

ACTU LIVING WAGE CLAIM 2001-2002

Case Numbers 4617, 5719, 5720, 5721, 5722, 5803,
5810, 5830, 5833, 5843, 5844, 5845, 5846, 5847, 5849,
5929, 5933, 5934, 5935, and 6130 of 2001

JOINT SUBMISSION OF THE LABOR GOVERNMENTS

NEW SOUTH WALES
VICTORIA
QUEENSLAND
WESTERN AUSTRALIA
TASMANIA
NORTHERN TERRITORY
AUSTRALIAN CAPITAL TERRITORY

8 FEBRUARY 2002

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CHAPTER 1

Introduction

1. This joint submission is made on behalf of the Labor Governments of New South Wales, Victoria, Queensland, Western Australia, Tasmania, the Australian Capital Territory and the Northern Territory.
2. In this case the Australian Industrial Relations Commission is being asked to consider an application by the Australian Council of Trade Unions (ACTU) for a \$25 per week flat wage increase in federal award rates of pay.
3. Section 88B(2) of the Workplace Relations Act 1996 provides that the Australian Industrial Relations Commission must ensure that a safety net of fair minimum wages and conditions of employment is established and maintained.
4. In performing this function the Commission must have regard to:
 - The need to provide fair minimum standards for employees in the context of living standards generally prevailing in the Australian community;
 - economic factors, including productivity and inflation, and the desirability of attaining a high level of employment; and
 - when adjusting the safety net, the needs of the low paid.
5. The Joint Labor Governments submit that the ACTU claim is reasonable given expectations of a relatively favourable economic outlook. The claim is consistent with the legislative provisions and on this basis the claim should be granted.
6. In the alternative, and in the event of a deterioration in the economic outlook, the Joint Labor Governments ask that the Commission grant the maximum wage increase consistent with the evidence to ensure that a genuine safety net for the low paid is maintained.

CHAPTER 2

Legislative background

7. The Joint Labor Governments endorse the current ACTU application as being consistent with the provisions of the Workplace Relations Act 1996. The application seeks to ensure the maintenance of a safety net of fair minimum wages and conditions of employment, and in particular, having regard to the needs of the low paid.
8. However, national wage case outcomes extend beyond federal awards and into state jurisdictions, mainly through state wage case mechanisms. While national decisions are not specifically referred to in the industrial relations legislation of all Labor States and Territories, decisions of the Australian Industrial Relations Commission generally have direct and substantial significance in state wage cases.
9. This chapter will briefly review the relevant provisions of the Workplace Relations Act 1996, and detail the relevant legislative provisions which apply in each of the Labor States and Territories.

Workplace Relations Act 1996

10. The principal object of the Workplace Relations Act 1996 (WR Act) as set out in section 3 is to provide a framework for cooperative workplace relations that promotes the economic prosperity and welfare of the people of Australia. This objective is to be achieved in part by:
 - encouraging the pursuit of high employment, improved living standards, low inflation and international competitiveness through higher productivity and a flexible and fair labour market [s.3(a)];
 - providing the means for wages and conditions to be determined (as far as possible) by the agreement of employers and employees but upon a foundation of minimum standards [s.3(d)(i)]; and
 - providing the means to ensure the maintenance of an effective award safety net of fair and enforceable minimum wages and conditions of employment [s.3(d)(ii)].

11. Part VI of the WR Act provides mechanisms for the prevention and settlement of disputes. The objects of this Part are set out in s.88A and include that:
- wages and conditions of employment are protected by a system of enforceable awards established and maintained by the Commission; and
 - awards act as a safety net of fair minimum wages and conditions of employment.
12. Section 88B of the WR Act provides that the Commission must perform its functions under this Part in a way that furthers the objects of the WR Act and, in particular, the objects of Part VI.
13. More specifically, section 88B(2) states that:
- In performing its functions under this Part, the Commission must ensure that a safety net of fair minimum wages and conditions of employment is established and maintained, having regard to the following:*
- (a) the need to provide fair minimum standards for employees in the context of living standards generally prevailing in the Australian community;*
- (b) economic factors, including levels of productivity and inflation, and the desirability of attaining a high level of employment;*
- (c) when adjusting the safety net, the needs of the low paid.*
14. Section 90 of the WR Act requires the Commission to take into account the public interest, and for that purpose to have regard to:
- the objects of the Act, and in particular, the objects of Part VI; and
 - the state of the national economy and the likely effects on the national economy of any award or order that the Commission is considering, or is proposing to make, with special reference to likely effects on the level of employment and on inflation.

New South Wales

15. The objects of the New South Wales Industrial Relations Act 1996 (the 'NSW IR Act') are set out at section 3 and include:
- to provide a framework for the conduct of industrial relations that is fair and just;
 - to promote efficiency and productivity in the economy of the State;
 - to facilitate the appropriate regulation of employment through awards, enterprise agreements and other industrial instruments; and
 - to encourage and facilitate co-operative workplace reform and equitable, innovative and productive workplace relations.
16. Section 50(1) of the NSW IR Act provides that as soon as practicable after the making of a national decision, a Full Bench of the New South Wales Industrial Commission must give consideration to the national decision and, unless satisfied that it is not consistent with the objects of the NSW IR Act or that there are other good reasons for not doing so, must adopt the principles or provisions of the national decision for the purposes of awards and other matters under the NSW IR Act.
17. When adopting the principles or provisions of a national decision or making a state decision, a Full Bench of the New South Wales Industrial Relations Commission may make or vary awards, or make other orders, to the extent necessary to give effect to its decision.
18. On 31 May 2001 a Full Bench of the New South Wales Industrial Relations Commission handed down a State Wage Case decision which adopted the 2 May 2001 Safety Net Review Decision of the Australian Industrial Relations Commission. The New South Wales Industrial Relations Commission noted that the quantum of and reasons for the national decision were not inconsistent with the NSW IR Act, and that no party to the State Wage Case proceedings opposed the flow on.

Victoria

19. Following referral of Victoria's industrial relations powers to the Commonwealth in 1996, all workers in the state have been subject to the provisions of the federal Workplace Relations Act 1996 (the WR Act) since 1 January 1997. While a significant portion of Victorian workers are covered by the federal award safety net or by agreements, a significant number (estimated at around 561,000) continue to be covered by the inferior minima prescribed in Part XV and Schedule 1A of the WR Act.
20. Section 501(2) of the WR Act provides that the Commission may set or adjust minimum wages on application. In setting the level of minimum wages the Commission must, so far as possible and appropriate in relation to Victorian practice and conditions, take into consideration:
 - the needs of workers and their families (taking into account the general level of wages in Victoria), the cost of living, social security benefits and the relative living standards of other social groups; and
 - economic factors, including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment (s.501(4)).
21. The Commission's decision in the current matter will have direct relevance to Schedule 1A employees through these provisions.
22. The Victorian Government has attempted to introduce further protection for workers not covered by federal awards or agreements. The Fair Employment Bill 2000 aimed to introduce a framework for employment conditions that allowed for economic prosperity and social justice by providing that wages and employment conditions provided fair minimum standards in relation to standards prevailing in the community while promoting as far as practical consistency with the federal system. The Bill was not supported by the State's upper house of Parliament.
23. In 2001 the federal Government introduced the Workplace Relations Amendment (Minimum Entitlements for Victorian Workers) Bill 2001

which sought to amend Schedule 1A of the WR Act to provide limited increases in the conditions of workers covered by the Schedule. The Victorian Government did not support the Bill, which provided inadequate protection for employees, and introduced into Parliament the Commonwealth Powers (Industrial Relations) Amendment Bill 2001 which gives the Commonwealth power to legislate to enable the AIRC to make common rule awards in Victoria. The Commonwealth Bill lapsed with the proroguing of the federal Parliament due to the 2001 federal election.

24. Insofar as this case flows through to Schedule 1A employees through s501 of the Workplace Relations Act 1996, this case represents an important landmark in maintaining the currently inadequate protection afforded such workers through the Commonwealth WR Act.

Queensland

25. The Queensland Industrial Relations Act 1999 (the 'QLD IR Act') makes no direct reference to national wage case decisions but in practice, great weight is placed on the outcome of national wage cases during state wage cases. The Queensland Industrial Relations Commission (QIRC) has historically substantially adopted the decisions of the Australian Industrial Relations Commission (AIRC), subject to necessary variations to suit particular regional needs and circumstances.
26. In its decision in the State Wage Case 2001, handed down on 2 August 2001, the QIRC granted the full flow-on of the National Wage Case wage increases and awarded these increases by way of a General Ruling which took effect on 1 September 2001.
27. This practice is supported by the objects of the QLD IR Act (s.3) which are to provide a framework for industrial relations that supports economic prosperity and social justice by:

- providing for rights and responsibilities that ensure economic advancement and social justice for all employees and employers; and
 - providing for an effective and efficient economy, with strong economic growth, high employment, employment security, improved living standards, low inflation and national and international competitiveness; and promoting the effective and efficient operation of enterprises and industries; and ensuring wages and employment conditions provide fair standards in relation to living standards prevailing in the community.
28. Section 287 permits a Full Bench to make General Rulings about an industrial matter to avoid a multiplication of inquiries into the same matter or specifically about a Queensland minimum wage.
29. The QLD IR Act provides generally [s.320 (5)] that in making a decision the Commission must consider the public interest, and to that end must consider:
- the objects of the Act; and
 - the likely effects of the Commission's decision on the community, local community, economy, industry generally and the particular industry concerned.
30. More specifically, s.126 provides that the Queensland Commission must ensure an award (among other things) provides for secure, relevant and consistent wages and employment conditions and provides fair standards for employees in the context of living standards generally prevailing in the community.
31. Section 130 of the QLD IR Act requires the Commission to review awards at least every three years to ensure they remain relevant and up-to-date and provide adequate minimum standards for workers reliant on them.

32. To the extent that the objects of the federal legislation and the outcomes of National Wage Cases continue to reflect the objects of the Queensland legislation (as they have in the past) it is likely that the outcomes of national wage cases will continue to substantially inform the outcome of state wage cases.

Western Australia

33. Under the current Western Australian labour relations system, section 51(2) of the Industrial Relations Act 1979 (WA) (the 'WA IR Act) provides that when the National Wage decision is made, the Western Australian Industrial Relations Commission (WAIRC) shall, of its own motion, consider the national decision, and unless it is satisfied that there is good reason not to, shall make a General Order giving effect to the National Wage decision to State awards.
34. Before making an order, the Commission is to give the Trades and Labour Council of WA, Chamber of Commerce and Industry of WA, Australian Mines and Metals Association, and the Minister for Labour Relations an opportunity to be heard.
35. Western Australian legislation also prescribes a statutory minimum wage which underpins all contracts of employment operating within the State. The statutory minimum wage is currently set by the Minister for Labour Relations.
36. Under the previous Coalition Government the statutory minimum wage was set at an amount below the minimum award wage. As a result of the State election in February 2001, the Government has established a policy of equalising the statutory minimum wage with the award minimum wage.
37. However, as part of the WA labour relations legislative reforms, the wage setting powers of the statutory minimum wage will be returned to the WAIRC during 2002.

38. In 2001 there were approximately 310 WA public sector employees who received an increase to their rate of pay as a result of the 2001 State Wage Case decision. However, with the introduction of new collective industrial agreements in the WA public sector during 2002, adjustments to award rates of pay arising out of the 2002 National Wage Case, will have no impact upon wages in the State's public sector.

Tasmania

39. Section 35(7) of the Tasmanian Industrial Relations Act 1984 (the 'TAS IR Act') empowers a Full Bench of the Tasmanian Industrial Commission to vary wage rates in Tasmanian awards where it is satisfied that it is appropriate to do so, having regard to a decision of the Australian Commission applicable to Tasmanian employees working under federal awards.
40. The Full Bench may provide for, or alter, a minimum wage in an award (s.35(1)(b)), and may extend this provision across the State (s.35 (4)).
41. Section 36 provides that in making an award or approving an agreement the Commission shall satisfy itself that the award or agreement is consistent with the public interest.
42. The Commission shall consider:
- The economic position of any industry likely to be affected by the proposed award or agreement;
 - The economy of Tasmania and the likely effect of the proposed award or agreement on it with particular reference to the level of employment; and
 - Any other matter considered to be relevant to the public interest.

The Northern Territory

43. All awards in the Northern Territory are federal awards, as such Unions need to make application to vary awards to reflect safety net

adjustments before the increase can be passed on to workers in the private sector.

44. Not all workers in the private sector will receive the increase as many have their employment regulated by Certified Agreements or Australian Workplace Agreements
45. Safety net adjustments do not directly impact Northern Territory Public Sector employment. Public Sector employees are currently covered by Certified Agreements under which greater increases have been achieved in exchange for productivity and efficiency gains.

The Australian Capital Territory

46. The ACT falls under Federal industrial relations legislation (ie. the Workplace Relations Act 1996) and as a consequence ACT employees may gain immediate access to safety net adjustments of the Commission.
47. National wage case decisions are generally absorbed within the ACT public sector through increases obtained through enterprise bargaining agreement negotiations that afford above award wage and conditions of employment provisions.

CHAPTER 3

Review of Australia's Economic Performance and Outlook

Introduction

48. Since the beginning of the financial year there has been a deterioration in the world economic outlook. However, estimates of the magnitude of this downturn have varied considerably:
- The Economist predicts that world growth will slow from 3.5 per cent in 2000-2001 to less than 1 per cent in 2001-2002¹;
 - The Reserve Bank of Australia, in its November Statement on Monetary Policy estimates that the world economy grew by 2.5 per cent in 2001 and will grow by 3 per cent in 2002; and
 - The Commonwealth Treasury's Mid-Year Fiscal and Economic Outlook released in October 2001 forecast that the world economy will grow by 2.5 per cent in 2002, increasing to 3.5 per cent in 2003.
49. However, the outlook for the Australian economy appears to have brightened since the global downturn was first apparent. National Accounts data released in early December shows real GDP growth of more than 1 per cent in the September quarter of 2001, the second consecutive quarter of growth of that magnitude.
50. Access Economics has predicted that Australia is in a good position to ride out the current global downturn, and is likely to prove itself once again 'the miracle economy' with output growing by a healthy 3.7 per cent in the coming year².

¹ The Economist, Economics focus, 29 September 2001

² Access Economics Five-year business outlook, released 21 January 2002

51. The ANZ reports that:

the Australian economy is well placed to weather the global storm. Australia remains free from the major imbalances that have caused recessions in the past and highly stimulatory monetary and fiscal policy combined with a 'super-competitive' exchange rate will partially insulate Australia from the ravages of the global downturn³

52. In its November Statement on Monetary Policy, the Reserve Bank of Australia states that:

The period ahead is shaping up as a particularly testing time for the global economy and Australia cannot hope to be unaffected by these events. But Australia can reasonably hope to fare better than most other economies in the current episode. Because exposure to the production side of the 'new economy' was limited, a major contractionary force at work in the US and Asia is not affecting Australia to the same extent. In fact, as an importer of high-tech manufactured goods, Australia's terms of trade, and hence national income, are improved by the decline of prices in a wide range of such goods. The Australian share market has not been subject to the excesses seen in some overseas countries in earlier years, and is therefore not facing the same correction now. While profits have declined somewhat, company balance sheets are in good shape and the financial system is sound. Macroeconomic policies are exerting an expansionary influence on output, and have scope to do so because inflation is well controlled and public debt is low.

53. The International Monetary Fund when revising its economic forecasts to incorporate new information concerning the global slowdown and the likely effects of the events of 11 September, paints a very favourable picture for Australia, with an outlook for solid economic growth and continuing low inflation, forecasting growth in Australia of 3.3 per cent in 2002⁴.

³ ANZ Economic Outlook, December Quarter 2001

⁴ IMF World Economic Outlook December 2001

54. Upon the release of the 2001 December Quarter inflation figures, the Treasurer stated:

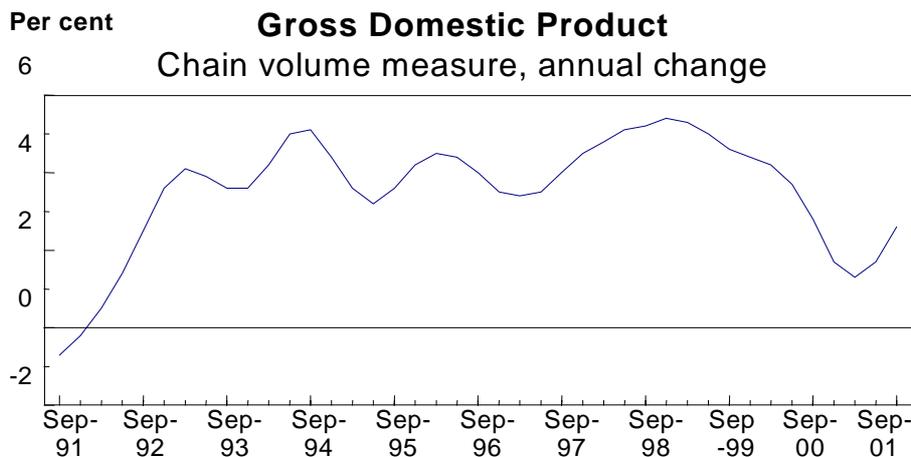
Australia's economy has continued to weather the current global weakness very well, and is expected to be one of the world's top-performing economies in 2002.⁵

55. In September of 2001, the Australian economy was showing signs of outperforming most developed economies for the year. In December, the Treasurer also stated that:

Over the first three quarters of 2001, Australia's economic growth was around five times higher than the average growth for the G7 economies... Despite risks to the Australian economy from the global economic turmoil, the early signs for the Australian economy in 2001-2002 are very encouraging⁶

National economic performance and outlook

56. After eight years of real GDP growth averaging 4.3 per cent per year, growth slowed to 1.7 per cent in the 2000-2001 financial year. This has however increased to 2.6 per cent in the 12 months to September 2001 demonstrating moderate growth in Australia despite the global economic slowdown.



Source: ABS, 5206.0

⁵ Press Release 23 January 2002

⁶ Press Release 5 December 2001

57. Slower growth of household consumption reduced the contribution of that sector in 2000-2001 to 1.5 percentage points from 2.5 percentage points in 1999-2000. The timing of this slowdown in consumption, which occurred in the first half of the financial year, suggests this was mainly the result of a reaction to the introduction of the GST and rising interest rates in the lead up to the introduction of the GST. Spending did rebound in the second half of the year as consumers became accustomed to the new pricing and taxation structures.
58. Private sector investment spending was the largest contributing factor to weaker economic growth in 2000-2001. Private investment fell by 10.2 per cent and accounted for a negative contribution of 2 percentage points to growth of GDP. By contrast, private investment had added 1.7 percentage points to growth in 1999-2000.
59. The weakest areas of private investment were spending on building and construction. Investment in dwellings fell by 20.6 per cent to reduce the growth of GDP by 1.2 percentage points. Non-residential construction fell by 25.3 per cent and subtracted 1.0 percentage point from growth. This fall in construction investment partly reflects the effect of the GST which pulled construction forward into 1999-2000.
60. However, according to the National Australia Bank Monthly Business Survey of December 2001, the outlook for business conditions and business confidence are positive, pointing to a strong recovery in business investment in mid 2002.
61. In 2000-2001 exports rose by 7 per cent to contribute 1.4 percentage points to growth, slightly lower than the 1999-2000 contribution of 1.8 percentage points. A small fall in imports of 1.7 per cent added 0.4 of a percentage point to growth. This was a major turn around from 1999-2000 when imports subtracted 2.6 percentage points.

Economic performance and outlook for the Labor States and Territories

62. Table 1 provides the Gross State Product (GSP) statistics for the Labor States and Territories.

Table 1: Gross State Product, Chain Volume Measures
Percentage changes from previous year
 Source: ABS 5220.0

	1999-2000 (%)	2000-2001 (%)
New South Wales	4.4	2.7
Victoria	3.8	2.4
Queensland	5.8	2.0
Western Australia	3.5	-1.2
Tasmania	-0.7	-0.5
Northern Territory	0.9	4.5
Australian Capital Territory	4.0	3.4

New South Wales

63. The New South Wales economy outperformed the Australian economy in 2000-2001, with growth of GSP at 2.7 per cent. While all GSP components grew at a slower rate than in 1999-2000, the slower growth in merchandise imports made a positive contribution to the economy. Some further slowing of the New South Wales economy is expected in the current financial year with GSP currently forecast by the State's Treasury to rise by only 2 per cent in 2001-2002. Weaker export markets and business investment this financial year will be partially offset by very strong growth in dwelling construction.
64. The growth of the New South Wales economy in 2000-2001 was in the main driven by consumption and net exports, in contrast to previous years when investment had been the engine of growth. The slowing of the New South Wales economy forecast for the 2001-2002 financial year is based on expectations that the predicted rebound in consumption and dwelling construction will be offset by weak business investment and exports.

Victoria

65. The Victorian economy performed solidly in 2000-2001 with GSP growing by 2.4 per cent, the strongest increase of any other state with the exception of New South Wales. There has also been a strong rebound in Victorian SFD growth which rose by 1.5 per cent in the September quarter 2001 and by 3.1 per cent over the year to

September 2001. GSP growth in Victoria is forecast to rise to 2.75 per cent in 2001-2002, and to between 3.5 and 3.75 per cent in later years.

66. Growth in Victoria has been driven by a strong recovery in consumer spending, and was also bolstered by net international merchandise exports following a decline in import volumes and an increase in exports.

Queensland

67. Queensland's GSP grew by 2 per cent in 2000-2001, accelerating to 3 per cent in the June quarter. Queensland's moderate economic performance in 2000-2001 compared to previous years can be largely attributed to declines in dwelling and business investment. In the Mid-Year Fiscal and Economic Review (released on 5 February 2002), overall economic growth in Queensland was revised downwards from 4 per cent at Budget to 3.5 per cent in 2002, as a result of weakening global conditions.
68. An increase in domestic demand has led to higher imports to the State. At the same time, a slowing global economy has led to a moderation in exports growth. Consequently, net exports detracted 0.2 of a percentage point from growth in the June quarter.
69. The composition of growth in the Queensland economy changed in the June quarter of 2001, with a recovery in private investment, in particular dwelling investment, partly offset by a moderation in the State's trade performance. This changed profile is likely to continue in coming quarters. Increased dwelling investment is expected to continue to support growth in domestic demand over coming quarters.

Western Australia

70. In 2000-2001, GSP for Western Australia fell by 1.2 per cent, and State Final Demand (SFD) fell by 1.4 per cent. However, this annual figure hides a substantial level of volatility in the quarterly results, with a fall in

SFD of 0.8 per cent in the June quarter 2001 following strong growth of 4.2 per cent in the March quarter 2001.

71. Since June there has been further strong growth in SFD, with a 5.1 per cent increase during the September quarter 2001. The Western Australian Treasury forecasts that SFD for WA will grow by 4.25 per cent during 2001-2002.

Tasmania

72. GSP for Tasmania fell by 0.5 per cent in 2000-2001. However, SFD grew by 2.1 per cent in real terms in the year to September 2001 with private investment growing by 1.9 per cent and consumer spending increasing by 3.2 per cent over the year.
73. The outlook for the Tasmanian economy remains favourable, with a growth forecast of 2.3 per cent for 2001-2002. While this forecast may prove to be optimistic in light of recent international events and world economic conditions, the Tasmanian Treasury nevertheless expects that the rate of economic growth in 2001-2002 will be above the average growth rate in recent years.
74. Exports have been a major contributor to economic growth in Tasmania over the past few years. Since 1995-1996, merchandise exports have grown at an annual average rate of 8.5 per cent in nominal terms in the State. Merchandise exports for Tasmania rose by 1.6 per cent in real terms in the four quarters to September 2001, from one year earlier. In nominal terms, the value of exports in the year to November 2001 (\$2.4 billion) was at a near record level for the State.

Northern Territory

75. The Northern Territory economy experienced subdued growth over 2000-2001. GSP rose to 4.5 per cent and is forecast to grow by 5 per cent in 2001-2002.

76. This GSP growth can mainly be attributed to the increase in offshore oil production. The spike in oil production acted to mask the weaker underlying rate of onshore economic growth. Offshore oil production has a limited effect on the Territory's onshore economy, as most of the labour and capital required are sourced from interstate or overseas. In addition, the mining and tourism industries experienced growth, benefiting from the low Australian dollar.

Australian Capital Territory

77. GSP growth in the ACT has been volatile due to the relative narrowness of the ACT economic base compared to that of the national economy. In 2000-2001, ACT growth dropped to 3.4 per cent from the 4.0 per cent growth experienced in 1999-2000.
78. SFD grew by 2.9 per cent in 2000-2001 representing a significant decline in SFD growth from the previous year's figure of 12.3 per cent. GSP is forecast to increase by 3.1 per cent in 2001-2002, revised down from 4.6 per cent. SFD is forecast to increase by 3.3 per cent, revised up from 3.0 per cent. Improvements in private investment and dwelling investments are expected to support growth in 2001-2002.
79. Growth in 2000-2001 was derived exclusively through increases in household and public consumption, with private and public capital formation experiencing negative growth. The ACT's trade balance, which is mostly interstate trade, typically has a negligible effect on economic output as it is a small proportion of the ACT's total GSP.
80. Household expenditure is forecast to grow soundly, consistent with household income growth expectations, and supported by low real interest rates. Public consumption, which is predominantly Commonwealth Government expenditure, is forecast to continue to grow based on Commonwealth budget estimates.

Consumption

81. Nationally, household consumption rebounded in the second half of 2000-2001 and continued to grow strongly in the first quarter of 2001-2002, growing by 1.6 per cent, 0.9 per cent and 0.8 per cent in the March, June and September quarters respectively. Government consumption rose 2.3 per cent in 2000-01 but there was little growth in the course of the year. In the September quarter government consumption was 0.5 per cent higher than a year earlier.

New South Wales

82. In New South Wales, household consumption rose by 2 per cent over 2000-2001. The State's labour market is expected to firm in the course of 2002 which should enable household consumption to grow faster than last financial year.
83. Compared with a year ago, the rise in retail sales in New South Wales lags behind the national growth rate. For the latest quarter however, ABS data shows sales in New South Wales accelerating ahead of the national result, and sales of new motor vehicles in New South Wales are also rising faster than at the national level. This data also suggests faster growth of consumption for the 2001-2002 financial year.

Victoria

84. Growth in Victoria has been driven by a strong recovery in consumer spending, which rose by an average quarterly rate of 1.5 per cent in the first three quarters of 2001.

Queensland

85. Growth in private consumption spending remains strong in Queensland, but has eased slightly from previous levels. Consumption spending in Queensland grew by 0.8 per cent in real trend terms in the 2001 June quarter, representing a moderation in growth from the 1.2 per cent

recorded in both the March quarter 2001 and on average over the past three years.

86. Growth in real retail turnover in Queensland eased 0.2 of a percentage point to 0.5 of a percentage point in the September quarter of 2001.

Western Australia

87. In the year to November 2001 retail turnover in Western Australia grew by 3.9 per cent, below the national annual growth of 7.6 per cent to November 2001. However, growth in retail turnover in Western Australia has accelerated in recent months, with an increase of 3.4 per cent in the three months to November 2001.

88. New motor vehicle registrations were also weaker for Western Australia, with registrations falling by 2.9 per cent over the 12 months to November compared with a fall of 0.1 per cent nationally. However, trend growth has become positive in recent months, with registrations growing by 2.6 per cent in the three months to November 2001.

Tasmania

89. In Tasmania, consumer spending, which accounts for over 60 per cent of the State's SFD, has experienced generally positive growth in recent years. Over the five years to 2000-2001, consumer spending rose at an annual average rate of 2.4 per cent in real terms compared with SFD growth of 1.8 per cent over the same period. Growth in Tasmanian consumer spending has surpassed national growth since mid-2000.

90. Over most of the past two decades, growth in Tasmanian consumer spending has trailed growth in retail turnover. However, over the past five years, the annual average growth rates in consumer spending and retail trade have been 2.4 per cent and 1.0 per cent respectively. This difference indicates a relatively large increase in non-retail turnover such as health care, communications, recreation and motor vehicle purchases.

Northern Territory

91. After three years of strong growth, private consumption in the year to September 2001 fell to 1.6 per cent, down from 2.6 per cent in the previous year. Weak population, employment and wages growth, the construction industry downturn, a slowing of the impetus from the defence expansion and the scaling back of East Timor related consumption have acted to slow demand and consumption growth. Although interest rates began falling in early 2001, the lagged effects of previous interest rate rises as well as high petrol prices impacted on consumption. Consumer sentiment fell from the high levels experienced in 1999 and fluctuated over most of 2000-2001.
92. However, Northern Territory private consumption is set to turn around through 2002, rising 3.4 per cent. In the short term, consumer confidence will play an important role in determining how quickly retail sales and other consumption expenditure recover. Lower interest rates and petrol prices will help to boost disposable incomes, contributing to the pick up. However the soft labour market may continue to have a moderating effect on consumption growth.

Australian Capital Territory

93. Consumption in the Australian Capital Territory quickly recovered from the impact of the GST, growing strongly in 2000-2001 despite an increase in the unemployment rate in the second half of the financial year. While retail trade initially fell in 2000-2001, it quickly returned to 1999-2000 levels, and then consistently exceeded them, increasing by 14.3 per cent in the 2000-2001 financial year. This retail spending trend has continued for the first five months of 2001-2002, with sales so far increasing by 13.5 per cent over the same period in 2000-2001. Further, motor vehicle sales in 2000-2001 increased by 6.6 per cent over the previous year.

Dwelling investment

94. Dwelling construction in Australia began to recover in the June quarter of 2001 and accelerated in the September quarter. This recovery is

expected to continue into the second half of the financial year, despite rising vacancy rates for rental accommodation in most of the capital cities. For 2001-2002 dwelling construction could rise by 15 to 20 per cent, making a strong contribution to growth of GDP.

95. While this expected increase is significant, it will be in part reflective of construction being pulled forward into 2001-2002 as new home buyers take advantage of the Commonwealth Government grant, just as the GST had the effect of pulling construction forward into 1999-2000. As a result, the stimulus to the economy this financial year from the rebound in dwelling construction may slow by the end of the financial year.
96. Housing construction has also been supported by low interest rates. In addition to the direct economic boost from an increase in housing construction, the housing rebound is supporting other key sectors of the economy such as manufacturing, retail and other parts of the services sector.

New South Wales

97. The 29 per cent fall in dwelling construction in 2000-2001 was a major drag on the New South Wales economy. This fall not only reflected the fact that dwelling construction had fallen to historically low levels but also the fact that in 1999-2000 dwelling construction had reached unsustainable levels as home builders tried to beat the GST.
98. Dwelling construction in New South Wales is however expected to significantly increase in 2001-2002 by around 19 per cent. Currently however, dwelling approvals in New South Wales are at an annual rate in excess of 62,000, well above the underlying demand for new houses which is estimated to be well under 50,000.

Victoria

99. Dwelling investment in Victoria rose by 5.1 per cent through the first half of 2001 and an additional 10.0 per cent in the September quarter. Private dwelling approvals in Victoria have risen strongly since mid

2001, pointing to further near-term strength in housing construction. Ongoing net interstate migration gains have contributed to greater resilience in Victorian dwelling investment than nationally.

Queensland

100. Queensland's moderate economic performance in 2000-2001 can be largely attributed to declines in dwelling and business investment. The reversal of the pull-forward of housing construction activity following the introduction of the GST resulted in a 14.1 per cent fall in dwelling investment in 2000-2001.
101. The effects of the pre-GST pull-forward began to abate during the March quarter of 2001. Monthly growth in the trend number of private dwelling approvals peaked at 10.7 percent in May 2001, also growing in the June quarter by 7.4 per cent. This contributed 0.4 of a percentage point to State growth.

Western Australia

102. Dwelling investment in WA experienced a fall of 16.1 per cent over the year to September 2001. However, there was a resurgence in activity in the September quarter, with growth of 25.3 per cent recorded.

Tasmania

103. In the four quarters to September 2001, dwelling investment in Tasmania decreased by 8.9 per cent in real terms. Again, this decline is largely due to the post-GST slump in the first three quarters of 2000-2001. However, there has been a reversal of the slump in dwelling investment over recent months with Tasmanian investment increasing by 24 per cent between the March and September quarters of 2001.

Northern Territory

104. Northern Territory dwelling investment fell significantly (- 39.8 per cent) for the second year in a row. This drop reflected slowing population growth, slowing defence related activity, the magnitude of over-building and build-up of excess stock during the boom period.
105. However, dwellings investment is forecast to make a positive contribution in 2001-2002. Lower interest rates and the various Government construction incentive schemes will contribute to a pick up in dwellings investment in the short term.

Australian Capital Territory

106. Dwelling commencements decreased significantly in the Australian Capital Territory from 1999-2000 to 2000-2001, falling by 33.6 per cent. Dwelling approvals also fell by 22.5 percent.
107. However, data for the first five months of 2001-2002 suggest an upward swing in dwelling approvals with the 1250 approvals to November representing a 68.2 per cent increase on the same period in 2000-2001.
108. Trend housing finance commitments also declined by 19.3 per cent in 2000-2001. However, recently both the value and number of housing finance commitments has begun to improve. Data for the first four months of 2001-2002 shows a 5.6 per cent increase in the number of approvals and a 27.5 per cent increase in the value of approvals over the same period in 2000-2001.

Business investment

109. The outlook for business investment is somewhat unclear. While the statistics indicate that business investment fell by 1.2 per cent in the June quarter of 2001, after recording falls in four of the previous five quarters, there was a small rise in the September quarter. In any case, business investment is subject to large swings from quarter to quarter.

110. An Australian Bureau of Statistics survey in the June quarter of 2001⁷ found the respondents expected investment twelve months ahead (ie the June quarter 2002) to be 1.5 per cent higher than in the June quarter of 2001. Subsequent surveys have also seen investment expectations for twelve months ahead strengthen.

New South Wales

111. In 2000-2001 the weakest area of business investment in New South Wales was building and construction. While spending on equipment actually increased, although at a much slower rate than in 1999-2000, it fell in the December quarter and in each subsequent quarter including September 2001.
112. A substantial fall in spending on non-residential building and construction in the September quarter indicates that there is unlikely to be an imminent upturn. Previous expectations of a shortage of office accommodation in Sydney sparked predictions of the commencement of several new office towers before the end of 2001. However the collapse of a number of telecommunications and technology companies, and collapses and downsizing in the finance industry, have resulted in a large amount of office space coming onto the market unexpectedly, removing the threat of a shortage in the near future.
113. While the non-residential construction sector in New South Wales may begin to rise by the end of 2001-2002, it is unlikely to make a large contribution to growth.

Victoria

114. Private business investment in Victoria in 2000-2001 was at a record level of \$19.5 billion. Between the June 2001 quarter and the September quarter 2001 there was a 0.8 per cent drop in the level of private business investment over the period. A drop of 6.4 per cent was

⁷ ABS Cat No 5250.0, *Australian Business Expectations*

also recorded for the September 2001 quarter as compared to September 2000.

115. Business investment is likely to be soft in 2001-2002, although at relatively high levels, before some improvement in 2002-2003.

Queensland

116. Business investment in Queensland declined only marginally in the June quarter of 2001, falling 0.2 per cent in trend terms. Business investment remains weak however, having fallen in six of the past seven quarters.
117. The fall in business investment in the June quarter was attributable to a decline of 1.1 per cent in machinery and equipment investment, offsetting a rise of 1.2 per cent in other buildings and structures investment
118. Business confidence improved in Queensland in the June quarter, but remained at moderate levels. Businesses benefited from reductions in interest rates as well as greater oil price stability. Concerns among small businesses about GST compliance issues appeared to abate to some extent.
119. The short term outlook for business investment in Queensland has been boosted by the commencement of the Comalco and AMC projects in Central Queensland, partly offsetting the dampening influences of a low exchange rate, below trend economic growth in Australia and unstable overseas economic conditions. The medium term should see both domestic and overseas economic conditions improve, providing a more positive environment for business investment in Queensland.

Western Australia

120. Over the year to September 2001, business investment in Western Australia grew by 8.6 per cent. Business investment is expected to

underpin economic growth in Western Australia during 2001-2002, with substantial investment currently in the pipeline.

121. Business investment in Western Australia grew by a strong 15.6 per cent in the September quarter, underpinned by the commencement of construction on the fourth train of the North West Shelf project.

Tasmania

122. Business investment in Tasmania outgrew the national average in the year to September 2001, with real growth of 5.9 per cent. Private sector investment in machinery and equipment has been the primary source of the recent growth of business investment in Tasmania. This improvement has been partly offset by a reduction in private investment in non-residential building.
123. Business sentiment surveys in Tasmania generally indicate that business confidence has improved in recent times after dropping in the latter part of 2001. Investment in Tasmania will be boosted by the Duke Energy natural gas project, which commenced construction in December 2001. As well as the direct boost to the economy from this project, Tasmania's competitiveness as a business location is expected to be enhanced significantly by the growth and security of energy supply.

Northern Territory

124. Business investment in the Northern Territory, excluding Laminaria-Corallina, increased by 17 per cent in 2000-2001. This included investment in stage 1 of the Bayu-Undan oil and gas fields (which began in early 2001). No reliable estimates of Bayu-Undan investment are currently available. Although most of the benefits associated with stage 1 of the Bayu-Undan oil and gas fields will leak out of the Territory economy, the \$2.7 billion project is still likely to create opportunities for local value-adding.

125. Investment related to the Alice Springs-Darwin railway also commenced in 2000-2001, and will continue in coming years. A significant proportion of the investment will occur in the Territory, with additional benefits to flow through to the rest of the economy.

Australian Capital Territory

126. In the ACT, business investment in 2000-01 totalled \$919 million, an increase of 0.2 per cent on the 1999-00 total of \$917 million. Overall Private Gross Fixed Capital Formation (GFCF) decreased by 10.2 per cent over 1999-00 levels but whether a downward or upward trend will emerge is not clear, as the net impact of numerous corporate failures like HIH and Ansett is not yet known.
127. Business investment in the September quarter 2001 amounted to \$389 million, an increase of 7.5 per cent over the previous quarter".

Tourism

128. Short-term visitor arrivals to Australia totaled 1.2 million in September quarter 2001, a decline of 0.5 per cent in trend terms. The number of arrivals fell 1.6 per cent compared with the same quarter a year earlier, a period that included the Sydney Olympics. On a monthly basis, visitor arrivals fell 11.9 per cent over the year to September 2001.
129. A more useful comparison may be with previous years. The number of arrivals in September 2001 was 1.4 per cent greater than in September 1999 and 10.5 per cent more than in September 1998.
130. The current financial year was always going to be slower than 2000-2001, but this situation was exacerbated on 11 September. The hijacking and crashing of four airliners simultaneously caused a collapse in confidence at a time when the recessions in the United States and Japan were already affecting travel plans.
131. This fall in the number of foreign visitors is being partially offset by a greater number of Australians travelling at home instead of abroad.

New South Wales

132. The Olympic Games ensured 2000-2001 was a bumper year for the tourist industry in New South Wales. The number of visitors to New South Wales rose by 10 per cent compared to 1999-2000 and the visitor accommodation industry enjoyed a 21 per cent rise in revenue.
133. While Tourist accommodation takings and room occupancy soared in Sydney during the Olympics, the rest of Australia showed little change according to ABS statistics.
134. Since the Olympics, however, the State's tourism industry has struggled. Results for the September 2001 quarter show large annual declines in both hotel revenue and room occupancy rates. The picture became gloomier with the bush fires which surrounded Sydney in late December and early January, in what should have been the peak tourism season.

Victoria

135. For the year ended 30 June 2001, Victoria received 18.2 million domestic overnight visitors for the year, representing an increase of 7 per cent compared with June 2000. Interstate visitor numbers increased by 9.4 per cent over the same period.
136. Victoria received 54.6 million domestic visitor nights, an increase of 5.1 per cent over the year to June 2001. However, over the period June 1999 – June 2001, overnight and daytrip visitation to regional Victoria has remained at constant levels.
137. Victoria recorded over 1.6 million room nights, with a 2.5 per cent increase in room nights occupied in the September quarter 2001 over the same period in 2000.
138. Victoria's takings from accommodation establishments in the September 2001 quarter increased by 3.1 per cent from the September

quarter 2000, largely due to an increase of 8.8 per cent for the month of July.

Queensland

139. The latest data on tourism in Queensland shows that Queensland exceeded the rest of Australia in all major areas. Guest arrivals in Queensland establishments rose 3.2 per cent in the June quarter compared with the same period a year earlier. In contrast, the rest of Australia experienced a decline of 1.1 per cent in guest arrivals. Meanwhile, the number of room nights sold in Queensland increased 1.6 per cent, whereas the rest of Australia recorded a fall of 2.3 per cent.

Western Australia

140. During 2000-2001 international visitors in Western Australia injected an estimated \$1 billion in the Western Australian economy. Despite a reduction in occupancy levels, takings from accommodation establishments grew by 3 per cent in the year to June 2001, and the number of accommodation establishments increased by 1 per cent.

Tasmania

141. The estimated number of visitors to Tasmania in the 2000-01 financial year declined by 0.1 per cent on 1999-00. Just over 81 per cent of all visitors were from interstate and 18.5 per cent were from overseas, representing a 10 per cent increase on 1999. The remaining 0.5 per cent did not state their origin.
142. Visitor nights spent in Tasmania fell by 2.0 per cent to 4.8 million visitor nights in 2000-01. These visitors spent an estimated \$551.7 million in 2000-01.

Northern Territory

143. In the Northern Territory, 2000-2001 saw a 10 per cent increase in the number of visitors, exceeding 1.5 million for the first time. The average length of stay was 5.2 days, a slight increase on the previous year. Visitor expenditure increased by 11 per cent to reach a new peak level.
144. The number of international visitors increased for the sixth consecutive year. Expenditure among this group increased strongly, a reflection of the weak Australian dollar against UK and US currencies. Growth in the short term is expected to come from the interstate and intra-territory visitor markets as Australians defer international travel in favor of domestic travel.

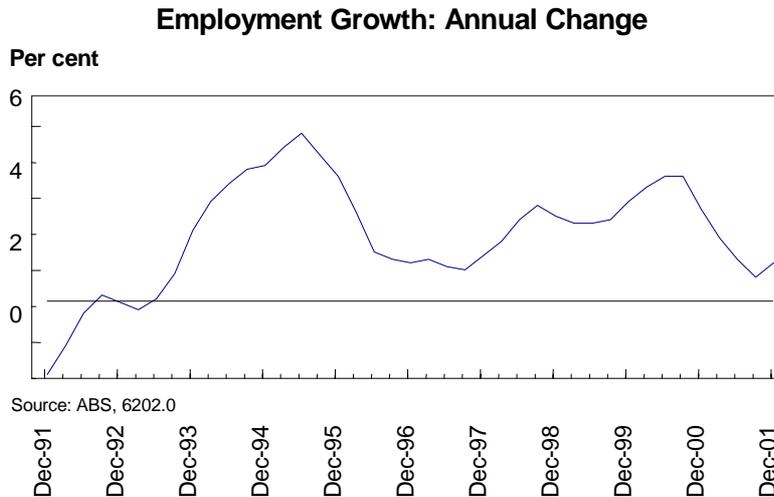
Australian Capital Territory

145. The Australian Capital Territory saw an accommodation industry employment high in September 2000 followed on the back of strong growth in room numbers and establishments. This build-up anticipated a major Olympics visitor boom in the ACT which did not eventuate. Although occupancy rates recovered in the September 2001 quarter, and overall earnings have continued to grow, average takings per room night have remained static.
146. Whilst international visitor numbers post-Olympics are not yet available, ACT international visitor numbers have been in decline for some years and there is no evidence that this has yet been reversed. National visitor numbers to the ACT, however, increased 7.1 per cent between December 1998 and December 2000.

Labour market

147. Employment growth in Australia slowed from 2.7 per cent in 1999-2000 to 2.1 per cent in 2000-2001. While ABS trend figures show employment growth of 0.3 per cent a month throughout 1999-2000, the growth rate dropped at the beginning of 2000-2001 and in the December quarter employment declined by 0.1 per cent a month. In the

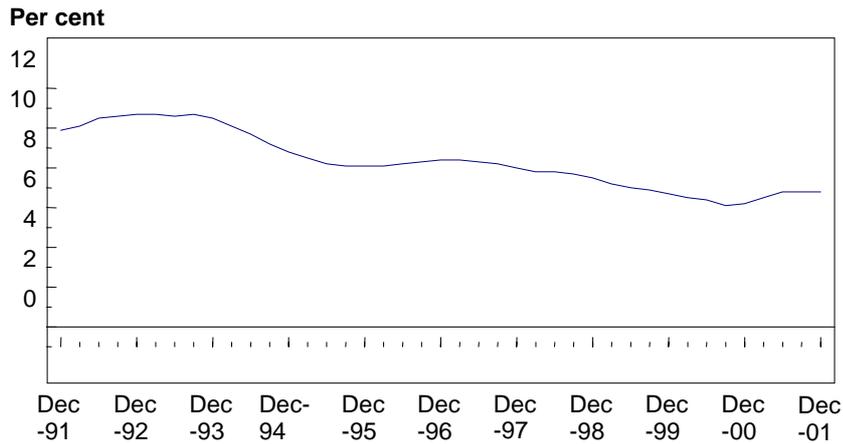
second half of the financial year employment growth resumed at a rate of 0.1 per cent a month.



148. As an annual average, the unemployment rate fell from 6.6 per cent in 1999-2000 to 6.4 per cent in 2000-2001. However, in quarterly terms, the unemployment rate increased from 6.5 per cent in June 2000 to 6.9 per cent in June 2001.
149. The unemployment rate appeared to stabilise in the second half of 2001 at less than 7 per cent.
150. Access Economics has forecast that unemployment should peak at around 7.25 per cent before receding, but will be higher in white-collar industries as demand in blue-collar industries booms⁸.
151. The acceleration in economic activity in the June and September quarters has not yet flowed through to the labour market. Trend employment growth has continued at 0.1 per cent per month. This may reflect the fact that the labour market tends to follow cyclical changes in the economy with a lag.

⁸ Access Economics Five-year business outlook, released 21 January 2002

Unemployment Rate: Quarterly



Source: ABS, 6202.0

152. If the economy continues to grow as strongly as in the September quarter, employment growth should accelerate in the first half of 2002.

New South Wales

153. The latest trend data suggests that while at the national level unemployment has now stabilised, this is not yet true in New South Wales. New South Wales employment growth in 2000-2001 was 1.9 per cent and the unemployment rate rose from 5.6 per cent in June 2000 to 6.2 per cent in June 2001.
154. The New South Wales Treasury forecasts that a softer labour market in the current financial year may result in total employment growth as low as 0.5 per cent for 2001-2001. Growth of the labour force may outstrip employment growth, which would cause the unemployment rate to rise.

Victoria

155. Victorian employment grew by 3.5 per cent in 2000-2001, despite easing in the first half of 2001, to be well above the national result of 2.1 per cent. The slowing in Victorian employment growth in the first half of 2001 appeared to represent a delayed response to the GST-induced slowing in domestic demand, with the Victorian labour market slowdown occurring later than nationally.

156. By mid 2001, there were signs that the resumption of economic growth was being felt in the labour market as ANZ Bank job advertisement figures began rising again. However, since October the job advertisements series has renewed its decline, and business confidence has also weakened.
157. Employment growth in Victoria is expected to moderate to around half of a per cent on average over 2001-2002, following exceptionally strong growth in the previous year. The unemployment rate is projected to average 6.5 per cent, up from the eleven year low of 6.0 per cent recorded in 2000-2001.
158. In the longer term, annual employment growth in Victoria is forecast to be around 1.5 per cent, with a return to this level expected in 2002-03. Assuming that the participation rate stabilises at around 63 per cent, its average level of the late 1990s, the unemployment rate is projected to decline back to around 6 per cent.

Queensland

159. Employment conditions continued to strengthen in Queensland in the September quarter 2001, as a result of solid growth in household spending, a recovery in dwelling investment and successive interest rate cuts.
160. Growth in trend employment in Queensland rose from 0.5 per cent in the June quarter to 0.7 per cent in the September quarter, which was the same as average growth over the 12 months to September 2001. Part-time employment growth rose 2.9 per cent to 7.2 per cent in the year to the September quarter, while the annual rate of decline in full-time jobs rose 1.0 per cent to 1.7 per cent.
161. A rise in employment growth and an easing in labour force growth in Queensland resulted in jobs growth exceeding labour force growth in September quarter 2001, which allowed the rate of unemployment to fall during the quarter. With employment growth of 0.7 per cent in Queensland more than offsetting labour force growth of 0.2 per cent

during the quarter, the unemployment rate in the State fell from 8.7 per cent in the June quarter to 8.2 per cent in the September quarter.

162. Employment growth is expected to improve over 2001-2002, as interest rate cuts take effect and investment levels recover. The State Government's lowering of the payroll tax rate and microeconomic reforms, such as the introduction of competition into the energy sector, should also begin to foster long-term job growth in the State. Year-average employment growth of 1.75 per cent is forecast for 2001-2002.
163. With continuing high participation rates (65 per cent) and solid population growth underpinning further strong growth in the labour supply, Queensland's year average unemployment rate is forecast to be 8 per cent.

Western Australia

164. In the 12 months to November 2001, employment in Western Australia grew by 1.1 per cent. This has occurred despite a fluctuating labour market. Over the past 12 months, unemployment in Western Australia had increased from 6.2 per cent in November 2000 to 8.1 per cent in June 2001. However, since June the State's unemployment rate has steadily declined, falling back to 6.2 per cent in November 2001.
165. Labour force participation in Western Australia continues to remain strong at 66.8 per cent (November 2001), marginally higher than the 66.5 per cent recorded in November 2000. The Western Australian Treasury predicts that employment in the State will grow by a modest 1.25 per cent during 2001-2002, whilst growth for 2002-03 is expected to increase to 3.25 per cent.

Tasmania

166. The Tasmanian labour market has improved significantly over the past three years, notwithstanding a weakening in the first half of 2001 as the negative impact of the GST flowed through to the State's economy.

Since November 1998, employment in Tasmania has risen by 2.9 per cent compared to a decline of 3.5 per cent for the previous three years.

167. The unemployment rate remained static at 8.8 per cent, in year average terms, in the year to November 2001 compared to one year earlier, a nine year low.
168. In year average terms, the participation rate has fallen marginally over the past year and was 0.3 percentage points lower in the year to November 2001 than the previous year. At 58.9 per cent, the participation rate for Tasmania is well below the national rate of 63.7 per cent.
169. Continued economic growth is expected to support further employment growth, an increase in labour force participation and some further reduction in unemployment in the State.

Northern Territory

170. Average employment in the Northern Territory over the year to October 2001 was 95 400, an increase of 4.3 per cent on the year to October 2000. However, this reported growth is probably more a sign of survey measurement problems than any strengthening in the labour market given the flat economy.
171. Despite reported growth, the unemployment rate rose as a result of increased participation rates. The average unemployment rate over the 12 months to October 2001 was 6.5 per cent, up from 4.7 per cent in the year to October 2000.
172. Employment is forecasted to rise in 2001-2002 due to the construction of the Alice Springs-Darwin railway. Employment in tourism sectors may continue to suffer due to the effects of recent international events and the collapse of Ansett.

Australian Capital Territory

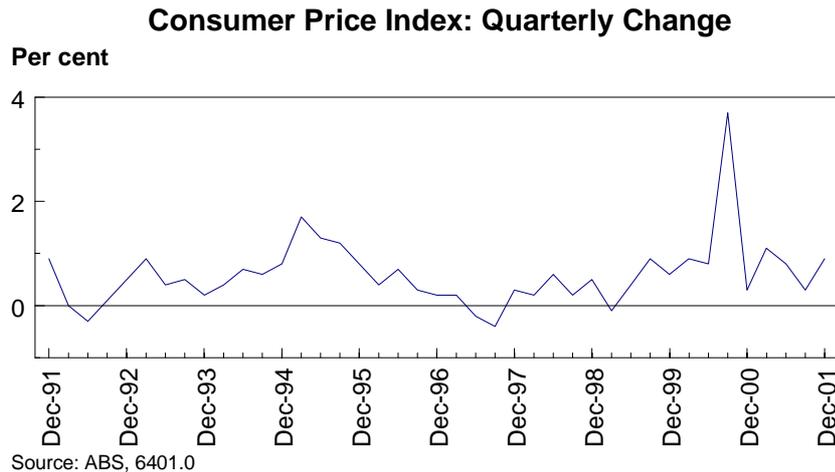
173. The performance of the Australian Capital Territory labour force over the past year has been the strongest in Australia. The Territory's labour force participation rate is one of the country's highest, currently at 70.8 per cent, although this is a decline on 73.3 per cent for the same time last year. Unemployment for November 2001 was 4.2 per cent, with employment growth of 2.5 per cent (in year average terms) for 2000-2001 compared with 4.4 per cent for 1999-2000.
174. The Olympic period saw the Australian Capital Territory experience its lowest level of unemployment for more than a decade at 4.3 per cent. A return to similar levels of low unemployment over the latter half of 2001 can be attributed to increased building activity and a surge in government spending over the past eighteen months.
175. The Territory experienced lower employment levels during the beginning of 2001 consistent with the weaker economic conditions experienced late in 2000. Despite stronger State Final Demand since the December quarter 2000 leading to lagged improvements in employment growth over 2001, the outlook is for moderate growth in 2001-2002 which should be sufficient for employment to remain unchanged in relation to 2000-2001 levels.

Inflation

176. Contrary to some expectations, the GST had little or no ongoing impact on the underlying rate of inflation. Other factors, however, some of them clearly transient, pushed the annual rate of inflation up to 3.1 per cent in the December quarter, a little above the Reserve Bank's target range of 2 to 3 per cent. Some rise in the price of oil in the first half of 2002 might put further upward pressure on the consumer price index but inflation is expected to remain under control.

177. The Treasurer has confirmed this expectation⁹, stating that the slightly higher inflation rate in the December quarter:

does not alter the outlook for inflation to be within the target band in 2001-2002, and nor does it change the fact that Australia's economy has continued to weather the current global weakness very well, and is expected to be one of the world's top performing economies in 2002.



New South Wales

178. In 2000-2001 the Sydney CPI rose by 6.2 per cent, however more than half of that increase was due to the one-off impact when the GST was introduced. By the December quarter, when most of the GST effect should have washed out of the data, the annual increase in the Sydney CPI was 3.3 per cent, a little more than the national increase for that period. The inflation rate is expected to decline a little for the rest of the financial year.

Victoria

179. In 2000-2001 the Melbourne inflation figure was 6.0 per cent, accounting for the introduction of the GST. For the September quarter 2001, the CPI was 2.5 per cent when compared with the September quarter 2000.

⁹ Press release 23 January 2002

180. Inflation pressures are expected to remain subdued.

Queensland

181. Consumer prices in Brisbane rose 1.2 per cent in December quarter 2001. Increases in the prices of food and recreation were offset by a decline in transportation prices. In annual terms, consumer price inflation in Brisbane was 3.2 per cent in the year to the December quarter.

Western Australia

182. Inflation for Perth rose by 5.5 per cent for 2000-2001, up from 2.3 per cent in 1999-2000. This is below the national 2000-2001 rate of 6.0 per cent. It is generally agreed that the high headline rate of inflation is primarily the result of the introduction of the GST. The Western Australian Treasury predicts that inflation in Perth during 2000-2001, not incorporating the impact of the GST, was 2.5 per cent.
183. Recent CPI data indicates an easing in inflationary pressure, with CPI for Perth rising by 4.6 per cent in the year to September 2001. This easing is expected to continue, with the State's Treasury forecasting an annual average growth in inflation for Perth of 2.75 per cent over 2001-2002, with an estimated growth of 3.0 per cent during 2002-03.

Tasmania

184. Prices in Tasmania are largely influenced by similar factors to those affecting the rest of Australia. Therefore, the rate of inflation for Tasmania is generally similar to that for the rest of Australia. Over the five years to 2000-01, average annual inflation in Tasmania was 2.0 per cent, similar to the national average of 2.2 per cent. Annual inflation for Tasmania through the year to December 2001 was 2.1 per cent, compared with 3.1 per cent nationally.

Northern Territory

185. Darwin CPI rose 2.2 per cent in the year to December 2001.

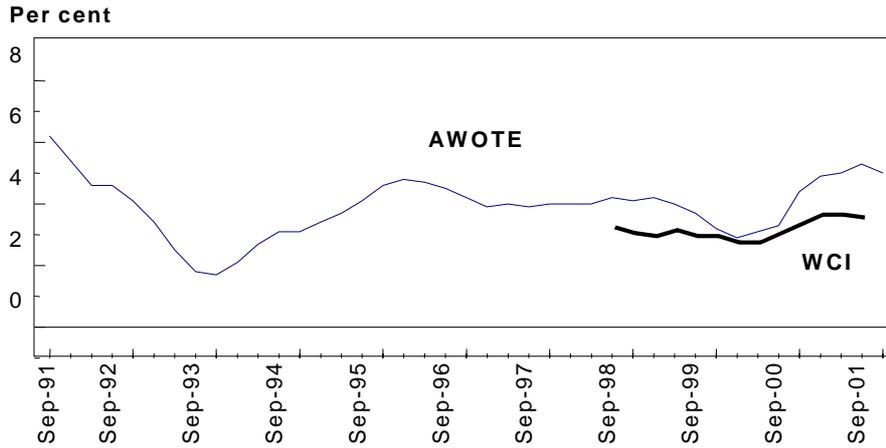
Australian Capital Territory

186. The inflation rate in the Australian Capital Territory is determined by national macroeconomic parameters. The Territory's price index increased by 6.1 per cent for 2000-2001, in year average terms, slightly above the national rate of 6.0 per cent and well above the 1999-2000 rate of 2.3 per cent. The introduction of the GST accounted for about 2.5 per cent of CPI growth in 2000-2001.
187. The CPI for the ACT increased by 1.3 per cent in the December quarter 2001 and between the December quarter 2000 and the December quarter 2001 the CPI for the ACT increased by 2.9 per cent. These results are viewed as being seasonal and, as such, CPI inflation in the Australian Capital Territory should not move beyond the 2.2 per cent forecast for 2001-2002.

Wages

188. The rise in average weekly ordinary time earnings (AWOTE) for full-time adults in Australia accelerated from 3.3 per cent in 1999-2000 to 5.3 per cent in 2000-2001. Changes in AWOTE, however, can be due to compositional changes in employment such as the ratio of males to females and the industries expanding and contracting.
189. The ABS believes its Wage Cost Index (WCI) provides a better measure of wage pressure on the economy because it measures the rate of pay for a sample of jobs rather than earnings for a sample of employees. The acceleration in the WCI, which moved from a rise of 2.9 per cent in 1999-2000 to 3.5 per cent in 2000-2001, was much less than the rise in AWOTE.

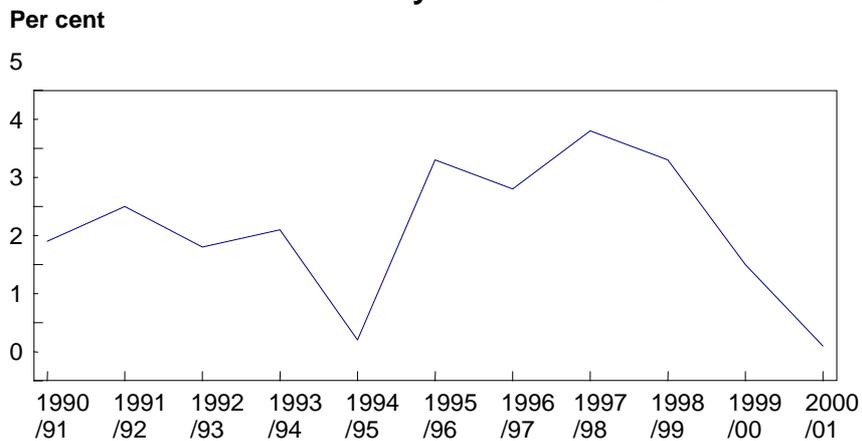
Average Earnings and Wage Costs



Source: ABS, 6301.0 and 6345.0

190. For the four years to 1998-99 growth of labour productivity in the market sector exceeded 3.5 per cent a year, which meant that wage increases could be absorbed without causing inflation or unemployment. In 1999-2000 the rise of labour productivity in the market sector slowed to 2 per cent and there was a further slowing to 0.5 per cent in 2000-2001. As a result, the economy may have become more sensitive to wage increases.

Labour Productivity in the Market Sector



191. However, labour productivity tends to move in a cyclical fashion, falling as economic activity slows and rising as economic growth accelerates. If the economy continues to grow at the same rate as in the September quarter, it is likely that labour productivity will bounce up again.

192. The magnitude of that bounce, however, cannot be predicted. A number of factors may explain the rise in labour productivity in the second half of the 1990s.

New South Wales

193. Average weekly ordinary time earnings (AWOTE) for full-time adults rose by 5.1 per cent in 2000-2001. That was a little below the 5.3 per cent national rise and may reflect the poorer labour market conditions in the State. In the September quarter, however, AWOTE in New South Wales was 6.6 per cent higher than a year earlier, 1.5 percentage points above the national rise.
194. The increase in the WCI in 2000-2001 was 3.7 per cent in New South Wales. In the September quarter the annual change was 3.4 per cent, which does not suggest undue pressure on the economy.

Victoria

195. Average weekly ordinary time earnings (AWOTE) rose by 4.4 per cent in 2000 – 2001 over the previous year.
196. The Wage Cost Index (WCI) increased by 3.4 per cent (excluding bonuses) in 2000-2001 when compared to 1999-2000.

Queensland

197. The WCI increased by 0.6 per cent in terms of the ordinary time hourly rate (excluding bonuses) in Queensland during the June quarter 2001.
198. Growth in Average Weekly Ordinary Time Earnings (AWOTE) for full-time adult workers in Queensland continued to moderate in June quarter 2001, rising 0.9 per cent over the quarter, to be 5.2 per cent higher than a year earlier. Annual growth in the previous two quarters was 6.2 per cent and 6.4 per cent.

Western Australia

199. Wages growth for Western Australia, as measured by the WCI, rose by 3.7 per cent during the year to September 2001, up from 2.7 per cent in the previous year.
200. Average weekly earnings data indicate a higher level of wages growth. Average annual growth in AWOTE for Western Australia to August 2001 was 4.6 per cent, down from the 5.7 per cent average annual growth to August 2000.
201. The State's Treasury forecasts that, based on WCI, wages in Western Australia will grow by 3.0 per cent during 2001-2002 and 2002-03 financial years.

Tasmania

202. Wages in Tasmania are generally lower than the national average level. In the September quarter 2001, average weekly ordinary time earnings for Tasmania were 91.3 per cent of the national level. Since the mid 1990s, AWOTE for Tasmania has risen at an average annual rate of about 3.8 per cent in nominal terms, and in the year to September 2001, the AWOTE for Tasmania was only 2.9 per cent higher than one year earlier.
203. In terms of average weekly total earnings, Tasmania has also lagged well behind the national average, with average annual growth over the past five years of 2.1 per cent for Tasmania compared with 3.2 per cent nationally. In the year to September 2001, average weekly total earnings for Tasmania grew by 2.2 per cent, and in the September 2001 quarter, average weekly earnings for Tasmania were about 87.6 per cent of national total average weekly earnings.

Northern Territory

204. Northern Territory wage pressures eased during the course of 2000-2001, a result of weakening in the labour market and softening in

domestic demand. Average weekly earnings decreased by 1.3 per cent in the August quarter 2001 as female earnings fell by 1.9 per cent and male earnings by 0.9 per cent. Annual growth in Northern Territory earnings fell to 1.7 per cent, while year on year earnings growth was 3.2 per cent. The Northern Territory WCI increased by 2.8 per cent through the year.

205. Territory wage rises are expected to be subdued for the remainder of 2001-2002. In the medium term, it is forecast that average weekly earning growth will remain at or close to the national rate.

Australian Capital Territory

206. Traditionally the Australian Capital Territory has the highest per capita income in the country. This arises from the industry structure of the ACT economy, which has a high proportion of public sector employment. In addition the ACT has a high proportion of residents in working age groups and a high level of educational attainment.
207. Average weekly ordinary time earnings for adults in the ACT grew by 4.1 per cent in the year ending August 2001, down on the 7.7 per cent growth recorded for the previous year. Total hourly rates of pay (excluding bonuses) for 2000-2001 for the ACT rose by 3.4 per cent, similar to the national average.
208. The WCI puts the growth in wage costs in the ACT for the September quarter 2001 at 1.4 per cent, higher than the national level of growth. These increases were the largest changes in wage costs over the previous four quarters but were not significant enough to contribute to inflationary pressures.

Summary

209. The growth of the Australian economy slowed sharply in the first half of 2000-2001, partly as a result of the impact of the introduction of the GST but also reflecting a slowing of the economies of the United States and Japan.

210. However, economic activity in Australia began to accelerate in the second half of the financial year with still faster growth in the September quarter. The economic evidence suggests that the Australian economy has experienced:
- A rebound in household consumption in the second half of 2000-2001, with continued strong growth in the first quarter of 2001-2002;
 - A recovery in the housing industry;
 - A moderate level of underlying inflation that is still expected to remain within the Reserve Bank of Australia's target range of between 2 and 3 per cent during 2002-2003; and
 - Strong growth in wages of 3.5 per cent during 2000-2001, up from the 2.9 per cent growth experienced in 1999-2000.
211. Employment has also been an issue for Australia during 2001-2002, and whilst employment growth has remained sluggish, latest trend data suggests that unemployment has now stabilised.
212. While there is every indication that the economy will continue to grow, if the United States economy fails to bounce back in the first half of 2002 there is the possibility of a drag on the Australian economy, which could slow the rate of growth and weaken the labour market.
213. However, economic forecasters suggest that the United States economy will begin to recover in the imminent future. The ANZ predicts that current stimulants, while not preventing a recession in the United States, will contribute to the recovery when it begins¹⁰.
214. The International Monetary Fund suggests that various forces, such as reduced energy prices, the ending of the inventory cycle downturn, the recovery in equity prices, somewhat stronger levels of consumer and business sentiment about the future compared to the present, and significant macroeconomic stimulus, should contribute to a

¹⁰ ANZ Economic Outlook, December Quarter 2001

strengthening United States economic recovery in 2002, although the speed and strength of the impact is difficult to anticipate¹¹.

215. Further, the Employment Policy Foundation reports suggests that the lower than expected December unemployment rate in the United States of 5.8 per cent indicates that unemployment may peak at a lower level than in past economic contractions, at around 6.3 per cent, pointing to a milder than expected recession¹².
216. The following paragraphs briefly summarise the situation in each of the Labor States and Territories.

New South Wales

217. The softer labour market in New South Wales than in the rest of Australia in 2000-2001 may reflect the greater exposure of the State's economy to the technology, finance and telecommunications sectors, all of which had problems last financial year.
218. The New South Wales economy is generally not as susceptible as other States and Territories to external shocks since New South Wales is less reliant on the commodity sector. In fact the largest commodity export from New South Wales is steaming coal which is least vulnerable to a slowing world economy.
219. Nonetheless, if a prolonged recession in the United States does impact on the Australian economy, New South Wales will not be invulnerable. The impact on New South Wales may be less than in the case of other States but New South Wales would be facing the threat with a much softer labour market at the outset.

Victoria

220. Overall, a moderate improvement in Victoria's growth rate is in prospect for 2001-2002. In the near term, solid domestic demand growth

¹¹ IMF World Economic Outlook: The Global Economy after September 11, December 2001

¹² EPF News Release: December unemployment rate a surprise, 5 January 2001

(housing and consumer spending) can be expected to offset a softer export performance. Although Victoria has a diversified export base in terms of products and markets, with only 10 per cent of exports destined for the United States, the State will be adversely affected by the synchronised nature of the current global downturn.

Queensland

221. The international economic environment represents some risk to Queensland's economic outlook. However, economic growth is expected to remain solid over coming quarters given the positive nature of current policy settings, in particular interest rates, and economic drivers such as increased export competitiveness due to the continued low value of the Australian dollar.
222. Economic growth is projected to return towards the average growth rate over the past decade, with an increase of around 4.5 per cent per annum projected for the period to 2004-05. With average annual employment growth of 2.5 per cent over this period projected to outpace population growth of 1.75 per cent per annum, an ongoing improvement in the unemployment rate is implied over the medium term, provided there is no unanticipated increase in labour force participation.

Western Australia

223. It is expected that an increase in award wages in line with the ACTU's claim will have a minimal overall impact upon the Western Australian economy. This is particularly relevant given the strong predicted growth in State Final Demand, indicating a healthy business sector capable of affording the growth in award wages.
224. Inflation in WA (minus the impact of the GST) continues to fall within the RBA's target figures of 2-3 per cent, indicating that a reasonable increase in award wages will not have a significant impact on inflationary pressures.

Tasmania

225. Economic growth for Tasmania is expected to improve in 2001-2002 but is also expected to trail the national average. Business investment and retail trade continue to be strong and dwelling investment has recovered from its post GST slump. Tasmania's employment levels should continue to grow and improvements are also expected in the participation rate. Wages growth remains below the national average, while inflation is expected to broadly follow the national trend.
226. As Tasmania has a high proportion of low-income earners, an increase in minimum wages would have a relatively greater impact on the economy than in other states and may help boost Tasmania's participation rate which is considerably below the national average.

Northern Territory

227. Whilst the Territory experienced significant offshore economic growth, onshore growth was relatively subdued but is expected to show signs of pick up in 2001-2002.
228. The GSP is forecasted to grow, generated by Alice Springs-Darwin railway and a pick up in dwelling investment and household consumption expenditure. The railway project is also expected to boost employment. Population is forecasted to increase with positive effects on construction and investment growth.

Australian Capital Territory

229. Recent improvements in the value of housing finance commitments and the number of building approvals both suggest that the recent strengthening in dwelling investment is likely to be sustained over the remainder of the financial year.
230. While the general employment outlook remains positive, the extent of the decline in employment levels last year means that employment levels are not expected to grow in year average terms this financial

year. However, the achievement of this outlook will require modest growth over the next six months.

CHAPTER 4 Needs of the Low Paid

Introduction

231. Section 88B(2) of the Workplace Relations Act 1996 requires the Commission to ensure that a safety net of fair minimum wages and conditions of employment is established and maintained, and that in performing this function must have regard for a number of factors, including:
- The need to provide fair minimum standards for employees in the context of living standards generally prevailing in the Australian community; and
 - When adjusting the safety net, the needs of the low paid.
232. This chapter of the submission of the Joint Labor Governments will demonstrate how the ACTU claim is consistent with these legislative requirements.

Working Australians in poverty

233. It has been estimated that in 2000, 13 per cent of all Australians lived in poverty. Of those living in poverty, 15 per cent lived in families whose main income source was wages and salaries¹³. According to the Smith Family, in Australia today 'having a job no longer guarantees that you or your family will not be in poverty'¹⁴.
234. While other studies claim that the number of Australians living in poverty is in fact much lower, they make little or no attempt to estimate the number of working poor¹⁵.
235. The poverty figures themselves may be contentious, however the fact that a class of working poor exists is not in doubt.

¹³ *Financial Disadvantage in Australia 1990 to 2000*, page vii

¹⁴ *Financial Disadvantage in Australia 1999*, page vi

¹⁵ Centre for Independent Studies Issue Analysis, 16 January 2002, *A response to the Smith Family Report on Poverty in Australia*

236. Importantly, the Australian Industrial Relations Commission has acknowledged that in the context of determining safety net adjustments, it is not necessary to identify the number of low paid workers¹⁶. The Commission recognises that there are Australians with a job who cannot afford what are considered by the broader community to be basic necessities.
237. The Joint Labor Governments support these conclusions of the Commission. Disagreement over the number of low paid workers in Australia should not, and legislatively cannot, detract from the requirement to consider those living standards which generally prevail in the Australian community, and the needs of the low paid, regardless of numbers.

Living standards generally prevailing in the Australian community

238. It is difficult to identify what comprises those living standards which generally prevail in the Australian community. The Joint Labor Governments submit that one possible mechanism is through the use of the ABS Household Expenditure survey¹⁷, most recently conducted in 1997-1998.
239. The ABS Household Expenditure Survey provides an insight into the expenditure patterns of Australians, and allows for the detailed examination of average expenditure based on household composition. Table 5.1 examines the average expenditure patterns of three household categories, identifying the shortfall between this average expenditure and minimum wage income.

¹⁶ May 2001 Decision at paragraph 126

¹⁷ ABS Household and Expenditure Survey 1997-1998 Cat. No 6530.0

Table 5.1
Examples of average household expenditure as compared to
minimum wage incomes, by household composition
Source: ABS 6530.0

	Lone Household	Couple Household 1 Dependant Child	Couple Household 2 Dependant Children
Employees per household	1	1.6	2
Minimum wage income, multiplied by number of employed persons	413.40	661.40	826.80
Family Tax Benefit (maximum possible)	Nil	73.64	147.28
Total Gross Income	413.40	735.04	974.08
Income Tax	63.00	87.00	126.00
Disposable income	350.40	648.04	848.08
Average Weekly Household Expenditure			
Current housing costs	70.98	128.13	124.17
Domestic fuel & power	11.59	20.38	22.67
Food & Non alcoholic beverages	59.02	144.35	173.90
Alcoholic beverages	10.82	20.04	16.62
Tobacco products	6.62	11.80	10.69
Clothing & footwear	11.72	40.45	45.38
Furnishings & Equipment	23.19	55.87	46.06
Household services & operation	23.75	54.03	55.33
Medical care & health expenses	17.63	35.03	35.70
Transport	52.73	141.87	116.67
Recreation	46.72	98.62	115.14
Personal care	6.54	13.82	15.03
Misc goods & services	28.77	72.09	87.81
Total goods & services expenditure	370.08	836.48	864.17
Expenditure adjusted to 2000-2001 dollars (multiplied by 1.100)	407.08	920.12	951.69
Difference between minimum wage disposable income and average weekly household expenditure	-56.68	-272.08	-103.61

240. In each example, it is clear that there is a significant shortfall between the amount each household earns on the current minimum wage and the average expenditure for each household classification.
241. The Joint Labor Governments submit that this analysis demonstrates that the current minimum wage rate does not provide fair minimum standards for employees in the context of living standards generally prevailing in the Australian community.
242. Accordingly, the Commission must consider granting the ACTU claim in order to minimise this shortfall and ensure that a genuine safety net for the low paid is maintained.

Who are the low paid?

243. Richardson and Harding summarise the characteristics of the working poor as follows:

The low-paid, can be characterised as evenly divided between the sexes, spread across the age groups, married with relatively little formal education, employed full-time, in wholesale and retail trade and working as tradespersons, labourers, clerks and personal service workers¹⁸.

244. The evidence indicates that the working poor consists of a diverse group in Australian society. Many of those earning low wages are endeavouring to support families. Low wages are not confined to new entrants to the workforce, or to young people who are living at home. People are at risk of low wages at any stage in their working lives, and it cannot be assumed that low wages will be transitory for them.

245. Mitchell¹⁹ has identified discrete groups of low-paid workers in contemporary Australia:

- Recent labour market entrants aged under 25 (22 per cent)

¹⁸ Richardson, S. and Harding, A. (1999) "Poor workers? The link between low wages, low family income and the tax and transfer systems", in Sue Richardson, ed, *Reshaping the Labour Market: Regulation, Efficiency and Equality in Australia*, Cambridge University Press

¹⁹ Mitchell, Deborah (1999) "Labour Market Regulation and Low Wages: Taking a Lifetime Perspective" in Sue Richardson, ed, *Reshaping the Labour Market: Regulation, Efficiency and Equality in Australia*, Cambridge University Press

- Married women working part-time (35 per cent)
- Prime age workers or 'peak earners' (20 per cent)
- Others, mainly older men from blue-collar backgrounds and older women without dependent children (22 per cent).

246. The real problem for workers who live in, or on the margin of poverty, is that any small crisis, such as sickness, a car breakdown, a death in the family, school costs or even a broken appliance, could drive them into long-term economic difficulties. Many of these workers confront very real challenges in making ends meet.

247. It is critical to emphasise that low pay compromises the consumption patterns of many families in fundamental ways. For example, the analysis presented above suggests that families relying on minimum wages are not simply foregoing certain 'little luxuries' that they might otherwise indulge in. They face a real and significant shortfall between their incomes and the living standards generally prevailing in the Australian community.

Impact of structural change to the labour force on the low paid

248. Award wages have become an increasingly important component of the wages system for the lowest paid, especially for those workers in part-time or casual employment.

249. For example, statistics show that there has been a substantial increase in the proportion of casual employees in relation to other employees. Between August 1988 and August 1998, 69 per cent of net growth in the number of employees was in casual employment²⁰.

250. The shift in employment trends is further highlighted by figures showing an increase in the number of males employed as casuals. Between 1988 and 1998 the number of male casual employees increased by 115 per cent. Over the same period the number of non-casual male

²⁰ ABS 6203.0 Special Article: Casual Employment July 1999

employees decreased by 2 per cent, indicating a major shift in the structure of the male workforce.

251. Casual workers tend to work in lower skilled occupations. In August 1998, the only occupation group containing more casual employees than other employees was elementary clerical, sales and service workers. The ABS Employee Earnings and Hours Survey from May 2000 estimates that 42 per cent of these elementary clerical, sales and service workers have their wages set by awards only (that is, they do not receive any over award payments) representing the highest percentage of award only wages for any occupation.
252. Growth in part-time employment continues to outstrip growth in full-time jobs. In 1999-2000 part-time employment grew by 3.4 per cent as compared to full-time employment growth of 2.5 per cent. Again in 2000-2001, part-time employment growth was significantly greater than full-time employment growth at 3.8 per cent and 1.5 per cent respectively.
253. The implications of this are significant for the importance of minimum award rates to low paid workers. While only 15.3 per cent of full-time workers have their wages set by awards only, 39.9 per cent of part-time workers rely on award rates of pay. For these workers, the Commission's safety net adjustment is the only means of securing a wage increase.
254. It is clear that for these workers, the role of the Commission in setting and maintaining a safety net of fair minimum wages and conditions of employment is fundamental to their capacity to provide for themselves and their families.

Is Low Paid work 'Transitional'?

255. The Centre for Independent Studies (CIS) argues that there is a significant degree of transition and churning in the lowest income groups, which explains the gap between reported earnings and expenditure at the lower end of the income distribution. However, the

data utilised by the CIS to support this contention is based on a dated, British survey. It cannot be assumed that a similar situation would exist in contemporary Australia.

256. Mitchell (1999) on the other hand argues that current labour market trends are exacerbating the entrenchment of low paid workers into a future of low paid work.
257. The proportion of the workforce who face both lower real wages, as a result of the deregulation process, and longer durations on low incomes, as a result of the spread of TER (Transitory Employment Relations) to a larger proportion of the workforce, is increasing rapidly. (Mitchell 1999:160)
258. Furthermore, the statistics show that there are a similar number of low paid workers in the prime age category as are in the young worker category. This shows that low wages are not confined to the work experiences of new labour market entrants, and that low paid workers are not predominantly young workers starting out on a career path to higher paying jobs.
259. Evidence suggests that low paid workers tend to stay in low paid jobs.
- people are at risk of low wages at any stage in their working lives, and it cannot be assumed that low wages will be transitory for them*
(Richardson and Harding 1999:131).
- Most appear to have been unable to break into stable, relatively permanent and secure, full-time employment with reasonable career prospects*
(Mitchell 1999:169).
260. The prospects for the new entrants are the brightest, although their capacity to move into more secure, better paying jobs is very dependent on education. In Mitchell's sample, for example, 70 per cent of part-time married women did not expect to be promoted. The situation is apparently worst of all for peak earners and the older low wage workers – the majority do not expect to be promoted, most have been in low

wage employment for a considerable period and few apparently see any realistic way out of a low wage future.

261. Mitchell's findings are consistent with other available Australian data. Labour mobility figures in Australia show very little upward occupational mobility for low-skilled workers (ABS 1998, pp.16-17) and research by Burgess and Campbell (1998) shows that the large growth in casual jobs during the 1990s did not provide a foothold into secure employment for most workers.
262. On this evidence, it would seem that earnings mobility from the bottom of the labour market is quite limited. On balance, these studies offer little comfort to those who would like to believe that low paid work is, for most workers, simply a temporary 'pit-stop' on the path to better-paying, more secure employment.

Conclusion

263. Historically, Australians have been shielded from ultra-low pay through the award system, which ensures that a minimum and decent wage rate is maintained. These minimum wages continue to be the foundation for the living standards of a growing number of low-paid workers, especially in part-time and casual employment.
264. Contrary to the arguments of some, there are a significant number of these workers for whom low-paid work is not transitional and who have a limited prospect of moving into a higher paid job.
265. In reaching its May 2001 decision, the Commission made particular note of the ACTU submission in its conclusions concerning the needs of the low paid:

a level of protection had been afforded to the low paid in employment by "the series of safety net adjustments to minimum rates of pay which have been handed down by the AIRC during the mid to late 1990s" which they say has sustained a "floor" beneath the working poor and "protected low paid workers from the worst excesses of deregulation"

266. Award safety net adjustments have provided a fundamental buffer against entrenched poverty for low paid workers in this environment and will continue to do so in 2002 and into the future.
267. If the Commission is to ensure that a genuine safety net of fair minimum wages and conditions of employment is maintained in 2002 and beyond, it is imperative that the safety net adjustment granted to the low paid be of a meaningful amount which will minimise the difference between what workers on minimum wages can afford, and those living standards which generally prevail in the Australian community.

CHAPTER 5 Conclusion

268. The Joint Labor Governments have adopted a responsible position concerning the ACTU claim, paying careful regard to Australia's continued economic wellbeing. Due emphasis has also been given to the needs of the low paid and the importance of maintaining a viable and fair award system.
269. Section 88B(2) of the Workplace Relations Act 1996 requires the Commission to establish and maintain fair minimum wages and conditions of employment safety having regard to:
- The need to provide fair minimum standards for employees in the context of living standards generally prevailing in the Australian community;
 - economic factors, including productivity and inflation, and the desirability of attaining a high level of employment; and
 - when adjusting the safety net, the needs of the low paid.
270. The submission of the Joint Labor Governments has examined the ACTU Living Wage Claim in this context.
271. Chapter 2 reviewed the legislative framework within which the present claims must be determined, which is the same framework as that which applied in the previous five national wage cases.
272. Chapter 3 examined Australia's moderate economic performance and outlook, and recognised the slowing of the economies of the United States and Japan in particular.
273. Economic activity in Australia began to accelerate in the second half of the financial year with still faster growth in the September quarter. The economic evidence suggests that the Australian economy has experienced:

- A rebound in household consumption in the second half of 2000-2001, with continued strong growth in the first quarter of 2001-2002;
- A recovery in the housing industry;
- A moderate level of underlying inflation that is still expected to remain within the Reserve Bank of Australia's target range of between 2 and 3 per cent during 2002-2003; and
- Strong growth in wages of 3.5 per cent during 2000-2001, up from the 2.9 per cent growth experienced in 1999-2000.

274. Employment has also been an issue for Australia during 2001-2002, and whilst employment growth has remained sluggish, latest trend data suggests that unemployment has now stabilised.

275. The Joint Labor Governments submit that the Commission should consider the claim on its merits in the light of Australia's present economic strengths and outlook. The current resilience of the Australian economy in the face of a global slowdown and the prospects of expected growth that continue to defy world trends show that there is limited economic justification for the Commission not granting a meaningful safety net adjustment. It is not equitable for the lowest paid Australians to bear the responsibility for any economic slow down.

276. Further, in past decisions²¹, the Commission has acknowledged that the:

material does not establish a basis to depart from the conclusion of the Commission in previous decisions that moderate wage increases in the wages of the low paid, of themselves, do little or nothing to diminish job prospects.

²¹ May 2001 Decision at paragraph 98

277. The Joint Labor Governments support this finding of the Commission and would add that factors including monetary and fiscal policy responses play an important role in the overall economic effect of safety net adjustments.
278. Chapter 4 of the submission of the Joint Labor Governments maintains the importance of understanding the needs of low paid workers and in particular, how an increase in the minimum wage will assist in meeting their needs.
279. There is an obvious and growing gap between the earnings of employees who are solely reliant on award wages and those whose wages are set by other mechanisms. The purpose of the award safety net is to provide protection for the weaker groups of workers in Australia, many of who are endeavouring to support families.
280. The analysis contained within chapter 4 clearly demonstrated that there exists a significant gap between what could be considered the living standards that generally prevail in the Australian community, and what those on the minimum wage can afford.
281. The Joint Labor Governments submit that on balance, the need to provide fair minimum standards for employees in the context of living standards generally, the current economic conditions and outlook, and the needs of the low paid justify the granting of the ACTU claim.
282. In the alternative, the Joint Labor Governments submit that the Commission should grant the maximum wage increase consistent with the evidence to ensure that a genuine safety net for the low paid is maintained.