



Submission to the Fair Work Commission
Annual Wage Review 2017-18
March 2018

Australian Federation of Employers and Industries (AFEI)

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Overview

1. The Reserve Bank's (**RBA**) February and March 2018 Statements on Monetary Policy maintain its outlook for the economy as one of positive economic growth, although it does not foresee particularly buoyant or dramatically improved economic conditions over the next year. Growth is expected to lift a little over the next two years, with growth forecast to come from LNG production, infrastructure expenditure, a continued lift in non-mining investment and consumption.
2. GDP increased by 0.4 per cent in the December quarter 2017 and by 2.6 per cent in trend year-ended terms, (2.4 per cent seasonally adjusted), below expectations and lower than RBA forecasts. Projected underlying inflation remains 2 per cent until 2019 (underlying inflation at 1.75 per cent in 2018). Inflation has not moved into the RBA's target band of 2-3 per cent since 2013-14 and it contends there is an absence of any real inflation pressures. It forecasts the unemployment rate to continue above its preferred 5 per cent full employment rate at 5.25 per cent through 2018 and 2019.
3. Despite the RBA's positive outlook for the economy, encouraged by the pickup in global economic conditions and the impact of infrastructure and construction expenditure, uncertainty persists around the housing market, consumption and wider investment. The focus is to keep the labour market improving, particularly in those sectors with low economic growth. Underutilisation rates remain high, particularly in the award dependent sectors.
4. The continuing spare capacity in the economy and the subdued outlook for inflation means there is no foundation for substantial increases in the minimum wage. Jobs recovery is only now becoming apparent in certain sectors (health and welfare; education) but it is by no means universal.

5. The RBA expects reduced unemployment and inflation to return to the midpoint of the target range. However, based on its most recent forecasts, this uncertain outcome may be some time away.¹ This uncertainty was reiterated most recently by the Reserve Bank Governor describing the expected progress in reducing unemployment and having inflation return to target as “*likely to be only gradual*”.²
6. For these reasons, AFEI, a member of the Australian Chamber of Commerce and Industry (ACCI), supports the submission of ACCI to this review and its recommendation that the Panel award an increase of no more than a 1.9 per cent increase in the National Minimum Wage and a 1.9 percent increase to modern award wages.
7. The continued, lower measures of inflation and wages growth are an indication of spare capacity and patchy economic growth in the non mining sector, not an indication that there is capacity for increasing costs. Since 2011, the Panel has consistently awarded increases above the rate of inflation and since 2014, increases which have exceeded growth in both average earnings and the wage price index. These cumulative increases in minimum wages and award rates have a direct impact on many other labour costs, both wage and non wage, including workers compensation, superannuation, payroll tax. Around 23 per cent of the employed workforce is paid at exactly the award rate.³ These increases also feed into above award and bargained rates and compliance with the BOOT, an impact previously recognised by the Panel.⁴ In a highly competitive, low inflationary environment, employers are constrained in the extent to which they can pass on cost increases.
8. In sectors where economic activity has been more buoyant and there is less labour market excess capacity, wages have been increasing.⁵ However over the year to the December quarter 2017 the private sector WPI grew by more than 2.5 per cent in only one industry and half of the 19 industry categories had WPI growth of less than 2.0 per cent. The Panel should be wary of imposing higher regulated wages beyond inflation growth where private sector wage growth continues to reflect a subdued labour market. Where excess capacity continues, wage growth will be restrained.⁶
9. A key consideration for the Panel is that minimum award rates are intended as a safety net minimum rate, not paid or market rates. Nor is the annual review undertaken solely for the benefit of minimum wage and award reliant workers; the relevant legislative provisions seek to strike a balance between competing interests.⁷

¹ RBA - February 9 2018 and March 6 2018 Statements

² Philip Lowe Governor - RBA Address to the Financial Review Business Summit 7 March 2018

³ ABS 6306.0 Employees Earnings and Hours Data Cube 9

⁴ [2017] FWCB 3500 [5]

⁵ Statistical Report Chart 5.2; ABS 6345.0 Wage Price Index Dec 2017

⁶ Luci Ellis Assistant Governor (Economic) *Three Questions about the Outlook* Address to the Australian Business Economists Conference 13 February 2018

⁷ [2017]FWCB 3500 [141]

The Economic Environment

10. 2017 fourth quarter GDP growth was below trend, slowing to an annual rate of 2.4 per cent seasonally adjusted from an upwardly revised 2.9 per cent per annum in the September quarter. The quarterly fall was largely due to falling exports and weaker private and dwelling investment. Increased consumption expenditure was the major contributor to growth, with public expenditure increasing by 3.5 per cent in trend terms and household expenditure by 2.9 per cent over the year.⁸
11. Across the States, NSW led growth in State final demand with major public infrastructure projects, followed by Victoria. Western Australia's state final demand decreased 0.2 per cent in the December quarter and follows a 1.4 per cent increase in the September quarter. The fall in the December quarter was driven by reduced private capital investment particularly in the resources sector. Northern Territory's state final demand decreased 7.6 per cent in the December quarter following an increase of 0.9 per cent in the September quarter.⁹
12. Gross value added per hour worked in the market sector increased by 2.4 per cent. Over the year to December 2017, in trend terms, Health Care and Social Assistance continues to lead annual average growth in gross value added (**GVA**) (6.0 per cent) followed by Accommodation and Food services (5.6 per cent) and Financial and Insurance services (4.5 per cent). Through the year Construction rose 4.4 per cent, consistent with the strength in non-residential construction and public investment. Agriculture, Forestry and Fishing had a third consecutive quarterly fall. In seasonally adjusted terms, Agriculture, Wholesale trade, and Other services fell over the year.
13. In award reliant industries, GVA increased by 2.7 per cent in Retail trade, by 3.0 per cent in Administrative and Support services and 1.3 per cent in Other services.
14. Driven by increased employment and hours worked in Health Care and Social Assistance, Education and Training, Public Administration and Safety, Construction, and Financial and Insurance services, compensation of employees increased by 4.4 per cent, 4.8 per cent seasonally adjusted. However, private sector compensation increased by only 0.8 per cent compared with the public sector increase of 2.0 per cent.
15. Real net national disposable income grew by 2.0 per cent over the year (trend data). GDP per capita rose by 1.0 per cent and GPD per hour worked fell by – 0.8 per cent.

⁸ ABS 5206.0 National Accounts Dec 2017

⁹ ABS 5206.0 National Accounts Dec 2017

Investment

16. Business investment, measured as private gross capital formation increased by 3.2 per cent in trend terms over the year, reversing the declines in each the previous four years.¹⁰ Private construction in dwellings fell over the year while non dwelling construction improved. However, over the year this growth was concentrated in New South Wales, ACT and, to a lesser extent, Queensland. In the 2017 December quarter, only NSW and the ACT experienced private investment growth. In contrast to the tepid and variable private sector investment, public total gross capital formation grew by 8.5 per cent, an indication of the importance of this public sector activity in lifting economic performance. Overall, as Chart 1.5 of the Statistical Report shows, gross fixed capital formation has flat lined over the past year.
17. There has been strong growth in public infrastructure expenditure in the eastern states which has flowed through to the private sector and assisted investment performance.
18. Business investment plans, according to the ABS survey¹¹, are improving from a low base. The main focus is on improved non mining investment with the subsidence of the mining boom. There has been strong growth in public infrastructure expenditure in the eastern states which has flowed through to the private sector and assisted investment performance. Total new capital expenditure increased by 4.4 per cent in trend terms over the year. Non-mining investment (capex) increased by 1.8 per cent in the quarter and 10.4 per cent over the year. This is a welcome improvement following the weakness in non mining investment since 2009-10, however, broader and more consistent investment is needed across the economy to generate productivity and growth which can sustain increased wages .

Inflation

19. Headline and core inflation remains below the RBA's target band of 2 to 3 per cent.
20. The CPI rose 0.6 per cent in the December 2017 quarter to be up 1.9 per cent over the year, with the highest price increases in the Alcohol and Tobacco group (7.3 per cent), followed by Health (4.0 per cent).¹² The Reserve Bank in its February 2018 Statement on Monetary Policy was cautious in its inflation forecasts. Having been below the target band for the past three years, the Bank anticipates underlying inflation remaining at or below the bottom of the 2–3 per cent target band through 2018 and 2019, reaching 2.25 per cent by mid 2020.

¹⁰ ABS 5206.0 National Accounts Dec 2017

¹¹ ABS 5625.0 Private New Capital Expenditure and Expected Expenditure Australia Dec 2017

¹² ABS 6401.1 December Quarter 2017

21. The slow progress toward achieving this target is also demonstrated by reduced growth in the trimmed mean inflation which, although showing growth of 1.8 per cent over the year, in the last six months of 2017 slowed to 1.6 per cent. The weighted median was 2.0 per cent. Underlying inflation is the average of the trimmed mean and weighted median measures of inflation. Underlying inflation was the same as headline inflation over the year – 1.9 per cent.
22. Households spend the most on housing, followed by food and non-alcoholic beverages; and recreation and culture.¹³ In its February 2018 Board minutes the RBA observed that food prices, excluding the more volatile fruit and vegetables, have changed little in nearly a decade, pointing to retail firms facing a combination of competitive pressures, leading them to keeping their prices lower. In the December 2017 quarter, the rises in fuel, fruit and tobacco prices were offset by further declines in consumer durables, again pointing to the tight conditions faced by retailers. Around a third of the CPI basket consists of tradeables whose prices are determined globally and are affected by movements in the exchange rate and commodity prices. The low growth in tradeable item prices, subject to international competition, at -0.3 per cent has offset the higher growth in domestically determined non tradeable prices (largely alcohol and tobacco, housing, health) which have risen by 3.1 per cent. The All Groups CPI excluding alcohol and tobacco was 1.5 per cent over the year.¹⁴
23. Average weekly expenditure per household grew by \$222.88 between June 2011 and September 2017, from \$1,371.30 to \$1,594.18 (16.3 per cent). Over the same period, wages growth was 17.1 per cent (WPI).¹⁵

Producer Prices

24. While the CPI remains subdued, there are some signs of higher inflation for producers. Over 2017, producer input prices on average rose faster than output prices. Producer prices for all final goods and services increased by 1.7 per cent, while intermediate prices rose by 3.1 per cent and preliminary prices rose by 3.0 per cent in the year to the December quarter 2017.¹⁶ This points to pressures on business margins in some sectors and further inflationary pressures building within the economy.
25. However, in housing construction, a sector making a major contribution to the post mining boom economic growth and employment, input prices rose 2.7 per cent while output prices rose by 3.7 per cent. In manufacturing pricing for all outputs rose by

¹³ ABS The Australian CPI: A Contemporary Measure of Household Inflation September 2017
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/6401.0Feature+Article2Sep+2017>

¹⁴ ABS 6401.1 December Quarter 2017 Table 8
[http://www.ausstats.abs.gov.au/ausstats/meisubs.nsf/0/0D75296038245BE0CA258225000D6EEF/\\$File/64010_dec%202017.pdf](http://www.ausstats.abs.gov.au/ausstats/meisubs.nsf/0/0D75296038245BE0CA258225000D6EEF/$File/64010_dec%202017.pdf)

¹⁵ ABS The Australian CPI: A Contemporary Measure of Household Inflation September 2017
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/6401.0Feature+Article2Sep+2017>

¹⁶ ABS 6427 Producer Price Indexes Australia December 2017

3.5 per cent (up from 1.1 per cent annual change in December 2016) while inputs rose by 3.0 per cent. Prices for all inputs appear to be increasing, but particularly the cost of electricity input prices.

Profits

26. Non-mining profits are trending higher but with mixed results by industry, given an uneven expansion in economic activity across sectors.
27. In trend terms, company profits fell by 0.2 per cent in the most recent quarter but were overall 5.2 per cent higher than a year ago.¹⁷ As measured in GPD, total profits (total gross operating surplus) increased by 2.6 per cent in trend terms and 4.0 per cent seasonally adjusted.¹⁸
28. There was considerable variability in profit performance across industries in the December quarter 2017. Mining, Construction, Transport, Rental Hiring and Real Estate, and Other services reported their third consecutive quarter of negative profit growth in trend terms.¹⁹ Manufacturing profit growth remained weak or negative throughout the year, as was Information Media and Telecommunications.
29. In the award dependent industries profit outcomes were mixed with Administrative and Support services (10.0 per cent in each of the last two quarters) and Accommodation and Food services showing stronger growth in the last two quarters (5.1 per cent and 6.4 per cent), following seven quarters of negative growth. Retail trade profit was minimal with an average quarterly growth of 1.5 per cent throughout the year. Other services had three quarters of negative growth to December 2017.
30. In trend terms the wages share of factor income has risen over the year to 53.1 per cent from 52.8 per cent in the December quarter 2016, while the profits share fell from 27.3 per cent to 26.9 per cent over the same period.²⁰ Across industries there is considerable variability in profit and wage shares. In Health Care and Social Assistance the wage share is 86 per cent, in Accommodation and Food services it is 74 per cent and Retail 68 per cent. In Mining the wages share is 20 per cent.²¹ Total compensation of employees in the public sector rose more than the private sector and reflects the stronger growth in employment in Health Care and Education.

¹⁷ ABS 5676.0 Business Indicators December 2017

¹⁸ ABS 5206.6 Australian National Accounts Dec 2017 Tables 18 & 19

¹⁹ ABS 5676.0 Business Indicators December 2017 Table 12

²⁰ ABS 5206.0 Dec 2017 Table 24

²¹ ABS 5204.0 Australian System of National Accounts Table 46

Business exits and entry

31. The entry rate of businesses into the economy increased in the year to June 2017 to 15.1 per cent compared with 14.6 per cent in 2016; a slower rate of growth than the previous year increase of just over 1.0 per cent but continuing the upward trend in entry rates since 2013. There has been a marginal decline in the exit rate, with an exit rate of 12.0 per cent at June 2017 compared with 12.3 per cent at June 2016.²²
32. Most of the growth has been driven by non employing businesses. There were 868,248 (38.8 per cent) employing businesses and 1,370,051 (61.2 per cent) non-employing businesses at the end of 2016-17. The highest rates of business growth were in the Transport Postal and Warehousing and Construction industries.
33. The entry and exit rates for the award dependent industries were higher than the all industries rates but in each of these four industries the entry rate was higher than the exit rate, with the exception of Retail. Here the exit rate was marginally higher, at 13.8 per cent, than the entry rate of 13.2 per cent, and similar to previous years. Accommodation and Food services had the highest exit rates, along with Public Administration and Safety.
34. In terms of survival of businesses since 2013, all of the award dependent industries continued to have lower survival rates than the all industries rate of 64.1 per cent in 2017. Accommodation and Food services had the lowest rate, at 54.6 per cent.
35. Bankruptcy rates in the award dependent industries, Other Services and Accommodation and Food services, are consistently among the industries with the most lodgements for companies with less than 20 employees.²³

Productivity

36. On an hours worked basis, market sector multifactor productivity (**MFP**) grew 0.6 per cent in 2016–17. Labour productivity grew 1.1 per cent on an hours worked basis. MFP growth was not broad based with the MFP gains concentrated in Agriculture, Forestry and Fishing (+18.3 per cent); Art and Recreation services (+6.2 per cent); and Wholesale trade (+4.0 per cent). There were significant MFP declines in Construction (-7.3%); Manufacturing (-4.7%); Other services (-4.6%); Administrative and Support services (-3.4 per cent) and Accommodation and Food services (-1.6 per cent).²⁴

²² ABS 8165.0 Counts of Australian Business Jun 2013 to Jun 2017

²³ ASIC Insolvency Statistics: External administrators' reports (July 2016 –June 2017).

²⁴ ABS 5260.0.55.002 Estimates of Multifactor Productivity 2016-17

37. In trend terms, in the twelve months to December 2017, GDP per hour worked declined by 0.8 per cent and gross value added per hour worked in the market sector declined by 0.6 per cent.²⁵

Wages

38. In the twelve months to November 2017 full-time adult average weekly total earnings rose by 2.2 per cent in trend terms to \$1,628.10. Ordinary time earnings (**AWOTE**) increased by 2.3 per cent to \$1,567.90.²⁶
39. While all industries showed increases in full time adult ordinary time earnings over the year, the highest rates of growth were in Information Media and Telecommunication, Rental and Real Estate services, Administration and Support services and Arts and Recreation services.
40. Total earnings rose at a higher rate in Retail trade, Accommodation and Food services and Other services compared with ordinary time earnings, suggesting a higher rate of overtime being worked in these sectors.
41. There was a notable disparity between private and public sector average weekly earnings increases with public sector all employees earnings increasing by 3.0 per cent compared with 2.3 per cent in the private sector. Across the states and territories, the highest full-time AWOTE is in the ACT at \$1,803.10, where there is a high proportion of public sector workers. The higher public sector growth rates are a reflection of greater private sector sensitivity to cost increases and constraints on their ability to pass these on through price hikes in less than buoyant markets.
42. The Wage Price Index (**WPI**) annual rate of growth in December 2017 rose to 2.1 per cent from 2.0 per cent in December 2016.²⁷ Again, private sector growth, at 1.9 per cent, was lower than the public sector rise of 2.4 per cent. Wage growth continued to be strongest in the public sector and in services industries dominated by the public sector (such as Healthcare, Public Administration and Education). Private sector WPI growth was lowest over the year in the Mining industry at 1.4 per cent followed by Retail trade (1.6 per cent) and highest in Health Care and Social Assistance (2.6 per cent), a reflection of the differing labour and consumer demand conditions in those sectors. Those sectors which have previously driven wage inflation – Mining, Utilities, Construction and Transport – had growth rates over the year below the all industries rate of 1.9 per cent.

²⁵ ABS 5206.0 National Accounts Table 1

²⁶ ABS 6302.0 - Average Weekly Earnings, Australia, Nov 2017

²⁷ ABS 6345.0 Wage Price Index December Quarter 2017

43. Private sector Wholesale trade, Retail trade, Accommodation and Food services, Rental, Hiring and Real Estate services all recorded the equal lowest growth over the quarter (0.2 per cent). Retail wage growth was the lowest since the series began in 1997. The Information, Media and Telecommunications industry recorded the highest quarterly rise of 1.0 per cent.

44. Another measure of earnings, compensation of employees, or total earnings rose by 3.3 per cent in the year to the September quarter 2017.²⁸ This is a reflection of both increased numbers in employment and increased hours worked. According to the ABS, growth in Construction, Professional, Scientific and Technical services and the Finance and Insurance services industries drove the increase in earnings. The ABS Quarterly Business Indicators Survey estimates that wages and salaries increased by 4.3 per cent (seasonally adjusted) over the year to the December quarter 2017.²⁹ As this measure combines jobs and wages growth, in large part this increase would have been generated by stronger employment growth and full time jobs growth in particular.

45. There have been a number of factors underpinning the slower rate of growth in wages in comparison to the period of high wages growth during the mining boom, including the sluggish economy, low inflation, changing technology and a more competitive environment.³⁰ A key factor has been the lower level of business confidence and a focus on cutting costs in an increasingly competitive economy. As the Governor of the RBA expressed it:

“Everyone is worried about their costs. They’re finding more efficient ways of operating the workforce.”³¹

46. In explaining the combination of cyclical and structural factors contributing to the slow growth in nominal and real wages, the Governor pointed to the perceptions of increased competition and a laser like focus on containing costs:

In other advanced economies where unemployment rates are below conventional estimates of full employment, the normal tendency for firms to pay higher wages in tight labour markets appears to be muted. Businesses are not bidding up wages in the way they might once have. This is partly because business, too, feels the pressure of increased competition.

One response to this competitive pressure is to have a laser-like focus on containing costs. Over recent times there has been a mindset in many businesses, including some here in Australia, that the key to higher profits is to reduce costs. Paying higher wages can sit at odds with that mindset.

²⁸ ABS 5206.0 - Australian National Accounts: National Income, Expenditure and Product, Sep 2017 page8

²⁹ ABS Business Indicators December 2017

³⁰ RBA Bulletin Insights into low wage growth in Australia, March 2017

³¹ House Of Representatives Standing Committee On Economics Reserve Bank of Australia Annual Report 2017 16 February 2018
http://parlinfo.aph.gov.au/parlInfo/download/committees/commrep/af4a01ce-cf3b-4e4e-a214-3522214a8e01/toc_pdf/Standing%20Committee%20on%20Economics_2018_02_16_5908.pdf;fileType=application%2Fpdf#search=%22committees/commrep/af4a01ce-cf3b-4e4e-a214-3522214a8e01/0000%22

Given these various effects, it is plausible that, at least for a while, the economy is less inflation prone than it once was. Both workers and firms feel more competition, and it is plausible that the wage- and price-setting processes are adjusting in response.³²

47. The reasons for business reluctance to pay unaffordable wage increases were also canvassed by RBA Assistant Governor, Luci Ellis:

Instead, we hear that firms are increasingly using other creative ways to attract and keep staff without paying across-the-board wage rises. These include everything from hiring bonuses, to offering extra hours, to increasing perks and workplace conditions.

Their reasons for doing so stem from the competitive landscape, or at least how it is perceived. Even when facing strong demand and rising cost pressures, firms seem reluctant to raise their prices. This is a theme from our liaison with the business community. They appear to believe that competition is so intense that they would lose too much business if they did so. So they are especially reluctant to grant wage rises, because this would increase one of their most important costs.³³

48. This is an important consideration for the Panel in reaching its decision in the annual wage review. Lower growth in nominal unit labour costs compared with our trading partners made some improvement in Australia's labour market competitiveness, although Australia's wage rates remain high in international comparisons. On a Purchasing Power Parity basis Australia's minimum wage continues to rank third in OECD economies after Luxembourg and the Netherlands.³⁴ Even with higher wages, Australia's minimum wage is comparatively close to average wages at 45 per cent of the average wage for a full time employee and 54 per cent of the median. For OECD countries overall, the minimum wage is 38 per cent of the average wage for a full time employee.³⁵

49. According to the World Economic Forum (WEF) Australia has again ranked outside the world's most competitive 20 companies. The most problematic factor for doing business in Australia in 2017-18, by a wide margin, was restrictive labor regulations.³⁶ As described by the WEF:

Australia's overall performance is not remarkable: in most pillars it does not rank among the top 25 countries.

³² Philip Lowe Governor RBA Address to the Australian Business Economists Annual Dinner 21 November 2017 <https://www.rba.gov.au/speeches/2017/sp-gov-2017-11-21.html>

³³ Luci Ellis Assistant Governor (Economic) *Three Questions about the Outlook* Address to the Australian Business Economists Conference 13 February 2018 <https://www.rba.gov.au/speeches/2018/sp-ag-2018-02-13.html>

³⁴ OECD.StatExtracts Real Minimum Wages constant prices at 2015 USD PPPs

³⁵ OECD.StatExtracts Minimum relative to average wages of full time workers

³⁶ World Economic Forum Global Competitiveness Index 2017-18 <http://reports.weforum.org/global-competitiveness-index-2017-2018/countryeconomy-profiles/#economy=AUS>

50. The impact of competitive pressures on enterprise bargaining outcomes was also noted by the Assistant Governor:

*We are seeing this particularly in new enterprise agreements, which lately have tended to involve smaller wage increases than the ones they replaced. These agreements usually last for a couple of years, so this will weigh on overall wage outcomes for a while.*³⁷

51. The average annualised wage increase (**AAWI**) for federal enterprise agreements approved in the September quarter 2017 was 2.2 per cent, down from 2.6 per cent in the June quarter 2017 and down from 3.4 per cent in the September quarter 2016.³⁸

52. For the 8,642 enterprise agreements current as at 30 September 2017 (that is, have not passed the nominal expiry date and not been terminated) that had a quantifiable wage increase, the AAWI was 2.9 per cent, down from 3.1 per cent in the June quarter 2017, and down from 3.2 per cent in the September quarter 2016.

53. In addition, employers are showing a distinct lack of enthusiasm to enter into, or to maintain agreements. The number of enterprise agreements has declined considerably over recent years. There were 12,915 current agreements (not yet expired or terminated) as at 30 September 2017, covering around 1.8 million employees or around one third of the workforce as measured by the ABS Earnings and Hours Survey. This is down by 1,580 agreements from 14,495 current agreements, covering around 1.9 million employees as at 30 June 2017.³⁹

54. A further factor impacting wages growth is the extent of excess capacity in the labour market which is evident in Australia's high under employment rate, which remains elevated at 8.7 per cent. The RBA's current estimate of the natural unemployment rate is 5% (NAIRU). Unemployment needs to fall from its current level before wage growth re-emerges, and as the RBA hopes, inflation pressures start to rise. The point at which this happens, and capacity constraints start to operate to lift wages is an uncertain and apparently moving target, where the RBA considers unemployment may need to fall below the current NAIRU estimate given that the labour market slack is apparently greater than the headline unemployment rate.⁴⁰

³⁷ Luci Ellis Assistant Governor RBA op cit

³⁸ Australian Government Department of Jobs and Small Business Trends in Federal Enterprise Bargaining September Quarter 2017

³⁹ Australian Government Department of Employment Report on Enterprise Bargaining February 2017

⁴⁰ Luci Ellis Assistant Governor op cit

55. Wage growth has continued to be slow even where there has been a significant tightening of labour market conditions. In NSW for example there has been a fall in unemployment (to 4.8 per cent) and under employment (7.9 per cent). However, wages growth as measured by the WPI remains around 2 per cent and below the public sector rate of growth (2.4 per cent). In Victoria employment has grown by 3.5 per cent, however, private sector wage growth, while higher than for NSW, was 2.2 per cent only in the last quarter of 2017, after three successive quarters of 1.9 per cent annual growth.
56. In the November Statement on Monetary policy the RBA downgraded its forecasts for growth in the inflation, and left these unchanged in the February Statement.⁴¹ This lower than expected growth in the inflation rate further indicates that labour underutilisation remains higher than expected and the additional slack in the labour market is likely to hold down wages longer than forecast.
57. While the RBA looks forward to higher wage and price inflation, the prospect of both rising cost price pressures and interest rates is not a combination business will welcome. A major reason why the business surveys remain positive is that the slower wages growth of the past few years looks set to continue.⁴² Should this perception change, business and employment growth will be impeded.

Employment

58. Over the past year, trend employment increased by 3.3 per cent with the bulk of employment growth in full time work. The part-time share of employment decreased 0.2 percentage points over the past 12 months, from 31.9 per cent to 31.7 per cent, below the high of 32.0 per cent of the total workforce in November 2016.
59. Employment has fallen over the past year in Manufacturing, Mining, Wholesale trade, Financial and Insurance services and Administrative and Support services. All other sectors have generated jobs, with the largest employment growth in Arts and Recreation services, Agriculture, Other services and Health Care and Social Assistance.
60. As with the differing rates of employment growth across industries, growth across occupations is not universal. Strongest employment growth over the year was in the occupations of Community and Personal Service workers, Technicians and Trades workers and Professionals.⁴³

⁴¹ Reserve Bank Statement on Monetary Policy February 2018
<https://www.rba.gov.au/publications/smp/2018/feb/>

⁴² Commbank Economics Update 19 December 2017
https://www.commbank.com.au/content/dam/commbank/corporate/research/publications/economics/economic-update/2017/191217-RBA_Minutes.pdf

⁴³ ABS 6291.0.55.003 Labour Force, Australia, Detailed, Quarterly

61. Employment growth is projected to continue for Professionals and Community and Personal Service workers. Together, these two occupational groups are expected to account for well over half of the total growth in employment over the next five years. Below average employment growth is projected for Technicians and Trades workers and Labourers, while relatively weak growth is projected for Sales workers, Machinery operators and Drivers and Clerical and Administrative support workers.⁴⁴
62. An indication of the growth in skilled jobs is provided by job advertisement data. In January 2018, Skill Level 1 accounted for 37.7 per cent of all job advertisements. Skill Level 1 has always accounted for the largest share of job advertisements and its share has increased by 0.7 percentage points over the past five years. By contrast, the share of job advertisements accounted for by Skill Level 5 has fallen from 14.9 per cent in January 2013 to 12.0 per cent in January 2018.⁴⁵ Most minimum wage earners are concentrated in the lowest skill levels. Over half of NMW earners (56.7 per cent) worked in occupations with skill level 5.⁴⁶
63. Monthly hours worked increased by 2.7 per cent over the past year, slightly below the increase in employed persons (3.3 per cent). As a result, the average hours worked per employed person decreased slightly to around 32.0 hours per week. The increase in hours worked was confined to the eastern seaboard, hours barely changed over the year in other states and the Northern Territory.⁴⁷

Unemployment

64. The trend unemployment rate remained at 5.5 per cent for the seventh consecutive month, 717,800 unemployed persons. Employment growth is being countered by a rising trend participation rate, which increased by 0.1 percentage points to 65.6 per cent between December 2017 and January 2018. The male participation rate remained at 70.9 per cent whilst the female participation rate increased to a further historical high of 60.5 per cent.
65. There is considerable variation in unemployment rates in the States and Territories with unemployment in Queensland, South Australia and Western Australia remaining elevated at 6.0 per cent and Victoria and South Australia at 5.7 per cent. The lower rate of 4.8 per cent in New South Wales reflects the impact of public infrastructure and other construction activity in that State.

⁴⁴ Australian Government Department of Jobs and Small Business Employment Outlook to May 2022

⁴⁵ Australian Government Department Jobs and Small Business Vacancy Report January 2018

⁴⁶ FWC Research Report 3/2018

⁴⁷ ABS 6202 Labour Force Jan 2018 Table 19

66. The numbers of long term unemployed varied between 163,000 and 178,000 over the year to January 2018, and have not been less than 150,000 since 2013. After declining from elevated levels in 2016, the last quarter of 2017 saw the number of long term unemployed rise again to 169,600 in January 2018.⁴⁸
67. The number of unemployed in the 15-24 age group has fallen marginally over the year to January 2018, from 13.0 to 12.2 per cent in trend terms. Over the same time the participation rate has increased from 66.4 per cent to 67.5 per cent. Of the unemployed, 55 per cent were seeking full time work. Of those obtaining employment, 54 per cent were employed part time.⁴⁹

Underemployment and Underutilisation

68. There are over one million underemployed workers in the labour force. The number of underemployed persons has not fallen below 8 per cent since May 2014 and, as at November 2017, was 8.4 per cent, down slightly from the 8.6 per cent level a year earlier.⁵⁰ While this may be a transitory condition for the majority of those underemployed,⁵¹ the consistent proportion of workers affected at any one time has become an enduring feature of our labour market. While this is widely attributed to structural change and the generation of part time jobs (around 90 per cent of the underemployed are part time), it is also a reflection of employer inability to provide additional hours where these are sought by workers. Additional hours must be funded through additional revenue or cutting costs and it is apparent this is not viable for those employers. Consequently, the spare capacity in the labour market endures, a clear indication of the inability of employers in those industries with high levels of underemployment to sustain unaffordable wage increases.

⁴⁸ 6291.0.55.001 Labour Force, Australia, Detailed - Electronic Delivery Table 14 b, Table 14a. Unemployed persons by Duration of Job search and Sex

⁴⁹ ABS 6202.0 Jan 2018

⁵⁰ *ibid*

⁵¹ We note the findings of Research Report 2/2018 which include that two thirds of those underemployed will have exited this state within the following year. However, Table D2 in Appendix D of the research report provides the following data:

- In the first year of under employment, 31.7 per cent remain under employed, 53.2 per cent exit into full employment and 15.1 per cent exit into non employment. Of this latter category, 9 per cent want to work. ie 41 per cent were still underemployed or were unemployed wanting to work.
- In the second year of under employment, 41.3 per cent remain under employed, 46.6 per cent exit into full employment and 12.1 per cent exit into non employment. ie 50.3 per cent were still underemployed or were unemployed wanting to work, assuming 9 per cent want to work (page 16 of the report).
- Thereafter, up to eight years an increasing proportion (of a smaller number) remain underemployed, with declining proportions exiting into full employment.

69. Under employment rates are highest in the following industries and occupations, all of which have high levels of award dependency (Table 1).

Table 1: Underemployment Rates—Industry/Occupation

Industry/Occupation	Under employment ratio (proportion of employed) %
Retail trade	17.4
Accommodation and food services	22.6
Administrative and support services	13.2
Arts and recreation services	18.4
Community and personal services workers	17.6
Sales workers	19.1
Labourers	18.2

Source: 6291.0.55.003 Labour Force, Australia, Detailed, Quarterly
Table 19. Underemployed persons by Industry division (ANZSIC) or Occupation major group (ANZSCO) of main job and Sex

70. Fair Work Commission Research Report 3/2018 found that around one in five low-paid employees were underemployed, compared with only 7 per cent for higher-paid employees. Low-paid employees accounted for over one-third of the total underemployed, with their high level of part time work contributing to this outcome.⁵²
71. The underemployment rate for those aged 15-24 years is 18 per cent, has steadily trended upward, and, combined with an unemployment rate of 12.2 per cent, results in an underutilisation rate for this age group of 30.2 per cent. This is an increase of around 10 per cent over the past decade (Table 2).

⁵² FWC Research Report 3/2018 Characteristics of workers earning the national minimum wage rate and of the low paid

Table 2: Underemployment/Underutilisation Rates—15-24 Years

	15-24 years Underemployment rate (proportion of labour force) Trend %	15-24 years Underutilisation rate %
Nov-2007	11.4	20.7
Nov-2008	12.3	21.7
Nov-2009	14.6	26.2
Nov-2010	13.2	24.8
Nov-2011	13.6	25.1
Nov-2012	13.3	24.9
Nov-2013	15.1	27.4
Nov-2014	16.9	30.8
Nov-2015	17.3	29.5
Nov-2016	17.7	30.9
Nov-2017	18.0	30.2

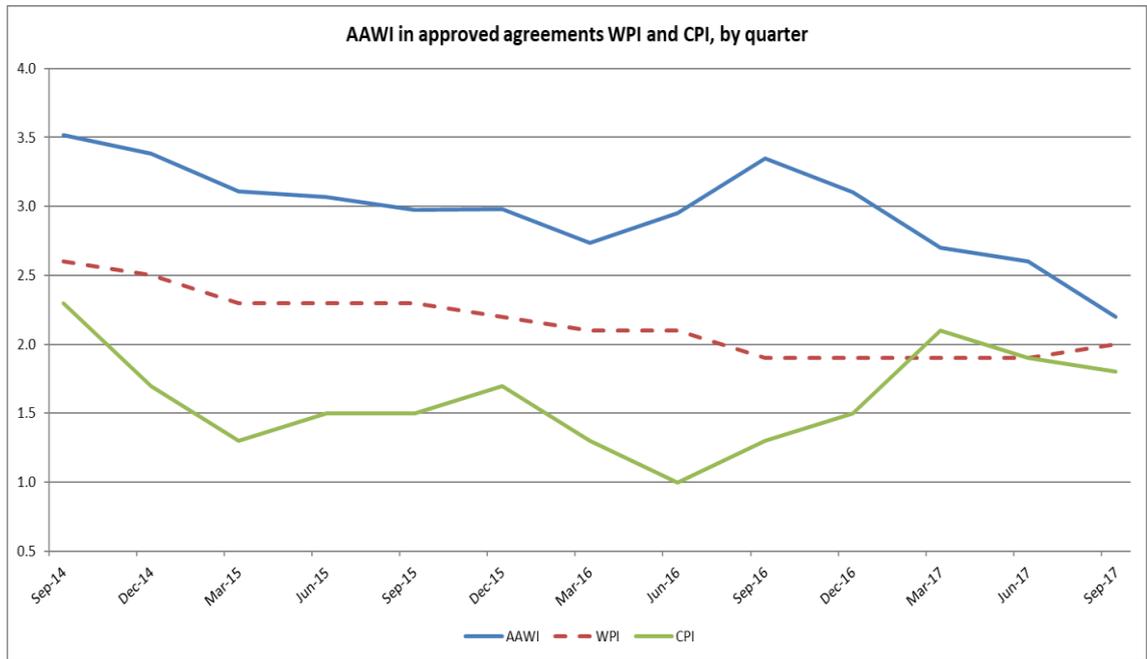
Source: ABS 6202.0 Labour Force

The need to encourage enterprise bargaining

72. To stem the decline in enterprise agreements, there needs to be a legislative and regulatory environment conducive for bargaining to be a genuinely productive undertaking in which business is willing to invest. This is currently absent, with award rates and entitlements having reached levels which preclude the incentive to bargain in many enterprises, along with the complexities and uncertainty arising from the legislation and regulation of the bargaining process and agreement approval.
73. The more that award rates are pushed up into what would be market rates, the less encouragement there is for enterprise bargaining and the less flexibility there is for employer to accommodate the widely differing circumstances of individual business, including within the same market/industry.

74. There has been a distinct move toward convergence in AAWI and the WPI over the past 18 months as shown in Chart 1:

Chart 1: AAWI, WPI, CPI



Source: Trends in Federal Enterprise Bargaining September Quarter 2017

75. The decline in bargaining is apparent across all sectors; see attached extract from Trends in Federal Enterprise Agreements –Table 7 (**Attachment 1**).

Australian Federation of Employers and Industries (AFEI)

76. The Australian Federation of Employers and Industries (AFEI), formed in 1903, is one of the oldest and most respected independent business advisory organisations in Australia. AFEI has been a peak council for employers in NSW and has consistently represented employers in matters of industrial regulation since its inception.
77. With members of all sizes and across most industries and affiliated industry associations, our main role is to represent, advise and assist employers in all areas of workplace and industrial relations and human resources. AFEI provides advice and information on employment law and workplace regulation, human resources management, workplace health and safety and workers compensation.
78. AFEI is a key participant in developing employer policy at national and state (NSW) levels and is actively involved in all major workplace relations issues affecting Australian businesses.

ATTACHMENT 1: EXTRACT TRENDS IN FEDERAL ENTERPRISE BARGAINING-Table 7

Table 7: Agreements approved in the quarter, by ANZSIC Division (September quarter 2014 – September quarter 2017)

FOR AGREEMENTS APPROVED IN THE NOMINATED QUARTER	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
Agriculture, Forestry and Fishing agreements	16	19	19	13	18	8	9	16	9	16	8	14	4
Agriculture, Forestry and Fishing AAWI (%)	3.1	3.0	3.0	3.2	2.8	2.5	2.6	2.8	2.4	3.0	2.4	2.7	2.5
Agriculture, Forestry and Fishing duration (yrs)	3.0	2.7	2.9	2.7	2.7	3.2	2.3	3.1	3.3	2.6	3.2	3.1	3.4
Agriculture, Forestry and Fishing employees ('000)	0.8	1.1	1.3	0.9	2.0	1.8	0.3	0.4	0.3	0.7	2.5	1.6	0.9
Mining agreements	58	47	18	35	35	32	23	25	26	17	20	29	18
Mining AAWI (%)	2.5	2.9	2.1	1.9	2.3	1.8	2.2	1.6	1.6	2.3	1.4	2.3	1.9
Mining duration (yrs)	3.5	3.2	2.8	3.5	3.1	3.2	2.6	2.7	2.8	3.5	2.6	3.4	3.5
Mining employees ('000)	6.2	4.0	1.0	4.8	3.1	3.0	3.3	1.5	4.1	0.9	1.2	3.6	1.5
Manufacturing agreements	299	289	234	195	291	180	165	180	215	250	158	161	112
Manufacturing AAWI (%)	2.9	3.0	3.0	2.9	2.6	2.6	2.6	2.7	2.9	2.8	2.4	2.4	2.4
Manufacturing duration (yrs)	2.8	2.8	2.5	2.7	2.6	2.4	2.5	2.7	2.5	2.4	2.8	2.8	2.7
Manufacturing employees ('000)	18.3	20.9	12.6	10.0	16.1	12.1	8.8	11.6	11.3	14.5	10.3	8.5	7.7
Non-metal manufacturing agreements	203	178	147	133	185	110	111	121	119	163	108	111	79
Non-metal manufacturing AAWI (%)	3.0	3.1	2.8	2.9	2.7	2.6	2.6	2.7	2.8	2.8	2.3	2.4	2.4
Non-metal manufacturing duration (yrs)	2.7	2.6	2.4	2.8	2.8	2.4	2.5	2.7	2.6	2.5	2.8	2.8	2.7
Non-metal manufacturing employees ('000)	11.7	11.6	9.1	7.9	10.9	7.6	6.6	9.6	7.0	8.8	7.4	5.8	4.4
Metal manufacturing agreements	96	111	87	62	106	70	54	59	96	87	50	50	33
Metal manufacturing AAWI (%)	2.9	2.9	3.3	3.0	2.6	2.5	2.6	2.7	3.0	2.8	2.6	2.4	2.5
Metal manufacturing duration (yrs)	2.9	2.9	2.7	2.3	2.3	2.4	2.4	2.4	2.2	2.4	2.6	2.8	2.7
Metal manufacturing employees ('000)	6.6	9.4	3.5	2.1	5.2	4.5	2.2	2.0	4.3	5.7	2.8	2.7	3.2
Electricity, Gas, Water, Waste Services agreements	33	45	38	46	51	47	27	23	27	27	25	24	24
Electricity, Gas, Water, Waste Services AAWI (%)	2.9	3.4	3.3	2.8	2.8	2.8	2.2	2.3	3.0	3.0	3.5	3.2	2.3
Electricity, Gas, Water, Waste Services duration (yrs)	1.6	2.9	3.2	2.6	2.7	2.5	2.9	1.7	2.3	2.9	2.9	3.0	3.1
Electricity, Gas, Water, Waste Services emps ('000)	5.3	7.0	1.9	11.5	3.4	3.9	1.6	2.0	1.3	3.5	2.6	3.4	3.7

FOR AGREEMENTS APPROVED IN THE NOMINATED QUARTER	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
Construction agreements	400	397	292	347	353	363	273	460	825	472	248	213	203
Construction AAWI (%)	4.7	3.8	4.3	3.8	3.7	3.8	3.9	3.8	6.0	5.3	4.2	3.7	3.1
Construction duration (yrs)	3.0	2.9	2.7	2.8	2.6	2.7	2.7	3.0	2.3	2.4	2.7	3.0	3.0
Construction employees ('000)	16.1	9.7	5.6	7.2	10.9	9.5	7.9	10.2	18.7	8.5	3.9	3.2	4.5
Wholesale Trade agreements	69	58	43	44	54	45	32	22	60	57	52	34	24
Wholesale Trade AAWI (%)	3.3	3.2	3.0	2.9	2.8	2.9	2.4	2.6	3.0	2.7	2.5	2.4	2.8
Wholesale Trade duration (yrs)	2.7	2.6	2.7	2.2	2.7	2.4	2.5	2.7	2.1	2.5	2.9	2.9	2.6
Wholesale Trade employees ('000)	4.1	3.8	6.2	2.2	2.0	2.1	1.6	1.2	2.7	2.4	6.5	2.1	1.4
Retail Trade agreements	31	18	11	19	16	11	23	17	17	14	18	11	10
Retail Trade AAWI (%)	2.9	3.4	1.9	2.5	2.9	2.3	2.9	2.0	4.2	2.7	2.4	2.4	1.1
Retail Trade duration (yrs)	2.9	3.2	3.1	3.3	2.9	3.0	2.6	3.3	2.9	3.1	3.7	2.6	3.6
Retail Trade employees ('000)	14.3	8.9	1.1	3.5	9.9	1.1	2.5	2.1	0.3	1.0	5.0	1.3	2.6
Accommodation and Food Services agreements	46	45	34	22	31	34	20	21	27	28	21	15	16
Accommodation and Food Services AAWI (%)	2.9	3.3	2.5	2.7	3.2	2.8	3.0	2.5	2.2	2.5	2.4	2.4	2.9
Accommodation and Food Services duration (yrs)	2.0	3.3	2.8	3.5	2.3	3.6	3.0	3.3	3.5	3.6	3.2	3.7	3.7
Accommodation and Food Services emps ('000)	26.7	2.5	2.8	1.3	2.2	3.7	1.8	0.7	2.0	1.8	1.1	0.9	2.5
Transport, Postal, Warehousing agreements	111	140	91	105	122	117	91	83	85	90	79	71	52
Transport, Postal, Warehousing AAWI (%)	3.4	3.2	3.1	3.5	3.2	3.0	2.8	2.8	3.1	3.0	2.7	2.1	2.0
Transport, Postal, Warehousing duration (yrs)	2.8	3.1	3.1	2.7	3.0	3.0	2.7	2.8	2.5	3.0	3.1	3.4	3.3
Transport, Postal, Warehousing employees ('000)	6.8	24.6	12.1	6.9	13.8	16.2	7.2	9.5	5.5	14.3	14.6	5.4	35.7
Information, Media, Telecomm. agreements	9	13	12	10	10	14	11	3	6	10	10	1	4
Information, Media, Telecomm AAWI (%)	2.6	2.1	2.3	2.6	2.1	3.0	2.8	2.3	2.4	2.0	2.1	2.6	1.9
Information, Media, Telecomm duration (yrs)	1.6	1.9	1.6	2.1	2.7	2.9	2.2	2.6	2.2	2.9	2.2	2.3	3.5
Information, Media, Telecomm employees ('000)	0.9	2.1	0.4	1.3	1.6	33.7	0.9	0.1	0.6	1.7	4.4	0.4	0.4
Financial and Insurance Services agreements	23	12	8	2	11	13	4	7	13	19	6	5	4
Financial and Insurance Services AAWI (%)	3.2	2.9	3.4	4.7	3.0	3.0	3.6	2.9	2.1	2.8	2.3	3.2	2.6
Financial and Insurance Services duration (yrs)	1.8	1.7	2.9	3.0	2.5	2.5	2.6	3.0	3.0	1.0	2.6	3.0	2.9
Financial and Insurance Services employees ('000)	35.8	47.2	0.7	0.9	2.8	56.1	0.6	11.6	32.0	34.3	0.8	7.8	0.9

FOR AGREEMENTS APPROVED IN THE NOMINATED QUARTER	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
Rental, Hiring, Real Estate agreements	34	29	22	21	14	18	21	9	31	26	26	8	8
Rental, Hiring, Real Estate AAWI (%)	3.1	4.0	2.6	2.9	3.6	2.5	3.3	2.0	6.0	3.7	2.7	1.8	2.0
Rental, Hiring, Real Estate duration (yrs)	3.3	3.1	3.5	2.8	2.8	3.2	2.7	3.8	2.3	2.6	3.2	2.1	3.4
Rental, Hiring, Real Estate employees ('000)	1.0	1.0	0.7	0.6	0.4	0.3	0.4	0.4	0.6	0.8	0.5	0.9	2.3
Professional, Scientific, Technical Services agts	35	40	42	27	38	33	24	16	38	41	23	22	27
Professional, Scientific, Technical Services AAWI (%)	3.2	2.9	3.1	3.9	2.8	2.6	2.7	2.7	2.7	2.5	3.0	3.5	2.2
Professional, Scientific, Technical Services duration (yrs)	2.5	3.2	2.4	2.4	2.9	2.7	2.9	3.0	2.7	2.5	3.0	3.0	3.3
Professional, Scientific, Technical Services emps ('000)	1.2	4.3	9.8	2.8	1.8	2.2	1.4	3.8	2.2	2.4	1.6	2.1	7.4
Administrative and Support Services agreements	59	61	44	26	64	52	28	30	64	50	30	26	13
Administrative and Support Services AAWI (%)	3.7	3.1	3.8	3.2	3.4	3.2	3.2	3.6	3.6	2.3	2.7	2.1	3.0
Administrative and Support Services duration (yrs)	2.4	3.0	3.0	2.3	2.7	3.3	3.4	3.2	2.6	2.6	3.3	3.0	2.6
Administrative and Support Services employees ('000)	7.0	7.4	5.8	0.5	4.2	3.9	3.2	1.8	3.1	5.0	3.1	2.7	0.5
Public Administration and Safety agreements	48	68	39	22	47	46	53	55	59	65	50	51	25
Public Administration and Safety AAWI (%)	3.3	3.1	3.6	3.1	2.8	2.3	2.5	3.0	2.9	2.2	2.3	2.6	2.0
Public Administration and Safety duration (yrs)	2.8	2.7	2.7	2.1	2.8	2.9	3.3	3.4	2.8	2.8	3.0	3.0	3.0
Public Administration and Safety employees ('000)	7.8	15.5	13.4	2.9	10.5	16.4	39.0	52.7	14.1	27.6	17.0	13.0	51.3
Education agreements	55	52	67	53	57	97	58	50	31	47	63	38	26
Education AAWI (%)	3.9	3.8	2.7	3.1	3.1	3.8	3.0	3.0	2.6	3.3	2.5	2.2	2.6
Education duration (yrs)	2.7	2.4	2.2	2.5	1.8	1.5	2.4	2.7	2.7	2.4	3.3	3.6	3.6
Education employees ('000)	39.8	39.0	21.6	7.0	61.2	27.6	6.5	10.2	25.9	9.2	45.2	13.4	84.8
Health and Community Services agreements	126	225	145	113	98	97	108	82	108	81	87	77	87
Health and Community Services AAWI (%)	3.4	3.4	3.2	3.0	3.0	2.8	2.8	2.9	2.9	3.4	3.0	2.7	2.5
Health and Community Services duration (yrs)	2.6	2.6	2.6	2.4	2.4	2.5	2.5	2.9	2.3	4.6	2.5	2.9	2.5
Health and Community Services employees ('000)	25.3	51.2	21.7	30.0	28.3	20.5	22.9	28.6	17.3	109.2	24.7	38.6	23.0

FOR AGREEMENTS APPROVED IN THE NOMINATED QUARTER	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
Arts and Recreation Services agreements	15	14	11	11	15	18	8	21	13	13	14	8	9
Arts and Recreation Services AAWI (%)	3.2	4.0	3.6	2.9	2.7	2.7	2.8	3.3	2.7	2.7	3.6	2.4	2.2
Arts and Recreation Services duration (yrs)	2.8	2.5	2.8	2.2	3.3	2.1	3.1	2.3	2.7	2.9	3.4	3.0	3.1
Arts and Recreation Services employees ('000)	1.9	3.6	2.0	1.7	5.3	4.0	1.9	3.2	1.8	5.9	8.8	1.5	3.6
Other Services agreements	46	38	33	41	43	50	25	29	32	35	32	39	14
Other Services AAWI (%)	3.1	2.7	2.5	3.3	2.4	3.2	2.5	3.2	3.0	2.7	2.7	2.4	2.7
Other Services duration (yrs)	2.6	2.5	2.3	2.6	2.4	2.2	2.4	2.1	2.9	2.5	2.9	2.6	2.4
Other Services employees ('000)	3.7	2.6	8.3	2.1	14.5	6.2	1.8	3.4	1.1	2.8	1.0	3.8	1.5
All sector agreements	1513	1610	1203	1152	1368	1275	1003	1149	1686	1358	970	847	680
All sectors AAWI (%)	3.5	3.4	3.1	3.1	3.0	3.0	2.7	3.0	3.4	3.1	2.7	2.6	2.2
All sectors duration (yrs)	2.5	2.5	2.6	2.6	2.4	2.5	2.8	3.0	2.6	3.3	3.0	3.0	3.2
All sectors employees ('000)	222.9	256.3	129.1	98.3	193.9	224.5	113.5	154.9	145.0	246.3	154.8	114.2	236.2

Notes:

1. AAWI = Average Annualised Wage Increase per employee.
2. Agreement and employee estimates are for all federal wage agreements in the period, while estimates of AAWI per employee are based on quantifiable wage agreements.
3. * Where asterisk occurs, there are no quantifiable agreements in this quarter so no AAWI is calculable.
4. The manufacturing category has been disaggregated into metals and non-metals industries.

Source: Workplace Agreements Database, Department of Jobs and Small Business. All estimates are rounded and are subject to revision. Revisions have been made to historical series.

How to read: 4 Agriculture, Forestry and Fishing agreements were approved in the September quarter 2017, covering 900 employees. Their average AAWI was 2.5 per cent and their average duration was 3.4 years.