Australian Government

Submission of the Australian Government

Fair Work Commission Annual Wage Review 2023-24

28 March 2024

1. Introduction

1. The Government welcomes the opportunity to make a submission to the Fair Work Commission's (the Commission) 2023-24 Annual Wage Review.

2. **The Australian Government recommends that the Fair Work Commission ensures the real wages of Australia's low-paid workers do not go backwards.**

3. In assisting the Annual Wage Review Expert Panel (the Panel) in making its decision, the Government submission provides the latest data and evidence (at the time of lodgement), details the current economic circumstances, and highlights the need to manage macroeconomic risks.

4. The current economic circumstances are challenging as global uncertainty, high inflation and higher interest rates weigh on activity. Inflation has moderated to two-year lows but it remains above the RBA's target band of 2 to 3 per cent. Going forward, inflation is expected to moderate further, improving real wages and easing some of the financial pressure on households.

5. This submission does not suggest that across-the-board, wages should automatically increase with inflation, nor that inflation should be the only consideration in determining wages. However, the current economic environment is challenging, with many households experiencing cost-of-living pressures.

6. Over the longer term, the Government acknowledges the need to increase productivity to drive real wages growth. The Government is committed to lifting productivity including by investing in the skills and potential of our population, putting in place policy settings to facilitate greater economic dynamism, leveraging opportunities in the digital economy, and transitioning to cheaper, cleaner, more reliable energy.

7. The Government's policy approach is already delivering results, with wages growing at an annualised average of 4.0 per cent under this Government, almost double the average over the preceding nine years. The *Fair Work Legislation Amendment (Secure Jobs, Better Pay) Act 2022*, passed in December 2022, is getting wages moving and improving conditions by bringing workers and employers back to the bargaining table. This Act also put the Australian Government's commitment to improving job security and putting gender equality at the centre of the workplace relations system, by amending the *Fair Work Act 2009* to embed these principles in the Commission's decision-making processes, including the Annual Wage Review.

8. The Government supported last year's record increase to the National Minimum Wage (NMW) of 8.6 per cent, a 5.75 per cent pay rise for workers on awards and an up to 28.5 per cent increase in award wages for more than 250,000 aged care workers.

9. Annual real wages have returned to growth, growing 0.1 per cent through the year to the December quarter 2023. For the first time in more than five years, quarterly real wages grew for three consecutive quarters. However, this follows a decade of persistently weak wages growth and a real wage decline of 4.8 per cent since the March quarter 2020. The gender pay gap has also fallen to 12 per cent, the lowest rate on record and well below the most recent peak of 18.7 per cent in November 2014, but

women remain disproportionately represented in low-paid and award-reliant jobs, and are more likely to work in lower-paid industries.

10. The NMW is currently $23.23 per hour ($882.80 per 38-hour week or equivalent to $45,905.60 a year), which is around 55 per cent of median full-time earnings. This is well below the series high of 62 per cent recorded in 1997. The ratio of Australia's minimum wage relative to median earnings is well below that recorded in New Zealand (around 68 per cent), but on par with the United Kingdom (nearly 57 per cent) (Chapter 5).
11. Low-paid workers and their families are particularly affected by cost-of-living pressures because they typically do not have savings to draw on to cover rising costs. Award-reliant workers, many of whom are low paid, are more likely to be women, under 30 years of age and employed on a casual basis (Chapters 4 and 5). Increases to the minimum and award wages are an important tool to assist with cost-of-living pressures.
12. It is important to consider the macroeconomic risks. While inflation remains the primary challenge in the economy, the balance of risks is shifting from inflation to growth – with global uncertainty, high but moderating inflation and higher interest rates weighing on consumption and economic activity.
13. The likelihood of a wage-price spiral is currently low, with medium-term inflation expectations remaining anchored within the inflation target band. Risks to the inflation outlook are broadly balanced, although there is a heightened level of uncertainty.
14. There is also a risk of a decline in real wages for workers on minimum and award wages. If low paid workers shoulder a disproportionate burden of the macroeconomic adjustment needed to lower inflation, this would have a detrimental impact on standards of living. The Government's recommended approach would manage macroeconomic risks while preserving living standards for low-paid workers.
15. The Government is delivering responsible cost-of-living relief through cost-of-living tax cuts, energy price relief, measures to make child care more affordable, expanded paid parental leave, cutting the cost of medicines, increased Commonwealth Rent Assistance and providing more affordable housing to ease the pressure on Australian households. This targeted cost-of-living relief has directly reduced headline inflation by half a percentage point in the year to the December quarter 2023.
16. The Government's cost-of-living tax cuts will allow workers to keep more of what they earn. These tax cuts will provide meaningful cost-of-living relief in a way that does not add to inflationary pressures and are designed to be in addition to any increase in award and minimum wages granted by the Panel in this review. Additional detail on cost-of-living relief and tax cuts is available in Box 5.1.
17. Overall, the Government's vision is for a dynamic and inclusive labour market in which everyone has the opportunity for secure, fairly paid work, as outlined in the Employment White Paper, *Working Future*. To achieve this, the Government is focused on delivering sustained and inclusive full employment, promoting job security and strong sustainable wages growth, filling skills needs and building our future workforce, overcoming barriers to employment and broadening opportunity, and reigniting productivity growth.

18. The Government has already taken action across these areas, including actions to support pensioners and eligible veterans who wish to continue working, turbocharging TAFE Centres of Excellence, working with social enterprises to identify ways to provide more employment and training opportunities for Australians facing disadvantage, and closing loopholes in the workplace relations framework, which undercut bargained and minimum pay and conditions.

19. The Australian Government is committed to achieving sustainable real wages growth for all Australian workers, particularly low paid workers. Over the longer-term, productivity is the key driver of real wage growth, and the Government is taking meaningful action in the areas outlined in its five pillar productivity agenda to provide a sustainable path towards real wage growth for all workers.

20. Delivering sustained and inclusive full employment and fair wages is a core goal of the Government because they play a critical role in improving the economic and social wellbeing of all Australians and building a strong economy.

1.1 Fair Work Commission research and concurrent reviews

21. The Government notes that the Commission is conducting other reviews in 2023-24, the outcomes of which may impact upon the Annual Wage Review.

22. Following the passage of the Government’s Secure Jobs reforms, the Commission commenced a research project on occupational segregation and gender undervaluation. This research seeks to identify priority occupations and industries affected by gender pay equity issues.

23. The Commission has indicated that the Stage 1 report will be considered in the 2023-24 Annual Wage Review. The report examined current patterns of segregation, focusing on 29 priority occupations covered by 13 modern awards.

24. Stage 2 will examine the history of 12 of the 13 awards identified in Stage 1 to aid the identification of any indicators of gender undervaluation. The Stage 2 report is scheduled to be published in April 2024, and the Commission has indicated that parties will be able to make submissions about it as part of the 2023-24 Annual Wage Review process.

25. It is possible the Commission may seek submissions on whether to award higher wage increases to specific occupations, as part of the Annual Wage Review, as part of its new mandate to achieve gender equality enacted by the Secure Jobs reforms. However, the Commission has indicated that it does not anticipate that all issues of gender-based undervaluation will be dealt with comprehensively in this year’s Review.

26. Other ongoing reviews and processes that could be relevant to the Annual Wage Review decision include Stage 3 of the Work Value case for aged care workers and the supported bargaining process that 64 employers in the early childhood education and care sector are currently participating in.

2. Economic Environment

Key Points

- The global economic environment is uncertain. While inflation remains too high, global inflation is moderating, and Russia's invasion of Ukraine, the Hamas-Israel conflict, the ongoing adjustment in China's property sector and the lagged effects of sharp global monetary tightening all mean the balance of risks in the global economy is shifting from high inflation to subdued economic growth.
- Inflation has peaked and is moderating largely as expected. Inflation moderated to a two-year low at the end of last year and is forecast to return to the target band within 2024-25. While global inflationary pressures have eased since the second half of 2022, most advanced economies are not expected to sustainably return to their inflation targets until at least 2025.
- The domestic economy is slowing due to moderating but still high inflation, higher interest rates and global economic uncertainty.
- The labour market is resilient but is showing signs of softening. The unemployment rate is near its historic low at 3.7 per cent in February 2024. However, hours worked has eased and the unemployment rate is forecast to gradually rise over the period ahead.
- Nominal wage growth has picked up to its fastest rate in nearly 15 years. Wages grew 4.2 per cent over the year to December quarter 2023 and are forecast to grow by 4 per cent in 2023-24, before moderating to 3¼ per cent in 2024-25.
- Real wages returned to positive annual growth in December 2023, slightly earlier than anticipated at the 2023-24 Mid-Year Economic Fiscal Outlook (MYEFO).
- Labour productivity has now increased for two consecutive quarters, however quarterly movements can be volatile, and it will take some time to turn around the longstanding weakness in labour productivity growth.

2.1 International outlook

27. The outlook for the global economy remains uncertain. While a soft landing is assumed, it is not assured. The lagged effects of monetary policy tightening, conflicts in Ukraine and the Middle East and issues in China's property sector are weighing on global economic activity.

28. Momentum in the global economy is expected to remain subdued. The UK and New Zealand recorded a technical recession at the end of 2023 and around a quarter of the G20 have recorded a technical recession or narrowly avoided one. Forecasts for global gross domestic product (GDP) growth over 2023, 2024 and 2025 represents the weakest three years in three decades, outside of the pandemic and financial crisis.

29. Although global inflationary pressures have eased overall since the second half of 2022, most advanced economies are not expected to sustainably return to their inflation targets until 2025. However, financial markets expect that most advanced economies have reached the peak in their interest rate cycles.

30. China's continued property sector downturn could also weigh on global growth. As a commodity exporter, Australia is exposed to the associated risk of a correction in key commodity prices.

2.2 Domestic outlook

31. The Australian economy is slowing in expected ways, given moderating but high inflation, higher interest rates and global economic uncertainty. While inflation remains the primary focus, it is not the sole focus, and the recent weakness in growth means the balance of risks is shifting in the economy.

32. Growth in household consumption has softened in recent quarters. Many households, particularly those facing higher housing costs, have adjusted their consumption and savings behaviour by prioritising spending on essential items. The near-term weakness in the household sector is being partly offset by strong business investment and a recovery in inbound tourism and international education services.

33. Despite challenging conditions, the Australian economy is resilient and economic activity outperformed relative to major advanced economies (outside of the United States). While inflation is still too high, it has moderated to two-year lows, and the labour market remains resilient with low unemployment and high participation, with real wages growth returning slightly earlier than forecast in MYEFO.

34. The economy is expected to regain momentum in 2024-25 as inflation subsides and growth in real household disposable incomes improves. In the 2023-24 MYEFO, Treasury forecast economic growth to moderate to 1¾ per cent in 2023-24 before recovering to 2¼ per cent in 2024-25.

35. However, there is significant uncertainty to this outlook. The timing and pace of the recovery in household consumption from slowing economic activity and cost-of-living pressures is uncertain, particularly given the expected softening in the labour market. Inflation could also remain persistent, which would weigh further on household budgets. Furthermore, the uncertain global economic outlook may impact domestic growth.

2.3 Employment outlook

36. The labour market has remained resilient, although it is expected to moderate in response to the slowdown in economic activity.

37. The recent strength in the labour market has enabled more people in cohorts that traditionally face barriers to employment to find work. Female participation reached a record high in November 2023, and youth unemployment has remained low compared to its pre-pandemic levels (ABS, *Labour Force Survey, February 2024*) (see Chapter 3 for more detail on historical labour market trends).

38. Indicators suggest that slowing economic activity is now having an impact on the labour market. While the unemployment rate remains near its historic low at 3.7 per cent in February 2024, other measures of labour market slack, such as underemployment and youth unemployment rose during the second half of 2023. Most of the labour market adjustment to date has occurred through hours worked, rather than the number of jobs (ABS, *Labour Force Survey, February 2024*).

39. Conditions in the labour market are expected to ease in 2024. This is consistent with leading indicators, including job advertisements and vacancies (JSA, *Vacancy Report, February 2024*; ABS, *Job Vacancies, November 2023*; ANZ-Indeed, *Australian Job Ads,*

February 2024). In addition, firms have started to reduce average hours worked by employees.

40. In the 2023-24 MYEFO, the unemployment rate was forecast to gradually rise over the period ahead but remain low by historical standards. The unemployment rate is forecast to rise to 4½ per cent by the end of 2024-25, below the five-year pre-pandemic average of 5.5 per cent.

2.4 Wages

41. Nominal wage growth has picked up to its highest rate in nearly 15 years. The Wage Price Index (WPI) grew by 0.9 per cent in the December quarter 2023 to be 4.2 per cent higher through the year (ABS, *Wage Price Index, December 2023*).

42. Wage growth has been supported by previous decisions on minimum and award wages, including the boost to wages for aged care workers, tightness in the labour market and more recently, enterprise agreements for essential workers and changes to state-based wages policies.

43. Treasury analysis shows that wage growth has been strongest for those in the lowest income quintiles. Wages growth in the lowest two wage quintiles grew by an average of 5.7 per cent over the year to December 2023, compared with an average of 3.7 per cent for the highest three quintiles (Treasury analysis using ABS, *Wage Price Index, December 2023*).

44. In the 2023-24 MYEFO, nominal wages were forecast to grow by 4 per cent in 2023-24. Most of this ongoing strength in wages is anticipated to be supported by public and private enterprise agreements, which lag awards and individual arrangements due to the time taken to negotiate and implement a new agreement. Moving through 2024-25, wage growth is expected to moderate as the labour market softens in response to weaker demand. In the 2023-24 MYEFO, wages were forecast to grow by 3¼ per cent in 2024-25.

45. The combination of moderating inflation and strengthening wage growth to date has seen annual real wages return to positive growth. Real wages, as measured by WPI and Consumer Price Index (CPI), grew by 0.1 per cent through the year to the December quarter 2023, the first positive annual real wage growth since the March quarter 2021 (ABS, *Wage Price Index, December 2023;* ABS, *Consumer Price Index, December 2023*). This is slightly faster than anticipated in the 2023-24 MYEFO, owing to inflation easing slightly faster than expected. However, this follows declines in real wages in recent years following the global inflation shock.

46. The Panel's decision to increase nominal wages for modern awards by 5.75 per cent which took effect on 1 July 2023, was slightly less than the increase in inflation over the 12 months prior to the decision. Despite increases in nominal wages, and the return of annual real wages growth, the real value of award wages is nearly 3 per cent lower than the 1 July 2020 level, evidence that award wages have eroded in the current inflationary climate.

47. There is no sign of a wage-price spiral developing in Australia and medium-term inflation expectations are well anchored.

48. It will be important for the Panel to balance all the risks while ensuring that the real wages of low-paid workers do not go backwards. This does not suggest that wages should automatically increase with inflation across-the-board, nor that inflation should be the only consideration in determining wages. However, the current economic circumstances are challenging, and the Government's recommended approach recognises the challenges faced by low paid workers in the current macroeconomic context.

49. In addition to the WPI, there are other wage measures that have shown elevated wage growth.

50. Average Earnings in the National Accounts (AENA per hour) increased by 1.7 per cent in the December quarter 2023 to be 5.8 per cent higher through the year (ABS, *Australian National Accounts: National Income, Expenditure and Product, December 2023*). This is a broader measure of wages than the WPI that captures total remuneration including superannuation, bonuses, overtime, and allowances, as well as the compositional effect of workers gaining promotions or changing jobs.

51. Adult Weekly Ordinary Time Earnings (AWOTE) increased by 4.5 per cent through the year to November 2023, with private sector AWOTE increasing by 4.4 per cent and public sector AWOTE rising by 4.9 per cent (ABS, *Average Weekly Earnings, November 2023*). Average compensation per employee (the heads-based measure of wages from the National Accounts) rose by 0.4 per cent in the December quarter 2023 to be 5.0 per cent higher through the year (ABS, *Australian National Accounts: National Income, Expenditure and Product,* December *2023*).

Table 2.1: Recent Wages Outcomes (per cent)

Wage measure	Previous	Current	TTY	Period
Wage Price Index (WPI)	1.3	0.9	4.2	December quarter 2023
Individual arrangements	3.8	3.8	3.8	Over the year to the December quarter 2023
Collective agreements	4.1	4.6	4.6	Over the year to the December quarter 2023
Awards	6.2	5.8	5.8	Over the year to the December quarter 2023
Average earnings per hour (National accounts basis – AENA)	3.3	1.7	5.8	December quarter 2023
Average Weekly Ordinary Time Earnings (AWOTE)	1.7	2.8	4.5	6 months to November 2023
Private AWOTE	1.7	2.7	4.4	6 months to November 2023
Public AWOTE	2.0	2.8	4.9	6 months to November 2023

Sources: ABS, *Average Weekly Earnings, November 2023; ABS, National Accounts: National Income, Expenditure and Product, December 2023;* ABS, *Wage Price Index, December 2023;* ABS, *Wage Price Index, unpublished microaggregates.*
Note: Quarterly and through-the-year changes for method of pay setting are average movement estimates.

2.5 Inflation

52. While inflation remains high, it is moderating. Inflation is expected to continue easing over the short term, returning to the RBA's target band in 2024-25.

53. Consumer price inflation (as measured by the CPI) moderated to a two-year low of 4.1 per cent through the year in the December quarter of 2023, well below its peak of 7.8 per cent in the December quarter of 2022 (ABS, *Consumer Price Index, December 2023*). This outcome was primarily driven by the continued easing of goods inflation and the Government's measures to deliver cost-of-living relief that directly limited price rises for households.

54. Recent monthly inflation figures also show inflation easing. According to the monthly CPI indicator, inflation moderated to a more than two-year low of 3.4 per cent through the year to December 2023, remaining unchanged in early 2024. This is much lower than the peak of 8.4 per cent recorded through the year to December 2022 (ABS, *Monthly Consumer Price Index Indicator, February 2024*).

55. The Government's cost-of-living measures across energy rebates, child care and rent are estimated to have directly reduced headline inflation by ½ of a percentage point over the year to the December quarter 2023. These measures are likely to assist many households where income earners receive minimum or award wages.

56. The Government has introduced a number of measures to lower the cost of child care for families. In the year to the December quarter 2023, child care prices fell 7.2 per cent, and would have risen 13.0 per cent without this policy.

57. The Government's measures are reducing health care costs through increases to the maximum dispensing quantities for more than 300 medicines from one-month to two-months' supply and the reduction in the general patient co-payment under the Pharmaceutical Benefits Scheme (PBS), which took effect on 1 January 2023.

58. The introduction of the Energy Bill Relief Fund rebates from July 2023 has moderated the increase in electricity bills for eligible households. Electricity prices rose 5.7 per cent between the June quarter 2023 and the December quarter 2023. Excluding the Energy Bill Relief rebates, electricity prices would have increased 17.6 per cent over this period.

59. In addition, the Government has delivered the largest increase in Commonwealth Rental Assistance in 30 years. Through the year to the December quarter 2023, rents rose 7.3 per cent, and would have risen 8.9 per cent without this increase.

60. Global oil prices present a key risk to the near-term domestic inflation outlook, with recent volatility due to ongoing disruptions in the Red Sea. The possibility of a regional escalation of the Hamas-Israel conflict that would impact major oil exporting nations and further OPEC+ output cuts, in addition to earlier cuts, would put upward pressure on prices.

61. The rental market remains tight, with national vacancy rates staying at near-record lows. National advertised rental price growth remained elevated at over 8.5 per cent over the year to February 2024, easing slightly from its recent peak of 9.6 per cent in September 2022 (Corelogic, *Home Value Index, February 2024*). As new rental agreements are made

and existing contracts are renegotiated, overall rental costs as reflected in the Consumer Price Index are expected to remain elevated.

62. There is a high level of uncertainty in the inflation outlook. While goods inflation has declined quickly as supply shocks dissipate, this has occurred at a faster pace than the moderation in annual services inflation.

63. Inflation could ease more gradually than currently anticipated. Recent global events, such as the Red Sea shipping disruption and major weather events, demonstrate how domestic inflationary pressures can be affected by the global environment.

64. Over the past decade, productivity outcomes in most advanced economies, including Australia, have been weak. While this long-standing trend is not expected to continue and recent data has shown a tick up in productivity, price pressures may be more persistent if this trend continues.

65. Maintaining the relative standard of living of low-paid workers would be consistent with our current expectation around the timing of the return of inflation to target.

2.6 Small Business

66. Small businesses continue to demonstrate their importance to the economy in the face of a challenging economic environment. Small businesses make a substantial contribution to the economy, and they accounted for over $500 billion value added in 2021-22 (ABS, *Australian Industry, 2021-22*). In recent years, entry of new businesses into the economy was strong, increasing by 29.3 per cent in 2021-22 and remaining elevated in 2022-23 (ABS, *Counts of Australian Businesses Including Entries and Exits, 2022-23*).

67. Despite some moderation, recent producer price inflation, high energy costs and higher interest rates are still creating pressures for businesses and affecting business conditions and confidence. Small businesses also continue to face a challenging operating environment because of natural disasters and ongoing labour shortages, as well as the effects of these factors on business insurance availability and costs.

68. The Government continues to work hard to improve the operating environment for small businesses to reduce costs and support them to invest, grow and create new jobs.

69. The Government has acted to boost competition in key markets and ensure small businesses benefit from a level playing field. This includes the Mandatory Gas Code of Conduct to ensure that east coast gas users can contract for gas at reasonable prices and on reasonable terms, directing the Australian Competition and Consumer Commission (ACCC) to complete a 12-month inquiry into pricing and competition in the supermarket sector and appointing the Hon Dr Craig Emerson to lead a review of the Food and Grocery Code of Conduct. The Government is also improving payment times by committing more than $8 million to implement a range of initiatives that will deliver better outcomes for small businesses, as recommended in the independent Statutory Review of the *Payment Times Reporting Act 2020*.

70. The Government has also provided small businesses with practical, targeted support, including investing more than $60 million in small business cyber security and digital capabilities; the implementation of the Skills and Training Boost; improving cash flow for

eligible small businesses with the $20,000 instant asset write off (subject to the passage of legislation); and supporting small businesses in their energy transition with the Small Business Energy Incentive (subject to the passage of legislation).

71. Reflecting these actions, small and medium enterprises (SMEs) report that business conditions remain manageable, with the December 2023 National Australia Bank (NAB) Quarterly SME Survey showing conditions at +5 index points, around their average level.

72. Employment in small businesses continues to increase, with the most recent data suggesting small businesses employed 5.2 million people in 2021-22 (ABS, *Australian Industry, 2021-22*). There were approximately 2.5 million actively trading small businesses as at 2022-23, making up 97.3 per cent of all Australian businesses (ABS, *Counts of Australian Businesses Including Entries and Exits, 2022-23*).

73. Trends in wages demonstrate differences between small businesses and other businesses. Overall, hourly rates of pay are higher for larger businesses, which has been the case for several years.

- Annual wage decisions are particularly important to small businesses, because average non-managerial hourly pay rates in small businesses are lower than across all businesses. This reflects a range of factors, including industry sector and business location. In May 2023, average non-managerial hourly rates of pay in small businesses were $7.90 (or 18.0 per cent) lower than across all businesses (ABS, *Employee Earnings and Hours Survey, May 2023*).[1]
- The Government is helping more small businesses to reach agreements with their employees by removing complexity and providing bargaining support through its *Secure Jobs, Better Pay* reforms. Average small business hourly rates of pay for those on awards or individual arrangements are lower than across all businesses, while hourly rates of pay in small businesses are higher than across all businesses for those on collective agreements.

2.7 Interactions between wages and productivity

74. Over the long-term, real wages growth depends on a combination of productivity growth, a dynamic and competitive labour market and effective wage-setting institutions. As noted in the Employment White Paper, a system of minimum wages, bargaining and a culture of genuine workplace cooperation can support both higher productivity and higher wage growth for workers.

75. Over the last 30 years, growth in labour productivity accounted for around 70 per cent of growth in real gross national income (GNI) per person in Australia. However, productivity growth slowed over the past decade, which has been a contributing factor towards lower real wage growth.

76. Productivity has now increased for two consecutive quarters, rising by 1.0 per cent in the September quarter 2023 and 0.5 per cent in the December quarter 2023. While this is encouraging, quarterly movements can be volatile and it will take some time to turn around longstanding weakness.

[1] In this section, all rates of pay are cash earnings for non-managerial employees.

77. The Government is focussed on enabling sustainable real wages growth through the implementation of its five pillar productivity agenda. The agenda includes, creating a more dynamic and resilient economy, building a skilled and adaptable workforce, harnessing data and digital technology, delivering care more efficiently and investing in cheaper and cleaner energy and the net zero transformation. This agenda was also agreed with state and territories in 2023 through the Council of Federal Financial Relations (CFFR).

78. The Government has already made significant progress in delivering its productivity agenda – including modernising markets, reaching a National Skills Agreement with up to $12.6 billion in Commonwealth investment, investing around $43 billion in the net zero transformation, establishing a National Competition Review and abolishing nuisance tariffs.

3. Labour market developments

Key points

- The Australian labour market remains resilient, but there is evidence of softening in response to challenges in the global and domestic economy.
- The unemployment rate remains low by historical comparison, but is expected to rise slightly given the inevitable impact of higher interest rates, high but moderating inflation, and global uncertainty.
- Some of the adjustment in the labour market is occurring through hours worked, as employers reduce employee hours in response to a slowing in economic activity.
- Conditions have also softened for several key groups in the labour market, including youth and women, over the last year.

3.1 Broad labour market conditions

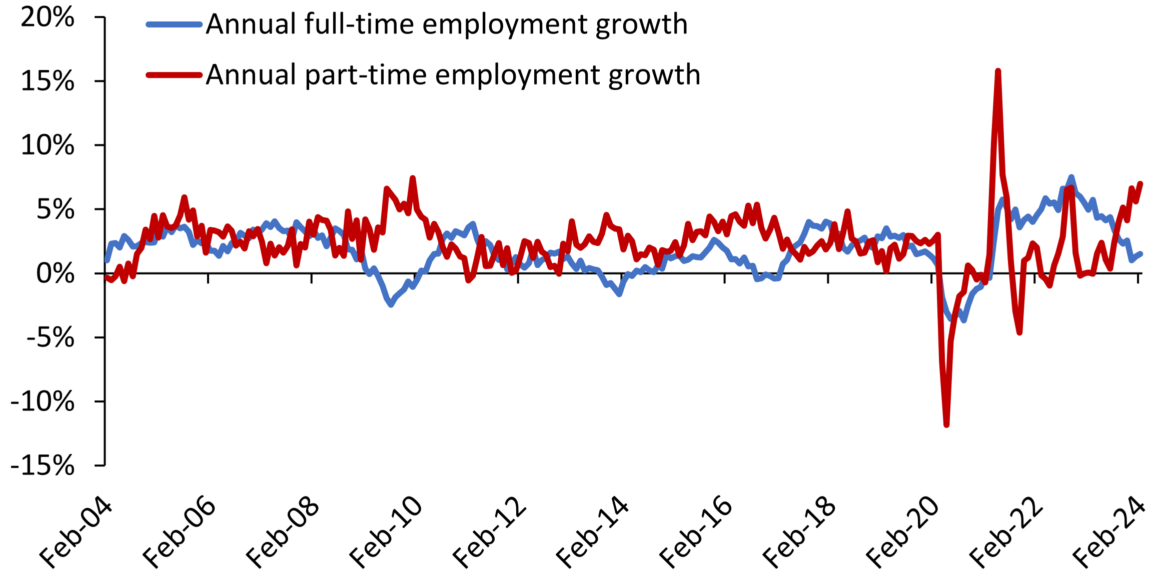
80. Subsections 284(1) and 134(1) of the *Fair Work Act 2009* state that the Panel, in reviewing and determining minimum and award wages, must establish and maintain a safety net of fair minimum wages, taking into account employment growth, and have regard to the likely impact of an exercise of modern award powers on employment growth. This chapter outlines the most recent labour market developments.

81. Despite slowing economic activity, the Australian labour market remained resilient. Employment increased by 437,100 (or 3.2 per cent) over the year to February 2024 to 14,269,600 (ABS, *Labour Force, February 2024*).

82. Annual *full-time* employment growth slowed, with employment increasing by just 147,000 (or 1.5 per cent) to 9,824,900 over the year to February 2024 (see Chart 3.1). In trend terms, full-time employment growth is moderating from a high of 36,000 jobs in the month of March 2023 to 13,000 jobs in the month of February 2024.

83. By contrast, part-time employment increased significantly over the year to February 2024, rising by 290,100 (or 7.0 per cent) to a record high of 4,444,700. *Trend* part-time employment growth also accelerated, from a contraction of 2,700 jobs in the month of October 2022, to growth of 13,700 jobs in the month of February 2024.

Chart 3.1: Annual full-time and part-time employment growth, February 2004 to February 2024



Source: ABS, *Labour Force, February 2024,* seasonally adjusted data.

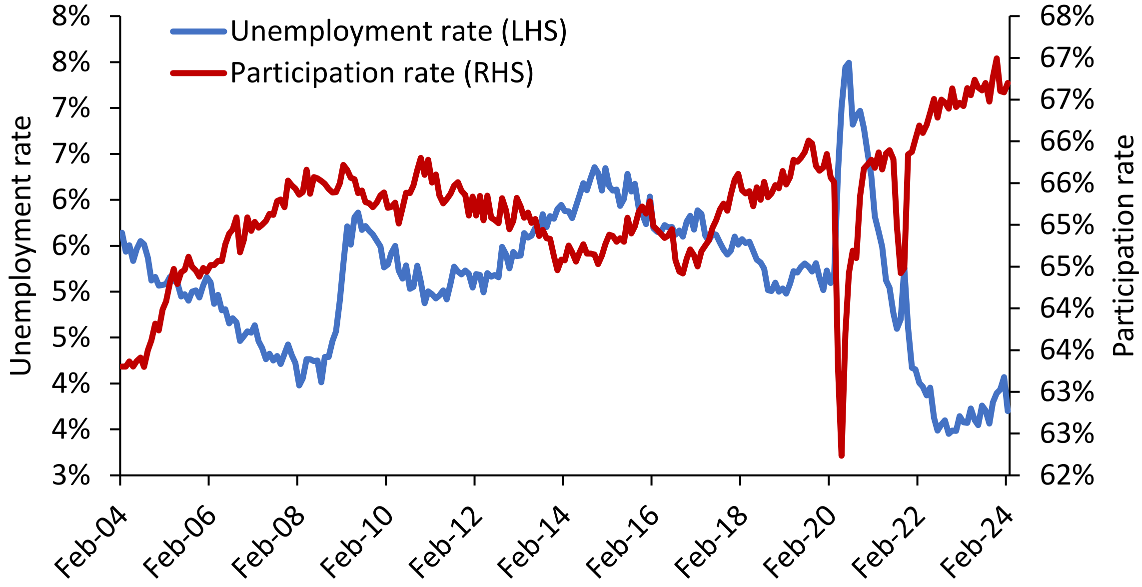
84. Reflecting the softening in the labour market, aggregate hours worked decreased from the recent peak in mid-2023 and employment growth slowed.

85. The decline in aggregate hours worked is not surprising given that businesses often reduce employee hours, rather than laying off workers in their initial response to a slowdown in economic activity. Employers are also more likely to hoard employees when labour market conditions are still relatively tight and the outlook for economic activity is uncertain.

86. Consistent with the shift towards part-time employment, the underemployment rate rose from 5.9 per cent in February 2023 to 6.6 per cent in February 2024. The number of people who were underemployed increased over the year, rising by 128,900 (or 15.2 per cent) to 974,500 in February 2024 (ABS, *Labour Force, February 2024*). This further suggests an increase in spare capacity in the labour market.

87. The unemployment rate is near the 50 year low of 3.5 per cent it reached towards the end of 2022. The unemployment rate also remains well below the pre-pandemic average of 5.5 per cent (see Chart 3.2).

Chart 3.2: Unemployment rate and participation rate, February 2004 to February 2024



Source: ABS, *Labour Force*, *February 2024*, seasonally adjusted data.

3.2 Key groups in the labour market

88. Several groups, including the long-term unemployed and youth, possess characteristics that may predispose them to labour market disadvantage – for example, they may have spent considerable time out of the workforce or have low levels of skills or experience. These cohorts are also more likely to seek employment in low-paid jobs and are therefore likely to be more adversely affected by any labour market downturn and economic uncertainty.

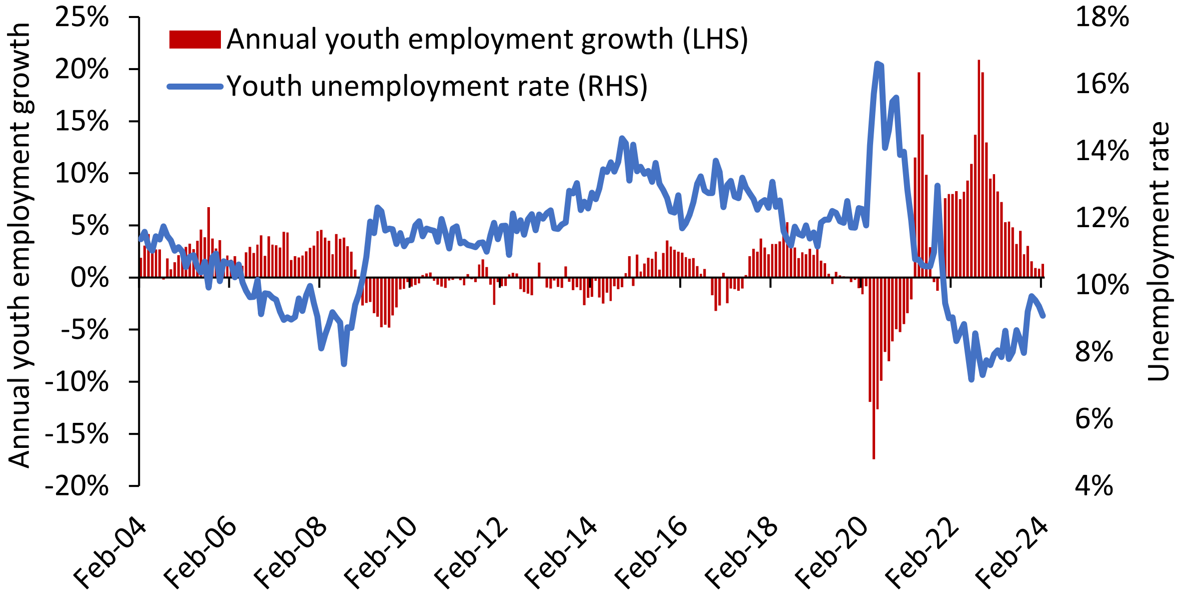
3.2.1 Youth

89. As noted in the Employment White Paper, people aged 15 to 24 years represent a significant share of the population that have persistently higher levels of unemployment than other age cohorts.

90. The youth (persons aged 15-24 years) labour market has softened over the last year. Employment for the cohort increased by 28,700 (or 1.3 per cent) to 2,189,000 in February 2024 (ABS, *Labour Force, February 2024*) (see Chart 3.3).

91. The youth unemployment rate increased over the year, rising by 1.0 percentage points to 9.1 per cent in February 2024 but remained low by historical standards. This is above the overall unemployment rate of 3.7 per cent for the same period.

Chart 3.3: Annual employment growth and unemployment rate for youth, February 2004 to February 2024



Source: ABS, *Labour Force*, *February 2024*, seasonally adjusted data.

92. The rise in the unemployment rate for young people also occurred in conjunction with a 1.4 percentage point fall in the youth participation rate, to 70.3 per cent in February 2024.

93. Moreover, the number of youth who were *underemployed* increased by 37,900 (or 11.5 per cent) over the year, reaching 367,400 in February 2024. Over the same period, the youth underemployment rate rose by 1.2 percentage points to 15.2 per cent.

94. While most youth are either engaged in some form of work or study, a key concern is the number of young people who are 'disengaged'. There were 317,200 (or 9.4 per cent of the youth population) not in work and not attending full-time education in February 2024, compared with 293,900 (or 9.2 per cent of the youth population)[2] a year ago (ABS, *Labour Force, February 2024*, 12-month average of original data). While a proportion of this group may, for various reasons, be voluntarily outside the labour market, many are at risk of failing to make a successful transition to employment.

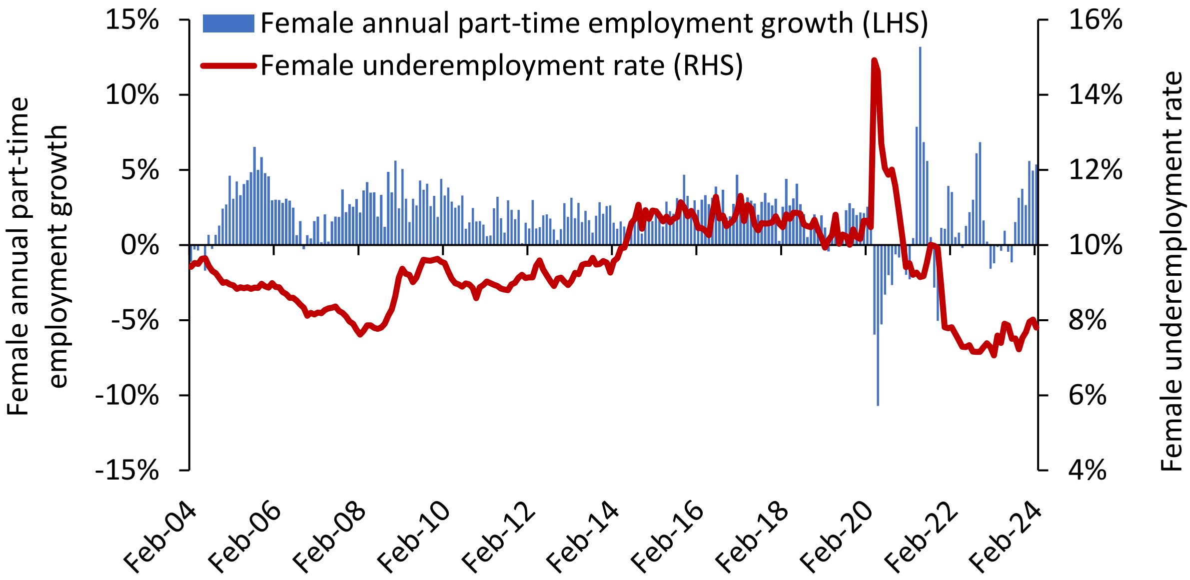
3.2.2 Women

95. Labour market conditions for women remained resilient, despite some softening, over the last year. Over the year to February 2024, female employment rose by 243,400 (or 3.7 per cent), to 6,836,200. Part-time employment accounted for the majority (61.8 per cent) of the increase (ABS, *Labour Force, February 2024*).

96. The number of women who were underemployed rose by 71,300 (or 14.8 per cent) to 553,300 in February 2024. As a result, the underemployment rate for women rose from 7.1 per cent in February 2023 to 7.8 per cent in February 2024 (see chart 3.4). This is well above the underemployment rate of 5.5 per cent for men in February 2024.

[2] While the number of disengaged youth has risen over the year, this has coincided with a significant increase in the youth population over the same period – resulting in a fall in the proportion of youth who were disengaged.

Chart 3.4: Annual part-time employment growth and underemployment rate for women, February 2004 to February 2024

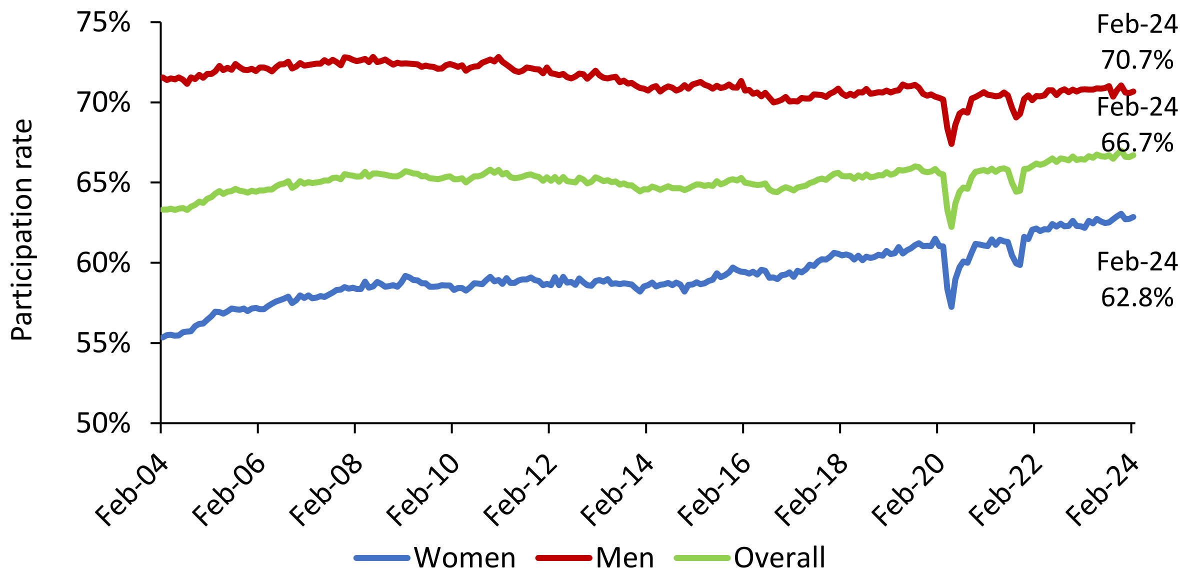


Source: ABS, *Labour Force*, *February 2024*, seasonally adjusted data.

97. Reflecting the easing of labour market conditions, the unemployment rate for women increased from 3.4 per cent in February 2023 to 3.6 per cent in February 2024. The unemployment rate for men also increased, from 3.7 per cent in February 2023 to 3.8 per cent in February 2024.

98. The rise in the female unemployment rate over the year occurred in conjunction with an increase in the participation rate for women, from 62.2 per cent in February 2023 to 62.8 per cent in February 2024. As discussed in the Employment White Paper, women's participation remains well below men's (70.7 per cent in February 2024). This is despite the gap between men and women's labour force participation steadily declining and the participation rate for women being near its historic high (see Chart 3.5).

Chart 3.5: Participation rates by gender, February 2004 to February 2024



Source: ABS, *Labour Force*, *February 2024*, seasonally adjusted data.

3.2.3 Long-term unemployed

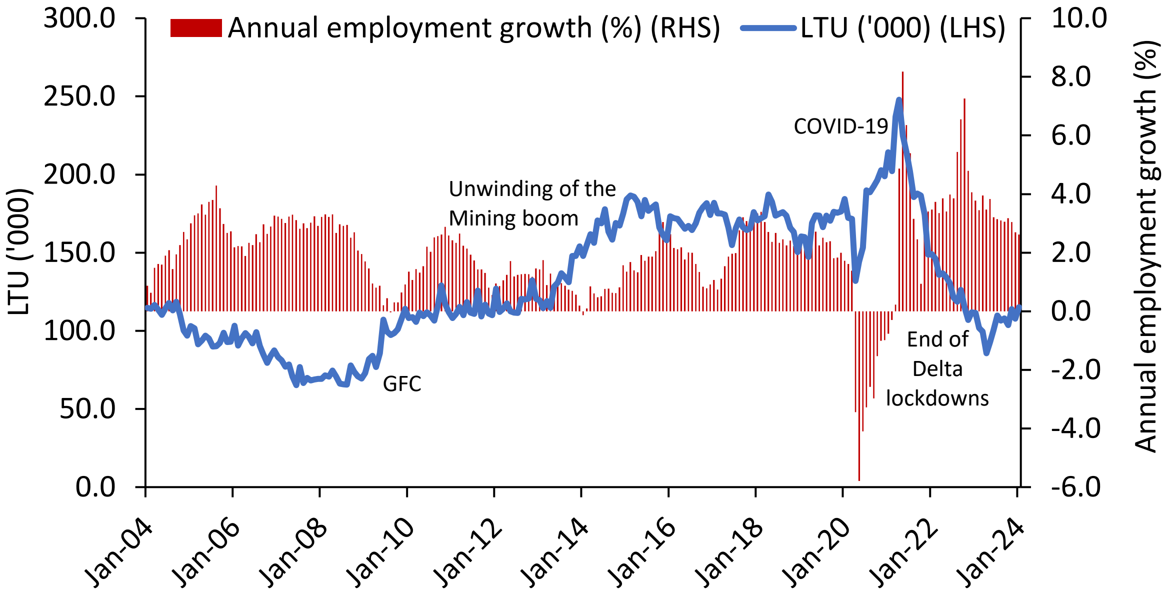
99. A person is classified as long-term unemployed if they have been unemployed for 52 weeks or longer and as *very* long-term unemployed if they have been unemployed for 104 weeks or longer.

100. Long-term unemployment rose by 3,700 (or 3.3 per cent) over the year to 115,200 in January 2024 (latest available data). Over the same period, very long-term unemployment decreased by 100 (or 0.1 per cent) to 67,200 in January 2024 (ABS *Labour Force, Detailed, January 2024*) (see Chart 3.6).

101. While seasonally adjusted long-term unemployment can be volatile from month-to-month, it increased by 29,500 (or 34.5 per cent) from the recent low of 85,600 in April 2023.

102. Moreover, long-term unemployment, in trend terms, gradually rose over the last eight months by a total of 9,200. Short-term unemployment (persons unemployed for less than 52 weeks), in trend terms, has risen by 94,600, from the recent low of 375,900 in August 2022.

Chart 3.6 Long-term unemployment (LTU) and annual employment growth, January 2004 to January 2024



Sources: Annual employment growth rates are from ABS, *Labour Force*, *February 2024*, seasonally adjusted data. Long-term unemployment levels are from ABS, *Labour Force, Detailed, January 2024*, seasonally adjusted data.

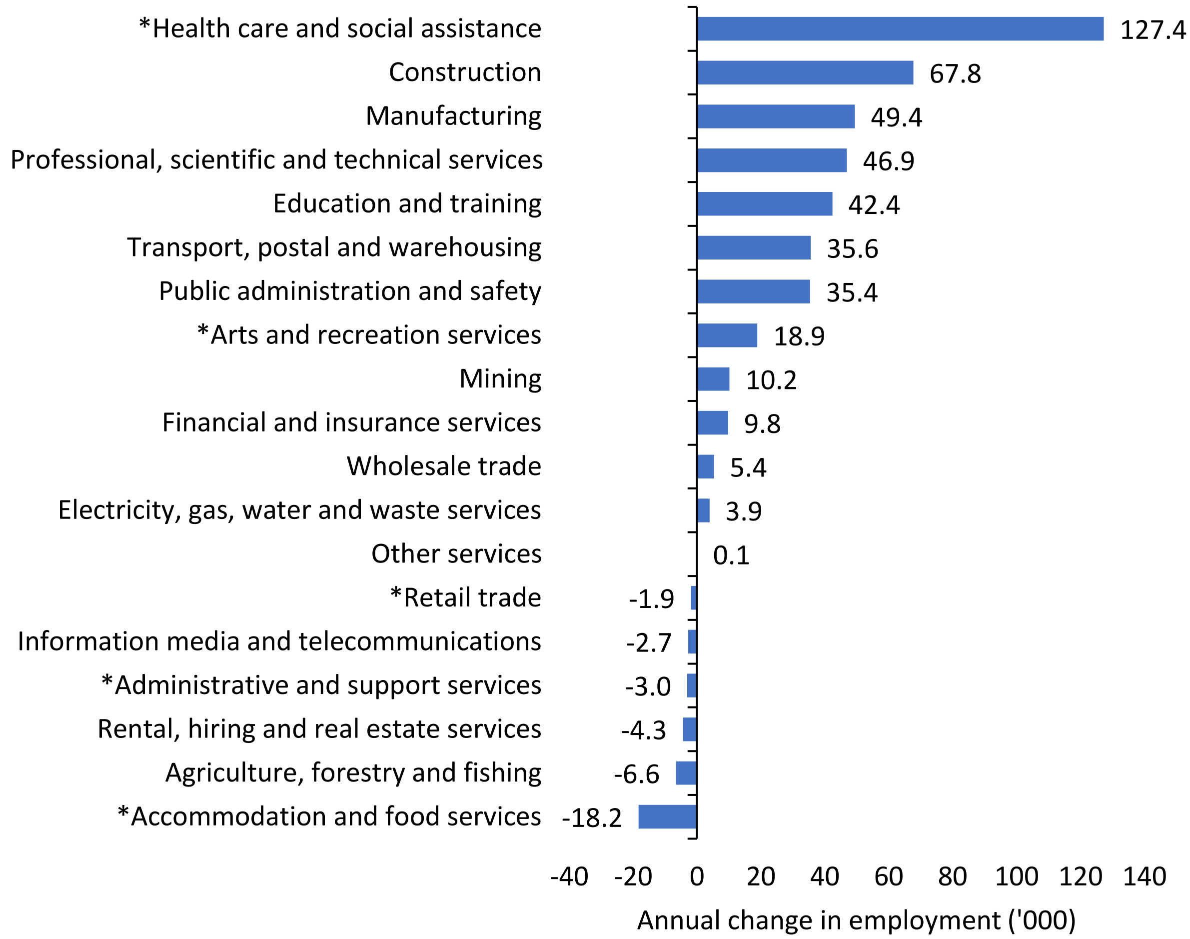
103. As noted in the Employment White Paper, long term unemployment has declined from its recent peak due to very strong employment growth over the last couple of years. Easing of employment growth over coming months could result in greater inflows from short-term unemployment into the long-term unemployment pool in the coming year. Similarly, it will be more difficult to achieve sizeable exits from long-term unemployment if labour market conditions soften. This is likely to place upward pressure on both long-term unemployment and very long-term unemployment, going forward.

3.3 Employment by industry and skill level

3.3.1 Employment by industry

104. Employment increased in 12 of the 19 broad industry divisions over the year to November 2023 (ABS, *Labour Force, Detailed, November 2023*, data trended by Jobs and Skills Australia (JSA) – latest available data) (see Chart 3.7).

Chart 3.7: Annual employment change by industry, November 2023



Source: ABS, *Labour Force, Detailed*, *November 2023*, data trended by JSA.

*Denotes the 5 most award-reliant industries.

105. Over the year to November 2023, employment rose in two of the five most award-reliant industries, Health care and social assistance and Arts and recreation services. Employment fell in the three remaining industries, Accommodation and food services, Administrative and support services and Retail trade (see Table 3.1).

106. Female workers accounted for the majority of employment in four of the five most award-reliant industries, Health care and social assistance, Retail trade, Accommodation and food services, and Administrative and support services (see Table 3.1).

Table 3.1: Employment, annual employment change, and female employment shares by industry (ordered by largest annual employment change)

Industry	Employment Nov-23	Employment change Nov-22 to Nov-23		Female employment share Nov-23
	(no.)	(no.)	(%)	(%)
Health care and social assistance	2,210,900	127,400	6.1	76
Construction	1,347,500	67,800	5.3	13
Manufacturing	924,800	49,400	5.6	28
Professional, scientific and technical services	1,328,800	46,900	3.7	43
Education and training	1,191,100	42,400	3.7	72
Transport, postal and warehousing	741,400	35,600	5.0	23
Public administration and safety	924,800	35,400	4.0	51
Arts and recreation services	270,800	18,900	7.5	47
Mining	299,800	10,200	3.5	21
Financial and insurance services	561,100	9,800	1.8	48
Wholesale trade	375,800	5,400	1.4	33
Electricity, gas, water and waste services	165,300	3,900	2.4	26
Other services	532,200	100	0.0	43
Retail trade	1,334,800	-1,900	-0.1	54
Information media and telecommunications	187,300	-2,700	-1.4	39
Administrative and support services	421,000	-3,000	-0.7	52
Rental, hiring and real estate services	214,700	-4,300	-2.0	48
Agriculture, forestry and fishing	302,500	-6,600	-2.1	33
Accommodation and food services	918,200	-18,200	-1.9	54
All industries total	**14,286,900**	**445,500**	**3.2**	**48**

Employment and employment change data source: ABS, *Labour Force, Detailed*, *November 2023*. Industry data are trended by JSA. All industries data are trended by the ABS. JSA and ABS trending methodologies differ, and industry data do not sum to total employment figures.
Female employment share data source: ABS, *Labour Force, Detailed, November 2023*, 4-Quarter Average.
Note: Bold italics signify the five most award-reliant industries.

3.3.2 Employment by skill level

107. Workers employed in occupations that require lower-level skills are more likely to be on the minimum wage or be award-reliant than higher-skilled workers.

108. The largest employment increase over the year to November 2023 (latest available data) was recorded in Skill Level 1 occupations (up by 181,100 or 3.8 per cent), followed by Skill Level 4 occupations (up by 141,300 or 4.3 per cent) (see Table 3.2) (ABS, *Labour Force, Detailed, November 2023*, data trended by JSA).

109. Skill Level 5 occupations, the lowest skilled occupations, recorded the smallest increase in employment over the year to November 2023 (up by 25,200 or 1.3 per cent). This largely reflects Australia's ongoing transition towards a higher skilled, services-based economy.

Table 3.9: Employment growth by occupation skill level

Occupation Skill Level	Employment November 2023	Employment change November 2022 to November 2023		10-year employment change	
	(no.)	(no.)	(%)	(no.)	(%)
Skill level 1 (highest)	4,954,300	181,100	3.8	1,472,900	42.3
Skill level 2	1,733,500	28,300	1.7	302,700	21.2
Skill level 3	2,119,900	69,000	3.4	253,200	13.6
Skill level 4	3,445,400	141,300	4.3	659,200	23.7
Skill level 5 (lowest)	2,022,400	25,200	1.3	119,000	6.3

Source: ABS, *Labour Force, Detailed*, *November 2023*, data trended by JSA.
Note: Skill Level 1 is commensurate with a Bachelor degree or higher qualification; Skill Level 2 is commensurate with an Advanced Diploma or Diploma; Skill Level 3 is commensurate with a Certificate IV or III (including at least 2 years on-the-job training); Skill Level 4 is commensurate with a Certificate II or III; Skill Level 5 is commensurate with a Certificate I or secondary education.

4. Minimum wage and award wage employees

Key points

- Latest ABS data shows that 2.9 million employees had their pay set by an award (23.2 per cent of all employees) (ABS, *Employee Earnings and Hours, May 2023*).
- Award-reliant workers, many of whom are low paid, are more likely to be women, young, and employed casually (ABS, *Employee Earnings and Hours, May 2023*).
- While inflation is moderating and real wages have returned to growth, the real value of award wages has been eroded in recent years primarily due to the global inflationary environment.
- This has had a disproportionate impact on low-paid workers as they allocate a larger share of spending on non-discretionary goods and services and have much smaller saving buffers. Low-paid workers are less able to deal with unexpected financial shocks and experience greater financial hardship.

4.1 Minimum wage and award wage employees

110. There are up to 2.9 million employees across Australia who have their pay set by an award (ABS, *Employee Earnings and Hours, May 2023*). There are around 2,000 adult award rates of pay across hundreds of classifications. These rates of pay vary widely, from the current NMW rate ($45,905.60 per year) up to $210,690 per year (*Air Pilots Award 2020*). The NMW rate of $882.80 per week is equivalent to the lowest pay rate of 23 of the 121 modern awards.[3]

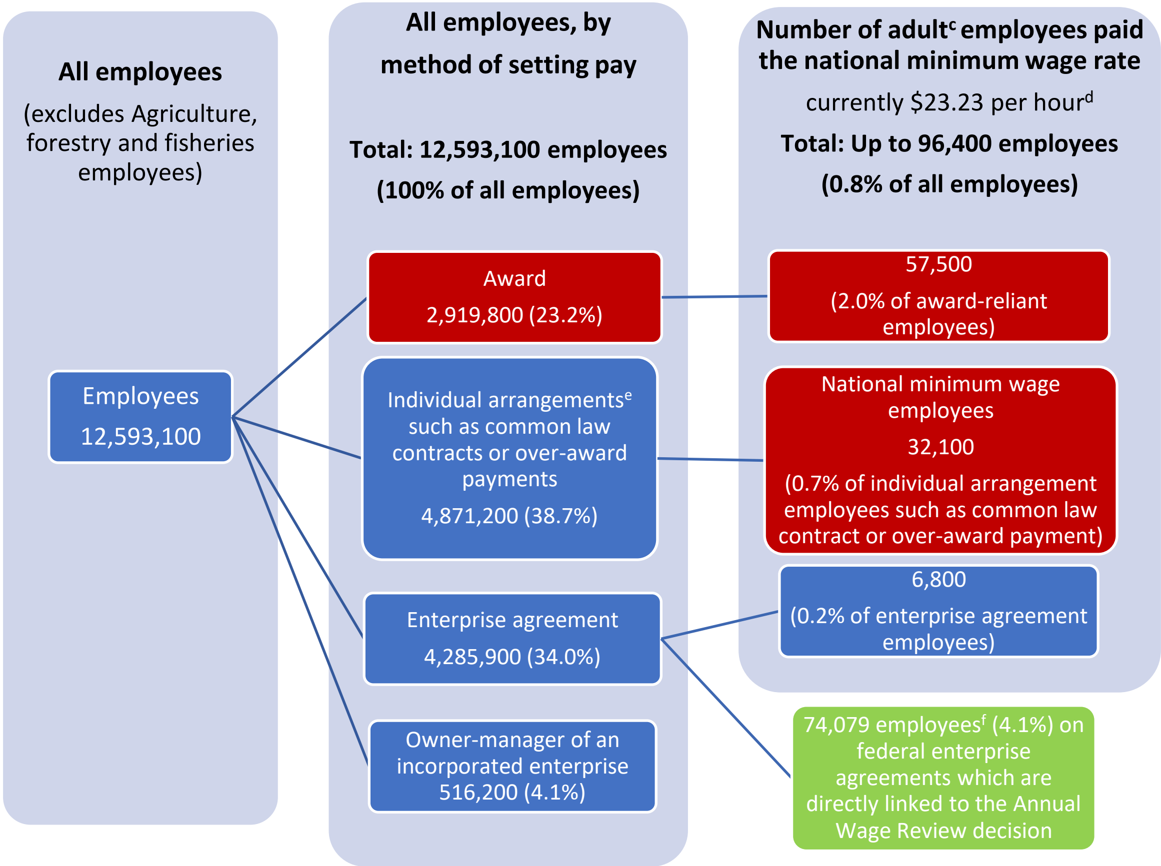
111. Using the latest Australian Bureau of Statistics (ABS) data, the Government estimates that around 96,400 employees in Australia (or 0.8 per cent) are paid the NMW rate (currently $23.23 per hour) (ABS, *Employee Earnings and Hours, May 2023*).[4]

112. Chart 4.1 shows the number of employees directly affected by the Panel's decision: employees paid the NMW rate, those whose pay is set by a modern award and those workers whose pay is set by collective agreements that are linked to the Annual Wage Review and designed to maintain wage relativities.

[3] It excludes the wage rates for introductory, induction, training rates and apprenticeship wage rates.

[4] These include those employees on awards, covered by enterprise agreements and NMW employees. NMW employees are classified as employees who are paid the adult rate, are non-managerial, and with average ordinary time earnings of up to $21.50 per hour.

Chart 4.1: Number of employees by method of setting pay, May 2023[a, b]



Sources: ABS, *Employee Earnings and Hours, May 2023,* published and unpublished data (including Government calculations); Department of Employment and Workplace Relations, Workplace Agreements Database, September 2023.
Notes: (a) All numbers are for May 2023, except for the number of employees on agreements linked to the Annual Wage Review decision (in green), which is for the September quarter 2023. (b) The Fair Work Commission sets award classification wages and the NMW. These workers are coloured red in the chart. (c) This excludes workers paid junior, apprentice and disability rates of pay. (d) The NMW rate in May 2023 was $21.38 per hour. Employees paid at or below $21.50 per hour in May 2023 (a rounded hourly rate of the NMW in May 2023) are considered to be paid the NMW rate. (e) The ABS classifies employees in the individual arrangement category if they have their pay set by an individual common law contract or arrangement, whether or not written, including where employees receive over-award payments. (f) These data are derived from the Workplace Agreements Database. It includes the number of employees covered by agreements current as at 30 September 2023 with a clause that states that the entirety of the Annual Wage Review decision will be applied in full and automatically to wages. These workers may also be earning the NMW rate and thus also covered in the boxes above.

4.2 Modern award-reliant employees

113. In May 2021, there were around 2.3 million employees covered by a specific modern award, out of a total 2.9 million award-reliant employees (ABS, *Employee Earnings and Hours, May 2021*). The top 20 awards – by number of employees – are presented in Table 4.1.

114. Almost two-thirds of all modern award employees are captured in the largest 10 modern awards, which increases to over 80 per cent when expanded to the largest 20 modern awards. In other words, the vast majority of award-reliant employees are employed under a small proportion (less than 17 per cent) of the 121 modern awards.

Table 4.1: Largest 20 modern awards, by industry, May 2021

Modern award	Number of employees	**Largest industry** Number of employees (proportion of employees under this award)
General Retail Industry	260,100	Retail trade 193,900 (74.5%)
Social, Community, Home Care and Disability Services Industry	248,700	Health care and social assistance 167,500 (67.3%)
Hospitality Industry (General)	225,900	Accommodation and food services 166,200 (73.6%)
Fast Food Industry	187,200	Accommodation and food services 167,300 (89.3%)
Restaurant Industry	129,200	Accommodation and food services 117,400 (90.9%)
Children's Services	112,900	Health care and social assistance 95,600 (84.7%)
Clerks – Private Sector	91,500	Administration and support services 26,100 (28.5%)
Health Professionals and Support Services	91,000	Health care and social assistance 65,700 (72.2%)
Vehicle Repair, Services and Retail Award	82,500	Retail trade 46,900 (56.9%)
Cleaning Services	75,300	Administration and support services 65,200 (86.6%)
Building and Construction General On-site	75,000	Construction 49,500 (66.0%)
Manufacturing and Associated Industries and Occupations	55,300	Manufacturing 27,300 (49.3%)
Hair and Beauty Industry	50,000	Other services 49,700 (99.4%)
Food, Beverage and Tobacco Manufacturing	44,400	Manufacturing 27,700 (62.4%)
Storage Services and Wholesale	43,200	Retail trade 15,900 (36.9%)
Pharmacy Industry	38,300	Retail trade 24,800 (64.8%)
Fitness Industry	33,900	Arts and recreation 13,500 (39.9%)
Registered and Licensed Clubs	31,500	Accommodation and food services 25,600 (81.2%)
Meat Industry	29,800	Retail trade 18,000 (60.5%)
Road Transport and Distribution	27,500	Transport, postal and warehousing 20,400 (74.2%)

Source: ABS, *Employee Earnings and Hours, May 2021*, unpublished Datalab.
Note: Employees under the same award may work in different industries due to the different classifications and structures within the award.

115. Some awards fall primarily within one or two industries. For example, nearly 75 per cent of workers under the General Retail Industry award work in the Retail trade industry. More than 67 per cent of workers under the Social, Community, Home Care and Disability Services Industry award work in the Health care and social assistance industry.

116. Other awards, for example the Clerks – Private Sector Award, are spread across a wide range of industries, with less than 29 per cent employed in the Administration and support services industry.

117. Examining the largest 20 awards, award-reliant employees are more likely to be:

- Women (61.3 per cent);
- Working part time (68.0 per cent);
- Young (58.8 per cent aged under 35 years); and
- Employed on a casual basis (52.3 per cent).

5. Relative living standards

Key points

- The national minimum wage bite (the ratio between the NMW and median full-time earnings) was 55.2 per cent in 2023, compared with 61.9 per cent in 1997, when the series began (ABS, *Characteristics of Employment, August 2023*; ABS, *Weekly Earnings of Employees (Distribution), 1997*).
- The NMW increased in real terms in 2023. However, the increase was small because of high inflation.
- Real growth in the NMW was weaker than growth in median earnings over the last decade.

5.1 The minimum wage bite

118. Subsections 134(1) and 284(1) of the *Fair Work Act 2009* state that the Panel, in reviewing and determining minimum and award wages, must have regard to the relative living standards and needs of the low paid. In general, a national minimum wage reduces inequality within a country. Setting a minimum wage, and subsequently increasing it, lifts the earnings of employees who are paid the least in an economy, reducing the difference in earnings overall.

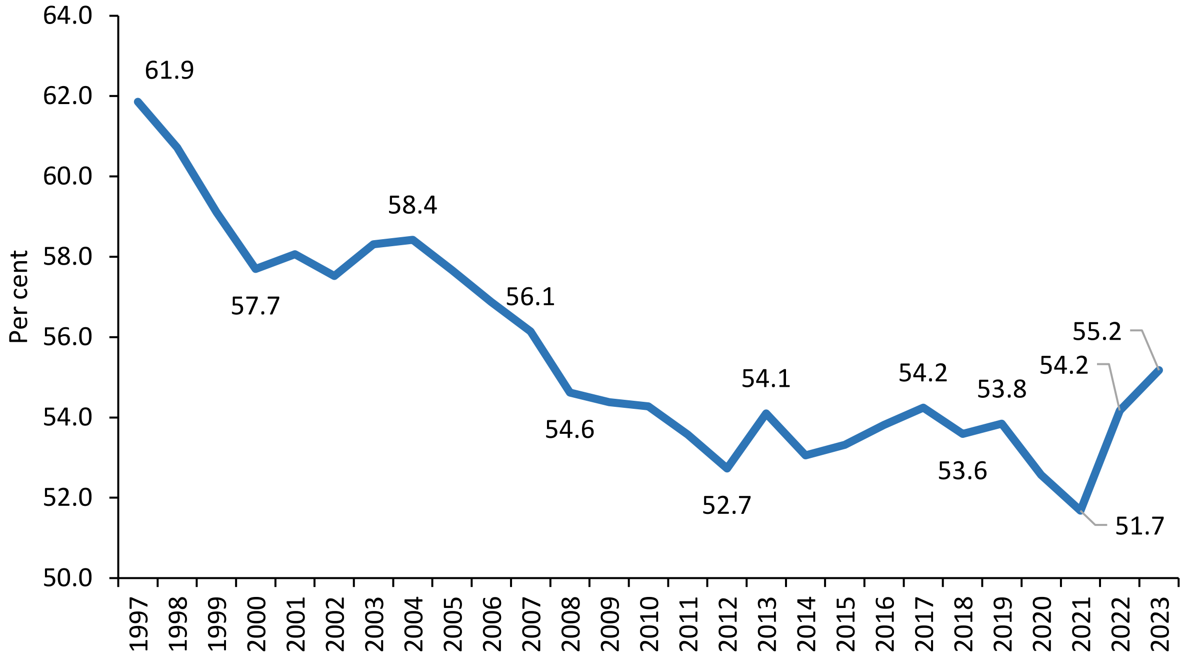
119. Reduced levels of inequality are associated with wide economic and social benefits, including greater social cohesion, stability and stronger economic growth. Conversely, greater inequality increases ill health and lowers educational performance among the poorest, resulting in higher health spending and reduced opportunities among the poorest.

120. The minimum wage bite is the ratio between the NMW rate and median full-time earnings. A ratio close to 100 suggests that the relative living standards between those on the NMW and the typical wage earner are similar.

121. The minimum wage bite was 61.9 per cent when the NMW was introduced in 1997, although it declined to 57.7 per cent by 2000 (ABS, *Characteristics of Employment, August 2023*; ABS, *Weekly Earnings of Employees (Distribution), 1997*). Between 2004 and 2008, the minimum wage bite decreased from 58.4 per cent to 54.6 per cent, in large part due to strong increases in median earnings.

122. While the minimum wage bite remains relatively weak compared to levels seen in the late 1990s and early mid-2000s, it improved over the last two years. From an all-time low of 51.7 per cent in 2021 the minimum wage bite rose to 55.2 per cent in 2023 (see Chart 5.1). The increase in the minimum wage bite was driven by the substantial increases in minimum wages over the last two years, 14.3 per cent compared to a 7.0 per cent increase in median earnings.

Chart 5.1: National Minimum Wage as a share of median wage (minimum wage bite), 1997 to 2023

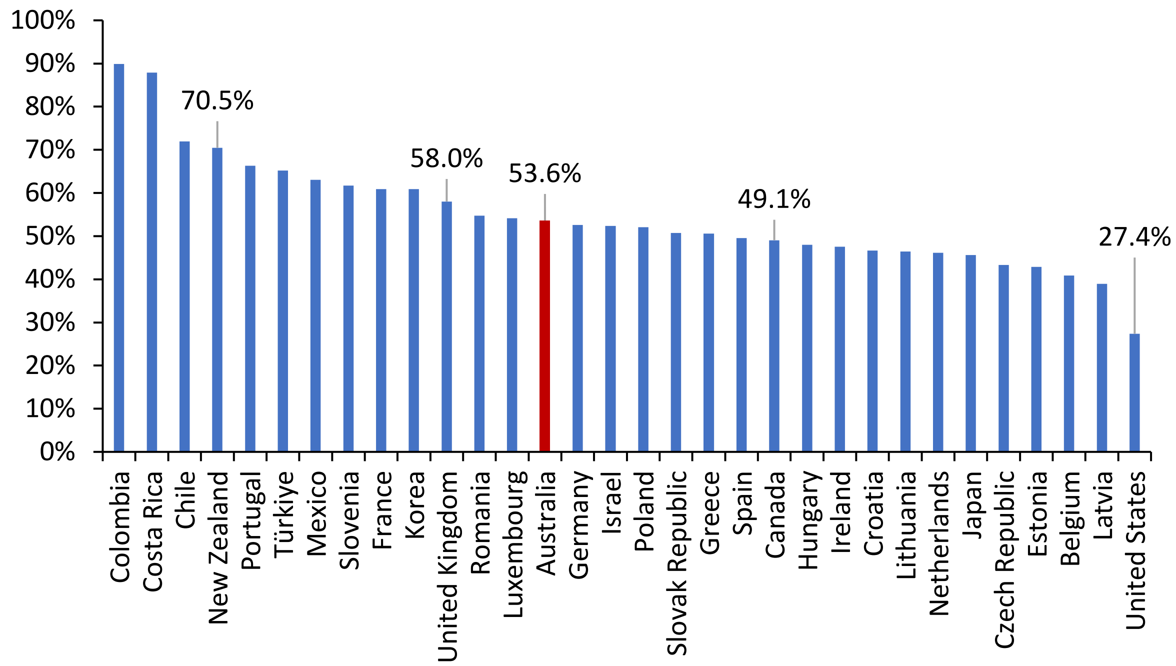


Sources: Minimum wage – from 2006: Australian Fair Pay Commission/Fair Work Australia/Fair Work Commission decisions on National Minimum Wage; prior to 2006: Australian Industrial Relations Commission decisions on Federal minimum wage based on the Metal, Engineering and Associated Industries Award (1998). Median wage - from 2004 onwards: ABS, *Characteristics of Employment;* from 1998-2003: ABS, *Employee Earnings, Benefits and Trade Union Membership* (EEBTUM); for 1997: ABS, *Weekly Earnings of Employees (Distribution), Australia*.

Notes: The 51.7 per cent recorded in 2021 was significantly affected by the impact of COVID-19 lockdowns on the income distribution. The NMW is taken from 1 July each year. Median earnings are taken from August each year.

123. Comparisons of the minimum wage bite across countries should be treated with caution, as they do not account for differences in institutional and workplace relations settings and in social welfare and taxation systems. As of 2022 (latest available OECD comparison), Australia's minimum wage bite ranks 14th of the 32 OECD countries for which data are available (see Chart 5.3). This is down from the 10th in 2010 but up from 16th in 2021. Other advanced economies, such as New Zealand and the United Kingdom, recorded a minimum wage bite of 70.5 per cent and 58.0 per cent, respectively, in 2022 (OECD 2023).

Chart 5.3: Minimum wage bite, OECD economies, 2022

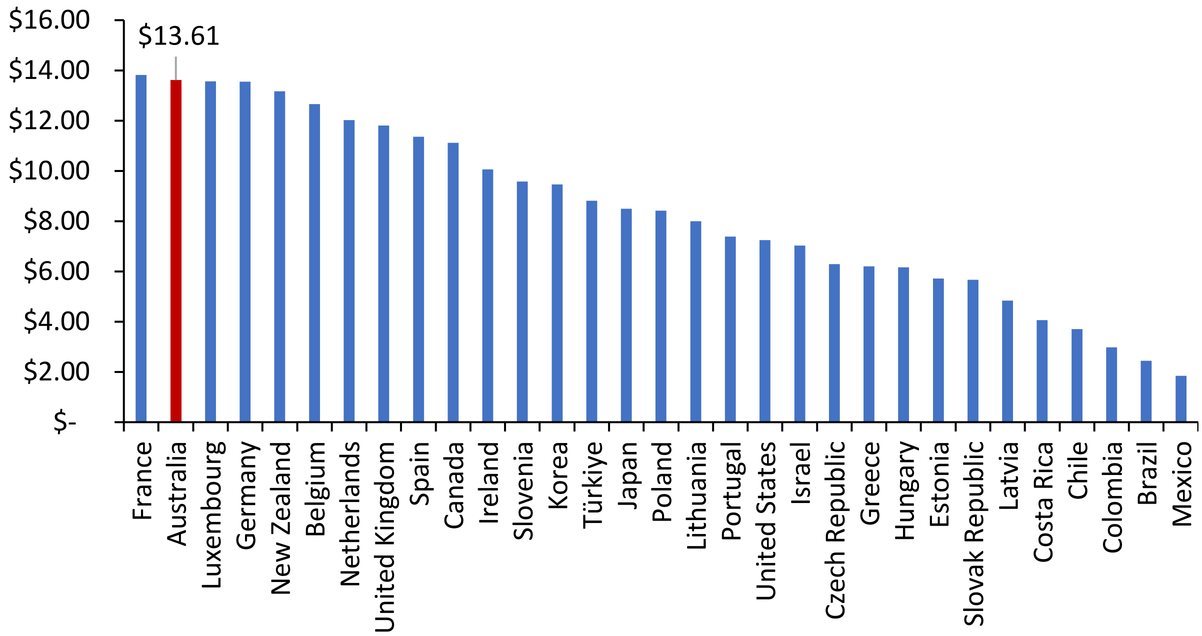


Source: *OECD Stat Extracts*, stats.oecd.org, extracted November 2023.

Note: Data on the minimum wage bite are only available for 32 out of 38 OECD countries.

124. Across OECD countries, Australia's minimum wage is the second highest (in terms of purchasing power) of 31 countries for which data are available (OECD 2023) (see Chart 5.4).

Chart 5.4: Real hourly minimum wages ($US purchasing power parity), OECD economies, 2022



Source: *OECD Stat Extracts*, stats.oecd.org, extracted November 2023.

Note: Data on the minimum wage bite are only available for 31 out of 38 OECD countries.

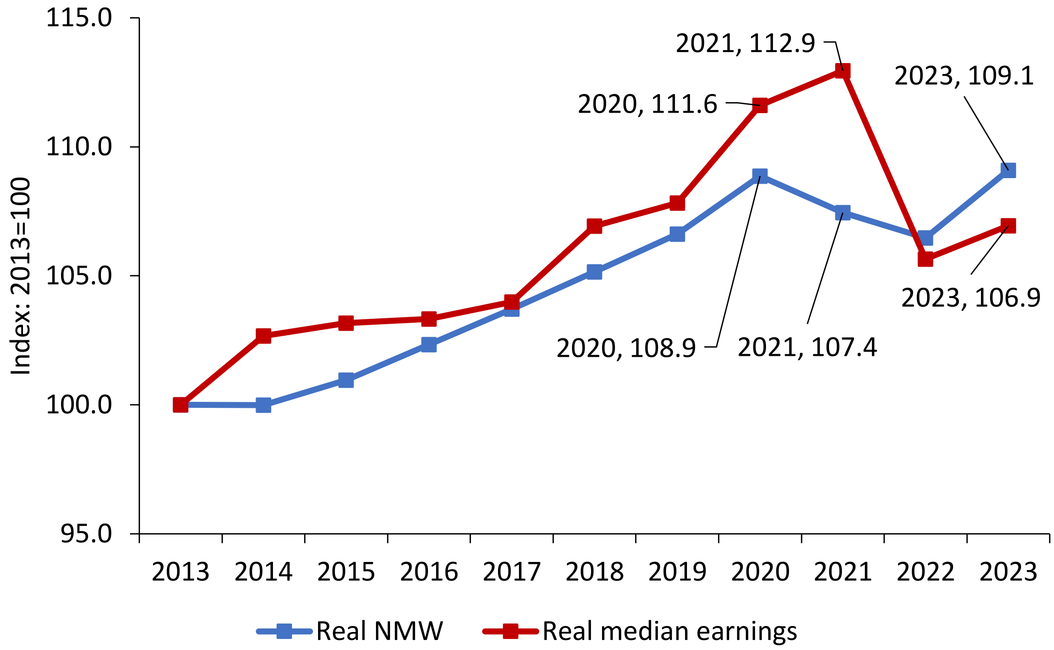
5.2 Recent developments in national minimum wage and median earnings

125. The NMW increased in real terms by 2.6 per cent in 2023, the first real increase since 2020. This increase was significantly higher than the average annualised real increase of 0.9 per cent over the ten years to 1 July 2023 (Fair Work Commission decisions on the National Minimum Wage; ABS, *Consumer Price Index, December 2023*).

126. The real wage increase reflected the Panel's 2022-23 decision to increase the NMW by 8.6 per cent, comprising of a 5.75 per cent rise to the NMW and a 2.7 per cent increase to realign the NMW to the C13 wage rate. This more than offset relatively high inflation – 6.0 per cent over the year to June 2023.

127. Growth in the real NMW has been weaker than growth in real median earnings over the eight years to 2021 (July 2021 for the NMW and August 2021 for median earnings). Real median earnings fell over the year to August 2022 by 7.3 per cent, largely due to global inflationary pressures, and then recovered by 1.3 per cent over the year to August 2023 (see Chart 5.5).

Chart 5.5: Real increases in the National Minimum Wage and median earnings, 2013 to 2023



Sources: Minimum wage – Fair Work Commission decisions on National Minimum Wage; Median earnings - ABS *Characteristics of Employment, August 2023;* Inflation - ABS *Consumer Price Index, December 2023*.
Notes: Real NMW deflated using CPI for the June quarters and median earnings deflated by the September quarters. The NMW is taken from 1 July each year. Median earnings are taken from August each year.

5.3 Cost-of-living pressures and low-paid workers

128. Subsections 134(1) and 284(1) of the *Fair Work Act 2009* state that the Panel, in reviewing and determining minimum and award wages, must have regard to the relative living standards and the needs of the low paid.

129. While inflation is moderating, and the Government's policies are supporting workers through this challenging economic period, households continue to face cost-of-living pressures. As previously noted, real median earnings fell 7.3 per cent over the year to August 2022 before recovering slightly by 1.3 per cent over the year to August 2023 (ABS, *Consumer Price Index, December 2023*; ABS, *Characteristics of Employment, August 2023*). The fall in real median earnings has the greatest impact on Australia's low-paid workers and their families. This is because many low paid workers do not have savings to draw on to cover the rise in living costs and, as a result, generally experience greater financial hardship.

130. Analysis by the Government using the Household, Income and Labour Dynamics in Australia (HILDA) survey shows that in 2022 low paid workers were more likely to be women, young, and casually employed. Low paid workers are also more likely to be employed in the Accommodation and food services, Retail trade or Health care and social assistance industries.

131. Low-income households tend to allocate a larger share of spending to non-discretionary goods such as food and rent (Beech et al. 2014).

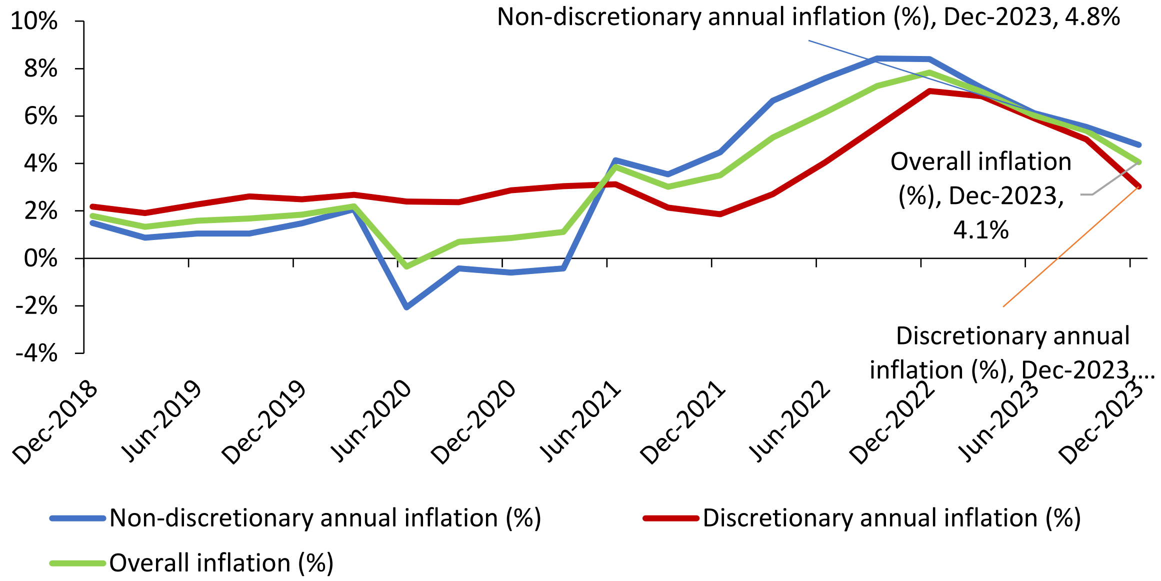
132. Low-paid workers have a higher average propensity to consume out of income than middle- and high-income earners (Fisher et al. 2016).[5] This means costs-of-living pressures, particularly for essential goods and services, will affect low-paid workers more than middle- and high-income earners.[6]

133. Price increases were particularly pronounced for non-discretionary goods and services compared to discretionary goods and services. Over the year to December 2023, the prices of non-discretionary goods and services rose 4.8 per cent, compared to 3.0 per cent for discretionary goods and services (ABS, *Consumer Price Index, December 2023*) (see Chart 5.6).

[5] Fisher et al. (2016) show that the average propensity to consume is above 0.8 for the bottom 10 per cent of the income distribution and below 0.6 for the top 10 per cent. See also: Fair Work Commission, *Annual Wage Review 2020-21 Decision, FWCFB 3500* at [121].

[6] This is consistent with the RBA's February 2023 *Statement on Monetary Policy*, which noted (at 64) *"While a rising cost of living puts pressures on household budgets across the economy, lower income households typically have the most constrained budgets as they spend a greater proportion on essential items and have lower financial buffers"* (RBA 2023). See also: Fair Work Commission, *Annual Wage Review 2021-22 Decision, FWCFB* 3500 at [133].

Chart 5.6: Discretionary and non-discretionary inflation, quarterly, December 2018 to December 2023



Source: ABS, *Consumer Price Index, December 2023*.

134. Another way to capture cost-of-living, specifically for employees, is to consider the ABS Employee Living Costs Index (ECI). Cost-of-living rose by 6.9 per cent for employee households over the year to December 2023. This compares with 5.2 per cent for the next highest household type (Other government transfer recipients) and 4.1 per cent for the CPI over the same period. The faster growth in employee household costs reflects their greater expenditure on mortgage interest payments, which rose in response to higher interest rates (ABS, *Selected Living Cost Indexes, December 2023*).

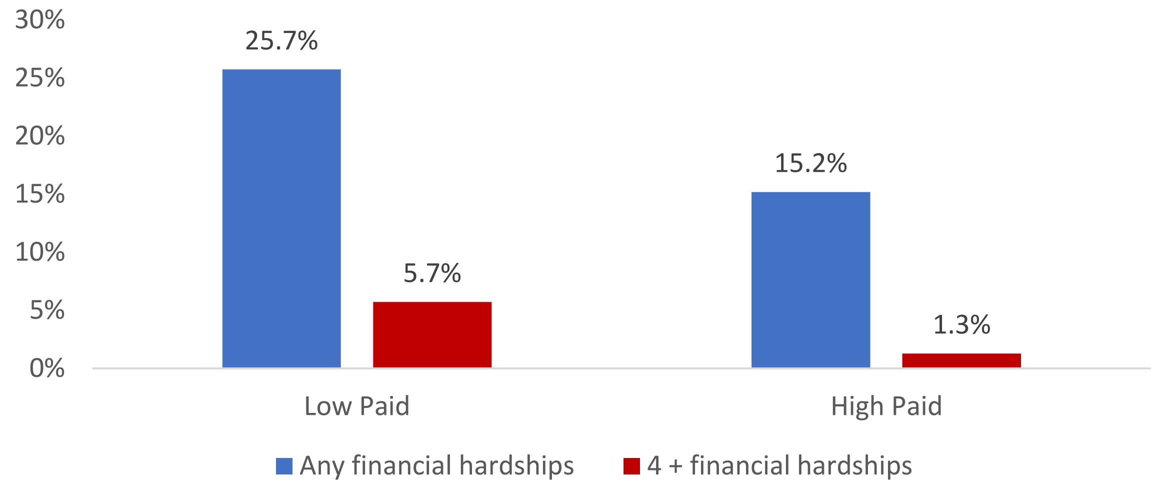
135. Using the ECI to assess cost-of-living impacts on employees, the real NMW decreased by 1.0 per cent over the year to June 2023, compared with an increase of 2.6 per cent using the CPI. Real median earnings, using the ECI for employees, decreased by 2.3 per cent over the year to August 2023, compared with a rise of 1.3 per cent using the CPI.

136. Cost-of-living pressures have already had tangible impacts on household wellbeing. The 2023 *Foodbank Hunger Report* showed an increase in food insecurity among Australian households. 20 per cent of Australian households perceive that they now struggle financially to access food more often compared with last year. The report also noted that cost-of-living was the most common reason for food insecurity, affecting 64 per cent of food insecure households.

137. Low-paid employees typically report experiencing more financial hardship compared with higher-paid employees. In 2022, 25.7 per cent of low-paid workers experienced at least one form of financial hardship, compared with 15.2 per cent of higher-paid workers. 5.7 per cent of low-paid employees experienced 4 or more forms of financial hardship, compared with only 1.3 per cent of higher-paid employees (Melbourne Institute 2023) (see Chart 5.7).[7]

[7] Government analysis using HILDA 2022 survey. Measures of financial hardship are an inability to pay bills on time, inability to pay rent/mortgage on time, required to pawn or sell something because of a shortage of

Chart 5.7: Proportion of people who experienced financial hardship by low-paid status, 2022



Source: Government analysis using HILDA wave 22.

138. Financial hardship is likely to increase when living costs rise, particularly for low-paid workers and their families as they are less likely to have savings to draw on to cover increased living costs. Reserve Bank Governor Michele Bullock noted in December 2023:

> *"High inflation makes life difficult for everyone and damages the functioning of the economy. It erodes the value of savings, hurts household budgets, makes it harder for businesses to plan and invest, and worsens income inequality."* (Bullock 2023)

Lower savings and small financial buffers mean that low-paid workers are also less able to deal with unexpected financial shocks and expenses.

139. The Government is assisting households through cost-of-living tax cuts for all Australian taxpayers. Further support for low-paid workers is being provided through energy bill relief, making child care more affordable, expanding paid parental leave, cutting the cost of medicines and providing more affordable housing (see Box 5.1).

140. ABS data showed the Government's cost-of-living policies across child care, rent and energy rebates reduced headline inflation by half a percentage point in the year to the December quarter 2023 (ABS, *Consumer Price Index, December 2023*).

money, went without meals because of a shortage of money, inability to heat home, and asking for financial help from friends/family or welfare/community organisations. Higher-paid employees refers to any employees who are not low paid.

Box 5.1: Government cost-of-living policies

The Government is delivering responsible cost-of-living relief to ease the pressure on Australian households.

The Government has legislated tax cuts for all 13.6 million taxpayers from 1 July 2024. Around 11.5 million (or 84 per cent of) taxpayers will receive a bigger tax cut as a result of the Government's changes. The tax cuts provide more cost-of-living relief to more people, return bracket creep, increase rewards for Australians who choose to work and earn more, and will boost labour supply by driving increases in participation and hours worked by women in the low- to middle-income range.

The Government is also increasing Medicare levy low-income thresholds for 2023-24, reducing or eliminating the amount of Medicare levy paid by more than a million Australians on lower incomes.

In addition to the tax cuts and changes to Medicare levy low-income thresholds, the Government is rolling out targeted cost-of-living relief to those who need it most. Key support measures include:

- Partnering with state and territory governments to deliver up to $500 in electricity bill relief for eligible households and small businesses.
- Making child care more affordable for around 1.2 million families through increases to Child Care Subsidy rates and expanding the Paid Parental Leave Scheme to 26 weeks by July 2026.
- Tripling the bulk billing incentive for the most common GP consultations for children under 16, pensioners and other Commonwealth concession card holders.
- Reducing the general patient co-payment under the Pharmaceutical Benefits Scheme (PBS) on 1 January 2023; and increasing maximum dispensing quantities for more than 300 PBS medicines from one-month to two-months' supply.
- Delivering the largest increase to Commonwealth Rent Assistance in more than 30 years.
- Increasing support for people on working age and student payments through increases to eligible income support payments, like JobSeeker Payment and Youth Allowance; expanding eligibility for Parenting Payment (Single) to support principal carers with a youngest child under 14 years of age; and
- Delivering fee-free TAFE places with the states and territories, with over 296,000 Australians enrolling in a fee-free course in the first nine months of this program.

6. Gender equality and job security

Key points

- The Commission is required to take gender equality and job security into account when performing its functions or exercising its powers under the *Fair Work Act 2009*, including when varying modern awards and, in the case of gender equality, when reviewing and setting minimum wages.
- As women are disproportionately represented in low-paid and award-reliant jobs, increases in the minimum wage are likely to decrease the gender pay gap and increase the incentive to enter the workforce or work more hours. This may in turn, raise the participation rate for women.
- The current gender pay gap of 12 per cent is the lowest on record and well below the most recent peak of 18.7 per cent in November 2014.
- Increases to the minimum and award wages provide income boosts for those more likely to be in less secure forms of employment, such as casual employees and multiple job holders.

6.1 The minimum wage and gender equality

141. In December 2022, the Australian Government's *Fair Work Legislation Amendment (Secure Jobs, Better Pay) Act 2022* amended the *Fair Work Act 2009* to embed the principle of gender equality in the Commission's decision-making processes.

142. The addition of gender equality to the minimum wages and modern awards objectives in 2022 was designed to ensure that equal remuneration, eliminating gender-based undervaluation and addressing gender pay gaps are considered in wage-related matters.

143. The Australian Government notes that the Commission is concurrently undertaking research on Gender Pay Equity. The Government awaits the results from Stage 2 of the research project, due in April 2024. The Government may provide further views or evidence regarding the findings of the research once it is published.

144. As noted in the 2022-23 Decision on the National Minimum Wage, increases in the NMW and modern award minimum wages will provide a larger benefit to female workers and may contribute to narrowing the gender pay gap across the entire workforce.

145. Women are disproportionately represented in award-reliant jobs. Around 60 per cent of award-reliant employees are women (ABS, *Employee Earnings and Hours, May 2023*). Women are also disproportionately represented in lower paying industries, accounting for more than 50 per cent of employees in the three lowest paying industries (ABS, *Average Weekly Earnings, November 2023*; ABS, *Characteristics of Employment, August 2022,* unpublished TableBuilder).

146. Data on gender is available for eight of the ten most common modern awards (by number of employees). In seven of these eight awards, women form the majority of

employees, with the proportion ranging from 60.0 per cent to 80.8 per cent (ABS, *Employee Earnings and Hours, May 2021*) (see Table 6.1).

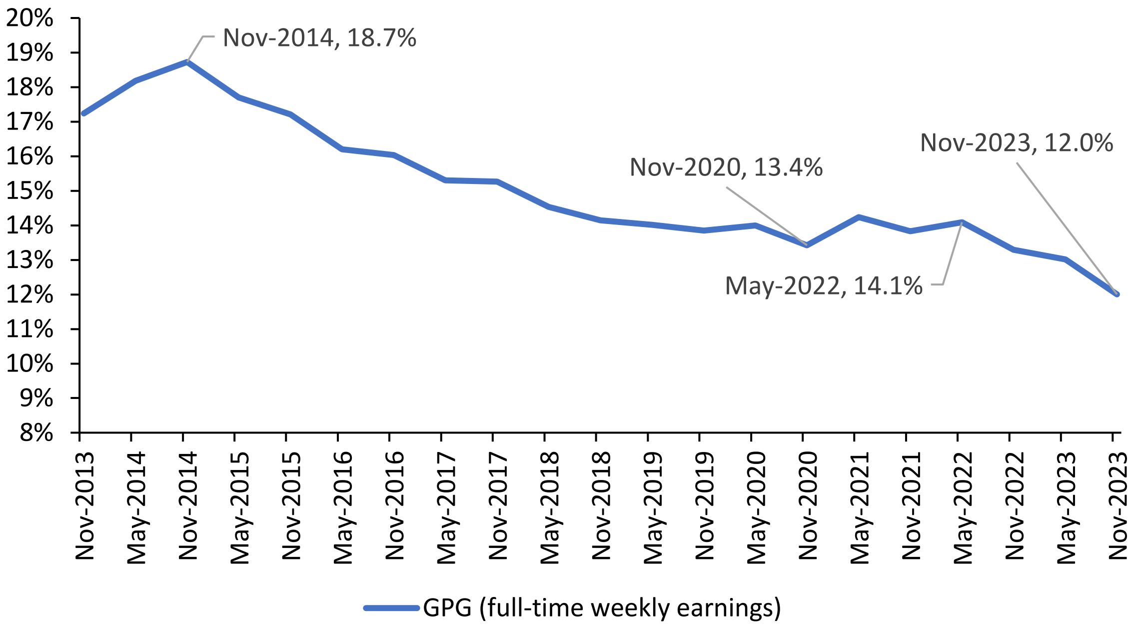
Table 6.1: Women employees across 10 most common modern awards, May 2021

Modern award	Number of employees who are women	Proportion of employees who are women
General Retail Industry	174,300	67.0%
Social, Community, Home Care and Disability Services Industry	172,300	69.3%
Hospitality Industry (General)	148,600	65.8%
Fast Food Industry	113,900	60.8%
Restaurant Industry	79,300	61.4%
Clerks – Private Sector	73,900	80.8%
Cleaning Services	45,200	60.0%
Vehicle Repair, Services and Retail Award	22,900	27.8%
Children's Services	-	-
Health Professionals and Support Services	-	-

Source: ABS, *Employee Earnings and Hours, May 2021,* unpublished Datalab.
Note: The gender split for all 10 most common awards are unable to be published because of confidentiality. This may be because of extreme gender dominance or a small number of employers in the underlying data.

147.The commonly used weekly gender pay gap is defined as the difference between women's and men's average weekly full-time ordinary time earnings, expressed as a proportion of men's earnings. In November 2023, the gender pay gap for full-time adult employees was 12.0 per cent, compared with 13.0 per cent in May 2023 and 13.3 per cent in November 2022 (ABS, *Average Weekly Earnings, November 2023*). The current gender pay gap is the lowest on record and well below the most recent peak of 18.7 per cent in November 2014.

Chart 6.1: Gender pay gap, November 2013 to November 2023



Source: ABS, *Average Weekly Earnings, November 2023.*

148. Despite the recent improvement in the gender pay gap, there remains a substantial disparity in earnings between men and women. The current gender pay gap equates to men working full-time earning, on average, $238.00 more per week than women working full-time (ABS, *Average Weekly Earnings, November 2023*).

149. This gender pay gap does not account for the fact that women are disproportionately represented in part-time work. The gap in total earnings (including both full-time and part-time workers) between men and women stood at 28.1 per cent in November 2023, with men earning, on average, $470.40 per week more than women (ABS, *Average Weekly Earnings, November 2023*).

150. Generally, as women are disproportionately represented in low-paid and award-reliant jobs, increases in the minimum and award wages are likely to contribute to a decrease in the gender pay gap and increase the incentive to enter the workforce or work more hours. This may in turn, raise the participation rate for women.

151. The Commission, in the 2022-23 Annual Wage Review decision (140), noted: *"Because the cohort of modern-award reliant employees is female dominated, as are the employees covered by most of the 10 most common modern awards, it is possible that increases to modern award minimum wages which exceed those produced by the labour market generally may attract more women into those award-reliant industries and occupations".*

152. While the difference in the workforce participation rate between men and women has reduced over the long term, it was 7.8 percentage points in February 2024 (ABS, *Labour Force, February 2024*).

153. International comparisons suggest that there is scope for women in Australia to increase their workforce participation. While the participation rate for women in Australia – 62.8 per cent in February 2024 – is above the OECD average (53.6 per cent in the September quarter 2023), it remains well below the rate recorded in New Zealand (67.4 per cent in the December quarter 2023) (ABS, *Labour Force, February 2024*; OECD.Stat; Stats NZ 2023).

6.2 Job security

154. Secure, well-paid jobs are a key objective of the Australian Government. Beyond enabling financial independence for individuals, fair pay and job security strengthens communities, promotes attractive careers and contributes to broad-based prosperity. The Employment White Paper outlined the Australian Government's ambition for a dynamic and inclusive labour market that enables workers, employers and communities to thrive and adapt.

155. Studies show a strong link between job insecurity and poor physical and mental health, with flow on effects for job performance and firm productivity.[8] For example, the Respect@Work 2020 report notes that workplace sexual harassment is widespread and

[8] Green, F. (2020) 'Health effects of job insecurity', *IZA World of Labor 2020*, 1-11; De Angelis, M., Mazzeti, G. & Guglielmi, D., (2021) 'Job Insecurity and Job Performance: A Serial Mediated Relationship and the Buffering Effect of Organizational Justice', *Organizational Psychology,* vol. 12; Australian Human Rights Commission (2020) *Respect@work*, Sydney.

pervasive and causes higher staff turnover which both decreases productivity and reduces job security.

156. The introduction of job security as an objective of the *Fair Work Act 2009* (s3(a)) embedded the principle of job security in the Commission's decision-making. Amendments to the modern awards objective added the need to improve access to secure work across the economy as something the Commission must take into account when ensuring that modern awards provide a fair and relevant minimum safety net (s134(1)(aa)).

157. The Commission is also considering issues relating to job security as part of the modern awards review. This process is running concurrently to the Annual Wage Review and may be a mechanism to address aspects of insecure work that are outside the scope of the Annual Wage Review.

158. Workplaces can have short term and unpredictable needs, and flexible forms of work, such as casual employment, are intended to allow employers to be able to meet these variable needs. Some employees value the flexibility of these forms of work as it allows them to focus more on other activities, such as studying or meeting caring responsibilities. The relative value of these characteristics will vary depending on individual preferences and circumstances, including across different stages of work and personal lives. Overall, the use of these types of employment should reflect the practical reality of the work, including genuine variability and seasonality.

159. As discussed in the Employment White Paper, job security includes a worker's reasonable certainty about tenure of employment, pay, and conditions. Broader economic and industry conditions can also influence perceptions of job security, as these may affect the probability of retrenchment or termination, and the ability to find new work if workers become unemployed.

160. The Commission's discussion paper *Job Security* 2023 (23:56) argues that *"job security is a multi-faceted concept with no single definition"*. The Commission suggests that some of the commonly understood indicators of insecure work include:

- Low, unpredictable or irregular income;
- Irregular, fragmented and/or unpredictable hours;
- Limited access or lack of access to paid leave, redundancy and other entitlements;
- Poor and/or limited security of tenure;
- Uncertainty around hours or duration of employment;
- Social and/or physical isolation; and
- Low worker control.

6.2.1 Casual employment

161. Casual employees are exposed to several factors that can contribute to insecurity, such as lack a of paid leave entitlements and unpredictability of work. Casual employees are generally less satisfied with their job security, rating their satisfaction as 8.0 out of 10. This compares with 8.3 for permanent part-time employees and 8.5 for full-time

employees (HILDA wave 22). While casuals are less satisfied with job security than other employees, they appear to trade-off for higher satisfaction in the flexibility to balance work and non-work commitments. Casuals rated their satisfaction with these conditions as 7.9 out of 10, compared with 7.8 and 7.5 for permanent part-time and full-time employees, respectively (HILDA wave 22).

162.The latest data show that almost half of all casual employees are award reliant (49.6 per cent) and the majority of casuals – 53.0 per cent – are women (ABS, *Employee Earnings and Hours, May 2021*; ABS, *Labour Force, Detailed, November 2023*). Additionally, 45.5 per cent of award-reliant employees are casual, compared to 16.0 per cent for those under a collective agreement and 13.2 per cent for those under an individual arrangement.

163.Further, nine of the 18 most common awards (by number of employees), for which data by status of employment are available, have a greater number of casual employees than permanent employees (ABS, *Employee Earnings and Hours, May 2021*) (see Table 6.2).

Table 6.2: Number and proportion of casual employees across the 20 most common modern awards, May 2021 (ordered by declining proportion of casual employees)

Modern award	**Number of casual employees**	**Proportion of casual employees**
Registered and Licensed Clubs	26,800	85.1%
Fitness Industry	28,100	82.9%
Hospitality Industry (General)	161,500	71.5%
Fast Food Industry	132,300	70.6%
Restaurant Industry	88,900	68.8%
General Retail Industry	174,200	67.0%
Food, Beverage and Tobacco Manufacturing	25,700	58.0%
Road Transport and Distribution	14,600	53.2%
Storage Services and Wholesale	22,400	51.9%
Social, Community, Home Care and Disability Services Industry	112,100	45.1%
Clerks – Private Sector	35,700	39.0%
Cleaning Services	26,400	35.1%
Hair and Beauty Industry	16,900	33.8%
Vehicle Repair, Services and Retail Award	27,400	33.2%
Health Professionals and Support Services	29,600	32.6%
Children's Services	30,600	27.1%
Manufacturing and Associated Industries and Occupations	13,900	25.1%
Building and Construction General On-site	18,500	24.7%
Pharmacy Industry	-	-
Meat Industry	-	-

Source: ABS, *Employee Earnings and Hours, May 2021,* unpublished Datalab.
Note: The casual/permanent split for all 20 of the most common awards were unable to be published because of confidentiality. This may be because of extreme casual/permanent dominance or a small number of employers in the underlying data.

164. Casual employees are particularly vulnerable to insecure work because they do not have guaranteed hours of work and have either income or hours that vary from week to week. Just over 1.2 million casuals (or 45.5 per cent of all casuals) are on these irregular working arrangements (ABS, *Characteristics of Employment, August 2022*).

165. Many casual employees on irregular working arrangements are also in lower paying jobs. The Department of Employment and Workplace Relations calculates that 478,500 (or 39.6 per cent) of casual employees with irregular working arrangements are in the bottom 20 per cent (or quintile) of hourly wages. Irregular casuals are almost twice as likely as all employees to be paid an hourly wage in the bottom quintile (ABS, *Characteristics of Employment, August 2022*, unpublished TableBuilder).

166. The majority (366,600 or 76.6 per cent) of casual employees on irregular working arrangements with an hourly wage in the bottom quintile are in the five industries with the highest incidence of award reliant workers (Accommodation and food services, Administrative and support services, Retail trade, Health care and social assistance and Arts and recreation services). More information on the characteristics of casuals with irregular working arrangements in the bottom 20 per cent of hourly wage are provided in Tables 6.3 and 6.4 below.

167. Increases in the minimum and award wages provide income boosts for those in less secure forms of employment, such as casual employees, who do not have access to paid leave.

Table 6.3: Casuals by working arrangements and hourly wage quintile, demographics and characteristics of employment, August 2022

	Casuals with irregular working arrangements		Casuals with irregular working arrangements in bottom hourly wage quintile	
	No. (000's)	%	No. (000's)	%
Male	556.8	46.1%	209.8	43.8%
Female	650.6	53.9%	266.1	55.6%
Age				
15-24 years	547.9	45.4%	344.2	71.9%
25-34 years	210.6	17.4%	50.5	10.6%
35-44 years	133.6	11.1%	28.8	6.0%
45-54 years	135.1	11.2%	23.4	4.9%
55-64 years	110.1	9.1%	15.8	3.3%
65 years and over	68.1	5.6%	13.2	2.8%
Full-time	254.7	21.1%	74.7	15.6%
Part-time	937.3	77.6%	401.9	84.0%
Underemployed	278.7	23.1%	125.2	26.2%
Studying	481.8	39.9%	275.3	57.5%
Total	**1,207.5**		**478.5**	

Source: ABS, *Characteristics of Employment*, *August 2022*, unpublished TableBuilder.
Notes: Irregular working arrangements are defined as those that do not have guaranteed hours, and have either income or hours vary that from week to week. Casuals in the bottom hourly wage quintile are those that earn less than $26.30 per hour. Not all components sum to total due to perturbation.

Table 6.4: Casuals by working arrangements and hourly wage quintile, top industries and occupations of employment, August 2022

	Casuals with irregular working arrangements		Casuals with irregular working arrangements in bottom hourly wage quintile	
	No. (000's)	%	No. (000's)	%
Top 3 Industries				
1	Accommodation and food services (280.1)	23.2%	Accommodation and food services (185.8)	38.8%
2	Retail trade (240.3)	19.9%	Retail trade (119.1)	24.9%
3	Health care and social assistance (184.2)	15.3%	Health care and social assistance (34.4)	7.2%
Top 3 Occupations				
1	Community and personal service workers (276.5)	22.9%	Sales workers (156.7)	32.7%
2	Sales workers (264.0)	21.90%	Labourers (122.0)	25.5%

3	Labourers (235.6)	19.50%	Community and personal service workers (107.2)	22.4%
Total	**1,207.5**		**478.5**	

Source: ABS, *Characteristics of Employment*, *August 2022*, unpublished TableBuilder
Notes: Irregular working arrangements are defined as those that do not have guaranteed hours, and have either income or hours vary that from week to week. Casuals in the bottom hourly wage quintile are those that earn less than $26.30 per hour. Not all components sum to total due to perturbation.

6.2.2 Multiple job holders

168.Research shows that most instances of workers holding multiple jobs are likely in response to job insecurity or financial hardship, because of low pay. The Panel must have regard to both the needs of low-paid workers and job security when making its decision.

169. The latest data show that multiple job holding is at a near record high. In the December quarter 2023, 6.7 per cent of workers (or 970,700 workers) held more than one job (ABS, *Multiple Job Holders, December 2023*). The majority (53.5 per cent) of multiple job holders are women (ABS, *Multiple Job Holders, December 2023*).

170. Increasing minimum and award wage rates may enable those holding multiple jobs for financial reasons to reduce the number of jobs they need to hold at any one time.

171. Multiple job holding is often a financial decision, with workers seeking to increase their income but being unable to do so in their primary job (see Beckhusen 2019, Conen and Stein 2021, Panos and Pouliakas 2014).

172. Multiple job holding has also been shown to be a response to job insecurity, with Preston and Wright (2020) finding that non-permanent contracts (including casual employment) were associated with a higher probability of holding a secondary job in Australia. Bamberry (2012) also found that multiple job holding was a response to income insecurity in one or more of the participant’s jobs.

173. Increases in minimum and award wages provide income boosts for those holding multiple jobs as a response to job insecurity or financial hardship because of low pay.

7. Other economic considerations

Key points

- It is important that the minimum wage, relative to the level of income available when not working, is set at a level that encourages people who are out of work to enter the workforce.
- Evidence suggests that household groups are financially better off when an unemployed member of a household gains a job at the minimum wage. There are also significant other benefits associated with gaining employment.
- Overall, the literature on the employment impact of increases to the minimum wage show that where increases to the minimum wage are more moderate, minimum wage rises lead to negligible employment impacts.

174. Subsections 134(1) and 284(1) of the *Fair Work Act 2009* state that the Panel, in reviewing and determining minimum and award wages, must take into account promoting social inclusion through increased workforce participation; and consider the performance and competitiveness of the national economy, including productivity, business competitiveness and viability, inflation, and employment growth.

7.1 Minimum wages and incentives to work

175. The level of the minimum wage, among other factors – including income taxes, government payments and child care costs – can influence a person's decision to look for work. It is therefore important that the disposable income obtained when working at the minimum wage, relative to the income available when not working, is set at a level that encourages people who are out of work to enter the workforce and receive the benefits that work can provide to individuals and communities.

176. The Government modelled the interaction between the tax-transfer system, out-of-pocket child care costs, and the NMW for a broad range of hypothetical single-earner and dual-earner households (See Appendix A for modelling assumptions).[9, 10] The modelling shows that all hypothetical household types are better off when an unemployed member of the household gained a job at the NMW (See Appendix B for detailed results). However, the improvement in the financial position differs by family type and, for couples, whether one or two partners are working. In some cases, particularly in households with multiple children, the financial incentive for moving into a minimum wage job is relatively smaller.

177. A single adult household without children would increase their disposable income by $389 per week (103 per cent) by moving from unemployment into a full-time job (i.e.,

[9] The analysis considered the potential impact of earnings from a job at the NMW rate on combined household income, taking into account income support (Jobseeker Payment, Parenting Payment or Youth Allowance), other transfer payments (such as Family Tax Benefits and Rent Assistance), other earnings (if other members of the household were already receiving earned income from employment), child care costs and taxation. The assumptions used in the analysis are detailed in Appendix A.

[10] Temporary measures are not modelled as they do not represent structural elements of the tax-transfer system, and may not apply on 1 July 2024, when the Panel's decision will take effect.

working 38 hours per week) paying the NMW rate.[11, 12, 13] For a part-time job (modelled as working 20 hours per week) at the NMW rate, disposable income would increase by $192 per week (51 per cent).

178. An unemployed couple without children would be $288 per week (42 per cent) better off if one unemployed member of the household found a full-time job at the NMW rate. A couple without children, with one adult already in full-time employment at the NMW rate, would be $553 per week (56 per cent) better off if the unemployed member of the household moved into full-time minimum wage work.

179. Households with children are also better off when an unemployed adult gains a job at the NMW rate, even after paying for child care. For example, a couple with a 3-year-old child with one member of the couple in a full-time job at the NMW rate, would be $302 per week (25 per cent) better off (after accounting for the cost of child care) if the second member of the couple also found a full-time NMW rate job. If the second member of the household took a part-time job at the NMW rate, the household would increase their disposable income by $124 per week (10 per cent), after accounting for the cost of child care.[14]

7.2 Minimum wage increases and the impact on employment

180. The balance of the literature suggests that moderate increases to the minimum wage tend to have negligible employment impacts. Caution needs to be taken when extrapolating the findings of international research for Australia, given Australia's minimum wage setting environment and award system.

181. Australian studies show that moderate increases to the minimum wage have resulted in a mix of small negative and statistically insignificant employment impacts (see Bray 2013, Productivity Commission 2015 and Bishop 2018).

182. Internationally, the evidence is similar. An early study by Card and Krueger (1994) for the United States looked at the impact in fast food restaurants of a 19 per cent increase in the minimum wage in New Jersey (from $4.25 to $5.05 per hour). They found that employment increased in New Jersey fast food restaurants by 13 per cent, which was comparable to Pennsylvania – which did not increase its minimum wage.

183. More recently, researchers in the United States have found a mix of small negative and statistically insignificant employment effects following an increase in the minimum wage (see Neumark 2018, Allegretto et al. 2017, Cengiz et al. 2019 and Godøy and Reich

[11] Disposable income is a family's final income for their use. It is calculated as gross income net of taxes paid and cash transfers received.
[12] Percentage is calculated as 100*(disposable income after finding job - disposable income before finding a job)/disposable income before finding a job).
[13] Unless otherwise stated, dollar figures in the text are rounded to the closest dollar, and percentages rounded to the closest whole number.
[14] It is assumed the family uses 50 hours of long day care per week when the unemployed adult finds a full-time job and 30 hours of long day care per week when the unemployed adult finds a part-time job. See Appendix A for details.

2021). Clemens and Strain (2021) found the employment effects of minimum wage increases linked to inflation-indexing provisions were variable and centred on zero.

184. In a 2022 paper, Engbom and Moser found (for Brazil) that the impact of an increase in the minimum wage on employment and output were muted by reallocations of workers towards more productive firms.

185. Similar limited employment impacts have also been found in studies of European countries, even where minimum wage increases have been larger.

186. For example, a 22 per cent increase in the minimum wage in Spain (affecting 7 per cent of employees dependent on the minimum wage) led to limited job losses among directly affected workers. Employment fell by just 0.6 per cent, with around 90 per cent of affected workers remaining employed (see Hijzen et al. 2023).

187. A 7.5 per cent real increase in the UK National Living Wage in 2016 generated limited dis-employment effects in the following three years (see Giuponni et al. 2022).

188. Dustmann et al. (2022) found that the introduction of a minimum wage in Germany boosted wages for those at the bottom of the wage distribution but did not reduce employment in heavily affected regional areas. Trajectories of high-wage workers showed little change.

189. Harasztosi and Lindner (2019) found that a large and persistent minimum wage increase in Hungary had small employment impacts (even several years after the increase).

190. In a review of international evidence, Doh and Van der Meer (2023) used the minimum wage bite (the Kaitz index) to measure a ‘large’ versus a ‘small’ minimum wage shock: a drastic change in the minimum wage bite following a change in the minimum wage suggested a potentially larger impact on employment. Sudden, large, minimum wage shocks – in Hungary and South Korea – resulted in negative employment effects. But a moderate adjustment of minimum wage policy in Germany – affecting a relatively small share of workers – had a negligible impact on employment.

7.3 Other benefits to minimum wage increases

191. At the enterprise level, after receiving a wage increase, workers may be more motivated, more engaged with their work, and, as a result, more productive. A wage increase may also entice them to stay longer with their employer, gaining experience and taking up productivity-enhancing training. Higher wages are also associated with better physical and mental health. Increases to the minimum wage are also shown to reduce wage inequality.

192. The World Health Organisation (WHO) has outlined how decent work supports good mental health, due to providing a livelihood, a sense of confidence and social inclusion (WHO 2022). However, while the objective benefits of work on an individual’s wellbeing are well documented (Waddell and Burton 2006), higher paying and quality jobs can deliver better outcomes. This includes improved financial freedom, improved health outcomes, and a stronger link between the employer and employee leading to higher staff retention, increased investment in education and training, and improved productivity.

7.3.1 Higher wages lead to more motivated employees

193. In 1982, Akerlof argued that employees consistently provide higher effort levels in response to higher wages, also known as the “efficiency wage” theory. Since then, several experimental studies have supported this theory.

194. Georgiadis (2013) found that the national minimum wage in the UK operated somewhat like an “efficiency wage” in the residential care homes sector, increasing motivation and reducing the amount of worker supervision required.

195. Owens and Kagel (2010) showed a positive relationship between minimum wages and workers’ effort. They concluded that well-designed minimum wages can improve outcomes where employees have higher wages and employers have the same, or slightly higher, average labour costs.

196. Coviello et al. (2022) found that workers employed by a large retailer in the United States became more productive and were terminated less often after an increase to the minimum wage, with stronger effects among workers at the bottom of the wage distribution.

197. Dustmann et al. (2022) present evidence that (in Germany) the introduction of a minimum wage induced a reallocation of low-wage workers to establishments that were predicted to have higher revenues per worker based on, for example, their industry affiliation, size and the wage they paid to their full-time workers. In short, the minimum wage improved the allocational efficiency of workers. Consistent with these findings, the authors showed that the minimum wage induced an increase in the average predicted productivity of establishments in more relative to less exposed areas, driven by the reallocation of workers toward more productive establishments.

7.3.2 Higher wages lead to lower staff turnover

198. Another area of research examines the link between minimum wages and reduced employee turnover, i.e., the flow of workers into and out of jobs. The evidence suggests that increases to the minimum wage reduce staff turnover which in turn, reduces employer costs and potentially boosts productivity.

199. Dube et al. (2012) found that a 10 per cent increase in the minimum wage in the US resulted in a 2.1 per cent reduction in turnover for restaurant workers and a 2.0 per cent reduction in turnover of teenagers. They argue this was due to the reduction in wage competition between low-paying enterprises.

200. In Canada, Brochu and Green (2013) found that hires, quits, and layoffs of young workers with low education declined in the year after a minimum wage increase.

201. However, a growing body of empirical evidence has found that lower labour mobility across jobs and fewer job-to-job transitions is associated with lower wage growth, although these findings are not specific to minimum wage earners (Deutscher 2019, Faberman and Justiniano 2015, and Andrews 2019).

7.3.3 Social impacts

202. Improvements in health (including mental health) and overall welfare, and reductions in financial stress and income inequality have all been attributed to minimum wage increases.

203. A 2023 study of the consumption patterns of minimum wage households in the Czech Republic found that additional income due to minimum wage increases was predominantly allocated to essentials (Bittner 2023).

204. In a United States study of a single large firm, the authors found (using a calibration exercise) that the welfare of employed and unemployed workers increased with rises in the minimum wage (Coviello et al. 2022).

205. The introduction of the National Minimum Wage in the UK in 1999 significantly improved several measures of health, including self-reported health status and the presence of health conditions (Lenhart 2017). Changes in health behaviours (such as smoking, drinking or exercising), higher leisure expenditure and reduced financial stress were all found to contribute to improved health.

206. In Reeves et al. (2017) increasing wages were found to significantly improve mental health by reducing financial strain for low-wage workers. In Canada, minimum wage increases have been associated with modest reductions in distress and depression symptoms (Bai and Veall 2023).

207. Wage inequality falls following increases in the minimum wage – as the lower end of the wage distribution is much more strongly affected than the upper end (see Doh and Van der Meer 2023, Engbom and Moser 2022, Autor et al. 2016 and Fortin and Lemieux 2015).

208. Using a calibrated model, Berger et al. (2022) find that a higher minimum wage reduces income inequality, within and across worker types, and increases labour’s share of income.

Appendix A: Modelling assumptions

A.1 Tax-transfer assumptions

(i) All tax rates and transfers are as at 1 January 2024, unless stated otherwise.

(ii) The above assumption means that changes to the personal income tax schedule legislated in February 2024[15], to take effect from 1 July 2024, are not modelled. A full-time minimum wage earner could benefit from the reduction of the 19 per cent tax rate to 16 per cent, and from the reduction of the 32.5 per cent tax rate to 30 per cent.

(iii) Temporary measures are not modelled.

(iv) Modelling includes Telephone Allowance where relevant.

(v) Modelling assumes the maximum rate of Rent Assistance where the household is renting.[16,17]

(vi) Modelling assumes that the single adult or adult couple and their dependants are the only members of the household[18]. This is a single income unit. Terms income unit, family and household may be used interchangeably to refer to the single income unit of analysis. Results may not generalise to households with additional cohabitants.

(vii) Families are assumed to not live in public housing or face shared care arrangements.

(viii) Modelling assumes all recipients of Youth Allowance are 22 years of age.

(ix) Modelling assumes all other persons are 35 years of age[19].

(x) Any lump sum payment is spread evenly over the period.

(xi) Family Tax Benefit (FTB) recipients are assumed to not receive the associated Energy Supplement.[20]

(xii) Disposable income in **Appendix B** is income after taxes, transfers and out of pocket child care costs[21].

(xiii) Annual payments are converted to weekly amounts using 52 as the divisor.

(xiv) Fortnightly payments are converted to weekly amounts by using 2 as the divisor.

(xv) Disposable income is exclusive of gross rental costs for households (i.e., gross rental costs are not deducted from the reported disposable income amount).

---

[15] Tax cuts to help with the cost of living | Treasury.gov.au

[16] This is modelled by assuming a gross rental cost of $500 per week. Since disposable income is exclusive of gross rental costs, this does not affect the reported disposable income amount to the extent that the chosen rental costs still yield the maximum rate of Rent Assistance.

[17] This means that rent assistance is also not modelled for the cameo Student – YA – away from home.

[18] The single exception is the part-time student living with parents in Appendix B.

[19] No persons are therefore eligible for the Dependant Spouse Tax Offset.

[20] A family receiving FTB is eligible for the Energy Supplement if they were eligible for FTB on or before 19 September 2016. The modelling assumes that they were not. Who can get Energy Supplement - Energy Supplement - Services Australia

[21] Out of pocket child care costs are gross child care fees less any Child Care Subsidy (CCS).

(xvi) Medicare Levy thresholds used in modelling are those for the 2023-24 financial year, as legislated as at 1 January 2024.[22]

A.2 Child care assumptions

(i) Assumed hours of child care usage are listed in Table A.1. These are based on the hours of work for the second earner in a couple household.[23] Where only one member of a couple household works, it is assumed that the household does not require child care.

(ii) Only the Child Care Subsidy (CCS) is modelled.[24]

(iii) Long day care and after school care costs are detailed in Table A.1. This is based on average child care fees for the September quarter 2023.[25]

(iv) Net child care costs (i.e., out of pocket costs) reported in **Appendix B** are calculated as gross child care costs less CCS.

(v) Child care assumed to be used and paid for throughout the whole year (52 weeks).

(vi) Wage and working hour assumptions are at Table A.2.

[22] These thresholds are conventionally changed in the Federal Budget to apply retroactively from 1 July in the same financial year. Recent changes to the Medicare Levy thresholds, now legislated, differ from those modelled.

[23] Basing child care usage on hours of work is a method also used elsewhere in the literature (e.g. Immervoll and Barber 2006).

[24] Some families may also be eligible to receive Additional Child Care Subsidy when they transition from unemployment to work. However, this is only available for a constrained time period and has been excluded from our analysis as it does not provide an indication of the 'typical' assistance available to minimum wage earners.

[25] This was the latest available data when the modelling was done. The data is from the Child Care Subsidy data report - September quarter 2023 (Department of Education, Australian Government). Child care fees vary between providers and this will affect individual experiences.

Table A.1: Child care usage assumptions

Child age	Care type	Hours required per week (by labour force status of secondary earner)		Hourly child care cost
		Full-time	Part-time	
0-4 years	Long Day Care	50	30	$12.80
5-12 years	Outside School Hours Care[a]	15	9	$8.60

Source: Department of Education, *Child Care Subsidy data report – September quarter 2023.*
Note: (a) Usage for school aged children is based on care requirements during the school term. It is expected that care requirements will differ over the school holiday period. Children aged 5-12 years are assumed to only attend the after school session of Outside School Hours Care.

Table A.2: Hours of work and wage assumptions

1	A	B	C	D	E
2	Labour force status	Hourly minimum wage (at 1 July 2023)	Hours of work per week	Weekly wage	Annual earnings
3	Full-time	$23.23	38	$882.80	$45,905.60
4	Part-time	$23.23	20	$464.60	$24,159.20

Source: Fair Work Commission, *National Minimum Wage Order 2023*.
(https://www.fwc.gov.au/documents/awardsandorders/pdf/pr762107.pdf (fwc.gov.au))

Notes: (a) For Row 4: Column D = Column B x Column C
(b) For Rows 3 and 4: Column E = Column D x 52
(c) The figure in Row 3, Column D may not equal Column B x Column C due to rounding.

Appendix B: Modelling results

Table B.1: One unemployed member of the household accepts a job paying the NMW ($23.23 per hour), 1 January 2024

Household type	Income / payments before finding a job	Transfer payments after finding job	Tax & Medicare (deduction)	Disposable income after finding job	Improvement in financial position	Transfer payments as a proportion of disposable income
	Amount ($ pw)	Amount ($ pw)	Amount ($ pw)	Amount ($ pw)	(% increase) ($ pw)	(%)
Single without children –FT job at $882.80 per week						
Adult - JSP	$379	–	$115	$768	103% $389	–
Adult renter - JSP	$471	–	$115	$768	63% $296	–
Single without children –PT job at $464.60 per week						
Adult - JSP	$379	$151	$44	$571	51% $192	26%
Adult renter - JSP	$471	$243	$44	$664	41% $192	37%
Student - YA - away from home	$323	$202	$47	$620	92% $297	33%
Student - YA - lives with parents	$230	$109	$39	$534	132% $305	20%

Notes: All amounts are rounded to the nearest dollar. Differences in calculations may occur due to rounding. Percentages are rounded to the nearest whole number.
– Zero or rounded to zero.
JSP – Jobseeker payment. YA – Youth Allowance.

(continued over page)

PPP – Parenting Payment Partnered. PPS – Parenting Payment Single
FT – Full-time. PT – Part-time
NMW – National Minimum Wage

Household type	Income / payments before finding a job	Transfer payments after finding job	Tax & Medicare (deduction)	Disposable income after finding job	Improvement in financial position	Transfer payments as a proportion of disposable income
	Amount ($ pw)	Amount ($ pw)	Amount ($ pw)	Amount ($ pw)	(% increase) ($ pw)	(%)
Couple – both unemployed, one finds a FT job at $882.80 per week						
No children - JSP	$694	$215	$115	$982	42% $288	22%
With 1 child aged 3 years - PPP	$873	$421	$115	$1,188	36% $315	35%
With 1 child aged 9 years - JSP	$846	$393	$115	$1,161	37% $315	34%
With 2 children aged 3 and 9 years - PPP	$997	$545	$110	$1,318	32% $321	41%
Couple – both unemployed, one finds a PT job at $464.60 per week						
No children - JSP	$694	$465	$36	$894	29% $200	52%
With 1 child aged 3 years - PPP	$873	$645	$30	$1,079	24% $206	60%
With 1 child aged 9 years - JSP	$846	$617	$30	$1,052	24% $206	59%
With 2 children aged 3 and 9 years - PPP	$997	$769	$30	$1,203	21% $206	64%

Notes: All amounts are rounded to the nearest dollar. Differences in calculations may occur due to rounding. Percentages are rounded to the nearest whole number.
– Zero or rounded to zero.

(continued over page)

Household type	Income / payments before finding a job	Transfer payments after finding job	Tax & Medicare (deduction)	No child care			With child care		
				Disposable income after finding job	Improvement in financial position	Transfer payments as a proportion of disposable income	Net child care costs	Disposable income after finding job	Improvement in financial position
	Amount ($ pw)	Amount ($ pw)	Amount ($ pw)	Amount ($ pw)	(% increase) ($ pw)	(%)	Amount ($ pw)	Amount ($ pw)	(% increase) ($ pw)
Lone parent –FT job at $882.80 per week									
With 1 child aged 3 years - PPS	$720	$410	$177	$1,116	55% $396	37%	$64	$1,052	46% $332
With 1 child aged 9 years - PPS	$693	$383	$177	$1,089	57% $396	35%	$13	$1,076	55% $383
With 2 children aged 3 and 9 years - PPS	$844	$539	$172	$1,250	48% $406	43%	$77	$1,173	39% $329
Lone parent –PT job at $464.60 per week									
With 1 child aged 3 years - PPS	$720	$577	$58	$984	37% $264	59%	$38	$946	31% $225
With 1 child aged 9 years - PPS	$693	$550	$58	$957	38% $264	57%	$8	$949	37% $256
With 2 children aged 3 and 9 years - PPS	$844	$706	$60	$1,111	32% $267	64%	$46	$1,065	26% $221

Note: All amounts are rounded to the nearest dollar. Differences in calculations may occur due to rounding. Percentages are rounded to the nearest whole number. Net child care costs are the cost charged by the care provider, less CCS entitlements.
– Zero or rounded to zero.

(Continued over page)

Household type	Income / payments before finding a job	Transfer payments after finding job	Tax & Medicare (deduction)	No child care			With child care		
				Disposable income after finding job	Improvement in financial position	Transfer payments as a proportion of disposable income	Net child care costs	Disposable income after finding job	Improvemen t in financial position
	Amount ($ pw)	Amount ($ pw)	Amount ($ pw)	Amount ($ pw)	(% increase) ($ pw)	(%)	Amount ($ pw)	Amount ($ pw)	(% increase) ($ pw)
Couple – one employed FT on the NMW, the other finds a FT job at $882.80 per week									
No children - JSP	$982	–	$231	$1,535	56% $553	–	Not applicable		
With 1 child aged 3 years - PPP	$1,188	$34	$231	$1,569	32% $381	2%	$79	$1,490	25% $302
With 1 child aged 9 years - JSP	$1,161	$34	$231	$1,569	35% $409	2%	$16	$1,554	34% $393
With 2 children aged 3 and - 9 years - PPP	$1,318	$102	$231	$1,637	24% $319	6%	$95	$1,542	17% $224
Couple – one employed FT on the NMW, the other finds a PT job at $464.60 per week									
No children - JSP	$982	-	$124	$1,224	25% $242	–	Not applicable		
With 1 child aged 3 years - PPP	$1,188	$127	$124	$1,350	14% $162	9%	$38	$1,312	10% $124
With 1 child aged 9 years - JSP	$1,161	$99	$124	$1,323	14% $162	7%	$8	$1,315	13% $154
With 2 children aged 3 and 9 years - PPP	$1,318	$251	$124	$1,474	12% $156	17%	$46	$1,428	8% $110

Note: All amounts are rounded to the nearest dollar. Differences in calculations may occur due to rounding. Percentages are rounded to the nearest whole number. Net child care costs are the cost charged by the care provider, less CCS entitlements.

References

Akerlof, G. 1982, ‘Labor Contracts as Partial Gift Exchange’, *The Quarterly Journal of Economics*, vol. 97, no. 4, pp. 543–569.

Allegretto, S., Dube, A. and Reich, M. 2017, ‘Credible research designs for minimum wage studies: A response to Neumark, Salas, and Wascher’, *Industrial and Labor Relations Review*, vol. 70, no. 3, pp. 559-592.

Australian Bureau of Statistics (ABS) 2023, *Australian Industry, 2021-22*, Canberra.

ABS 2024, *Average Weekly Earnings, November 2023*, Canberra.

ABS 2024, *Consumer Price Index, December 2023*, Canberra.

ABS 2023, *Counts of Australian Businesses Including Entries and Exits, 2022-23*, Canberra.

ABS 2024, *Job Vacancies, November 2023*, Canberra.

ABS 2024, *Labour Force, February 2024*, Canberra.

ABS 2024, *Labour Force, December 2023*, Canberra.

ABS 2023, *Labour Force, November 2023*, Canberra.

ABS 2023, *Labour Force, Detailed, Quarterly, November 2023*, Canberra.

ABS 2024, *Labour Force, Detailed, January 2024*, Canberra.

ABS 2024, *Monthly Consumer Price Index, February 2024*, Canberra.

ABS 2024, *National Accounts: National Income, Expenditure and Product, December 2023*, Canberra.

ABS 2024, *Wage Price Index, December 2023*, Canberra.

ABS 2023, *Characteristics of Employment*, *August 2023*, Canberra.

ABS 2024, *Employee Earnings and Hours, May 2023*, Canberra.

ABS 2022, *Employee Earnings and Hours, May 2021*, Canberra.

ABS 2022, *Employee Earnings and Hours, May 2021*, unpublished Datalab, Canberra.

ABS 2004, *Employee Earnings, Benefits and Trade Union Membership, Australia, Aug 2003*, Canberra.

ABS 1998, *Weekly Earnings of Employees (Distribution), Australia, Aug 1997*, Canberra.

ANZ-Indeed, *Australian Job Ads, February 2024.*

Australian Human Rights Commission 2020, *Respect@work 2020*, Sydney.

Australian Industrial Relations Commission (AIRC) 2008, *Wages and Allowances Review 2008*, Melbourne.

AIRC 2007, *Wages and Allowances Review 2007*, Melbourne.

AIRC 2007, *Wages and Allowances Review 2007*, Melbourne.

AIRC 2006, *Wages and Allowances Review 2006*, Melbourne.

AIRC 2005, *Safety Net Review- Wages*, Melbourne.

AIRC2004, *Safety Net Review- Wages*, Melbourne.

AIRC 2003, *Safety Net Review- Wages*, Melbourne.

AIRC 2002, *Safety Net Review- Wages*, Melbourne.

AIRC 2001, *Safety Net Review- Wages*, Melbourne.

AIRC 2000, *Safety Net Review- Wages*, Melbourne.

AIRC 1999, *Safety Net Review- Wages*, Melbourne.

AIRC 1998, *Safety Net Review- Wages*, Melbourne.

AIRC 1997, *Safety Net Review- Wages*, Melbourne.

Andrews, D., Deutscher, N., Hambur, J. and Hansell D. 2019, 'Wage growth in Australia: lessons from longitudinal microdata', Treasury Working Paper, The Treasury, Canberra.

Autor, D.H., Manning, A. and Smith, C.L. 2016, 'The contribution of the minimum wage to US wage inequality over three decades: a reassessment'. *American Economic Journal: Applied Economics*, 8(1), pp.58-99.

Bai, Y. and Veall, M.R. 2023. 'Minimum wages and mental health: evidence from Canada'. *SSM-Mental Health*, 3, p.100187.

Bamberry, L 2012, 'Multiple Job Holders in Australia: Motives and Personal Impact', *Australian Bulletin of Labour*, vol. 38, no. 4, pp. 293-314.

Beckhusen, J. 2019, *Multiple Jobholders in the United States: 2013*, Washington DC: U.S. Department of Commerce, Economics and Statistics Administration, United States Census Bureau.

Beech, A., Dollman, R., Finlay, R. and La Cava, G. 2014, 'The distribution of household spending in Australia', *Reserve Bank of Australia Bulletin, March quarter 2014,* pp. 13-22.

Berger, D.W., Herkenhoff, K.F. and Mongey, S. 2022, *Minimum wages, efficiency and welfare* (No. w29662). National Bureau of Economic Research.

Bishop, J. 2018, *The Effect of Minimum Wage Increases on Wages, Hours Worked and Job Loss*| Bulletin–September 2018.

Bittner, J. 2023, ‘How Do Changes in the Minimum Wage Affect Household Consumption?’. *Statistika: Statistics & Economy Journal*, 103(1).

Bray, R. 2013, ‘Reflections of the evolution of the minimum wage in Australia: Options for the future’, *Crawford School SPI Working Paper 1/2013*.

Brochu, P. and Green, D. 2013, ‘The Impact of Minimum Wages on Labour Market Transitions’, *Economic Journal*, Royal Economic Society, vol. 123, no. 12, pp. 1203-1235.

Bullock, M. 2023, ‘Statement by Michele Bullock, Governor: Monetary Policy Decision’, *Media Release Reserve Bank of Australia*, 5 December 2023.

Card, D. and Krueger, A. 1994, ‘Minimum wages and employment: a case study of the fast food industry in New Jersey and Pennsylvania’, *The American Economic Review*, vol. 84, no. 4, pp. 772-793.

Cengiz, D., Dube, A., Lindner, A. and Zipperer, B. 2019, ‘The effect of minimum wages on low-wage jobs’, *The Quarterly Journal of Economics*, vol. 134, no. 3, pp. 1405-1454.

Cazes, S. and Garnero, A. 2023, *Minimum wages in times of high inflation*, Centre for Economic Policy Research.

Conen, W. and Stein, J. 2021, ‘A panel study of the consequences of multiple jobholding: enrichment and depletion effects’, *Transfer: European Review of Labour and Research*, vol. 27, no. 2, pp. 219–236.

Clemens, J. and Strain, M.R. 2021, *The heterogeneous effects of large and small minimum wage changes: evidence over the short and medium run using a pre-analysis plan* (No. w29264). National Bureau of Economic Research.

CoreLogic 2024, *Home Value Index, February*.

Coviello, D., Deserranno, E. and Persico, N. 2022, ‘Minimum wage and individual worker productivity: Evidence from a large US retailer’. *Journal of Political Economy*, 130(9), pp.2315-2360.

Cribb, J., Giupponi, G., Joyce, R., Linder, A., Waters, T., Wernham, T., and Xu, X. 2021, *The Distributional and Employment Impacts of Nationwide Minimum Wage Changes*, Low Pay Commission.

Department of Education 2023, *Child Care Subsidy data report – September quarter 2023*, Canberra.

Department of Employment and Workplace Relations 2022, *Workplace Agreements Database, September 2022,* Canberra.

Detragiache, M.E., Ebeke, M.C.H., Jirasavetakul, L.B.F., Kirabaeva, K., Malacrino, M.D., Misch, F., Park, H.W. and Shi, M.Y., 2020. *A European Minimum Wage: Implications for Poverty and Macroeconomic Imbalances*. International Monetary Fund.

Deutscher, N. 2019, *Job-to-job transitions and the wages of Australian workers*, Treasury Working Paper, Canberra.

Doh, T. and Van der Meer, L. 2023, 'The Employment Effect of an Increase in the National Minimum Wage: Review of International Evidence'. *Economic Review*, 108(2), pp.1-15.

Dube, A., Lester, T.W. and Reich, M. 2012, *Minimum Wage Shocks, Employment Flows and Labour Market Frictions*, IRLE Working Paper No. 122-12.

Dustmann, C., Lindner, A., Schönberg, U., Umkehrer, M. and Vom Berge, P. 2022, 'Reallocation effects of the minimum wage'. *The Quarterly Journal of Economics*, 137(1), pp.267-328.

Engbom, N. and Moser, C. 2022. 'Earnings inequality and the minimum wage: Evidence from Brazil'. *American Economic Review*, 112(12), pp.3803-3847.

Faberman, R.J. and Justiniano, A. 2015. *Job switching and wage growth.* Chicago Fed Letter.

Fair Work Act 2009 (Cth).

Fair Work Amendment (Secure Jobs, Better Pay) Act 2022 (Cth).

Fair Work Amendment (Supporting Australia's Jobs and Economic Recovery) Act 2021 (Cth).

Fair Work Commission (FWC) 2024, *Decision – Work value case – Aged care industry, 2024,* Melbourne.

FWC 2023, *Decision – Annual Wage Review 2022-23*, Melbourne.

FWC 2023, *Job Security Discussion Paper*, Melbourne.

FWC 2022, *Decision – Annual Wage Review 2021-22*, Melbourne.

FWC 2021, *Decision – Annual Wage Review 2020-21*, Melbourne.

FWC 2020, *Decision – Annual Wage Review 2019-20*, Melbourne.

FWC 2019, *Decision – Annual Wage Review 2018-19*, Melbourne.

FWC 2018, *Decision – Annual Wage Review 2017-18*, Melbourne.

FWC 2017, *Decision – Annual Wage Review 2016-17*, Melbourne.

FWC 2016, *Decision – Annual Wage Review 2015-16*, Melbourne.

FWC 2015, *Decision – Annual Wage Review 2014-15*, Melbourne.

FWC 2014, *Decision – Annual Wage Review 2013-14*, Melbourne.

FWC 2013, *Decision – Annual Wage Review 2012-13*, Melbourne.

Fair Work Australia 2012, *Annual Wage Review 2011–12,* Melbourne.

Fair Work Australia 2011, *Annual Wage Review 2010–11,* Melbourne.

Fair Work Australia 2010, *Annual Wage Review 2009–10,* Melbourne.

Fisher, J., Johnson, D., Latner, J., Smeeding, T. and Thompson, J. 2016, 'Inequality and Mobility Using Income, Consumption, and Wealth for the Same Individuals', *RSF: The Russell Sage Foundation Journal of the Social Sciences*, vol. 2, no. 6, pp. 44–58.

Foodbank 2023, *Foodbank Hunger Report 2023,* Australia.

Fortin, N.M. and Lemieux, T. 2015, 'Changes in wage inequality in Canada: An interprovincial perspective'. *Canadian Journal of Economics/Revue canadienne d'économique*, 48(2), pp.682-713.

Georgiadis, A. 2013, 'Efficiency Wages and the Economic Effects of the Minimum Wage: Evidence from a Low-Wage Labour Market', *Oxford Bulletin of Economics and Statistics*, vol. 75, pp. 962-979.

Giupponi, G., Joyce, R., Lindner, A., Waters, T., Wernham, T. and Xu, X. 2022, 'The employment and distributional impacts of nationwide minimum wage changes'. *Mimeo*.

Godøy, A. and Reich, M. 2021, 'Are Minimum Wage Effects Greater in Low-Wage Areas?', *Industrial Relations: A Journal of Economy and Society*, vol. 60, no. 1, pp. 36-83.

Harasztosi, P. and Lindner, A. 2019, 'Who pays for the minimum wage?'. *American Economic Review*, 109(8), pp.2693-2727.

Hijzen, A., Montenegro, M. and Pessoa, A.S. 2023, 'Minimum wages in a dual labour market: Evidence from the 2019 minimum-wage hike in Spain'. *OECD Social, Employment and Migration Working Papers*, No. 298, Paris.

Jobs and Skills Australia (JSA) 2024, *Vacancy Report, February 2024*

Koester, G. and Wittekopf, D. 2022, 'Minimum wages and their role for euro area wage growth'. *Economic Bulletin Boxes*, 3.

Lenhart, O. 2017, 'Do higher minimum wages benefit health? Evidence from the UK'. *Journal of Policy Analysis and Management*, 36(4), pp.828-852.

Melbourne Institute 2022, *Household, Income and Labour Dynamics in Australia (HILDA) Survey*, release 22, Melbourne Institute, Melbourne.

National Australia Bank (NAB) 2023, 'NAB Quarterly SME Survey Q4 2023', 8 February.

Neumark, D .2018, 'Employment Effects of Minimum Wages', *IZA World of Labor*, vol. 6.

Organisation for Economic Co-operation and Development (OECD) 2023, *OECD Data: Wage levels*.

Owens, M.F. and Kagel, J.H. 2010, 'Minimum wage restrictions and employee effort in incomplete labor markets: An experimental investigation'. *Journal of Economic Behavior & Organization*, 73(3), pp.317-326.

Panos, G., Pouliakas, K. and Zangelidis, A. 2014, ‘Multiple Job Holding, Skill Diversification, and Mobility’, *Industrial Relations*, vol. 53, no. 2, pp. 223-272.

Preston, A. and Wright, R. 2020, ‘Exploring the gender difference in multiple job holding’, *Industrial Relations Journal*, vol. 51, no. 4, pp. 301–328.

Productivity Commission 2015, ‘Productivity Commission Inquiry Report,’ *Workplace Relations Framework*, vol. 1 and 2, no. 76, pp. 1-2229.

Reeves, A., McKee, M., Mackenbach, J., Whitehead, M. and Stuckler, D. 2017, ‘Introduction of a national minimum wage reduced depressive symptoms in low-wage workers: a quasi-natural experiment in the UK’. *Health economics*, 26(5), pp.639-655.

Reserve Bank of Australia 2023, *Statement on Monetary Policy February 2023*.

Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability 2023, *Final Report*, Brisbane.

Services Australia 2023, *Who can get Energy Supplement- Energy Supplement- Services Australia.*

Stats NZ 2023, *Labour market statistics: December 2022 quarter*, New Zealand.

Treasury 2023, *Budget 2023-24*, Canberra.

Treasury 2023, *Mid-Year Economic and Fiscal Outlook 2023-24,* Canberra.

Treasury 2023, *Working Future: The Australian Government’s White Paper on Jobs and Opportunities*, Canberra.

Waddell, G. and Burton, A. 2006, *Is work good for your health and well-being*? TSO, London.

World Health Organization (WHO) 2022, ‘*Mental health at work*, September, Retrieved from World Health Organization https://www.who.int/news-room/fact-sheets/detail/mental-health-at-work.