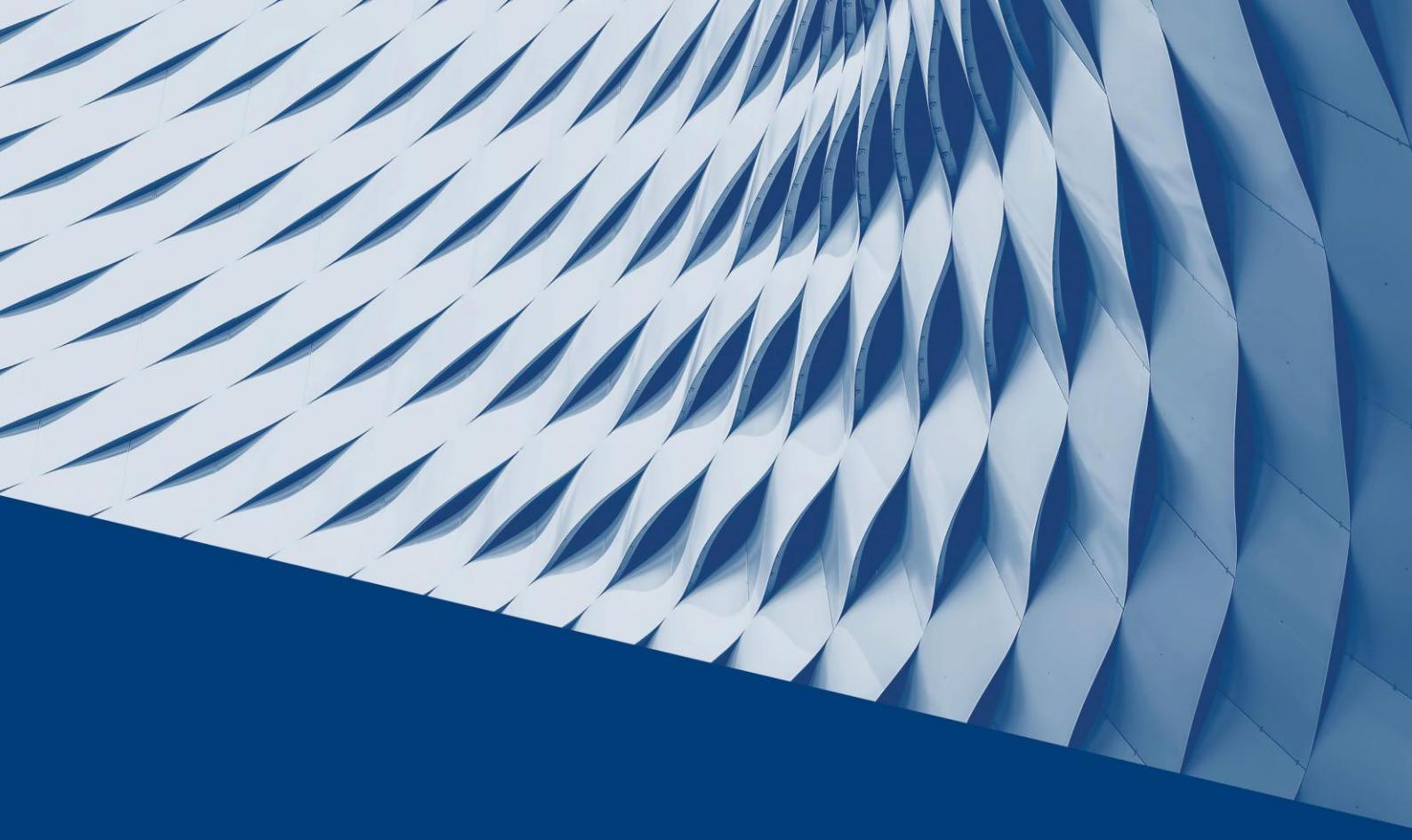


A Tale of Two Strategies

A comparison of labour market and macroeconomic outcomes in Australia and New Zealand

ACTU Submission, October, 2026
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Executive Summary

In the wake of the inflation outbreak of 2021 and 2022, countries were faced with a challenging set of strategic decisions. Policymakers had the choice to support working people or try to quickly break the back of inflation. Australia and New Zealand took different roads, one opting to preserve the post-pandemic gains in employment, the other to prioritise reducing inflation at the expense of employment. Despite the different roads taken and choices made, both economies faced similar inflation outcomes, driven by forces largely beyond the control of central banks and governments.

Since the pandemic the Reserve Bank of Australia has pursued a strategy of preserving as many of the gains in employment as possible. While the hawkish elements at the RBA have prevailed from time to time, leading to decisions inconsistent with maintaining inclusive full employment, nonetheless the strategy has broadly held. At the same time, the Federal Government has pursued a strategy of supporting wage growth and employment, and of rebuilding the capability of the Australian Public Service. In contrast, the Reserve Bank of New Zealand raised the cash rate higher than its counterpart in Australia, while the newly elected National-led Government undertook fiscal consolidation and cut back its public service. This led to sharp differences in labour market outcomes. New Zealand's workers paid the price for the strategy pursued by its central bank and government, through a weaker job market, a higher unemployment rate and weaker wage growth, even as the arc of inflation followed broadly the same pattern as Australia, where the unemployment rate held much lower.

As the Reserve Bank of Australia contemplates increasing the cash rate for the fifth time this year, New Zealand should serve as a cautionary tale of the consequences for working people of forcing the cash rate higher to deal with an inflation challenge largely beyond the control of the central bank. The Australian strategy of centering employment and seeking to preserve the gains made in employment and wages following the pandemic has served Australia reasonably well, even if it has not always been pursued consistently by the Reserve Bank Board. It would be a waste of four years of effort to abandon the strategy and risk throwing away the labour market outcomes that eluded Australia in the decade before the virus hit our shores.

Had Australia chosen the path followed by New Zealand the ACTU estimates that:

- There would be around 145,000 more Australians unemployed than there are currently.
- There would be around 870,000 fewer Australians employed in full-time, secure jobs.
- There would be around 477,000 fewer women employed full-time than there are currently.
- The average worker would be around $1,300 worse off in real terms if their real wages had fallen by as much as they have in New Zealand in the last year.

A Tale of Two Strategies: Inflation and Unemployment in Australia and New Zealand

Introduction

In the wake of the inflation outbreak of 2021 and 2022, countries were faced with a challenging set of strategic decisions. Policymakers had the choice to support working people or try to quickly break the back of inflation. Australia and New Zealand took different roads, one opting to try to preserve the post-pandemic gains in employment, the other to prioritise reducing inflation at the expense of employment. Despite the different roads taken and choices made, both economies faced similar inflation outcomes, driven by forces largely beyond the control of central banks and governments.

In Australia, the strategy that centred employment saw a gentler increase in the unemployment rate, more full-time employment and stronger labour market participation. In New Zealand, the unemployment rate rose rapidly, wage growth fell and participation in the labour market declined. The Reserve Bank of New Zealand raised the cash rate higher than its counterpart in Australia, while the newly elected National-led Government undertook fiscal consolidation and cut back its public service. New Zealand's workers paid the price for the strategy pursued by its central bank and government, through a weaker job market, a higher unemployment rate and weaker wage growth, even as the arc of inflation followed broadly the same pattern as Australia, where the unemployment rate held much lower.

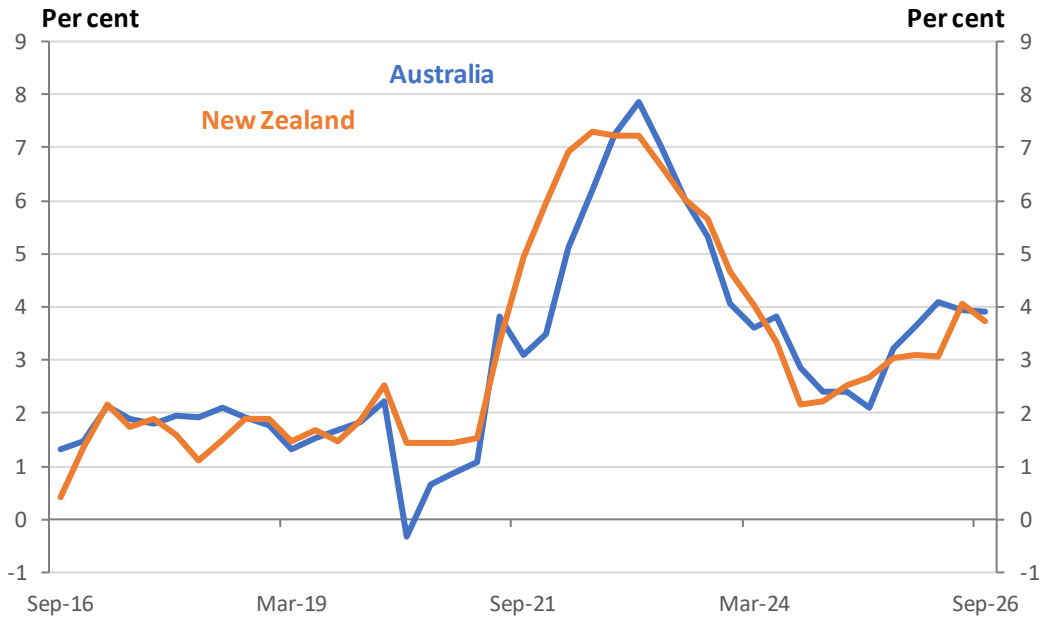
As the Board of the Reserve Bank of Australia contemplates increasing the cash rate for the fifth time this year, New Zealand should serve as a cautionary tale of the consequences for working people of forcing the cash rate higher to deal with an inflation challenge largely beyond the control of the central bank. The Australian strategy of centering employment and seeking to preserve the gains made in employment and wages following the pandemic has served Australia reasonably well. It would be a waste of four years of effort to abandon the strategy and risk throwing away the labour market outcomes that eluded Australia in the decade before the virus hit our shores.

Inflation, Here and There

The outbreak of inflation in the wake of the pandemic battered the Antipodean economies much as it did the rest of the globe. In Australia, inflation began accelerating from late 2021, with quarterly growth in headline CPI accelerating to 1.3 per cent in December 2021 and sharpening further to 2.2 per cent in March 2022, with annual growth in inflation well above the Reserve Bank of Australia's

(RBA) target band, running at 3.5 per cent in December 2025 and 5.1 per cent in March 2022. Though the outbreak of inflation started a little earlier in New Zealand, the trajectory was no different. Quarterly inflation accelerated to 1.3 per cent in June 2021, rising to 2.2 per cent by September 2021. Similar to Australia, New Zealand's headline inflation was running at an annual pace of 5.9 per cent in December 2021, rising faster to 6.9 per cent in March 2022. Headline inflation in both countries would peak north of 7 per cent, with headline inflation reaching a zenith of 7.9 per cent in December 2022 in Australia, while inflation growth peaked a little lower and a little earlier in New Zealand at 7.3 per cent in June 2022, hovering only a little under that rate until December 2022. Thereafter, headline inflation in both Australia and New Zealand would decline steadily, each returning near to target for the first time some two years later: in New Zealand, headline inflation eased to 2.2 per cent in September 2024, while in Australia inflation eased to 2.9 per cent in the same quarter, both within the respective country's target band.

Chart 1: Headline inflation growth, Australia and New Zealand



Source: ABS Consumer Price Index, September 2026, Stats New Zealand Consumer Price Index, September 2026 & ACTU calculations

As with the arc of inflation during the post-COVID period, both Australia and New Zealand suffered a resurgence in price pressures over 2025, pre-dating even the sharp acceleration driven by the conflict in the Middle East. In New Zealand, annual inflation growth began picking up from March 2025 onwards, rising over the course of the year to leave the top of the Reserve Bank of New Zealand's (RBNZ) target band in September 2025 by a two decimal place whisker, hitting 3.05 per cent annual growth in that quarter and pushing further above the band in December 2025, at 3.1 per cent annual growth in that quarter. In Australia, inflation also escaped the top of the target band in September

2025, rising 3.2 per cent over the year, pushing higher still in December 2025 to 3.6 per cent annual growth. The resurgence in inflation coincided the RBNZ was emphasizing that there was 'significant spare capacity in the domestic economy', even as its Australian colleague was highlighting 'ongoing domestic capacity pressures' in its own economy.[1]

The similar experience of sharply rising and then declining inflation from 2021-2022 in both countries is unsurprising, given the significant contribution of international factors. Both countries' central banks explained that the rise in inflation was due to the combination of supply chain difficulties and disruptions to commodity markets following Russia's invasion of Ukraine. In their discussion of monetary policy in April 2022, the Monetary Policy Committee (MPC) of the Reserve Bank of New Zealand noted that 'inflation [was] rising largely as a result of disrupted supply chains and higher world commodity prices', which in turn was increasing imported inflation.[2] The RBA highlighted similar issues in its May 2022 *Statement on Monetary Policy*, with the then-recent increase in inflation 'largely reflect[ing] the increase in energy, good and other commodity prices associated with the Russian invasion of Ukraine' alongside COVID-19 related disruptions and increasing in global shipping costs.[3] This was not a unique position among central bankers, with the Chief Economist at the European Central Bank, Philip Lane, noting in 2024 that the main factors behind the 2021-2022 inflation burst were pandemic related to supply chain bottlenecks and energy shocks exacerbated by the Russian invasion of Ukraine.[4] There were also domestic factors contributing to the upsurge in inflation in both countries. Labour shortages due to variants of COVID-19, which resulted in staff absenteeism, were endemic in both Australia and New Zealand, as were skill shortages of skilled labour linked to border closures designed to contain the spread of the virus in each country.[5]

Reflecting the impetus given to inflation by international factors, only a year later, in May 2023, the staff of the RBNZ were commenting that inflation was easing alongside a sharp decline in shipping

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[1] Reserve Bank of New Zealand, 'Economic assessment', *Statement on Monetary Policy*, September 2026, p. 15, available: Monetary Policy Statement Sep 2026 & Reserve Bank of Australia, 'Economic Conditions', *Statement on Monetary Policy*, August 2026, available: Economic Conditions | Statement on Monetary Policy – August 2026 | RBA

[2] Monetary Policy Committee of the Reserve Bank of New Zealand, 'Monetary tightening brought forward', 13 April 2022, available: Monetary tightening brought forward - Reserve Bank of New Zealand - Te Pūtea Matua

[3] Reserve Bank of Australia, 'The International Environment', *Statement on Monetary Policy*, May 2022, available: The International Environment | Statement on Monetary Policy – May 2022 | RBA

[4] Lane, Philip, 'Disinflation in the euro area,' Speech to the Hutchins Centre on Fiscal & Monetary Policy at the Brookings Institution, Washington D. C., 8 February 2024, available: Disinflation in the euro area

[5] See for example Monetary Policy Committee of the Reserve Bank of New Zealand, 'More tightening needed', 23 February 2022, available: More tightening needed - Reserve Bank of New Zealand - Te Pūtea Matua & Reserve Bank of Australia, 'Economic Outlook', *Statement on Monetary Policy,* May 2022, available: Economic Outlook | Statement on Monetary Policy – May 2022 | RBA

costs for consumer goods imports to New Zealand as global supply-chain bottlenecks eased and Chinese supply and logistics activity came back online.[6] The staff at the RBA took a similar view in the August 2023 *Statement*, noting that 'Global supply chain issues have largely been resolved and the costs of international freight, raw materials and some imported goods have declined significantly'.[7] Inflation continued on a downward trajectory thereafter, as mentioned earlier returning to the target range in both countries by late 2024.

However, neither Australia nor New Zealand was home free, despite the easing of international pressures on inflation and quite different approaches to monetary policy. Inflation once again started to creep upwards from 2025, with both economies facing similar challenges. Despite a return to target in both countries, both faced a similar challenge: the speed limit at which their economy could grow. In the September 2026 *Statement on Monetary Policy*, the staff at the RBNZ noted that low investment and weak productivity growth had contributed to low potential output growth, which 'constrain[ed] the rate at which the economy [could] grow without contributing to inflationary pressure'.[8] This difficulty has echoes across the ditch, with the Monetary Policy Board (MPB) of the Reserve Bank of Australia noting that 'weak productivity growth continue[d] to constrain potential growth'.[9] Subdued productivity growth is hardly a phenomenon related just to Australia and New Zealand, and is instead a global problem stretching back decades.[10] Nevertheless, it is not a problem that Australia is powerless to do anything about – as Governor Bullock quite rightly points out, it 'incumbent upon businesses to take opportunities to improve productivity' as much as it is the responsibility of any other institution.[11]

This issue was only exacerbated in early 2026. Inflation once again took off in the first half of 2026, spiking to 4.1 per cent over the year to March 2026 in Australia and 4.1 per cent over the year to June 2026 in New Zealand. The uplift in inflation was in the main due to rising fuel and energy prices arising

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[6] Reserve Bank of New Zealand, 'Current economic assessment', *Statement on Monetary Policy*, May 2023, p. 17, available: Monetary Policy Statement May 2023

[7] Reserve Bank of Australia, 'Inflation', *Statement on Monetary Policy*, August 2023, available: Inflation | Statement on Monetary Policy – August 2023 | RBA

[8] Reserve Bank of New Zealand, 'Economic assessment', *Statement on Monetary Policy*, September 2026, p. 15, available: Monetary Policy Statement Sep 2026

[9] Monetary Policy Board of the Reserve Bank of Australia, Monetary Policy Decision Statement, 29 September 2026, available: Statement by the Monetary Policy Board: Monetary Policy Decision | Media Releases | RBA

[10] See for example Treasury, 'Overview: Understanding productivity in Australia and the global slowdown', *Treasury Round Up*, October 2022, available: Overview - Understanding productivity in Australia and the global slowdown

[11] Governor Michele Bullock, Monetary Policy Decision Media Conference, 29 September 2026, available: Media Conference: Monetary Policy Decision – 29 September 2026 | Speeches | RBA

from the attack on Iran by the United States and Israel and the consequent closure of the Strait of Hormuz. As small, open economies exposed to volatility in import prices, neither Australia nor New Zealand was spared, with the staff of the RBNZ indicating that 'The Middle East conflict has materially altered the economic outlook', lifting inflation at home and abroad.[12] As a result of the crisis in the Middle East and the closure of the Strait of Hormuz, the RBNZ is not expecting headline inflation to return to the mid-point until December 2027, while the RBA was expecting a similar outcome by December 2027 in its August 2026 *Statement*.[13]

Despite relatively similar inflation outcomes in each country, the policy agencies in Australia and New Zealand have taken quite different roads since inflation first took off in late 2021. The policy choices made have in turn led to divergent labour market outcomes. The most obvious difference was in the path of monetary policy, which is the subject of the next section.

A Tale of Two Strategies: Monetary Policy outcomes

Though buffeted by the same international forces, the path of monetary policy taken in Australia and New Zealand diverged substantially, reflecting different strategies taken by the policy setting boards of each central bank. The Monetary Policy Committee of the Reserve Bank of New Zealand approached monetary policy with a "least regrets" framework, which in the context of the 2021-2022 run-up in inflation meant 'the risk of tightening policy "too little, too late" versus "too much, too soon"', with the MPC taking the view that 'the risk of moving too slowly and not far enough remained the most costly option'.[14] This saw the MPC ramp the cash rate up from the pandemic low of 0.25 per cent in September 2021, where the Official Cash Rate (OCR) had held since May 2020, to a high of 5.5 per cent in May 2023, where the OCR would stay until August 2024, when the MPC began to ease policy tightness in response to declining inflation and widespread slack in the labour market.

In Australia, the Reserve Bank Board took a different strategy. Instead of sending the cash rate as high as the RBNZ's MPC, the RBA Board instead opted for a strategy of keeping the economy on an even

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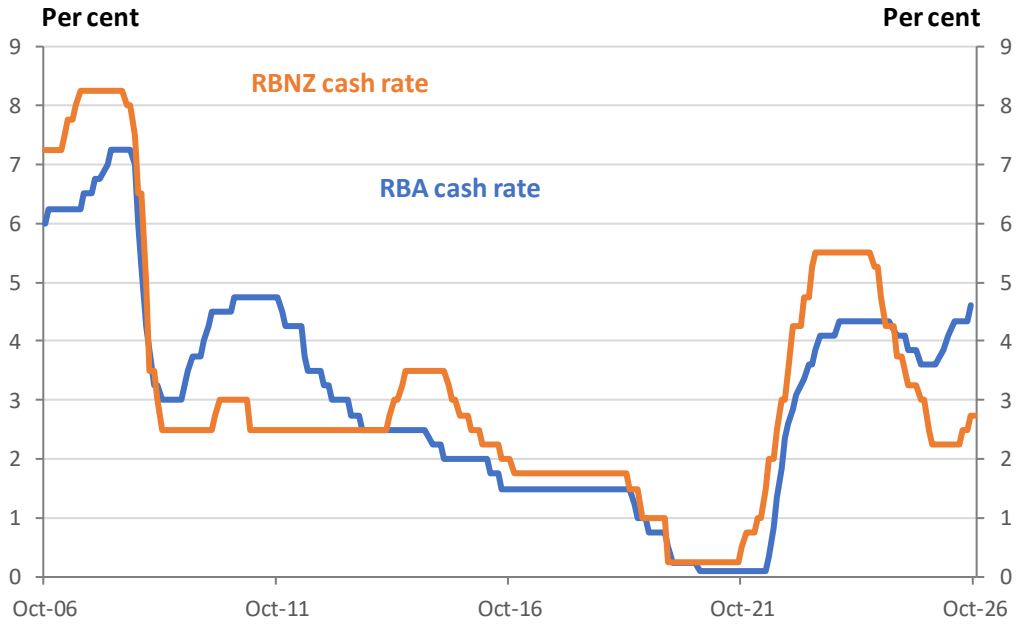
[12] Reserve Bank of New Zealand, 'Economic assessment', *Statement on Monetary Policy*, May 2026, p. 9, available: Monetary Policy Statement May 2026

[13] Reserve Bank of New Zealand, 'Economic assessment', *Statement on Monetary Policy*, September 2026, p. 46, available: Monetary Policy Statement Sep 2026 & Reserve Bank of Australia, 'Outlook', *Statement on Monetary Policy*, August 2026, available: Outlook | Statement on Monetary Policy – August 2026 | RBA

[14] Reserve Bank of New Zealand, 'Summary Record of Meeting', Statement on Monetary Policy, May 2022, p. 6, available: Monetary Policy Statement May 2022

keel to hold onto the improvements in the labour market in the wake of the economy re-opening in 2022. In an earlier formulation, the strategy aimed to 'preserve some of the gains in the labour market', though the RBA Board would later emphasise the 'importance of preserving as many of the gains in the labour market as possible'.[15] While the hawkish elements at the RBA have prevailed from time to time, leading to decisions inconsistent with maintaining inclusive full employment, nonetheless the strategy has broadly held, with the emphasis on full employment agreed with the Treasurer and set out in the *Statement on the Conduct of Monetary Policy* just holding on.[16] The cash rate in Australia reached a lower peak of 4.35 per cent in November 2023, and even the most recent increases have kept the RBA's cash rate nearly a full percentage point below the peak in the OCR in New Zealand.

Chart 2: Monetary policy interest rate, Australia and New Zealand



Source: Reserve Bank of Australia and Reserve Bank of New Zealand

The differences in the approach taken likely arise from institutional differences between the two central banks. The *Reserve Bank of Australia Act 1956* contained a full employment objective from its inception, a legacy of the post-war institutions and Keynesian policy commitment to full employment.

[15] Lowe, Philip, 'Inflation and Recent Economic Data', Keynote address to the Financial Review Business Summit 2023, 8 March 2023, available: Inflation and Recent Economic Data | Speeches | RBA & Reserve Bank of Australia Board, Minutes of the Monetary Policy Meeting of the Reserve Bank Board, 18 and 19 March 2024, available: 2 April 2024 | Minutes of the Monetary Policy Meeting of the Board | RBA

[16] Australian Government & Reserve Bank of Australia, *Statement on the Conduct of Monetary Policy*, July 2025, available: Statement on the Conduct of Monetary Policy – 10 July 2025 | RBA

For many decades, Australian policymakers had taken seriously the need to focus not simply on inflation but also employment outcomes, such that it was culturally more embedded in economic thinking; though this focus would enter a long winter from the 1990s through to 2022, when the Albanese Government reinvigorated the idea of full employment as a central economic objective with the *Working Future* white paper. Following the 2023 review of the RBA, the Government also strengthened and clarified the Bank's mandate that it should pursue the dual objectives of price stability and full employment.

In contrast, the full employment commitment had only a short life in New Zealand, and a was a substantially weaker commitment compared to Australia. After the change in government at the 2017 general election, the Ardern Labour Government undertook to modernise the Reserve Bank of New Zealand, introducing the *Reserve Bank of New Zealand (Monetary Policy) Amendment Bill 2018* in July of that year. The Bill added an overarching objective of promoting the prosperity and well-being of New Zealanders and further introduced a monetary policy committee with outside members – an echo of the Australian model. Most importantly, the Labour Government introduced a second objective in addition to price stability: maintaining maximum sustainable employment. As then-Finance Minister Grant Robertson put it, this was 'to ensure that monetary policy makes an appropriate contribution to supporting employment'.[17] Though the maximum sustainable employment objective was in place for the entire length of the post-pandemic tightening cycle, its late introduction in the life of the Reserve Bank of New Zealand does not seem to have made an impact and though the MPC would pay lip service to 'supporting maximum sustainable employment', the objective did not dissuade the RBNZ from driving up the unemployment rate.[18] Nor was the wording of the commitment as robust as the employment objective in the 1956 legislation in Australia.

In any case, the National-led Government elected in 2023 repealed the maximum sustainable employment objective in December of that year, when the OCR had been at its peak for nearly eight months. In arguing against the maximum sustainable employment objective, the new Finance Minister, Nicola Willis, suggested that under the previous Government, 'inflation was allowed to ramp on unchecked, out of target', attributing this to the 'experiment' of legislating for the central bank to

[17] Minister of Finance Grant Robertson, First Reading Speech for the *Reserve Bank of New Zealand (Monetary Policy) Amendment Bill 2018*, 26 July 2018, available: 26 July 2018 - Hansard - New Zealand Parliament

[18] Monetary Policy Committee of the Reserve Bank of New Zealand, 'Monetary tightening brought forward', 13 April 2022, available: Monetary tightening brought forward - Reserve Bank of New Zealand - Te Pūtea Matua

have a dual mandate.[19] Aside from it being extremely disingenuous to attribute the post-pandemic inflation to a specific government – driven as it was by supply bottlenecks and elevated commodity prices – it is non-sensical to suggest the dual mandate was either to blame or indeed to cast doubt on it by referring to it as an experiment. The Reserve Bank of Australia has had a more robust full employment objective for around 70 years, with inflation ramping up and easing off at various stages across that period, and the objective has served the country reasonably well, disciplining the Reserve Bank Board in its decision making. Australia also experienced broadly the same inflation as New Zealand over the period in question, but with more favourable labour market outcomes. The challenge Australia faces now is that its central bank appears on the verge of abandoning the preservation of employment gains strategy entirely, having already veered to and fro in trying to balance the full employment and inflation objectives and making decisions that inappropriately overlooked the full employment objective in the last few years. Instead, the RBA looks prepared to take the same path as the RBNZ – one that taken earlier would have led to materially worse outcomes for working people in Australia.

A Tale of Two Strategies: Fiscal policy and industrial relations

As with monetary policy, the path taken by Australia and New Zealand diverged on matters of fiscal policy and industrial relations. After the change in Government in 2023, the new National-led administration announced its intention to pursue fiscal consolidation through constraining spending growth while also reducing the core public service, with the aim of returning the central government budget to surplus. The National Government expressly intended for fiscal consolidation to 'support the Reserve Bank in tackling inflation', though the similar path of headline inflation to Australia would not suggest that constraining spending was especially effective.[20] The National Government acted quickly, with reductions in the public service commencing only a short period after the Government took office and growth in spending on health, education and social security slowing in 2025. In the first reporting period, the decline in public service positions coincided with a nearly half a percentage point lift in the unemployment rate, suggesting the reduction in public service employment was

[19] Minister of Finance Nicola Willis, First Reading Speech for the *Reserve Bank of New Zealand (Economic Objective) Amendment Bill 2023*, 12 December 2023, available: 12 December 2023 - Hansard - New Zealand Parliament

[20] Minister of Finance Nicola Willis, 'Fiscal Strategy Report', *Budget 2024*, p. 3, available: Fiscal Strategy Report - Budget 2024 - 30 May 2024

adding pressure to an already deteriorating labour market.[21] The newly elected Government also opted to cancel infrastructure projects to generate savings, including the Auckland Light Rail.[22]

Instead of pursuing this path, the Albanese Government opted to fund Australia's health services more robustly; rebuild the capability of the Australian Public Service after a decade of neglect under Australia's own conservative party; and invest in aged care and early childhood education and care. The Government introduced measures to strengthen Medicare; lower the maximum cost of medicines on the PBS and expand access; expand access to early childhood education; and fund pay rises for early childhood educators to attract and retain staff.[23] Over its first term, the Government also undertook to rebuild public service capability by insourcing previously outsourced (and more expensive) positions, while also adding a number of frontline service roles to improve service delivery.[24] This meant that rather than adding headwinds to the labour market, the Australian Government took a different approach, one that supported both growth and employment outcomes, boosting supply of labour in some sectors facing workforce challenges. As will be shown in the next section, it was this rebuilding of Australia's healthcare and education that held the Australian economy above water while New Zealand's economy dipped into recession.

The new National-led Government in New Zealand also moved to reverse positive changes for working people implemented by the previous Labour Government. The Ardern Labour Government had in 2022 introduced the Fair Pay Agreements legislation. The Fair Pay Agreements had aimed to allow unions and employers to agree to establish improved pay and conditions for workers at a sector-wide level, ending the race to the bottom on pay and aimed at revitalising wages after a decade of subdued growth.[25] Had the reforms proceeded, the Fair Pay Agreements system would undoubtedly have provided a similar bulwark against inflation that the *Secure Jobs, Better Pay* package did in Australia. However, this was not to be. In December of 2023, the National Government repealed the Fair Pay

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[21] Minister of finance Nicola Willis, 'Latest data shows size of public service decreasing', Government of New Zealand, 13 June 2024, available: Latest data shows size of public service decreasing | Beehive.govt.nz

[22] Minister for Transport Simeon Brown, 'Government cancels Auckland Light Rail', 14 January 2024, available: Government cancels Auckland Light Rail | Beehive.govt.nz

[23] Treasury, 'Budget Overview', *Budget 2024-25*, p. 44, available: Budget 2024-25 Overview Glossy; Treasury, 'Budget Overview', *Budget 2025-26*, p. 16, available: Budget 2025–26 Overview; Treasury, 'Cheaper Child Care', *Budget 2022-23*, available: Budget October 2022-23 - Cheaper Child Care; and Australian Government, 'Pay rises for early educators while keeping fees down for families', *Department of Education*, 8 August 2024, available: Pay rise for early educators while keeping fees down for families | Ministers' Media Centre

[24] Australian Government, 'Budget Paper no. 4: Agency Resource', Budget 2026-27, Canberra, May 2026, pp. 4-5, available: Budget Paper No. 4

[25] Minister for Workplace Relations and Safety Michael Wood, First Reaching Speech for the *Fair Pay Agreements Bill 2022*, April 2022, available: 05 April 2022 - Hansard - New Zealand Parliament

Agreements framework, doing so before any agreements were able to be settled. In arguing against the framework, the relevant Minister recycled the same tired arguments around 'pil[ing] on regulations' and 'Workplaces need[ing] flexibility', arguments that are little more than shallow ideology and that were themselves marshalled as all smoke and no fire against the important reforms that supported the wages of working people in Australia when they needed it most.[26]

Industrial relations reform was another fork in the road where Australia and New Zealand took different paths. While New Zealand repealed its industrial relations reforms, with deleterious impacts on wage growth, the Albanese Government took a different approach. Passed in late 2022, the *Secure Jobs, Better Pay* legislation aimed to promote job security, help close the gender pay gap, modernise the workplace bargaining system and get wages moving after a decade of stagnation.[27] The package introduced multi-employer bargaining; reinvigorated collective bargaining more generally; and changed the *Fair Work Act 2009* to target the undervaluation of women in some of Australia's most important, but overlooked, industries. On most scores it was successful, with the independent review of the legislation finding that the reforms were 'achieving the Australian Government's intent, operating appropriately and effectively and with minimal unintended consequences'.[28] Through the legislation, and other actions discussed below, the Albanese Government's approach provided a bulwark against the inflationary forces faced by both Australia and New Zealand, supporting higher wage growth even as price pressures weighed on workers' real incomes. These choices by Governments meant that wage and broader labour market outcomes across the two countries could not have been more different, in Australia providing some support to working people in difficult inflationary circumstances. It would be a waste of four years of effort to throw away what has been preserved through the policy strategy taken by Australia since the 2021-2022 inflationary outburst. The consequences of abandoning the strategy at this late hour can be seen in the differing outcomes for working people in Australia and New Zealand, which is the subject of the next section.

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[26] Minister for Workplace Relations and Safety Brooke Van Velden, First Reading Speech for the *Fair Pay Agreements Act Repeal Bill 2023*, 12 December 2023, available: 12 December 2023 - Hansard - New Zealand Parliament

[27] Minister for Employment and Workplace Relations Tony Burke, Second Reading Speech for the *Fair Work Legislation Amendment (Secure Jobs, Better Pay) Bill 2022*, 27 October 2022, available: ParlInfo - BILLS : Fair Work Legislation Amendment (Secure Jobs, Better Pay) Bill 2022 : Second Reading

[28] Bray M. and A. Preston, Draft Report to the Secure Jobs, Better Pay Review, Commonwealth of Australia, 2025, available: Draft report of the Secure Jobs, Better Pay Review - Department of Employment and Workplace Relations, Australian Government

From strategy to consequence: labour market outcomes in Australia and New Zealand

Labour market outcomes in Australia and New Zealand have been sharply different since the end of the pandemic, driven in large part by the differences in policy approach taken in the wake of the inflation outburst from 2021-2022 onwards. This is most evident in the unemployment rate. In both countries, the unemployment rate was at decadal lows by the end of 2022, reaching 3.4 per cent in New Zealand and 3.5 per cent in Australia in the December quarter 2022. As both policy committees of the RBA and RBNZ had begun tightening by this point, the unemployment rate having a three in front of it was to be short lived, and the unemployment rate in each country began drifting up over 2023. However, by the end of 2023, there was a substantial divergence in labour market outcomes. While the unemployment rate in Australia held at around 4 per cent over 2024 and into 2025, in New Zealand the labour market deteriorated, with the unemployment rate rising from 4.0 per cent in December 2023 to 4.4 per cent in March 2024, climbing further still to 5.1 per cent by the December quarter 2024. By this time employment was declining in annual terms in New Zealand, falling by 0.6 per cent in the year to September 2024, falling a further 1.3 per cent in December 2024 and declining in the year to each of the following three quarters. Because of the actions of its policymakers, New Zealand had entered a technical recession in June 2024, and working people in New Zealand were to bear the consequences of both high inflation and falling growth. Australia, in contrast, was to experience neither – though conditions were significantly difficult for Australian workers, employment continued to increase on an annual basis in 2024 and 2025, supported by growth in the non-market sector and later by resurgent growth in the market sector.

A not insubstantial part of why Australia avoided recession was because of the different approach to both monetary and fiscal policy. As shown earlier in Chart 2, the Reserve Bank Board did not increase interest rates as much, lessening the impact on employment. Equally as importantly, the fiscal choices of the Albanese Government helped keep the Australian economy afloat during a difficult period. As New Zealand's economy entered a recession, when real GDP declined by 0.5 per cent quarter on quarter in June 2024, in that same quarter, Australia experienced positive, if subdued, quarterly growth of 0.2 per cent. The quarterly growth in Australia was driven by public spending growth, with private spending dragging on growth. In the National accounts release for June 2024, the ABS noted that 'continued strength in expenditure on national programs providing health services' supported

growth in domestic final demand.[29] As Governor Bullock noted in a question and answer session on 28 November 2024, 'government spending [was] helping to keep the economy at least on an even keel at the moment'.[30]

Chart 3: Annual GDP(P) growth in Australia and New Zealand

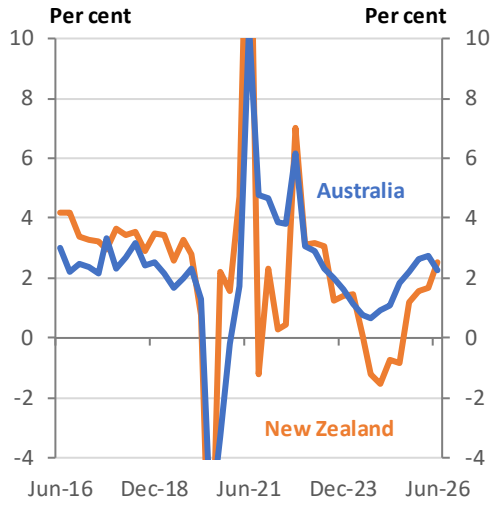
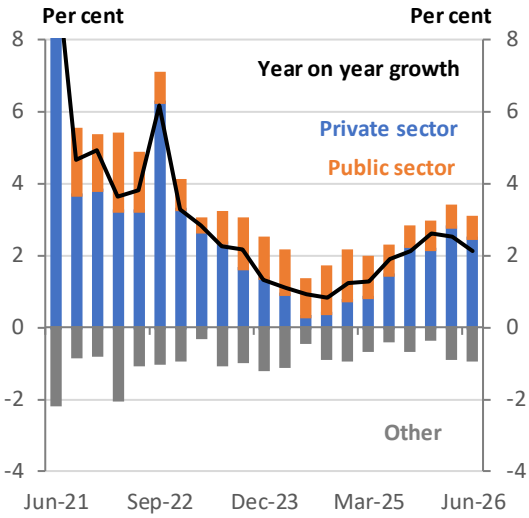


Chart 4: Contributions to annual GDP growth in Australia



Source: ABS National Accounts, Stats New Zealand National Accounts & ACTU calculations

Note: New Zealand refers to GDP(P) as its main referent for economic growth, so Chart X shows the equivalent series from the Australian national accounts. Chart 4 refers to GDP(E), the main referent in Australia. While there are minor differences, the direction of travel in each GDP(E) and GDP(P) in the Australian national accounting data are the same

A similar pattern is present in the annual growth rates – where real GDP fell over the year to the September and December quarters of 2024 and the March and June quarters of 2025 in New Zealand. Against this, in Australia annual growth slowed but did not turn negative, supported in the main by public sector spending. As with June 2024, in the September quarter 2024 – another quarter of weak quarterly and annual growth – growth was supported by public 'investment in hospital and road projects', as well as state expenditure on renewable energy projects.[31] The difference between recession and further deterioration in the labour market and slow growth but better employment

[29] ABS, Australian National Accounts: National Income, Expenditure and Product, June 2024, available: Australian National Accounts: National Income, Expenditure and Product, June 2024 | Australian Bureau of Statistics

[30] Michele Bullock, 'Economic Conditions and the RBA's Transformation: Question and answer session', Address to the Committee for Economic Development of Australia Annual Dinner, Sydney, 28 November 2024, available: Transcript of Question & Answer Session on 28 November 2024 | Speeches | RBA

[31] ABS, Australian National Accounts: National Income, Expenditure and Product, September 2024, available: Australian National Accounts: National Income, Expenditure and Product, September 2024 | Australian Bureau of Statistics

outcomes was spending on programs in health, education, aged care and childcare pursued by the Federal Government and to a lesser extent State Governments.

The deterioration in economic conditions in New Zealand continued to push the unemployment rate higher even after New Zealand exited its technical recession, with the unemployment rate reaching 5.6 per cent in the June quarter 2026, the highest it had been since September 2015 and higher than the RBNZ was expecting in its May 2025 *Statement*, where it had forecast the unemployment rate to peak and hold steady around 5.4 per cent.[32] As evident in Chart 5, though the unemployment rate in Australia has lifted, the continued updrift of the unemployment rate in New Zealand has meant that gap between unemployment outcomes in the two countries has remained.

Chart 5: Unemployment rate

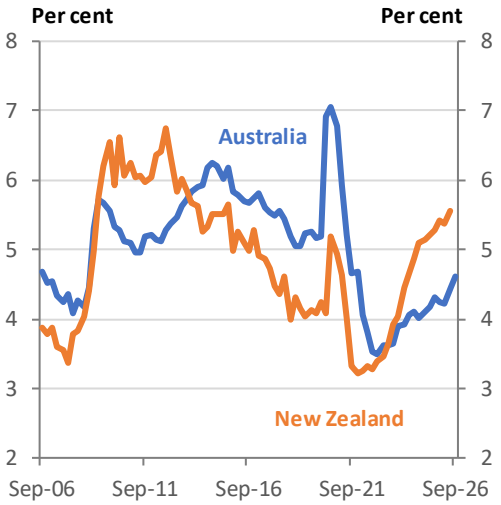
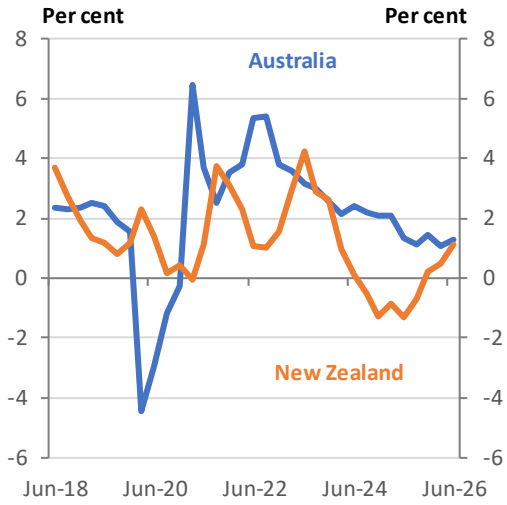


Chart 6: Employment growth



Source: ABS Labour force, Australia, September 2026, Stats New Zealand, Labour force, June 2026 & ACTU calculations

While monetary policy did most of the heavy lifting in forcing up the unemployment rate in New Zealand, the National-led Government also contributed to the headwinds facing the labour market. The National Government followed the conservative playbook and set a target to reduce the core public service in New Zealand over the next few years by around 9,000 public service roles, a not insubstantial part of that core public service, creating an unnecessary headwind in an already difficult

[32] Reserve Bank of New Zealand, 'Economic projections', *Statement on Monetary Policy*, May 2026, p. 53, available: Monetary Policy Statement May 2026

employment market, particularly for the Wellington economy, serving no purpose other than to make a bad situation worse.[33]

Had the Australian Government and Reserve Bank of Australia taken the New Zealand road and driven the unemployment rate up beyond its current level to 5.6 per cent, there would be around 145,000 more Australians unemployed than there were in the September quarter 2026, with no obvious benefits to taming inflation given the shared trajectory of price growth in Australia and New Zealand since 2021-2022

The substantially weaker growth in employment in New Zealand, a direct result of policy institutions inducing a recession in a futile gesture to bring down inflation, is evident not only in employment growth but also its level. Because of the policy path taken to preserve as many of the post-pandemic gains in employment as possible – while not always followed consistently – the broad strategy meant that Australia did not experience as sharp a falloff in employment. As with the unemployment rate, there was a divergence in employment outcomes from 2023 onwards. While employment in Australia continued to increase from the March quarter 2023, in New Zealand employment stalled. The staff of the RBNZ noted that 'Subdued economic activity has meant that firms have cut back on hiring', with weak labour demand and increasing labour supply 'result[ing] in worsening labour market conditions'.[34] In fact, since December 2019, employment in New Zealand has only increased by 7.3 per cent, whereas in Australia it has increased by nearly twice that, rising 14.5 per cent over the same period. If aggregate employment growth in New Zealand was replicated in Australia, it would mean around 976,000 fewer employed workers than there were over the September quarter 2026.

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[33] Minister of Finance Nicola Wills, 'Pre-Budget speech to Business North Harbour', Government of New Zealand, 19 May 2026, available: Pre-Budget speech to Business North Harbour | Beehive.govt.nz & New Zealand Council of Trade Unions, *Three years of pain: The state of the labour market, 2023–26*, 30 September 2026, available: Three years of pain: The state of the labour market, 2023–26 NZCTU

[34] Reserve Bank of New Zealand, 'Economic projections', *Statement on Monetary Policy*, August 2024, p. 7, available: Monetary Policy Statement August 2024

Chart 7: Index of employment

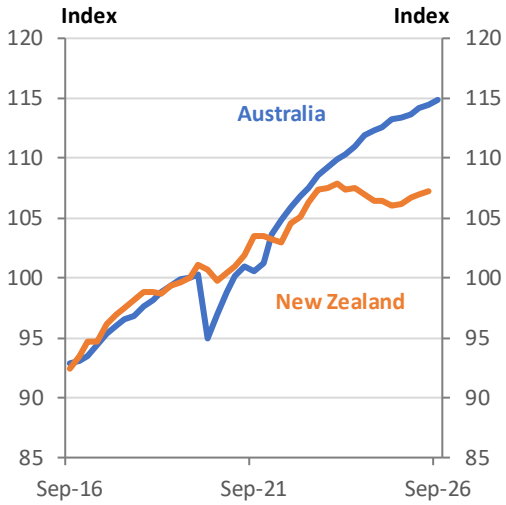
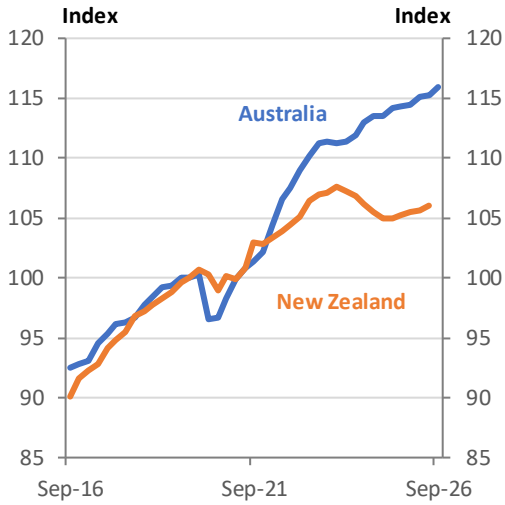


Chart 8: Index of full-time employment



Source: ABS Labour force, Australia, September 2026, Stats New Zealand, Labour force, June 2026 & ACTU calculations

The deterioration in labour market conditions in New Zealand has also led to a deterioration in the quality of work. Where Australia has seen solid outcomes in secure employment over the last few years – with the bulk of new positions being full-time positions with paid leave entitlements and the casual share of employment declining 19.5 per cent (the lowest it has been since the early 1990s) – New Zealand has instead seen a stalling in full-time employment growth.[35] While in Australia full-time employment has increased by around 15.9 per cent since December 2019, in New Zealand full-time employment has only increased by 6.1 per cent. Despite the stark difference in growth in full-time employment, part-time employment has increased by a similar amount, rising 12.4 per cent in New Zealand between December 2019 and June 2026, and 12.5 per cent between December 2019 and September 2026 in Australia. This speaks to the role played by full employment in generating good, secure jobs – employers are forced to offer secure, fairly paid positions to attract workers in a strong labour market. As the labour market deteriorated in New Zealand, so too did the prospects of workers finding good, secure jobs. Had Australian policymakers taken the path that allowed the economy to fall into recession and the labour market to deteriorate, there would be around 870,000 fewer Australian workers employed in full-time, secure jobs.

[35] Australian Bureau of Statistics, 'Proportion of employees employed as a casual in their main job', Working Arrangements, 12 December 2025, available: Working arrangements, August 2025 | Australian Bureau of Statistics

Chart 9: Index of women's full-time employment

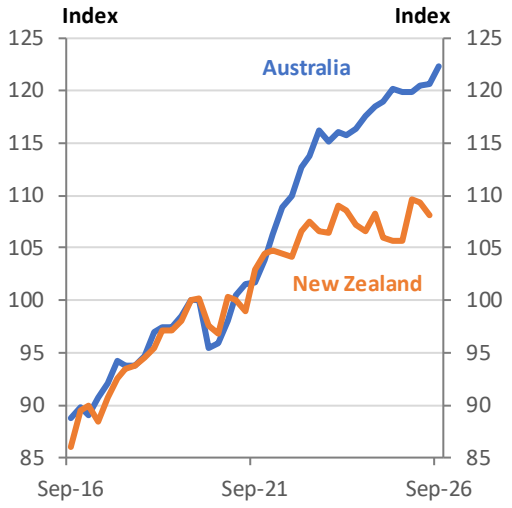
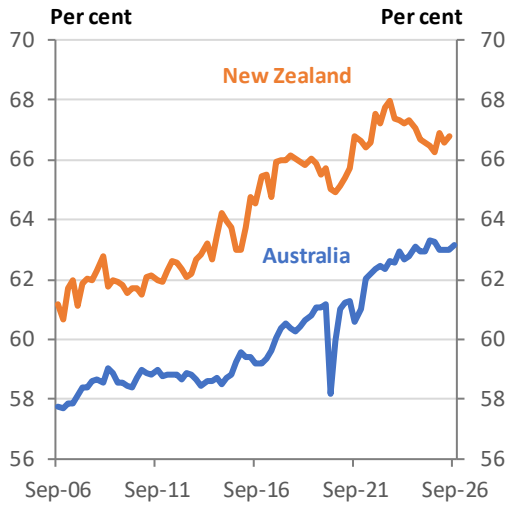


Chart 10: Women's participation rate



Source: ABS Labour force, Australia, September 2026, Stats New Zealand, Labour force, June 2026 & ACTU calculations

Note: Stats New Zealand does not publish seasonally adjusted estimates for female full-time employment. Figures for both Australia and New Zealand presented in Chart 9 use original data.

Another aspect of the increase in secure work has been the strength in full-time employment and participation by women in Australia's labour market. Full-time employment for women has increased by 23.1 per cent since December 2019, with around 764,000 full-time jobs for women added across that period.[36] At the same time, the participation rate for women has lifted, holding at a near record high of 63.1 per cent over the September quarter 2026. This has been driven by expansion of the non-market sector, particularly in the care economy. However, as with other labour market indicators, employment and participation outcomes for women have not fared so well in New Zealand. The women's participation rate in New Zealand has declined from a cyclical high of 68.0 per cent in June 2023 to a lower, if slightly rebounded, 66.8 per cent in June 2026. Though New Zealand has structurally higher women's participation, this nonetheless represents a notable decline in the participation of women in the labour market. Similarly, full-time employment for women has not increased as significantly across the ditch, rising only 8.1 per cent since December 2019. Had women's full-time employment in Australia increased by only 8.1 per cent over the last seven years, there would be

[36] *Note: these estimates are presented using seasonally adjusted figures*

around 477,000 fewer women employed full-time, a substantial setback for gender equality in this country.[37]

The substantial difference in labour market outcomes and policy choices in Australia and New Zealand have flowed through to sharply differing wage outcomes. In both countries, the release of pent-up demand and the lingering effects of stimulus initially supported employment outcomes and drove down the unemployment rate. This was compounded by the effects of closed borders, with output being 'constrained by broad-based labour shortages', which also added to wage growth in both counties (though would later be mostly resolved once migration levels normalised).[38]

Chart 11: Nominal wage growth

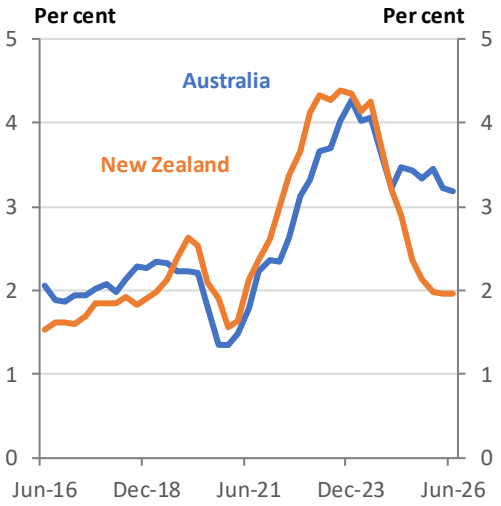
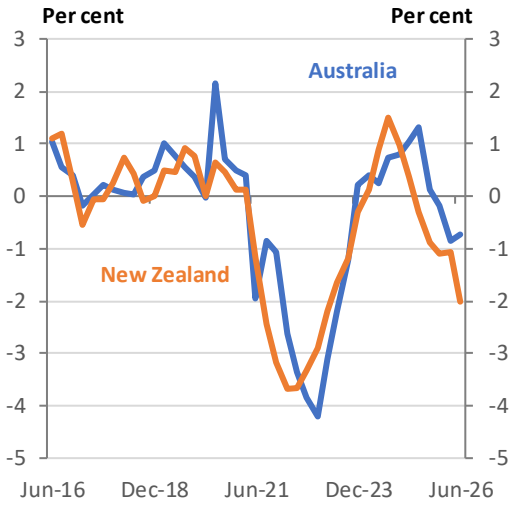


Chart 12: Real wage growth



Source: ABS Wage Price Index, June 2026, Stats New Zealand Labour market statistics, June 2026, ABS Consumer Price Index, September 2026, Stats New Zealand Consumer Price Index, September 2026 & ACTU calculations

In both Australia and New Zealand, wage growth lifted, with the wage price index peaking at 4.3 per cent annual growth in December 2023 and New Zealand's labour cost index peaking at 4.4 per cent a quarter earlier in September 2023. From there, wage growth eased in both countries, though on this score too outcomes were weaker on the other side of the Tasman. Wage growth slackened as monetary policy tightened and the unemployment rate rose, though in New Zealand wage growth fell much further, reaching 2.0 per cent by December 2025, where it has held over the first half of 2026.

[37] *Note: estimates based on seasonally adjusted employment data*

[38] Monetary Policy Committee of the Reserve Bank of New Zealand, 'Continued monetary tightening', 5 October 2022, available: Continued monetary tightening - Reserve Bank of New Zealand - Te Pūtea Matua

In Australia, wage growth steadied at around 3¼ per cent, having held around this level (with some quarter to quarter variation) since December 2024.

The differences in outcome are attributable in large part to the sharper rise in interest rates and the less favourable approach to fiscal policy in New Zealand, with more labour market slack emerging and weighing heavily on wage growth. But the differences are also attributable to the Albanese Government supporting good outcomes in minimum and award wages and for workers in the gender undervaluation cases; as well as a boost to wage growth through much needed industrial relations reform in the *Secure Jobs, Better Pay* and later the *Closing Loopholes* legislation.

A more favourable approach to wage and employment outcomes by Australian policymakers has provided a modicum of protection against the inflationary pressures emanating from overseas supply disruptions and sellers' inflation domestically. From December 2023 through to September 2025, workers in Australia experienced a modest recovery in real wages, with real wages rising in annual terms for two consecutive years. In contrast, the recovery in real wages in New Zealand was much shorter lived, with real wages rising in annual terms between March 2024 and March 2025, just over a year of relief. The result has been that New Zealand has seen the worst declines in real wages in the OECD, down 7.2 per cent on a labour cost index basis.[39][40] While Australian workers have still had an extremely difficult time, a more supportive Government and more favourable labour market outcomes have meant that real wages have declined by less since March 2021, down a still challenging 4.9 per cent over that period. Further, in the last year, in New Zealand, real wages have fallen by more than twice the rate they have in Australia, declining 2.0 per cent in the year to June 2026, compared to a more modest but still unfavourable decline of 0.7 per cent in the year to June in Australia. Had real wages fallen in Australia as much as they have in New Zealand in the last year, the average worker would be around $1,300 worse off in real terms.

Australian workers have also had better prospects of finding a job due to the effort of policymakers in Australia to preserve the gains in employment made since the pandemic, even if the central bank has not always pursued this policy strategy consistently. With the differences in inflation outcomes being broadly similar, driven as it is by pressures over which monetary policy can exercise little influence, it

[39] Note: the RBNZ prefers Average Hourly Earnings deflated by the CPI as a real wage measure, as this adjusts for quantity and quality of jobs. Given differences in publication timing and scope in the equivalent series published by the ABS, for ease of comparison the labour cost index has been used.

[40] OECD, Employment Outlook 2026, Paris, July 2026, Figure 1.11, p. 37, available: OECD Employment Outlook 2026 | OECD & New Zealand Council of Trade Unions, Real wages and the cost of living, 2023-26, October 2026, available: Real wages and the cost of living, 2023–26 NZCTU

would be a waste of four years of effort for the Board of the Reserve Bank of Australia to abandon the strategy at this late hour in favour of more aggressive monetary policy.

Conclusion

As the Reserve Bank of Australia once again contemplates increasing interest rates at its next meeting, it is important to reflect on the consequences for working people of higher interest rates. The experience of New Zealand provides a cautionary tale for Australian policymakers. To fight the inflation that was experienced globally, the Reserve Bank of New Zealand aggressively tightened monetary policy and pushed the economy into recession. At the same time, New Zealand's Government pursued fiscal consolidation and cut the public service. The unemployment rate rose, participation in the labour market fell and wage growth plummeted. Working people in New Zealand saw the largest fall in real wages in the OECD and found it increasingly difficult to find a job, let alone a good, secure and fairly paid full-time position. Despite these strategic choices, New Zealand's inflationary experience has been broadly similar to Australia's.

Since the pandemic the Reserve Bank of Australia has pursued a strategy of preserving as many of the gains in employment as possible, if not always consistently. At the same time, the Federal Government has pursued a strategy of supporting wage growth and employment, and of rebuilding Australia's healthcare, aged care and early childhood education and care systems, as well as the capability of the Australian Public Service. Though Australia and New Zealand have had markedly different outcomes for workers in the labour market, both countries have faced broadly similar inflationary pressures, driven significantly by supply disruptions and commodity price shocks emanating from overseas, as well as a productivity challenge stretching back decades.

While the Reserve Bank Governor Michele Bullock insists that preserving the employment gains made since the pandemic 'still remains the strategy', contemplating increasing rates at the November Board meeting risks unmaking the very same labour market gains the Reserve Bank Board seeks to preserve. The Reserve Bank Board must not act recklessly and forget its full employment objective, because it is Australian workers that will pay the price.

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