**FAIR WORK COMMISSION**

 **Matter No.:** C2022/1

***Annual Wage Review 2021***

**SUBMISSIONS - UNITED WORKERS UNION**

1. On 18 October 2021 the Fair Work Commission (**FWC**) issued Statement (**the Statement**) proposing a draft research program for the Annual Wage Review 2021-22. The draft research program was provided as Attachment A to the statement and included the following:

*“****Experimental estimates for a Consumer Price Index for low-paid households***

*The Australian Bureau of Statistics’ (ABS) Consumer Price Index (CPI) measures quarterly changes in the price of a ‘basket’ of goods and services. The goods and services of the CPI basket are weighted based on the amount of expenditure by the average household on these goods and services. These weights are derived from the ABS Household Expenditure Survey (HES). This research would explore and develop a CPI for low-paid households by deriving an index based on the expenditure patterns of low-paid (employee) households using the HES and tracking the prices of these items over times using the CPI. This would provide support to measuring the impact on, and needs of, low-paid households.”*

1. The United Workers Union (**UWU**) makes these submissions in relation to this aspect of the draft research program.
2. It is appropriate that the research program include exploration into and development of a CPI for low-paid (employee) households.
3. In its November 2020 report, ‘Non-discretionary and discretionary inflation’, the Australian Bureau of Statistics (**ABS**) recognized the insufficiency of the prevailing CPI in measuring spending impacts in lower socio economic cohorts when it said that between 2011 and the start of 2020:

*“The rate of non-discretionary inflation … [was] more than double that of discretionary inflation … [showing that] prices for goods and services which could be considered ‘essential’ were increasing more rapidly than those for more ‘optional’ goods and services.”*[[1]](#footnote-1)

1. The ABS report found that that while discretionary inflation (minus the impact of cigarette prices, which more than doubled over the period) occurred at a cumulative rate of 6.4 per cent, cumulative inflation relating to non-discretionary items and services was 14.8 per cent.
2. The overall CPI increase of 14 per cent imposed a considerably higher impact on low-income households, which proportionately allocate more of their income to expenditure on items that they and their families need.
3. UWU notes that, as with the current CPI, the low-paid prices index will be derived from data in the six-yearly Household Expenditure Survey (HES). While this is appropriate, UWU urges FWC to, in the first instance, research and release subsequent findings based on previous intakes of the HES; and not allow the two-year delay to the 2021-22 intake[[2]](#footnote-2) to interrupt the process of sourcing this much-needed information. Greater clarity around the real impact of past price increases on low-paid and low-income households may, for instance, encourage a rethink on the current rate of payments such as JobSeeker and Youth Allowance, which, unlike other payments tied in part to wage indices, remain benchmarked only to the overall CPI figure.
4. It is expected that lessons from the United States, where the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) provides a more accurate measure of spending impacts experienced by around a third of the workforce,[[3]](#footnote-3) will also inform the FWC’s research on this project.

United Workers Union

5 November 2021

1. Australian Bureau of Statistics, ‘Non-discretionary and discretionary inflation’, 11 November 2020, <https://www.abs.gov.au/statistics/research/non-discretionary-and-discretionary-inflation> [↑](#footnote-ref-1)
2. Australian Bureau of Statistics, ‘Household Expenditure Survey data – Report on user views’, 27 August 2021, <https://www.abs.gov.au/statistics/research/household-expenditure-survey-data-report-user-views> [↑](#footnote-ref-2)
3. United States Bureau of Labor Statistics, ‘Consumer Price Index summary’, September 2021, <https://www.bls.gov/news.release/cpi.nr0.htm> [↑](#footnote-ref-3)