54 years			
Male	0.00	-0.02	-0.02
Female	-0.02	-0.01	-0.04
55+ years old			
Male	-0.06	-0.02	-0.08
Female	-0.09	-0.03	-0.12
Total	-0.01	-0.08	-0.10

Source: ABS Labour Force, Australia, ABS Labour Force, Australia, detailed & ACTU calculations

Note: Differences in total due to rounding barriers

⁴⁰ The ACTU would like to thank Professor Jeff Borland for his generous help in assisting our understanding of the conceptual framework and interpretation of these results.

75. As to comments on participation by other parties, in its own Reply submission, Ai Group conjectured that ‘participation has been falling since mid-2025, and the fall is particularly concentrated for the female cohort’.⁴¹ The analysis relies on a trend estimation of participation between March quarter 2019 and March quarter 2026.
76. Between December 2024 and December 2025, the participation rate for women aged 15-24 years rose 0.8 percentage points, and between March 2025 and March 2026, it rose 1.6 percentage points. For women aged 25-34 years, the participation rate rose 0.4 percentage points in the year to December 2025 and 0.4 percentage points in the year to March 2026. For women aged 35-44 years, the participation rate rose 0.4 percentage points in the year to December 2025 and 0.3 percentage points in the year to March 2026. The participation rate for women aged 45-54 years did fall 0.2 percentage points in the year to December 2025 and fell by 0.3 percentage points in the year to March 2026, and likewise the participation rate for women aged 55 and over declined by 0.2 percentage points in the year to December 2025 and declined by 0.5 percentage points in the year to March 2026. However, the participation rate for women aged 45 to 54 years old lifted by 0.2 percentage points between December 2025 and March 2026, returning the participation rate for this age group to where it was in December 2024. That said, as already noted, to the extent there are declines, they appear to be mainly a retirement phenomenon for older cohorts, and in the cohorts that matter most for the purposes of this Review, women’s participation has mostly risen and where annual declines have occurred, they have been relatively minor or soon reversed. These outcomes are elucidated in Table 6 below.
77. In passing, it is also worth noting that though the participation rate for people aged 55 and over has eased a little in the last year, relative to March 2006 (on a quarterly average basis), the 55+ participation rate is up 6.6 percentage points and relative to March 1996 it is up 14.2 percentage points.
78. Ai Group also took issue with the ACTU’s claim that renewed cost of living pressures were encouraging greater labour supply.⁴² In its May 2026 *Statement on Monetary Policy*, the RBA commented that “Cost-of-living pressures continue to persist in the near term, encouraging people to enter or remain in the labour force”.⁴³ Cost of living pressures supporting labour supply is a known and recurrent phenomenon and it is unclear why Ai Group has decided to attempt to throw it into question.
79. In a more general sense, Ai Group’s analysis seems to turn on an estimation of trend, presented in Figure 5 of the Reply submission.⁴⁴ The estimation of trend presented there seems to suggest that female participation is below trend and has been for some time. Ai Group suggest a trend estimation from 2019 to 2025, though do not elaborate on why that time period was chosen.
80. The sensitivity of data series to the choice of time period in estimating trend was discussed in paragraphs [27] and [28] of the ACTU’s Reply submission. The issue is complex and there needs to be an analytical reason behind the choice of time period for an estimation of a linear trend to be robust. By way of example, Figure 5 and Figure 6 below present the same data over different time periods with estimations of a linear trend overlaid. The choice of data period is entirely arbitrary beyond that the timescale fits neatly on a chart. From the point of view of the March quarter 1996, the female participation rate is on trend. From the point of view of the March quarter 2006, the female participation rate is a bit above trend. If Ai Group’s analysis is to be believed, from the point of view of the March quarter 2019, the female participation rate is below trend. Given all of these are technically true according to a similar estimation method, Ai Group’s contentions about trend carry little weight. Instead, they point to the need for serious and thorough

⁴¹ Ai Group, Submission in Reply to the Annual Wage Review 2025-26, available: [Submission in reply](#), p. 11

⁴² Ai Group, Submission in Reply, p. 11

⁴³ Reserve Bank of Australia, ‘Outlook’, *Statement on Monetary Policy*, May 2026, available: [Outlook | Statement on Monetary Policy – May 2026 | RBA](#)

⁴⁴ Ai Group, Submission in Reply, p. 10, Figure 5

analytical work to determine whether near-term data adheres to a secular trend. Ai Group’s conclusion from its Figure 5 is far too strong and far too hasty.

Figure 5: Female participation rate, Mar-96 to Mar-26

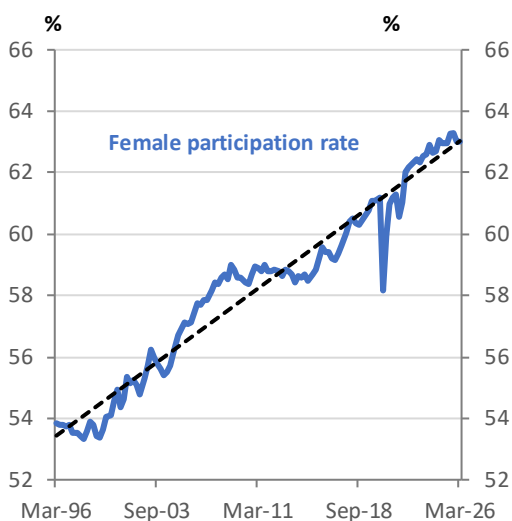
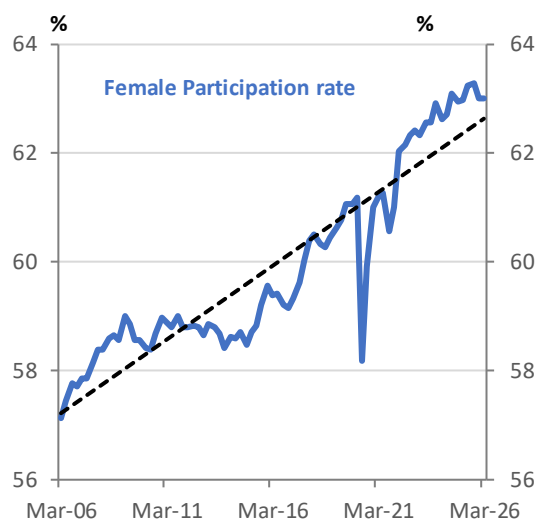


Figure 6: Female participation rate, Mar-06 to Mar-26



Source: ABS Labour Force, Australia & ACTU calculations

Table 6: Participation rates by aged group and sex, quarterly averages

	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
15-24 years old						
Male	71.1	70.5	70.2	70.4	71.0	71.2
Female	70.3	70.1	70.8	71.5	71.1	71.7
25-34 years old						
Male	91.1	91.0	90.9	90.3	90.5	90.5
Female	82.5	82.7	82.7	82.6	82.8	83.1
35-44 years old						
Male	91.9	91.9	91.8	91.3	91.5	91.6
Female	83.7	83.9	84.7	84.2	84.1	84.2
45-54 years old						
Male	89.0	88.8	88.9	89.3	89.6	88.9
Female	82.2	82.5	82.4	82.9	82.0	82.2
55+ years old						
Male	42.2	41.6	41.6	41.2	40.8	41.2
Female	32.6	32.5	32.7	32.6	32.4	32.0

Source: ABS Labour Force, Australia, ABS Labour Force, Australia, detailed & ACTU calculations

81. A secular increase in the participation rate for women is not, however, outside the realm of possibility. Commenting on participation rate trends in 2025, Luci Ellis and Ryan Wells of Westpac wrote that “The participation rates of people aged 55 and over of both sexes and of women aged 25-54 have risen noticeably over the past two decades in many advanced economies. This follows a downward trend in the 1980s and 1990s that has since reversed. The turning point was around the turn of the century: in some countries, a little earlier and others a little later. In many cases, including Australia, these within-group changes in

participation have more than offset the increase in the share of the population in older age groups, who participate less than the population average". Making a more general conclusion, the authors wrote that the "future for Australia is a workforce that is bigger than many assumed – and also older and more female than in the past".⁴⁵

82. Further, in the 2026-27 Federal Budget, Treasury commented that "Structural factors will continue to support labour force participation. These include continued increases in female participation...and a continued trend towards later retirements".⁴⁶

83. The comments presented here suggest that a mild near-term softening in the female participation rate is not really representative of the long-term trend in female participation, to the extent that there is one. Ai Group's analysis is overwrought and draws too strong a conclusion, one that is not justified by the available evidence.

4. ISSUES RAISED BY OTHER PARTIES

4.1 Profit margins

84. Ai Group conjecture that the data presented in Figure 9 of the ACTU's initial submission contradicts the claim that annualised profit margins were little changed over 2025.⁴⁷ The objection seems to arise from a loose reading of the claim being made.

85. At the first hurdle, Ai Group note that they prefer "annualised data". The ACTU concurs, which is why the second sentence of paragraph [41] of our initial submission starts with "On an annualised basis...". Ai Group also note that operating margins decline from 10.7 % in 2024 to 10.5 % in 2025. That is why the ACTU highlighted that the non-mining profit to income ratio in December 2025 was 'only 0.2 percentage points lower than December 2024, a relatively marginal change over the year'. It should therefore be apparent that the statistical observation being made by Ai Group in its Reply submission had already been made by the ACTU in the paragraph being objected to.

86. If one calculates the year-on-year level change for annualised margins for the full series that can be annualised prior to December 2019, annual declines in profit to income ratios occur in 36 of 69 quarters, that being 52.2 % of the total. Annual declines occur within a range of 0.006 to 0.723 percentage points, with a median decline of 0.21 percentage points and an average decline of 0.26 percentage points. This suggests that annual declines in annualised profit to income ratios were relatively common before the pandemic and a decline of 0.2 percentage points, as occurred between December 2024 and December 2025, is about average. Ai Group's comments have added nothing of substance and may be passed over in silence.

4.2 Calculating productivity contributions

87. Ai Group have requested a clarification on how Figure 21 of the ACTU's initial submission was produced. The data can be found on Table 6: Gross Value Added by Industry, Chain volume measures in the ABS quarterly National Accounts and the Industry Summary Table from the Labour Account. Individual sectors' GVA per hour worked will need to be constructed from first principles, and only those industries that have a corresponding hours worked component in the Labour Account should be included. Contributions can be calculated in the usual way, although the mathematics is marginally more complex owing to the need to calculate the contributions for both a numerator (real GVA) and a denominator (hours worked).

⁴⁵ Ellis, Luci & Ryan Wells, 'Live long and boost labour supply', Westpac IQ, 5 September 2025, available: [Live long and boost labour supply | Westpac IQ](#)

⁴⁶ Treasury, 'Statement 2: Economic Outlook', Budget 2026-27, available: [Budget Paper No. 1 | Budget 2026-27](#), p. 73

⁴⁷ Ai Group, Submission in Reply, p. 18

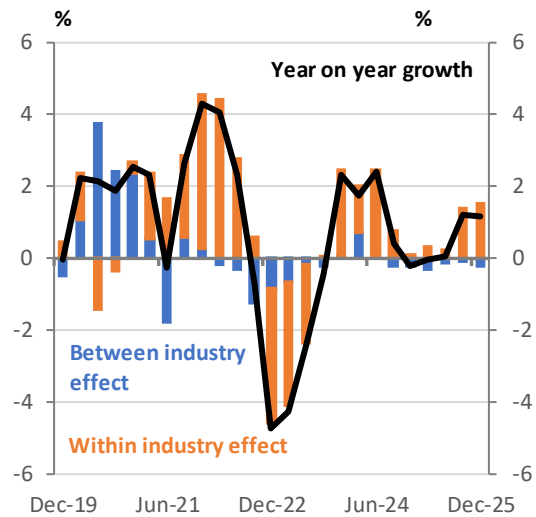
88. Ai Group also raise that industry productivity can be decomposed into a within-industry effect and a between-industry effect, in apparent reference to a shift-share approach. This was discussed in paragraph [30] and [31] of the ACTU's Reply submission to the 2024-25 Annual Wage Review. This analysis there followed Professor Jeff Borland's approach and has been updated below for the purposes of this Review.⁴⁸ The data are drawn from the same tables referenced in the previous paragraph, although the mathematics is substantially less complex.
89. In brief, the conceptual framework is that the within-industry effect measures productivity changes within individual industries and shows how much productivity growth is due to improvements within industries on net – a positive number indicates industries are on net becoming more efficient and a negative number indicates that industries are on net become less efficient and less productive. The composition effect, or between-industry effect, captures changes in the relative growth in hours worked between different industries. Here, a positive outcome indicates that on net more productive industries are seeing an increasing share in hours worked, while a negative outcome means less productive industries are seeing an increase in the share of hours worked.
90. Figure 7 shows the contributions of the within-industry and the between-industry effects to annual growth. The within-industry effect makes a substantial and positive contribution, which to Ai Group's point indicates that productivity is being driven by a net increase in industry efficiency, whereas between-industry effect is detracting from growth. This implies that less productive industries are seeing a net increase in the share of hours worked, although the effect is small. Of the total 1.0 % annual increase in GDP per hour worked in the year to December 2025, the within-industry effect of the market sector ex. commodities adds 0.7 percentage points to that growth.
91. For the Panel's interest, Figure 8 shows the same approach but for the market sector ex. commodities. For the total 1.2 % annual growth in each of September 2025 and December 2025, the within-industry effect contributed 1.4 percentage points to growth in September and 1.5 percentage points to growth in December, with the between-industry effect detracting the difference. This implies, as with total productivity growth, that recent productivity growth is being driven by a net increase in industry efficiency, although there is a small detraction from growth due to an hours reallocation to less efficient industries.
92. These considerations should assist others in reproducing the ACTU's analysis. In the meantime, nothing elucidated here contradicts what the ACTU put in its initial submission and only presents the data contained there in a slightly different way to address what was raised in the Reply submissions of other parties.

⁴⁸ Jeff Borland, Labour market snapshot #106: Our latest productivity puzzle, November 2024, available: [lmsnov24.pdf - Google Drive](#)

Figure 7: Contributions to aggregate productivity growth



Figure 8: Contributions to market sector ex. commodities productivity growth



Source: ABS Australian National Accounts: National Income, Expenditure and Product, December 2025, ABS Labour Account, December 2025 & ACTU calculations

4.3 Changes in the profit share of national income

93. In its Reply submission, at paragraph [84] ACCI notes that the profit share of income has fallen and the wage share has risen. ACCI speculates that the “distributional shift matters, as it indicates that profit outcomes are not expanding relative to labour costs and businesses ability to pay higher wages has diminished”.⁴⁹
94. ACCI’s comment passes over a key aspect of Australia’s economic structure. While it is true that the profit share has declined since 2022, this is a mining sector phenomenon. After peaking in June 2022, mining export prices have declined sharply, having fallen 23.3% between June 2022 and December 2025 (see Figure 9). This has contributed to a related decline in the mining profit share of GDP and the overall profit share (see Figure 10).
95. The mining industry profit share of GDP declined from 13.8% in June 2022 to 7.4% as of December 2025. By contrast, the non-mining non-financial corporate profit share of GDP has lifted a little since June 2022, rising from 11.4% in that quarter to 11.7% as of December 2025. The non-mining share has also held around 12% since June 2023, showing a slightly surprising degree of stability over the period. As the mining share is not relevant to these proceedings, ACCI’s speculation may be disregarded.

⁴⁹ ACCI, Reply submission, p. 16, paragraph 84

Figure 9: Export price indexes

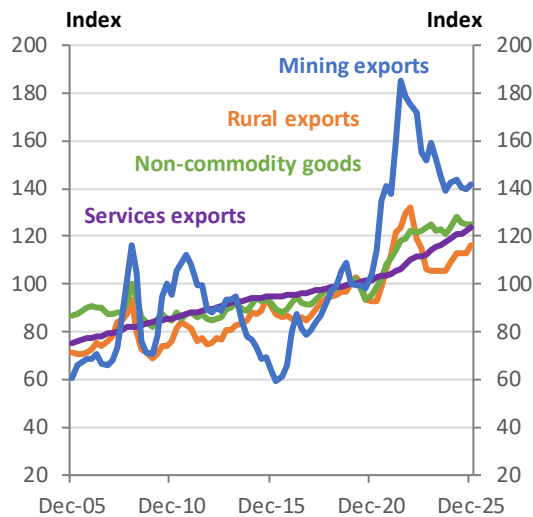
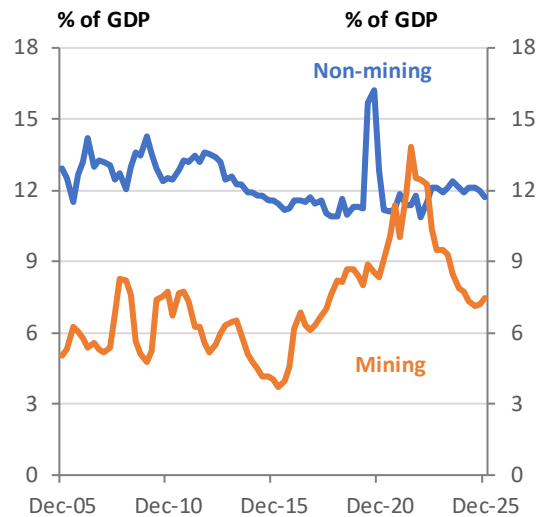


Figure 10: Mining and non-mining profit shares



Source: ABS Australian National Accounts: National Income, Expenditure and Product, December 2025, ABS Business Indicators, December 2025, ABS Balance of Payments and International Investment Position & ACTU calculations

4.4 Real investment levels as an economically informative indicator

96. Ai Group take issue with the ACTU pointing to the level of real investment as a meaningful indicator.⁵⁰ Ai Group’s core issue seems to be that investment should be measured as a share, rather than as a level, to derive informational content. Treasury, in the 2024-25 Budget, mentions that “Business investment is expected to remain at high levels” ahead of a discussion about the forecasts for growth in the following years. Treasury also states that “Moderating domestic demand is expected to see investment in machinery and equipment ease, albeit from elevated levels”. Treasury accompanies that analysis with Chart 2.14: Business investment by component, which displays business investment in (real) dollar values. On the page from which the earlier quotes are drawn, Treasury also closes off the prior section with Chart 2.13, which shows the (real) dollar value of dwelling investment.⁵¹ This suggests that examining the level of real investment can be informative. Ai Group’s objection should be disregarded.

4.5 Impact of AWR on wage setting

97. ACCI, in its reply submission, expresses disagreement with the ACTU’s submissions regarding the impact of the Annual Wage Review on wage setting. The ACTU maintains that the Panel’s prior assessment of those impacts was a broadly reasonable one,⁵² and submits that the position is not materially different in the context of the current Review. Notably, given the RBA has earlier estimated that Review outcomes will spill over to around 15% of enterprise agreements,⁵³ the Australian Government submissions suggest that only 260,200 employees, or 9.8% of the 34.6% of employees on current enterprise agreements have wage increases directly linked to the Annual Wage Decision. The AWR Statistical Report (Version 5) suggests in Chart 10.3 that 12.4% of employees are covered by enterprise agreements with a direct link to Annual Wage Decisions. We note that that estimate may not be contemporary in the sense that the dates collected in the Workplace Agreements Database would reflect the number of employees estimated as being employed at the time the agreement was approved. The ACTU otherwise relies on its Initial Submission in relation to this issue.⁵⁴

⁵⁰ Ai Group, Submission in Reply, p. 9

⁵¹ Treasury, ‘Statement 2: Economic Outlook’, Budget 2024-25, available: [Budget 2024–25](#), pp. 57-58

⁵² AWR Decision 2025 at [21]-[23].

⁵³ *Ibid* at [24].

⁵⁴ ACTU Initial Submission paragraphs [20] to [27].

4.6 Award wage increases and the gender pay gap

98. Ai Group takes issue with the presentation of Figure 23 in the ACTU’s initial submission, with the main objection seeming to be that Ai Group themselves are unable to reproduce the analysis.⁵⁵ Sufficient technical information was provided at paragraph [148] of the ACTU’s Supplementary submission to the 2024-25 Annual Wage Review, including a discussion of the data sources and the reason for the choices made.⁵⁶ Ai Group also urges the Panel not to consider this analysis “evidence of a causal relationship between AWR decisions and changes in the gender pay gap”. The ACTU noted that these variables were ‘strongly correlated’ and did not claim this analysis proved causation.⁵⁷ The Panel however has consistently and corrected identified causation noting that last year: “an adjustment to modern award minimum wages which exceeds wages growth in the labour market as a whole will have an effect, albeit small, in narrowing the aggregate gender pay gap.⁵⁸ This effect would clearly be apparent should the Panel lift award wages by the ACTU’s claim.
99. The ACTU analysis was following a suggestion the Ai Group themselves made in the Reply submission to the 2024-25 Review. Ai Group suggested their own view of a more appropriate comparison, which the ACTU took up in an effort to enhance understanding of the association between award wage increases and the gender pay gap.⁵⁹ Assuming the suggestion was made in good faith, Ai Group are invited to provide their own alternative version of the appropriate measures to utilise and the results therein as presumably they had an appropriate set of measures and an approach in mind when making the suggestion. The ACTU would welcome further analysis of the relationship between the Annual Wage Review process and the closure of the gender pay gap.

5. ADDITIONAL RESPONSES TO SPECIFIC PARTIES

5.1 Australian Industry Group

100. The Ai Group in its submission is critical of the ACTU’s aggregation of key award reliant industries, and in particular raises concerns about employment in the Administrative and support services industry and the Retail Industry.⁶⁰ As the Panel’s questions on notice allude to, the affiliated trade unions of the ACTU provide more detailed analysis of labour force trends in each award reliant industry. Notably given the criticism of aggregation, the Administrative and support services industry itself is far from homogenous and encapsulates an extraordinary range of businesses, including office administration, recruitment services, labour hire; preparing documents; taking orders for clients by telephone; providing credit reporting or collecting services; arranging travel and travel tours; building and other cleaning services; pest control services; gardening services; and packaging products for others. In any event, employment in Administrative and Support Services *grew* in the 12 months to December 2025, notably after falling in the previous 12 months, and at a rate above the 10-year average for the industry.⁶¹ With respect to Retail Trade, the ACTU notes that total employment has improved over the past six months.⁶²

5.2 The Pharmacy Guild of Australia (PGA)

101. In its Reply Submission, the PGA contends that the Panel “must also be conscious of recent increases to modern award wages which the Commission has implemented across 2025–26”. In support of that contention, the PGA points to two matters in particular.

⁵⁵ Ai Group, Submission in Reply, p. 28

⁵⁶ ACTU, Supplementary submission to the 2024-25 Annual Wage Review, paragraph [148], p. 51

⁵⁷ ACTU, Initial Submission to the 2025-26 Annual Wage Review, paragraph [105], p. 26

⁵⁸ AWR Decision 2025 at [60].

⁵⁹ Ai Group, Submission in Reply to the 2024-25 Annual Wage Review, p. 27

⁶⁰ Ai Group Submission in Reply at page 12.

⁶¹ Statistical report Table 6.8.

⁶² [Labour Force, Australia, Detailed, February 2026 | Australian Bureau of Statistics.](#)

102. First, it refers to the staged increases arising from the Gender Undervaluation proceedings, the first of which took effect on 30 June 2025, with further increases scheduled for 30 June 2026 and 2027, resulting in a total increase of approximately 14.1 % across pharmacist classifications. Secondly, it refers to the increases arising from the Junior Rates Case, which are presently proposed to take effect from December 2026 and which the PGA describes as resulting in an average increase of 26.3 % for employees aged 18 to 20.⁶³
103. The ACTU submits that moderating the Annual Wage Review outcome for the Pharmacy Award by reference to the increases arising from the Gender Undervaluation proceedings would be inconsistent with the nature and purpose of those proceedings. While the Full Bench in that matter noted that only 12.7 % of pharmacists were award-reliant, it nevertheless adopted the three-year implementation schedule proposed by the PGA. The PGA has not provided the Panel with any updated information concerning the effect of the implementation to date, nor any additional material directed to business conditions specific to the pharmacy sector.
104. Second, the PGA also raised the ongoing Junior Rates Case. It's reliance on an estimated "average" increase and a provisional commencement date of December 2026 is unsupported by evidence that would allow the Panel to assess the likely impact of those changes during the Review period. No material has been provided addressing levels of award reliance, the number of employees likely to be affected, or the business conditions of employers covered by the Pharmacy Award. Further, the most recent transcript in that matter indicates that the Full Bench has yet to make a determination in respect of its provisional views on implementation, with any further hearing to occur after late June at a date yet to be fixed, and following the parties being afforded an opportunity to adduce evidence.⁶⁴

5.3 Council of Small Business Organisations Australia (COSBOA)

105. COSBOA in its Submissions in Reply relies extensively upon a survey conducted of its members. In particular, the survey is said to have captured responses from 44 "small businesses spanning retail, hospitality, professional services, health and community services, construction, transport, and manufacturing sectors, with respondents located across capital city, regional, and remote Australia."⁶⁵
106. At paragraph [2], COSBOA acknowledges that the survey was "modest in scale". It was right to do so. Respectfully a survey of 44 out of over 2.6 million small businesses, with no details concerning methodology and extracted comments amounting to anonymised hearsay does not aid the Panel.

5.4 Australian Meat Industry Council (AMIC)

107. The AMIC in its Reply Submissions relies on information said to have been gathered through a survey of its members. However, without any visibility of the survey's methodology, including its scope and design, it is impossible to assess the reliability of the data, and the Panel should therefore give it little, or no, weight.

5.5 Australian Retail Council (ARC)

108. The ARC also reports survey results. Like ACCI, COSBOA and the AMIC, it does not disclose sufficient detail about the survey process to allow the information collected to be meaningfully evaluated or relied upon.
109. The ARC in its Reply Submission is critical of the SDA's reliance on the McKell Institute's identification of a so-called "productivity debt", expressed as the divergence between real wage growth and productivity growth in the retail industry over an extended period. However, given ARC's own submission that productivity performance and sustainable wage increases should be taken as closely linked, it is difficult to see how that assessment can reasonably exclude consideration of longer-run productivity outcomes. As the Panel has previously emphasised, productivity is not meaningfully assessed on a year-by-year basis,

⁶³ PGA Submissions in Reply at page 3.

⁶⁴ [Transcript - 23 April 2026](#).

⁶⁵ COSBOA Submissions in Reply at paragraph 1.

but over multi-year cycles—typically four to eight years—and against longer-run trends.⁶⁶ Respectfully, the McKell Institute’s study provides relevant context to the interrelationship between productivity and wages in the Retail Industry.

5.6 New South Wales Famers’ Association (NSWFA)

110. The NSWFA submits in its Reply Submission that agricultural employers are facing a material deterioration in operating conditions and further, that wages should be constrained by Australia’s “weak productivity performance”. The NSWFA’s submissions should be considered in the following circumstances:

- (a) ABARES reported in March 2026 that although production is expected to fall by 6% in 2026-2027, the gross value of agricultural production is expected to *reach a record high* of \$101.4 billion in 2025–26.⁶⁷
- (b) ABARES similarly reported in March that while summer crop production is forecast to fall by 14% in 2025–26, national winter crop production expected to increase by 13% in 2025–26, 15% above the five-year average to 2024–25 and the second largest winter crop on record.
- (c) While NSWFA submits that broadacre farm profits are expected to fall this year, ABARE reports that they are nevertheless expected to be close to or above the 10-year average.⁶⁸
- (d) ABARES noted in February that the Australian agriculture, fisheries and forestry have grown by 45% in the last 20 years, with an increase in real terms from \$69.3 billion in 2004-05 to \$100.3 billion in 2024-25. Further that “the agricultural sector is also outperforming the rest of the Australian economy on productivity” noting that “[c]ropping industry productivity growth was 1.6% per year on average between 1977-78 and 2023-24, while specialist sheep and beef industry productivity was 0.5% and 0.6% respectively.”⁶⁹
- (e) The government has already instituted a range of assistance with respect to the Middle East conflict including, in relation to Fuel and Fertiliser security and an Economic Resilience Program.⁷⁰ Further extensive measures to enhance fuel and fertilizer security were outlined in the Budget, including a \$10 billion investment in immediate fuel supplies and a permanent Australian Fuel Security Reserve to get the fuels and fertiliser the economy requires.⁷¹
- (f) The RBA in its May Statement on Monetary Policy notes that “some rural commodity prices where fertilisers are key inputs have risen since the February Statement. For example, prices of canola and cotton, which are produced and exported by Australia, have increased notably”.
- (g) The Fertilizer Supply Working Group, established by the Australian Government issued a communique on 1 May 2026, which amongst other things noted “the combined government actions underway are expected to contribute to meeting remaining seasonal fertiliser demand”.⁷²

⁶⁶ AWR Decision 2025 at [32].

⁶⁷ Australian Bureau of Agricultural and Resource Economics and Sciences. (2026, March). *Agricultural outlook—March 2026*. Department of Agriculture, Fisheries and Forestry. <https://www.agriculture.gov.au/abares/research-topics/agricultural-outlook/march-2026>.

⁶⁸ Australian Bureau of Agricultural and Resource Economics and Sciences. (2026, March). *Agricultural outlook—March 2026*. Department of Agriculture, Fisheries and Forestry.

<https://www.agriculture.gov.au/abares/research-topics/agricultural-outlook/march-2026> page 13.

⁶⁹ Australian Government, Department of Agriculture, Fisheries and Forestry. (2026, February 24). *Snapshot reveals Aussie agriculture’s 20-year boom*. <https://www.agriculture.gov.au/about/news/snapshot-reveals-aussie-ag-20-year-boom>.

⁷⁰ Australian Government, Department of Agriculture, Fisheries and Forestry. (n.d.). *Middle East regional conflict*. <https://www.agriculture.gov.au/biosecurity-trade/middle-east-conflict>.

⁷¹ Australian Government, *Fuel Supply and Security* (Budget 2026–27) <https://budget.gov.au/content/01-fuel-supply-and-security.htm>; Australia, Minister for Agriculture, Fisheries and Forestry, ‘*Strengthening Australia’s Fuel Resilience*’ (Media Release, 2026) <https://minister.agriculture.gov.au/collins/media-releases/strengthening-australia%27s-fuel-resilience>.

⁷² Department of Agriculture, Fisheries and Forestry. (2026, May 1). *Fertiliser Supply Working Group communique*. <https://www.agriculture.gov.au/about/news/stay-informed/communiques/fertiliser-supply-working-group-communique-1-may-2026>.

111. Having regard to this material, the NSWFA's submission does not establish a basis for moderating the outcome of the Annual Wage Review on the basis of possible negative effects on agricultural employers.

5.7 Australian Chamber of Commerce and Industry

112. ACCI in its Reply Submissions refers to a survey of members.⁷³ Insufficient details are provided about the conduct of the survey for it to be given any weight by the Panel. The ACTU has made extensive submissions concerning such surveys and how the Panel has dealt with them in previous years' Reviews upon which we continue to rely.⁷⁴

⁷³ ACCI Reply Submission at paragraph [16].

⁷⁴ [ACTU Reply Submission 2025](#) at [75] to [83].

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