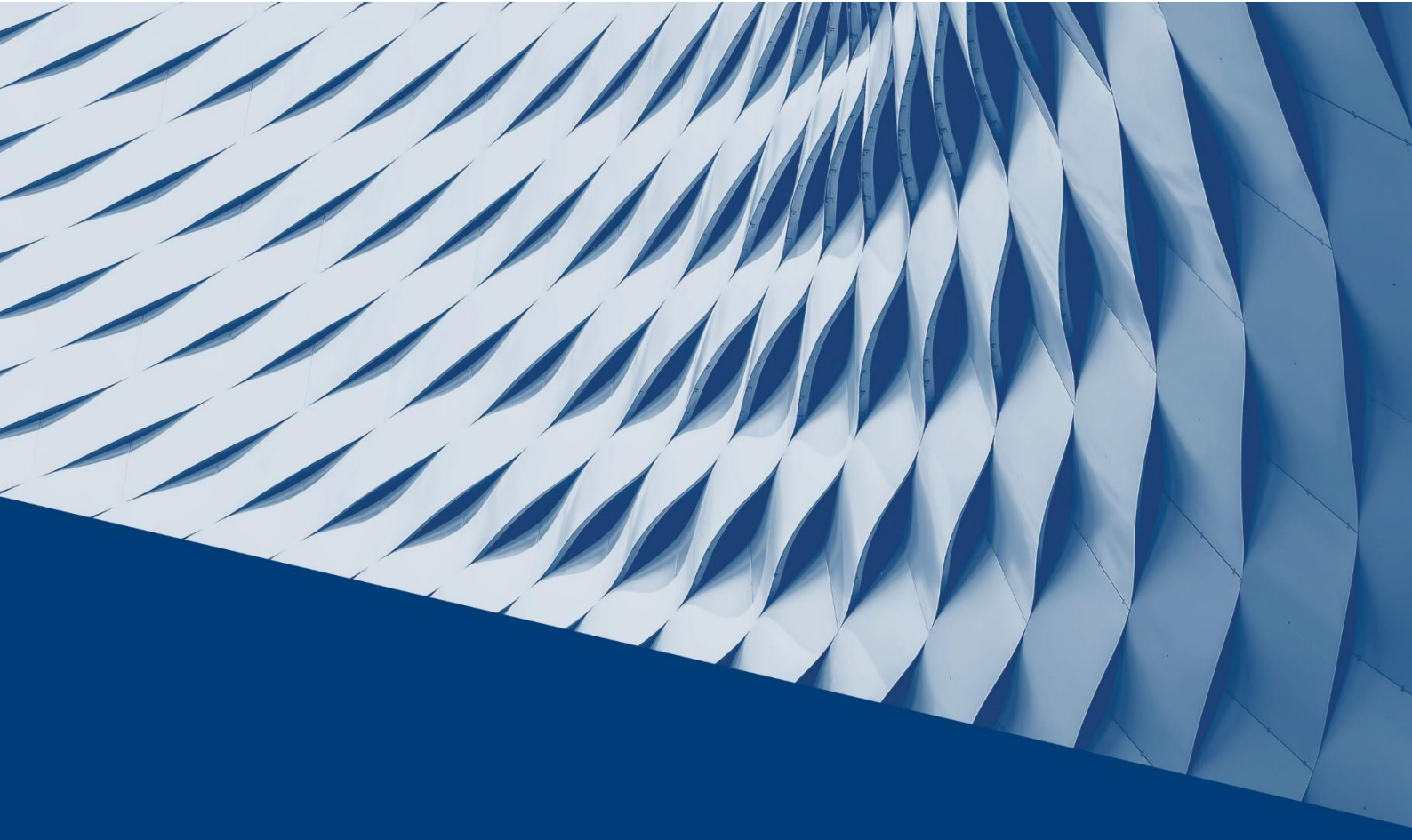

Submission to the Annual Wage Review 2020-21

ACTU Submission, 26 March, 2021
ACTU D. No D14/2021

ACTU
australian council of trade unions

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1. INTRODUCTION AND OVERVIEW

1. The ACTU is the peak body for Australian unions and is the only national union confederation in Australia. For more than 90 years, the ACTU has played the leading role in advocating for the rights and conditions for working people and their families.

2. We are governed by our triennial Congress, which comprises union representatives from "shop floor" delegates to national officials. Our Congress has democratically adopted a position to pursue a living wage so as to reduce poverty and inequality, improve the absolute and relative living standards of award dependent workers and reduce the gap between award and agreement rates of pay. We are committed to the pursuit of a National Minimum Wage which reaches 60% of the full-time median wage.

3. We accept that the Panel cannot adopt the same position as we do, either as a target[1] or as an immediate outcome in an Annual Wage Review[2]. This is a consequence of the law that binds how the Panel must make its decisions. Reconciling our position with the approach that the Panel is required to take leads us to seek an increase to the minimum wage and modern award minimum wages which is compatible with statutory criteria but also makes uniform, real and meaningful progress towards the objectives determined by working people we represent.

4. We present a considerable amount of data, research and commentary in this submission in support of the position we put on behalf of those we represent. Without wishing to serve as a substitute for a more detailed examination of that material, we consider that the following observations drawn from it provide a useful overview:

    a. The year in review has been marked by hardship and unpredictability. At the heart of the COVID-19 recession, changing living standards as indicated by GDP per capita growth fell by 7.2%, the highest fall on record. Unemployment surged, hours of work were reduced and business and activity in many sectors, and in many households, ground to a halt. The

[1] [2017] FWCFB 1931
[2] [2018] FWCFB 3500 at [104]

pandemic, of its nature unpredictable, suggested a cautious approach was warranted in last year's decision. Contrary to our position, the Panel ultimately determined that "caution" demanded wage moderation and suspension of the longstanding consistency of treatment among award dependent workers of similar skill. This resulted in some of the workers who were essential to the continuing functioning of the economy and our day to day lives having their work objectively valued for much of the last 12 months as having less worth than that of workers in other industries. Meanwhile, in other parts of the world – including some where the pandemic was and is taking a far greater toll - policy decisions were being taken during the pandemic to ensure minimum wages continued to rise significantly.

b. At the time of the Panel's last decision, the economy was predicted by the RBA to shrink by 7% over 2019/2020 and unemployment to reach 10%. The depths of the lows predicted have not been realised, with forecasts being revised upward multiple times since. Whilst we tentatively suggested in the concluding stages of last year's Review that there were signs of recovery already commencing, it is now beyond doubt that Australia is presently in the midst of a stronger and faster recovery than most had predicted. As at February of 2021, the RBA was predicting that employment and GDP will reach their pre COVID-19 levels in the course of this year.

c. Since last year's decision, the economy has continued to recover with economic growth increasing 3.1 per cent in the December quarter following the 3.4 per cent rise in September quarter. This is the first time in the over the 60-year history of the National Accounts data that GDP had grown by more than 3 per cent in two consecutive quarters. The speed of recovery in Real Net Disposable Income is beyond impressive. Some of the highest monthly gains in employment in a decade were seen in the second half of 2020 and unemployment peaked at around 7.5% in July before declining – consistently since October 2020 – to 5.8%. This is accompanied by an extremely sharp decline in the median duration of job search in the later part of the year and into 2021. In recent months, this has prompted the Governor of the RBA to comment that the recovery in employment has been 'V' shaped:

'*There has also been positive news on the employment front over recent months. The recovery in employment has been V-shaped and there has been a welcome decline in the unemployment rate ……Job vacancies, job ads and hiring intentions remain strong. This suggests that the unemployment rate will continue to trend lower*[3]'

d. The rise in capital expenditure and in non-mining investment seen in the December Quarter, possibly assisted by government policy initiatives, is nonetheless a welcome show of confidence in the recovery. Household consumption has also picked up over the year and continues growth notwithstanding the pass through of initial cash stimulus having completed - as evidenced by the peak and trough in growth in household net disposable income through the year. The predicable accompanying recent decline in the household saving ratio underscores our concern that, in the absence of meaningful wage growth, it is unclear where further gains in household consumption may come from (noting also the stall in population growth).

e. Whilst the rebound in turnover in all retail industry groupings has been impressive, there is some remaining work to do, particularly in the Café's, Restaurants and Takeaway Food Services to reach pre-pandemic levels. Increasing demand through wages is one route to assist this, particularly in light of the looming conclusion of *JobKeeper* and the coronavirus supplement to *JobSeeker.*

f. Over the course of 2020, the wages share of total income fell to its lowest level in 20 years. In real terms, total compensation of employees rose 1.1% against profit growth of 8.9%. Four of the five most award dependent industries were clearly in the top 5 industries for profit growth over the year to December, taking as a group over 40% of measured profits in the ABS business indicators series and growing their profits as a group by nearly 70%. Non mining sector profits as whole rose 23.7%. Meanwhile, the wage price index is currently at the lowest levels seen in the history of the series.

[3] Philip Lowe '*The Recovery, Investment and Monetary Policy*', Sydney, 10 March 2021

g. Company gross operating profits over the year to the December quarter grew by 58.7% for accommodation and food services, 51% for administrative and support services, 206.3% for other services and 45.5% for retail trade. In every single award reliant industry, for which we have data, company gross operating profits have grown significantly more than that for all industries (15.1%). It is the wages of these workers that are yet to experience any kind of a recovery and the Panel should take meaningful steps to remedy this.

h. Whilst rises in prices have generally been subdued over the year, the pause and then reintroduction of childcare during the year has been major driver in the second half of the year. Such cost shifts can be significant enough to influence decisions about workforce participation. Year end inflation also slightly exceeded the RBA's expectations.

i. The RBA Governor has emphasised that wages growth is the lowest on record and he maintains that for the RBA to be able to meet its inflation target wages growth will need to sustainably above 3 per cent - materially higher than it is currently. On the 10 March 2021, the RBA Governor stated the following.

> '*For inflation to be sustainably within the 2 to 3 per cent range, it is likely that wages growth will need to be sustainably above 3 per cent….. Currently, wages growth is running at just 1.4 per cent, the lowest rate on record. Even before the pandemic, wages were increasing at a rate that was not consistent with the inflation target being achieved. Then the pandemic resulted in a further step-down. This step-down means that we are a long way from a world in which wages growth is running at 3 per cent plus …. The point I want to emphasise is that for inflation to be sustainably within the 2–3 per cent target range, wages growth needs to be materially higher than it is currently*.[4]'

[4] Phillip Lowe 'The Recovery, Investment and Monetary Policy', Sydney 10 March, 2021

j. There are numerous variations in and influences on the overall labour market performance. Overall, the initial success *of JobKeeper* is evident however negative effects on employment - aside from a moderation in the rate of growth to a level still above pre COVID-19 levels - are not clearly evident from later adjustments to that policy which required the demonstration of reduced turnover and reduced the rate of support. The reduced rate of support may however be reflected in changed hours of work and incomes for workers.

k. Our analysis shows that a major impact on labour market outcomes has been the restrictions on social and economic activity introduced in response to the pandemic, which varied according to jurisdiction and in their impact on different industries. Not only has the differential between the "clusters" of industries narrowed since last year's decision, but it can be seen that for many of the industries identified as being the in the "most affected" cluster, the geographical differences in performance within any sector at various points over the year has been greater than the difference that marked them out as "most affected".

l. Three of the five most award dependent industries are, as at February 2021, at a virtually indistinguishable level from the all industries measure in the ABS *Payroll Jobs* indexes which were so heavily relied on by the Panel in last year's decision, with all bar Accommodation and Food Services and Retail Trade being higher in February 2021 than they were when the series began, pre COVID-19, in January 2020. Vacancy measures also show strong to relatively normal demand for work in industries, for occupations and at skill levels typically closely associated with award reliance. Conversely, there is some evidence of a constraint in labour supply driven by declining international student numbers and net overseas migration.

m. Whilst *JobKeeper* facilitated the retention of employment and payment of wages to workers who were stood down, the recovery has been characterised not only by the retention of jobs within the scope of that policy but also by the growth in productive work. Our analysis shows that, from a peak in April 2020, the share of employed persons performing zero hours for economic reasons has fallen in all States and Territories to

within 1% of what it was pre COVID-19 in January of 2020. We also demonstrate the rise underemployment seen in 2020, which the Panel identified in last year's decision as the "more relevant labour market indicator" in the conditions confronting it at that time, was largely driven by the surge in full time underemployment, which is rapidly unwinding.

n. There is nonetheless a legacy of the pandemic for workers in that full time work has been slower to recover and, among part time workers (be they casual or permanent), the deepest losses during 2020 were of positions that provided 20 hours or more of work. As at November 2020, all forms of part time work had returned to their pre COVID-19 levels save for casual work of 20 hours or more per week. There is no doubt that during 2020 hours of work and incomes suffered, and the extent of recovery in hours of work will become more apparent as more data becomes available. There is also no doubt that the workers outside of the *JobKeeper* policy – particularly casual and visa workers often engaged in award reliant work – also faced significant challenges.

o. We acknowledge that the government response to the pandemic involved lifting the welfare safety net to support both those in work and out of work and acknowledge in particular the significance of the *JobKeeper* program to employees impacted by the Panel's decision. However, the government response has involved temporary programs which are in the process of unwinding and, in any event, merely restored the aggregate level of social assistance spending to something approximating trend levels as at December 2014, following which a steep decline was evident.

p. A number of indicators support there being increased pressure on persons on low incomes through the year in Review. The ABS *Household Impacts of COVID-19* survey for January included 61% of participants who reported deteriorating household finances attributing this to a change in income as well as higher levels of worsening financial status among age groups more typical of award dependent workers. Overall, as at January 2021 we estimate that more than 1.5million working Australians that could not raise $2,000 in a week and over 570,000 could not raise $500. Earlier (June Quarter 2020) measures of financial stress showed a 6% increase in the number of households relying on employee income experiencing financial stress – now well over a third of such households – with just under

half (49.9%) and over 40% (43.6 %) of households in the lowest and second lowest income quintiles experienced at least one indicator of financial stress. Other monthly indicators suggest a persistent if not worsening level of financial stress among workers as at January 2021, including those in some more award reliant industries and in age groups which are over-represented in low paid, award reliant work.

q. There have been concerning developments in terms of credit seeking, which could lead to further disadvantage as the household savings ratio continues to unwind, with upswings in young people taking out loans, refinancing personal loans and credit and taking out "payday" loans or consumer leases. This is mirrored by increases in the proportion of persons missing payments on credit or for essential services.

r. The relative living standards of workers dependent on the minimum wage has declined by reference to minimum wage bites, however we recognise that compositional factors have had a large influence on those measures over the last 12 months. Those compositional changes themselves bear out the experience of low paid workers having lost work at times during the year. Some live in households that would have spent some time below the 60% median income poverty line during the year depending on their retained hours of work the hours of work or and employment status of their partner. They now face declining levels of assistance through the transfer system and while the labour market is recovering strongly, many face a long road even to get back to where they started without a meaningful increase in hourly rates.

s. The increases sought by the ACTU will contribute to the reduction of Australia's gender pay gap, contributing to equality and non-discrimination, productivity, social inclusion, fairness, and economic prosperity. Women are more likely than men to be in low paid, award reliant jobs and are disproportionately represented in part time and casual work. While uniform increases to award wages cannot fix gender-based pay disparities between awards, they can 'lift all boats', which disproportionately benefits women. This plays a significant role in narrowing the gender pay gap, addressing the undervaluation of feminised sectors and lifting the living standards of working women.

t. Women's employment and hours of work were disproportionately impacted during the pandemic response, in part due their representation in insecure jobs and industries outside of the scope of the *JobKeeper* policy. Whilst the recovery is seeing a rebound, women's participation, underemployment and unemployment remain weaker than for men. A meaningful increase to minimum wages will contribute to restoring their incomes in particular, given their over-representation in award reliant work.

u. The linkage between the rate payable under the paid parental leave scheme and the National Minimum Wage is also a mechanism that will assist women should the Panel agree to lifting the National Minimum Wage, as over 93% of the primary carer's leave taken under that scheme is taken by women.

v. It has been a highly atypical year for bargaining, given the unpredictability of the impact of restrictions on work practices. This lack of predictability, combined with employers being provided with unprecedented flexibility in association with *JobKeeper* and some substitution toward variation of extant agreements, may explain the reduced number of agreements made.

w. The recovery in the labour market for persons eligible to be paid junior rates of pay has been very strong and boosted by the higher rate of subsidy available under the *JobMaker* scheme. In addition, subsidies directed at the retention and commencement of apprenticeships and trainees have been announced. Whilst those measures may assist creating preference among employers for engaging or retaining apprentices, trainees and juniors, an increase to the rates of pay of these groups in line with increases awarded generally would serve the interests of fairness and maintain the attractiveness of skilling opportunities for workers.

5. In light of those matters, our proposal is that all minimum wages specified in the National Minimum Wage Order and all Modern Award Minimum wages rise by 3.5% from the first pay period starting on or after 1 July 2021. Table 1 below sets out the impact of such an increase on modern award minimum wages based on alignment to the classifications set out in the *Manufacturing and Associated Industries and Occupations Award 2020*.

Table 1: Impact of our proposal

Award classification	Current rates		Proposed rates				
	Weekly	Hourly	Weekly	Hourly	% increase	Weekly $ increase	Hourly $ increase
NMW/C14	753.8	19.84	780.18	20.53	3.5	26.38	0.69
C13	775.4	20.41	802.54	21.12	3.5	27.14	0.71
C12	805.1	21.19	833.28	21.93	3.5	28.18	0.74
C11	832.8	21.92	861.95	22.69	3.5	29.15	0.77
C10	877.6	23.09	908.32	23.90	3.5	30.72	0.81
C9	905.1	23.82	936.78	24.65	3.5	31.68	0.83
C8	932.6	24.54	965.24	25.40	3.5	32.64	0.86
C7	957.6	25.2	991.12	26.08	3.5	33.52	0.88
C6	1006.1	26.48	1041.31	27.41	3.5	35.21	0.93
C5	1026.7	27.02	1062.63	27.97	3.5	35.93	0.95
C4	1054.2	27.74	1091.10	28.71	3.5	36.90	0.97
C3	1109.5	29.2	1148.33	30.22	3.5	38.83	1.02
C2(a)	1137.2	29.93	1177.00	30.98	3.5	39.80	1.05
C2(b)	1186.8	31.23	1228.34	32.32	3.5	41.54	1.09

2. PROMOTING SOCIAL INCLUSION THROUGH INCREASED WORKFORCE PARTICIPATION.

6. Past decisions of the Panel have confirmed the obligation in sections 134(1)(c) and 284(1)(b) of the Act to "take into account… the need to promote social inclusion through increased workforce participation" require the Panel to consider the potential employment impacts of any increase to the NMW and modern award minimum wages.

7. In this Chapter, we review the performance of the labour market by reference to the usual indicators and comment on its likely influences. We additionally review research on the interaction between minimum wages and employment.

8. We recognise that the year in review has been atypical, unpredictable and difficult for a large share of the workforce. At the time the decision in last year's Review was issued, the RBA had forecast unemployment to hit 10% and employment growth to decline by 7%. Whilst the impacts of the pandemic were undoubtedly severe, they were not as severe as predicted at a macro level. Nonetheless, the effects were uneven and hardship was felt by large numbers of working people and too many people remain unemployed or underemployed.

9. The recovery we are presently, rapidly and unambiguously experiencing is also uneven, highlighting the need to support the workforce through raising their incomes and recognise the workers who suffered periods of reduced hours, reduced incomes and possibly unemployment in the course of the year. The downturn and the recovery are the product of an interplay of policy responses, and we attempt to identify those effects herein.

10. The labour market signals for the year ahead are positive, and consistent with the Panel awarding a uniform increase across all minimum wages from 1 July 2021.

2.1 Labour statistics and the impact of COVID-19

11. Consistent with our usual practice, we rely heavily on ABS labour force statistics in this chapter. Due to the suspension of trend estimates, we present seasonally adjusted data where available. Where is original data is relied on, this is identified. We also utilise the ABS Weekly Payroll Jobs and Wages series, which was first released in April of 2020.

12. The implementation of the *JobKeeper* payment has some effect on interpretation of labour force statistics, not only for analysing labour force status but also for providing insights into business viability. The *JobKeeper* payment provided a wage subsidy effective from 30 March 2020. The maximum rate of wage subsidy has reduced over time and there have been gateways to entry into the scheme based on business turnover, type of employment and date of employment. The detail of the *JobKeeper* scheme is explained in the FWC's *Information note – Government responses to the COVID-19 Pandemic*.[5] The dates for the particular features of the JobKeeper scheme which regard as significant for present purposes are set out in Table 2 below.

[5] Information note – Government responses to COVID-19 pandemic (fwc.gov.au) update 19 February 2021

Table 2: Key dates in the development of the *JobKeeper* policy

Date	Employer performance requirement for entry (excluding not for profits)	Employer performance requirement for continuation once qualified	Employees covered	Maximum Payment Per Employee	Additional flexibilities
9 April 2020	Carried on business as at 1 March 2020. *Projects* that its GST turnover *will* decrease by the threshold amount over a comparison period. Comparison periods may be either particular months[6] or quarters[7]. Threshold amounts are 30% or, where the turnover in either the 2019 income year or the projected income for the 2020 income year exceeds $1 billion, 50%	None	Must be an employee and have been an employee on 1 March 2020. If a casual employee, must have been employed on a regular and systematic basis for 12 months.	$1,500 per fortnight	To direct an employee to work less hours where the worker cannot be usefully employed because of changes to business attributable to COVID-19 or government responses to it. To direct employees to perform alternate duties. To direct employees to work at alternate locations. To agree with employees to take annual leave at half pay or work a different pattern of hours.
15 August 2020	As above	As above	Must be an employee and have been an employee on 1 March 2020 or 1 July 2020. If a casual employee, must have been employed on a regular and systematic basis for 12 months.	As above	As above

[6] April 2019 (actual) to April 2020 (projected), May 2019 (actual) to May 2020 (projected), June 2019 (actual) to June 2020 (projected), July 2019 (actual) to July 2020 (projected), August 2019 (actual) to August 2020 (projected), or September 2019 (actual) to September 2020 (projected).
[7] 1 April-30 June or 1 July to 30 September.

Date	Employer performance requirement for entry (excluding not for profits)	Employer performance requirement for continuation once qualified	Employees covered	Maximum Payment Per Employee	Additional flexibilities
28 September 2020	Carried on business as at 1 March 2020. *Projects* that its GST turnover *will* decrease by the threshold amount over a comparison period *and also experiences* a decline in turnover by the threshold amount over a comparison period. The comparison period for the *projected* decline in turnover test is a calendar month that ends after 30 March and before 1 January 2021, compared with its corresponding month in 2019, or alternately, a quarter than ends on 30 June 2020, 30 September 2020 or 31 December 2020 compared with its corresponding quarter in 2019. A comparison period for the *actual* decline in turnover test is the quarter ending on 30 September 2019 and 30 September 2020 for JobKeeper fortnights beginning before 4 January 2021 and the quarter ending 31 December 2019 and 31 December 2020 for the JobKeeper fortnights thereafter. The threshold amounts are 30% or, where the turnover in either the 2019 income year or the projected income for the 2020 income year exceeds $1 billion, 50%	The actual decline in turnover test (column left) needs to be satisfied for each JobKeeper fortnight.	As above	If the employee worked 80 hours or more in the 28 days prior to the last pay cycle before either 1 March 2020 or 1 July 2020, $1200 per fortnight. Otherwise, $750 per fortnight.	As above, save for agreements regarding annual leave.

Date	Employer performance requirement for entry (excluding not for profits)	Employer performance requirement for continuation once qualified	Employees covered	Maximum Payment Per Employee	Additional flexibilities
4 January 2021	As above	As above	As above	If the employee worked 80 hours or more in the 28 days prior to the last pay cycle before either 1 March 2020 or 1 July 2020, $1,000 per fortnight. Otherwise, $650 per fortnight.	As above.

Source: Coronavirus Economic Response Package Omnibus (Measures No. 2) Act 2020; Coronavirus Economic Response Package (Payments and Benefits Rules) 2020 (both as amended from time to time).

13. In our view, the following observations may be made about the various phases of the *JobKeeper* policy identified in Table 2 above:

    a. The flexibilities which accompanied the *JobKeeper* payment permit an employer, where reasonable, to direct the worker to perform no hours of work at all in situations similar to a conventional stand down, yet the employer would remain obliged to pay the worker the totality of the *JobKeeper* payment received. Such a worker would be employed, but not performing productive work.

    b. In its initial state until 28 September 2020, the receipt of *JobKeeper* was a less reliable indicator of actual business distress than in later stages, due to the absence of any requirement assess actual declines in turnover to join and continue to participate in the scheme.

    c. Having regard to the initial requirement for eligible employees to be employed as at 1 March 2020, gains in employment that were achieved since 9 April 2020 but prior to 14 August 2020 were not jobs whose associated labour costs were directly offset by *JobKeeper* (although the receipt of *JobKeeper* by a particular employer in respect of other employees may have reduced the overall cost of labour for that employer).[8] Employers did not get JobKeeper for workers whom they employed since 9 April up to 14 August 2020, only for ones employed on and before 1 March. This is in a period where demand for some goods and services is collapsing, and others is burgeoning, with a net fall in demand for goods and services. It is reasonable to assume that persons employed prior to 14 August 2020 were employed to perform productive work and without the expectation that their wages would be directly subsidised by *JobKeeper.*

    d. Because employees employed on or after 1 July 2020 only became eligible for *JobKeeper* retrospectively after 14 August, it is also reasonable to assume that persons employed after 14 August were employed to perform productive work and without the expectation that their wages would be directly subsidised by *JobKeeper.*

    e. Decreases in hours worked, and possibly also decreases in employment, would be expected to coincide with the reductions in the level of the *JobKeeper* payment on 28

[8] Employers did not get JobKeeper for workers whom they employed since 9 April up to 14 August 2020, only for ones employed on and before 1 March. Any *JobKeeper* received for those employed before 1 March would still lower their overall labour costs of course including for those employed later (as would other business subsidy) but does not offer an incentive to employ more people as such. That would be entirely decided by the demand for the good or service they are selling

September 2020 and 4 January 2020 in distressed businesses. This is because JobKeeper had enabled them to keep existing workers on their books regardless of sales, but this would no longer be the case when *JobKeeper* ceased if their sales were not sufficient to do so.

14. It is evident from the above that there is a need to attempt to distinguish between employees who remain employed but perform no productive work, from those employees who are employed and perform productive work. We are grateful for the insights of Yuen & Cumming (2021)[9] and their identification of the ABS measure of employees who remain employed but worked zero hours due to economic reasons.[10] This measure is likely to capture employees who receive *JobKeeper* and are performing no productive work, but also some persons performing no productive work who are not receiving *JobKeeper.* It is nonetheless the best "proxy" measure we are aware of. Whilst Yuen and & Cumming adopt this measure for a longitudinal analysis of *individual* transitions with a static Labour Force survey group over an 8 month period, we adopt this measure as an indicative macro measure over a longer period during which the sample population changed.

15. When attempting to measure the impact of *JobKeeper*, there is of course the need to be mindful of public policy responses to the pandemic which limited the carrying on of business and thereby sales and profits. We note that the timing, nature and magnitude of restrictions reflect policy responses in the jurisdiction to the level of threat of or actual level of COVID-19 infection. The timing of such restrictions in different locations directly and indirectly impacted on labour market demand and supply and may make it difficult to isolate the influence of other policy responses.

16. Whilst there is no perfect way to cleanly differentiate the various restrictions on activity that were in place at different times, we have attempted to broadly categorise the restrictions which intuitively appear most likely to constrain labour supply and labour demand, as follows:

    a. Restrictions on inward international travel;
    b. Restrictions, quarantine or isolation requirements on inward domestic travel from another State or Territory (as a blanket rule) or a capital city thereof;

[9] Yuen, K. and Cumming, P., "Labour market transitions of workers during COVID-19", FWC research report 2/2021.
[10] The measure is identified in Labour Force Data Cubes EM2a and EM2b as "No work, not enough work available or stood down: Did not work (0 hours)" from July 2014 onwards. The comparable measure prior to that date was "Stood down, on short time, insufficient work: Did not work (0 hours)".

c. Closure of any consumer facing industries or parts or functions thereof (e.g. retail restricted to click and collect, hospitality restricted to take away, gyms closed entirely etc) in effect throughout a State or Territory or capital city thereof;
d. Restrictions on number or density of persons permitted in any consumer facing industries, in effect throughout a State or Territory or capital city thereof;
e. Restrictions on number or density of *workers* in any non-consumer facing industries (e.g. Manufacturing, Warehousing etc) which are not amenable to work from home arrangements, in effect throughout a State or Territory or capital city thereof;
f. Remote learning in schools for any year level in effect throughout a State or Territory or capital city thereof; and
g. Restrictions on leaving home for non-essential purchasing, in effect throughout a State or Territory or capital city thereof.

17. Having regard to the Fair Work Commission's Information Note on Government Responses to COVID-19[11] and orders and directions issued under State and Territory legislation, we have sought to identify where each State or Territory has had any of the above restrictions in place at any time in a given month. In the absence of ready attribution of a relative cost to each restriction, each form of restriction is assigned an equal weighting (which we recognise is contestable), giving the monthly restriction scores identified in Table 3 and Table 4 below. Each state or territory is also given equal weight in the rankings regardless of its size, and that can also reflect the level of negative externality flowing from cases in a small state to other areas where state borders and regions are porous. If the restriction applies during a given month there is a Y in the box and it is given a 1. If that restriction does not apply during that month *or has been removed* there is an N in the box and it is given a 0.[12] This enables a crude semiparametric ranking of a State/Territory according to the size of a bundle of restrictions applying in it in each month compared with others. This exercise is for the purpose of examining the state of the labour market in relation to the level of restrictions applying in each state or territory.

[11] Information note – Government responses to COVID-19 pandemic (fwc.gov.au) update 19 February 2021
[12] This also makes the big assumption that spillovers from restrictions once they are removed are not significant e.g. that agents do not change their behaviour greatly subsequently . g. risk aversion as a consequence of their experience.

Table 3: Level of restrictions (Feb 2020-Feb2021) by State/Territory, detailed

		Restrictions on inward international travel	Restrictions, quarantine or isolation requirements on inward domestic travel from another State or Territory (as a blanket rule) or a capital city	Closure of any consumer facing industries or parts or functions thereof (e.g. retail restricted to click and collect, hospitality restricted to take away, gyms closed etc), in effect throughout a State or Territory or capital city thereof.	Restrictions on number or density of persons permitted in any consumer facing industries, in effect throughout a State or Territory or capital city thereof.	Restrictions on number or density of workers in any non-consumer facing industries (e.g. Manufacturing, Warehousing etc) which are not amenable to work from home arrangements, in effect throughout a State or Territory or capital city thereof.	Remote learning for any year level in schools in effect throughout a State or Territory or capital city thereof.	Restrictions on leaving home for non-essential purchasing, in effect throughout a State or Territory or capital city thereof.	Total
NSW	Feb 2020	N	N	N	N	N	N	N	0
	Mar 2020	Y	N	Y	Y	Y	N	Y	5
	Apr 2020	Y	N	Y	Y	Y	N	Y	5
	May 2020	Y	N	Y	Y	Y	N	Y	5
	Jun 2020	Y	N	Y	Y	Y	N	N	4
	July 2020	Y	Y	N	Y	Y	N	N	4

		Restrictions on inward international travel	Restrictions, quarantine or isolation requirements on inward domestic travel from another State or Territory (as a blanket rule) or a capital city	Closure of any consumer facing industries or parts or functions thereof (e.g. retail restricted to click and collect, hospitality restricted to take away, gyms closed etc), in effect throughout a State or Territory or capital city thereof.	Restrictions on number or density of persons permitted in any consumer facing industries, in effect throughout a State or Territory or capital city thereof.	Restrictions on number or density of workers in any non-consumer facing industries (e.g. Manufacturing, Warehousing etc) which are not amenable to work from home arrangements, in effect throughout a State or Territory or capital city thereof.	Remote learning for any year level in schools in effect throughout a State or Territory or capital city thereof.	Restrictions on leaving home for non-essential purchasing, in effect throughout a State or Territory or capital city thereof.	Total
	Aug 2020	Y	Y	N	Y	N	N	N	3
	Sept 2020	Y	Y	N	Y	N	N	N	3
	Oct 2020	Y	Y	N	Y	N	N	N	3
	Nov 2020	Y	Y	N	Y	N	N	N	3
	Dec 2020	Y	Y	N	Y	N	N	N	3
	Jan 2021	Y	N	N	Y	N	N	N	2
	Feb 2021	Y	Y	N	Y	N	N	N	3
Vic	Feb 2020	N	N	N	N	N	N	N	0

		Restrictions on inward international travel	Restrictions, quarantine or isolation requirements on inward domestic travel from another State or Territory (as a blanket rule) or a capital city	Closure of any consumer facing industries or parts or functions thereof (e.g. retail restricted to click and collect, hospitality restricted to take away, gyms closed etc), in effect throughout a State or Territory or capital city thereof.	Restrictions on number or density of persons permitted in any consumer facing industries, in effect throughout a State or Territory or capital city thereof.	Restrictions on number or density of workers in any non-consumer facing industries (e.g. Manufacturing, Warehousing etc) which are not amenable to work from home arrangements, in effect throughout a State or Territory or capital city thereof.	Remote learning for any year level in schools in effect throughout a State or Territory or capital city thereof.	Restrictions on leaving home for non-essential purchasing, in effect throughout a State or Territory or capital city thereof.	Total
	Mar 2020	Y	Y	Y	Y	N	N	Y	5
	Apr 2020	Y	N	Y	Y	N	Y	Y	5
	May 2020	Y	N	Y	Y	N	Y	Y	5
	Jun 2020	Y	N	Y	Y	N	Y	N	4
	July 2020	Y	N	Y	Y	N	Y	Y	5
	Aug 2020	Y	N	Y	Y	Y	Y	Y	6
	Sept 2020	Y	N	Y	Y	Y	Y	Y	6
	Oct 2020	Y	N	Y	Y	Y	Y	Y	6

		Restrictions on inward international travel	Restrictions, quarantine or isolation requirements on inward domestic travel from another State or Territory (as a blanket rule) or a capital city	Closure of any consumer facing industries or parts or functions thereof (e.g. retail restricted to click and collect, hospitality restricted to take away, gyms closed etc), in effect throughout a State or Territory or capital city thereof.	Restrictions on number or density of persons permitted in any consumer facing industries, in effect throughout a State or Territory or capital city thereof.	Restrictions on number or density of workers in any non-consumer facing industries (e.g. Manufacturing, Warehousing etc) which are not amenable to work from home arrangements, in effect throughout a State or Territory or capital city thereof.	Remote learning for any year level in schools in effect throughout a State or Territory or capital city thereof.	Restrictions on leaving home for non-essential purchasing, in effect throughout a State or Territory or capital city thereof.	Total
	Nov 2020	Y	Y	N	Y	Y	N	N	4
	Dec 2020	Y	Y	N	Y	N	N	N	3
	Jan 2021	Y	Y	N	Y	N	N	N	3
	Feb 2021	Y	N	Y	Y	N	Y	Y	5
SA	Feb 2020	N	N	N	N	N	N	N	0
	Mar 2020	Y	N	Y	Y	Y	N	Y	5
	Apr 2020	Y	Y	Y	Y	Y	N	N	5
	May 2020	Y	Y	Y	Y	Y	N	N	5

		Restrictions on inward international travel	Restrictions, quarantine or isolation requirements on inward domestic travel from another State or Territory (as a blanket rule) or a capital city	Closure of any consumer facing industries or parts or functions thereof (e.g. retail restricted to click and collect, hospitality restricted to take away, gyms closed etc), in effect throughout a State or Territory or capital city thereof.	Restrictions on number or density of persons permitted in any consumer facing industries, in effect throughout a State or Territory or capital city thereof.	Restrictions on number or density of workers in any non-consumer facing industries (e.g. Manufacturing, Warehousing etc) which are not amenable to work from home arrangements, in effect throughout a State or Territory or capital city thereof.	Remote learning for any year level in schools in effect throughout a State or Territory or capital city thereof.	Restrictions on leaving home for non-essential purchasing, in effect throughout a State or Territory or capital city thereof.	Total
	Jun 2020	Y	Y	N	Y	Y	N	N	4
	July 2020	Y	Y	N	Y	N	N	N	3
	Aug 2020	Y	Y	N	Y	Y	N	N	4
	Sept 2020	Y	Y	N	Y	Y	N	N	4
	Oct 2020	Y	Y	N	Y	Y	N	N	4
	Nov 2020	Y	Y	Y	Y	Y	N	Y	6
	Dec 2020	Y	Y	N	Y	Y	N	N	4
	Jan 2021	Y	Y	N	Y	Y	N	N	4

		Restrictions on inward international travel	Restrictions, quarantine or isolation requirements on inward domestic travel from another State or Territory (as a blanket rule) or a capital city	Closure of any consumer facing industries or parts or functions thereof (e.g. retail restricted to click and collect, hospitality restricted to take away, gyms closed etc), in effect throughout a State or Territory or capital city thereof.	Restrictions on number or density of persons permitted in any consumer facing industries, in effect throughout a State or Territory or capital city thereof.	Restrictions on number or density of workers in any non-consumer facing industries (e.g. Manufacturing, Warehousing etc) which are not amenable to work from home arrangements, in effect throughout a State or Territory or capital city thereof.	Remote learning for any year level in schools in effect throughout a State or Territory or capital city thereof.	Restrictions on leaving home for non-essential purchasing, in effect throughout a State or Territory or capital city thereof.	Total
	Feb 2021	Y	Y	N	Y	Y	N	N	4
WA	Feb 2020	N	N	N	N	N	N	N	0
	Mar 2020	Y	Y	Y	Y	N	N	Y	5
	Apr 2020	Y	Y	Y	Y	N	N	Y	5
	May 2020	Y	Y	Y	Y	N	N	N	4
	Jun 2020	Y	Y	N	Y	N	N	N	3
	July 2020	Y	Y	N	Y	N	N	N	3
	Aug 2020	Y	Y	N	Y	N	N	N	3

		Restrictions on inward international travel	Restrictions, quarantine or isolation requirements on inward domestic travel from another State or Territory (as a blanket rule) or a capital city	Closure of any consumer facing industries or parts or functions thereof (e.g. retail restricted to click and collect, hospitality restricted to take away, gyms closed etc), in effect throughout a State or Territory or capital city thereof.	Restrictions on number or density of persons permitted in any consumer facing industries, in effect throughout a State or Territory or capital city thereof.	Restrictions on number or density of workers in any non-consumer facing industries (e.g. Manufacturing, Warehousing etc) which are not amenable to work from home arrangements, in effect throughout a State or Territory or capital city thereof.	Remote learning for any year level in schools in effect throughout a State or Territory or capital city thereof.	Restrictions on leaving home for non-essential purchasing, in effect throughout a State or Territory or capital city thereof.	Total
	Sept 2020	Y	Y	N	Y	N	N	N	3
	Oct 2020	Y	Y	N	Y	N	N	N	3
	Nov 2020	Y	Y	N	Y	N	N	N	3
	Dec 2020	Y	Y	N	Y	N	N	N	3
	Jan 2021	Y	Y	N	Y	N	N	N	3
	Feb 2021	Y	Y	Y	Y	Y	N	Y	6
QLD	Feb 2020	N	N	N	N	N	N	N	0
	Mar 2020	Y	N	Y	Y	N	Y	Y	5

		Restrictions on inward international travel	Restrictions, quarantine or isolation requirements on inward domestic travel from another State or Territory (as a blanket rule) or a capital city	Closure of any consumer facing industries or parts or functions thereof (e.g. retail restricted to click and collect, hospitality restricted to take away, gyms closed etc), in effect throughout a State or Territory or capital city thereof.	Restrictions on number or density of persons permitted in any consumer facing industries, in effect throughout a State or Territory or capital city thereof.	Restrictions on number or density of workers in any non-consumer facing industries (e.g. Manufacturing, Warehousing etc) which are not amenable to work from home arrangements, in effect throughout a State or Territory or capital city thereof.	Remote learning for any year level in schools in effect throughout a State or Territory or capital city thereof.	Restrictions on leaving home for non-essential purchasing, in effect throughout a State or Territory or capital city thereof.	Total
	Apr 2020	Y	Y	Y	Y	N	Y	Y	6
	May 2020	Y	Y	Y	Y	N	Y	N	5
	Jun 2020	Y	Y	N	Y	N	N	N	3
	July 2020	Y	Y	N	Y	N	N	N	3
	Aug 2020	Y	Y	N	Y	N	N	N	3
	Sept 2020	Y	Y	N	Y	N	N	N	3
	Oct 2020	Y	Y	N	Y	N	N	N	3
	Nov 2020	Y	Y	N	Y	N	N	N	3

		Restrictions on inward international travel	Restrictions, quarantine or isolation requirements on inward domestic travel from another State or Territory (as a blanket rule) or a capital city	Closure of any consumer facing industries or parts or functions thereof (e.g. retail restricted to click and collect, hospitality restricted to take away, gyms closed etc), in effect throughout a State or Territory or capital city thereof.	Restrictions on number or density of persons permitted in any consumer facing industries, in effect throughout a State or Territory or capital city thereof.	Restrictions on number or density of workers in any non-consumer facing industries (e.g. Manufacturing, Warehousing etc) which are not amenable to work from home arrangements, in effect throughout a State or Territory or capital city thereof.	Remote learning for any year level in schools in effect throughout a State or Territory or capital city thereof.	Restrictions on leaving home for non-essential purchasing, in effect throughout a State or Territory or capital city thereof.	Total
	Dec 2020	Y	Y	N	Y	N	N	N	3
	Jan 2021	Y	Y	Y	Y	N	N	Y	5
	Feb 2021	Y	Y	N	Y	N	N	N	3
TAS	Feb 2020	N	N	N	N	N	N	N	0
	Mar 2020	Y	Y	Y	Y	Y	N	Y	6
	Apr 2020	Y	Y	Y	Y	Y	Y	Y	7
	May 2020	Y	Y	Y	Y	Y	Y	Y	7
	Jun 2020	Y	Y	Y	Y	Y	Y	N	6

		Restrictions on inward international travel	Restrictions, quarantine or isolation requirements on inward domestic travel from another State or Territory (as a blanket rule) or a capital city	Closure of any consumer facing industries or parts or functions thereof (e.g. retail restricted to click and collect, hospitality restricted to take away, gyms closed etc), in effect throughout a State or Territory or capital city thereof.	Restrictions on number or density of persons permitted in any consumer facing industries, in effect throughout a State or Territory or capital city thereof.	Restrictions on number or density of workers in any non-consumer facing industries (e.g. Manufacturing, Warehousing etc) which are not amenable to work from home arrangements, in effect throughout a State or Territory or capital city thereof.	Remote learning for any year level in schools in effect throughout a State or Territory or capital city thereof.	Restrictions on leaving home for non-essential purchasing, in effect throughout a State or Territory or capital city thereof.	Total
	July 2020	Y	Y	Y	Y	Y	N	N	5
	Aug 2020	Y	Y	N	Y	Y	N	N	4
	Sept 2020	Y	Y	N	Y	Y	N	N	4
	Oct 2020	Y	Y	N	Y	Y	N	N	4
	Nov 2020	Y	Y	N	Y	Y	N	N	4
	Dec 2020	Y	Y	N	Y	Y	N	N	4
	Jan 2021	Y	Y	N	Y	Y	N	N	4
	Feb 2021	Y	Y	N	Y	Y	N	N	4

		Restrictions on inward international travel	Restrictions, quarantine or isolation requirements on inward domestic travel from another State or Territory (as a blanket rule) or a capital city	Closure of any consumer facing industries or parts or functions thereof (e.g. retail restricted to click and collect, hospitality restricted to take away, gyms closed etc), in effect throughout a State or Territory or capital city thereof.	Restrictions on number or density of persons permitted in any consumer facing industries, in effect throughout a State or Territory or capital city thereof.	Restrictions on number or density of workers in any non-consumer facing industries (e.g. Manufacturing, Warehousing etc) which are not amenable to work from home arrangements, in effect throughout a State or Territory or capital city thereof.	Remote learning for any year level in schools in effect throughout a State or Territory or capital city thereof.	Restrictions on leaving home for non-essential purchasing, in effect throughout a State or Territory or capital city thereof.	Total
NT	Feb 2020	N	N	N	N	N	N	N	0
	Mar 2020	Y	Y	Y	Y	Y	N	Y	6
	Apr 2020	Y	Y	Y	Y	Y	N	Y	6
	May 2020	Y	Y	Y	Y	N	N	N	4
	Jun 2020	Y	Y	Y	Y	N	N	N	4
	July 2020	Y	Y	N	Y	N	N	N	3
	Aug 2020	Y	Y	N	N	N	N	N	2
	Sept 2020	Y	Y	N	N	N	N	N	2

		Restrictions on inward international travel	Restrictions, quarantine or isolation requirements on inward domestic travel from another State or Territory (as a blanket rule) or a capital city	Closure of any consumer facing industries or parts or functions thereof (e.g. retail restricted to click and collect, hospitality restricted to take away, gyms closed etc), in effect throughout a State or Territory or capital city thereof.	Restrictions on number or density of persons permitted in any consumer facing industries, in effect throughout a State or Territory or capital city thereof.	Restrictions on number or density of workers in any non-consumer facing industries (e.g. Manufacturing, Warehousing etc) which are not amenable to work from home arrangements, in effect throughout a State or Territory or capital city thereof.	Remote learning for any year level in schools in effect throughout a State or Territory or capital city thereof.	Restrictions on leaving home for non-essential purchasing, in effect throughout a State or Territory or capital city thereof.	Total
	Oct 2020	Y	Y	N	N	N	N	N	2
	Nov 2020	Y	Y	N	N	N	N	N	2
	Dec 2020	Y	Y	N	N	N	N	N	2
	Jan 2021	Y	Y	N	N	N	N	N	2
	Feb 2021	Y	Y	N	N	N	N	N	2
ACT	Feb 2020	N	N	N	N	N	N	N	0
	Mar 2020	Y	N	Y	Y	Y	Y	Y	6
	Apr 2020	Y	N	Y	Y	N	Y	Y	5

		Restrictions on inward international travel	Restrictions, quarantine or isolation requirements on inward domestic travel from another State or Territory (as a blanket rule) or a capital city	Closure of any consumer facing industries or parts or functions thereof (e.g. retail restricted to click and collect, hospitality restricted to take away, gyms closed etc), in effect throughout a State or Territory or capital city thereof.	Restrictions on number or density of persons permitted in any consumer facing industries, in effect throughout a State or Territory or capital city thereof.	Restrictions on number or density of workers in any non-consumer facing industries (e.g. Manufacturing, Warehousing etc) which are not amenable to work from home arrangements, in effect throughout a State or Territory or capital city thereof.	Remote learning for any year level in schools in effect throughout a State or Territory or capital city thereof.	Restrictions on leaving home for non-essential purchasing, in effect throughout a State or Territory or capital city thereof.	Total
	May 2020	Y	N	Y	Y	N	Y	N	4
	Jun 2020	Y	N	Y	Y	N	N	N	3
	July 2020	Y	Y	Y	Y	N	N	N	4
	Aug 2020	Y	Y	Y	Y	N	N	N	4
	Sept 2020	Y	Y	N	Y	N	N	N	3
	Oct 2020	Y	Y	N	Y	N	N	N	3
	Nov 2020	Y	Y	N	Y	N	N	N	3
	Dec 2020	Y	Y	N	Y	N	N	N	3

		Restrictions on inward international travel	Restrictions, quarantine or isolation requirements on inward domestic travel from another State or Territory (as a blanket rule) or a capital city	Closure of any consumer facing industries or parts or functions thereof (e.g. retail restricted to click and collect, hospitality restricted to take away, gyms closed etc), in effect throughout a State or Territory or capital city thereof.	Restrictions on number or density of persons permitted in any consumer facing industries, in effect throughout a State or Territory or capital city thereof.	Restrictions on number or density of workers in any non-consumer facing industries (e.g. Manufacturing, Warehousing etc) which are not amenable to work from home arrangements, in effect throughout a State or Territory or capital city thereof.	Remote learning for any year level in schools in effect throughout a State or Territory or capital city thereof.	Restrictions on leaving home for non-essential purchasing, in effect throughout a State or Territory or capital city thereof.	Total
	Jan 2021	Y	Y	N	Y	N	N	N	3
	Feb 2021	Y	Y	N	Y	N	N	N	3

Source: ACTU analysis of Public Health Orders and Directions

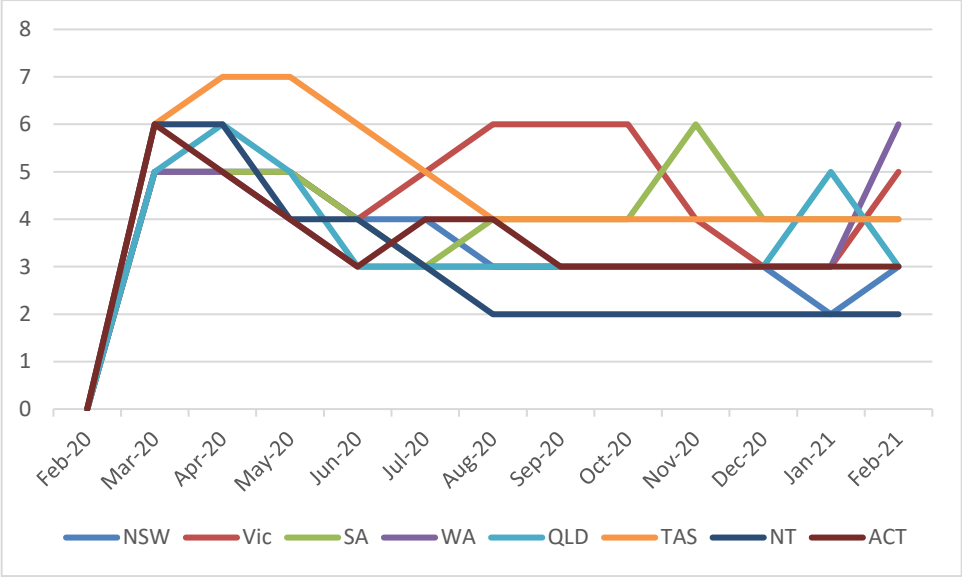
Table 4: Level of restriction (Feb 2020 - Feb 2021) by State/Territory, Summary

	NSW	Vic	SA	WA	Qld	Tas	NT	ACT
Feb 2020	0	0	0	0	0	0	0	0
Mar 2020	5	5	5	5	5	6	6	6
Apr 2020	5	5	5	5	6	7	6	5
May 2020	5	5	5	4	5	7	4	4
Jun 2020	4	4	4	3	3	6	4	3
Jul 2020	4	5	3	3	3	5	3	4
Aug 2020	3	6	4	3	3	4	2	4
Sept 2020	3	6	4	3	3	4	2	3
Oct 2020	3	6	4	3	3	4	2	3
Nov 2020	3	4	6	3	3	4	2	3
Dec 2020	3	3	4	3	3	4	2	3
Jan 2021	2	3	4	3	5	4	2	3
Feb 2021	3	5	4	6	3	4	2	3
Total:	43	57	52	44	45	59	37	44
Average:	3.31	4.39	4	3.85	3.46	4.54	2.85	3.85

Source: ACTU analysis of Public Health Orders and Directions

18. The geographical bundles of restrictions ranking values are identified above in Table 3 and Table 4. Table 4 is presented as a chart in Figure 1 below. It can be seen that there is degree of dispersion amongst states and territories, more pronounced from July 2020 onward, in the level of restrictions in place across the nation in any particular month.

Figure 1: Level of restrictions (Feb 2020 – Feb 2021), by State/Territory



Source: ACTU analysis of Public Health Orders and Directions

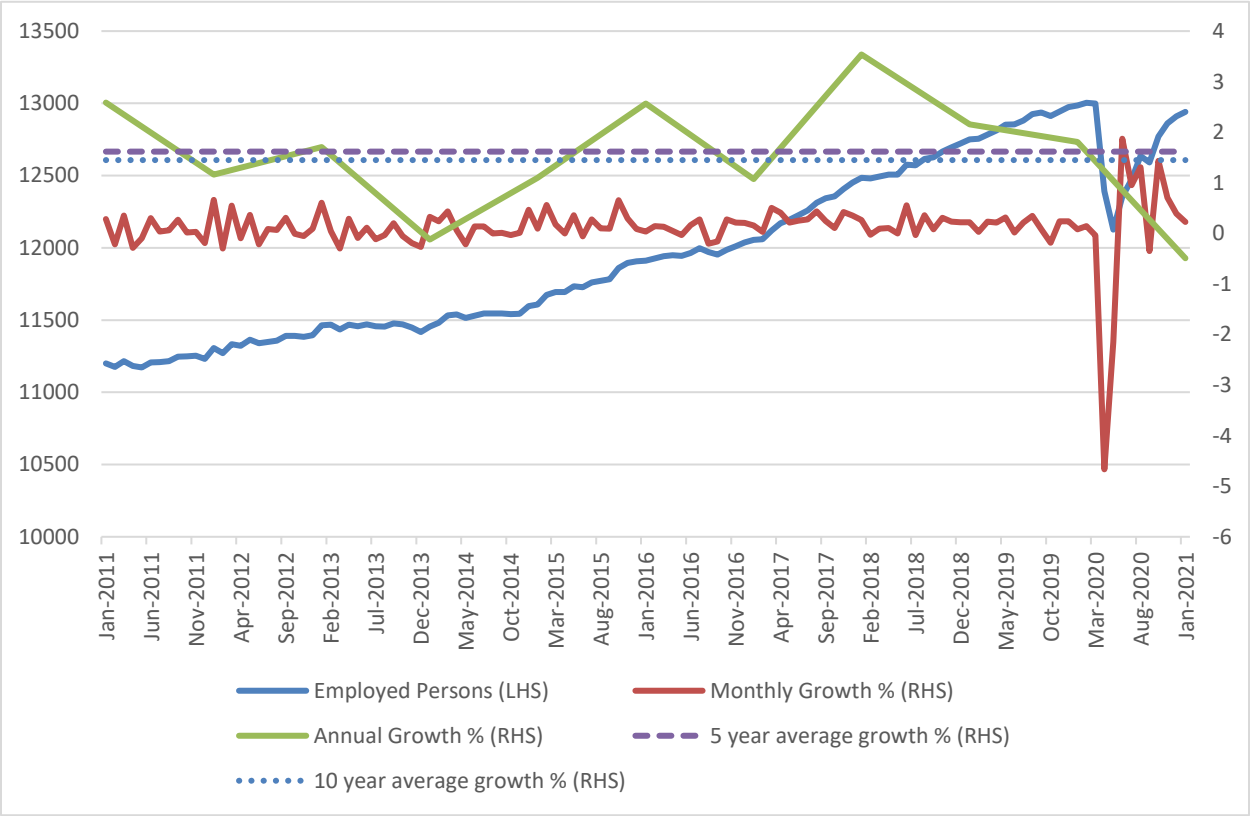
19. This section will examine, among other things, how to factor that level of dispersion in restrictions into assessing labour market performance. This examination is responsive to Panel's acceptance of an association between the level restrictions and labour market outcomes in paragraphs [23]-[79] of its decision last year[13], including its acknowledgement in relation to industry outcomes that the "…aggregate numbers mask considerable intra sectoral variance".[14]

2.2 Employment

20. The depth and severity of the impact of COVID-19 is seen in Figure 2 below, which shows seasonally adjusted total employment and employment growth over the decade.

[13] [2020] FWCFB 3500
[14] *Ibid.* at [48]

Figure 2: Growth in employment, monthly and year to January, seasonally adjusted



ABS 6202.0 (Table 12) and ACTU calculations, employed persons in 1000s

21. Significantly, and hearteningly, the remarkable strength and rapidity of the recovery in employment is also evident, with some of the highest monthly gains in employment in the last decade being observed from June 2020 onward. Figure 3 Below presents the data for the period commencing January 2020, and marks some of the relevant coincident policy changes.

Figure 3: Growth in employment, 2020, monthly, seasonally adjusted

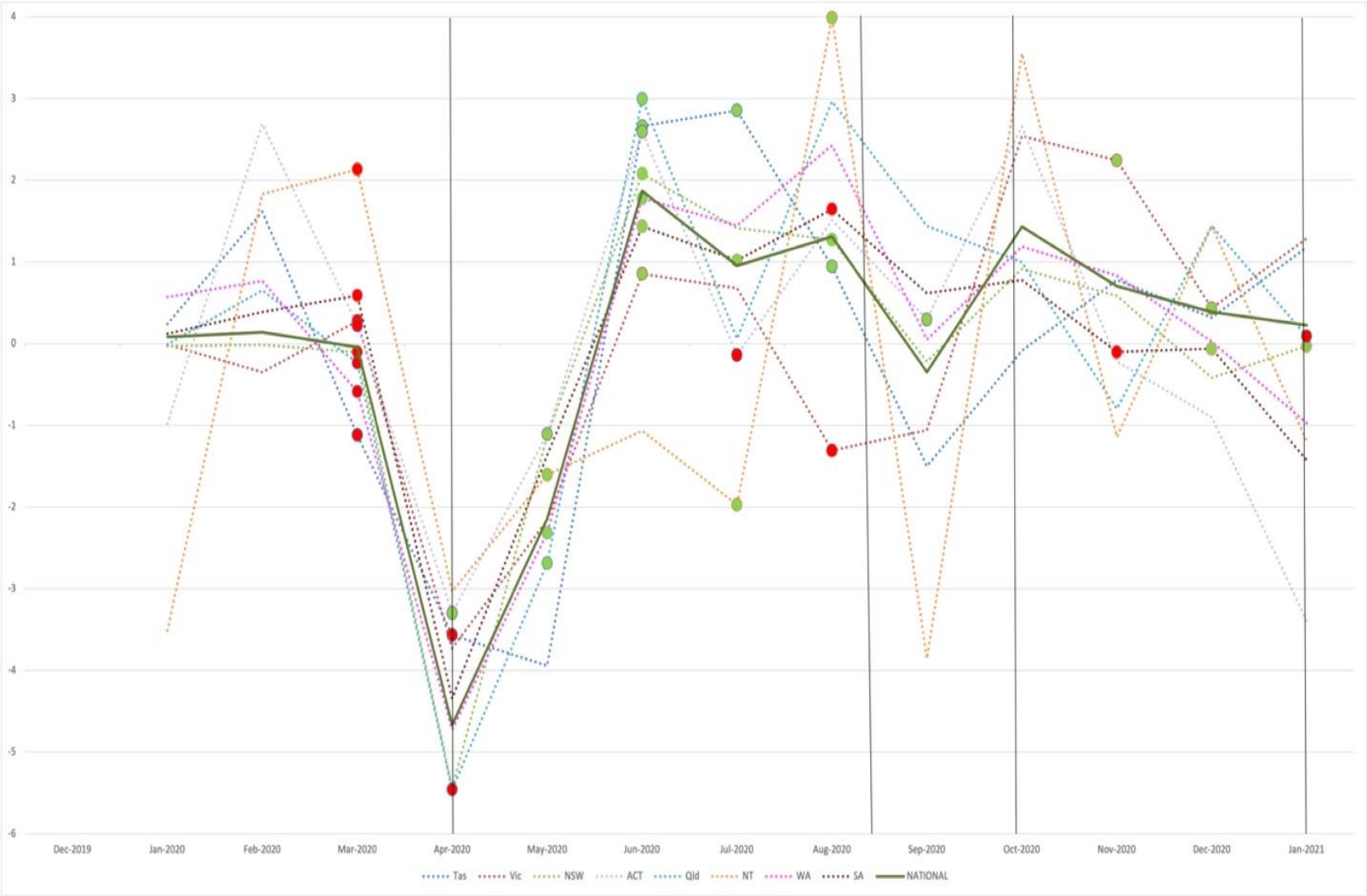
Source: ABS 6202, ACTU calculations, employed persons in 1000s

22. The leftmost black vertical line represents the commencement at 9 April 2020 of the *JobKeeper* scheme (with no requirement to assess actual turnover), all policy dates as presented in Table 2. The second from left black vertical line represents the extension at 15 August of the *JobKeeper* scheme to employees who were employed after 1 July 2020. The third from left black vertical line represents the introduction on 28 September of both the requirement to demonstrate an actual decline in turnover in order to receive *JobKeeper* and the reduction and tiering of payment amounts. The rightmost black vertical line represents the further reduction on 4 January of payment amounts. The picture is consistent with the implementation of *JobKeeper* payments at 9 April being associated with an immediate slowing of rate of decline in employment growth. Thereafter, with the exception of the month of August (the depths of the Victorian lockdown), it appears that the economy was able at least from May 2020 to generate growth in productive work. There was a moderation of the rate of growth following the introduction of both reduced payment rates and the requirement to show *actual* decline in turnover at 28 September. However, the rate of growth of employment remained above that observed immediately prior to the onset of COVID-19 restrictions and the number of employed persons edged ever closer to pre COVID levels. Whilst none of this rules out the possibility that some business were forced to close in response to the reduction in *JobKeeper* payment rates, at a broader level the economy was able to recover and generated aggregate gains in productive work through the

year from June onwards, with the exception of September. This is in addition because both *JobKeeper*, *JobSeeker* and other subsidies to business were also serving to act as a stimulus on spending, thereby acting to maintain aggregate demand and employment.

23. It should be recalled, having regard to Figure 1 above, that Victoria was in the midst of a strict lockdown in September 2020. Figure 4 below indicates that this may have been an influential factor in the nationwide figures represented in Figure 3.

Figure 4: Growth in employment by State, 2020



Source: ABS 6202. Note figures for the ACT and NT are original data, remainder seasonally adjusted.

24. Figure 4 above shows the monthly growth in employment for each State and Territory. As in Table 2 and Figure 3:

a. The leftmost black vertical line represents the commencement of the *JobKeeper* scheme (with no requirement to assess actual turnover) at 9 April;
b. The second from left black vertical line represents the extension of the *JobKeeper* scheme to employees who were employed after 1 July 2020 at 14 August;
c. The third from left black vertical line represents the introduction of both the requirement to demonstrate an actual decline in turnover in order to receive *JobKeeper* and the reduction and tiering of payment amounts at 28 September; and
d. The rightmost black vertical line represents the further reduction of payment amounts at 4 January. We note that ABS released the February 2021 employment figures on 18 March, which increased 88,700 or 0.7% in the month of February.

Additionally, a red marker indicates that the State or Territory moved to a higher level of restriction in a given month, while a green marker indicates that it moved to a lesser level of restriction. The absence of a marker indicates that the level of restriction remained unchanged from the preceding month.

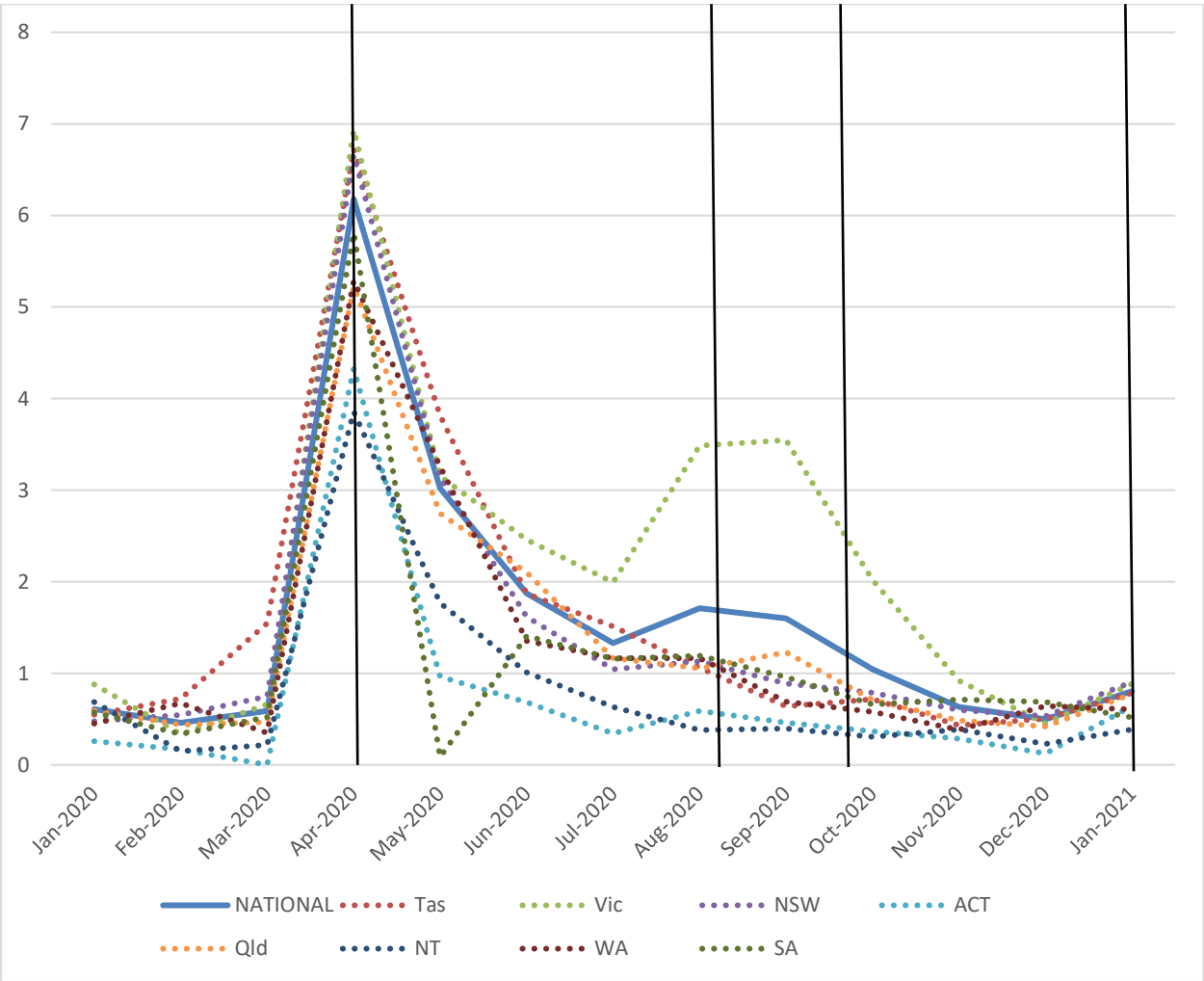
25. Figure 4 is consistent with Figure 3 insofar as it tends to demonstrate that the introduction of *JobKeeper* was associated with slowing in the rate of decline of employment growth. In three of the four places where the overall level of restrictions as scored in Table 3 and Table 4 above did not change between April and May, an improvement was seen (the exception being Tasmania, where the shift was minimal). In the remaining four States and Territories, the April to May period in which improvement was observed was also associated with a reduction in the level of restrictions. In the period from May to August, when the *JobKeeper* policy parameters were stable, there was considerable dispersion between outcomes in different places, with positive employment growth tending to be associated with the reduction in restrictions. September saw reductions in growth, with four places recording negative growth, which is difficult to attribute to any single factor or combination thereof: only the ACT saw a shift in their overall restriction score in September and the *JobKeeper* changes – introducing the actual turnover test and the reducing the payment levels – did not take effect until September 28. The September figures of course reflect the impact of the severe Victorian restrictions from the end of July to October on business and various flows between the large state of Victoria and the rest of the country, and in particular related to internal tourism and the Accommodation and food services sector. It is plausible that

the moderation in growth since September better reflects the impact of the changes to *JobKeeper* after 28 September on aggregate demand.

26. Figure 4 shows that, overall, a shift to weaker restrictions in a given month was associated with positive employment growth in a particular place in 14 out of the 22 instances in which this was observed. Overall, the shift to tighter restrictions in a given month was associated with positive employment growth in a particular place in 7 of the 16 instances in which it was recorded. However, if one disregards the observations for March 2020 –on the basis that the most stringent restrictions were only in force in the last 10 days of that month - positive employment growth was only seen in 3 out of 12 instances of more stringent restrictions being introduced in a given place. It also evident that there is great deal of variance between growth in particular places which, like Figure 1, is more pronounced from July onward.

27. Figure 5 below examines the share of employed persons who performed zero hours for economic reasons in each month and is marked with vertical lines resembling changes in *JobKeeper* policy as per previous charts.

Figure 5: Share of employed persons working zero hours for economic reasons (%), by State/ Territory



Source: ABS 6202, 6291.0.55 (Original Data used), ACTU calculations.

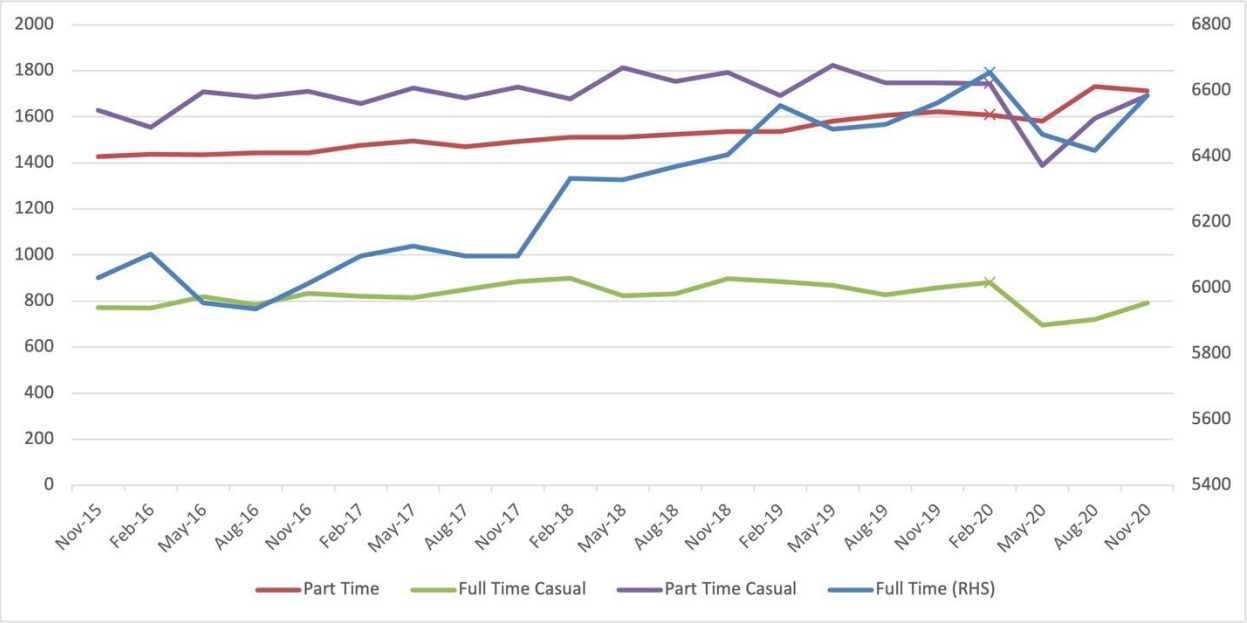
28. Whilst there remains dispersion between places, the general pattern is consistent with a decreased prevalence of unproductive work – such as employees paid via *JobKeeper* but performing no work or otherwise stood down– in the months following April. The introduction of tiered *JobKeeper* payments and the requirement to demonstrate an actual decline in turnover had a minimal noticeable effect on the overall trend. At the point those changes where introduced, and persisting into January 2021, the share of employed persons performing zero hours for economic reasons was in all places less than 1% different to what it had been prior to the onset of the pandemic. The clear outlier was Victoria, where the extended lockdown likely meant that the flexibility provided by *JobKeeper* to reduce employee hours to zero was likely drawn on extensively.

29. Data on employment by industry is shown in Table 6.3 of the *Statistical Report*. At a national level, it is clear that there has been mixed growth in employment between industries. All of the

industries identified as most affected by COVID-19 in last year's decision, with the exception of retail trade, showed negative growth in the year to November (the growth in retail trade was above the 10 year average and the preceding three years). All bar one of the 9 industries that showed growth in employment over the year to November grew at a rate faster than their 10 year averages. The exception was professional scientific and technical services which is particularly sensitive to government expenditure. We would urge the Panel to take into consideration the substantial variation in performance between States and Territories, as highlighted above, before expressing any firm views based on ranking performance by industry.

30. The forms of employment which saw growth is also important to have regard to, in terms of permanent full time or part time or casual. An overall shift in balance to part time work may be the product both of persons who are usually full time workers remaining unable to find suitable work, as well as a transition by those workers into part time work because it is the only work available. This brings with it lower incomes. A shift to casual work also suggests lower or at least variable and less secure incomes. In constructing Figure 6 below, an employee without paid leave entitlements is assumed to be employed as a casual and the Feb 2020 measurement is marked for convenience of identifying a "pre-pandemic" level.

Figure 6: Number of employees by form of employment, 1000s, Nov 2015-2020



Source: ABS 6291.0.55.003

31. Figure 6 is consistent with part time casual work suffering the heaviest losses in association with the onset of COVID-19 restrictions, and also making the most rapid recovery thereafter. The

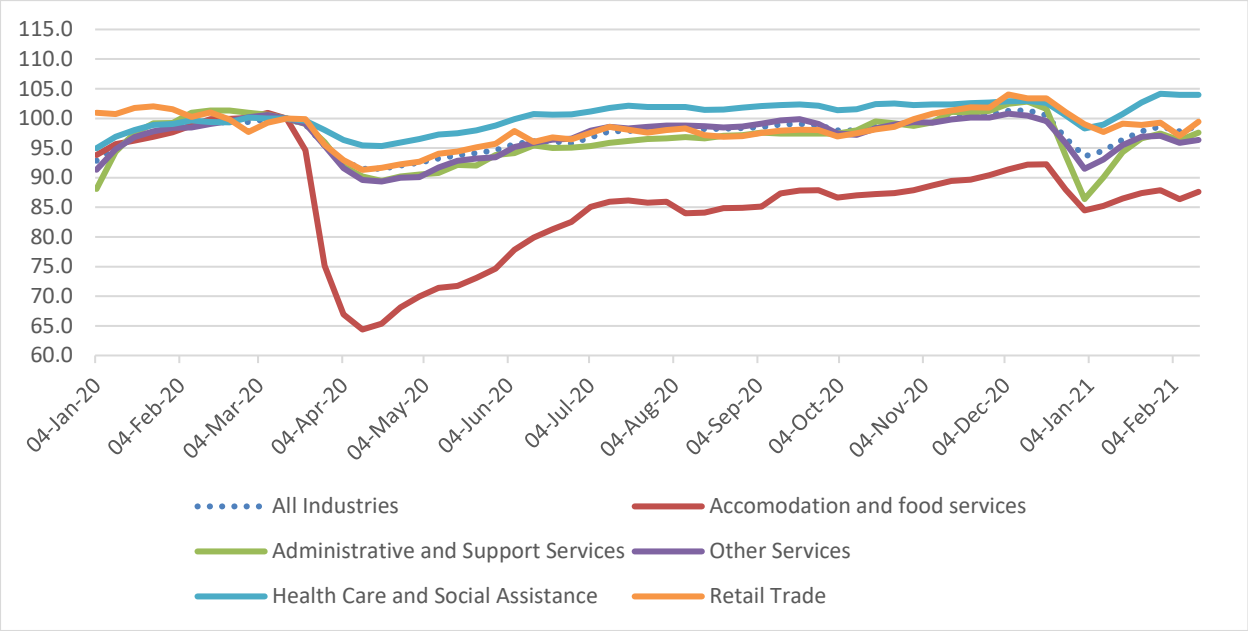
recovery in this form of work is continuing but is slowing a little and is not yet to pre-pandemic levels. Consistent with Chart 6.5 of the statistical report, there is overall shift from full time to part time work, with the rise in permanent part time employment accelerating in comparison to its medium term trend. Full time work has been the slowest to recover and still has a fair way to go to reach its pre pandemic levels (even without taking into account population growth). Overall, the growth in employment in the second part of the year have been biased toward forms of employment which are traditionally more associated with award reliant jobs. Those workers on partial income support have of course seen their payments reduce in two tranches late September 2020 and 1 January 2021 (whether the form of support was *JobSeeker* or *JobKeeper)*.

32. An indicator of the movements in employment by industry at multiple points over the year would be of assistance to the Panel. An overall negative position between November 2019 and November 2020 for a given industry, as may be seen in ABS quarterly labour force surveys, may not present as great a cause for pessimism if there was evidence of periodic growth at points during the year (or even deceleration in the rate of decline), particularly in jurisdictions where levels of restriction were easing between comparison periods. Whilst the publicly available labour force data from the ABS does not enable us to measure this, the *Payroll Jobs and Wages* series does, to an extent. It also enables some comparison to be made about whether the losses and gains in employment *within* industries according to jurisdiction was greater or smaller than the losses and gains in employment *between* some industries at a national level at various times.

2.3 Payroll Jobs and Wages

33. The Payroll Jobs indexes for the five most award dependent industries (as per ABS EEH 2018) are shown in Figure 7 below.

Figure 7: Payroll Jobs Indexes in the most Award Dependent Industries, to 13 February 21



Source: ABS Payroll jobs and wages in Australia Week ending 13 February 2021, released 3 March

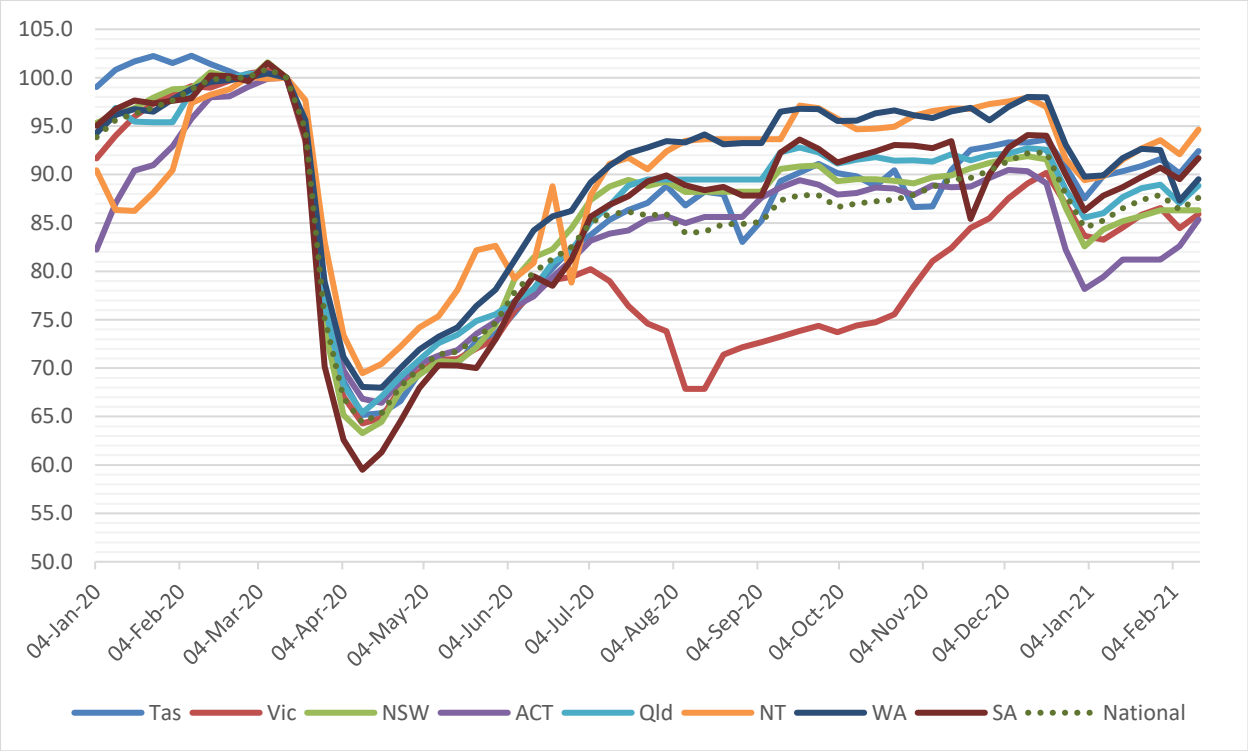
34. The February 2021 indexes for Retail Trade (99.5), Other Services (96.4) and Administrative and Support Services (97.6) are virtually indistinguishable from the All Industries index (98.7), with all bar Accommodation and Food Services and Retail Trade being higher at the end of the series than where they began on 4 January 2020. Health Care and Social Assistance and Retail Trade remained above the All Industries level throughout the year. As discussed above, there is considerable within sector variation particularly among those sectors most impacted by restrictions.

35. It is to be recalled last year's decisions ranked "clusters" of industries on the basis of the impact of COVID-19 on their operation. This clustering was heavily influenced by the ABS Payroll Jobs and Wages data, although other factors were also taken into account - most notably assumptions about the impact of restrictions. The ranking of industries by Payroll Jobs and Wages data was done on the basis of national data about each industry and, as has been demonstrated above, there was certainly greater uniformity in restriction levels between jurisdictions in the earlier stages of the pandemic response. However, as has been seen the level of restrictions became more uneven from around the middle of the year. This unevenness is reflected in more current Payroll Jobs and Wages data.

36. Figure 8, Figure 9, Figure 10 and Figure 11 below show the Payroll Jobs indexes for the industries identified as in the "upper cluster" in last year's decision, for each State and Territory. Paragraph

45 of last year's decision indicated that the difference between the start of the upper cluster and the start of the central cluster was 18.6 index points.

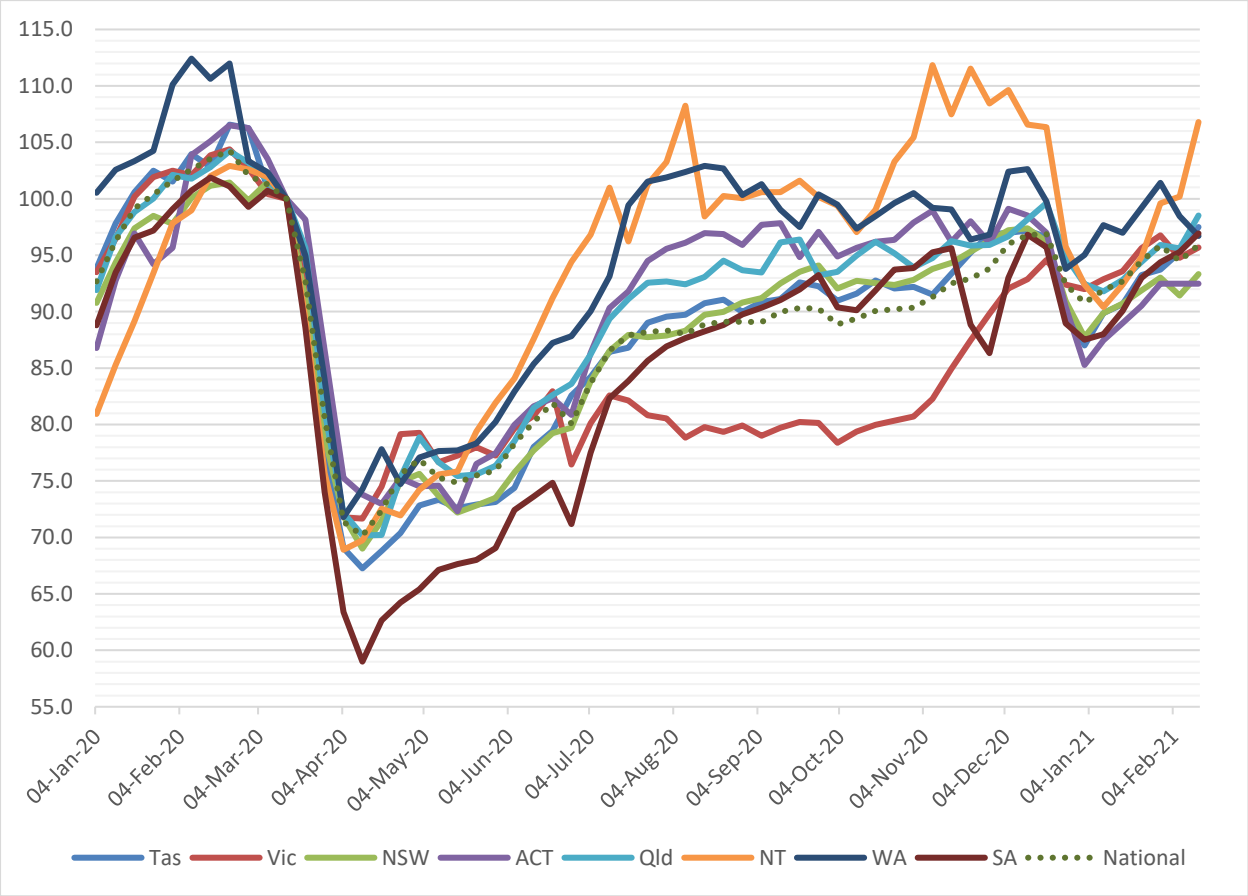
Figure 8: Payroll Jobs Indexes, Accommodation & Food Services, States & Territories



Source: ABS Weekly Payroll Jobs and Wages in Australia

37. It can be seen from Figure 8 above that, during the year in review, the upper most and lower most index numbers for a State or Territory could be up to 26 points apart in any given reference week. In the last week represented above, States and Territories were between 5.4 and 14.7 percentage points below the index commencement on 14 March and two were higher than they had been on 4 January when the series commenced.

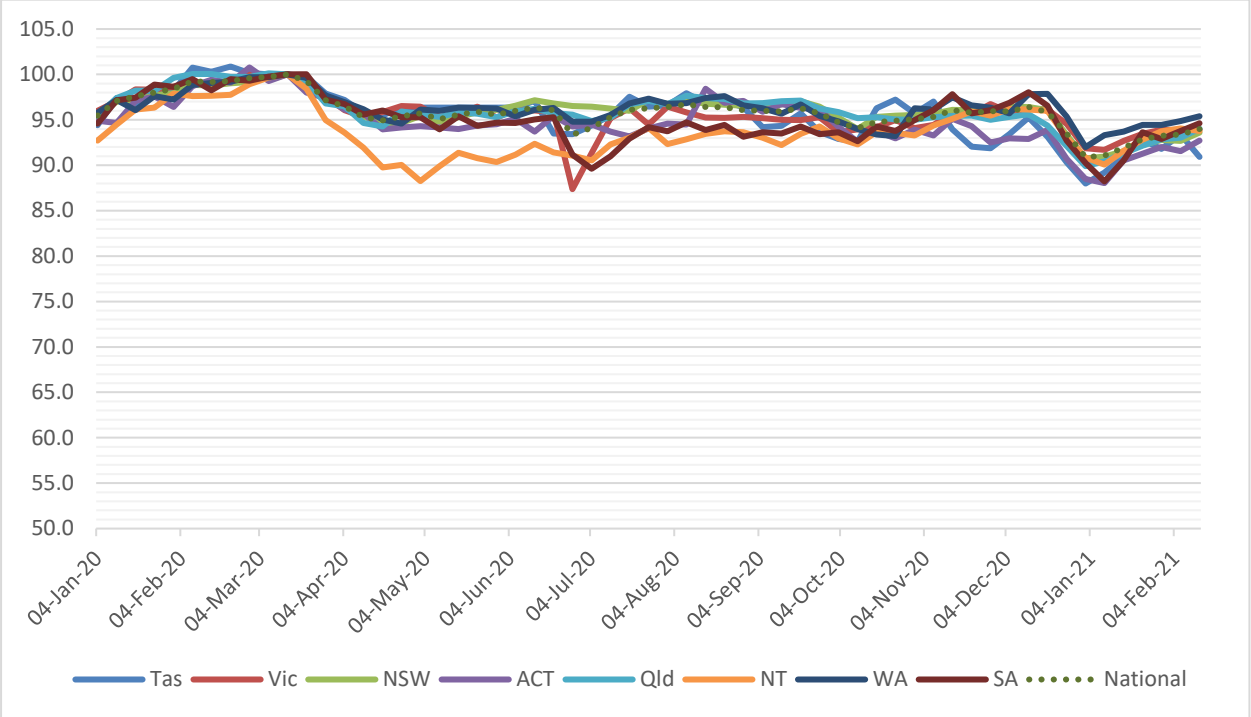
Figure 9: Payroll Jobs Indexes, Arts & Recreation Services, States & Territories



Source: ABS Weekly Payroll Jobs and Wages in Australia, 13 February released 3 March 2021

38. It can be seen from Figure 9 above that, during the year in review, the upper most and lower most index numbers for a State or Territory could be up to 29.5 index points apart in any given reference week. In the last week represented above, States and Territories were between 6.8 points above and 7.7 points below the index commencement on 14 March and all bar one were higher than they had been on 4 January when the series commenced.

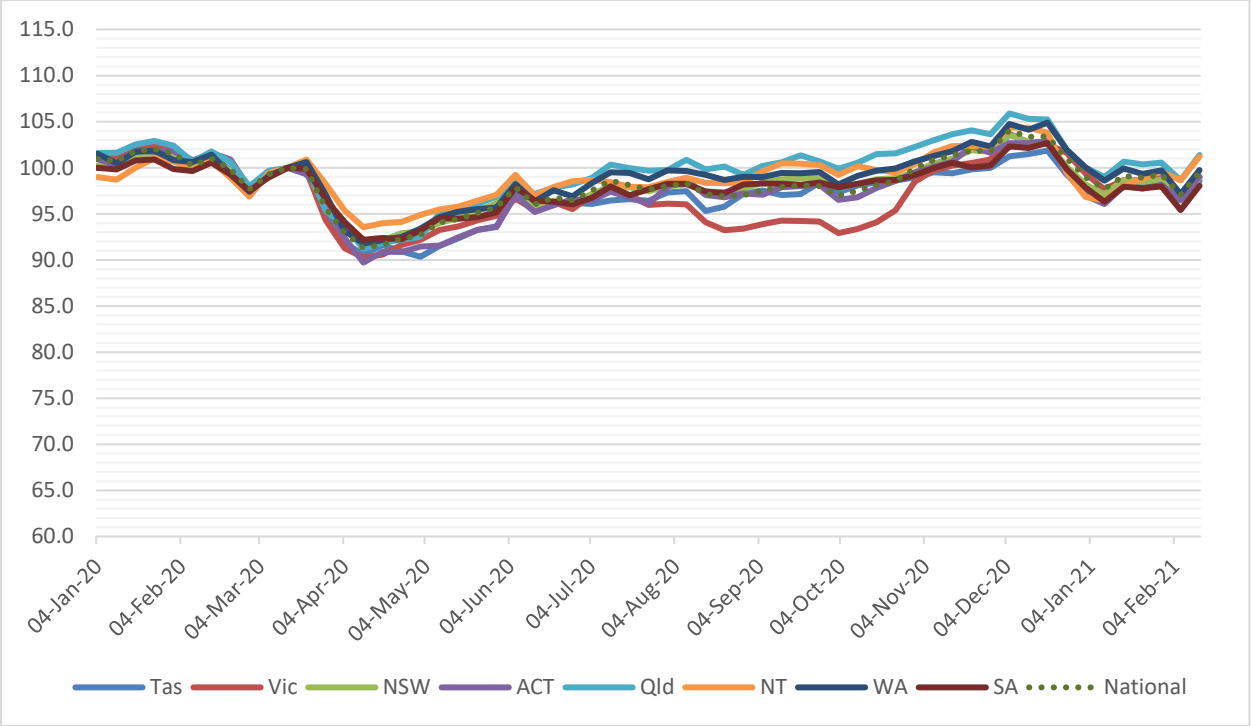
Figure 10: Payroll Jobs Indexes, Transport, Postal & Warehousing, States & Territories



Source: ABS Weekly Payroll Jobs and Wages in Australia

39. It can be seen from Figure 10 above that, during the year in review, the upper most and lower most index numbers for a State or Territory could be up to 9.1 index points apart in any given reference week. In the last week represented above, States and Territories were between 6.1 and 4.6 points below the index commencement on 14 March and two were higher than they had been on 4 January when the series commenced.

Figure 11: Payroll Jobs Indexes, Retail Trade, States & Territories

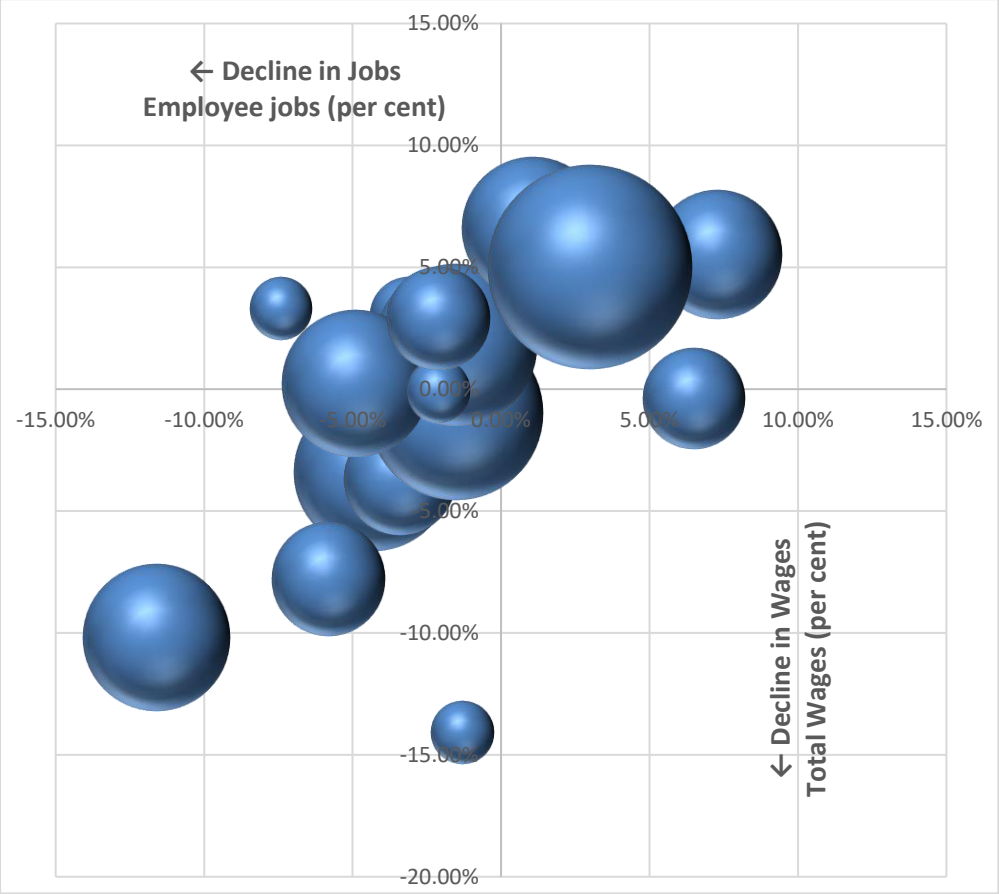


Source: ABS Weekly Payroll Jobs and Wages in Australia

40. It can be seen from Figure 11 above that, during the year in review, the upper most and lower most index numbers for a State or Territory could be up to 7 index points apart in any given reference week. In the last week represented above, States and Territories were between 2 points below and 1.4 points above the index commencement on 14 March and one was higher than it had been on 4 January when the series commenced.

41. Using administrative data from the Australian Taxation Office (ATO) and published by the ABS, the charts below show the percentage changes in the number of payroll jobs and total wages for the 19 industries based on the Australian and New Zealand Standard Industrial Classification (ANZSIC). The size of each circle reflects the total number of filled jobs in each industry—collected using ABS Labour Accounts data. Industries with a larger number of jobs will be represented by larger circles. For example, health care and social assistance has the largest number of filled jobs and is represented by the largest circle. The decline in jobs is indicated along the horizontal axis. The change in wages is indicated by the vertical axis.

Figure 12: Change in employee jobs and total wages between March 2020 and February 2021, by industry clusters

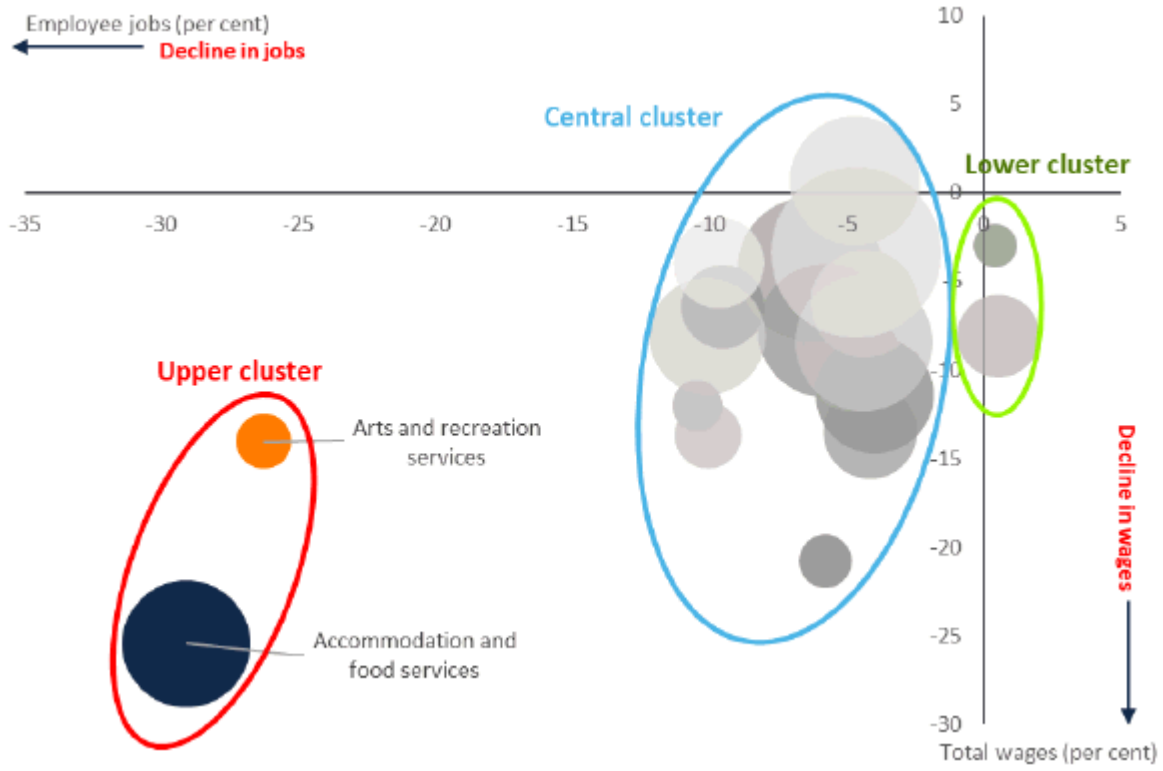


Source: ABS, Weekly Payroll Jobs and Wages in Australia

42. This data is of great relevance as it was used in the 2019-20 AWR to define the upper, central and lower clusters which were then used to determine Groups 1-3.

43. Figure 13 below reproduces Chart 1.4 from the AWR decision for 2019-20. The decline in jobs is indicated along the horizontal axis. The change in wages is indicated by the vertical axis. In Figure 13 there is a significant gap between the Upper and Central cluster. We can clearly see that when we compare Figure 12 and Figure 13 there no longer exists large gaps between different industries.

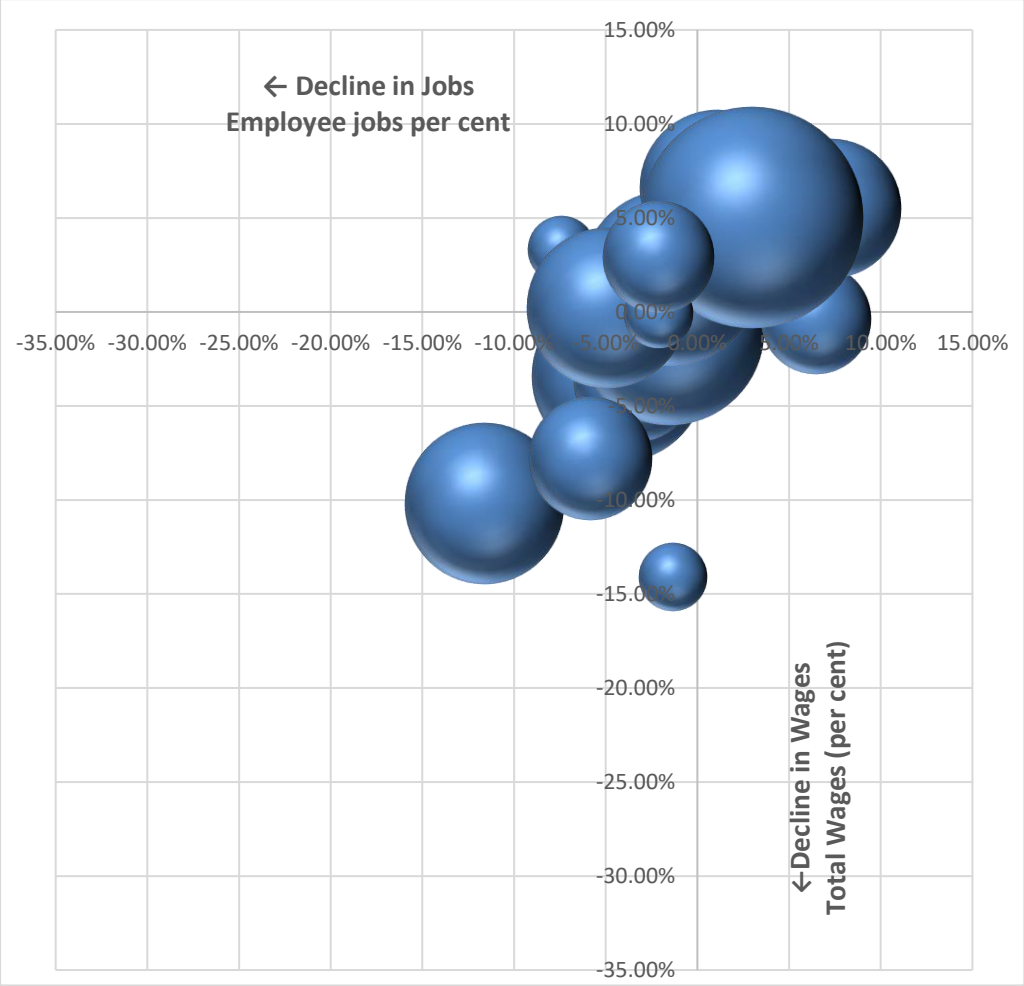
Figure 13: Change in employee jobs and total wages between 14 March and 30 May 2020, by industry clusters



Source: AWR 2019-20

44. The bunching and the significant movement rightwards (increase in employment) is more evident if we use a more similar scale on the X and Y axis as Figure 13. This can be seen in Figure 14 below;

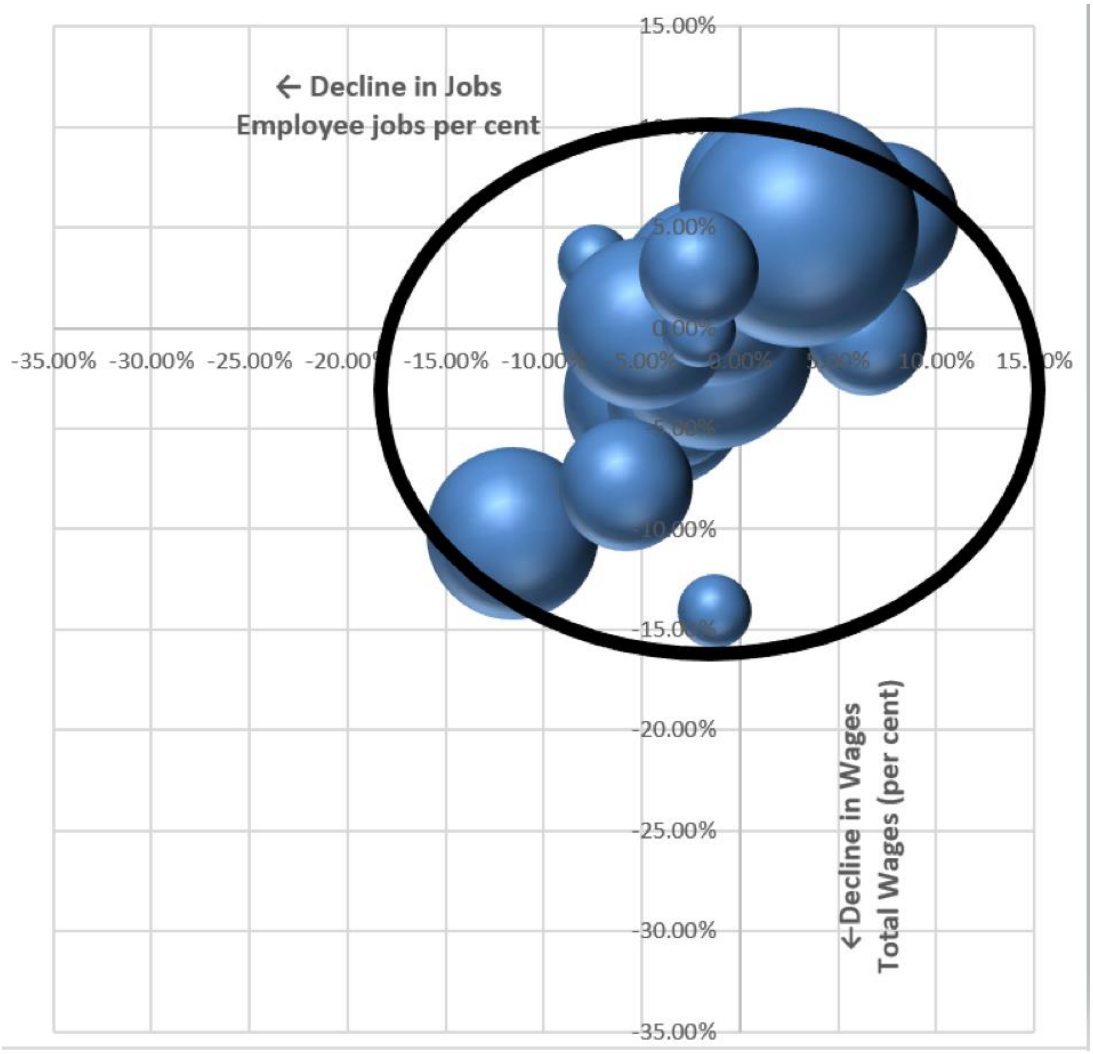
Figure 14: Change in employee jobs and total wages between March 2020 and February 2021, by industry clusters



Source: ABS, Weekly Payroll Jobs and Wages in Australia

45. In Figure 15 we further highlight the significant 'bunching' of the industry clusters) compared to the weekly payroll and wages data between 14 March and 30 May 2020 used to determine the clusters in the Annual Wage Review 2019–20.

Figure 15: One Industry Cluster (change in employee jobs and total wages between March 2020 and February 2021, by industry clusters)



Source: ABS, Weekly Payroll Jobs and Wages in Australia

46. The decision of the Annual Wage Review 2019–20 created three main clusters, upper, middle and lower. The parameters of the clusters were the following;

> 'Upper cluster—where total jobs fell by 29.1 per cent in Accommodation and food services and by 26.3 per cent in Arts and recreation services (a weighted average4 of –28.6 per cent);
>
> Central cluster—where job losses range from 10.5 per cent in Information media and telecommunications to 4.0 per cent in Manufacturing (a weighted average of –5.9 per cent); and
>
> Lower cluster—where the impact on jobs range from an increase 0.4 per cent in Electricity, gas, water and waste services to an increase of 0.5 per cent in Finance and insurance services (a weighted average of 0.5 per cent).[15]'

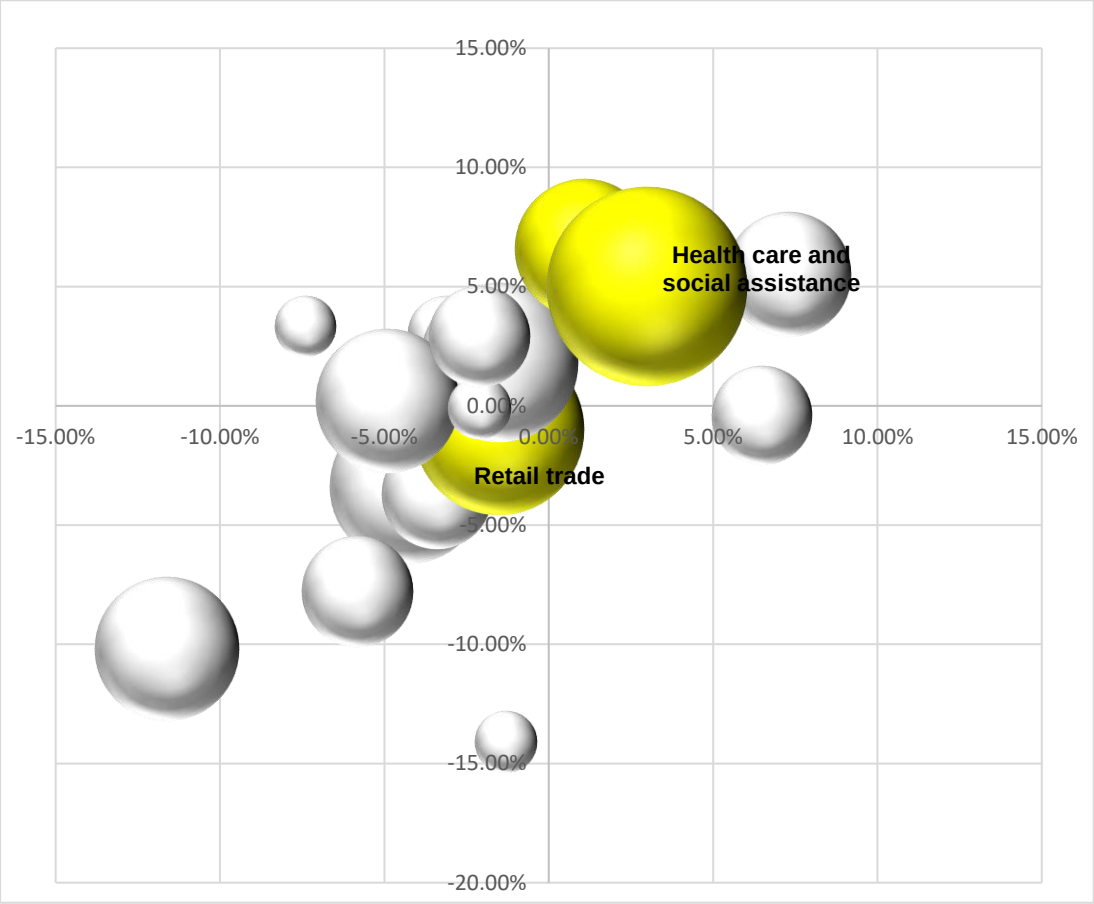
[15] Annual Wage Review 2019–20 page 15

47. The most recent Weekly Payroll Jobs and Wages in Australia shows that no industry is anywhere close to the level of job losses contained within the parameters of the upper cluster - which had a weighted average of -28.6% job losses. The change in employee jobs and total wages between March 2020 and February 2021 has an average of -1.8%. Employment for all industries has almost completely returned to pre pandemic levels at only -0.2% below the March 2020 level. Given the positive trend in employment growth we can expect total employment to surpass pre pandemic levels shortly. Employment growth in the economy as a whole and in award sectors is on a strong upwards trajectory.

48. The retail, administrative services and healthcare and social assistance sectors, which are heavily award dependent, have all seen significant jobs growth. Employment levels have increased above the level in March 2021. Between March 2020 and January 2021 total jobs in administrative services increased by 1.10 per cent. The administrative services sector has recovered and surpassed it is per pandemic jobs levels. This can be seen clearly in the top right of Figure 16.

49. The healthcare and social assistance sector which was in Group 2 has also seen significant employment growth. Employment has surpassed March 2020 levels by 3%.

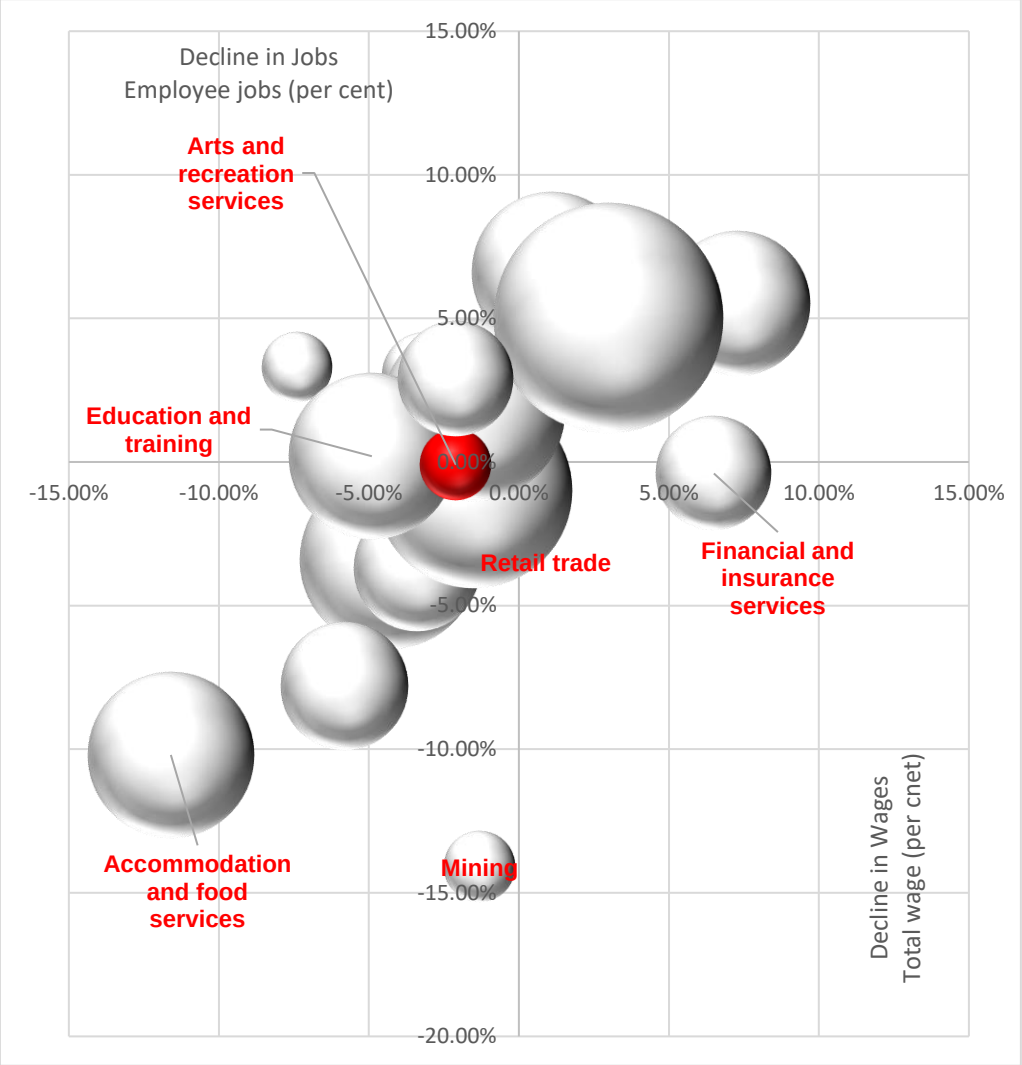
Figure 16: Retail, administrative services and healthcare and social assistance have all seen significant jobs growth (change in employee jobs and total wages between March 2020 and February 2021, by industry clusters)



Source: ABS, Weekly Payroll Jobs and Wages in Australia

50. The arts and recreation sector, which was in the upper cluster last year, has recovered significantly. Total jobs for Arts and Recreation had fallen 26.3% below it is March levels by May 30th. The Arts and recreation sector is now only -5.5% below its March level. Indicating a significant 'V' shaped rebound in employment.

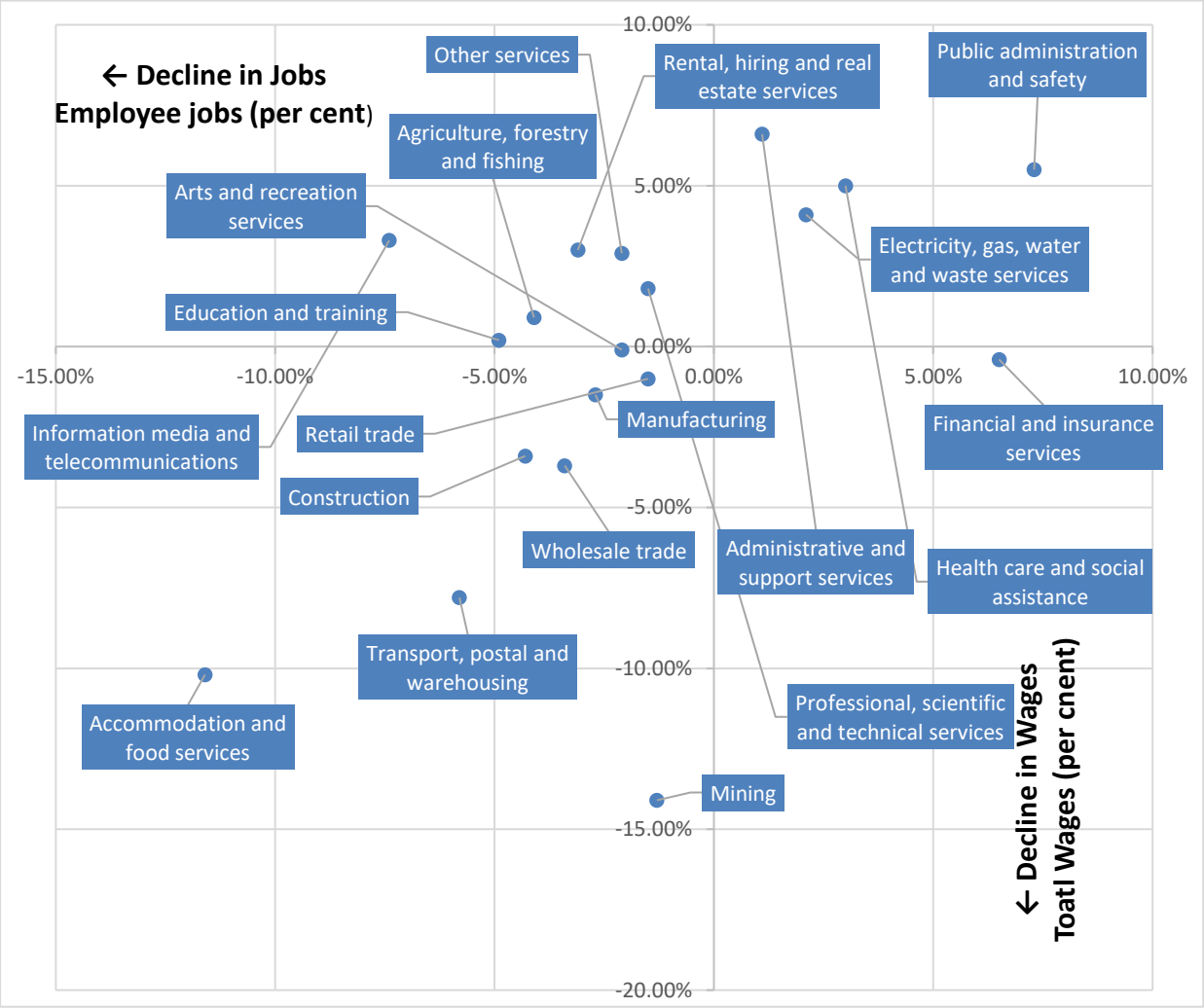
Figure 17: Change in employee jobs and total wages between March 2020 and February 2021, by industry clusters



Source: ABS, *Weekly Payroll Jobs and Wages in Australia*

51. It is our view given the 'bunching' of the industry clusters and the strong recovery in employment we should return to the same date of operation for all awards. The date of operation of the determinations varying modern award minimum wages for all modern awards should be July 1st.

Figure 18: Change in employee jobs and total wages between March 2020 and February 2021, by industry clusters



Source: ABS, Weekly Payroll Jobs and Wages in Australia

2.4 *JobKeeper* Reliance

52. Limited data is available about the uptake of the *JobKeeper* payment, with most publicly available data being grouped by postcode only.

53. Table 5 below shows a breakdown of *JopKeeper* uptake by State/Territory. It can been seen that there is considerable variance between jurisdictions in the degree to which reliance on *JobKeeper* has reduced, with Victoria remaining the State with the most number of workers on *JobKeeper* and the least reduction in the average number of workers on *JobKeeper* between the

two measurement periods. Yet, as was shown in Figure 4, it was the third best performer in December in terms of monthly employment growth. The data shown in Table 5 and Table 6 is also instructive as to magnitude of the impact of the policy change to require businesses to demonstrate an *actual* decline in turnover from 28 September. Notably, to the extent that this was reflected at all in Payroll Jobs numbers in the industries examined above, the effect was modest at best and clearly temporary.

Table 5: *JobKeeper* uptake by State/Territory

State/Territory	Workers on *JobKeeper* from April to September	Workers on *JobKeeper* from October to December	Percentage drop
Victoria	1100000	626000	44
New South Wales	1200000	490000	60
Australian Capital Territory	44600	16800	62
Queensland	728500	259000	64
Tasmania	68900	24100	65
South Australia	233500	77400	67
Northern Territory	21900	6900	69
Western Australia	355000	107700	70
Average	*N/A*	*N/A*	*62.625*

Source: ATO, Australian Broadcasting Corporation, ACTU calculations

54. Table 6 below shows the breakdown of *JobKeeper* uptake by industry. Again, there is a great deal of variance. Notably, some of the sectors identified in last year's decision as worst affected by the pandemic had below or near average initial reliance on *JobKeeper* as a share of their pre-COVID employment (Retail Trade, Accommodation and Food Services, Transport, Postal and Warehousing) and/or near or better than average reduction in the level of *JobKeeper* reliance (Retail Trade, Accommodation and Food Services). Whilst we have been unable to obtain data which provides a breakdown both by industry and by State/Territory, it plausible to assume there are considerable differences within industries depending on their location.

Table 6: *JobKeeper* uptake by industry

Industry	Employees on JK 1.0 (April-September)('000)	Share of pre-COVID employment (%)	Employees on JK 2.0 ('000) (Dec qtr)	Share of pre-COVID employment (%)	Change in number of employees (%)
Health Care and Social Assistance	373	21	81	5	-78
Wholesale Trade	172	44	49	12	-71
Retail Trade	323	26	104	8	-68
Rental, Hiring and Real Estate Services	111	52	49	23	-56
Accommodation and Food Services	317	34	154	17	-52
Professional, Scientific and Technical Services	450	39	215	19	-52
Education and Training	131	12	65	6	-50
Construction	420	36	217	18	-48
Arts and Recreation Services	122	49	77	31	-37
Transport, Postal and Warehousing	174	26	112	17	-36
Average	*N/A*	*33.9*	*N/A*	*15.6*	*-54.8*

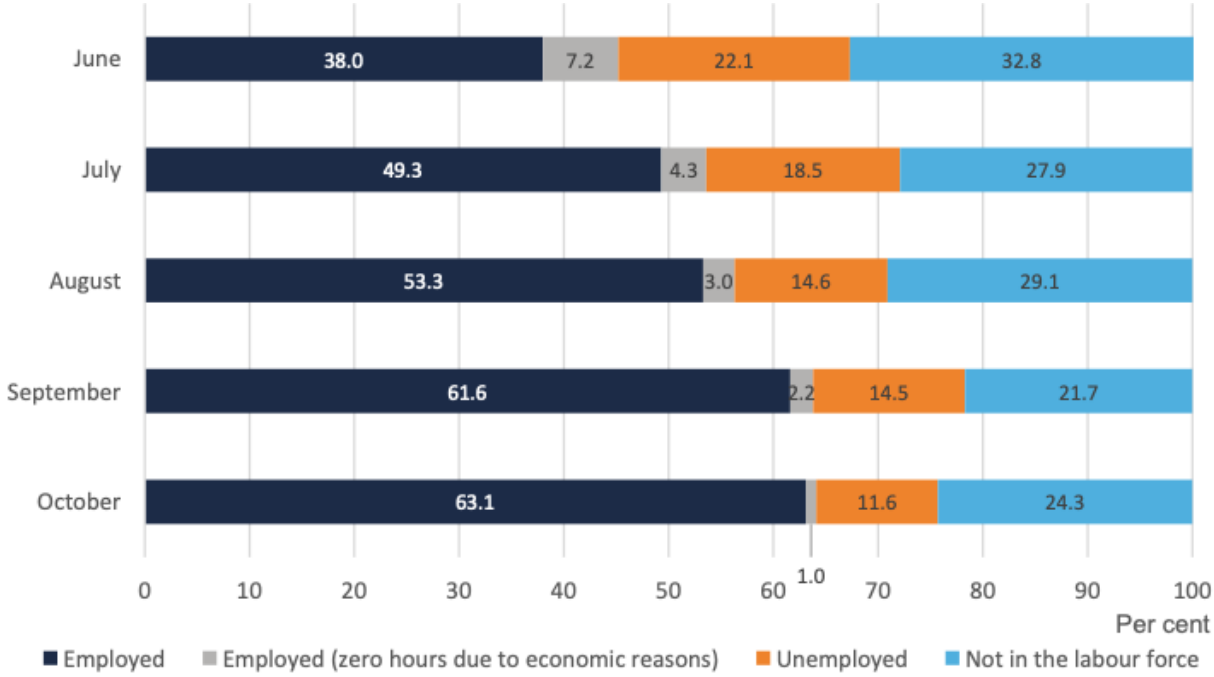
Source: ATO, Australian Broadcasting Corporation, ACTU calculations

55. As stated above, we do not doubt that some employees will lose their jobs when *JobKeeper* ends. Those would certainly include some employees who remain on *JobKeeper* doing no productive work, whom Figure 5 suggests to be small in number, and possibly others who are working less hours than usual for economic reasons, captured in Tables 6.14 and 6.15 of the *Statistical Report*. We would note however that the most significant reason for reductions in hours of work in the January 2021 measurement was workers taking time off, so it is plausible that the absence of those persons had some association with business decisions not to require some other employees in that month. Whilst it is difficult to predict with any certainty what will happen to the employees who are still dependent on *JobKeeper* when the scheme ends, we suggest that the research by Yuen and Cumming (2021)[16] provides some indication as to their labour market prospects.

[16] Yuen K & Cumming P (2021), *Labour market transitions of workers during COVID-19*, Fair Work Commission Research Report 2/2021, February.

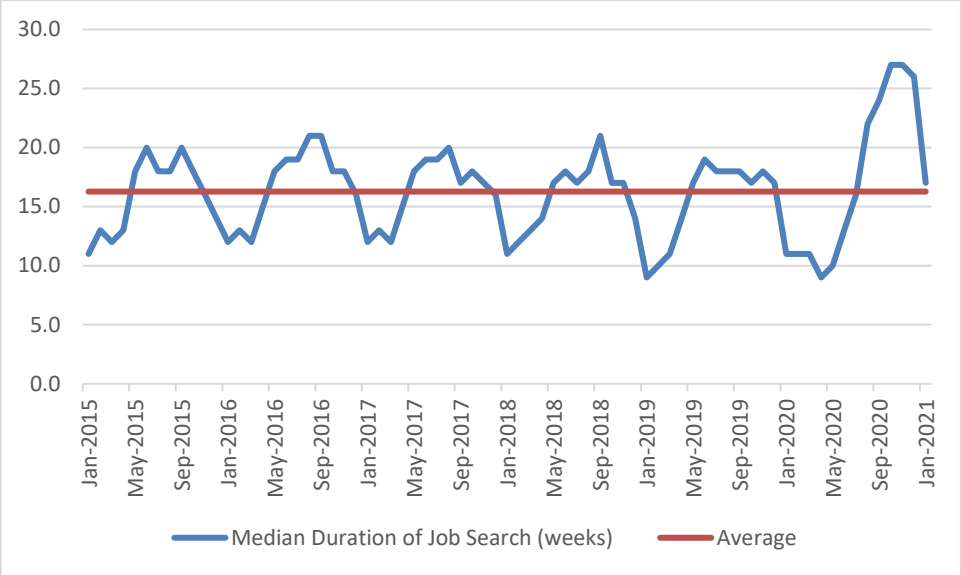
56. In “Stage 2” of their research, Yuen and Cumming examined the labour force status of persons who had “left work by May of 2020” with their status in June, July, August, September and October. Their definition of “left work by May of 2020 included persons whose labour force status had changed from employed to either unemployed, not in the labour force or employed but working zero hours for economic reasons. Their analysis excluded Victoria, due to the persisting lockdown in that State. Figure 19 below is reproduced from Chart 19 in Yuen and Cumming.

Figure 19: Labour market status of persons who left work by May (excluding Victoria)



57. It is encouraging that rate of transitions to employment increased between June and October, particularly given the large share of person’s whose status shifted to not in the labour force rather than unemployed. Figure 20 below provides further encouragement, in that median duration of job search has been rapidly decreasing since November 2020, immediately after the end of the measurement period in Figure 19 above.

Figure 20: Median duration of Job Search, Jan 2015 - Jan 2021



Source: ABS 6291.0.55.001

58. Yuen and Cumming also provide some evidence of the rapid recovery of the industries identified in last year's decision as most impacted by COVID-19 of the labour market prospects of those previously engaged in those industries. In particular, by August of 2020 64% of persons who had left work in the Accommodation and Food Services Industries in May had returned to work, as had 69% of those who had left work in the Arts and Recreation Services Industry. They also refer to Treasury analysis that suggested of those who had left one of those industries, around 70%-80% returned to their old jobs. Yuen and Cumming's own analysis showed that whilst persons in the Accommodation and Food Services Industry made up 22.4% of the persons who left work in May, they made up 26.2% of the persons who had returned to work by August.

59. Yuen and Cumming refer to the suspension of mutual obligations (i.e. job search requirements) as a possible explanation for the high rate of transition to not being in the labour force (these were suspended from March 2020 and were gradually re-introduced from 28 September). The increased unemployment benefit, being the *JobSeeker* payment plus the Coronavirus supplement, may have also been a factor. It may also be relevant that the increased unemployment benefit was equal to the minimum *JobKeeper* payment, which Table 6.13 of the *Statistical Report* indicates was less than the usual wages of most persons who received it.

60. Recent announcements by the Federal Government to support the aviation and tourism sectors may also be relevant to employment outcomes for employees in receipt of *JobKeeper,* noting that

the Transport sector is identified in Table 6 above as having the smallest reduction in number of employees covered. Those initiatives include:

a. Funding to aviation ground handlers to assist with costs of training and accrediting around 5,000 employees;[17]
b. Fund grants for eligible domestic airports to meet fixed costs of security screening obligations, thereby reducing costs to airlines that might otherwise be passed on to them;[18]
c. Monthly upfront payments to Virgin Australia and Qantas to maintain an agreed level of international aviation capability through funding of costs including wages and employee expenses, skills maintenance training, aircraft maintenance and bringing aircraft out of storage;[19] and
d. Funding to reduce the ticket price and expand the frequency of domestic flights[20]

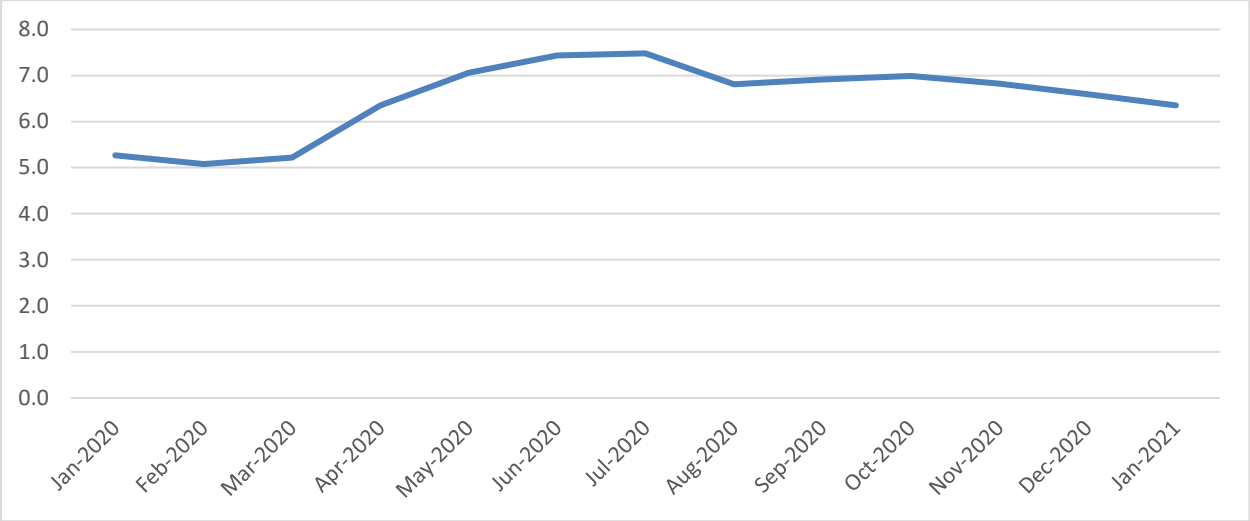
61. Whilst these initiatives will support the aviation industry – including business that are not impacted by the Panel's decision – they might also be reasonably expected to have some indirect benefits in the broader tourism related industries including Arts and Recreation Services, Accommodation and Food Services and Retail. More directly for those sectors, a further program of direct cash payments to travel agents and tour arrangement service providers has been announced[21] along with a further round of business loans for business receiving *JobKeeper* in 2021, providing up $5 million per loan over a 10 year term with capped interest and an option for a 2 year repayment holiday.[22]

2.5 Unemployment, Underutilisation and Participation.

62. It is to be expected that 2020 would have involved a surge in unemployment in response to COVID-19 restrictions. Indeed that was observed, as can be seen from Figure 21 below.

[17] https://www.infrastructure.gov.au/aviation/files/asas-program-fact-sheet-march-2021.pdf
[18] https://www.infrastructure.gov.au/aviation/files/dascs-factsheet-march-2021.pdf
[19] https://www.infrastructure.gov.au/aviation/files/ias-factsheet-march-2021-003.pdf
[20] https://www.infrastructure.gov.au/aviation/files/fact-sheet-tans-20210310.pdf
[21] https://www.austrade.gov.au/Australian/Tourism/Tourism-and-business/Grants/covid-19-consumer-travel-support-program
[22] https://treasury.gov.au/coronavirus/sme-recovery-loan-scheme

Figure 21: Unemployment Rate (Seasonally Adjusted), Jan 2020-21

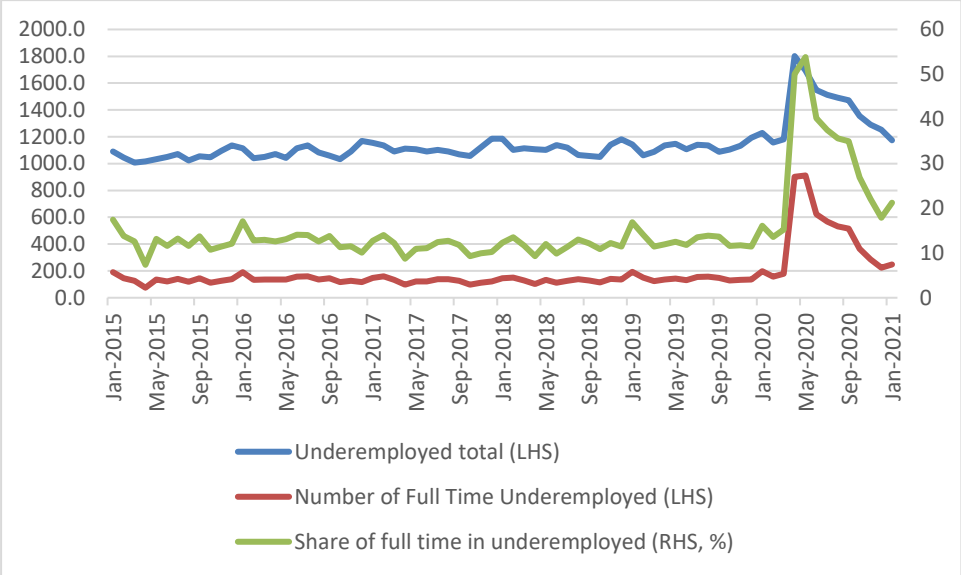


Source: ABS 6202

63. It is likely that the commencement of *JobKeeper* contributed to the moderation of the unemployment rate from May 2020. Whilst there is no doubt that the unemployment rate is currently high at levels not seen since 2014, the downward trajectory of the unemployment rate is welcome, particularly in light of the rebound in the participation rate and steady increase in the age adjusted participation as shown in charts 6.1 and 6.2 of the statistical report. We note that the unemployment rate decreased to 5.8% for February 2021 from 6.3% in January 2021, a fall of 69,900, while employment increased by 88,700.

64. Towards the end of 2020 we have also seen a welcome reversal of the surge in underemployment seen during the year, as is seen in Chart 6.1 of the statistical report. As we have examined in previous submissions, there are multiple methods of measuring underemployment and it has in recent times been heavily associated with the extent of part time employment. During 2020 however, there were a number of stand-downs – some associated with the legislative rights introduced in conjunction with the *JobKeeper* policy and some not. This has led to a surge in the share of underemployed workers who usually work full time hours, as seen in Figure 22 below, which is traditionally a relatively stable measure.

Figure 22: Full Time Underemployment



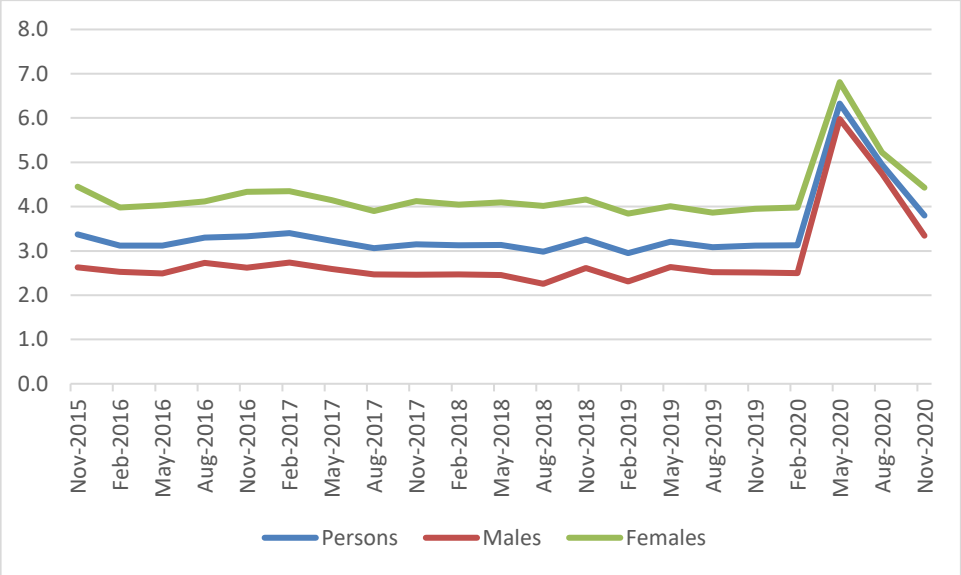
Source: ABS 6202 (Original), 6291.0.5.001 (Original), ACTU calculations

65. Figure 22 seems consistent with full time underemployment being a major driver of the temporary increase in overall underemployment seen in Chart 6.1 of the statistical report, which has returned to relatively normal medium-term levels. Full time underemployment does remain elevated, indicating continued stand downs which may or may not be funded by *JobKeeper*.

66. It is difficult to gain detailed contemporary insights about part time underemployment. The ABS *Participation, Job Search and Mobility* series, which we have previously used to differentiate between part time workers who are *not* available to work more hours and those *are* available to work more hours as well as those who both available to work *and looked for more hours* is only current to February 2020 – prior to the impacts of the pandemic being felt - and has no scheduled date for updating.

67. Another key source of information on underemployment is measurement of the hours desired by the underemployed. This is captured by the ABS *volume measure of underemployment*, which shows the additional hours of labour preferred by underemployed workers expressed as a percentage of the potential hours in the labour force. Potential hours in the labour force is the sum of the number of hours sought by the underemployed and the unemployed, and the number of hours usually worked by all employed persons. This is shown in Figure 23 below.

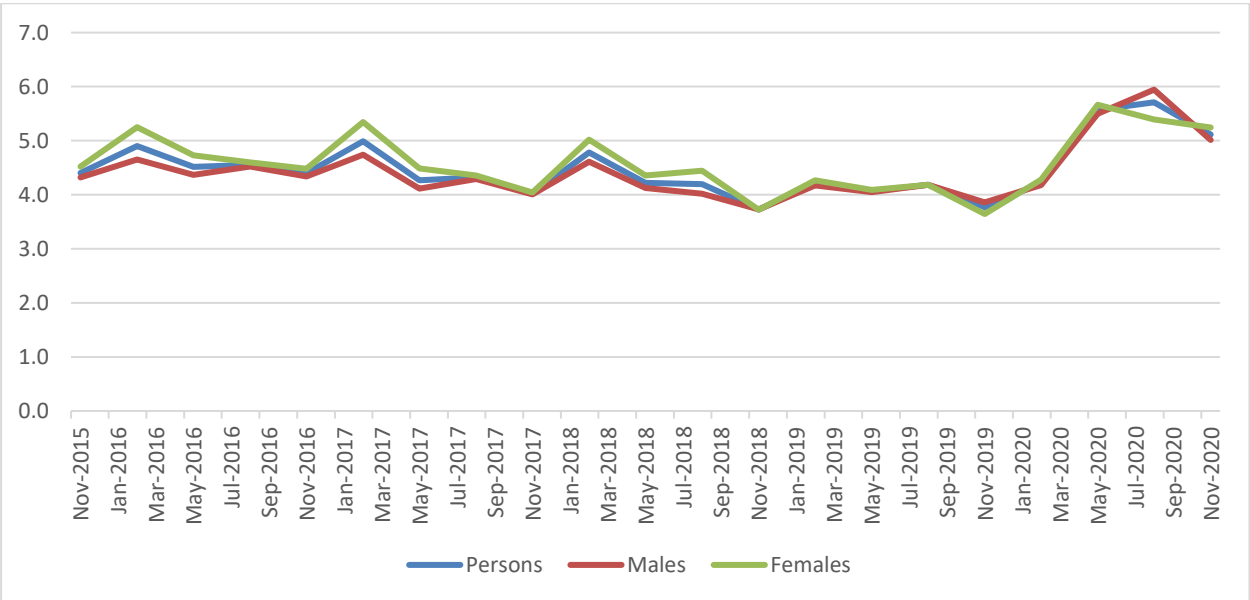
Figure 23: Volume measure of unemployment, Nov 2015-2020



Source: ABS 6291.0.55.001 (Original)

68. It can be seen that, at its peak, there was some convergence of the measures as between males and females – which are traditionally separated owing to the greater prevalence of part time work among women. All measures are on a welcome trajectory, which predictably has some relationship to early-mid 2020 peak and subsequent reduction in the share of full-time underemployment was seen in Figure 22 above. The volume measure of unemployment, which tracks the hours sought by unemployed persons as a percentage of potential hours in the labour force, is shown in Figure 24 below.

Figure 24: Volume measure of unemployment, Nov 2015-2020



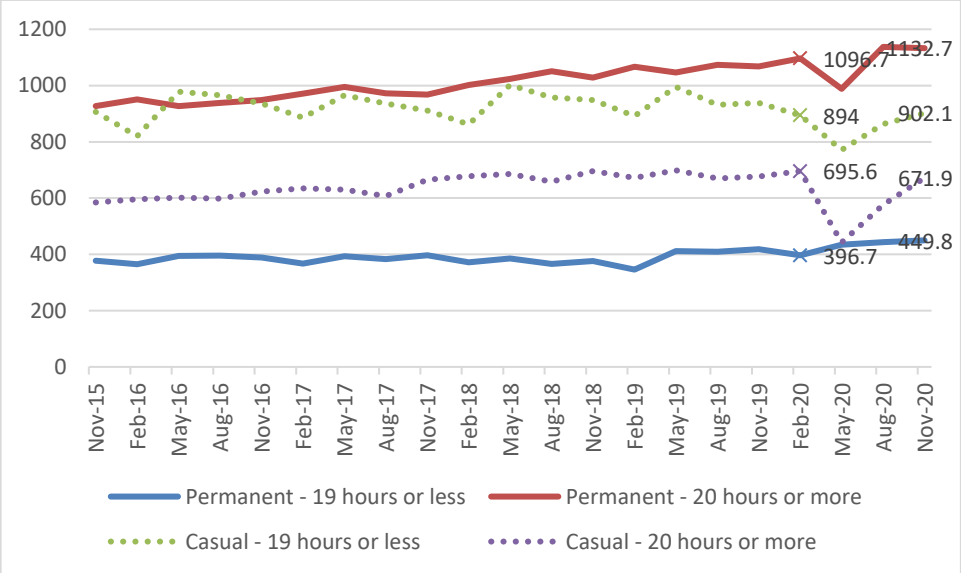
Source: ABS 6291.0.55.001 (Original)

69. The higher levels seen from March 2020 onward likely have some relationship to the degree of losses of full time jobs and slower recovery in full time work, also evident from chart 6.5 of the *Statistical Report* and Figure 6 above.

70. Chart 6.4 of the *Statistical Report* paints a gloomy picture of the change in hours worked in the more award dependent industries. We would expect some improvement beyond the November-November measurement period given the uptick seen in the Payroll Jobs data shown above. Nonetheless, it is to be recalled that a reduction in hours would have resulted in a reduction of income for most, again having regard to Table 6.13 of the *Statistical Report*.

71. In terms of the distribution of hours worked, Figure 25 below shows the number of employees working above or below 20 hours per week, for permanent and casual workers classified as part time by the ABS.[23]

Figure 25: Number of Part Time Workers by status and hours worked Nov 2015-Nov 2020



Source: ABS 6291.0.55.003

72. It can be seen that is jobs which offered 20 hours or more – therefore were more likely to lead to higher weekly wages -were those that suffered most during the Pandemic. If paid at the national minimum wage (which few would have been), the base fortnightly earnings in those jobs would

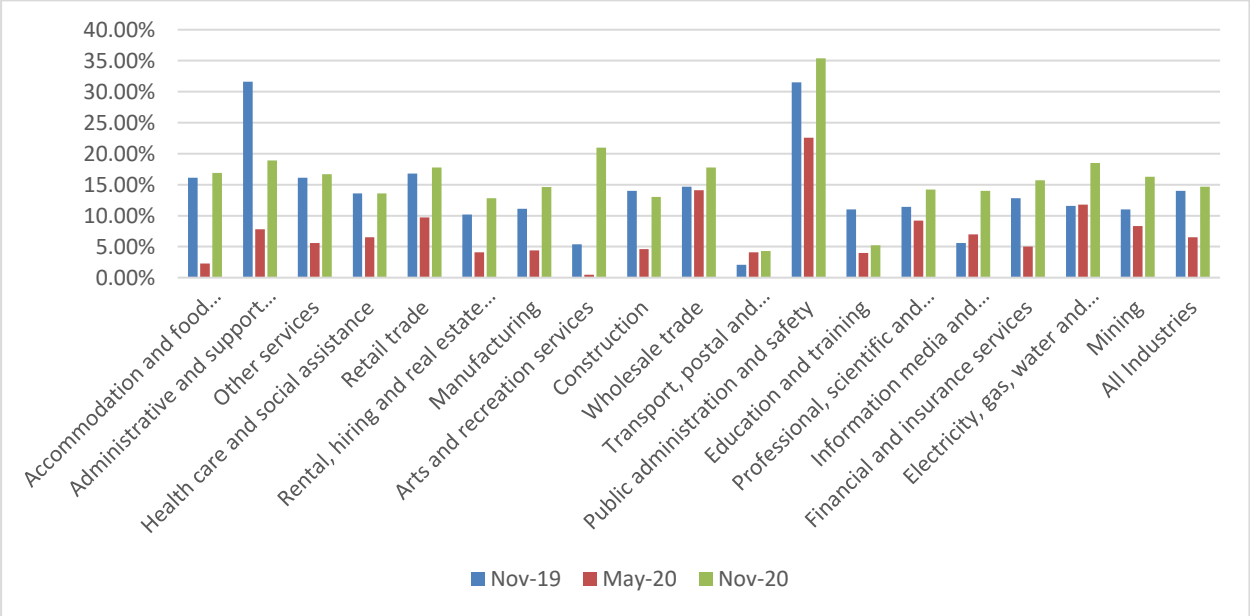
[23] This includes people who usually work less than 35 hours per week: https://www.abs.gov.au/statistics/standards/standards-labour-force-statistics/2018

have exceeded both the *JobKeeper* payment and the *JobSeeker + Coronavirus Supplement* payments, even at their highest levels pre October 2020. Casual jobs offering 19 hours or less also took a significant hit, whereas permanent part time jobs offering 19 hours or less were in the aggregate slightly improved, perhaps reflecting some movement from other categories, including full time. All forms of work shown in Figure 25 have returned to levels comparable to their pre-pandemic levels, with casual jobs offering 20 hours or more being the only one below. This is consistent with a return to demand for these forms of work.

2.6 Vacancies

73. Chart 6.8 of the *Statistical Report* show vacancy rates as extracted from the Labour Account. The ABS Job Vacancy series provides alternative estimates based on surveys of employers. This enables measurement not only of the number of vacancies but also the proportion of businesses reporting a vacancy. Figure 26 below shows this proportion by industry, with level of award reliance ascending from left to right. It can be seen that in four of the five most award dependent industries, the proportion of business reporting a vacancy recovered from its May 2020 levels to meet or exceed the level reported in November 2019.

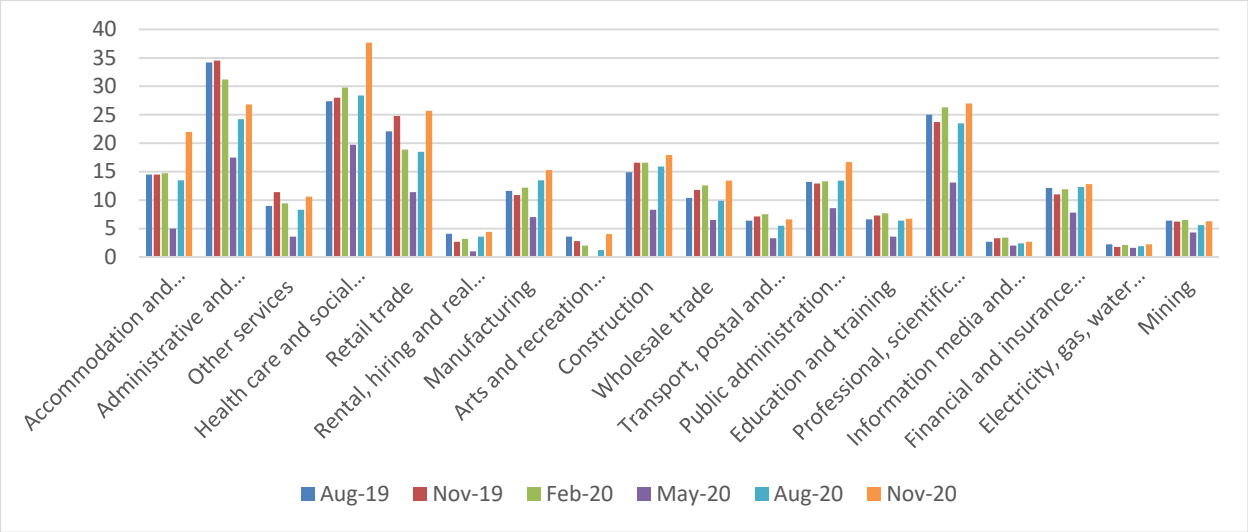
Figure 26: Proportion of businesses reporting vacancies, Nov 2019-2020.



Source: ABS 6354.0

74. Raw numbers of vacancies also show strong labour demand in four of the five most award dependent industries, including having regard to past performance, as seen in Figure 27 below.

Figure 27: Vacancies by industry ('000s), Aug 2019-Nov 2020



Source: ABS 6354.0. Note that the measurements for May 2020 for Accomoation and Food Sevices, Rental, Hiring and Real Estate Services, Arts & Recreation Services and Other Services and the August 2020 measurement for Rental, Hiring and Real Estate have been flagged for high relative standard errors.

75. The *Internet Vacancy Index* maintained in the Australian Government's Labour Market Information Portal also suggests strong labour market demand for occupations and skills levels typically more associated with award reliant work.[24] Table 7 and Table 8 below are reproduced from the detailed vacancy report from January 2021.[25]

Table 7: Internet Vacancy Index by Skill Level

IVI by Skill Level - January 2021	Index (Jan-06 = 100)	Monthly change (%)	Monthly change (no.)	Annual change (%)	Annual change (no.)	Number of job advertisements
Skill Level 1 - Bachelor degree or higher	98.1	0.3%	210	-1.6%	-1,000	62,500
Skill Level 2 - Advanced Diploma or Diploma	106.1	-0.1%	-10	7.3%	1,100	16,200
Skill Level 3 - Certificate IV or III* (Skilled VET)	100.8	5.4%	1,200	21.6%	4,400	24,500
Skill Level 4 - Certificate II or III	79.6	2.8%	1,300	15.6%	6,600	49,200
Skill Level 5 - Certificate I or secondary education	50.4	0.5%	110	38.4%	6,400	23,000
Australia	**83.0**	**1.6%**	**2,800**	**11.1%**	**17,500**	**175,100**

[24] See Yuen, K., Ellis, G. and Nelms, L (2018), *Characteristics of workers earning the national minimum rate and the low paid*, FWC research report 3/2018; Appendix 1 to ACTU initial Submission to 2019/20 Annual Wage Review.
[25] https://lmip.gov.au/PortalFile.axd?FieldID=2790176&.pdf

Table 8: Internet Vacancy Index by Occupation

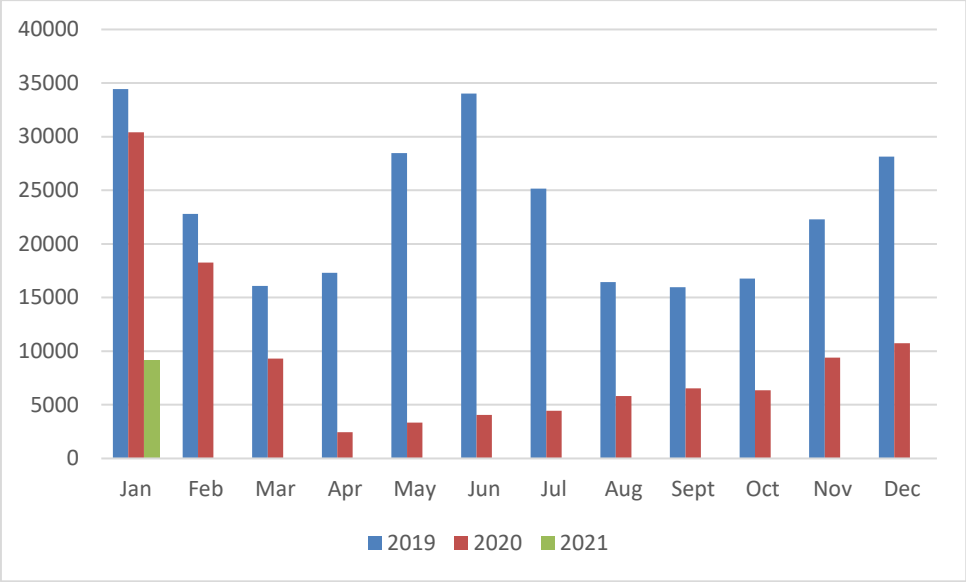
IVI by Occupation - January 2021	Index (Jan-06 = 100)	Monthly change (%)	Monthly change (no.)	Annual change (%)	Annual change (no.)	Number of job advertisements
Managers	87.3	1.7%	290	-8.2%	-1,600	17,900
Professionals	102.6	-0.1%	-50	1.4%	680	49,200
Technicians and Trades Workers	110.0	4.5%	1,100	27.4%	5,700	26,300
Community and Personal Service Workers	146.6	2.9%	520	31.9%	4,400	18,200
Clerical and Administrative Workers	61.6	2.2%	540	-1.7%	-450	25,400
Sales Workers	58.1	1.3%	170	12.7%	1,500	13,400
Machinery Operators and Drivers	81.9	4.1%	410	34.1%	2,600	10,300
Labourers	49.6	1.9%	260	50.7%	4,800	14,200
Australia	**83.0**	**1.6%**	**2,800**	**11.1%**	**17,500**	**175,100**

76. More recent data contained in the Government's Preliminary Report for February[26] showed a 7% increase in overall vacancies from January to February 2021, which was reported as the tenth consecutive month on month increase and 24.8% above that seen in February 2020.

77. A development which may have some impact on labour supply relates to international students studying in Australia. Such students have rights to work in Australia, and often do so in occupations and industries that have high award reliance. Information released through Freedom of Information by the Department of Home Affairs indicates that the number of applications made for student visas by persons not already in Australia diminished significantly over the year and compared to 2019, as shown in Figure 28 below.

[26] https://lmip.gov.au/PortalFile.axd?FieldID=3194068&.pdf

Figure 28: Applications for subclass 500 visas by persons outside Australia, Jan 2019 - 2021



Source: Department of Home Affairs

78. Similarly, the information released from the Department of Home Affairs indicates that there has been a 55% increase in the number of subclass 500 student visa cancellations between 2019-2020 (21,244 up from 13,688), with the bulk of the cancellations being on the grounds that "the decision to grant the visa was based, wholly or partly, on a particular fact or circumstance that is no longer the case or that no longer exists"[27], which seems apt to describe circumstances of a person not arriving to study in Australian as planned, or leaving Australia. The result at the end of December 2020 was that there were 445,786 subclass 500 student visa holders in Australia (including primary and secondary applicants), against 465,401 at the same time last year. Data from Austrade[28] indicates that as the end of 2020 there had been 398,958 commencements of courses by international students in Australia, against 510,574 at the end of 2019. Relatedly, ABS population statistics indicate a decline in the population of 20-24 year olds of 37,477 people between June 2019 and June 2020.[29] As at September 2020, net overseas migration was -34,804 dragging population growth into the negative. This may include not only students but possibly other skilled workers who were not eligible for government support during the pandemic, again constraining supply.

[27] *Migration Act* 1958, section 116(1)(a)
[28] https://www.austrade.gov.au/australian/education/education-data/current-data/pivot-tables An explanatory note at the same locations confirms that the data only relates to students once they have come onshore and actually started studying in Australia.
[29] National, State and Territory Population, 31010d002_202009

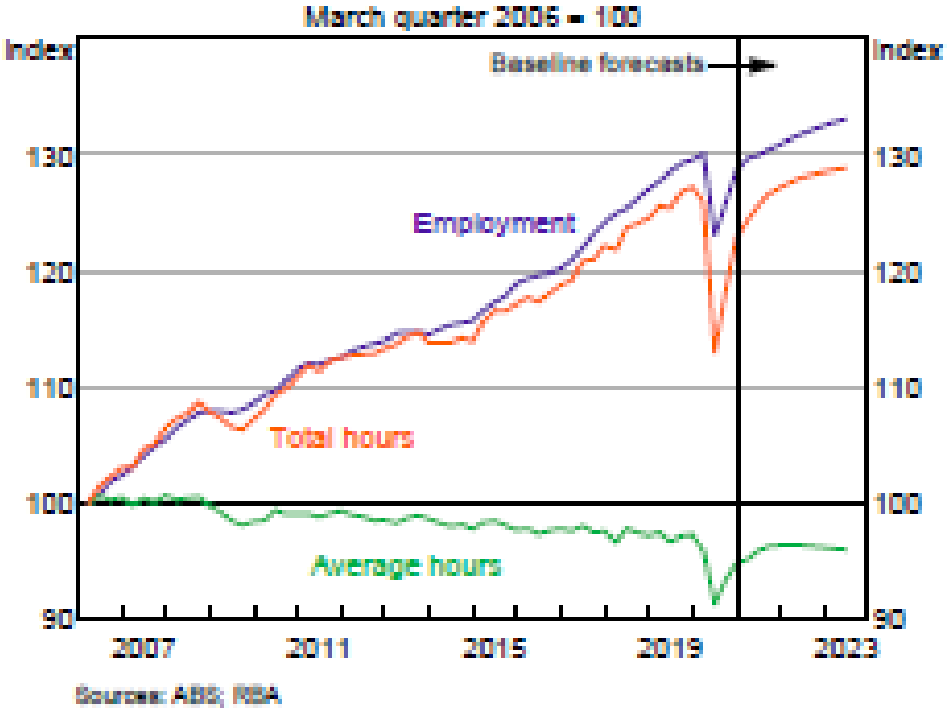
2.7 Forecasts for the year ahead

79. The February 2021 unemployment rate of 5.8% was better than that forecast in RBA's quarterly Statement on Monetary Policy of February 2021 of 6% for the year 2021. It said: "However, even the latest, upgraded, forecasts for economic activity and employment still imply a degree of spare capacity and slow wages growth over coming years."[30] It said the speed of the recovery underlined the importance of timely and substantial policy support. "The JobKeeper program preserved employment relationships and supported the incomes of both households and businesses." It said that unusually for a period of rising unemployment, both household income and business profits increased." The RBA Board would not increase the cash rate until actual inflation is within the 2% to 3% cash range and for this wages growth will have to be materially higher which will require "significant gains in employment and a return to a tighter labour market", which will not be expected until 2024 at the earliest. [31] In the ACTU's view this would be considerably assisted by an increase in the minimum wage which appears to be the only recourse currently.

80. The RBA's forecasts for employment, total and average hours are shown in Figure 29. It expects lower trend increases in employment and below it, total hours, with average hours declining. The RBA says that there are still some workers, particularly full time, who remain on zero or reduced hours.[32]

[30] RBA 2021 *Statement on Monetary Policy* of February p.2
[31] RBA 2021 *Statement on Monetary Policy* of February p.4
[32] RBA 2021 *Statement on Monetary Policy* of February p.64

Figure 29 RBA: Employment and hours worked



Source: RBA Statement on Monetary Policy February 2021 p. 64

81. The RBA's quarterly Statement on Monetary Policy of February 2021 said that forward looking indicators of employment such as job advertisements and vacancies have continued to improve, with job advertisements below the peaks of recent years, and vacancies now above pre pandemic levels.[33]

82. In his speech to the AFR Business Summit of 10 March 2021 the RBA Governor Philip Lowe said that the data suggested "that the unemployment rate will continue to trend lower" which is borne out by the February data released on 18 March of a fall to 5.8%. He said "this trend could be temporarily interrupted when JobKeeper comes to an end later this month."[34]

83. The Treasury' *Mid-Year Economic and Fiscal Outlook 2020-21* was released on 17 December 2020. MYEFO said that there is a long way to go until the economy recovers and unemployment is brought down comfortably below 6 per cent. The ABS figure of 5.8% for February which is currently 805,000 unemployed,would need to be sustained or improved in order to exceed the

[33] RBA 2021 *Statement on Monetary Policy* of February p.23
[34] The Recovery, Investment and Monetary Policy | Speeches | RBA, Sydney, 10 March 2021

forecast over time, however in the ACTU's view it is well below the MYEFO forecast of 7 ¼ % for 2020-21.[35] At the same time employment growth is forecast in MYEFO at 4% for 2020-21, yet even with the increase of 0.7% in February that seems optimistic as the figure for the year to February 2021 is 2.0%.[36] A 4% increase for 2020-21 amounts to 498,000 more people employed.

84. In addition the Australian Government's Leading Indicator of employment for February 2021 has risen for the 8th consecutive month, and is now at a level consistent with those seen over the medium-long term, as seen in Figure 30 below.

Figure 30: Australian Government Leading Indicator of Employment

Source: Department of Education, Skills and Employment

2.8 Research on the employment effects of minimum wage increases

85. Manning (2021) investigates reasons for the lack of negative findings on the impact of minimum wages on employment.[37] The paper reviews a wide range of studies. The paper investigates teen employment, an area where impacts have been most examined and reported. It says "The Australian experience is a useful counterpoint to the argument that all the countries with the

[35] Treasury 2020 *Mid-Year Economic and Fiscal Outlook 2020-21,* p.2,p.3
[36] Treasury 2020 *Mid-Year Economic and Fiscal Outlook 2020-21,* p.19
[37] Manning, Alan 2021 The Elusive Employment Effect of the Minimum Wage *Journal of Economic Perspectives*, v. 35, iss. 1, pp. 3-26, accepted version

highest minimum wages have a clear unemployment problem."[38] It makes the point that "labor economists frequently use a different model of the labor market when analyzing minimum wages from the one they use when analyzing unemployment."[39] That is they would argue that the demand side of the labour market determines unemployment in the macro economy, but labour supply conditions affect employment. Manning (2021) goes on to conclude that "as soon as one acknowledges that efficiency wage effects might be important or labor markets have frictions—ideas that appear in mainstream introductory-level textbooks and can hardly be described as unconventional—one has to acknowledge that the impact of the minimum wage on employment is theoretically ambiguous."[40]

86. Dube and Lindner (2021) find "early evidence" that the impact of setting minimum wages by US city limits "has been broadly similar to the evidence on state and federal-level minimum wage changes."[41] Investigation of the effects of city minimum wages has the advantage of being able to use the state as a control group. "Overall, the weight of the evidence is consistent with these policies having moderately raised wages at the bottom without a large change in employment probabilities."

87. A substantive study by Jäger et al (2020) finds that wages are insensitive to changes in unemployment benefits.[42] This goes against models where workers seek higher wages when unemployment benefits are higher, the notion of a reservation wage. Their evidence "supports wage-setting models that insulate wages from the value of nonemployment." The study finds practically no variation in wages according to quasi-experimental variations in unemployment insurance in Austria. This holds even among workers "with low wages and high unemployment duration" and for those hired from being unemployed. In the ACTU's view this implies in turn that increases in the minimum wage are an appropriate mechanism for setting wages in the context of the absence of influence of the value of unemployment benefits on the wage. The study implies that increasing the minimum wage and awards are an appropriate means of wage determination

[38] p.16, accepted version of Manning, Alan 2021 The Elusive Employment Effect of the Minimum Wage *Journal of Economic Perspectives*, v. 35, 1, pp. 3-26

[39] P.23, accepted version of Manning, Alan 2021 The Elusive Employment Effect of the Minimum Wage *Journal of Economic Perspectives*, v. 35, 1, pp. 3-26

[40] P.25 accepted version of Manning, Alan 2021 The Elusive Employment Effect of the Minimum Wage *Journal of Economic Perspectives*, v. 35, 1, pp. 3-26

[41] Arindrajit Dube and Attila S. Lindner 2020 NBER Working Paper No. 27928, November, published in *Journal of Economic Perspectives*, Winter 2021, v. 35, iss. 1, pp. 27-50

[42] Simon Jäger. Benjamin Schoefer, Samuel Young, Josef Zweimüller (2020) Wages and the value of nonemployment *The Quarterly Journal of Economics*), pp.1905–1963

where market based wage bargaining takes place in a second best context. This is in a world where workers have very limited bargaining power according to evidence about how rents are shared between workers and employers.

88. A key study by Derenoncourt and Montialoux (2021) in *The Quarterly Journal of Economics* found that impact of the expansion of the minimum wage in the US after 1967 on played a key historical role in increasing wages and narrowing the earnings gap between "white and black workers", using a cross-industry differences in differences design.[43] The study ruled out "significant disemployment effects of the reform on employment". Using a bunching design, it finds "no aggregate effect of the reform on employment." It finds no evidence of substitution towards white workers.

89. O'Brien and Markey (2020) in their study of the impact of penalty rate reductions on wages and employment "failed to establish any evidence for positive public holiday employment outcomes emanating from the penalty rate reduction."[44] Using differences in differences estimation a natural experiment was conducted based on survey data in which some employees in Retail and Hospitality did receive legislated cuts to penalty rates of pay for Sundays and public holidays and other employees did not. In the ACTU's view the impact of penalty rate reductions is expected to work similarly to that of an increase in the minimum wage. If an increase in employment cannot be observed for a reduction in penalty rates, a fall in employment is not expected for an increase in the minimum wage of the magnitude of our claim.

[43] Ellora Derenoncourt and Claire Montialoux 2021 Minimum wages and racial inequality *The Quarterly Journal of Economics*, pp.169–228.

[44] Martin O'Brien and Raymond Markey 2020 Labour regulation reform and sectoral employment outcomes: a case study of public holiday penalty rate reductions in Australia *Applied Economics Letters* 2020, V. 27,. 7, pp.559–563

3. THE NATIONAL ECONOMY

90. The Panel is directed by sections 134(1)(h) and 284(1)(a) to take into account the performance and competitiveness of the national economy, including by reference to specific measures, in conducting this review and considering the impacts of adjustments to minimum wages. In this section, we offer our observations and commentary on the state of the economy by reference to the specified measures, forecasts and other relevant indicators. As the Panel has observed, there is some overlap between these matters and the separate requirement to consider promoting social inclusion through increased workforce participation. Much of our commentary on labour market specific indicators and the impacts of minimum wages on employment is contained in Chapter 2.

91. The pandemic has had an overwhelming impact on the economy with the biggest disturbance to trends since World War II. This is revealed in the suspension of publication of the Australian Bureau of Statistics trend series for National Accounts data for the first time since any series was first published.

92. In the ACTU's view the impact of the pandemic has not offered grounds for limiting the increase in the minimum wage and awards but rather the opposite. Macroeconomic indicators point to quite a recovery.

93. While the Australian economy shrank by 1.1% over the whole year 2020, swift recovery was indicated in that GDP grew 3.4% in the September quarter 2020 and 3.1% in the December quarter 2020 after falls of 0.6% in the March quarter 2020 and -7.0% in the June quarter 2020 seasonally adjusted. The GDP growth of -1.1% for the year 2020 had followed GDP growth of 2.2% for 2019, recovering from GDP growth for the year June 2019 to June 2020 of -6.3% compared with 1.7% for June 2018 to June 2019. New capital expenditure rose 3.0% in the December quarter, nearly half of which was in machinery and equipment which rose 5.7%, the first quarterly increase in 18 months, which bodes well for productivity. The RBA and Treasury both reported that economic recovery has exceeded their upward revisions to forecasts and been faster than anticipated, faster than in earlier recessions, and faster than other comparable economies.

94. This places in Australia in an enviable position on the world stage and begs the question, why should wages not also see a recovery? The movements in RNNDI in the second half of the year indicate that the wealth of the nation and the returns therefrom are growing strongly, yet wage growth is glacial and indeed the WPI is at its lowest level since the series began. The wages share of national income is the lowest it has been in at least two decades while profit growth in non-mining industries hit 23.7% in the year to December 2020.

95. The pandemic has not worked through yet with restrictions still remaining particularly for international borders, and vaccines are being gradually rolled out. Necessarily there is some variation in performance across industry sectors and regions, as well as upside and downside risks. However the variation in performance of industry sectors does not appear related to the outcome of the Review or being a sector that is more or less award reliant. The annual growth rates in GVA across the more award-reliant industries in 2020 are spread out with three more award reliant industries with more negative growth rates than GDP (-1.1%), being Administration and support services (-14.0%), Accommodation and food services (-13.2%), and Other services (-7.2%), while Retail trade GVA grew 6.3%, unrelated to GVA growth rates for the previous year. However, when GVA volumes in the December quarter 2019 and 2020 are compared, three of the five most award dependent industries are clearly edging closer to their pre-pandemic levels and two have surpassed them. The profits in award dependent sectors have also been particularly strong.

96. The fall in household consumption of 2.7% for 2020 was composed of quarterly falls of 0.5% for the March and 12.3% for the June quarters, followed by increases of 7.9% in the September quarter and 4.3% in the December quarter seasonally adjusted, for an overall fall of 2.7% for 2020 compared with an increase of 1.1% for the year 2019. In the ACTU's view minimum wage increases in general have provided a stimulus that has assisted with consumption and recovery, and certainly have not been seen to be harmful. The opportunity presents itself to further this beneficial impact through an increase in the minimum wage and awards in this Review.

3.1 Economic outlook

97. In each Review the ACTU seeks to inform the Panel of, and comment upon, a range of forecasts and upside and downside risks. We have done so based on the information available at the time of writing, however the pandemic is not over and restrictions are not fully eased yet. Despite the unanticipatedly good economic recovery indicated, a high degree of uncertainty around economic outcomes remains. This will require the Panel to be provided with more current commentary and analysis as the opportunity arises through further written submissions and during the Consultations.

3.1.1 RBA and Treasury headline forecasts

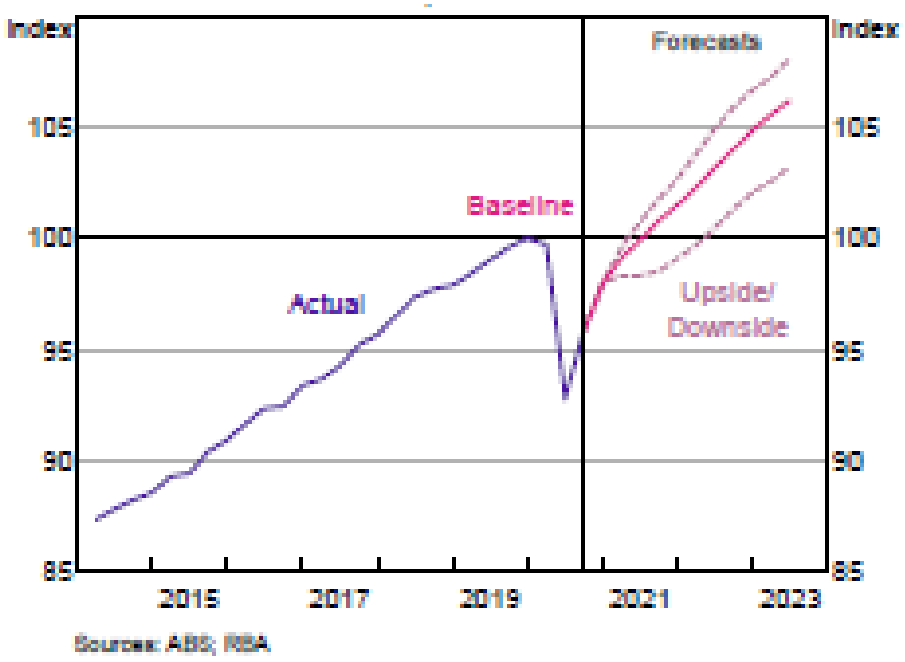
98. The high degree of uncertainty surrounding forecasts was reflected positively in how well the economy recovered in 2020 from the pandemic compared with forecasts. The actual GDP growth figure for 2020 of -1.1% was better than that of the delayed federal government Budget for 2020-21 released on 6 October 2020 which had forecast a GDP fall of 3½% for 2020.[45] The Budget forecast for GDP growth for 2020 was revised up to -2½% in the Treasury's '*Mid Year Economic and Fiscal Outlook 2020-21*' released on 17 December 2020, which also revised the Treasury forecast for GDP growth for 2021 upwards to 4½%.[46] The ACTU notes this is recovery from a low base.

99. GDP growth for 2020 was -1.1% relative to the RBA forecasts of -4% in the quarterly *Statement on Monetary Policy* (SMP) of November 2020, revised upwards to -2% in the SMP of February 2021.[47] In its SMP of February 2021 the RBA has indicated that the recovery in the economy is greater than they had expected and the forecasts have generally been revised upwards from the Statement of November 2020, "supported by better health outcomes and a further expansion in monetary and fiscal policy in the second half of last year." "As a result, GDP and employment are expected to reach their prepandemic levels over the course of 2021, around 6–12 months earlier than previously expected." The RBA said the "unemployment rate is likely to have peaked and is now expected to decline steadily to around 5¼ per cent by mid 2023." [48]

[45] The Treasury 2020 *Budget Paper No 1 Statement 2*, p.2-5, p.2-7, 6 October
[46] The Treasury 2020 *Mid Year Economic and Financial Outlook,* 17 December, p.1, p.19, Commonwealth of Australia
[47] RBA 2020 *Statement on Monetary Policy* November, p.81; Table 6.1 RBA 2021 *Statement on Monetary Policy* February, p.73, Table 5.1
[48] RBA 2021 Statement on Monetary Policy February, p.61

100. The RBA's forecasts are based on strict assumptions. The RBA's baseline scenario assumes no further outbreaks of covid-19 with accompanying hard lockdown within Australia, and only brief restrictions occur. Domestic vaccination was assumed to "proceed in line with government guidance" and international border closed until end 2021. The RBA says: "Under this scenario, GDP is expected to have contracted by around 2 per cent over the year to December 2020, but then grow by around 3½ per cent over both 2021 and 2022." [49] The RBA's Graph on GDP is shown in Figure 31.

Figure 31 RBA Graph 5.1: GDP: Forecast scenarios, December 2019=100



Source: RBA 2021 *Statement on Monetary Policy* February

101. The RBA said the "stronger than expected recovery in the second half of last year is primarily responsible for lifting the forecast level of GDP by around 1 ½ percent across the forecast period." Faster than expected removal of restrictions and recent policy measures "pulled forward GDP growth from 2021 into the latter part of 2020 .."[50]

[49] RBA 2021 Statement on Monetary Policy February, p.62
[50] RBA 2021 Statement on Monetary Policy February, p.62

102. The RBA's most recent Monetary Policy Decision was on 2 March 2021, the day before the release of the GDP figures referred to above. The decision kept the cash rate at 10 basis points or 0.1%. In his Statement on the Decision the RBA Governor Philip Lowe indicated that the outlook for global economy had improved with the rollout of vaccines and "there were better prospects for a sustained recovery than there were a few months ago." The economic recovery was well underway and had been stronger than was earlier expected."[51]

103. The Federal Budget was delayed six months from the usual time around May, to 6 October. The Treasury's Mid Year Economic and Financial Outlook (MYEFO) followed only a short time after at 17 December 2020 and had in that time considerably revised its forecasts upward.

104. The actual GDP growth result of -1.1% for the year 2020 released on 3 March 2021 exceeded the even the revised forecasts. The MYEFO of 17 December 2020 had said: "The Australian economy is rebounding strongly. Australia's real GDP grew by 3.3 per cent in the September quarter and recent data suggest momentum has continued into the December quarter." It forecast real GDP growth at 4 ½ per cent for 2021, following a fall of 2 ½ per cent in 2020. This was better than the budget forecast of a fall of 3 ½ per cent in 2020, but not as good as the actual result. There remained significant risks from the pandemic and there was a lot of uncertainty in global and domestic outlooks.

105. The Treasury's MYEFO of 17 December 2020 recognized the importance of fiscal policy in the recovery of the economy. It said that of the $267 billion "direct economic and health support", over $167 billion had flowed to households and businesses along with the automatic support of the tax and welfare systems.[52] MYEFO said that JobKeeper and the Boosting Cashflow for Employers measure helped support business and household incomes through the peak of the crisis" and that personal income tax cuts would underpin recovery in household consumption throughout 2021.[53]

[51] RBA 2021 Statement by RBA Governor Philip Lowe: Monetary Policy Decision of 2 March 2021 Statement by Philip Lowe, Governor: Monetary Policy Decision | Media Releases | RBA
[52] The Treasury 2020 *Mid Year Economic and Financial Outlook* 2020-21, 17 December, p.1
[53] The Treasury 2020 *Mid Year Economic and Financial Outlook* 2020-21, 17 December, p.17

3.1.2 Appropriate treatment of tax cuts in forecasting

106. The Treasury said in its MYEFO of 17 December 2020 that GDP growth of 3.3% in the September quarter was "driven by "a strong recovery in household consumption and growth in public spending" and this would be underpinned by "continued improvements in confidence and a further easing of social distance restrictions."[54] It said that the recovery has been underpinned by "the Government's economic support packages and strong health outcomes".[55] While a large portion of household income has been initially saved "as a result of precautionary behaviour and restrictions on activity, increasing confidence to spend, alongside the personal income tax cuts announced in the 2020-21 Budget, will underpin the recovery in household consumption throughout 2021."[56]

107. The Decision of the Annual Wage Review 2019-20 said that " tax-transfer changes which had taken effect in the current Review period have, broadly speaking, provided a benefit to low-paid households" and that these "are a moderating factor on our assessment of the appropriate level of the NMW and modern award minimum wages arising from this Review."[57]

108. The ACTU notes that the personal tax cuts referred to in MYEFO as underpinning a recovery in consumption[58] in fact offer very little for those on the lowest incomes. The personal tax cuts brought forward in the 2020-21 budget were brought forward from 1 July 2022 to 1 July 2020. At July 2020 the upper limit of the 19% personal income tax bracket rose to $45,000 from $37,000. The upper limit of the 32.5% tax bracket rose from $90,000 to $120,000, reducing the rate paid for incomes between $90,000 and $120,000 from 37%. Persons earning between $37,000 to $126,000 will benefit from the extended low and middle income tax offset until the end of this financial year only. The highest offset payments of $1,080 (which equates to approximately $21 per week) are directed to those on incomes of between $48,001 and $90,000, after their tax returns have been

[54] The Treasury 2020 *MidYear Economic and Fiscal Outlook* 17 December, p.2
[55] The Treasury 2020 *MidYear Economic and Fiscal Outlook* 17 December, p.11
[56] The Treasury 2020 *MidYear Economic and Fiscal Outlook* 17 December, p.17
[57] FWC [2020] FWCFB 3500 [119]-[120]
[58] The Treasury 2020 *Mid Year Economic and Financial Outlook* 2020-21, 17 December, p.17

filed.[59] For an income of $120,000 the net improvement due to tax rate changes given effect to through PAYG withholding is approximately $47 per week.[60]

109. In the ACTU's view the tax cuts are unlikely to have much impact on spending in any case. This view is based on a well established literature that finds that reducing progressivity in taxes is detrimental economically.[61] The most recent research on past cuts to Australia's marginal tax rate and to rates in developed nations "raises doubts as to whether the government's plans will help boost economic activity enough to cover the costs left by the pandemic recession."[62]

110. Rubolino and Waldenström 2020 investigated variation from Western tax reforms in the 1980s and 1990s and found that reductions in tax progressivity had large and lasting effects on top income shares. The effects were largest in the top percentile dropping to almost zero at the bottom of the top percentile, and increasing the share of capital income in top incomes.[63] It examined in particular three cases where tax progressivity decreased "extraordinarily much": Australia in 1987, New Zealand in 1989 and Norway in 1992. It used a synthetic control method which enabled comparison of what would have happened if the tax reductions had not happened. It did not find that the tax cuts affected productivity, technical change or total tax revenues.

111. Hope and Limberg 2020 used data from 18 OECD countries over the last five decades for a matching in panel data analysis and differences in differences estimation of causality. It found that instances of major reductions in tax progressivity lead to higher income inequality as measured by the top 1% share of pre-tax national income, with each major

[59] See Budget Paper No. 2, at p 18; Australian Tax Office Website "Low and middle income earner tax offsets"; Australian Tax Office Website "Individual income tax rates"
[60] Wright, S., "Tax cuts kick in and boost the economy", SMH 8/11/2020
[61] Shane Wright 2020 Top end tax cuts fail economy and boost inequality: studies 21 December https://www.smh.com.au/politics/federal/top-end-tax-cuts-fail-economy-and-boost-inequality-studies-20201220-p56p0d.html; most recently Enrico Rubolino and Daniel Waldenstrom 2020 Tax progressivity and top incomes evidence from tax reforms *The Journal of Economic Inequality* V18 pp.261-289; David Hope, Julian Limberg 2020 The Economic Consequences of Major Tax Cuts for the Rich, December, LSE International Inequalities Institute Working Paper 55; London School of Economics and Political Science;
[62] Shane Wright 2020 Top end tax cuts fail economy and boost inequality: studies, 21 December https://www.smh.com.au/politics/federal/top-end-tax-cuts-fail-economy-and-boost-inequality-studies-20201220-p56p0d.html ;
[63] Enrico Rubolino and Daniel Waldenström 2020 Tax progressivity and top incomes evidence from tax reforms *The Journal of Economic Inequality* V18 pp.261-289

tax cut raising the share of the top 1% of pre tax income by 0.8 percentage points. The effect remained stable in the medium term, while having no effect on economic growth and unemployment. They did not "lead individuals to significantly alter the amount they work."[64]

112. It is unclear how much these tax cuts are likely to add to consumption spending. Most of the benefit of the tax cuts is gained by those in the higher income range who save a higher proportion of their income than do those on lower incomes. The low paid continue to receive the least reductions and these spend all their income. Moreover, data on the difficulties for low income people in raising amounts for a contingency or emergency, referred to in Chapter 5 suggests that any extra disposable income they receive is reserved for these events.

113. In the ACTU's view the increasing the minimum wage offers a much more efficient way of raising spending needed and is a much more effective stimulus than tax cuts, in addition to being more equitable in terms of improving relative living standards and meeting the needs of the low paid.

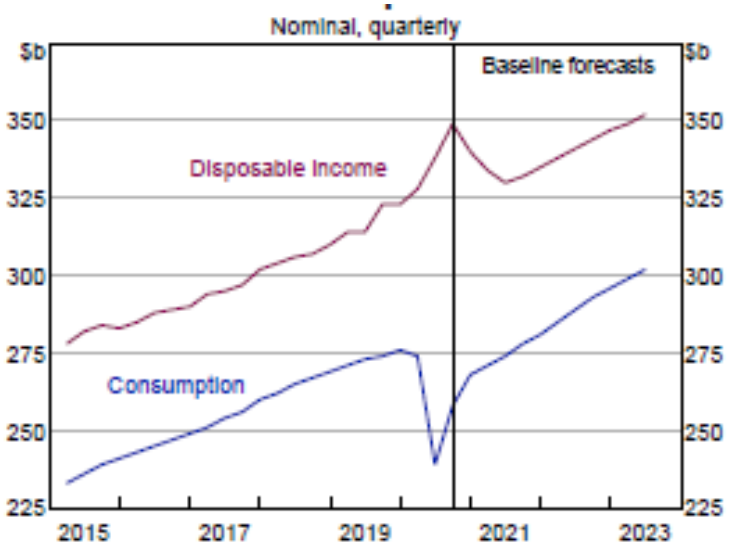
3.1.3 Consumption and investment forecasts

114. The RBA said in its SMP of February 2021 that consumption "has recovered faster, and dwelling and business investment have not been as weak as had been anticipated."[65] This was supported by public investment and dwelling investment in particular.[66] The RBA said that [household] consumption was expected to recover to pre pandemic levels by the end of 2021.[67]

115. The RBA's SMP of February 2021 presents household consumption and income including forecasts in the following chart:

[64] David Hope, Julian Limberg 2020 The Economic Consequences of Major Tax Cuts for the Rich, December, LSE International Inequalities Institute Working Paper 55; London School of Economics and Political Science;
[65] RBA 2021 Statement on Monetary Policy February, p.1
[66] RBA 2021 Statement on Monetary Policy February, p.21
[67] RBA 2021 Statement on Monetary Policy February, p.65

Figure 32 RBA: Household consumption and income



Source: RBA 2021 *Statement on Monetary Policy* February, Graph 5.4 p.65

116. The Treasury's MYEFO for 2020-21 released 17 December 2020 said that consumption recovery was assisted by ongoing easing of restrictions particularly in Victoria, continued government income support and the recovery of the labour market. "Consumer confidence has recovered rapidly, returning to its pre-crisis level much faster than seen in the global financial crisis and 1990s recession."[68] It revised up its Budget forecast for household consumption expenditure of -1 ½ % for 2020-21 to ½% in MYEFO.[69]

117. ABS data for the December quarter 2020 released 3 March were that household consumption had recovered a lot in the second half of 2020, for an overall fall of 2.7% for 2020 compared with an increase of 1.1% for the year 2019. [70] The fall in household consumption of 2.7% for 2020 was composed of falls of 0.5% in the March quarter and 12.3% in the June quarter, followed by increases of 7.9% in the September quarter and 4.3% in the December quarter seasonally adjusted.

118. Government consumption had supported total consumption substantially in 2020. ABS data for the December quarter 2020 released 3 March showed that total consumption,

[68] The Treasury 2020 *MidYear Economic and Fiscal Outlook* 17 December, p.20
[69] The Treasury 2020 *MidYear Economic and Fiscal Outlook* 17 December, p.19
[70] ABS 5206 Australian National Accounts: National Income, Expenditure and Product, December 2020 | Australian Bureau of Statistics (abs.gov.au) released 3 March 2021.

including household and government, had fallen by 0.1% over 2020, compared with 2.3% growth for the year 2019. Total consumption had not fallen more due to positive growth of 5.9% in the September quarter and 3.2% in the December quarter, having picked up after a fall of 0.5% in the March quarter and a fall of 8.2% in the June quarter, seasonally adjusted. [71]

119. The importance of government stimulus for total consumption growth was shown in the increase of 7.4% in government consumption for the year 2020, tailing off to 0.8% growth in the December quarter, for the net result of -0.1% in total consumption for 2020.[72] The ACTU notes this is in the context of a stall in population growth over 2020 which is mainly dependent on net migration which had effectively ceased, as noted in Chapter 2.

120. Public investment, particularly on state government initiatives, has been key to the recovery. The Treasury in its MYEFO said the "Government is delivering on its record 10-year transport infrastructure investment pipeline which was accelerated and expanded to $110 billion in the 2020-21 Budget to support the economic recovery, creating more jobs, stimulating local economies and providing better and safer services for our communities. Between 1 July and 31 December 2020, more than 100 major projects are expected to have commenced and about 50 major projects are expected to have completed construction."[73]

121. The ABS December quarter data for dwellings investment also imply that the MYEFO forecasts of -2% for 2020-21 and -2 ½ % for 2021-22 may be too pessimistic.[74] MYEFO of 17 December 2020 had indicated that dwelling investment in alterations and additions had picked up more than expected in the September quarter,[75] with a quarterly increase of 7.6% after a fall of 5.1% for the June quarter.[76] This was followed by an increase of 5.2% in alterations and additions to dwellings in the December quarter. The positive growth of

[71] ABS 5206 Australian National Accounts: National Income, Expenditure and Product, December 2020 | Australian Bureau of Statistics (abs.gov.au) released 3 March 2021.
[72] ABS 5206 Australian National Accounts: National Income, Expenditure and Product, December 2020 | Australian Bureau of Statistics (abs.gov.au) released 3 March 2021.
[73] The Treasury 2020 MidYear Economic and Fiscal Outlook 2020-21 December, p.8
[74] The Treasury 2020 MidYear Economic and Fiscal Outlook 2020-21 December, p.19, Table 2.2; ABS 5206002 December quarter 2020
[75] The Treasury 2020 MidYear Economic and Fiscal Outlook 2020-21 December, p.20
[76] ABS 5206002 December quarter 2020

alterations and additions fed into the figures of 1.6% growth in total dwellings investment in September quarter 2020 and 4.1% in December quarter 2020. The positive growth of total dwellings investment in the September and December quarters 2020 followed *eight* consecutive quarters of negative growth in total dwelling investment.[77]

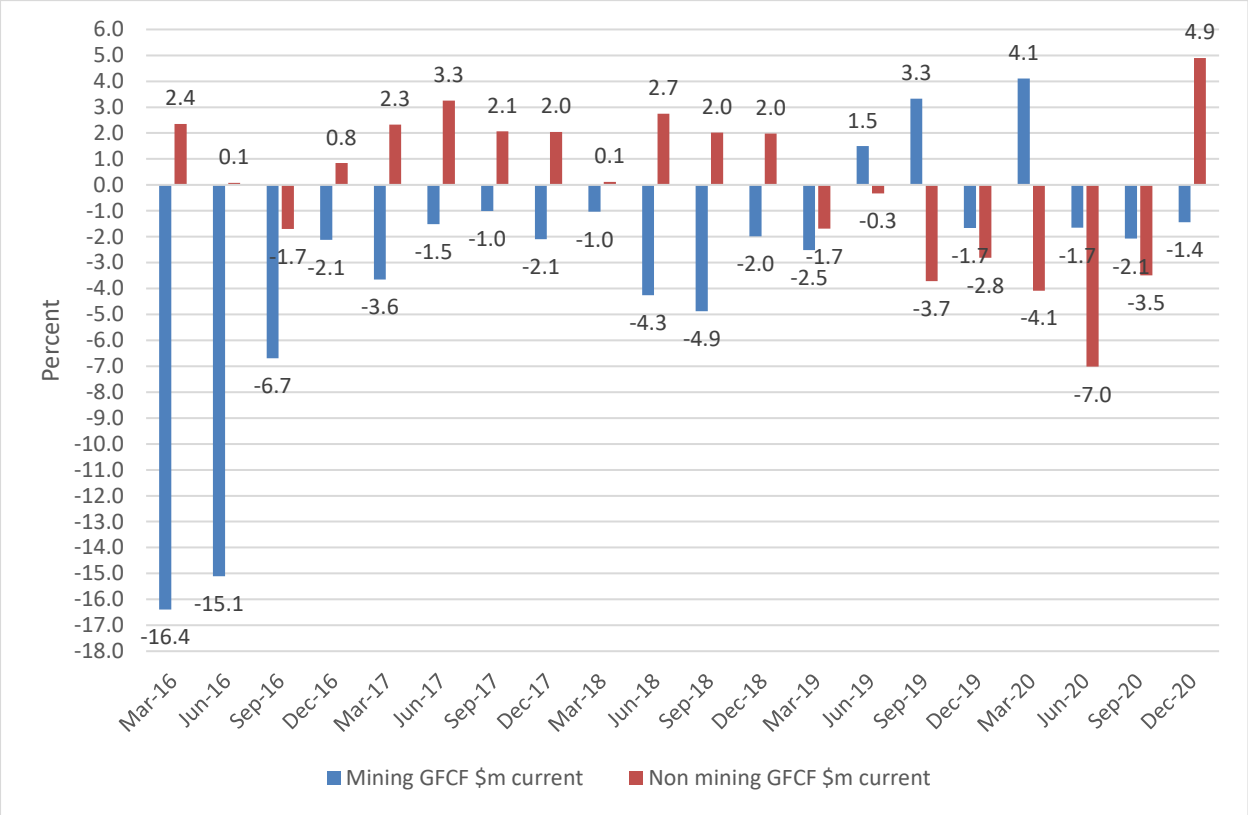
122. The actual figure of 10.6% growth in alterations and additions over the year 2020 contributed toward positive growth in total dwellings investment in the year 2020 of 0.6%. The figure for total dwelling investment for the year to December 2020 was the first positive annual growth figure for since the December quarter 2018.[78] This suggests that the forecasts of the RBA that dwellings investment returns to its "pre pandemic level" by mid 2021[79] and the Treasury in its MYEFO[80] are understated.

123. In terms of business investment, the MYEFO of 17 December 2020 revised up its forecasts for 2020-21 for non mining investment in the Budget, of -9 ½%, upwards to -8 ½% and expected growth of 5.0% in 2021-22.[81] MYEFO indicated that it expected business investment to remain subdued due to uncertainty.[82]

124. Based on quarterly growth trends in non mining investment these forecasts would still appear to be pessimistic. As shown in Figure 33, December quarter 2020 growth for non mining gross fixed capital formation was 4.9%, the first positive quarterly growth since December 2018.

[77] ABS 5206002 December quarter 2020
[78] ABS 5206002 December quarter 2020
[79] RBA 2021 Statement on Monetary Policy February, p.65
[80] The Treasury 2020 MidYear Economic and Fiscal Outlook 2020-21 December, pp.19-20
[81] The Treasury 2020 MidYear Economic and Fiscal Outlook 2020-21 December, p.19, p.21
[82] The Treasury 2020 MidYear Economic and Fiscal Outlook 2020-21 December, p.21

Figure 33 Growth in mining and non mining Gross Fixed Capital Formation, quarter, %



Source: ABS 5625, Private New Capital Expenditure and Expected Expenditure, Australia, December 2020 | Australian Bureau of Statistics (abs.gov.au)

125. The RBA in its SMP of February 2021 was more optimistic regarding non mining business investment than it had been in its November 2020 SMP, and expected investment in machinery and equipment "to lead the modest recovery over the forecast period (to June 2023)".[83]

3.1.4 International Monetary Fund

126. The IMF's January 2021 World Economic Outlook projected Australia's real GDP growth for 2021 to be 3.5%.[84] It noted that third quarter 2020 "GDP outturns mostly surprised in the upside" including Australia. The IMF said that sizable fiscal support will "help lift economic activity among advanced economies".[85] While world economy is estimated by the IMF to contract by 3.5% in the year 2020, its is expected to grow by 5.5% in 2021 and 4.2% in

[83] RBA 2020 *Statement on Monetary Policy* November, p.84; RBA 2021 *Statement on Monetary Policy* February, pp.65-66
[84] Australia and the IMF accessed 9 March 2021
[85] IMF 2021 World Economic Outlook Update January World Economic Outlook Update, January 2021: Policy Support and Vaccines Expected to Lift Activity (imf.org)

2022.[86] It is noted that this will impact favourably on the performance of the Australian economy in 2021 onwards. The IMF also said that global growth could be higher than projected if there were "more fiscal policy support than assumed in the baseline, with favourable spillover effects for trading partners[87].

3.1.5 Organisation for Economic Cooperation and Development

127. Australia's GDP growth of -1.1% for 2020 was not as bad as the OECD's Australia Economic Snapshot of December 2020 had forecast, at -3.8% for 2020[88], and was still above the -2.5% forecast in its *Interim Economic Outlook March 2021*.[89] The OECD *Interim Economic Outlook March 2021* also revised upward its January 2021 forecast of Australia's GDP growth from 3.2% in 2021 and 3.1% in 2022 to 4.5% in 2021 and 3.1% in 2022. The OECD's *Economic Forecast Summary (December 2020)* said: "A risk is that the recovery in business and consumer sentiment is hampered by a rise in business insolvencies and renewed labour market weakness as policy support is scaled back in 2021.[par] Fiscal policy support will be reduced in 2021, but the impact will be offset by the recovery in private sector activity as containment restrictions ease further."[90]

128. The OECD also under predicted consumption and investment in its Economic Snapshot (December 2020). The OECD predicted that Australian 'private consumption' would fall by a large 7.5% in 2020[91], and this compares with the actual household consumption which fell by a much smaller 2.7% in 2020[92]. Household savings would fall in 2021. The OECD predicted that Gross Fixed Capital Formation would fall by 9.7% over the year 2020[93], and this can be compared with the actual fall of 5.0% in Private GFCF or the fall of 0.9% in total GFCF in 2020[94].

[86] IMF 2021 World Economic Outlook Update January World Economic Outlook Update, January 2021: Policy Support and Vaccines Expected to Lift Activity (imf.org)
[87] IMF 2021 World Economic Outlook Update January World Economic Outlook Update, January 2021: Policy Support and Vaccines Expected to Lift Activity (imf.org)
[88] Australia Economic Snapshot - OECD accessed 9 March 2021
[89] 34bfd999-en.pdf (oecd-ilibrary.org) accessed 11 March 2021
[90] Australia Economic Snapshot - OECD accessed 9 March 2021
[91] Australia Economic Snapshot - OECD accessed 9 March 2021
[92] ABS 5206002
[93] Australia Economic Snapshot - OECD accessed 9 March 2021
[94] ABS 5206002

129. At the same time the OECD Economic Snapshot for Australia (December 2020) predicts that the unemployment rate will rise as "retention schemes taper off and will slowly decline thereafter."[95] The OECD said: "The government's temporary wage subsidy, "JobKeeper", has covered nearly one million employers and one-third of all employment, containing the rise in the measured unemployment rate so far."[96] The OECD said: "A key risk to the outlook is a fall in business and consumer confidence, as reduced government support is accompanied by a rise in business liquidations and unemployment."[97]

130. The OECD said: "Fiscal and monetary support should be maintained until the economic recovery is firmly entrenched."[98] In the view of the ACTU, an increase in the minimum wage and awards would assist with economic recovery in a manner consistent with OECD views.

3.1.6 Other forecasts of note

131. The ANZ media release of 1 March 2021 said: "ANZ Job Ads rose 7.2% m/m in February 2021, following an upwardly revised 2.6% m/m growth in January. Job Ads is up 13.4% y/y, hitting its highest level since October 2018."[99] ANZ Senior Economist Catherine Birch commented on March 1, 2021 that despite 5-day lock downs in Western Australia and Victoria during February "Job Ads is now 13.4% above its pre pandemic level, equivalent to an additional 20,500 jobs being advertised on average per month."[100] Catherine Birch said that the ongoing strength in the ANZ Job Ads gives confidence that solid net employment gains will be seen over February and March at least and that "the end of JobKeeper in March will be mitigated to some extent." But they were in the dark as to how many businesses and workers remain on JobKeeper in the current quarter and therefore the hit to the economy. Catherine Birch said: "In December, the ATO reported there were more than 1.5 million workers still receiving the payment, equivalent to almost 12% of the workforce."[101]

[95] Australia Economic Snapshot - OECD accessed 9 March 2021
[96] Australia Economic Snapshot - OECD accessed 9 March 2021
[97] Australia Economic Snapshot - OECD accessed 9 March 2021
[98] Australia Economic Snapshot - OECD accessed 9 March 2021
[99] ANZ Job Ads continue to escalate accessed 9 March 2021
[100] ANZ Job Ads continue to escalate accessed 9 March 2021
[101] ANZ Job Ads continue to escalate accessed 9 March 2021

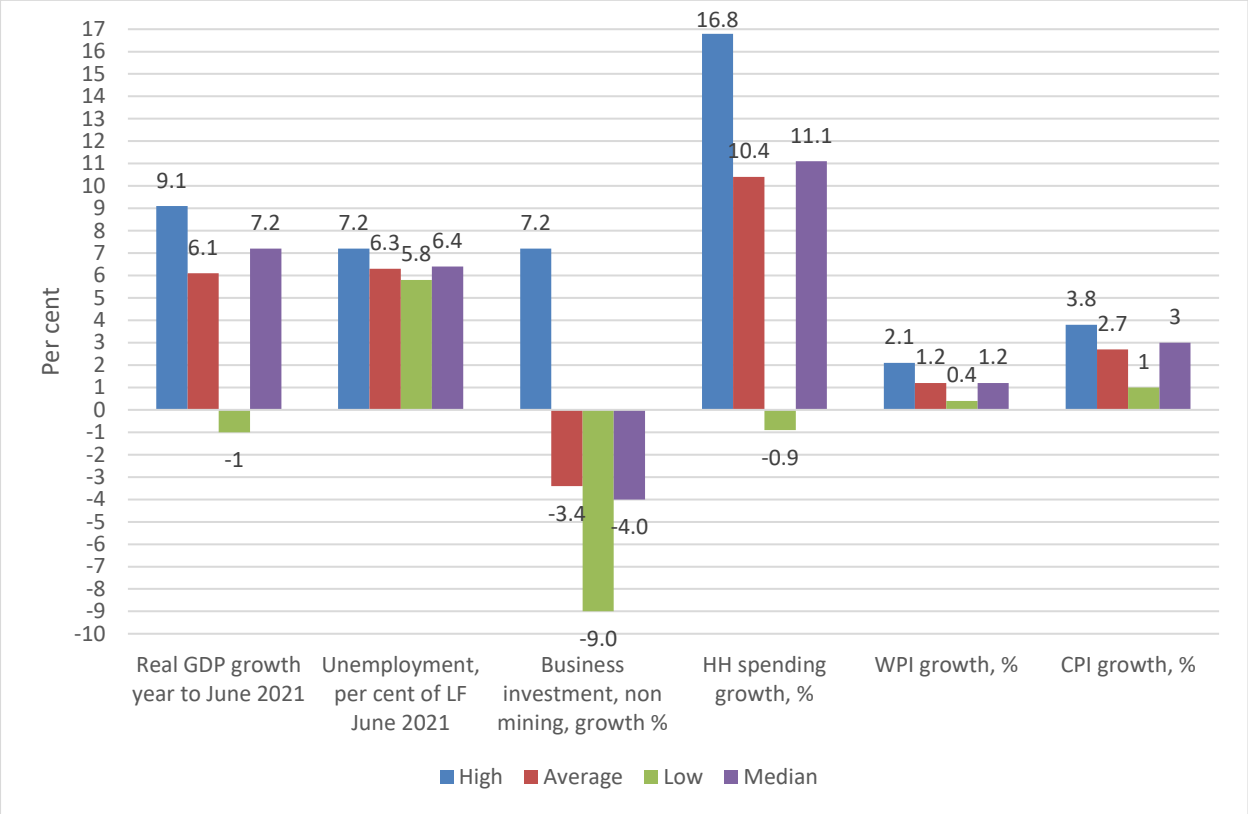
132. The *Sydney Morning Herald* (SMH) / *The Age* Business Scope Survey included a panel of 23 economists from a range of backgrounds and institutions, reported in a series of articles by Shane Wright and Jennifer Duke from 1 March 2021.[102] Figure 34 summarises the forecasts published to date from the Scope survey panel for the year 2021, which were in stark contrast to the previous year's of February 2020. The range of forecasts for the year to June quarter 2020 as shown in Figure 34 reflects the level of uncertainty.

133. The high averages and medians for GDP growth and household spending growth indicate the low baselines and unexpected recovery already shown in the data available to the Panel at the time of the survey up to the September quarter 2020. The Scope survey generally indicated recovery within a wide range of forecasts from a low of -1% to a high of 9.1% for annual GDP growth to June quarter 2021, with a median of 7.2% and some low forecasts pulling the average down to 6.1%. Household spending in particular had a wide range of growth forecasts for the year to June quarter 2021, from 16.8% down to -0.9%, with an average of 10.4%.

134. The Scope survey Panel by contrast were even more pessimistic about wage growth than a year ago, with annual WPI growth to June quarter 2021 ranging from 2.1% down to 0.4%, with both average and median a low 1.2%. This was in a context where the Scope forecast anticipated an average increase in CPI of 2.7% for the year to June 2021.

[102] Australian economy: Wages to fall in real terms despite sharp recovery from recession (smh.com.au) 1 March 2021, Shane Wright and Jennifer Duke. The panel were Gareth Aird, Stephen Anthony, Paul Bloxham, Rebecca Cassells, Besa Deda, Saul Eslake, Bill Evans, Su-Lin Ong, Janine Dixon, Felicity Emmett, Sarah Hunter, Steve Keen, Stephen Koukoulas, Guay Lim, Jakob Madsen, Bill Mitchell, Neville Norman, Shane Oliver, Alan Oster, Tim Reardon, Julie Toth, Peter Tulip and Ben Udy.

Figure 34: Forecasts of various indicators by the SMH Business Scope Economic Survey, 1 March 2021



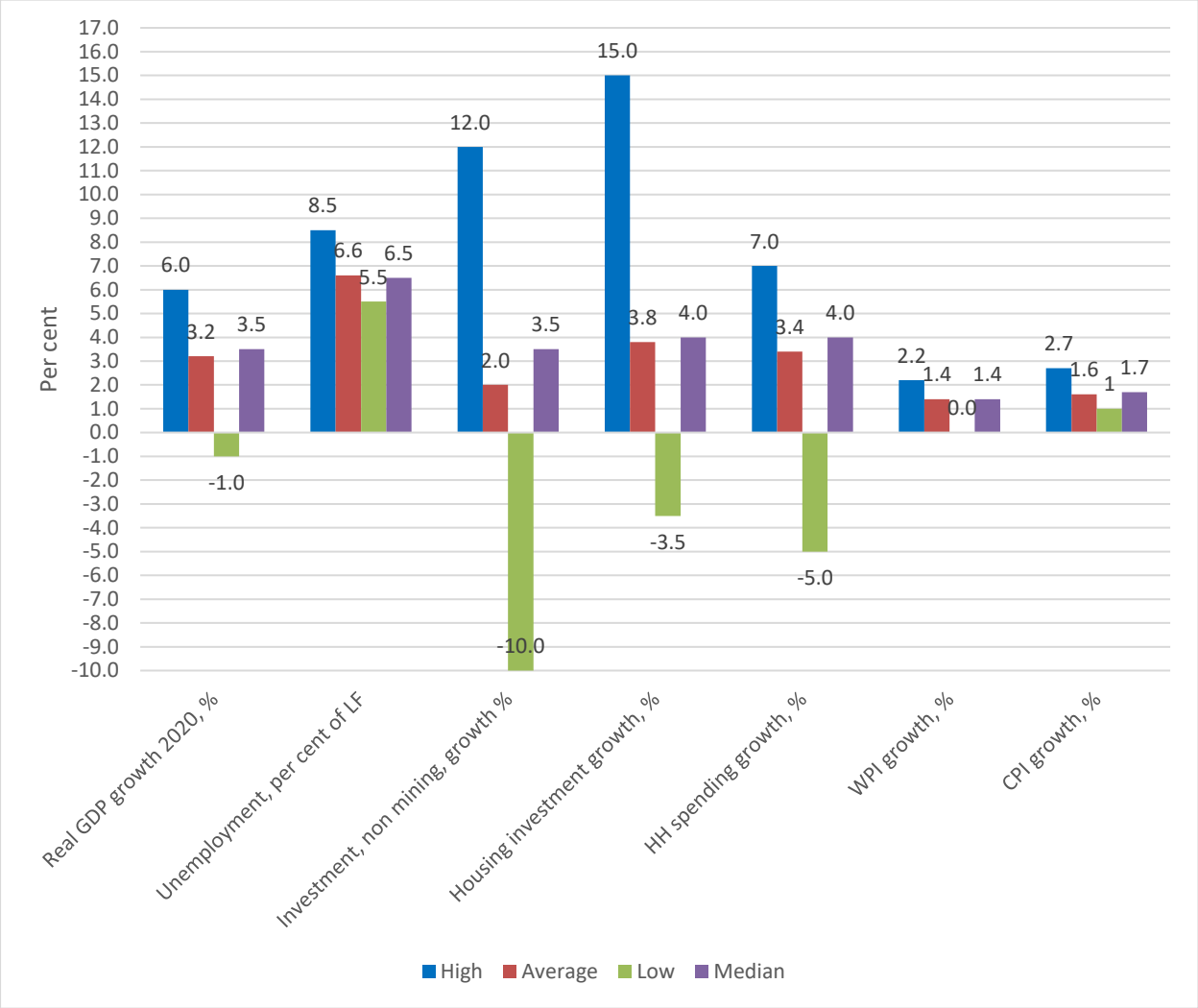
Source: SMH Business Scope survey, published variously from 1 March 2021 Australian economy: Wages to fall in real terms despite sharp recovery from recession (smh.com.au) and ACTU calculations

135. Peter Martin, Business and Economy Editor of *The Conversation*, conducted a survey of 21 economic forecasters published on 31 January 2021.[103] The forecasts which are for calendar year 2021 are similarly spread out compared with January 2020. The GDP forecasts for the year 2021 were of course off a base of end 2020 by which time some recovery seen in the earlier data could be factored in, and signalled optimism about a continuation of economic recovery over 2021 with an average of 3.2%. Household spending was also expected to increase by 3.4% on average of the forecasts for the year 2021.

[103] A little ray of sunshine as 2021 economic survey points to brighter times ahead (theconversation.com), 31 January 2021, accessed 10 March 2021. The economists are Stephen Anthony, Mark Crosby, Mei Dong, Chris Edmond, Craig Emerson, Saul Eslake, Ross Guest, Steven Hall, Warren Hogan, Richard Holden, Steve Keen, Mariano Kulish, Guay Lim, Renee Fry-McKibbin, Tony Makin, Warwick McKibbin, Margaret McKenzie, Mala Raghavan, Jeffrey Sheen, Julie Toth and Rod Tyers.

136. Expectations about wage growth over 2021 in The Conversation forecasts are similarly even lower than they were a year ago, with a forecasters' average of 1.4% for WPI growth compared with CPI growth of 1.6%, as seen in Figure 35.

Figure 35 : Forecasts of various indicators by The Conversation website, January 2021



Source A little ray of sunshine as 2021 economic survey points to brighter times ahead (theconversation.com), 31 January 2021

137. The NAB in its Economic Commentary of 10 March 2021 "The Forward View – Australia: March 2021"[104] said its monthly "NAB business survey and internal transactions data also point to ongoing strength in the economy for both business and the consumer." The stronger than expected GDP growth of the December quarter 2020 driven by a pick up in household services consumption and also dwelling and business investment is

[104] The Forward View – Australia: March 2021 | Business Research and Insights (nab.com.au) released and accessed 10 March

incorporated into a year-average growth forecast of 4.6% in 2021. Although much quicker than expected, it sees the recovery as uneven and despite reaching pre COVID levels by mid 2021, "there remains a high degree of spare capacity in the economy." Moreover "there are likely to be notable lags between activity and the labour market, and then from the labour market to inflation." It says the most immediate risk to its forecast "is the completion of the JobKeeper wage subsidy program and its impact on the labour market."

138. Josh Williamson, head of economics in Australia for Citi Research, had on 3 December 2020 foreshadowed Australia's recovery in a release titled 'Australia on track for V-shaped recovery as growth overpowers recession' and subtitled 'Australia is the pin-up economy on the world stage as it rockets out of recession'.[105] It attributed this to "improved growth flows from continued government support", an end to harsh lockdowns, and household consumption and savings. This was well ahead of earlier expectations and of many other advanced economies.

3.1.7 Wages as stimulus

139. An increase in the minimum wage should be considered to operate in similar and complementary manner to the one-off stimulus payments the Government made to households to support growth. In economic theory there is little difference – low paid award workers have a high marginal propensity to consume. A high proportion of any award increase will be spent in local communities increasing aggregate demand. Indeed, as this is not a 'one off sugar hit' but a permanent increase the effects would be significant.

140. The increase in the minimum wage and modern award minimum wages will raise household spending and demand for goods and services in the Australian economy. The increase in sales revenue will increase employment and profits. The Panel has previously acknowledged the basic demand effect of wage increases[106], and we invite the Panel to again take this into account.

[105] Australia on track for V-shaped recovery as growth overpowers recession (citibank.com.au) 3 December 2020 accessed 10 March 2021
[106] [2018] FWCFB 3500 at [248]

141. Very slow growth in wages, poor household consumption and associated deteriorating living standards are persistent problems that are likely to continue to act as a brake on the economy as is widely understood. The current circumstances provide no rational reason to ignore that. An increase in minimum wages is all the more imperative for ensuring demand in the economy and to thereby promote income, spending, growth and employment. The minimum wage increase we propose is warranted to improve the conditions of those with low pay, to reduce inequality and to increase aggregate demand. A failure to act now in this regard may take many years to remedy.

142. Increases to minimum wages would both provide a stimulus and offer some long term certainty in regard to income flows, especially for the low paid. After the GFC, Australia was in the vanguard of the economic recovery among advanced economies because it took swift and concerted action to boost the disposable incomes of working families and welfare recipients, who spent rather the saved these payments and thus sparked recovery. Australia has demonstrated the potential of an income led growth strategy. The principles and logic have been acknowledged by the current Government with its stimulus package.

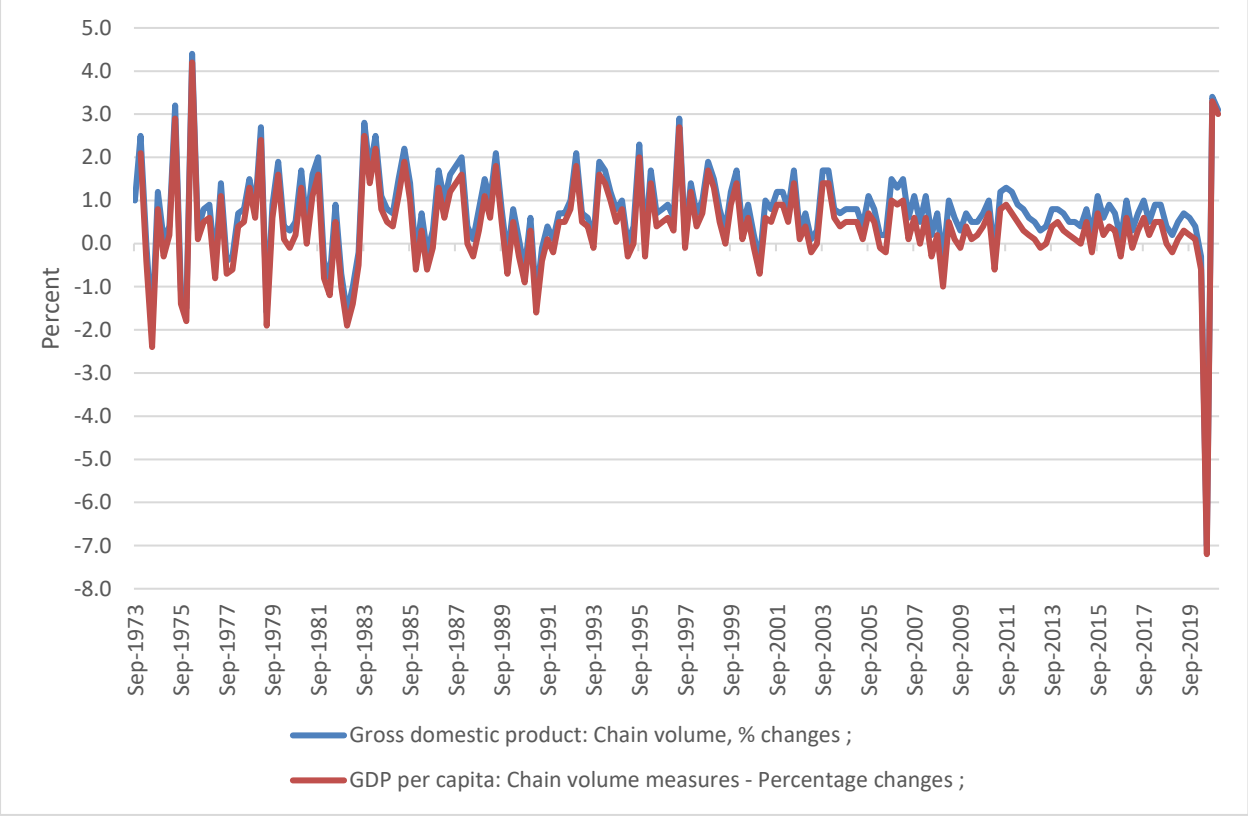
3.2 Economic growth

143. The disastrous impact of the pandemic on the Australian economy is captured in the fall in GDP of 1.1% over the year 2020, according to the ABS release of 3 March 2021, compared with growth of 2.2% for the year 2019.[107] GDP fell by 7.3% in the first two quarters of 2020, almost all of it in the June quarter when GDP fell by 7.0%. However from there GDP recovered unexpectedly well, by 6.6% in total over the September and December quarters, made up of increases of 3.4% in the September quarter and 3.1% in the December quarter, seasonally adjusted. GDP growth data over 2020 exceeded RBA forecast in its Statements on Monetary Policy of November 2020 revised upwards for February 2021, the Treasury's Budget Statements (October 2020) and MYEFO (December 2020) and other forecasts, as referred to at [99] to [106]. Annual real GDP growth, seasonally adjusted, year on year, is presented in Figure 39.

[107] ABS 5206, Australian National Accounts: National Income, Expenditure and Product, December 2020 | Australian Bureau of Statistics (abs.gov.au) , released 3 March 2021

144. GDP per capita, an indication of standard of living, grew by 3.3% in the September quarter and 3.0% in the December quarter 2020 after a fall of 0.6% in the March quarter 2020 and a massive fall of 7.2% in the June quarter.[108] The quarter shocks to GDP and GDP per capita in 2020 are the biggest since either series were published, 1959 for GDP and 1973 for GDP per capita. Quarterly growth in GDP and GDP per capita in long series' from 1973 to December quarter 2020 are shown in Figure 36 in order to highlight the impact of the pandemic and subsequent trajectory.

Figure 36 Quarterly growth in GDP and GDP per capita



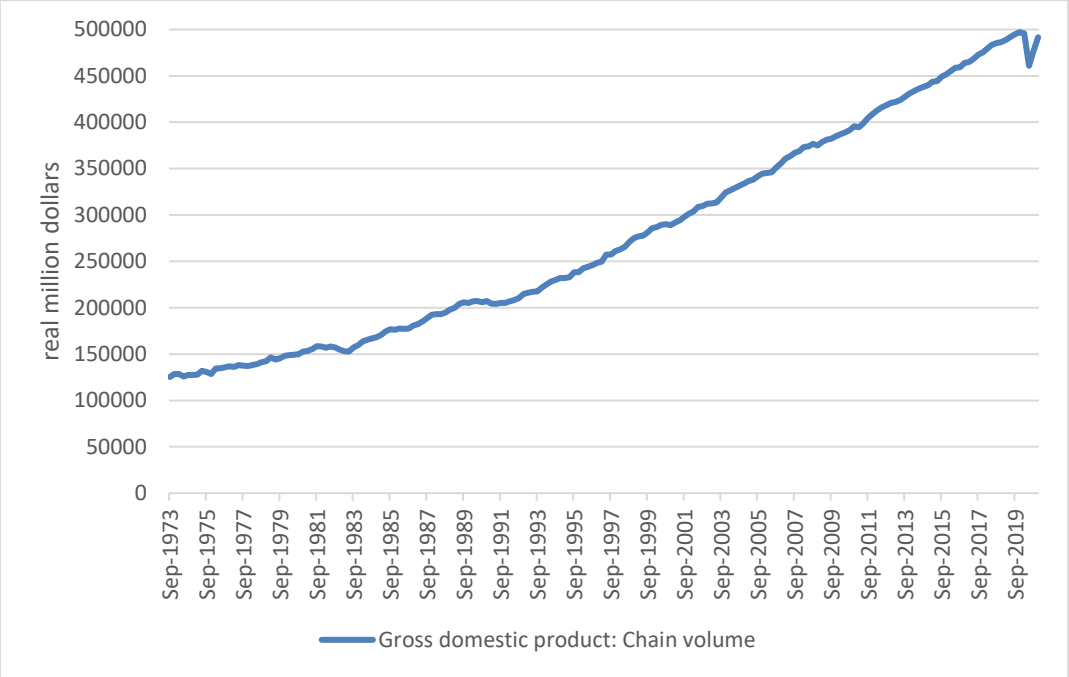
Source: ABS 5206001, seasonally adjusted

145. Figure 37 and Figure 38 present the underlying levels data which shows the scale of the impact of the pandemic and recovery on GDP and GDP per capita. The height of the impact at the June quarter 2020 took the level of quarterly GDP in real terms back four years to the September quarter 2016, yet by the December quarter 2020 it had recovered to the level of a year before at the June quarter 2019.

[108] ABS 5206, Australian National Accounts: National Income, Expenditure and Product, December 2020 | Australian Bureau of Statistics (abs.gov.au) , released 3 March 2021

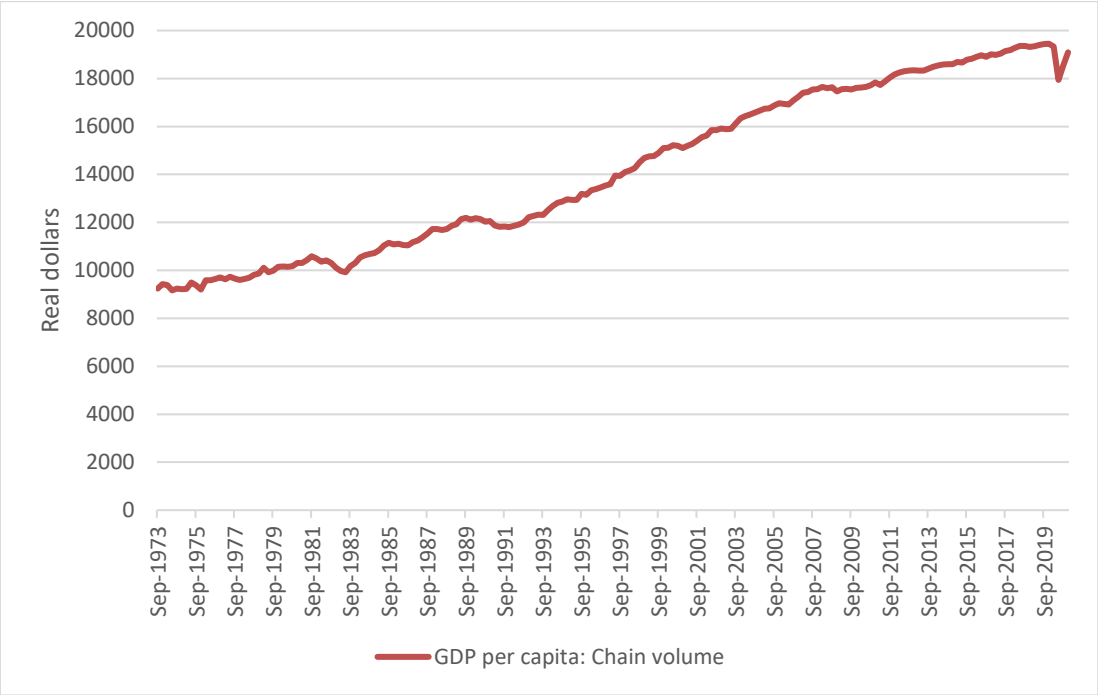
146. GDP per capita at the June quarter 2020 had fallen to a level comparable to that of 9 years ago at June 2011, and by the December quarter 2020 it had recovered to the level of three and a half years ago; see Figure 38.

Figure 37 Gross Domestic Product, Australia, chain volume, seasonally adjusted, million dollars, to December quarter 2020



Source: ABS 5206001

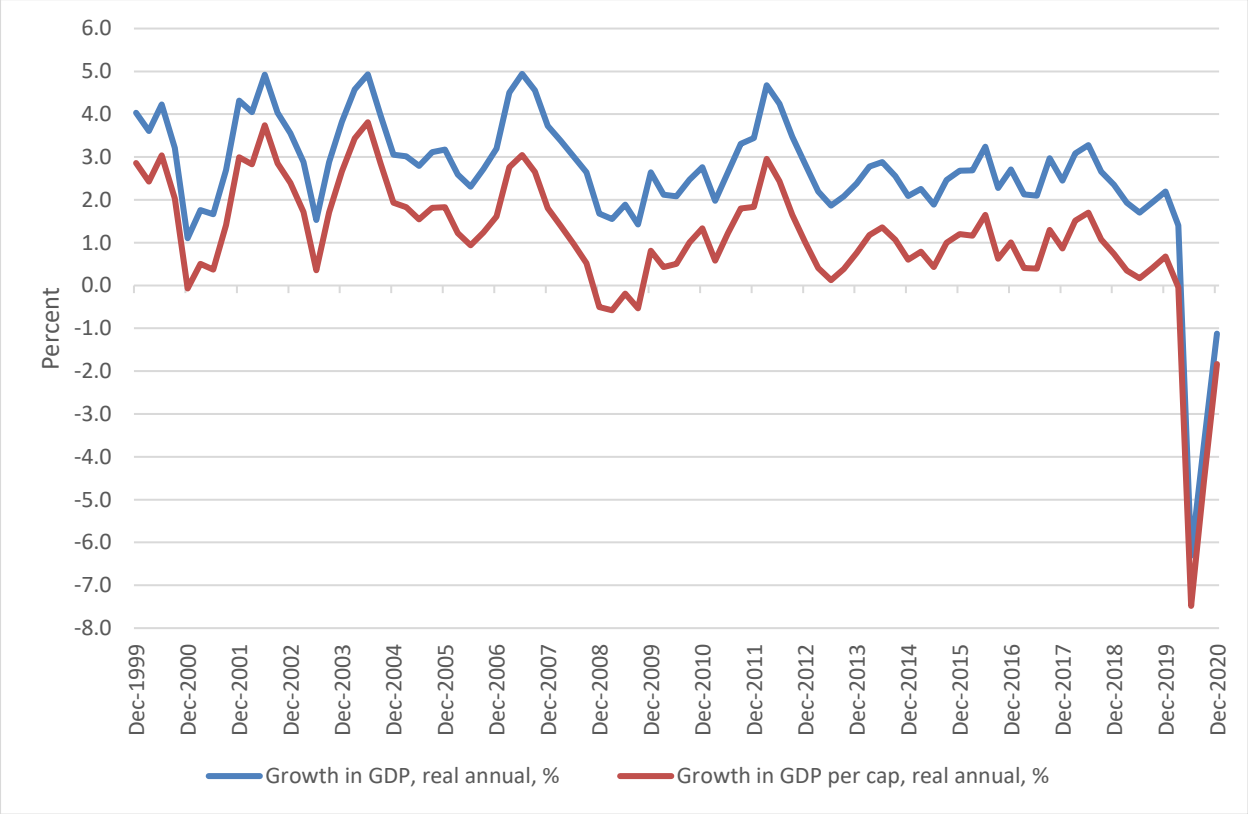
Figure 38 Gross Domestic Product per capita, Australia, chain volume, seasonally adjusted, dollars, to December quarter 2020



Source: ABS 5206001

147. The impact on annual real GDP per capita growth, quarters year on year, presented in Figure 39, shows that the scale of the impact of the pandemic and the rapid recovery on the economy was greater than the recessions of 2000 following the Asian crisis, and the GFC of 2008.

Figure 39: Growth in GDP and growth in GDP per capita, chain volume, seasonally adjusted, quarters year on year, September 1999 to September 2019



Source: ABS 520601, seasonally adjusted data, and ACTU calculations

148. The Panel stated in its Decision of 2019 that "The Panel again places weight upon trends in RNNDI as it is a better measure of incomes available to Australians than GDP. However short-term movements in RNNDI may not, because of their volatility, be reliable as an indicator of economic performance. This volatility means that changes that are sustained for several years are the ones on which we focus."[109]

149. The ABS defines RNNDI, Real net national disposable income, as a measure which adjusts the volume measure of GDP for the terms of trade effect, real net incomes from overseas, and consumption of fixed capital.[110] The ACTU recognises that because the RNNDI makes these adjustments, it may give a better picture of general purchasing power available to households.[111]

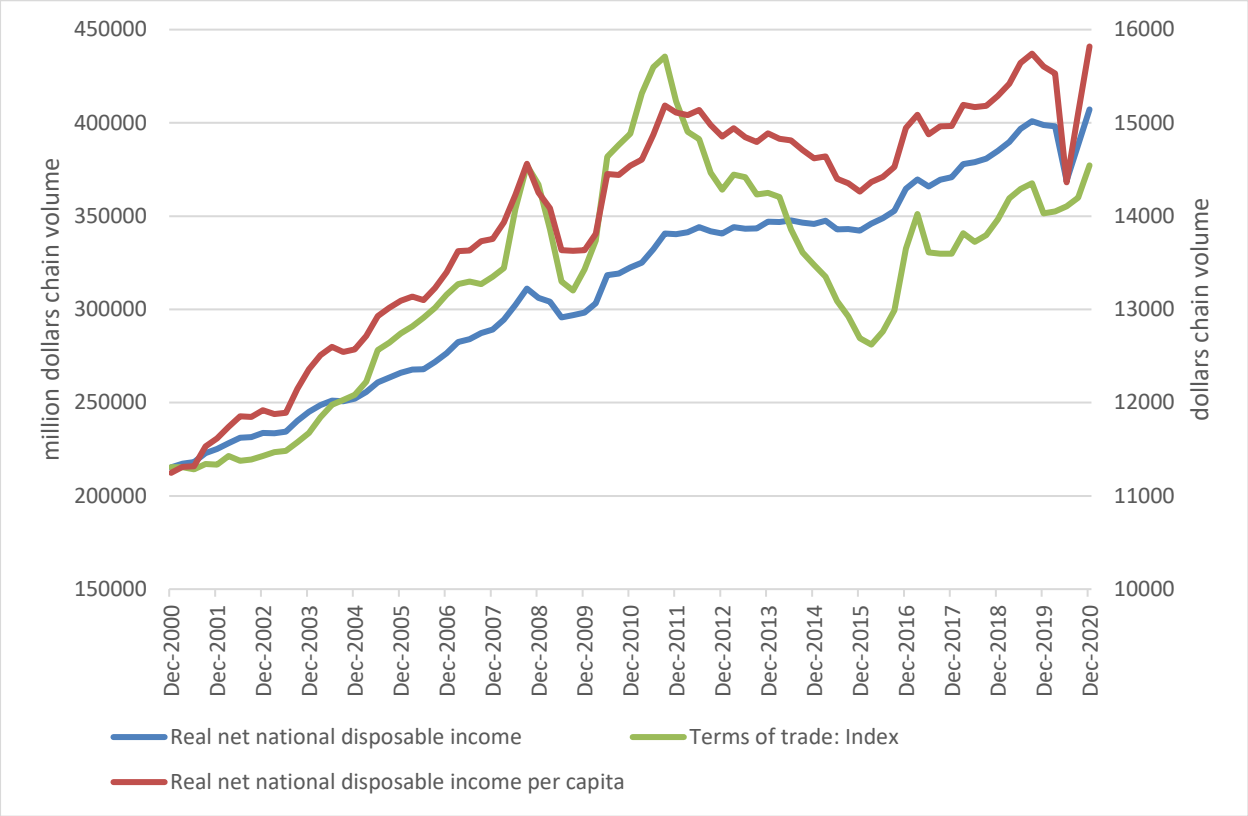
[109] [2019] FWCFB 2500 [96]
[110] ABS 5206, December 2015
http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/5206.0Main+Features2Dec%202015?OpenDocument accessed 26 February 2018
[111] Note that incomes earnt overseas are likely to form a very small part of most households' income, particularly for the cohort of persons most directly affected by the Panel's decisions.

150. Figure 40 shows the movements in RNNDI (LHS) and RNNDI per capita (RHS) up to December 2020 with the terms of trade index superimposed.

151. The series for RNNDI, RNNDI per capita and the terms of trade also show the impact of the pandemic including recovery in 2020. The terms of trade series reflects the effect of high commodity prices as it increases 7.3% over the year from the December quarter 2019 prior to the bushfires and the pandemic through to the December quarter 2020.

152. Over the year from the December quarter 2019 to December quarter 2020 RNNDI and RNNDI per capita fell, then recovered from the September quarter 2020. But they also fell together with the terms of trade in the December quarter 2019 prior to the pandemic. RNNDI per capita fell 0.9% in the December quarter 2019. RNNDI per capita then fell by 0.5% in the March 2020 quarter and by 7.5% in the June quarter before recovering 5.2% in the September quarter 2020 and 4.7% in the December quarter 2020.

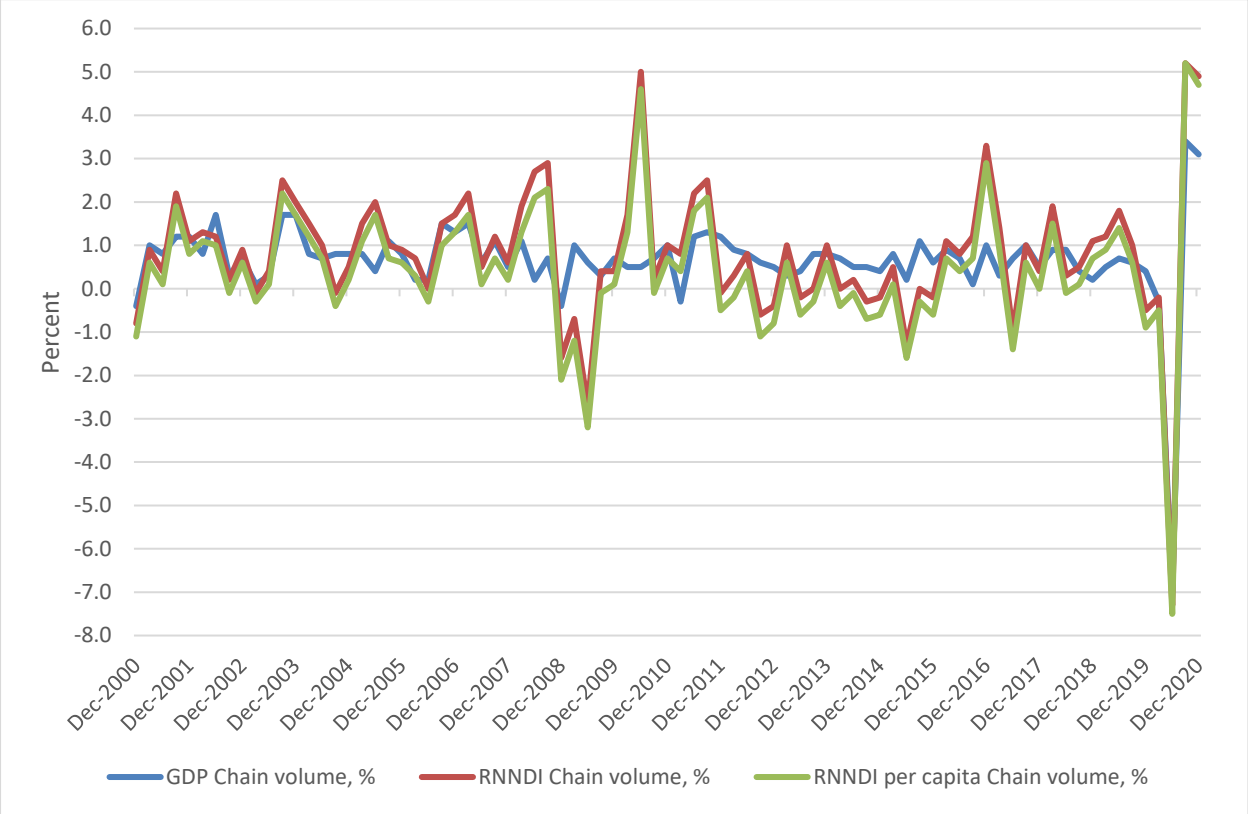
Figure 40 RNNDI (LHS), chain volume million dollars, RNNDI per capita (RHS), chain volume dollars, and terms of trade index 1999=100 December quarter 2000 to December quarter 2020



Source: ABS 5206001, ACTU calibration

153. RNNDI and RNNDI per capita move with the terms of trade and exhibit more volatility than GDP, as shown in Figure 41.

Figure 41 Growth in RNNDI, RNNDI per capita and GDP, chain volume to December quarter 2020

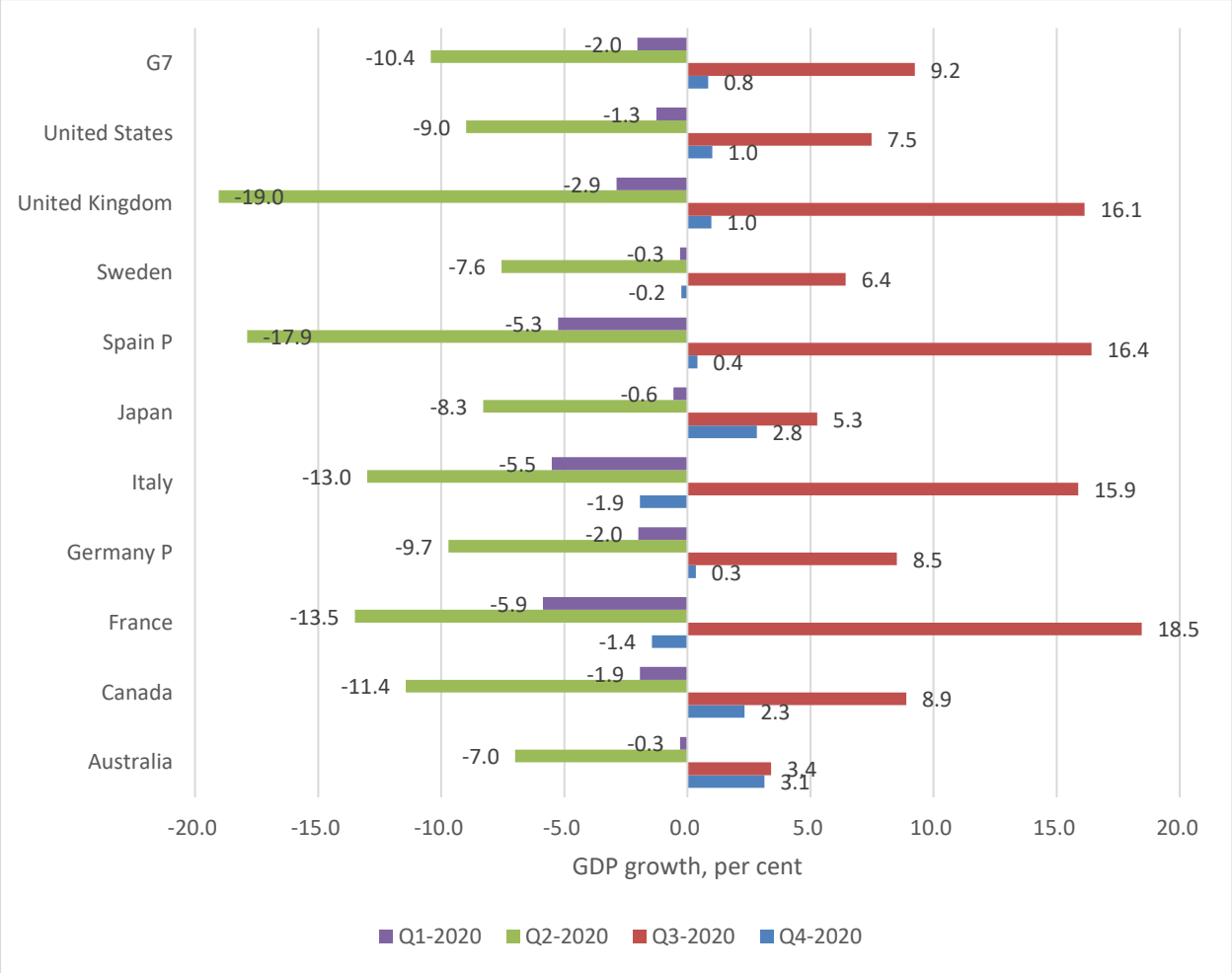


Source: ABS 5206001

3.2.1 International comparisons of economic growth

154. Australia's economy has performed relatively well over 2020 compared with the G7 countries, as shown in Figure 42. Australia had the least deep fall in GDP in the June quarter 2020, of 7.0%, with a proportionate recovery in the September quarter 2020, followed by the highest GDP growth compared with the G7 in the December quarter, of 3.1%.

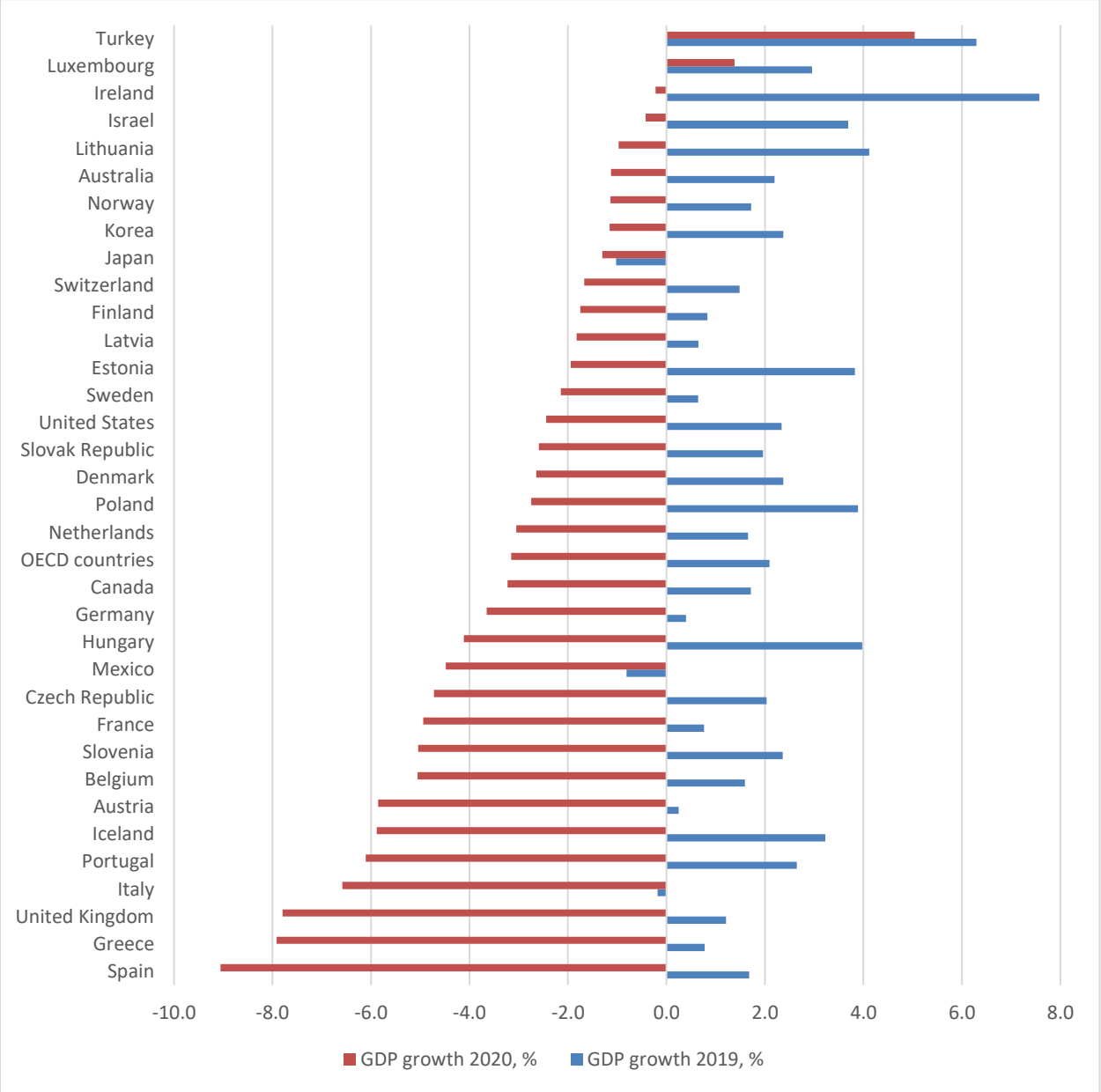
Figure 42 OECD Quarterly growth rates of GDP, G7 countries and Australia, 2020, real, per cent



Source: Quarterly National Accounts : Quarterly Growth Rates of real GDP, change over previous quarter (oecd.org) accessed 11 March 2021. P = provisional

155. The impact of the pandemic is shown in Figure 43 which ranks annual GDP growth over 2019 and 2020, ranked by the latter. Australia's GDP growth ranks 6th in 2020 out of 34, whereas in 2019 it was ranked 15th for GDP growth, one rank above the average for the 34 OECD countries.

Figure 43: GDP annual growth rates OECD countries, December quarter to December quarter, 2019 and 2020 ranked, per cent



Source: OECD Stat Gross domestic product (GDP) : GDP, volume – annual growth rates in percentage (oecd.org) Quarterly National Accounts. *Historical GDP* expenditure approach, quarterly accessed 12 March 2021, and ACTU calculations

156. A crude cross OECD country based prediction where 2019 GDP growth predicts 2020 GDP growth says that at Australia's 2019 GDP growth rate of 2.2%, its expected 2020 growth rate would be -3.0% instead of the -1.1% actual GDP growth figure. This is shown in Figure 44, with Australia indicated by the arrow. However the poor fit suggests missing variables and an obvious one is the severity of the pandemic in individual countries.

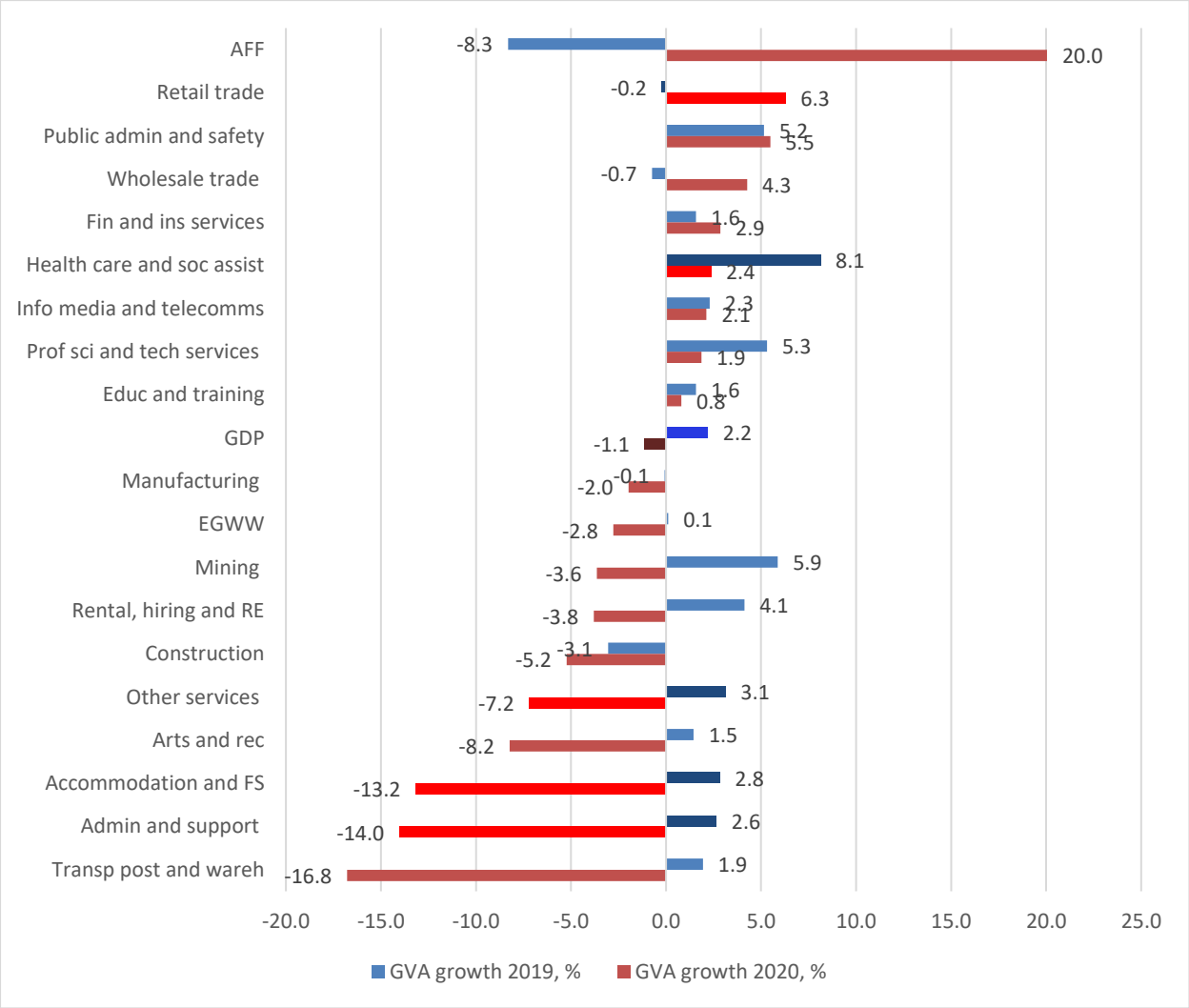
Figure 44 GDP growth in 2019 as a predictor of GDP growth in 2020, OECD countries

Source [1. Gross domestic product (GDP) : GDP, volume – annual growth rates in percentage (oecd.org)] accessed 12 March 2021, Australia indicated by arrow.

3.3 Growth by industry

157. Annual growth in industry GVA and GDP, chain volume, in 2019 and 2020 are shown in Figure 45, ranked with highest growth in 2020 at the top. The negative growth in GVA in 2020 in three more award reliant industries, Administration and support services, Accommodation and food services and Other services indicates they were particularly affected by the pandemic. The GVA in two other award reliant industries, Health care and social assistance and Retail trade, grew in 2020. Overall, award reliant workers were especially vulnerable to the effects of the pandemic.

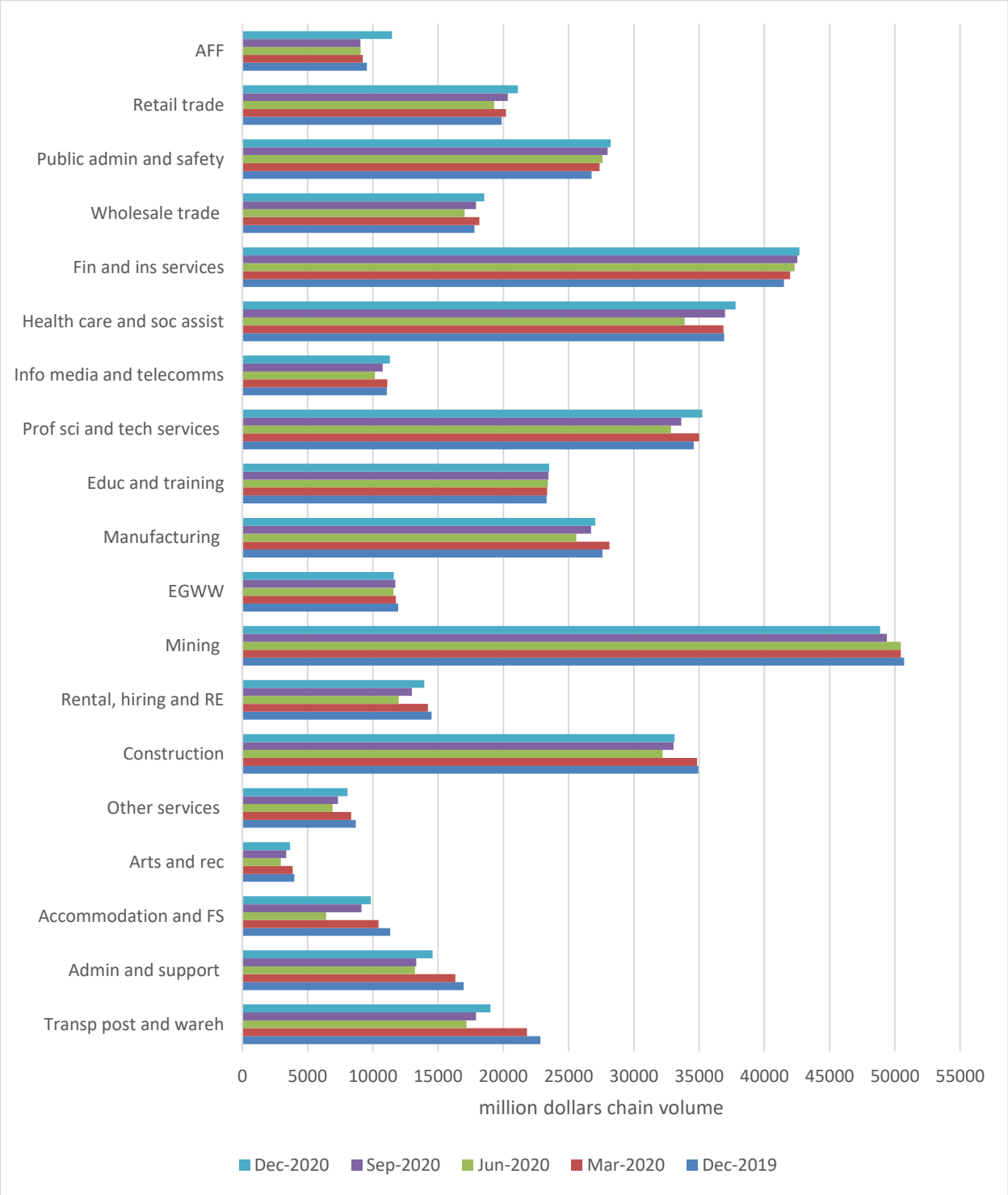
Figure 45: Growth in industry gross value added and GDP, 2019 and 2020, per cent



Source: ABS 520606 (seasonally adjusted) and ACTU calculations. The more award-reliant sectors are shown in dark blue for 2019 and bright red for 2020.

158. Figure 46 allows the scale of GVA movements to be seen in each industry. Figure 46 shows the quarter by quarter GVA, seasonally adjusted, from December quarter 2019 to December quarter 2020, earliest date at the bottom in each industry. The industries are ranked according to the growth rate in GVA over 2020 with the highest growth rate at the top. It shows the recovery in output in most industries in the December quarter of 2020, after falls in GVA for most industries in the June quarter. Notably, of the five most award dependent industries, three are edging closer to their pre COVID levels on the December quarter figures and two have surpassed them.

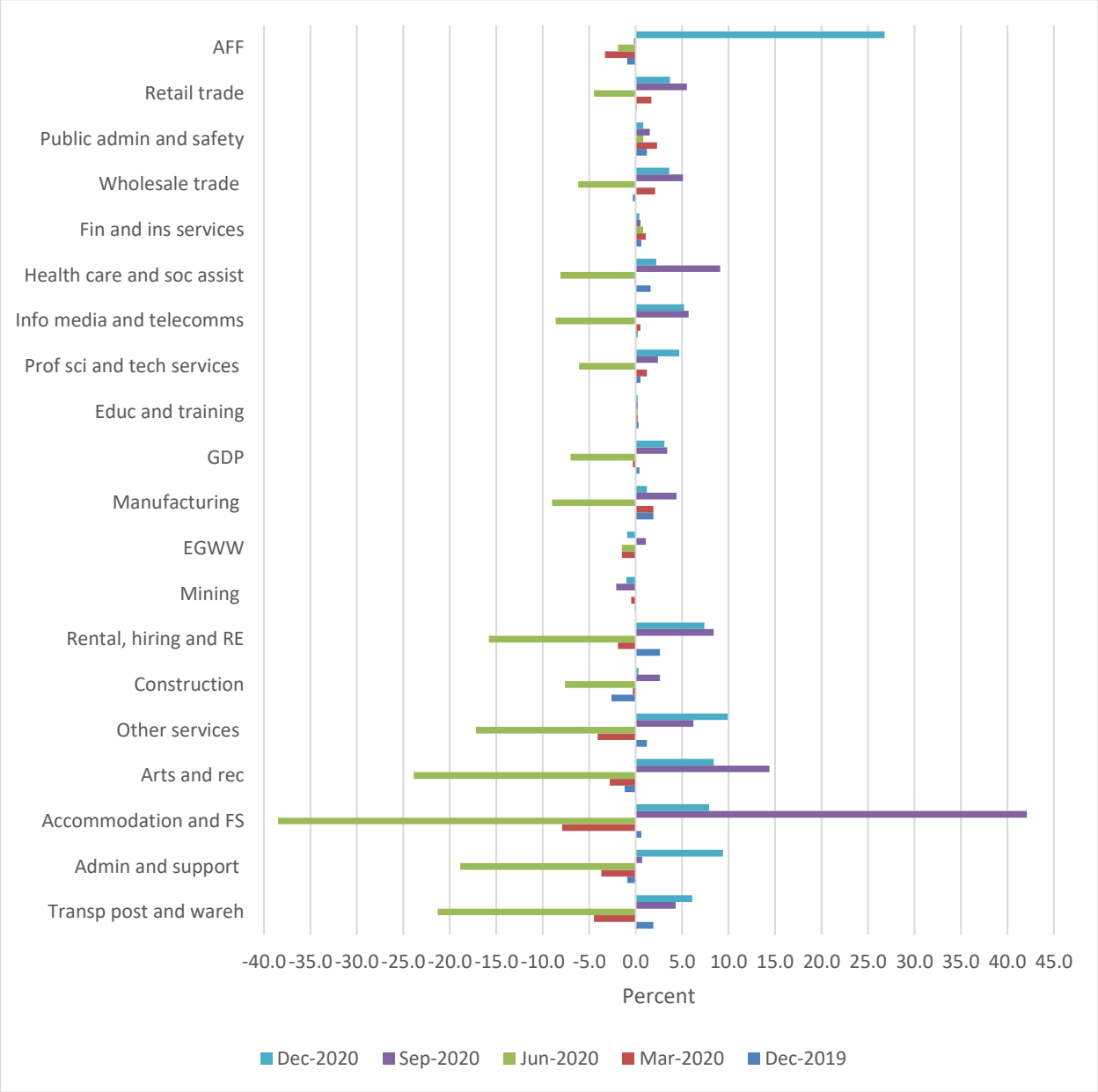
Figure 46 GVA across industries, December quarter 2019 to December quarter 2020, seasonally adjusted, ranked from top by 2020 growth as in Figure 45, chain volume million dollars



Source:ABS 5206006

159. Figure 47 presents the quarterly growth rates in GVA resulting from the GVA quarterly totals from Figure 46, ranked in the same order as Figure 46, by annual growth rates in 2020 with the highest at the top.

Figure 47 GVA quarterly growth across industries, December quarter 2019 to December quarter 2020, seasonally adjusted, ranked from top by 2020 growth as in Figure 45, percent



Source: ABS 5206006

160. Figure 47 shows how the industries with the biggest shrinkage rates in the June quarter 2020 also had the poorest annual growth outcomes notwithstanding good recoveries in September and December quarters 2020. These include the award reliant industries, Accommodation and food services, Administrative and support services and Other

services. At the same time Retail trade and Health care and social assistance were not as badly impacted. This lends support to the argument that award reliance does not apparently influence economic activity across industries. Rather, the pandemic had a disproportionate impact on award reliant workers because these were often in areas in which workers and / or businesses were not eligible for the government subsidies were more prevalent. The change in size of the industry also reflects its role in the pandemic, for instance the positive growth in Health care and social assistance.

3.4 Investment

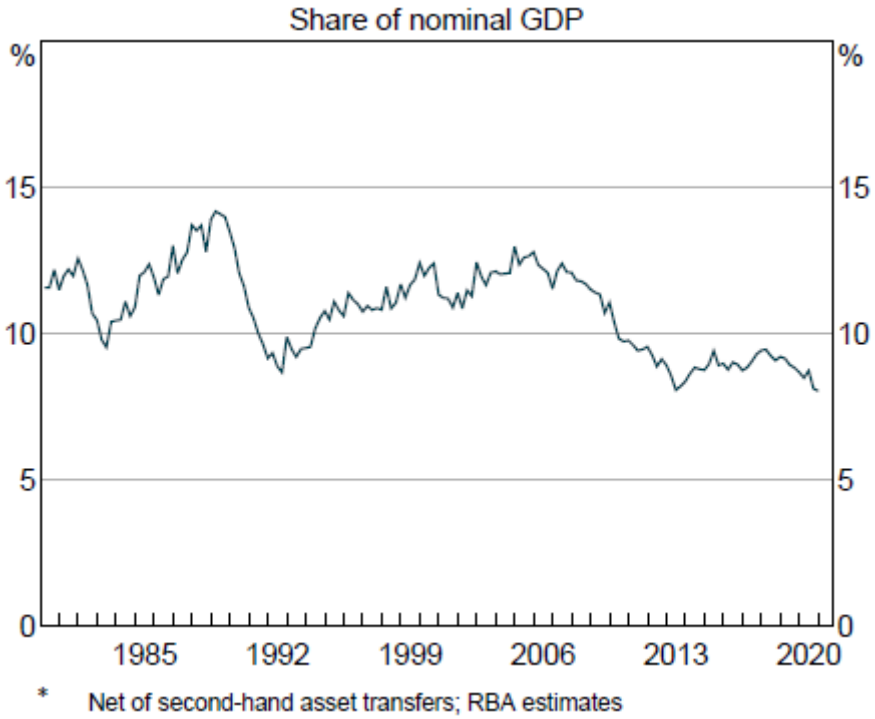
161. Business investment was expected by the Treasury and the RBA to pick up over 2021 as referred to at [123] to [0]. RBA Governor Philip Lowe's Speech of 10 March 2020 said: "While there was a welcome pick-up in the December quarter, particularly in machinery and equipment investment, investment is still 7 per cent below the level a year earlier and over 10 per cent below where we thought it would be at the start of last year."[112] The average ratio of non mining investment to nominal GDP had been already low by historical standards, at 9% since 2010 compared with 12% over the previous three decades, see the RBA's graph in Figure 48.

162. Governor Lowe's speech said: "A durable recovery from the pandemic requires a strong and sustained pick-up in business investment. Not only would this provide a needed boost to aggregate demand over the next couple of years, but it would also help build the capital stock that is needed to support future production. Stronger investment would also support a more productive workforce and a lift in both nominal and real wages."

163. Governor Lowe commented that while there is no magic ingredient for boosting business investment, a good starting point is "businesses having confidence that the economy will grow and that there will be demand for their products and services." It said that small businesses invest more relative to their output than do other firms. In the ACTU's view as smaller firms are more likely to be award reliant than other firms, this is also an argument for raising the minimum wage and awards in those firms.

[112] RBA Governor Philip Lowe Speech 2021 "The Recovery, Investment and Monetary Policy" AFR Business Summit Sydney, 10 March.

Figure 48 RBA: Private Non-mining Business Investment



Source: RBA Governor Philip Lowe Speech 2021 "The Recovery, Investment and Monetary Policy" AFR Business Summit Sydney, 10 March.

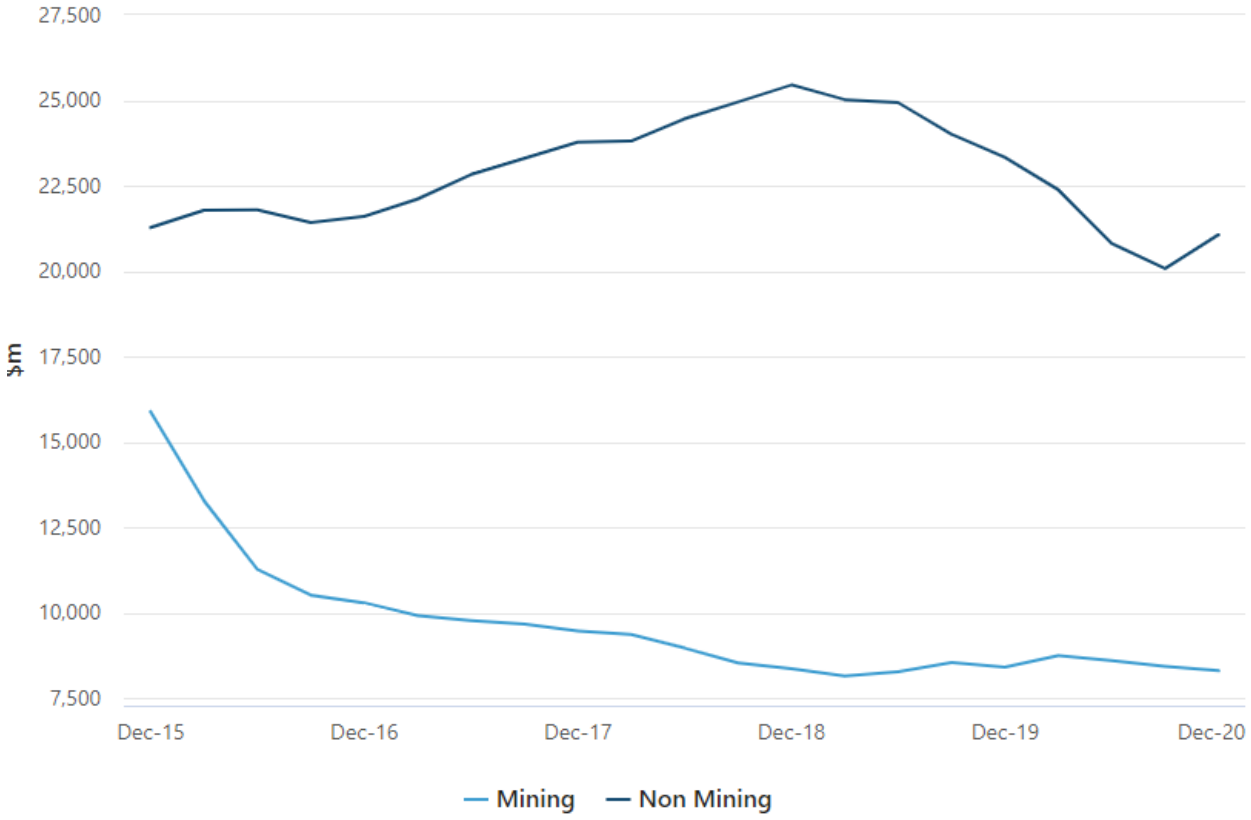
164. Total new capital expenditure rose 3.0% in the December quarter 2020 according to ABS Business Indicators (private new capital expenditure and expected expenditure), seasonally adjusted volume terms.[113], the first significant quarterly increase in two years. Equipment, plant and machinery rose 5.7% in the December quarter 2020, the first increase in 18 months, and made up nearly half of total investment in that quarter.

165. Non mining investment rose 4.9% chain volume seasonally adjusted in the December quarter 2020, the first quarter increase in two years, and back up to a level of around four years ago. Figure 49 is taken from ABS and shows mining and non mining investment chain volume seasonally adjusted.[114]

[113] Private New Capital Expenditure and Expected Expenditure, Australia, December 2020 | Australian Bureau of Statistics (abs.gov.au) December 2020

[114] Private New Capital Expenditure and Expected Expenditure, Australia, December 2020 | Australian Bureau of Statistics (abs.gov.au) December 2020 released 25 February 2021

Figure 49 ABS graph: Mining and non-mining private investment, quarterly, chain volume, million dollars



Source: ABS 5625007, ABS Graph Private New Capital Expenditure and Expected Expenditure, Australia, December 2020 | Australian Bureau of Statistics (abs.gov.au)

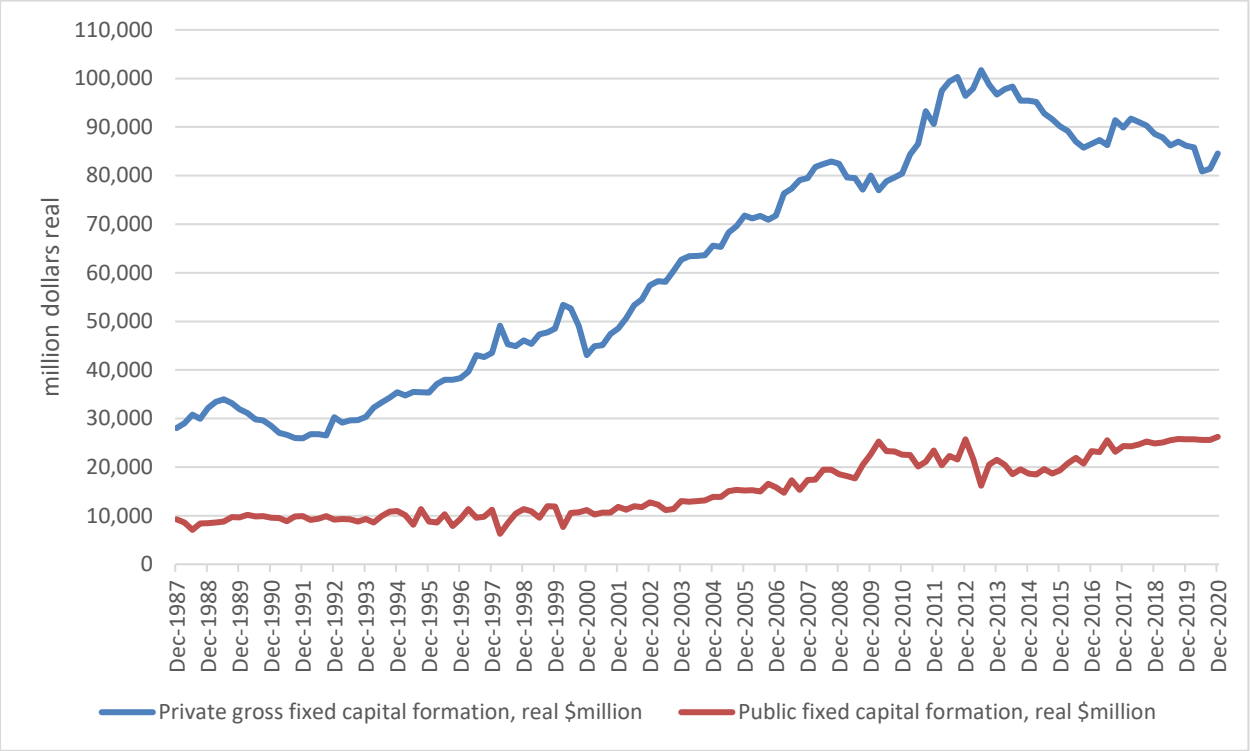
166. The IMF emphasized the importance of public investment saying: "A synchronized public investment push by the largest economies with fiscal space to do so can enhance effectiveness of individual actions and boost cross-border spillovers through trade linkages", arguing that it would be more productive than "if countries spent the same amount individually".[115]

167. The Treasury's MYEFO 2021 released on 17 December 2020 said that the government would provide $505 billion over three years for transport infrastructure "to support the economic recovery, creating more jobs, stimulating local economies and providing better and safer services for our communities."[116]

[115] IMF 2021 World Economic Outlook Update January 2021.
[116] The Treasury 2020 *Mid Year Economic and Financial Outlook* 2020-21, 17 December, p.8

168. Figure 50 shows quarterly public and private gross fixed capital formation (GFCF) and GDP in real terms with the nominal series deflated by the corresponding deflators. Private GFCF shows its peak at the mining investment boom. After trending down over the previous two years the fall of private GFCF in the June quarter 2020 and the upturn in the December quarter 2020 is shown in Figure 50. Public GFCF was on the downward side of flat over the year to September quarter 2020 and showed a slight uptick in the December quarter 2020.

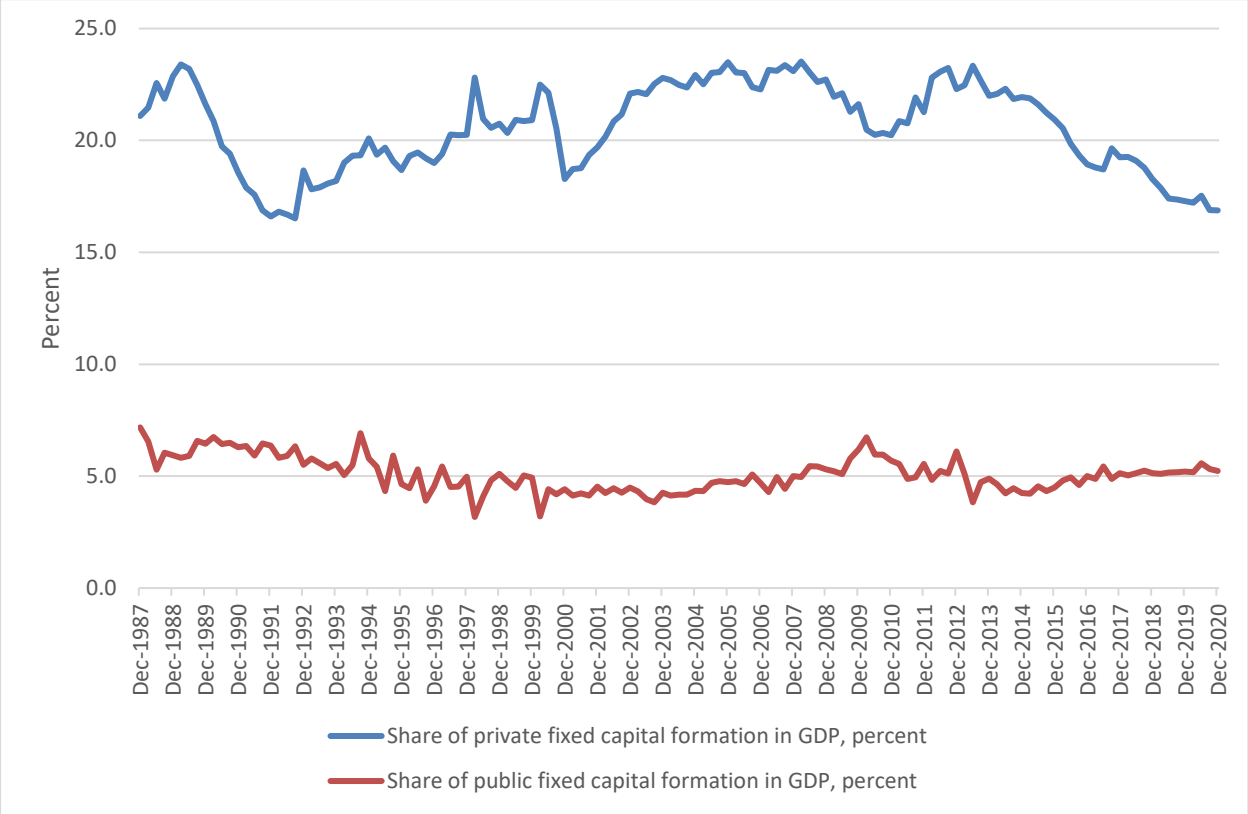
Figure 50 Private and public gross fixed capital formation, quarterly, seasonally adjusted, real $million



Sources: 5206001, 5206012, 5206005 and ACTU calculations, December 2016=100, private GFCF is nominal private GFCF deflated by private GFCF deflator, public GFCF is nominal total public GFCF deflated by public GFCF deflator.

169. Figure 51 shows the shares of public (general government and public corporations) and private GFCF in GDP (quarterly data, seasonally adjusted at current prices). Figure 51 shows the blip in the shares of public and private investment in the June quarter 2020, due to the fall in GDP resulting from the pandemic. However the share of public investment does not suggest any countercyclical public investment in response to the pandemic. Although the fall in GDP over 2020 is much bigger than the GFC, there is no sign of response in public expenditure from Figure 50 or Figure 51.

Figure 51 Shares of public and private capital formation in GDP, quarterly, seasonally adjusted, current prices, per cent



Sources: 5206001, 5206005, 5206012 and ACTU calculations

170. There is nothing so far to indicate a change from overall trend in either the public investment or the private investment series, although the recent developments are welcome. The business tax cuts, progressively introduced and broadened since 2015/16[117] have probably not served to raise investment including in the pandemic, although the cash transfers to business[118,] instant asset write off[119] and loss carry back measures[120] likely did.

[117] 2015/16 rate company tax rate was reduced to 28.5% for businesses with an aggregated turnover of less than $2 million. Reduced in 2016/17 to 27.5% for businesses with an aggregated turnover of less than $10 million. Maintained at 27.5% in 2017/18 and extended to businesses with an aggregated turnover of less than $25 million provided 80% or less of the businesses' assessable income is "base rate entity passive income" (a loose proxy for investment returns). For the 2018/19 and 2019/20 years the aggregated turnover eligibility requirement is lifted to $50 million. The rate reduced to 26% for the 2020/21 income year and will fall to 25% for the 2021-22 income year.

[118] Employing businesses with a turnover of less than $50 were eligible for payments of at least $20,000 and up to $100,000 in March-September 2020 consequent on them filing their activity statements or tax returns showing business income.

[119] Expansions to the instant asset write off/ accelerated depreciation rules occurred from May 2015 allowing multiple assets each valued below a threshold amount to be deducted. From 12 May 2015 to 28 January 2019, the threshold was $20,000. From 29 January 2019 to 2 April 2019 the threshold was $25,000. It was raised to $150,000 in March 2020 remained at that rate until the end of 2020. In addition, depreciation changes announced in the Budget allow assets purchased and installed between 12 March 2020 and 30 June 2021 to be subject to a deduction of an additional 50% of the asset cost in the year of purchase.

[120] See Budget Paper No. 2 at page 20-21

171. There is no sign of an impetus to wage growth through a boost to aggregate demand from investment, nor through associated productivity increases. The NMW increase remains the main avenue to increase wages in the current circumstances.

3.5 Consumer spending and retail trade

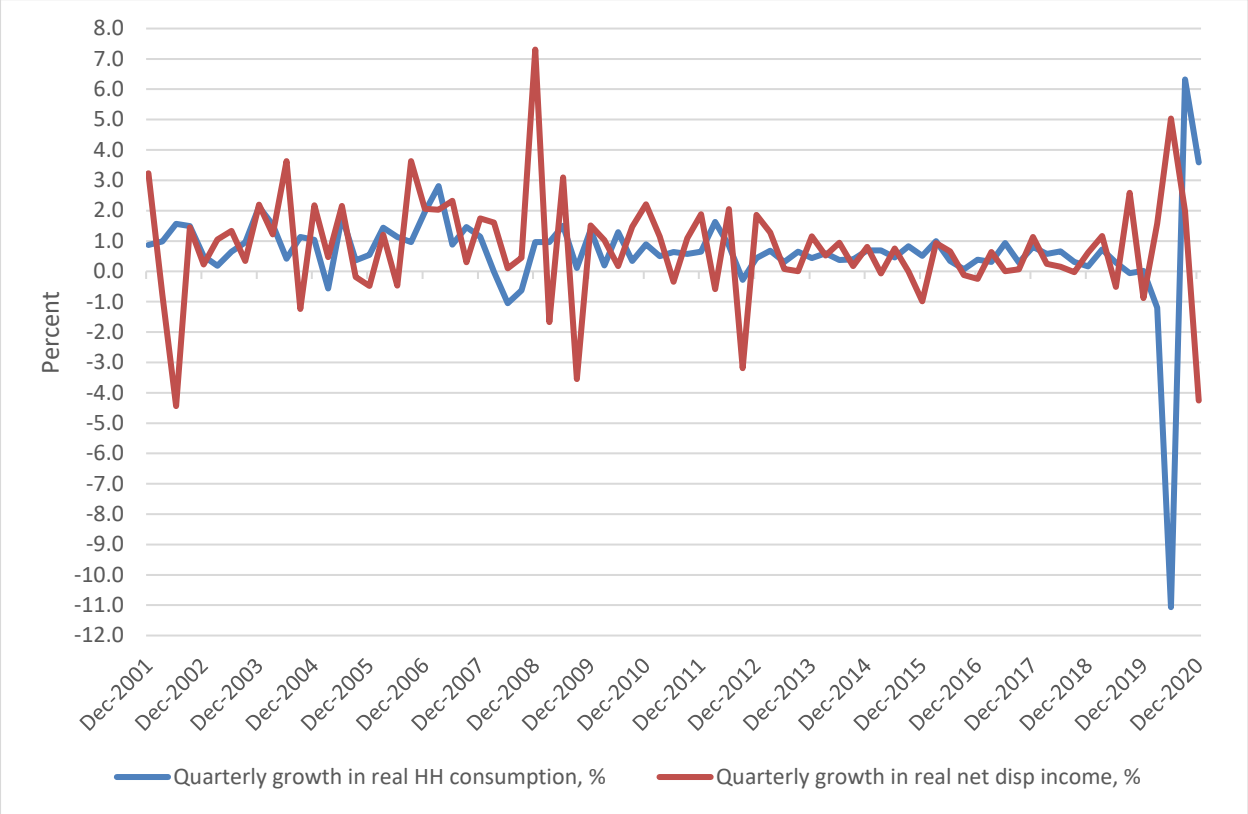
3.5.1 Consumption

172. The path of the pandemic is shown in the impact on household consumption spending over 2020. The quarterly real growth in household consumption had been quite low in 2019, falling from 1.9% in the March quarter 2019 down to 1.0% in the December quarter 2019. It was followed by a fall of 1.0% in the March quarter 2020, was -12.3% in the June quarter, -6.6% in the September quarter and -3.2% in the December quarter 2020.

173. The impact of the subsidies of JobKeeper and JobSeeker were seen in the corresponding quarters of growth in real net disposable household income of 1.6% in the March quarter 2020, 5.0% in the June quarter, 2.0% in the September quarter, followed by a fall of 4.3% in the December quarter 2020.

174. Real quarterly growth in household consumption and net disposable income is shown in Figure 52 over 20 years. The quarterly series display evidence of consumption smoothing relative to income growth fluctuations, with the exception of 2020 where consumption was constrained by the pandemic .

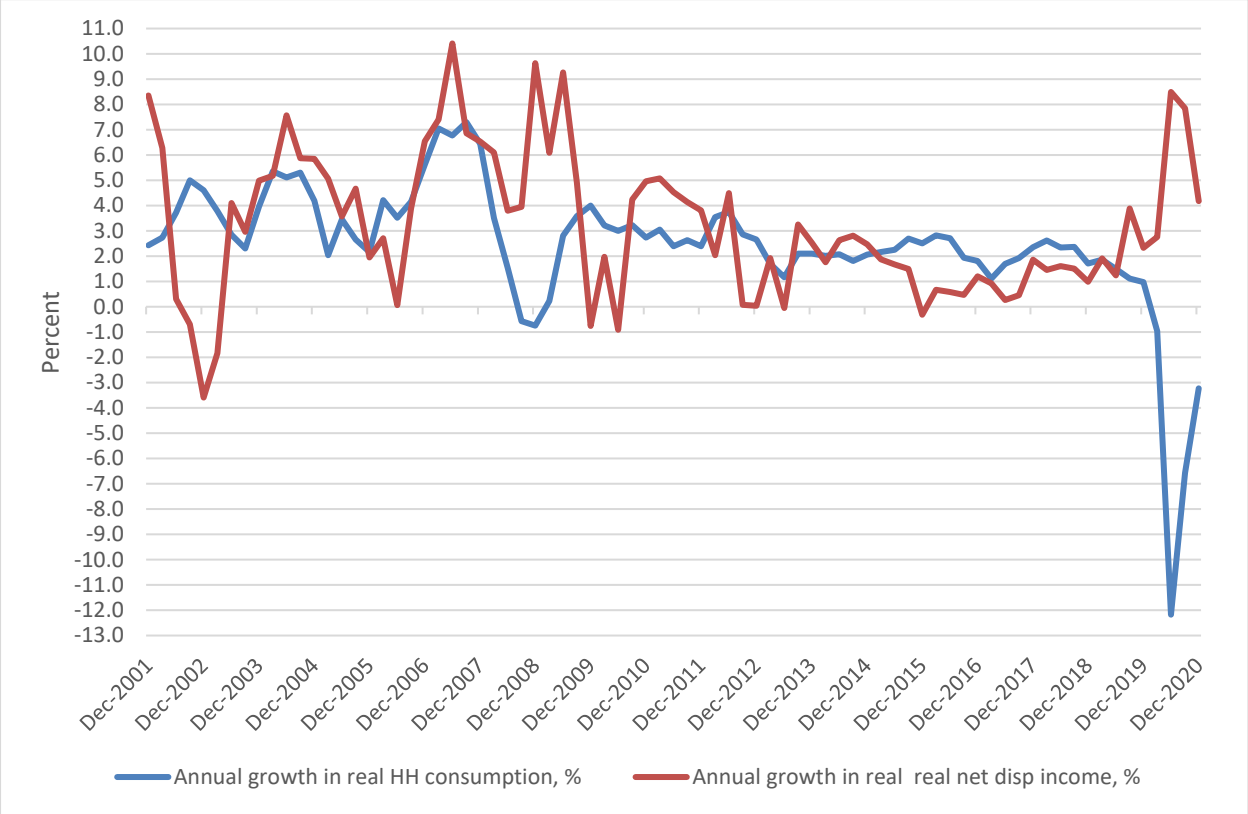
Figure 52 Quarterly growth in real household consumption and real household net disposable income, %



Source: ABS 5206020, 6401, and ACTU calculations. Net disposable income is household gross disposable income minus the consumption of fixed capital.

175. Annualized growth of household consumption and net disposable income from the corresponding quarter of the previous year is shown in Figure 53.

Figure 53 Annualized growth in quarterly real household consumption and real household net disposable income, %

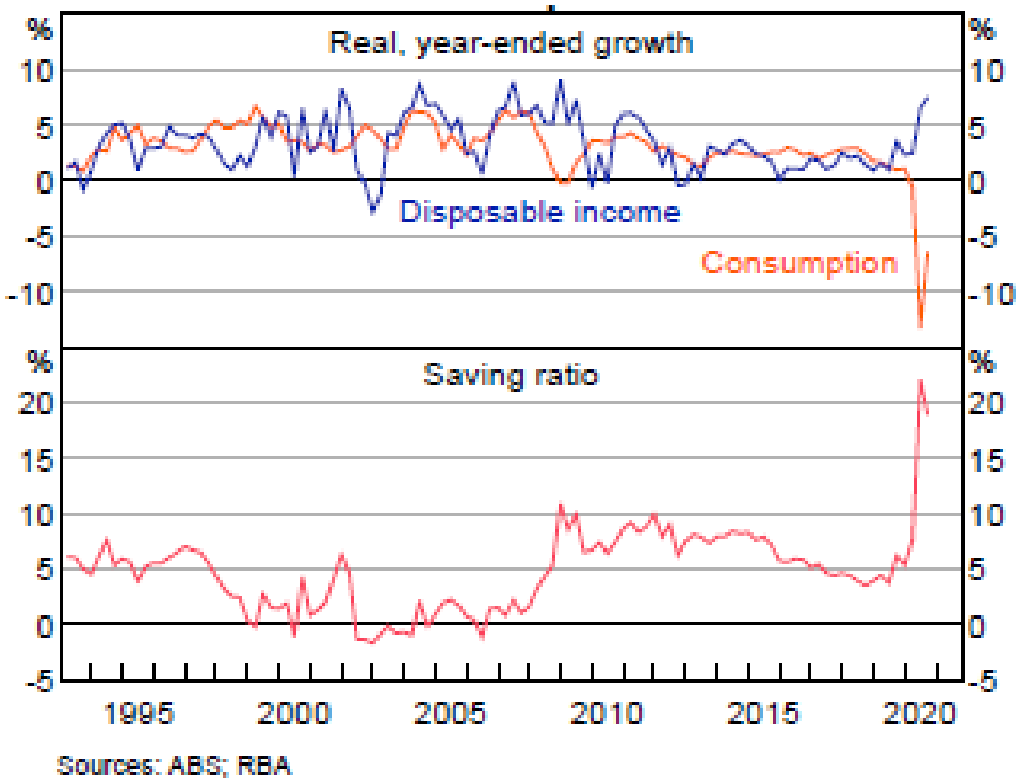


Source: ABS 5206020, 6401, and ACTU calculations. Net disposable income is household gross disposable income minus the consumption of fixed capital.

176. Figure 53 adds the December quarter 2020 annual growth to the RBA's Graph reproduced in Figure 54 from which also shows the recovery of the household savings ratio after the fall in income during the pandemic. The decline in annual growth of household income and the increasingly less negative growth of consumption are continued in the December quarter 2020.

177. Figure 53 and Figure 54 also show the depressed annual growth in household income particularly from September quarter 2015 to September quarter 2019.

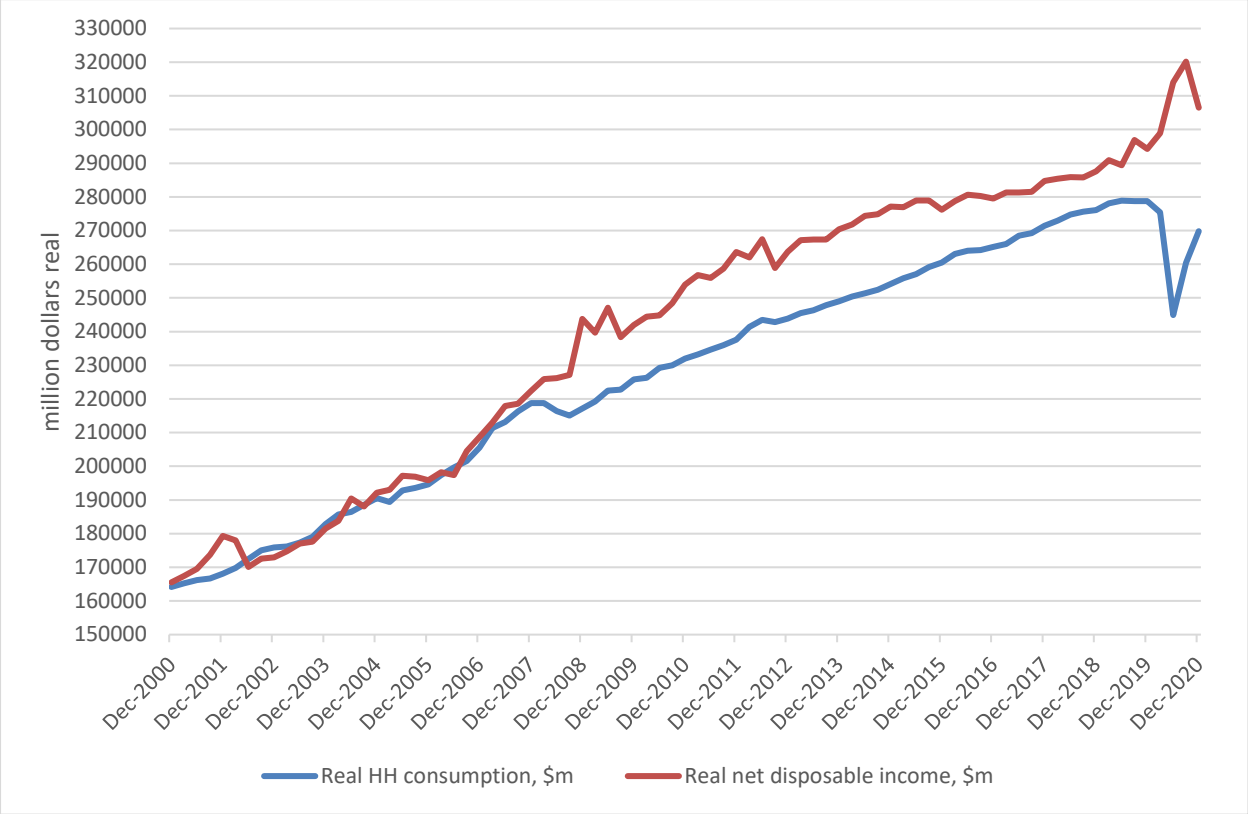
Figure 54 RBA: Household consumption and income



Source: RBA 2021 *Statement on Monetary Policy* February 2021, p.26 Graph 2.11

178. The quarterly totals of real household net disposable income and consumption underlying the growth figures are presented in Figure 55.

Figure 55 Household net disposable income and real household consumption, quarterly, real, million dollars

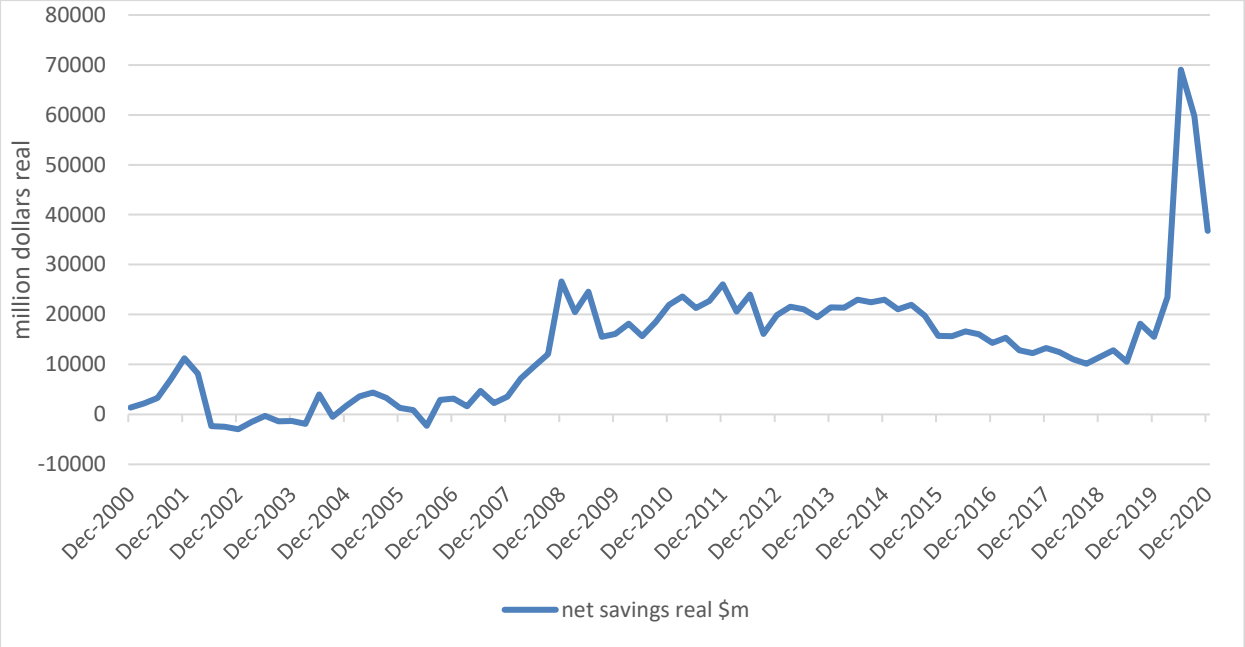


Source: ABS 5206020, 6401, and ACTU calculations. Net disposable income is household gross disposable income minus the consumption of fixed capital.

179. Figure 55 shows the flattening out of quarterly levels of real household net disposable income over the four years from December quarter 2015 to December quarter 2019 before the upward fluctuation during the pandemic. Consumption rose faster than income over that period before plunging in June quarter 2020 and then recovering, resulting in the increase then fall in the savings ratio in 2020.

180. The savings ratio in the RBA diagram in Figure 54 shows a dramatic widening before starting to narrow again in the September quarter 2020. The decline in the savings ratio shown in Figure 54 is continued in the December quarter 2020 as shown in Figure 56 as a real dollar gap and Figure 57 as a percent of income.

Figure 56 Savings gap, quarterly, net disposable household income minus consumption, real



Source: ABS 5206020, 6401, and ACTU calculations. Net disposable income is household gross disposable income minus the consumption of fixed capital.

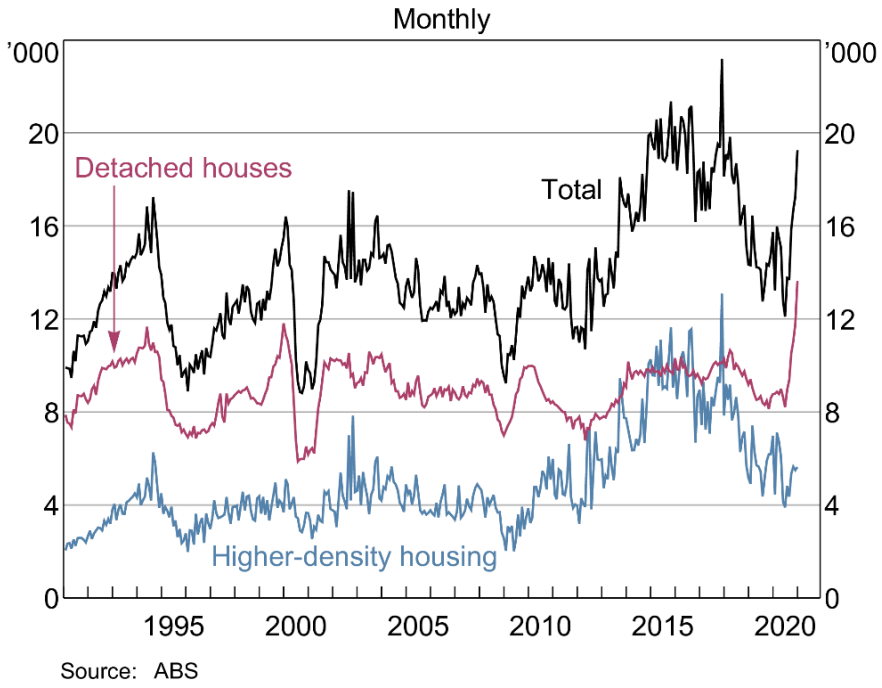
Figure 57 Savings ratio, quarterly, savings as a per cent of net household disposable income

Source: ABS 5206020, 6401, and ACTU calculations. Net disposable income is household gross disposable income minus the consumption of fixed capital.

181. The increase in household savings has led to an increase in demand for housing for owner occupation, while the closing of borders and the collapse of demand by international students and others has reduced demand for higher density housing. This also indicates that those on lower incomes have not gained enough to enter the housing market.

182. The stark increase in demand for detached houses is shown in the RBA chart from its Chart Pack in Figure 58 apparently up to December 2020,[121] as a response to the increase in household savings. However data released by ABS on 3 March 2021 for housing approvals in the month of January indicates a fall in numbers and this may correspond to the fall in household income in the December quarter 2020.[122]

Figure 58 RBA Chart: Private Residential Building Approvals

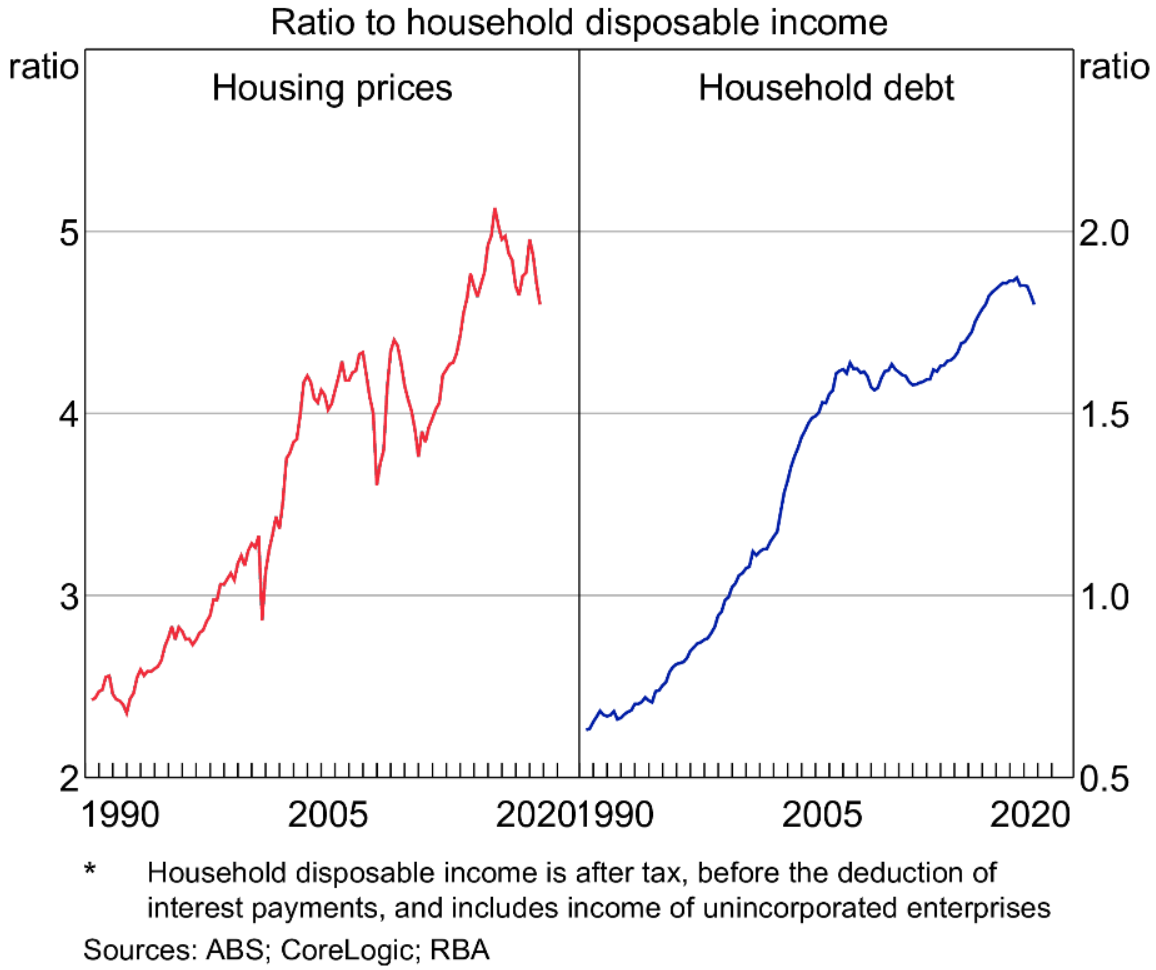


183. The lower ratio of house price to household disposable income has become manifest in the data over 2020 and is related to falling household debt ratios. The RBA Chart Pack released on 3 March 2021 presents the ratio of housing prices to household disposable income and the ratio of household debt to household income as reproduced in Figure

[121] Household Sector | Chart Pack | RBA released 3 March 2021 with data updated to 25 February
[122] Building Approvals, Australia, January 2021 | Australian Bureau of Statistics (abs.gov.au) released 3 March 2021

59.[123] These are of course aggregate figures. Low income households who have availed themselves of income subsidies in the pandemic in order to fund housing, remain insecure both in terms of employment and of wages.

Figure 59 Housing prices and household debt*

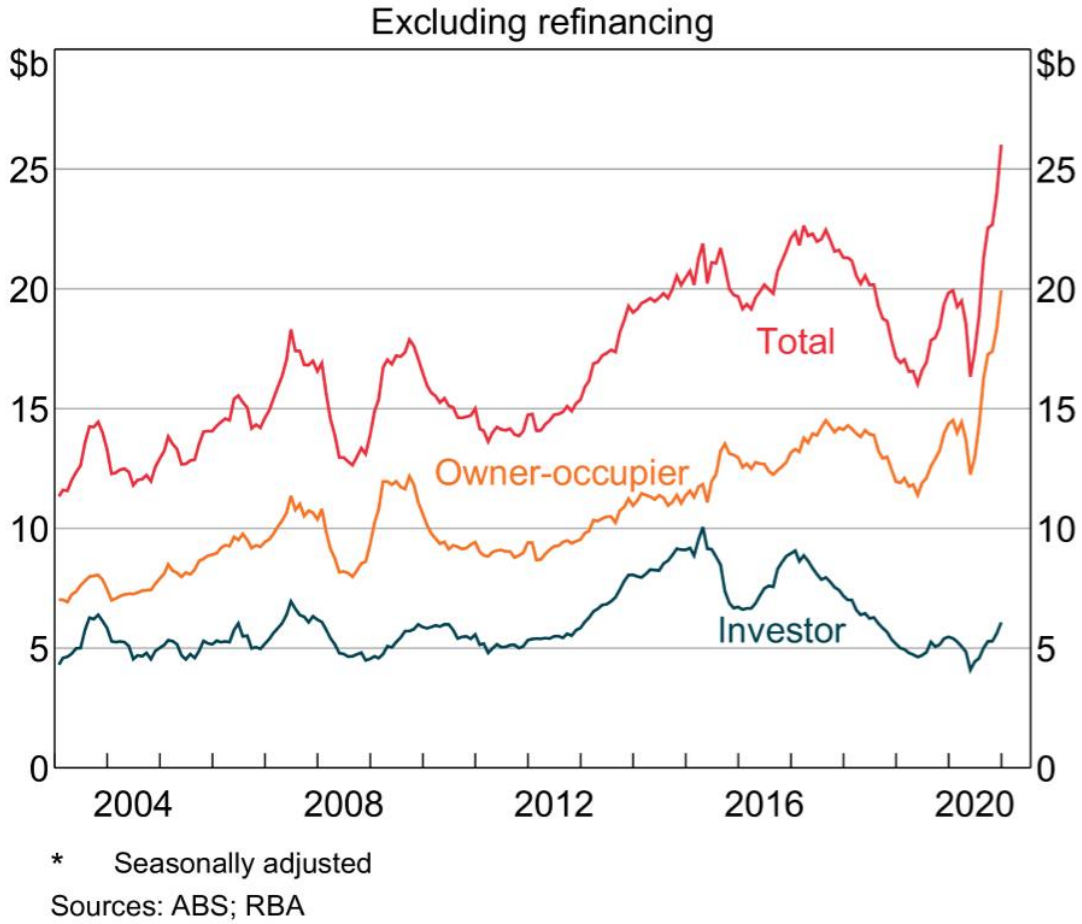


Source: Household Sector | Chart Pack | RBA data updated to 25 February 2021

184. The RBA Chart Pack of 3 March 2021 also presents Housing Loan Commitments[124] which indicates a strong increase in owner occupier loan commitments from mid 2020, reproduced in Figure 60.

[123] Household Sector | Chart Pack | RBA data updated to 25 February 2021
[124]

Figure 60 Housing Loan Commitments*



185. A recent increase in demand for housing notwithstanding the "slowest population growth in a century" is now moving housing prices up again in the context of zero interest rates[125] and presents a further problem for low paid workers and their households in finding affordable housing.

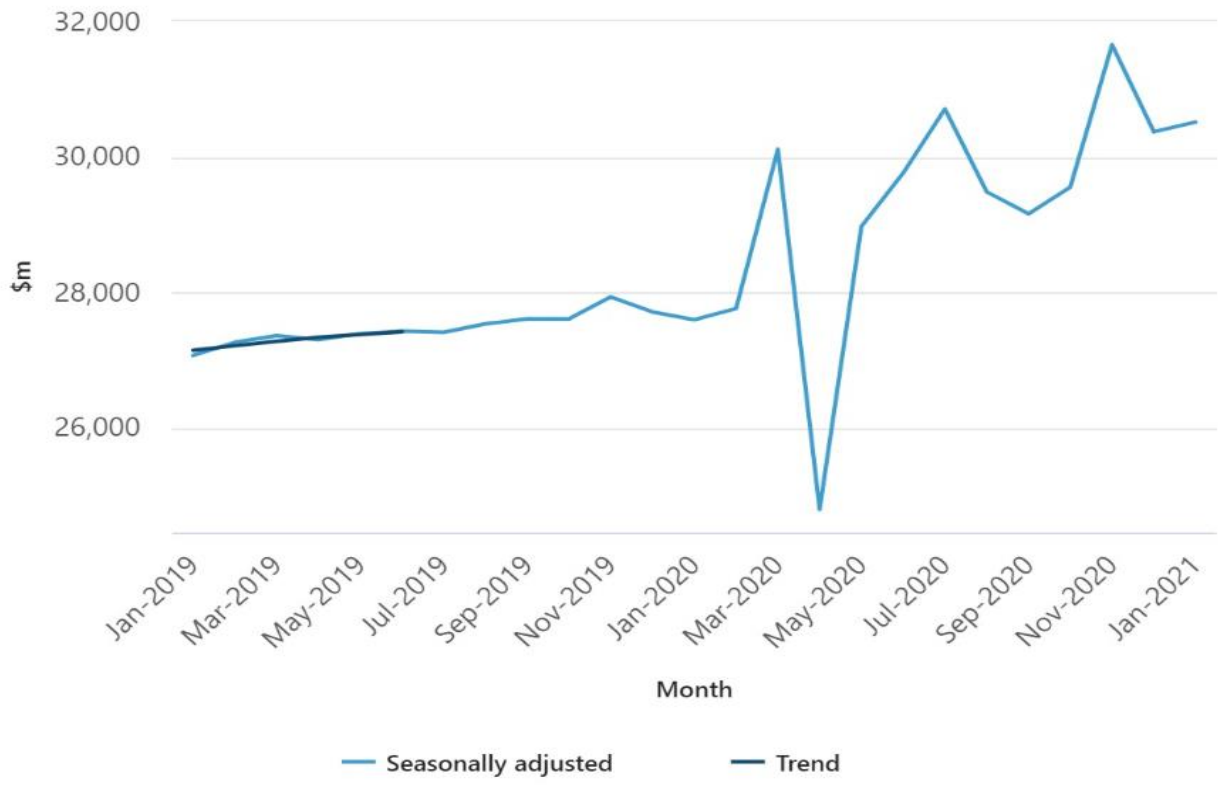
186. The ACTU would be concerned as to the economic consequences if household income continues to fall, particularly as the effects are disproportionately more severe for the low paid who are likely to be award reliant.

[125] The Recovery, Investment and Monetary Policy | Speeches | RBA Phillip Lowe speech to AFR Business Summit 10 March 2021

3.6 Retail performance

187. Figure 61 from ABS shows the extraordinary disruptions to and recovery of monthly retail trade over the year 2020 to January 2021, seasonally adjusted, current prices, compared with the previous year, and with the trend series included before its suspension by ABS.[126] However the pandemic impacts differed over the industry groups, reflecting the changed spending patterns of households.

Figure 61 ABS Graph: Total retail turnover levels, current prices, seasonally adjusted and trend.



Source: Australian Bureau of Statistics, Retail Trade, Australia January 2021
Source: Retail Trade, Australia, January 2021 | Australian Bureau of Statistics (abs.gov.au) accessed 14 March 2021

[126] ABS 8501

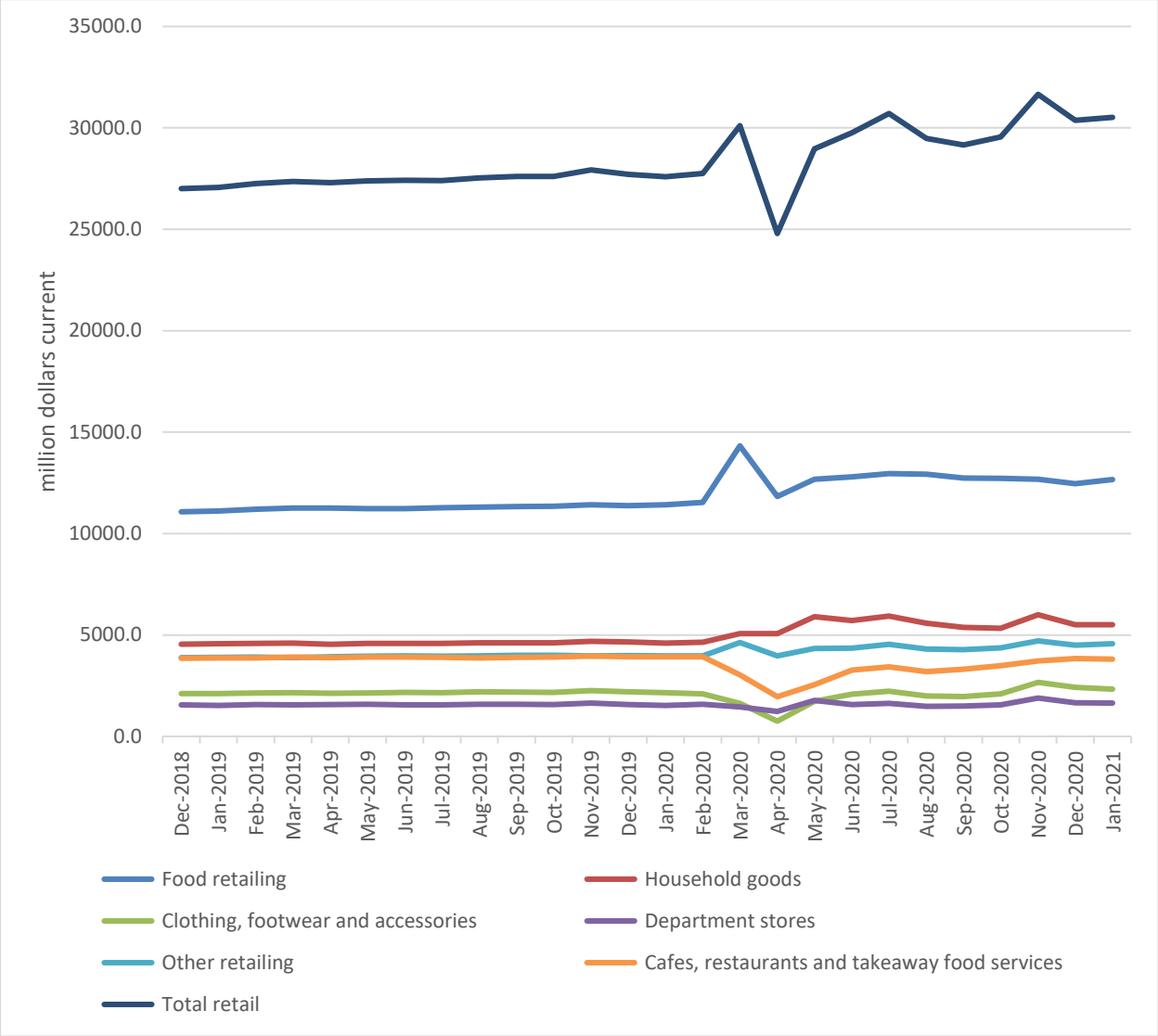
3.6.1 Retail industry sectors

188. Figure 62 shows the shocks to retail industry sectors and total retail sales in nominal dollars from February 2020 to January 2021, seasonally adjusted. Food retailing turnover is nearly $13 billion, over 40% of total retail turnover of $30 billion in January 2021, and more than twice as much as the next biggest, Household goods retailing turnover at $5.5 billion. All individual retail industries' current dollar turnover is higher at January 2021 than it was in January 2020, except for Cafes restaurants and takeaway food services.

189. Total retail displays the jump at March 2020 due to purchasing food and Other retail for hoarding.[127] Total retail in current dollars had recovered to be 10.6% higher at January 2021 than it was at January 2020, well beyond the increase in CPI over the year of 2020 of 0.9%.

[127] ABS 8501. . Other retailing includes other recreational goods, pharmaceutical cosmetic and toiletry, and newspaper and book retail.

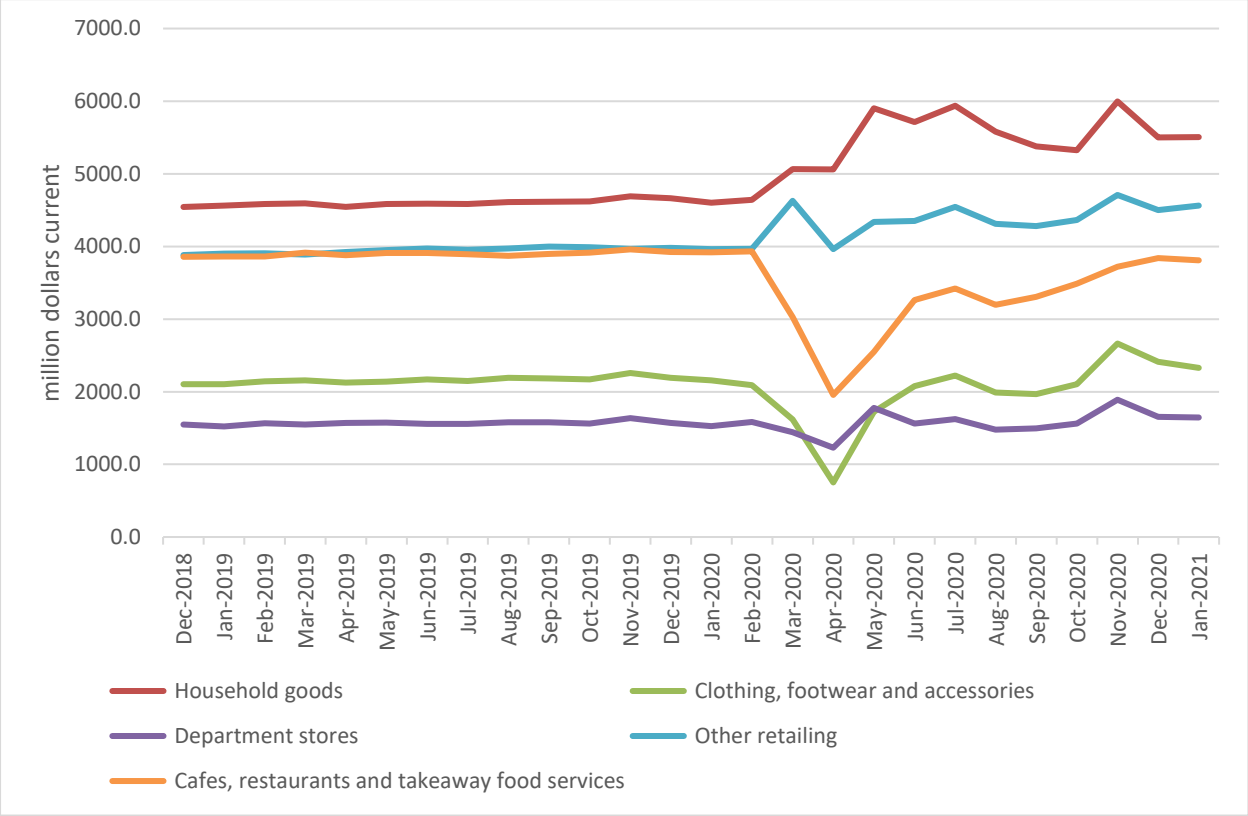
Figure 62 Retail industry sectors and total retail, monthly, December 2018 to January 2021, seasonally adjusted, current million dollars



Source: ABS 850101. Other retailing includes other recreational goods, pharmaceutical cosmetic and toiletry, and newspaper and book retail.

190. Cafes restaurants and food services turnover plummeted during the lockdowns as shown in Figure 63 which presents the relatively smaller industry sectors shown in Figure 62. By January 2021 the current dollar levels of monthly turnover in each retail industry sector were above or at least equal to the levels of February 2020, with the exception of Cafes restaurants and food services, suffering from border closures and possibly also growth in working from home arrangements.

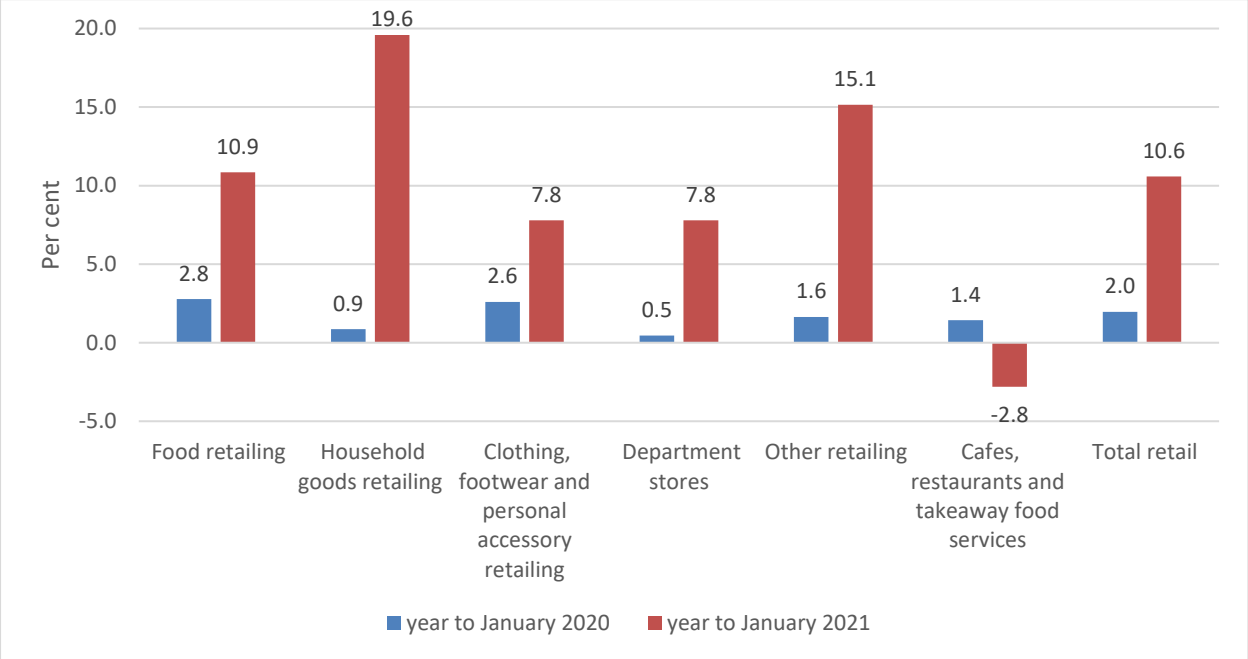
Figure 63 Various retail industry sectors, monthly, December 2018 to January 2021, seasonally adjusted, current million dollars



Source: ABS 850101. Other retailing includes other recreational goods, pharmaceutical cosmetic and toiletry, and newspaper and book retail.

191. The effects on annual growth in current dollar of the retail industry sectors are shown in Figure 64 which contrasts the increase in current dollars over the year to January 2021 with the year to January 2020. The effects are particularly stark as the inflation rate of 0.9% for the year 2020 was even lower than the 1.8% for 2019. We note that many of the year to January 2020 retail sector increases are below the 2019 CPI increase of 1.8% and the total of 2.0% annual growth in total retail to January 2020 appears to be only just above it. By contrast all the year to January 2021 retail sector increases are above the 2020 CPI increase of 0.9% except for Cafes restaurants and takeaway which fell by 2.8% in nominal terms, for a total retail turnover increase of 10.8%.

Figure 64 Growth in retail industry sectors and total, monthly, year to January 2020 and year to January 2021, seasonally adjusted, current dollars



Source: ABS 850101, ACTU calculations. Other retailing includes other recreational goods, pharmaceutical cosmetic and toiletry, and newspaper and book retail

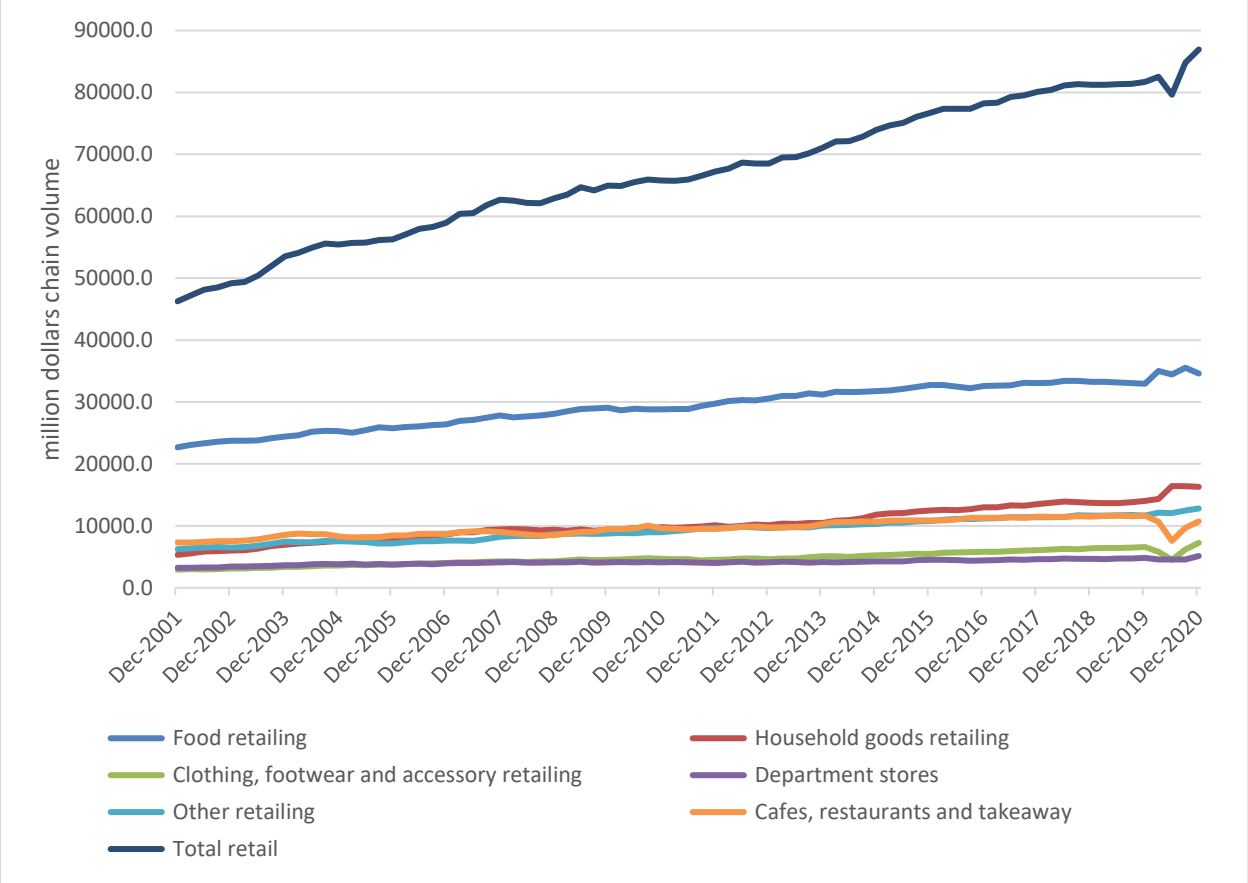
192. Chain volume retail turnover is available quarterly from the ABS Retail Trade publication. This is useful for presenting the impacts of the pandemic in the historical context. Figure 65 shows the extreme fluctuations in retail quarterly turnover chain volume in 2020, seasonally adjusted. By the December 2020 quarter the retail industries had recovered, except for Cafes restaurants and takeaway food as shown in Figure 66. The (real) dollar fall in quarterly turnover in the June 2020 quarter in Cafes restaurants and takeaway food of $3.1 billion was larger than the entire fall in total retail turnover in that quarter of $2.9 billion as shown in Figure 65, real terms. In the two quarters since the June quarter 2020 total retail turnover in real terms has recovered $7.3 billion whereas that of Cafes restaurants and takeaway food has only recovered by $3.1 billion in real terms.

193. The twenty years of chain volume retail sector turnover data allows us to see how that the shock in the 2020 data is the largest for decades in volume terms. The pandemic is the also the biggest shock to the retail industry since the start of the published data period at 1983.[128] The volume retail trade data also allow us to see that the September and

[128] ABS 850107

December quarters 2020 totals are well above the overall trend for total retail turnover volume.

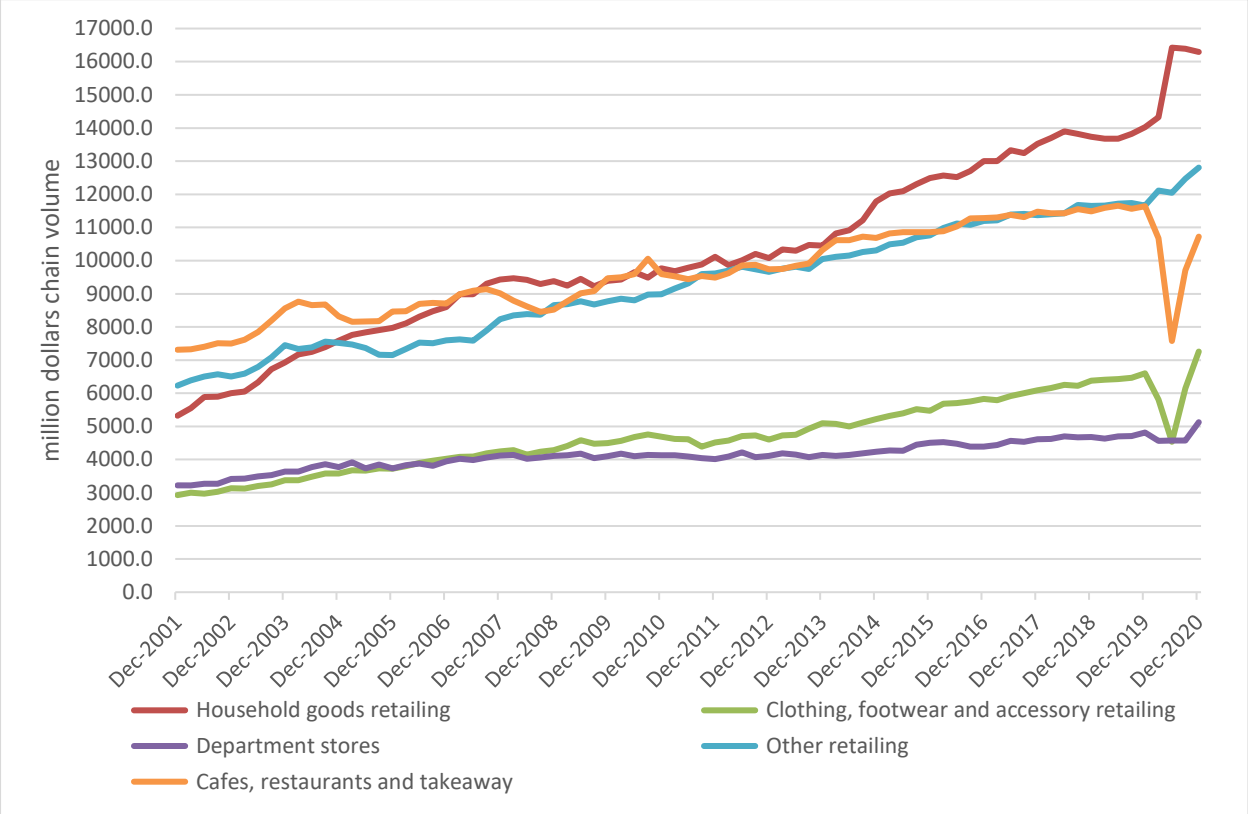
Figure 65 Real retail industry sectors and total retail, quarterly to December 2020, seasonally adjusted, million dollars chain volume



Source: ABS 850107. Other retailing includes other recreational goods, pharmaceutical cosmetic and toiletry, and newspaper and book retail.

194. As shown in Figure 66 which excludes food and the total volume of retail turnover from Figure 65 for scale, the story for retail industry sectors is more varied, with a jump in household goods, and a fall and recovery in clothing and footwear and a fall and improvement in cafes restaurants and takeaway.

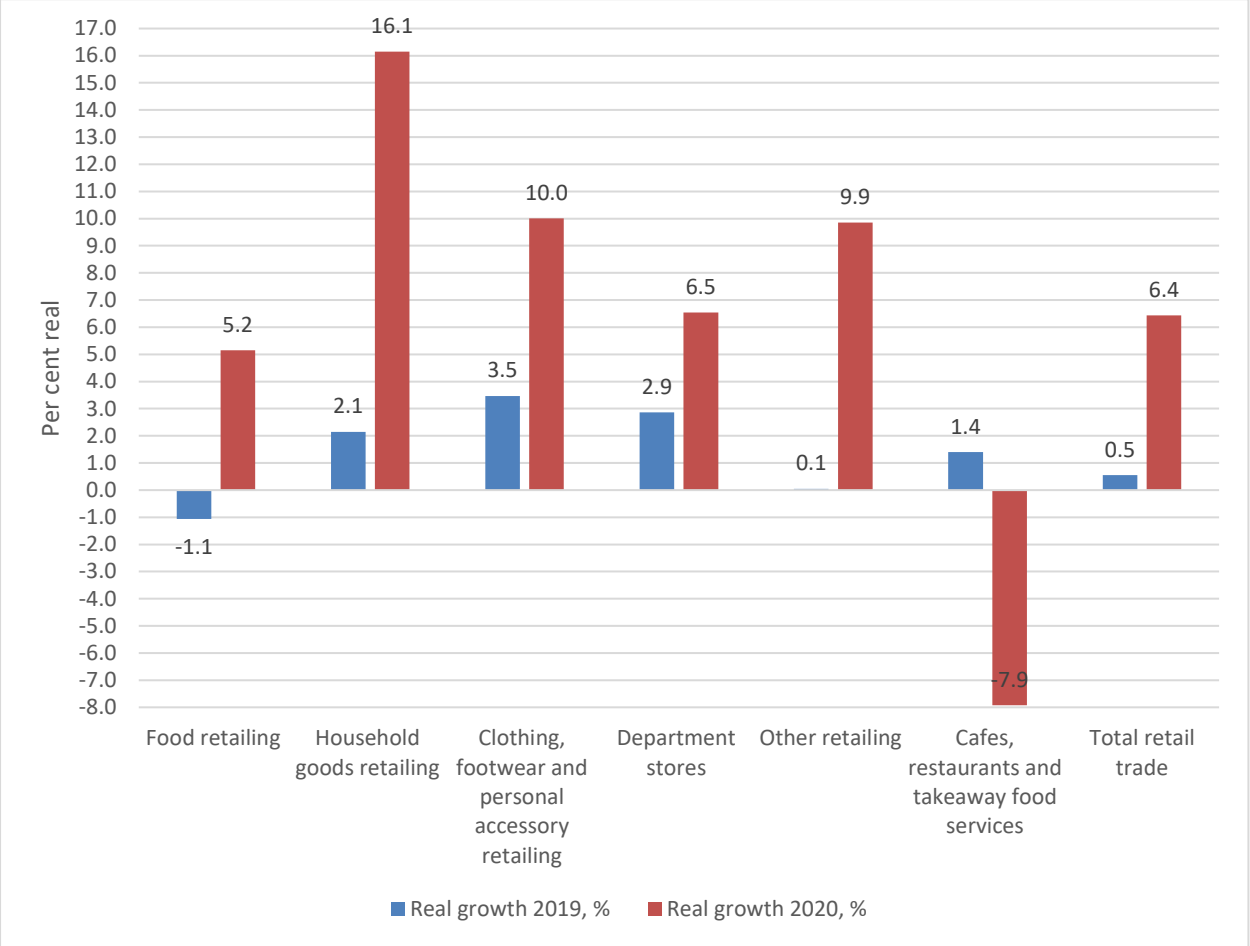
Figure 66 Relatively smaller real retail industry sectors, quarterly to December 2020, seasonally adjusted, million dollars chain volume



Source: ABS 850107. Other retailing includes other recreational goods, pharmaceutical cosmetic and toiletry, and newspaper and book retail.

195. We have to go back to June quarter 2002, eighteen years, to find a level of real turnover for Cafes restaurants and takeaway food which is equivalent to that of June quarter 2020, as shown in Figure 66. The effect of the reduction in tourism and restaurant dining appears to have outweighed the increase in takeaway food during pandemic lockdowns.

Figure 67 Annual growth in real turnover, December quarter to December quarter, retail industries, chain volume 2019 and 2020



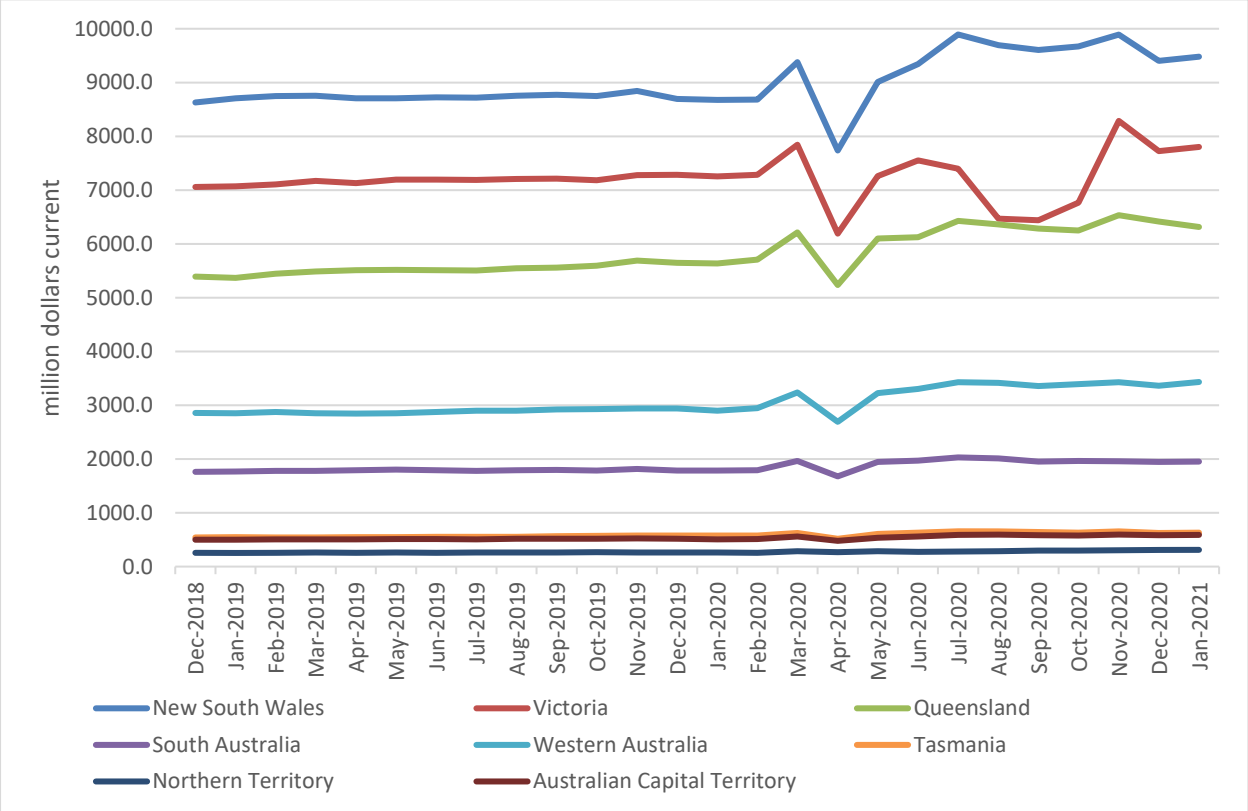
Source: ABS 850105 and ACTU calculations

196. Figure 67 shows that all the retail industries increased their real turnover over 2020, from December quarter 2019 to December quarter 2020, compared with the same for 2019, except for Cafes, restaurants and takeaway food services where real turnover fell 7.9% from the December quarter 2019 to the December quarter 2020. We are reminded that retail turnover was not appearing to be healthy prior to the pandemic and has picked up by December quarter 2020. This would be due to the impact on retail trade of the income support of JobSeeker and JobKeeper to the low paid and unemployed which is all spent, much of it on retail goods and services.

3.6.2 Retail industry by state

197. Figure 68 shows the retail turnover monthly in current terms for each state over the two years to January 2021, seasonally adjusted. The impact of the Victorian lockdowns in particular can be observed on total retail turnover presented in the top series on a larger scale inFigure 61. The influence of the pandemic is reflected in retail turnover in each state, where the long lockdown in Victoria and the shorter NSW lockdowns produced historical troughs in the June quarter 2020 as shown inFigure 68. The impact of initial lock down on the April 2020 figures and of the long lockdown in Victoria on August to October 2020 figures is evident. Victoria's June quarter 2020 retail turnover was the lowest in five years, since the September quarter 2015.

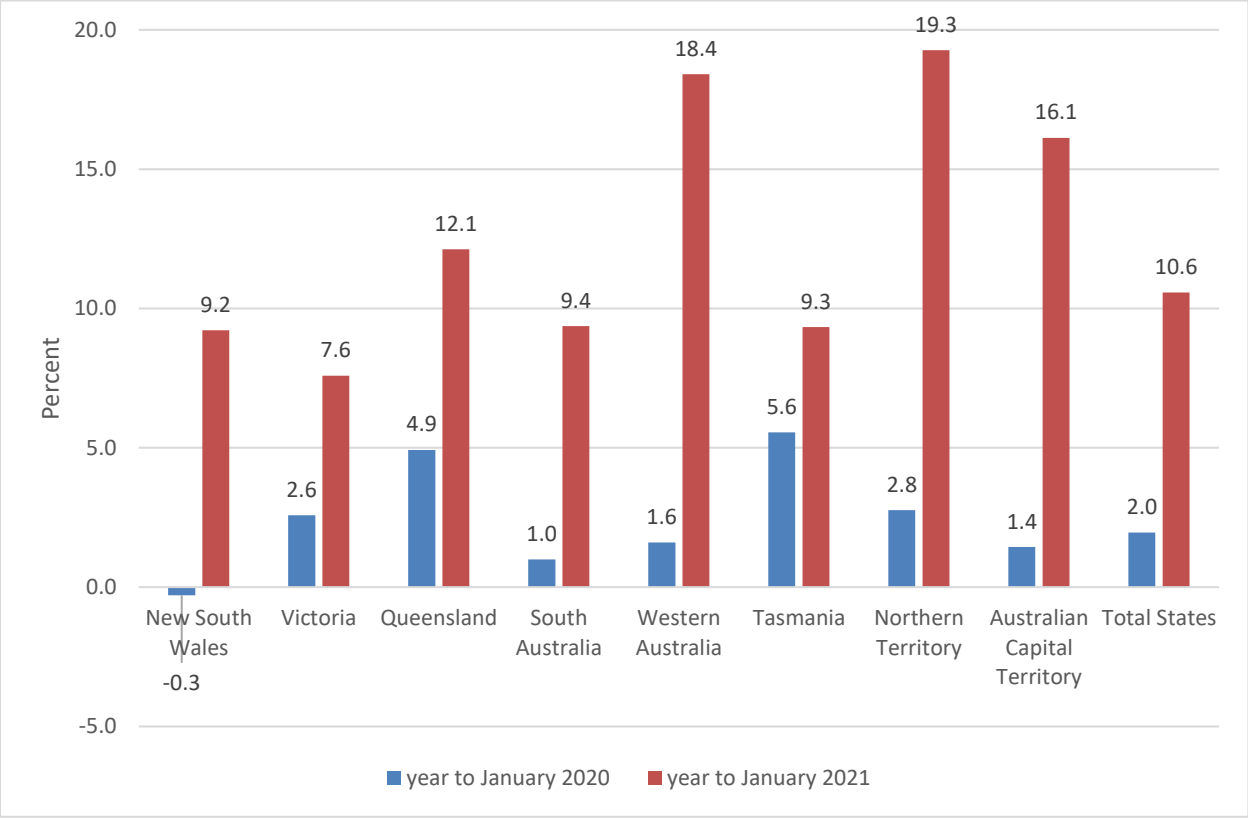
Figure 68 Total retail by state, monthly, December 2018 to January 2021, seasonally adjusted, current dollars



Source: ABS 850103.

198. New South Wales, South Australia, Western Australia and ACT all had retail turnover growth in current terms in the year to January 2020 which was below CPI increase for the year 2019 as shown in Figure 69. All the states had nominal retail turnover growth for the year to January 2021 that was considerably higher than inflation.

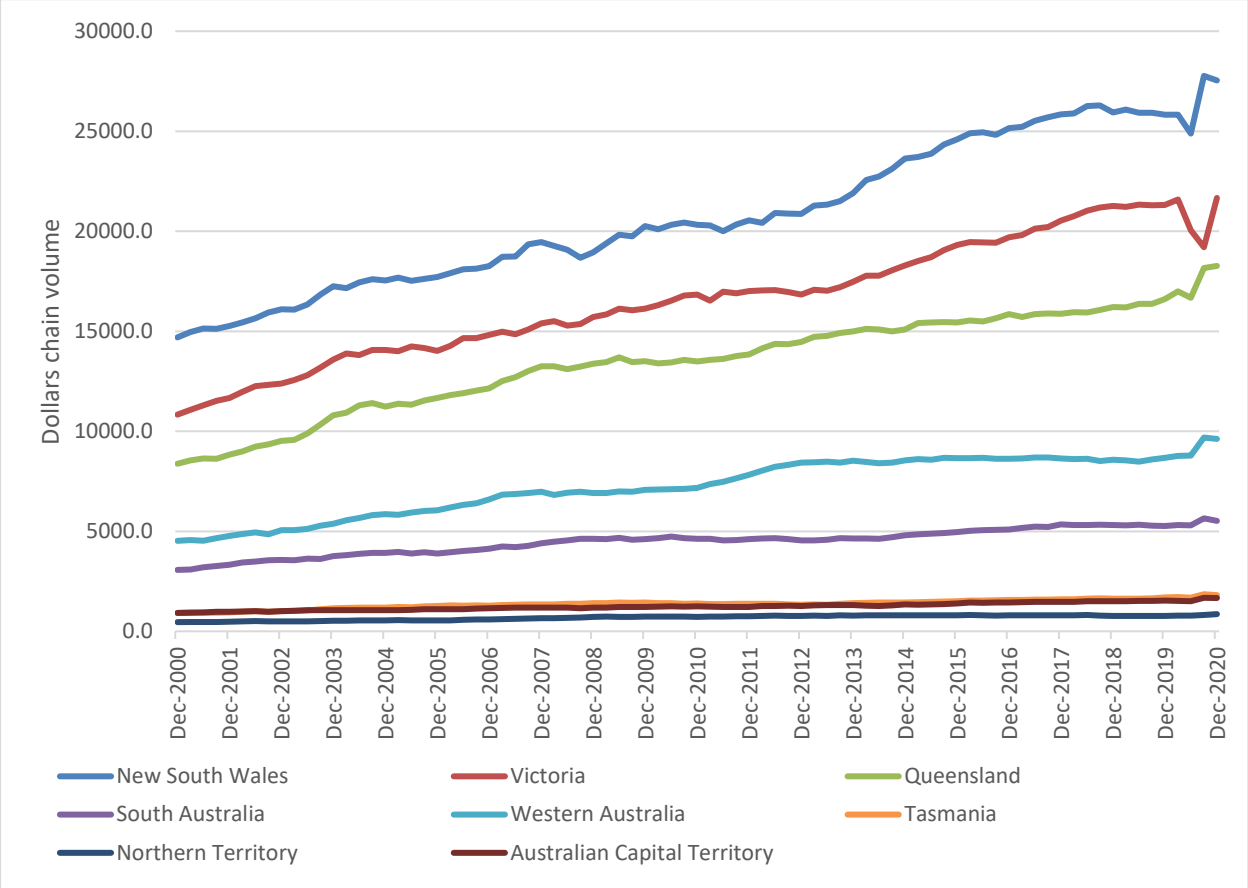
Figure 69 Growth in retail turnover by states and total, monthly, year to January 2020 and year to January 2021, seasonally adjusted, current dollars



Source: ABS 850103 and ACTU calculations.

199. Figure 70 shows real retail turnover by state, quarterly over 20 years to the December quarter 2020. It can be compared with the real total retail turnover for Australia shown as the top series in Figure 65. The influence of pandemic lockdowns on retail volume shows most strongly in Victoria, but also NSW and Queensland as shown in Figure 70. Particularly NSW, Queensland and WA have indicated above trend levels of retail turnover in the September quarter 2020 then flattening out or turning down in the December quarter 2020.

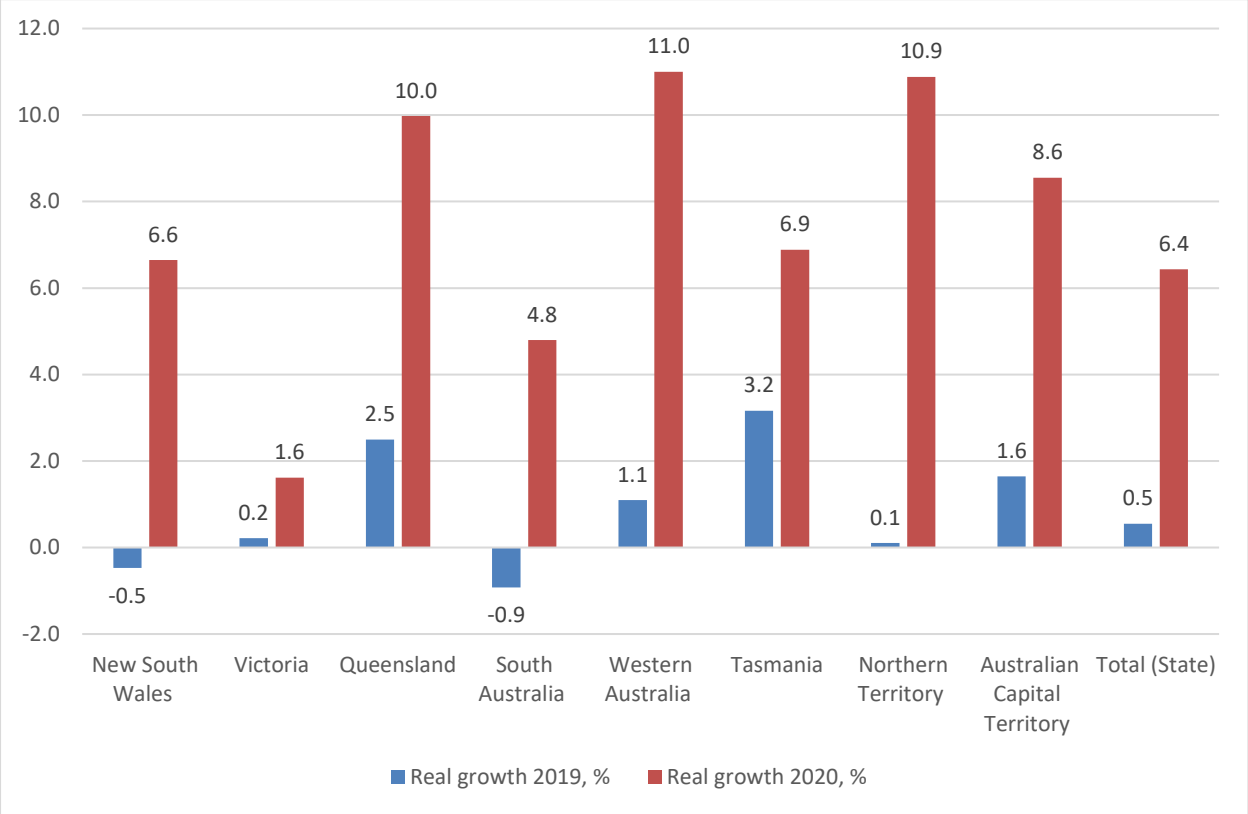
Figure 70 Real retail turnover, states, quarterly to December 2020, seasonally adjusted, million dollars chain volume



Source: ABS 850109, seasonally adjusted.

200. Figure 71 shows the growth in total retail turnover, December quarter to December quarter, chain volume, comparing 2019 with 2020. All states have increased retail turnover for the year to December quarter 2020, compared 2019. The impact on Victoria of its long lockdown is shown, however retail trade still grew by 1.6% for the year 2020. The figures again show that retail turnover was not particularly healthy prior to the pandemic and the impact on retail turnover of the income support of JobSeeker and JobKeeper to spending by the low paid and unemployed and is shown.

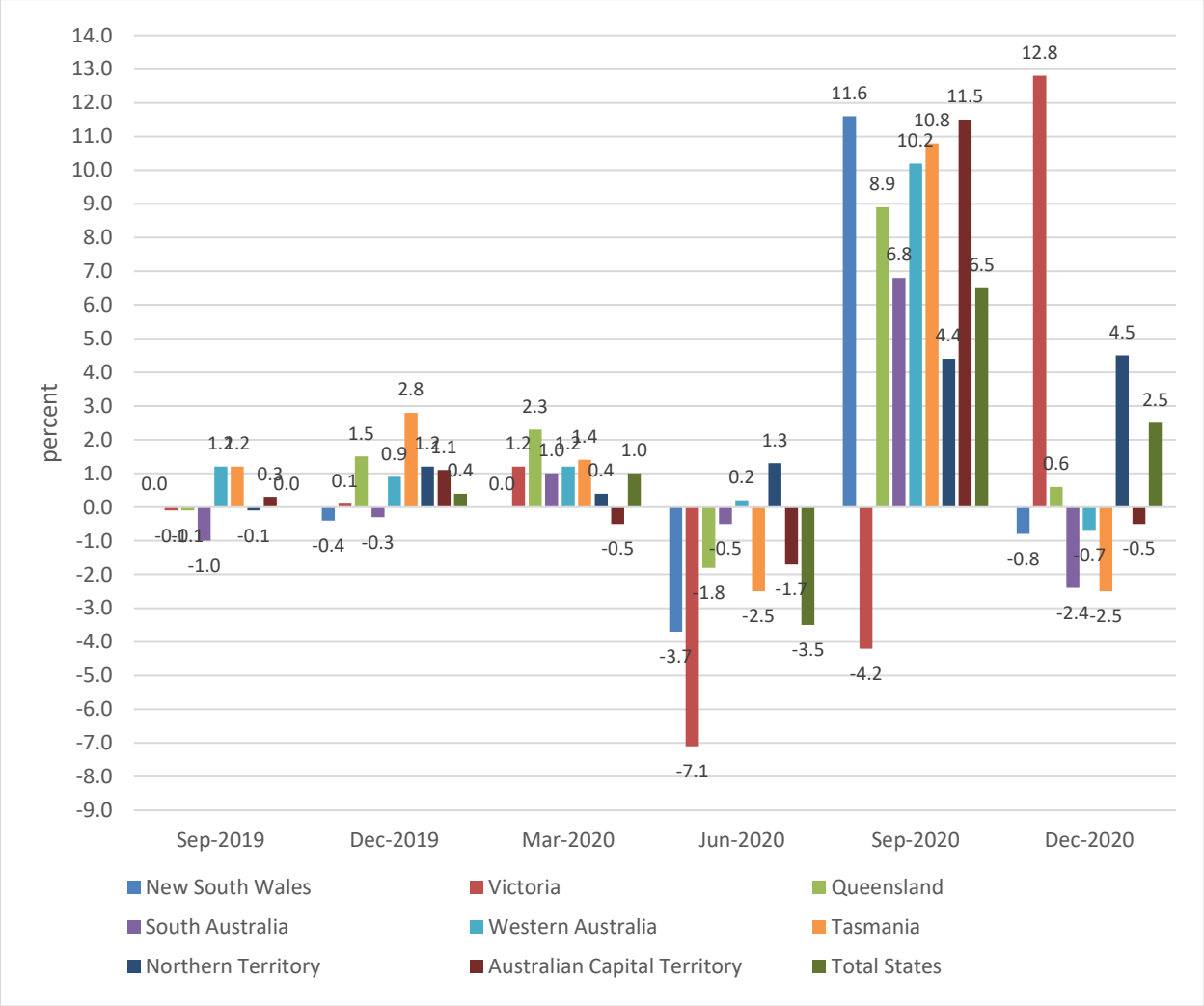
Figure 71 Annual growth in total retail turnover, December quarter to December quarter, states, chain volume 2019 and 2020



Source: ABS 850109

201. Real quarterly growth from September quarter 2019 to December quarter 2020 is shown in Figure 72. It highlights the low rates of growth of retail volumes prior to the onset of pandemic and restrictions. The effect of the Victorian lockdowns is shown in its later recovery in the December quarter 2020. In the ACTU's view it portends poor outcomes for retail sales as subsidies are withdrawn. An increase in the minimum wage and awards will assist ongoing growth in retail volumes.

Figure 72 Real growth in retail turnover by states and total, quarters September 2019 to December 2020, seasonally adjusted, chain volume dollars



Source: ABS 8501010, seasonally adjusted.

202. In nominal terms, over the year to January 2020 the total for monthly retail turnover increased $8.5 billion or 2.6% over the previous year to January 2019. In nominal terms over the year to January 2021 the equivalent retail turnover increased $22.7 billion or 6.9%. We make a ballpark estimate of the contribution of subsidies to retail spending by assuming that the growth of retail turnover in the previous year of 2.6% would apply for the year to January 2021 instead of the actual 6.9%. This would result in about $14 billion more being spent on retail in the year to January 2021 than expected. We can assume a lot of that came from the subsidies to JobKeeper, JobSeeker and business subsidies. This suggests that when these subsidies end retail turnover will be affected. An increase in the minimum wage would serve as an alternative stimulus.

3.7 Productivity

203. The Panel's Decision of 2019-20 said "Due to the implications of the easing of government restrictions on the labour market and a likely significant fall in GDP in the June quarter, labour productivity growth will probably vary in a way that is unlikely to be indicative of its underlying trend."[129] The ACTU is in agreement with the Panel's view, particularly considering the shocks to the economy over the last year.

204. The impact of the pandemic on the productivity measures of last year is evident in Chart 2.1 of the Statistical Report of 26 February which includes data from December 2020 up to September 2020.[130] GDP per capita and RNNDI per capita both fall almost back to 2020 levels, around 7 percentage points, in the June quarter 2020 and then recover less than half of that in the September quarter 2020. By contrast GDP per hour worked and GVA per hour worked (market sector) move up by around 5 percentage points in the June quarter 2020 and move down a couple of percentage points in the September quarter, due to the faster fall of hours than output over the June quarter.

205. The concern about disturbance to productivity measures is reflected in the absence of mention of productivity in the most recent RBA *Statement on Monetary Policy* of February 2021. The Treasury's MYEFO 2020-21 of 17 December refers to impacts of the pandemic including on population size with uncertain effects on labour through scarring or on productivity in the medium term.[131] It refers to improvements to public infrastructure and private investment as improving productivity in the longer term.

206. The Panel has consistently been reluctant to place too much weight on short term estimates of productivity[132] and in last year's decision both the minority and the majority were mindful of the likely disconnect between productivity measures during the pandemic and the underlying trend.[133]

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[129] [2020] FWCFB 3500 at [21]
[130] FWC 2021 *Statistical Report Annual Wage Review 2020-21* , Version 1 of 26 February, p.6
[131] Treasury 2020 *MYEFO 2020-21*, 17 December, p.18
[132] [2019] FWCFB 3500 at [100]
[133] [2020] FWCFB 3500 at [279], [503]

207. The ACTU is of the view that any connection between minimum and award wages and labour productivity not discernable under these circumstances. The path to improved productivity is assisted by increases to aggregate demand brought forth by minimum wage increases particularly under current circumstances. Conversely as productivity has lagged for years in Australia, productivity increase has not yielded wage increases. In any case the mechanism for wage increases appears to absent and is left to minimum wage and award increases.

3.8 Profits and wages

3.8.1 Profit and wage share of income

208. Chart 3.1 in the *Statistical Report* presents the wages and profits shares in total factor income.[134] It shows a dramatic increase in the share of profits in total factor income over the year to September 2020, while the wages share has fallen.

209. Profits (corporations' gross operating surplus) and wages (compensation of employees) are shown as shares respectively of total factor income over the twenty years to December 2020 in Figure 73. The profit share has trended up over the twenty years while the labour share has trended down.

[134] Statistical Report Annual Wage Review 2020-21 Version 1 23 February Chart 3.1 p.10

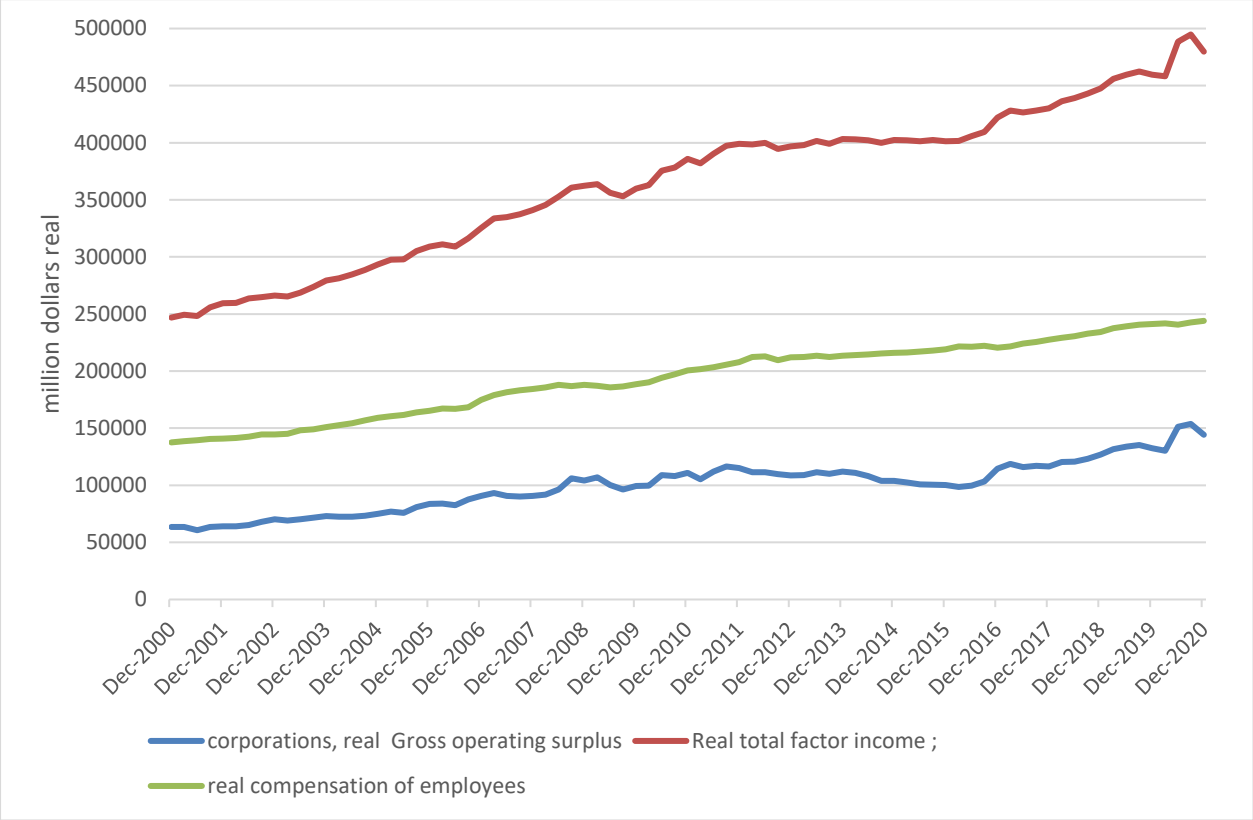
Figure 73 Corporations gross operating surplus and compensation of employees, share of total factor income, quarterly, %

Source: ABS 5206007, seasonally adjusted, ACTU calculations

210. The pandemic of 2020 saw the wage share of income fall to its lowest in the twenty years presented and in fact in the longer series not shown. It fell from 52.8% at the March quarter 2020 down to 49.0% at the September quarter despite a fall in total factor income, before recovering to 50.9% at December. Meanwhile the profit share of income was the highest it had been, reaching 30.0% at December 2020. It had risen as a share of income from 28.4% at March 2020 to 31.1% at September 2020.

211. Figure 74 shows real total factor income, real compensation of employees and real corporations gross operating surplus. Real total compensation of employees grew only 1.1% in the year to the December quarter 2020 while real profits grew 8.9%, with the effect that real total factor income increased 4.4%. 58.5% of the increase in factor income was due to profits increase, while only 13.9% of the increase in factor income went to employees' compensation.

Figure 74 Total factor income, total compensation of employees and total corporations gross operating surplus, quarterly, seasonally adjusted, million dollars real

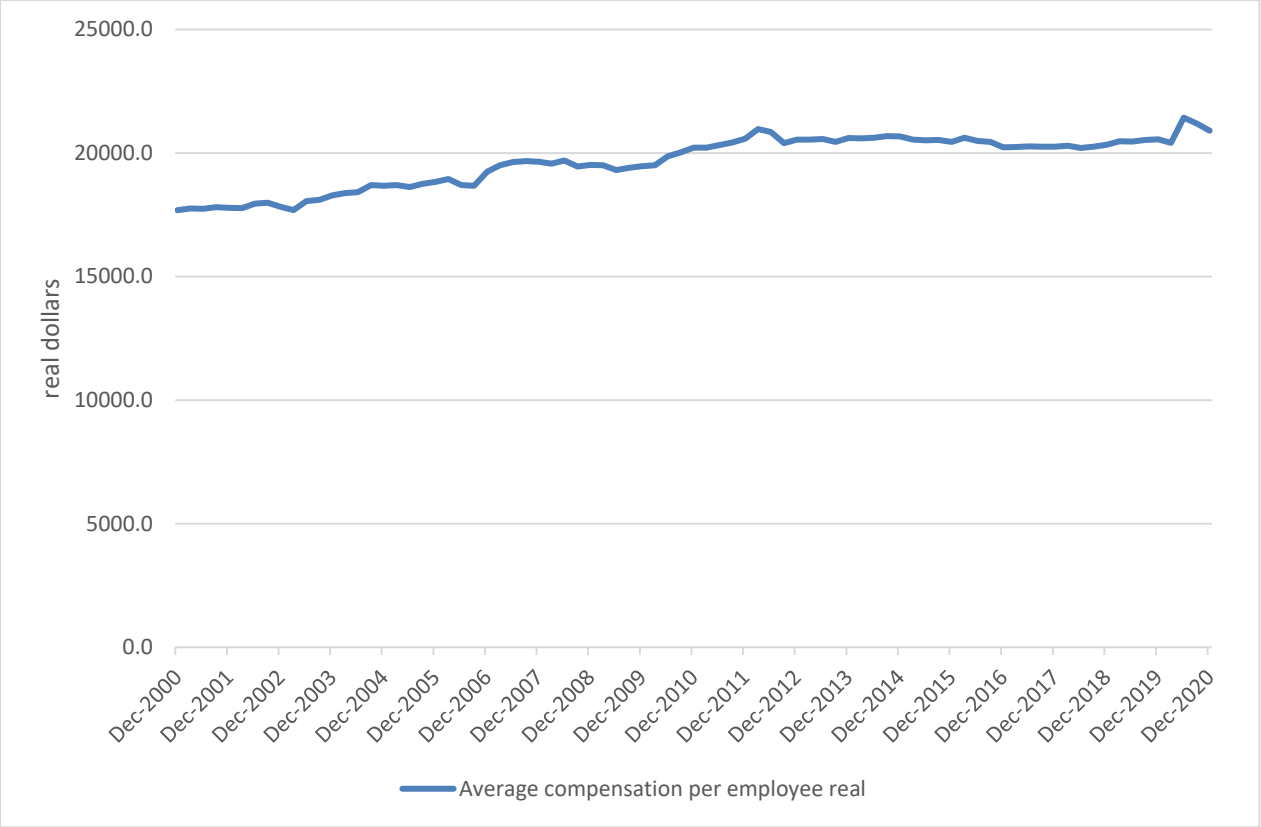


Source: ABS 5206007, seasonally adjusted, 6401, ACTU calculations

3.8.2 Employee compensation

212. The level of average compensation per employee has not shifted in real terms from March 2012 to March 2020, over eight years as shown in Figure 75 for quarters, vertical axis from zero in order to highlight the minuteness of real changes. We should not be encouraged by the increase in real compensation per employee in the June quarter 2020 of 5.0%, which is followed by the September quarter fall of 1.3% and the December quarter fall of 1.1%, for an annual increment to growth to the December quarter 2020 of 1.7% as shown in Figure 77.

Figure 75 average compensation per employee, real, quarterly

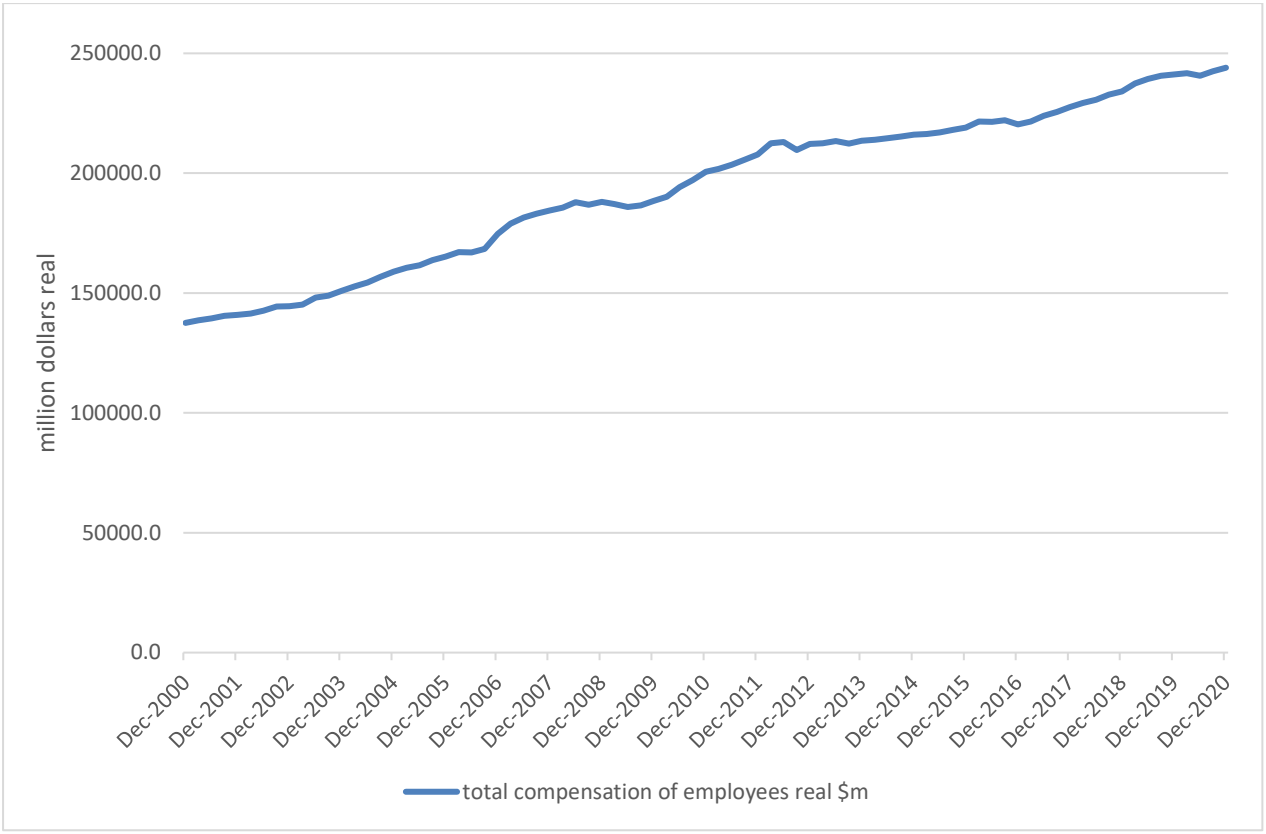


Source: ABS 5206024, 520607, 6401, and ACTU calculations.

213. Figure 76 again with vertical axis from zero allows total compensation to be compared with average compensation per employee, in real terms, as shown in Figure 75.

214. Figure 77 shows quarterly growth of average compensation per employee and total employee compensation. It allows us to see that the increase in average compensation per employee in the June quarter 2020 is associated with a fall in real *total* compensation in the June quarter 2020 of -0.4%. This is due to the lower paid disproportionately leaving the workforce and JobKeeper subsidies which are included in compensation. A recovery of total employee compensation of 0.8% in the September quarter and 0.6% in the December quarter 2020, makes for an annual growth in total compensation of 1.2% from December quarter 2019 to December quarter 2020.

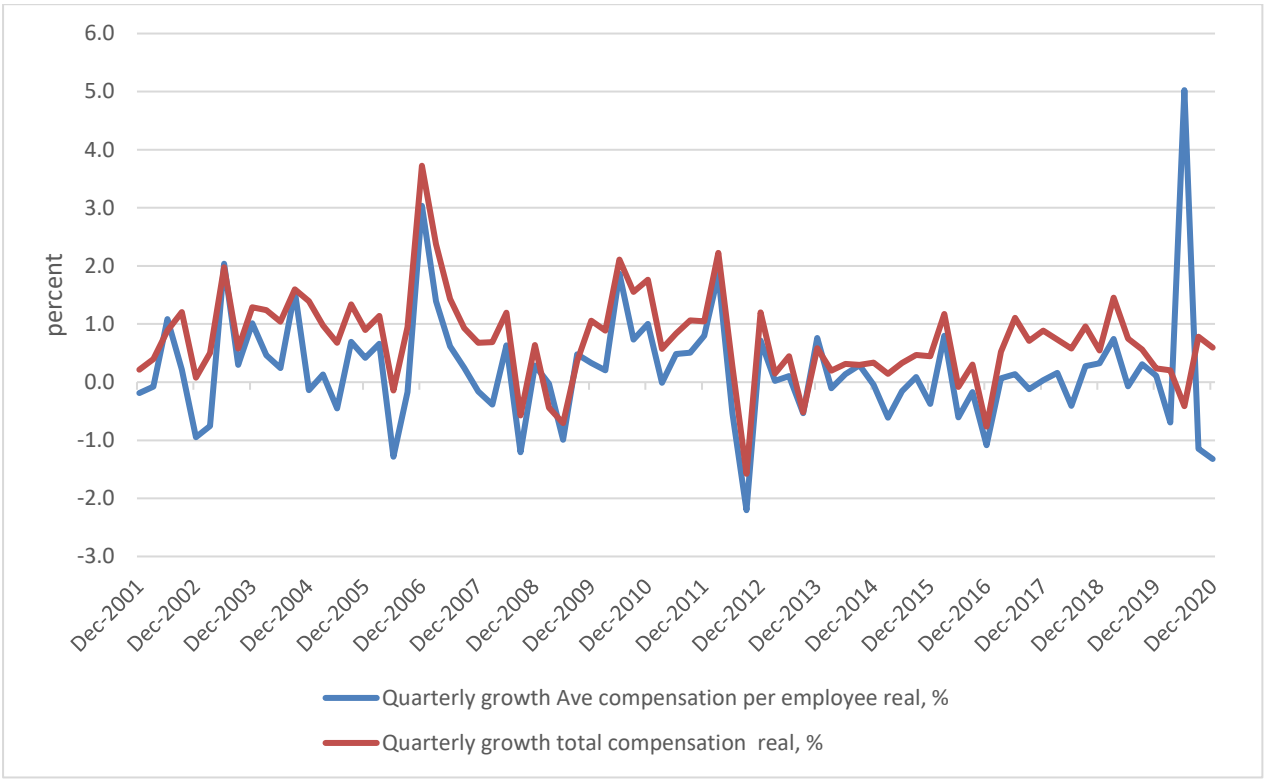
Figure 76 total compensation, real, quarterly



Source: ABS 5206024, 520607, 6401, and ACTU calculations.

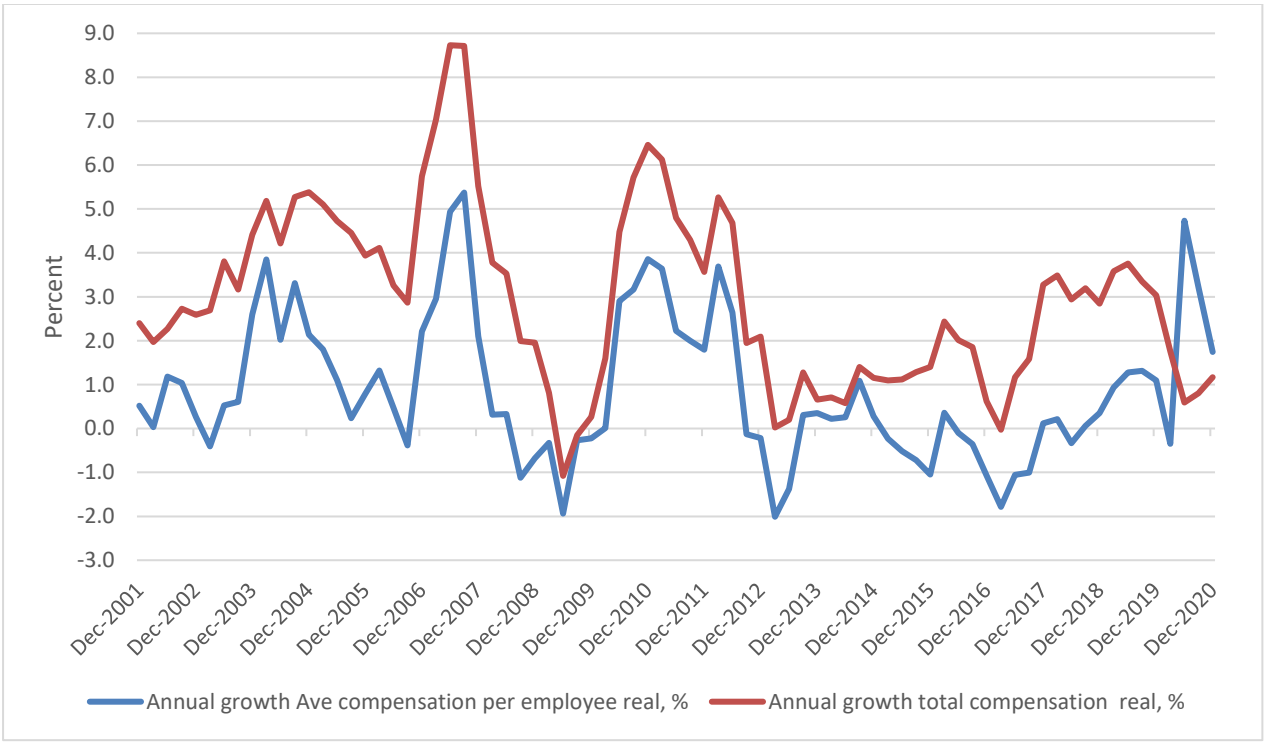
215. Figure 77 shows the real quarterly changes in total employee compensation and average compensation per employee and Figure 78 shows the annual growth over the same quarter of the previous year. Both the quarterly and the annual series' show how unusual 2020 is. It is the only time shown in the series presented over twenty years in which growth in compensation per employee is higher than growth in total compensation.

Figure 77 Quarterly growth in total employee compensation and average compensation per employee, real, per cent



Source: ABS 5206024, 520607, 6401, and ACTU calculations.

Figure 78 annual growth in total employee compensation and average compensation per employee, quarters, real, per cent



Source: ABS 5206024, 520607, 6401, and ACTU calculations.

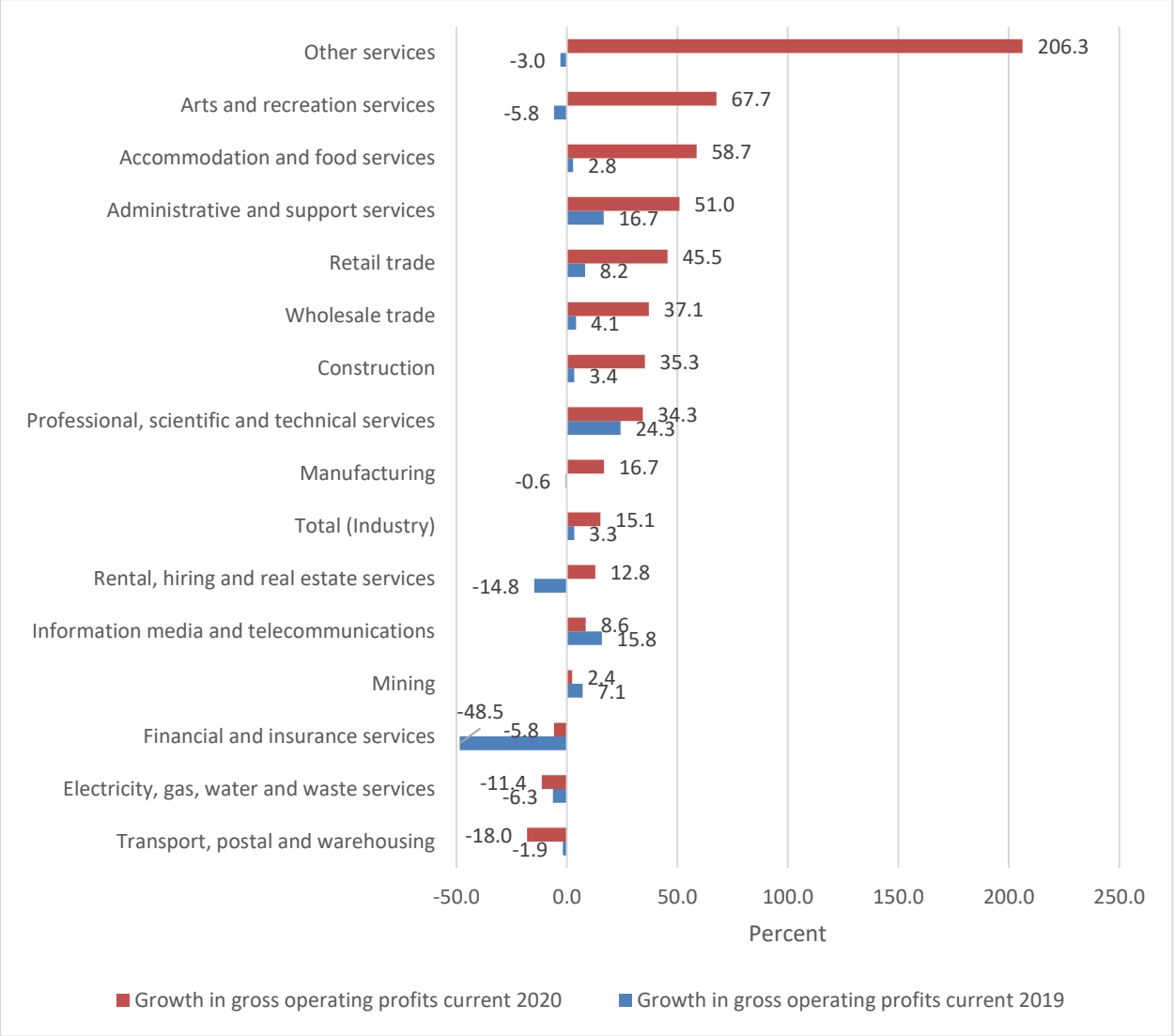
3.8.3 Profits

216. The Treasury revised upwards its forecast tax since the 2020-21 budget in the MEFO of 17 December 2020 partly due to "higher unincorporated business income and higher corporate profits flowing through to dividends."[135] MYEFO 2020-21 forecast corporate gross operating surplus growth at 4 ¾ % for 2020-21. From ABS data, corporate gross operating profits were running at double digits in the last three quarters of 2020 in annual nominal terms, at 13.1% for the June quarter, 18.6% for the September quarter, and 15.1% in the December quarter 2020.[136]

217. The RBA's *Statement on Monetary Policy* of February 2021 said that increased business profits over recent quarters should help to support investment.[137] In the ACTU's view it could also enable ready funding of minimum wage and award increases.

[135] Treasury 2020 *Mid Year Economic and Fiscal Outlook 2020-21* , released 17 December 2020, p.41
[136] ABS 5676011
[137] RBA 2021 *Statement on Monetary Policy* February p.65

Figure 79 Growth in gross operating profits, quarters, current, industry, December quarter to December quarter, 2019 and 2020



Source: ABS 5676011 and ACTU calculations

218. Quarterly profits grew faster for award reliant labour intensive industries than the other industries from December quarter 2019 to December quarter 2020 as shown in Figure 79. This was after 2019 over which quarterly profits in these industries had grown much more slowly or fallen as shown in Figure 79 for growth from December quarter to December quarter. We note that the data does not include the other award reliant industry of Health care and social assistance, nor does it include Education and training.

219. Comparable profits data is not published in the *Business Indicators* from ABS for Education and training and Healthcare and social assistance, both relatively award dependent

industries. The ACTU notes that the *Statistical Report* V2 of 27 February Table 3.4 presents annual profit margins for the financial year 2018-19 from Australian Industry 2018-19.[138] These data indicate that amongst the highest profit margins (operating profits before tax as a share of sales and service income) were in the Healthcare and social assistance (private), 20.8%, and Education and training (private), 18.3%.

220. The more award reliant industries of Other services, Accommodation and food services, Administrative and support services and Retail trade for which data were available were within the top five for quarterly profits (gross operating surplus) growth from December quarter 2019 to December quarter 2020. This does not suggest that businesses in these industries would struggle to afford an increase in the minimum wage or awards.

221. The increase in quarterly profits for all industries was $14.4 billion from December quarter 2019 to December quarter 2020. 41.2% of the increase in quarterly total profits or $6.0 billion was in the four more award reliant industries of Other services, Accommodation and food services, Administrative and support services and Retail trade, with Health care and social assistance not provided in the data. The $6.0 billion increase in quarterly profits over 2020 for the four more award reliant industries can be compared with the $623 million increase in quarterly profits for the year 2019 for those industries; quarterly profits increased more than fivefold from December quarter 2019 to December quarter 2020 compared with the increase in quarterly profits from December quarter 2018 to December quarter 2019.

222. In terms of annual totals, total profits for four quarters for all industries (except Education and training and Healthcare and social assistance) had been $390 billion for the year 2019, and increased to a total of $439 billion for the year 2020, current terms, an increase of $48.4 billion or 12.4%.

223. In the four more award reliant sectors with data for profits available, total profits increased from $36.9 billion for 2019 to $62.7 billion for 2020, an increase of $25.7 billion or a large

[138] *Statistical Report AWR 2020-21* V1 p.13 Table 3.4

69.7%. These data do not suggest that paying an increase in a minimum wage and awards would be an impost.

3.8.4 Wage rates

224. MYEFO forecast a mere 1¼% for WPI increase in 2020-21.[139] WPI had slowed significantly (year on year) from 2.2% at the March quarter and 1.8% at the June quarter and was 1.4% (year on year) at the September and December quarters 2020 seasonally adjusted, a record low over more than two decades of the WPI series. The Treasury said this "reflected fewer end-of-financial year wage reviews, delayed enterprise agreement increases and the staggered implementation of award increases."[140] The Treasury expected subdued wage and price growth over the forecast period (to 2024).[141]

225. The Treasury said in its MYEFO released on 17 December 2020: "Measures of average earnings, such as Average Weekly Earnings and Average Earnings on a National Accounts basis, rose sharply in the June quarter 2020 as a result of the JobKeeper Payment and because employment in lower paid jobs experienced the sharpest declines." It expects that as jobs recover, compositional effects will unwind and "temporarily weighing on average earning in the near term." [142]

226. The RBA said in its February 2021 *Statement on Monetary Policy*: "Wages growth has slowed further recently, as employers have responded to the economic challenges of the pandemic by delaying wage increases, imposing freezes and, in some cases, applying temporary wage cuts." It said the JobKeeper subsidy and greater employment losses in lower paid jobs temporarily boosted National Accounts measures of wages growth. although both private and public sector wage increases were delayed. [143]

[139] Treasury 2020 *Mid Year Economic and Fiscal Outlook 2020-21,* released 17 December 2020, p.3
[140] Treasury 2020 *Mid Year Economic and Fiscal Outlook 2020-21,* released 17 December 2020, pp.25-26
[141] Treasury 2020 *Mid Year Economic and Fiscal Outlook 2020-21,* released 17 December 2020, p.3
[142] Treasury 2020 *Mid Year Economic and Fiscal Outlook 2020-21,* released 17 December 2020, p.26
[143] RBA 2020, Statement on Monetary Policy: November 2020, p.49

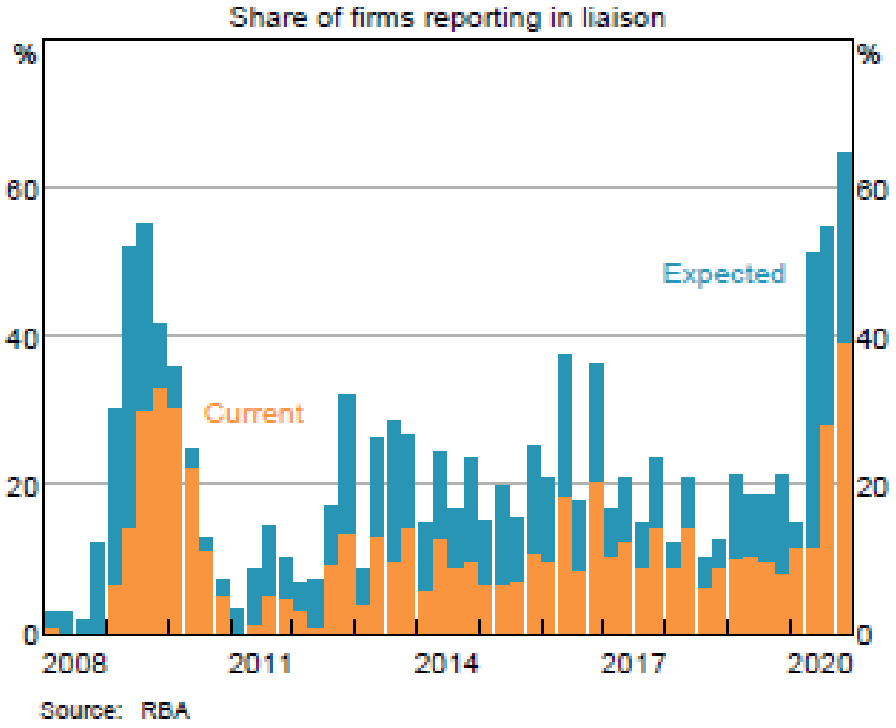
227. The RBA said:

> Wages growth has been weakest in industries most reliant on award wage increases, including Accommodation & food services and retail trade. Annual increases in award wages usually occur in the September quarter, but the Fair Work Commission decided in June to delay effective increases for most awards to November or February. These delayed awards are expected to provide some support to wages growth in affected industries in coming quarters, although the increase in award wages will be smaller than it has been in recent years in light of the current economic environment.[144]
>
> "Liaison reports suggest that wages growth will remain weak for some time. The proportion of firms reporting they had wage freezes in place or intended to implement wage freezes this year increased further in the December quarter (Graph 4.18). Some firms also reported that bonuses would be reduced or withheld in coming quarters. However, in most cases these measures are expected to be temporary, with some unwinding of freezes and delays expected over the course of 2021."[145]

228. Figure 80 reproduces the RBA Graph referred to above. Both federal and some state governments are seeking to limit public sector wage increases "at lower rates than had applied in recent years."[146]

[144] RBA 2021, *Statement on Monetary Policy*: February 2021, p.56
[145] RBA 2021, Statement on Monetary Policy: February 2021, p.57
[146] RBA 2021, Statement on Monetary Policy: February 2021, p.57

Figure 80: RBA Graph 4.18 Wage freezes

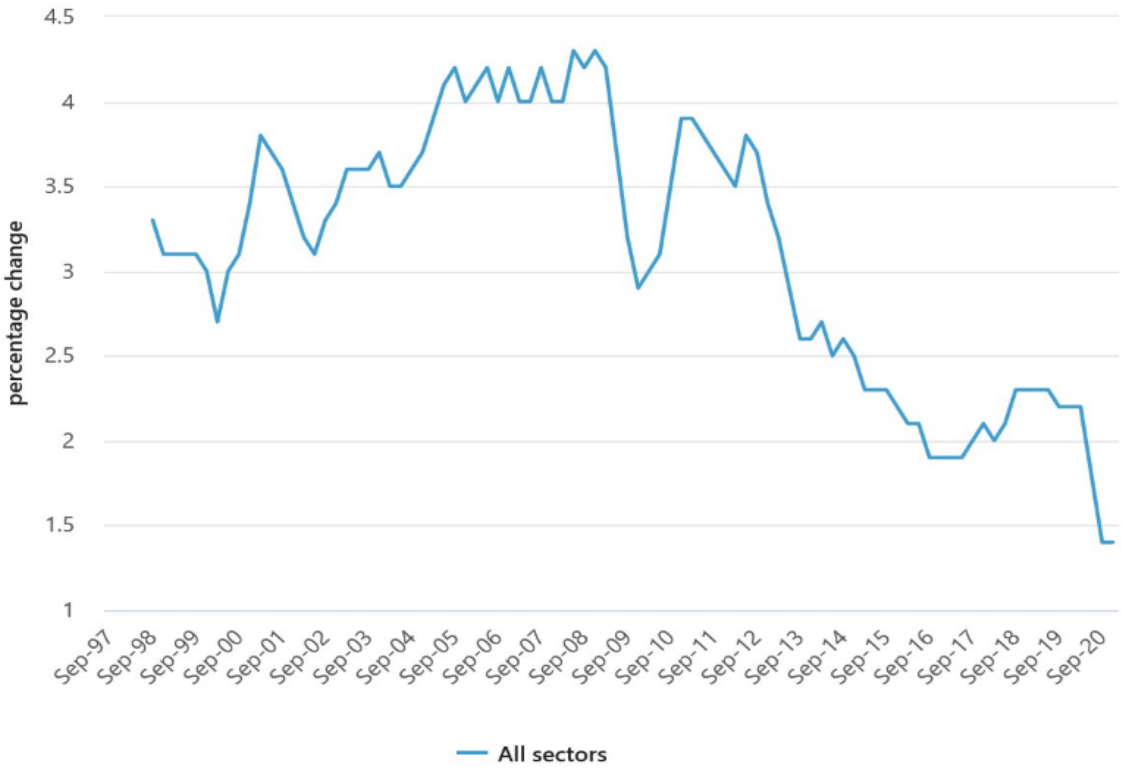


Source: RBA 2021, *Statement on Monetary Policy*: February 2021, pp.57

229. Figure 81 shows the further plunge in WPI from December quarter 2019 annual WPI of 2.2% down to December quarter 2020 of 1.4%, lowest in the series. The wage price index (WPI) is a measure provided by ABS which informs on wage movements. "The WPIs measure changes over time in the price of wages and salaries unaffected by changes in the quality or quantity of work performed."[147]

[147] http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/6345.0Explanatory%20Notes1Dec%202016?OpenDocument

Figure 81 ABS Graph WPI: Annual changes, seasonally adjusted, 1997 to 2020

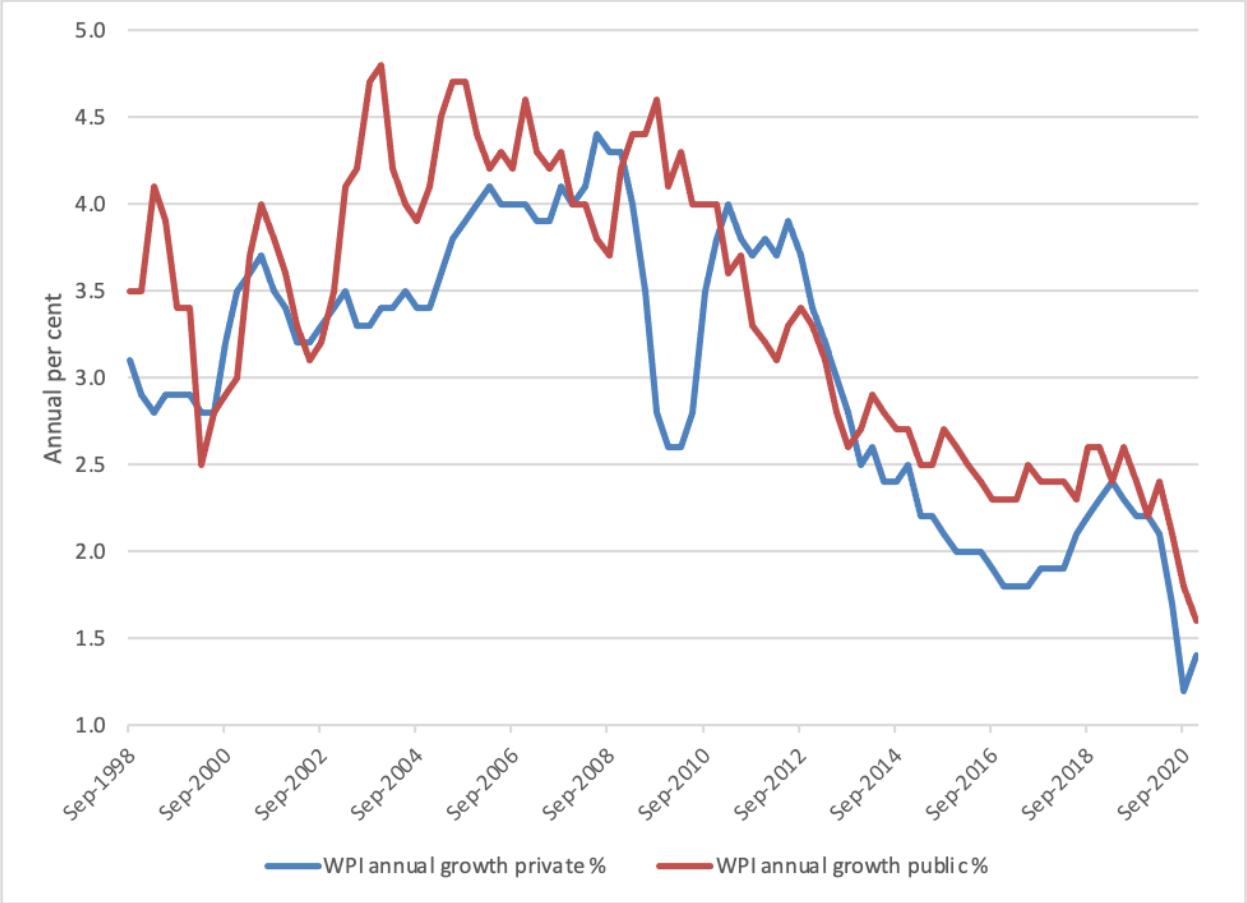


Source: Australian Bureau of Statistics, Wage Price Index, Australia December 2020

Source: ABS https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/wage-price-index-australia/latest-release , hourly without bonuses

230. Figure 82 shows that since December quarter 2013 public sector wage increases hourly before bonuses have been ahead of private by a few decimal points of percentage points. This is not because public sector wage increases have been high, with increases moving down from 2.9% annual increase at June quarter 2014 to 1.6% at December quarter 2020. Private sector increases have moved from 2.6% down to 1.4% at December quarter 2020. As the share of public sector employment in the total falls, private sector wage movements increasingly dominate the total WPI series.

Figure 82 Annual growth in public and private WPI, percent

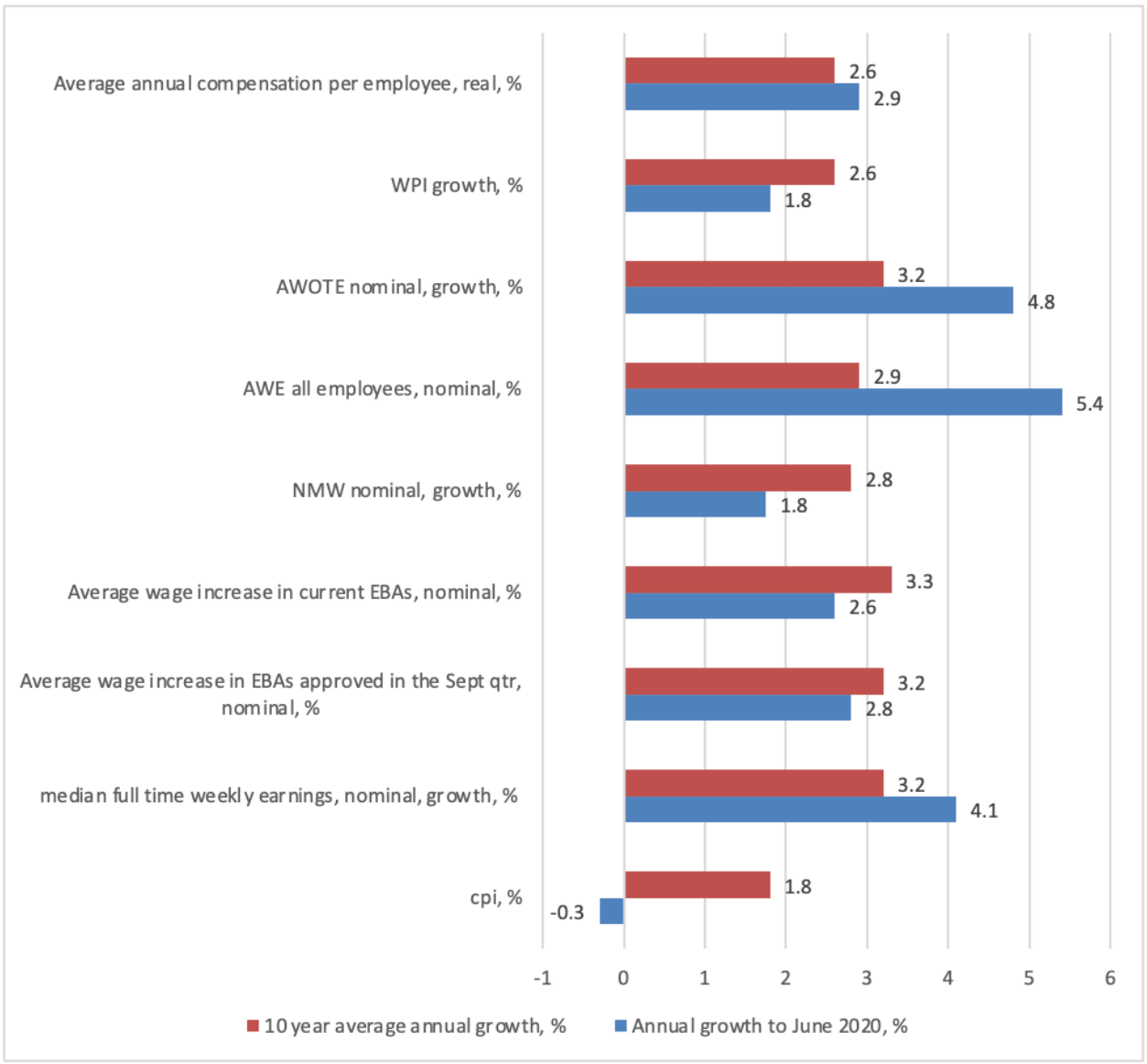


Source: ABS 634501

231. Award dependence is much more prevalent in the private sector. The staggered dates for sectors being granted the increases in awards go towards explaining the particularly low rates of growth of WPI in the private sector in the September and December quarters 2020 as the RBA and the Treasury have indicated.

232. Figure 83 shows various measures relating to the measurement of wage growth in the year to June 2020 and the 10 year average growth to June 2020. The increases in the median and average measures of earnings over the year to June 2020 are distorted relative to previous years and also compared to measures such as the WPI by the payment of *JobKeeper* and the disproportionate loss of low paid jobs during the pandemic, as recognised by the RBA and the Treasury. This is borne out by the lower growth in earnings shown since the June quarter 2020.

Figure 83: Various measures of wages growth, year to June 2020, per cent



Source: Average compensation per employee is from ABS 520607, quarterly seasonally adjusted, and ABS 6401. Wage Price Index from ABS 6345 seasonally adjusted. AWOTE and AWE from ABS 6302 adult. Median weekly full-time earnings from ABS 6333. Minimum wage from past FWC/AFPC/AIRC decisions. Average annualised wage increases in federal enterprise agreements ('EBAs') from the Department of Employment Trends in Federal Enterprise Bargaining. Rates of change are ACTU calculations. CPI is from ABS 6401

233. The EBA current and approved increases remain below their ten year averages.

234. Chart 5.2 of the *Statistical Report* lends support to the slow growth of wages, showing the annual changes in WPI across industries to be lower for the year to December 2020 than

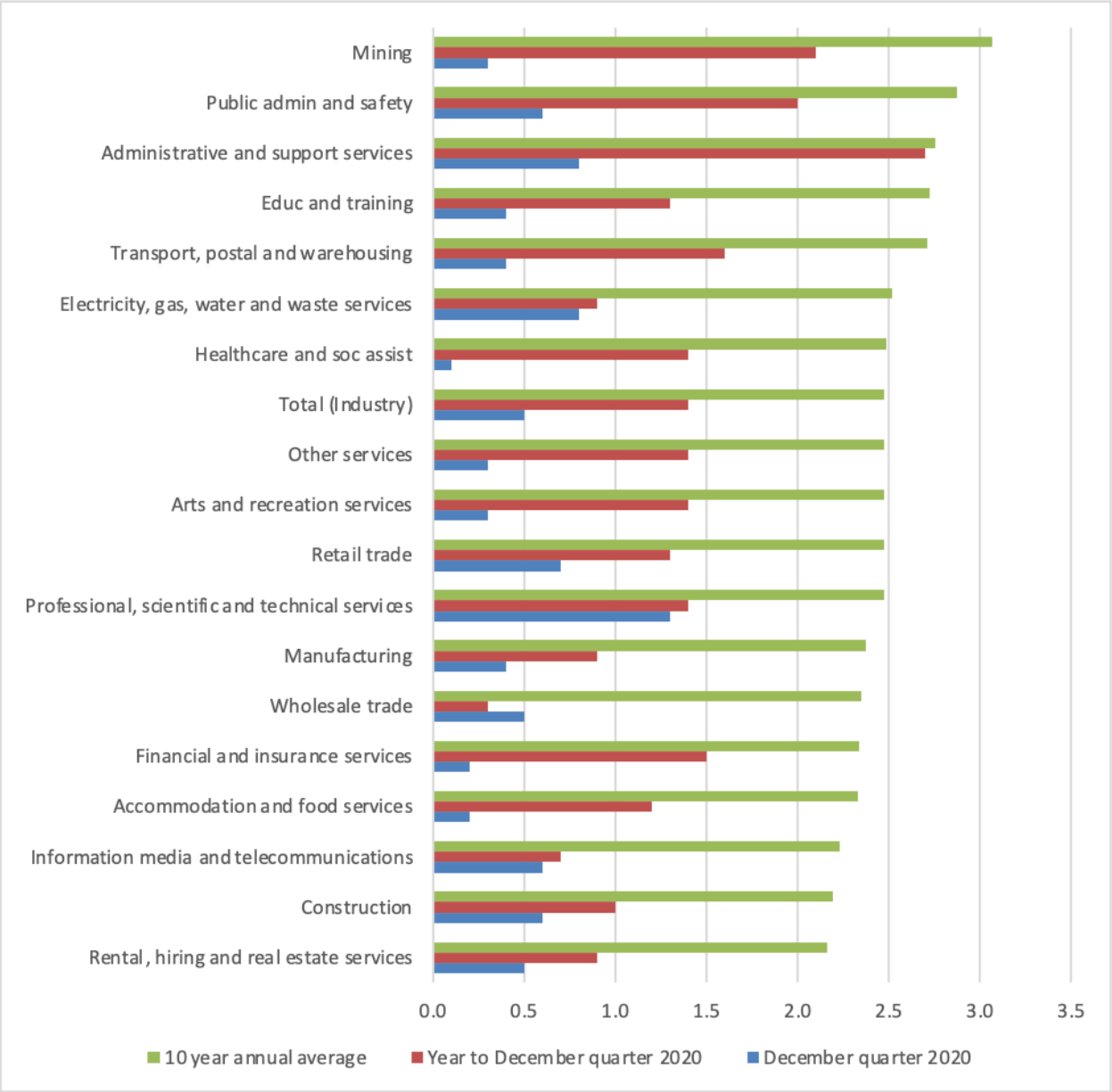
the ten year average in all cases. WPI increase for Accommodation and food services is particularly low.[148]

235. The ACTU notes that the impact on wage growth of the staggered modern award increases from the 2019-2020 Annual Wage Review are yet to be discerned, although WPI and other measures are lower for the second part of 2020. The second half of the year saw some lower paid workers recover their job while others faced lost *JobKeeper* payments or their payments were reduced.

236. Figure 84 shows WPI growth 10 annual average to December quarter 2020, annual to December quarter 2020, and December quarter. Only Admin and support services has annual growth in 2020 anything like the 10 year average. Most industries have annual averages that are around half or less, of the 10 year average. The December quarter growth is below the quarterly growth rate needed to match the 2020 annual average in many cases, including the award reliant industries, most of all Healthcare and social assistance, but also Other services and Accommodation and food services. With profits currently running at extraordinarily high levels and dwarfing corresponding wage measures, in our view it is fair and appropriate for wages to also begin their recovery.

[148] Statistical Report AWR 2020-21 V1 27 February, Chart 5.2 p.30.

Figure 84: Private industry WPI growth 10 year average to December 2020, annual growth to December 2020, and WPI growth December quarter, percent.



Source: ABS 634505b and ACTU calculations

237. It is high time for wages growth to begin returning to more normal levels, and an increase in this Review is one way of addressing this. The RBA Governor has emphasised that wages growth is the lowest on record and he maintains that for the RBA to be able to meet its inflation target wages growth will need to sustainably above 3 per cent - materially higher than it is currently. On the 10 March 2021, the RBA Governor stated the following:

> 'For inflation to be sustainably within the 2 to 3 per cent range, it is likely that wages growth will need to be sustainably above 3 per cent….. Currently, wages growth is running at just 1.4 per cent, the lowest rate on record. Even before the pandemic, wages were increasing at a rate that was not consistent with the inflation target being achieved. Then the pandemic resulted in a further step-down. This step-down means that we are a long way from a world in which wages growth is running at 3 per cent plus …. The point I want to emphasise is that for inflation to be sustainably within the 2–3 per cent target range, wages growth needs to be materially higher than it is currently.'[149]

3.8.5 Profits and wages comparison in 2020

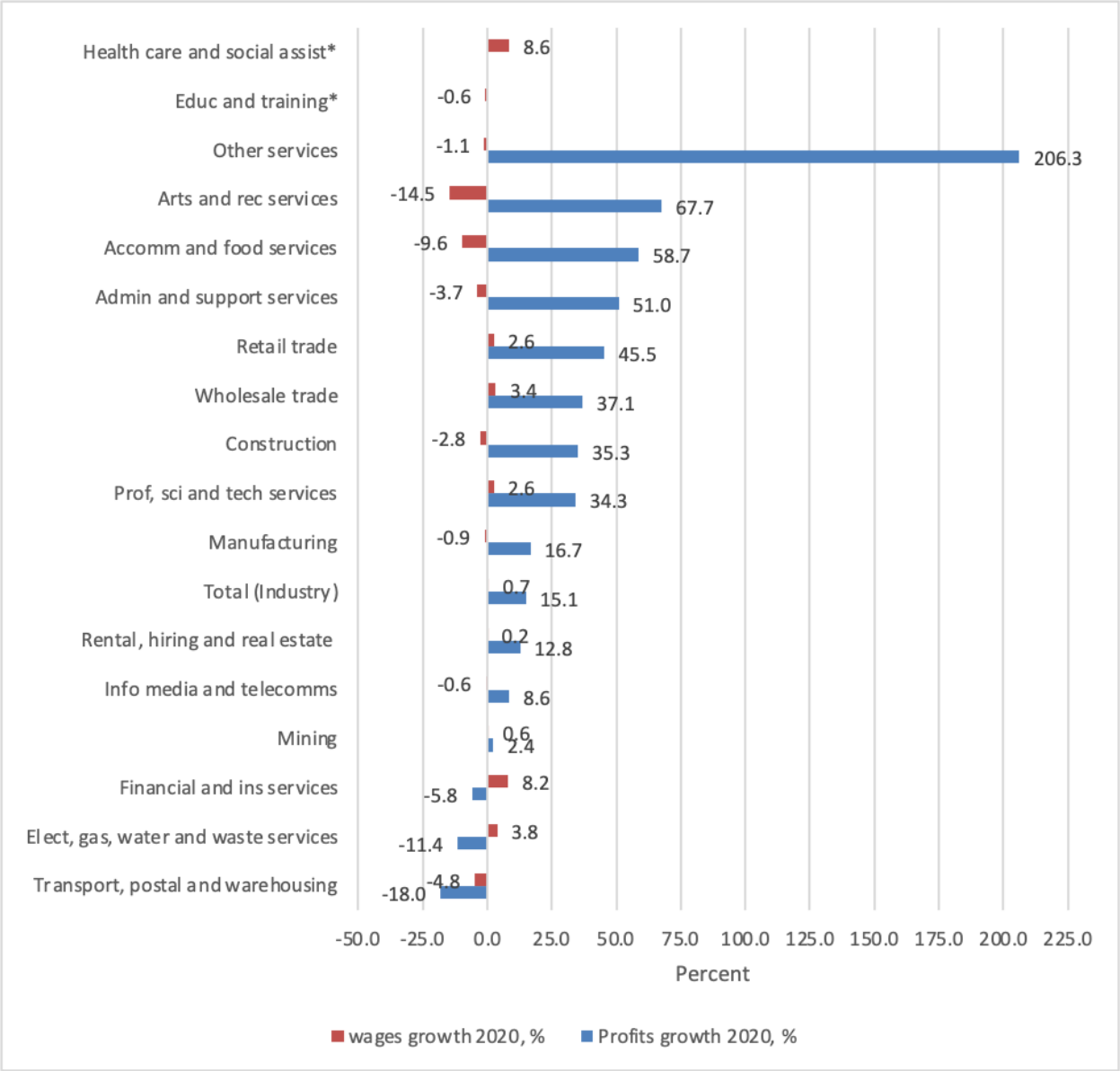
238. Considering quarterly data, the profits growth in each industry can be compared with the growth in employees' compensation from December quarter 2019 to December quarter 2020 seasonally adjusted in current terms as shown in Figure 85. Unfortunately no data on profits or surpluses is given for the large private provision in the Education and training, and Healthcare and social assistance sectors. The quarterly profits for total industry (excluding the missing industries) increased 15.1% from December quarter 2019 to December quarter 2020, whereas total employee compensation for the equivalent industries fell 0.7%.

239. For the more award reliant industries given, Other services employee compensation fell by 1.1% December quarter 2019 to December quarter 2020, but profits increased by a mighty 206.3%.[150] Accommodation and food services which had lost many workers and not recovered had a fall in employee compensation of 9.6%, but an increase in profits of 58.7%. Administrative and support services lost 3.7% in employee compensation but increased its quarterly profits by 51.0%. Retail trade increased its employee compensation by 2.6% and increased its quarterly profits by 45.5%.

[149] Phillip Lowe 'The Recovery, Investment and Monetary Policy', Sydney 10 March, 2021

[150] 'Other services' includes a wide range of mainly personal services and equipment and housing repair. https://www.abs.gov.au/ausstats/abs@.nsf/Previousproducts/14074305CC4FA750CA25711F00146E4A?opendocument

Figure 85 Growth in gross operating profits and compensation of employees, quarterly, current, industry, December quarter to December quarter, 2019 and 2020

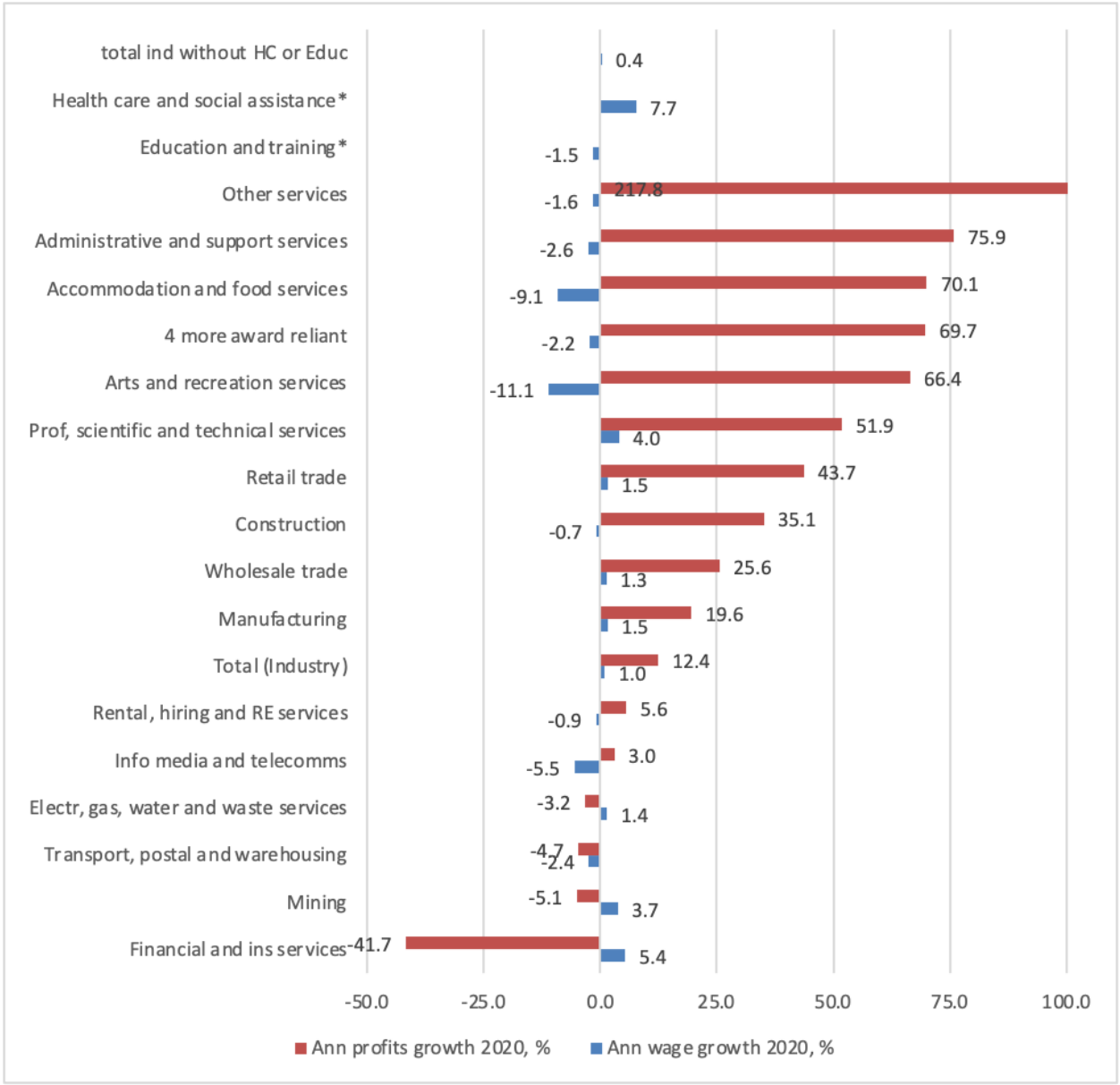


Source: ABS 576011, 575017, ACTU calculations. *no profits data available for the industry.

240. Considering annual totals for the four quarters, annual total profits grew at a much faster rate than annual total wages in 2020. The annual total nominal wage bill for all industries including Education and training and Healthcare and social assistance over four quarters had been $576.6 billion in 2019 and increased to $582.3 billion in 2020, an increase of $5.7 billion or 1.0% over the previous year 2019. For the industry total excluding Education and training and Healthcare and social assistance in order to compare with the total profits which excludes those, total wages were $500.5 billion in 2019 and $502.2 billion in 2020, an increase of a mere $1.8 billion or 0.4%.

241. The nominal wage bill over four quarters for the four more award reliant industries with available profits data, was $134.1 billion in 2019 and $131.1 billion in 2020, a fall of $3 billion or a decline of 2.2% while profits in those award reliant industries grew by $25.7 billion or 69.7% as above.

Figure 86 Annual total profits and annual wages growth for 2020, industries, percent



Source: ABS 5676011, 5676017, ACTU calculations

242. The ACTU notes that the Statistical Report V1 indicates that small business often had higher profit margins than bigger business at 2018-19, and this was true for the more award reliant industries with the exception of Accommodation and food services.[151]

3.9 Business bankruptcy rates

243. The definition of business-related bankruptcy changed in 2020. The note on page 14 of the Statistical Report V2 describes the change.

244. The *Statistical Report* shows that the business bankruptcy rate, the number of business related bankruptcies as a share of the number of owner manager of unincorporated enterprises fell between FY2018-19 and FY2019-2020, and has trended downwards since FY2009-10.[152]

245. The ACTU notes there is a change in the way bankruptcies are counted by the Australian Financial Security Authority (AFSA) from March quarter 2019 whereby "If multiple debtors in the same state or territory enter into a joint administration, they are only included once in these figures."[153]

246. Table 9 below shows the number of Business-Related bankruptcies, the count of Australian Businesses and a comparison of the two.

Table 9: Businesses and bankruptcies, 2017-2020

	Number of Business-Related Bankruptcies, annual to June	Count of Australian Businesses, annual to June	Number of Business-Related Bankruptcies as percentage of Count of Australian Businesses, annual to June
June 17	6505	2,238,299	0.29
June 18	6456	2,313,291	0.28
June 19	5967	2,375,753	0.25
June 20	4832	2,422,404	0.20

Source: ABS 8165, AFSA Quarterly personal insolvency statistics

[151] *Statistical Report AWR 2020-21* V1 p.13 Table 3.4
[152] Statistical Report AWR V2 p.14
[153] Australian Financial Security Authority 'Quarterly personal insolvency time series December quarter 2019', Australian Government, Canberra https://www.afsa.gov.au/statistics/time-series [accessed 12 February 2020]

247. Table 9 shows that the number of business-related bankruptcies has fallen, while the number of Australian businesses has risen. The third column shows the number of bankruptcies as a percentage of the count of businesses (note that this is not a calculation of the bankruptcy rate).

248. If falling bankruptcy is an indicator of the viability of firms, then we would expect that an increase in the minimum wage would not be an impost for them. As indicated in the ACTU's submission to the 2018-19 Review, wage pressures have not been linked to bankruptcy.[154].

249. The pandemic has not increased the rate of bankruptcy on presently available data. That there are not more bankruptcies is most likely a consequence of the provision of government subsidies to business in the year 2020.

3.10 Business entry and exit

250. The number of businesses overall grew by 2.0% in 2019-20; this is slightly less than the 2.7% growth recorded the previous year.[155] The business entry rate for 2019-20 was 14.5%, down slightly from 15.4% for 2018-19.[156] Exits were down to 12.5% in 2019-20 from 12.7% in 2018-19.[157] The slight differences in these figures from previous years, does not detract from a conclusion that overall business is growing.[158] That business exits reduced alongside business entries provides further support for this inference. The pandemic also appears to have provided opportunity for increased company concentration.

251. All 5 award-reliant industries showed positive results in the number of overall businesses, with three of these being amongst the fastest growers. The number of business in Health care and social assistance grew by 5.0%, up from 4.5% in 2018-19. The number of businesses in Retail trade grew by 0.8% in 2019-20, comparable to the 1.0% increase recorded in 2018-19 and remaining significantly above the 0.1% growth recorded in 2017-18, continuing to reverse the pattern of negative growth in 2015-16 and 2016-17. The

[154] ACTU 2019 initial Submission to Annual Wage Review 2018-2019, par 177
[155] ABS 8165
[156] ABS 8165
[157] ABS 8165
[158] ABS 8165

number of businesses in Administrative and support services by grew by 4.5%, down from 5.5% in 2017-18., while Accommodation and food services grew 0.7%, down slightly from the 2018-19 figure of 0.8%.

252. Table 10 shows the growth in number of businesses and employment share by sector. The 5 award-reliant industries are highlighted. All of the award reliant industries recorded growth in the number of businesses.

Table 10: Growth in the number of businesses by industry and share of employment 2019-20

Industry	Growth in number of businesses, % 2019-20	Share of employment, % November 2020
Agriculture, Forestry and Fishing	-1.0	2.66
Mining	-0.9	2.05
Manufacturing	-0.1	6.51
Electricity, Gas, Water and Waste Services	2.5	1.21
Construction	0.6	9.11
Wholesale Trade	0.7	2.85
Retail Trade	0.8	10.12
Accommodation and Food Services	0.7	6.44
Transport, Postal and Warehousing	5.5	5.08
Information Media and Telecommunications	-0.5	1.49
Financial and Insurance Services	2.2	3.76
Rental, Hiring and Real Estate Services	1.8	1.6
Professional, Scientific and Technical Services	2.5	9.16
Administrative and Support Services	4.5	3.47
Public Administration and Safety	0.6	6.78
Education and Training	3.8	8.66
Health Care and Social Assistance	5.0	13.62
Arts and Recreation Services	4.4	1.80
Other Services	2.9	3.61
All Industries		100.00

Source: ABS cats 8165, Labour Force, Australia, Labour Force, Australia, Detailed (seasonally adjusted for growth, original for share) and ACTU calculations. First column shows the percentage change from businesses operating at the start of the 2019-20 financial year.

253. The business survival rate for June 2016 to June 2020 was 65.1%.[159] This rate has increased in each financial year since June 2014. For the period from June 2013 to June 2017, the rate was 64.1%; this rose to 64.5% for June 2014 to June 2018 and then 64.9% for June 2015 to June 2019 before recording a further rise for June 2016 to June 2020.[160] There is

[159] FWC Statistical Report – AWR 2020-21 V1 p.15 Chart 3.5
[160] FWC Statistical Report – AWR 2019-20 V1 p.15 Chart 3.5

little evidence to suggest that previous AWR panel decisions have hampered the business environment.

254. The available entry and exit data overall shows an economy that is rebounding from the COVID-19 pandemic. Businesses have continued to enter into the market and have survived in greater numbers, despite the tendency toward concentration that can be advantaged in pandemic conditions. These figures are supported by the unemployment and jobs figures generally, discussed in Chapter 2, which have shown strong rebounds from the immediate impacts of the COVID-19 pandemic.

3.11 Inflation

255. The Panel acknowledged in its Decision for 2020-21 that "any increase we award which is less than increases in prices and living costs would amount to a real wage cut. Such an outcome would mean that many award-reliant employees, particularly low-paid employees, would be less able to meet their needs. For some households such an outcome would lead to further disadvantage and may place them at greater risk of moving into poverty.".[161]

256. The Treasury said in its MYEFO of 17 December 2020: "Consumer prices, as measured by the Consumer Price Index, rose by 1.6 per cent in the September quarter 2020 following the record fall of 1.9 per cent in the June quarter 2020. The September quarter rise reflected the reintroduction of childcare fees, increases in tobacco excise, continued price growth for durable goods and increasing automotive fuel prices, partially offset by falls in food prices and rents across most capital cities."[162] Less volatile measures of underlying prices remained subdued, with the weighted median increasing 1.3% throughout the year. The Treasury expected price pressures to remain weak across the forecast period reflecting excess capacity in the economy, including wages. The Treasury expected inflation to be 2¼ % in the year to June quarter 2021 due to further unwinding of childcare policy changes and excise indexation, and to be 1½ % for the year to June quarter 2022, and to remain at near record lows for the forecast period (to 2024).

[161] [2020] FWCFB 3500 [131]
[162] Treasury 2020 *Mid Year Economic and Fiscal Outlook 2020-21,* released 17 December 2020, p.26

257. The RBA said in its February 2021 quarterly Statement on Monetary Policy that the recovery was likely to be bumpy and uneven and depend on the health situation and fiscal and monetary policy support, and that spare capacity will remain for some years, dampening inflationary pressure and wage increases. [163]

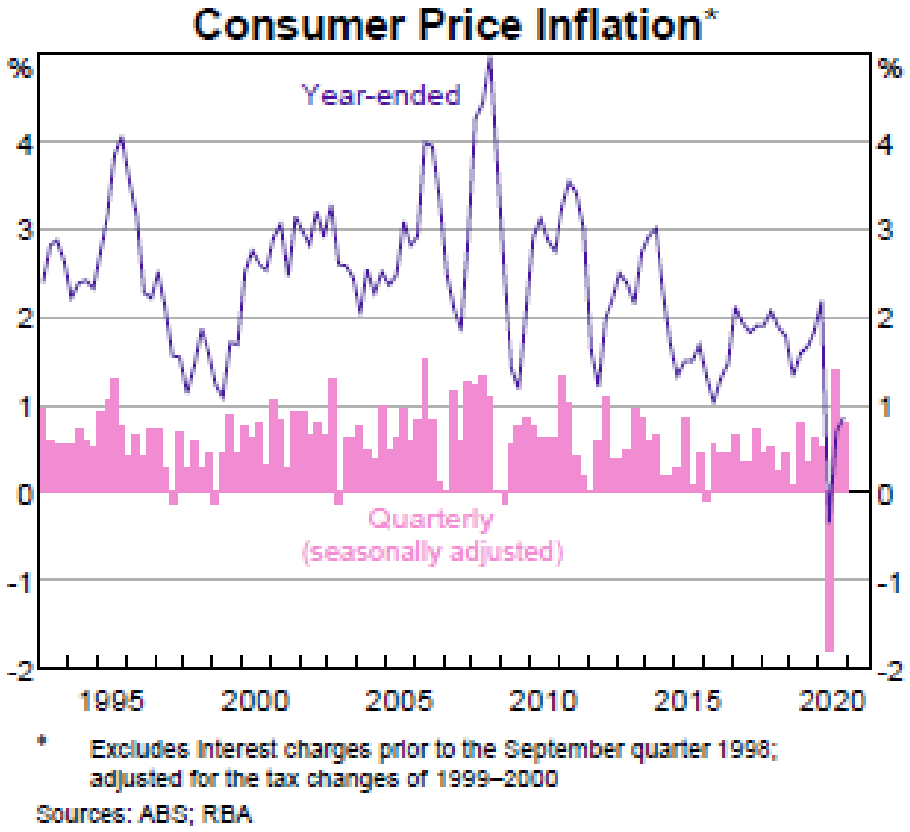
258. The RBA said that headline inflation has been volatile with the period of free childcare resulting in large price movements and the initial increase in price of some retail items during the pandemic. The RBA said that "wage growth has eased further from already low rates" and that many employers had delayed wage increases, had imposed wage freezes, and in some cases, imposed temporary wage cuts. The RBA expects inflation and wages growth to remain under 2% over the forecast period to 2024. The RBA said it would need "labour market tightness that leads to faster wage growth" to bring inflation within its target range of 2-3%. "National accounts measures of wage growth have been temporarily boosted by the JobKeeper wage subsidy as well as by large compositional effects due to greater employment losses in lower-paid jobs". The headline inflation of 0.8% in the December quarter seasonally adjusted was "driven by the further unwinding of government support measures such as free childcare..", with year ended inflation of 0.9%, above the RBA's November forecast. [164]

259. In the ACTU's view this leaves the Annual Wage Review to do the heavy lifting with respect to the wage increases the RBA has indicated are needed.

260. The RBA's Graph 4.1 from the February 2021 Statement on Monetary Policy is reproduced below in Figure 87. The fall in the CPI for the June quarter 2020 when childcare was free is clearly shown.

[163] RBA 2021, *Statement on Monetary Policy*: February, pp.1-2,
[164] RBA 2021, *Statement on Monetary Policy*: February, pp.1-2, p.49

Figure 87 Consumer Price Inflation

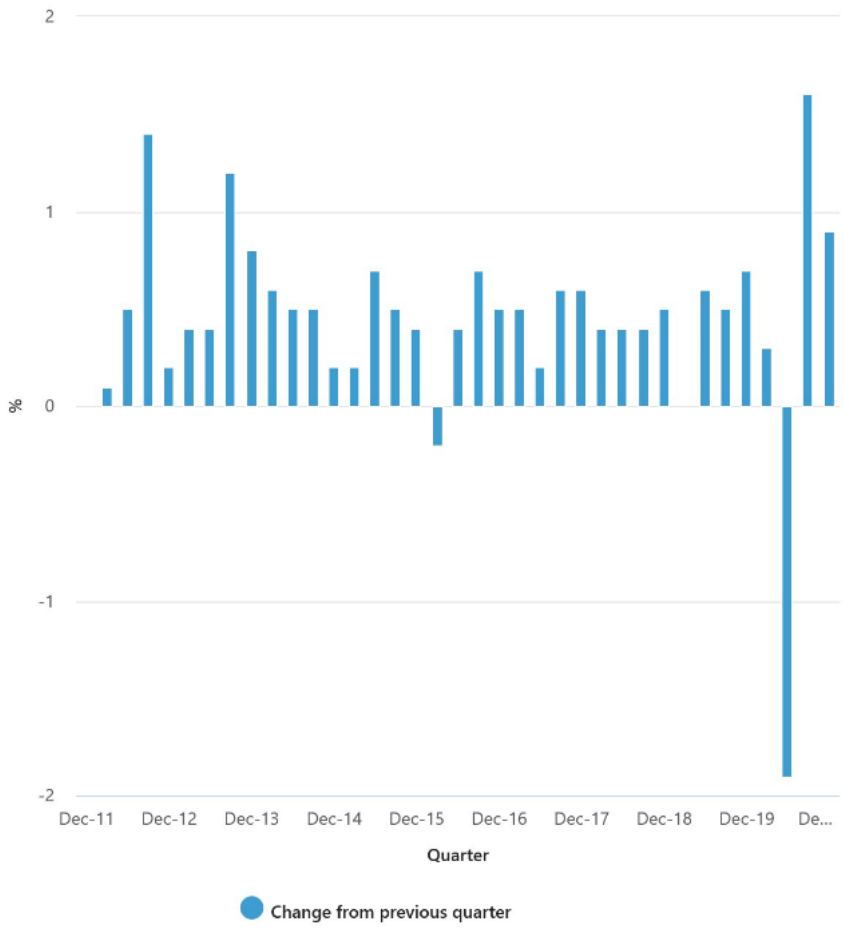


Source: RBA 2021 *Statement on Monetary Policy* February, p.49

261. The RBA said the main drivers of the 0.9 percentage point increase in headline CPI in the December quarter were the return to full price childcare for the entire quarter, and increases in tobacco excise and medical and hospital services.[165] This is shown in the quarterly changes reproduced from ABS in Figure 88. Quarterly inflation was 0.3% at the March quarter, -1.9% at the June quarter, 1.6% at the September quarter and 0.9% at the December quarter 2020.

[165] RBA 2021, *Statement on Monetary Policy*: February, p.50.

Figure 88 ABS Graph All groups CPI, quarterly change

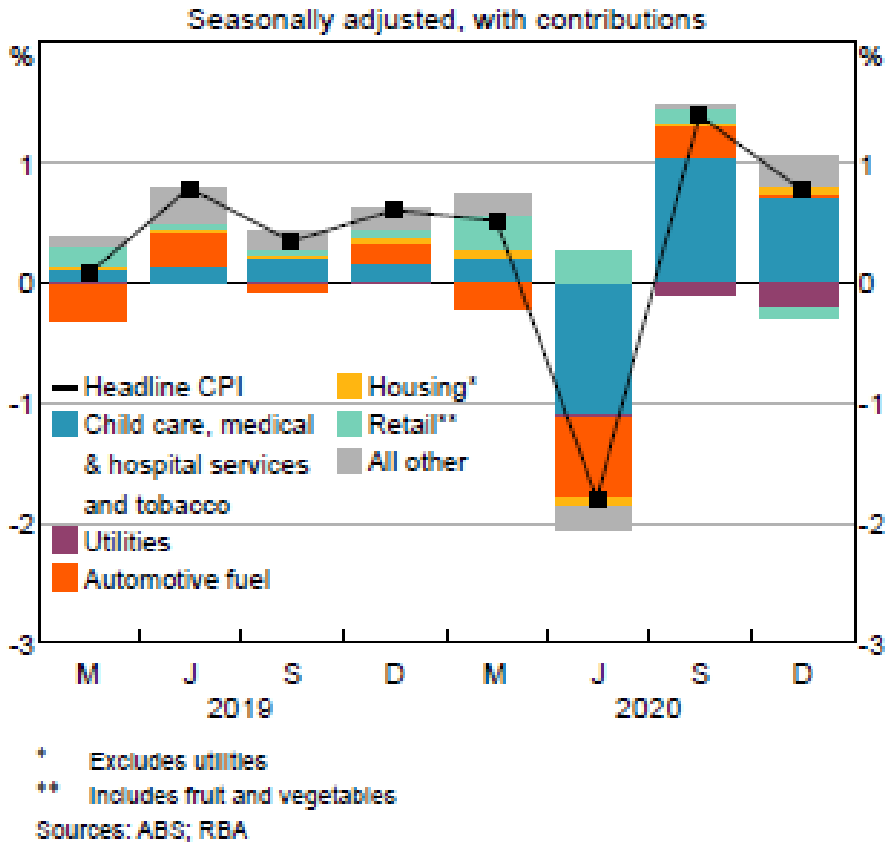


Source: Australian Bureau of Statistics, Consumer Price Index, Australia December 2020

Source: ABS https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release

262. Figure 89 from the RBA shows the extraordinary contribution of free childcare to CPI compared with previously. It indicates how important to workers a percentage increase in the minimum wage and awards would be.

Figure 89 RBA Graph 4.2: Quarterly headline inflation

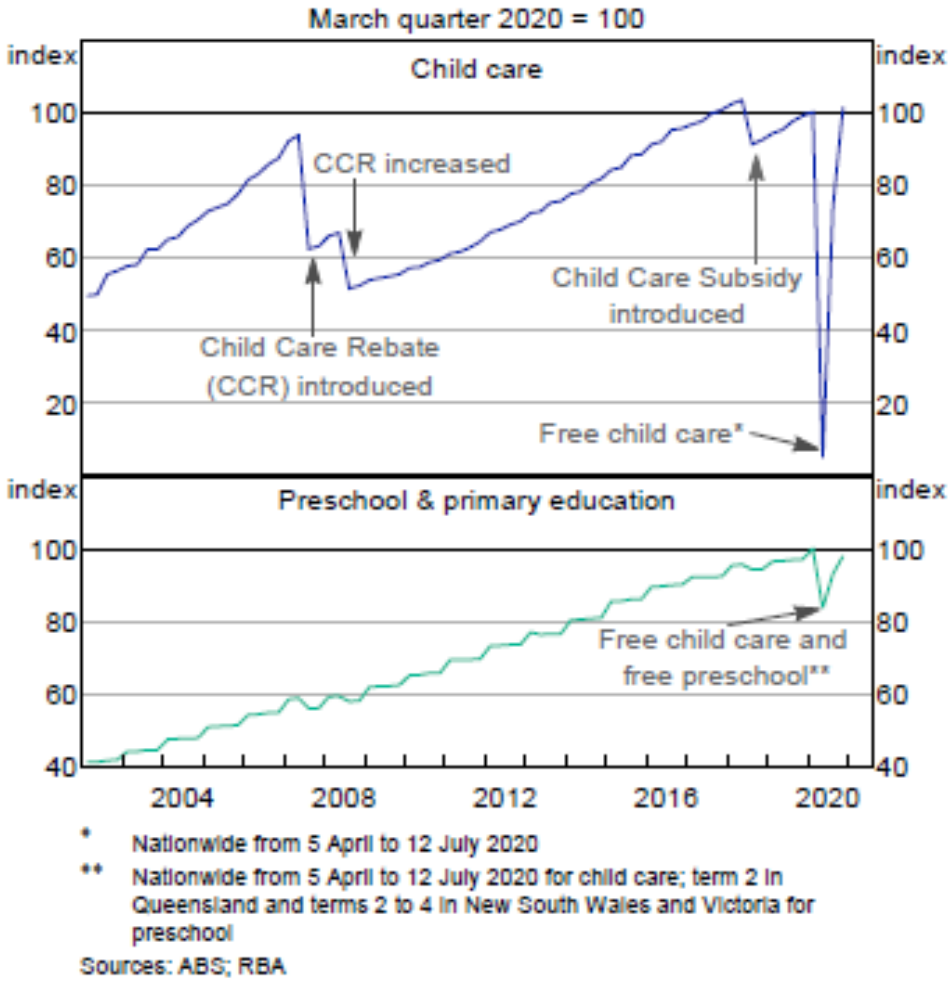


Source: RBA *Statement on Monetary Policy* February 2021 p.50

263. The RBA pointed out how important the role of administered prices is as a contributor to CPI. The RBA said administered prices comprise around 15% of the basket. In the ACTU's view we can assume that this proportion is higher for lower paid workers and low income households with less discretionary income. The return to full priced childcare including before and after school care in early July plus "broad based price increases by providers in October contributed 0.4 percentage points to headline inflation in the December quarter.[166] This is shown in Figure 90 which reproduces RBA's Graph 4.4.

[166] RBA 2021, *Statement on Monetary Policy*: February, p.51

Figure 90 RBA graph: Early Education Prices



Source: RBA *Statement on Monetary Policy* February 2021 p.51

264. Childcare expenses are of course intrinsic to being able to work. In the ACTU's view increases in childcare costs over time demonstrate the challenge for the minimum wage and awards that taxes and transfers are functioning less and less as a protection or safety net for the lower paid or indeed workers generally.

4. RELATIVE LIVING STANDARDS

265. The minimum wage and modern award objectives require the panel to consider the distinct but related concepts of 'relative living standards and the needs of the low paid' when setting minimum rates of pay[167]. This Chapter examines relative living standards as between workers receiving minimum wages and other groups.

266. The pandemic has come as a disturbance to the trend decline in the relative living standards of workers reliant on minimum wages over many years. The staggered increases in the last AWR have served to exacerbate the difficulties faced by workers who depend on minimum wages. An increase in minimum wage and awards is needed not only to avert the trend decline in relative living standards. It also needs to take account of the fact that many workers on the minimum wage and awards have been disadvantaged by the timing of the increase to their pay. Low paid workers also have been more vulnerable to losing income through reduced hours of work or loss of job during the year in review. This vulnerability is exacerbated because they are more likely to be in casual work or in a type of work which is more negatively affected by the pandemic. Workers on minimum wages and awards may also be additionally disadvantaged in types of work which expanded during the pandemic. For many low paid workers, income support measures such as JobKeeper and JobSeeker have not made up for the loss of work, and these are pushed into more hardship as those measures are dismantled. Many hundreds of thousands of workers on minimum wages and awards have not been eligible or not had access to the pandemic subsidies at all.

267. Our proposed increase in minimum wages is intended to improve the minimum wage bite, and contribute to recovering and improving the relative living standards of low-paid workers including those who have been disadvantaged in the pandemic.

268. Other jurisdictions where minimum wages apply have frequently had higher rates of increase in minimum wages than Australia, or are in the process of implementing such increases.

269. An increase in minimum wages will assist relative living standards for the low paid, and serve to better meet their needs. Inequality in Australia is a persistent problem which has been

[167] AWR decision 2019-20 p 82

exacerbated by the pandemic, particularly for those low paid and their households who have not had access to the subsidies. The withdrawal of income transfers and changes to tax rates over recent years lends force to the reality that Australia is a far less equal society now than it strived to be, and managed to be, as recently as a decade or two ago.

4.1 The employees most impacted by the decision

270. The minimum wage decision affects all those workers paid by award, over 2.2 million workers, according to the most recent data available, *ABS Employee Earnings and Hours* for May 2018 released on 22 January 2019. Those workers who are paid by Enterprise Bargaining Agreements which include pay rates linked to the Annual Wage Review decisions are also affected by its Decision. A vastly disproportionate number of workers paid by minimum wage and award rates are low paid.

271. An increase in the minimum wage and awards will be of benefit particularly to the large number of workers who were unfairly disadvantaged by not being eligible for JobKeeper. This includes casual workers (without paid leave entitlements) with a duration with one employer of less than 12 months. ABS provided this number as 1,066, 500 at August 2019[168] prior to the JobKeeper subsidy being applied. The vast majority of these workers are likely to be low paid and award dependent.

272. Figure 91 shows the number of casual workers (without leave entitlements) who were with their employer for less than 12 months, at May 2019. There were 592,000 or 55.5% of total casual employees who were with the same employer for less than 12 months working in the five more award dependent and lower paid industries at May 2019. It is estimated that at least 1.5 million workers in the more award reliant industries were paid by minimum wage and award[169]. These were Accommodation and food services, Retail trade, Administrative and support services, Other services and Healthcare and social assistance.

273. It cannot be assumed that all of the casual workers with the same employer for less than 12 months are paid by award or low paid, but the from the evidence it can be inferred that for most of them this is the case. We would conservatively estimate that at least 40% of workers

[168] ABS TableBuilder for Labour Force
[169] Estimating from ABS EEH data for May 2018.

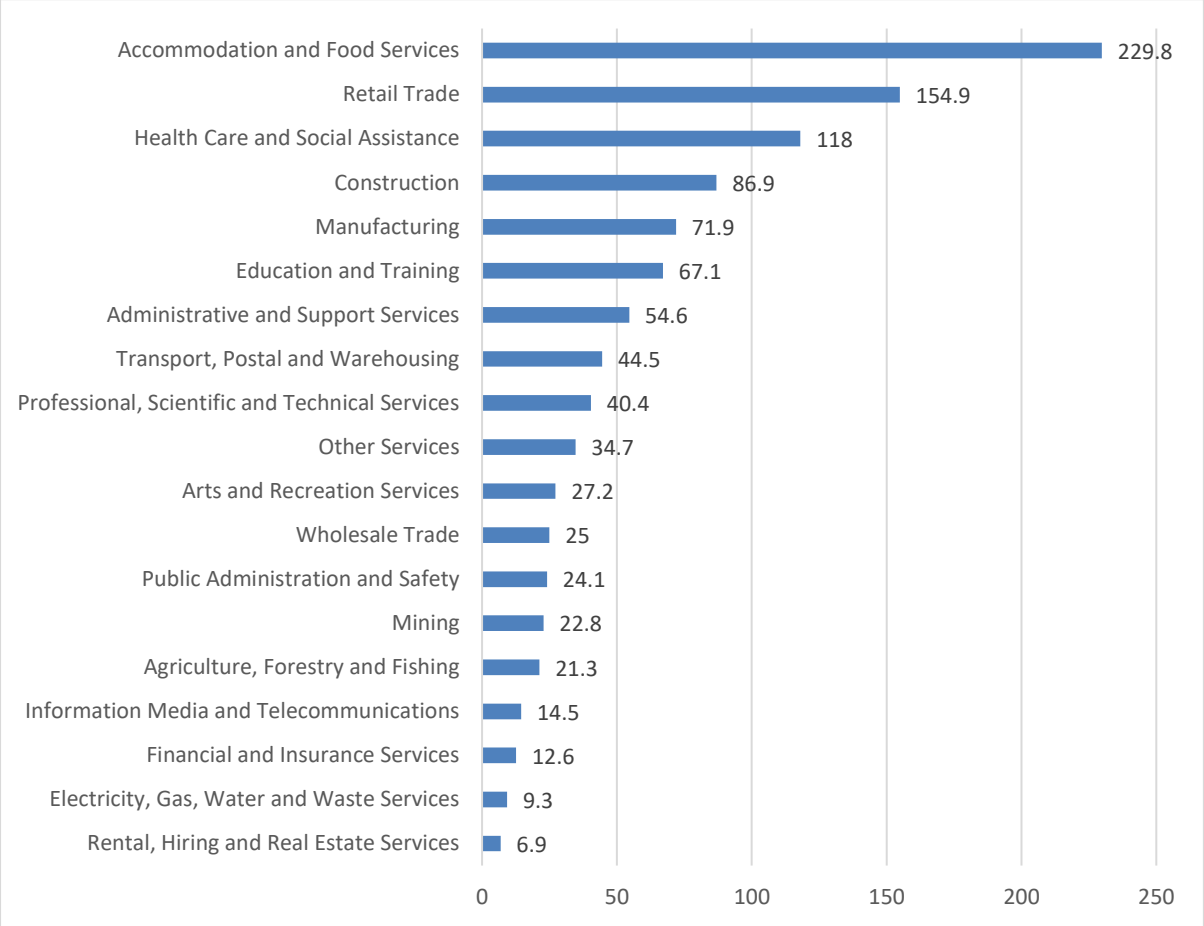
paid by the minimum wage and awards in those five more award dependent industries were not eligible for JobKeeper, towards 600,000.

274. There were another 474,500 casual workers who were with the same employer for less than 12 months working in the less award reliant industries at May 2019. The less award reliant industries still employed more than 700,000 award dependent workers (compared with 1.5 million in the five more award dependent industries). This means that at something like two thirds of award dependent workers in less award dependent industries are estimated to be casual with the same employer for less than 12 months and hence not eligible for JobKeeper, towards 500,000.

275. The extent of numbers laid off in the pandemic who were not eligible for JobKeeper and are award reliant is not known but could be several hundred thousand at the height, a high proportion of the total laid off in early 2020. Some industries are still recovering, in particular Accommodation and food services, so that casual workers who have had the same employer for less than 12 months and not eligible for JobKeeper are in particular hardship.

276. In any case even for those workers who have been receiving JobKeeper, an increase in the minimum wage is the only avenue of redress for workers who have been relying on JobKeeper payments and are having them removed on 28 March.

Figure 91 Not eligible for JobKeeper: Casual workers duration with one employer under 12 months, industry, 1000s, August 2019



Source: ABS Tablebuilder, Characteristics of Employment 6333

277. Workers who are holding temporary visas with work rights are also not eligible for JobKeeper. The Attorney General's Department reported that there were close to 900,000 temporary visa holders with work rights at June 2018, just over half of which were international students, plus illegal workers of between 50,000 and 100,000.[170] Temporary visa holders faced hardship in that they are residing in Australia facing hardship without JobKeeper or other subsidies[171], working reduced hours or laid off and unable to pay the remittances that support dependents.

[170] Report of the Migrant Workers' Taskforce | Attorney-General's Department (ag.gov.au), p.19
[171] Joo-Cheong Tam 2020 https://theconversation.com/why-temporary-migrants-need-jobkeeper-135688, April 7

4.2 Relative earnings and income

278. In the last Review, the Panel said:

> "The consideration of relative living standards requires comparing the living standards of NMW-reliant workers and award-reliant workers with the wage rates of other relevant groups, particularly non-managerial workers, and to changes in average and median earnings of the broader labour force."[172]

In considering the onset of the pandemic, the Panel said that while this information is taken into account it notes that "much of it is based on data that precedes the COVID-19 outbreak and is not reflective of current circumstances"[173] and that "as a result of the COVID-19 pandemic, there is likely to be some further moderation in community wage increases due to various factors including some employers applying to delay or remove scheduled wage increases in enterprise agreements."[174]

279. The ACTU supports the Panel's position regarding the impacts on wage increases. However, the pandemic and the policies around it have had some unanticipated consequences for the average and median wage data. The average and median figures have increased due to a combination of JobKeeper payments and other subsidies and to the fall in hours or employment of lower paid employees relative to higher paid employees, as the Treasury and the RBA have indicated.

280. This is shown in Chart 8.3 of the *Statistical Report 2020-21*[175] which presents a range of measures of median earnings relative to the NMW. These include median weekly earnings of full time employees, median hourly earnings of FT employees, median hourly earnings of all employees, and median hourly earnings of all adult employees. All four ratios show a downward trend from 1994 to 2020, the series for the ratios of all employees and all adult employees being steeper in 2020 than for the full time measures.

281. ABS offers a spotlight on the movements of Average Weekly Earnings six monthly frequency to May 2020.[176] It said that based on its May survey 74% of businesses were operating under modified working conditions, with 53% of businesses reporting reducing hours worked by

[172] [2020] FWCFB 3500 at [339]
[173] [2020] FWCFB 3500 at [339]
[174] [2020] FWCFB 3500 at [340]
[175] Statistical Report – AWR 2020-21 V1 p.56 Chart 8.3
[176] Average Weekly Earnings, Australia, May 2020 | Australian Bureau of Statistics (abs.gov.au)

staff and 24% reporting reductions in the number of employees.[177] ABS said: "A range of indicators, including Labour Force estimates and payroll jobs derived from Single Touch Payroll data, showed large reductions in employment and jobs between March and May. All of these changes resulted in large-scale compositional change in the labour market, which is important to consider when interpreting changes in average weekly earnings." [178]

282. ABS said the increase in Average Weekly Earnings for all employees rose 3.8% seasonally adjusted which was the greatest six monthly rise since May 2012 and considerably greater than recent six monthly rises of 1%.[179]

283. ABS said the increase in AWE does not necessarily reflect increased wages at the individual employee level, nor reflect an increase in labour demand.[180] It said between "March and May 2020 there was a major decrease in the number of jobs, people employed, and hours worked, with lower paid jobs and industries particularly impacted. While some employees saw decreases in their earnings and hours over the period, some part-time and junior employees saw increases in their earnings, as a result of the relative contribution of the JobKeeper payment (which was a standard amount of $1,500 per fortnight or $750 per week, regardless of the relative level of pre-COVID-19 earnings)."[181]

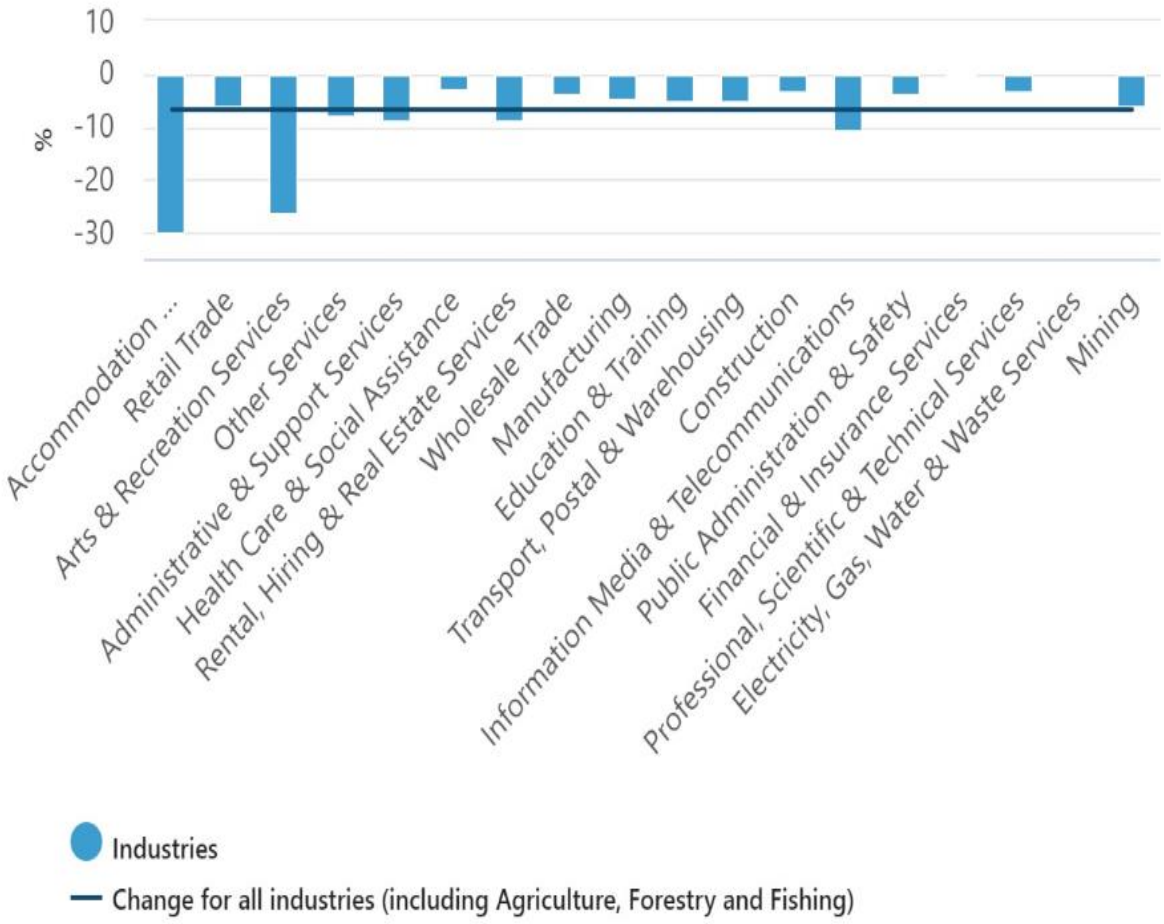
284. ABS said that the number of people employed fell 871,500 between March and May 2020, with a 6.8% decrease in payroll jobs.[182] "The losses in jobs and employment were not evenly distributed across the labour market. Changes in payroll jobs ranged widely between industries, from a decrease of 29.7% in the Accommodation and food industry to a 0.3% increase in Financial and insurance services."

285. The ABS chart reproduced in Figure 92 shows the weekly change in payroll jobs between weeks ending 14 March and 16 May ordered according to the median cash earnings from Employee Earnings and Hours of May 2018 (most recent). The ABS said: "It highlights that the industries with the lowest median total weekly cash earnings (on the left) were also the industries that were most impacted by payroll job losses. The large-scale loss of lower paid

[177] Average Weekly Earnings, Australia, May 2020 | Australian Bureau of Statistics (abs.gov.au) (Business impacts of COVID-19, May 2020, cat. no. 5676.0.55.003)
[178] Average Weekly Earnings, Australia, May 2020 | Australian Bureau of Statistics (abs.gov.au)
[179] Average Weekly Earnings, Australia, May 2020 | Australian Bureau of Statistics (abs.gov.au)
[180] Average Weekly Earnings, Australia, May 2020 | Australian Bureau of Statistics (abs.gov.au)
[181] Average Weekly Earnings, Australia, May 2020 | Australian Bureau of Statistics (abs.gov.au)
[182] Average Weekly Earnings, Australia, May 2020 | Australian Bureau of Statistics (abs.gov.au)

jobs in these industries will have the effect of increasing the value of average weekly earnings at the economy level."[183]

Figure 92 ABS Graph: Change in payroll jobs between weeks ending 14 March and 16 May, 2020



Sources: Weekly Payroll Jobs and Wages in Australia (cat. no. 6160.0.55.001) and Employee Earnings and Hours, Australia (cat. no. 6306.0)
Source: Australian Bureau of Statistics, Average Weekly Earnings, Australia May 2020

Source: Average Weekly Earnings, Australia, May 2020 | Australian Bureau of Statistics (abs.gov.au)

[183] Average Weekly Earnings, Australia, May 2020 | Australian Bureau of Statistics (abs.gov.au)

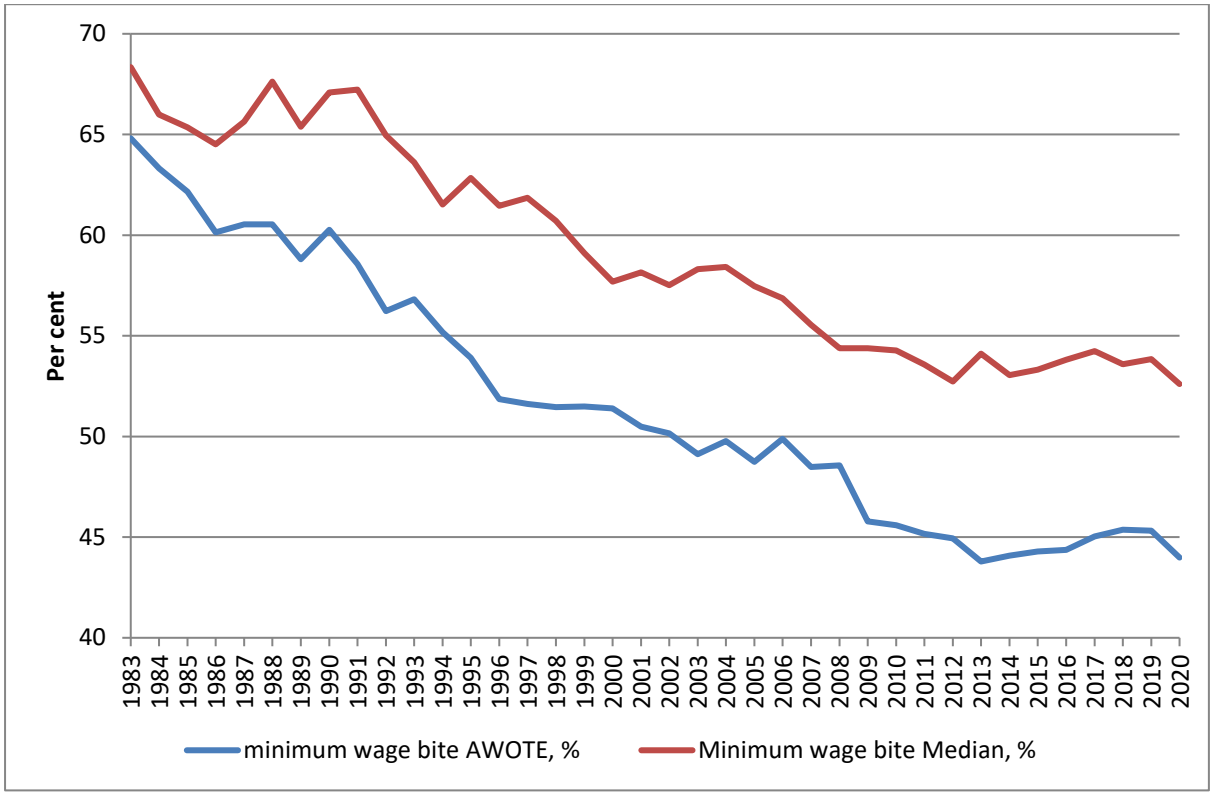
4.2.1 Minimum wage bites

286. Figure 93 illustrates the limitations of the wage bite measures in the short run when the size and composition of employment and wages changes dramatically as has occurred in 2020 due to the magnitude of the pandemic and associated policies.

287. The limitations for short run interpretation of the wage bite measures are compounded because the data for the minimum wage, AWOTE and median earnings are from separate data sources with different dates and frequencies. This matters less for long run trend interpretations.

288. In Figure 93 the wage bites as measured show a fall in 2020, with the AWOTE minimum wage bite falling from 45.3% at 2019 to 44.0% at 2020, and the median minimum wage bite falling from 53.8% in 2019 to 52.6% in 2020.

Figure 93: Minimum wage bites, ratio of the NMW to AWOTE, ratio of NMW to median FT earnings, percent, 1983 to 2020



Sources: Average full-time earnings is AWOTE from ABS 6302. Median from ABS 6333. NMW Bray 2013 and FWC. All series deflated by the CPI (ABS 6401). ACTU calculations.

289. In terms of the underlying data, the increases in the wage bites for 2020 compared with 2019 were largely reflected the approximate annual nominal increases of 4.5% in AWOTE and 4.1% in median full time earnings, compared with a minimum wage increase of 1.75%. AWOTE advanced approximately $79, median earnings $57 and the minimum wage $14 by the year to end date.

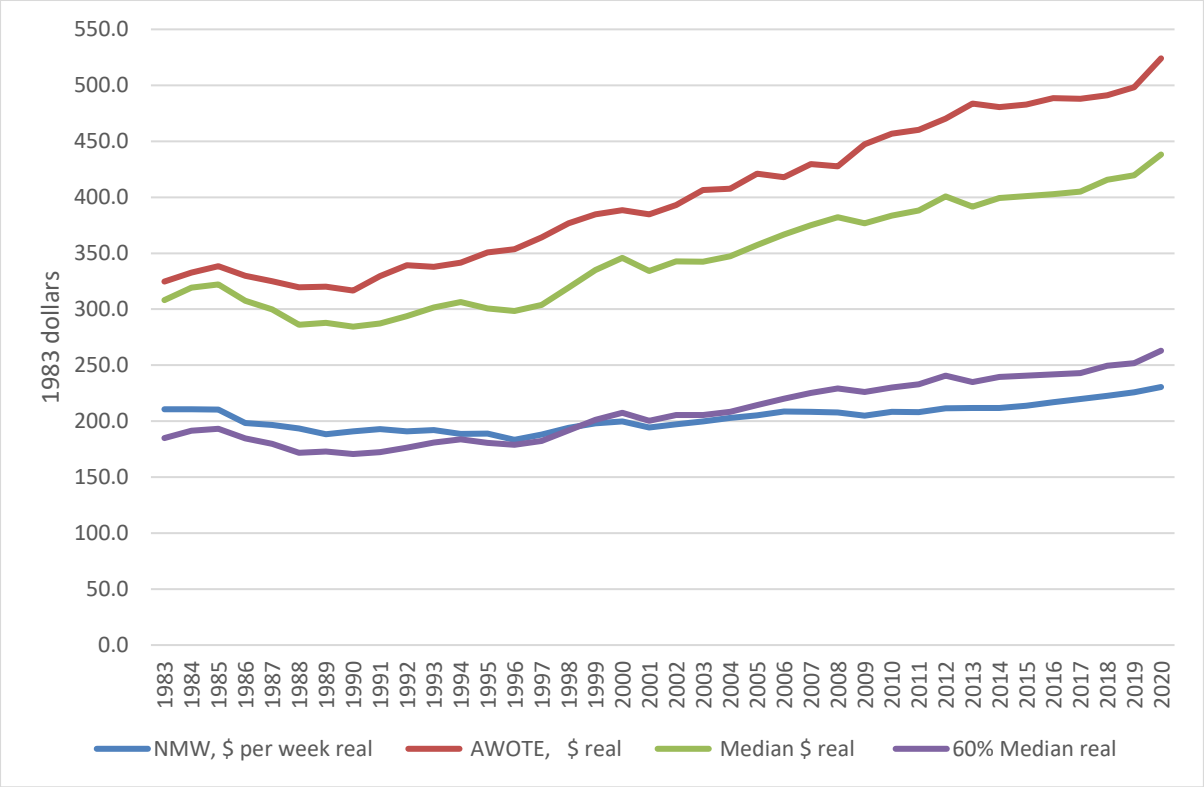
290. The ACTU notes that the two low points for the wage bites correspond to peak measures for average and median wages at 2012 and 2020 as shown in real terms in Figure 94 below.

291. The ACTU notes its findings are consistent with those of the Statistical Report V2 Table 8.1, final column.[184] Table 8.2 of the Statistical Report V2 also shows that the minimum wage is well below two thirds of median weekly earnings by the measures from ABS Characteristics of Employment and those of ABS Employee Earnings and Hours which has not scheduled a data release since that for May 2018.

[184] Statistical Report AWR 2020-21 V2 p.53 Table 8.1

292. As stated in our Introduction and Overview, the ACTU is committed to pursuing a goal of a living wage where the minimum wage reaches 60% of median full time earnings. Figure 94 shows the upward movements in real AWOTE and median earnings in 2020 due negative inflation (of 0.3 for the year to June quarter 2020), and to the impact of JobKeeper and the loss of low paid hours and employment during the pandemic.

Figure 94: Average weekly ordinary time earnings, median full-time earnings, the NMW and 60% of median earnings, 1983 to 2020, constant dollars (1983 = 100)



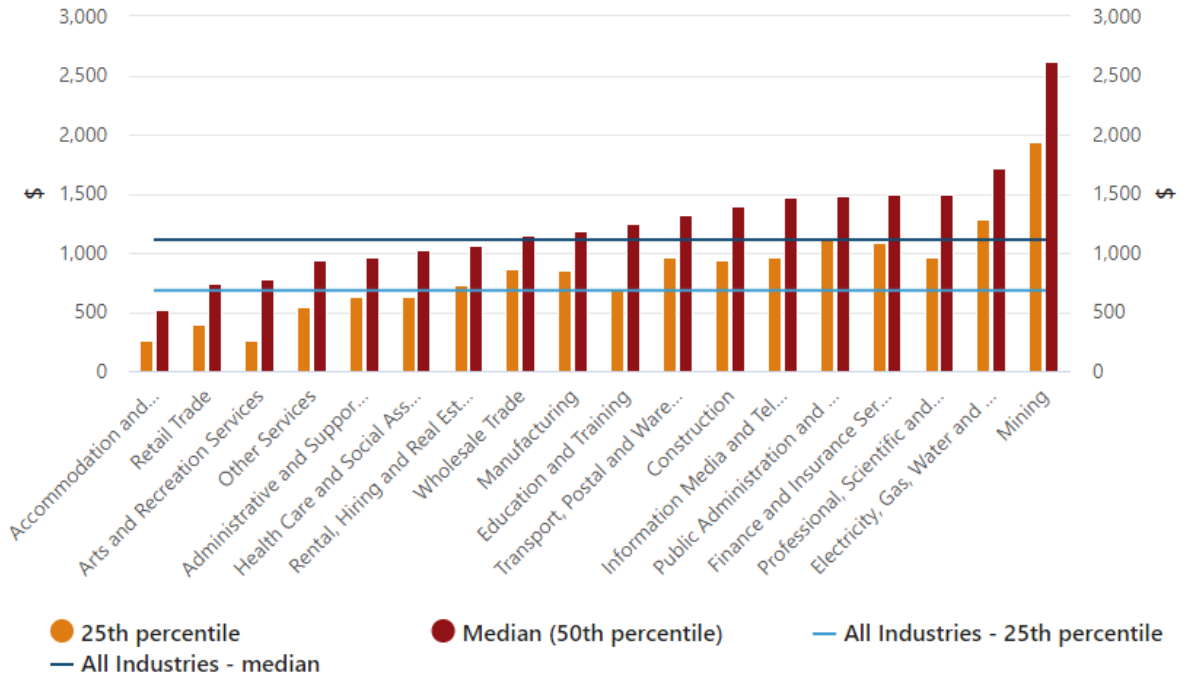
Source: Average full-time earnings - AWOTE from ABS 6302. Median ABS 6333. NMW from Bray (2013) and FWC. All series deflated by the CPI (ABS 6401). ACTU calculations.

293. The trends for the minimum wage and its gap with 60% of the median do suggest a narrowing of that gap over more than a decade. Moreover, the removal of JobKeeper and the gradual increase in lower paid jobs in the pandemic recovery which will move the average and median downwards again do not make the case for a smaller increase in the minimum wage. Rather, a bigger increase in the minimum wage is still needed to improve relative living standards.

4.2.2 Relative earnings in the more award dependent industries

294. ABS presents all employees total cash earnings from Employee Earnings and Hours May 2018, 25th percentile and median across industries in a graph (see Figure 95, which is ordered the same way as Figure 92 by median cash earnings). Figure 95 shows that Accommodation and food services which "saw the greatest decrease in payroll jobs, also had the lowest median pay of all industries at $516.00 in May 2018. This compared with median pay of $1,490.00 in the Financial and insurance services industry, which recorded a 0.3% increase in payroll jobs."[185]

Figure 95 All employees total cash earnings at May 2018, industries 25th percentile and median



Source: Average Weekly Earnings, Australia, May 2020 | Australian Bureau of Statistics (abs.gov.au)

295. The ABS notes that average weekly earnings decreased in May 2020 within some of the industries impacted by job losses, which may partly reflect that some relatively higher earning jobs in these industries were also lost.

[185] Average Weekly Earnings, Australia, May 2020 | Australian Bureau of Statistics (abs.gov.au)

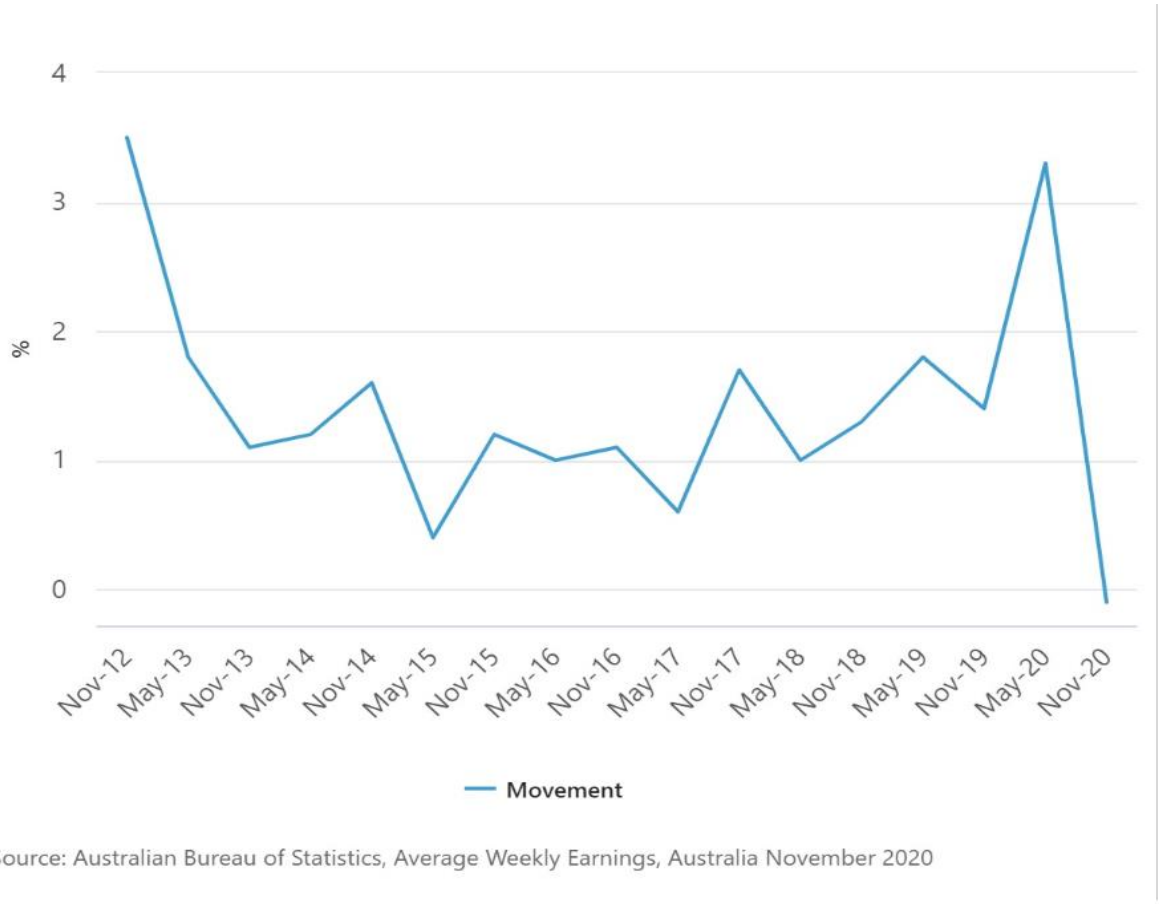
296. The ACTU notes from Figure 92 and Figure 95 that the highest job losses in the lowest paying industries also include the more award reliant industries of Accommodation and food services, Retail trade, Other services, Administrative and support services, and Healthcare and social assistance.

297. The ABS found that: "Over the six months to May 2020, the increase in average weekly earnings was only slightly higher for businesses that claimed JobKeeper than for those that did not, at the Australian economy level. This highlighted that the increase in earnings was not clearly concentrated in businesses supported by JobKeeper, suggesting that JobKeeper-related effects were just one of many related compositional changes over the period."[186]

298. The ABS said in its November 2020 release of Average Weekly Earnings that by November employment was back to about one percent below the March 2020 level. It said that the pace of recovery differed amongst industries. It said the jobs still impacted were mostly within the same lower paid industries, including jobs in Accommodation and food services, Arts and recreation services, and Other services. "These ongoing compositional shifts in the workforce contributed to the elevated levels of average weekly earnings in November 2020, despite subdued underlying wage growth (as per Wage Price Index, Australia)."[187] Figure 96 shows the dramatic fall in growth in AWOTE, becoming negative (-0.1) from May to November 2020.

[186] Average Weekly Earnings, Australia, May 2020 | Australian Bureau of Statistics (abs.gov.au)
[187] Average Weekly Earnings, Australia, November 2020 | Australian Bureau of Statistics (abs.gov.au)

Figure 96 ABS Graph: Six monthly movement – Average weekly ordinary time earnings, Full time adults, seasonally adjusted

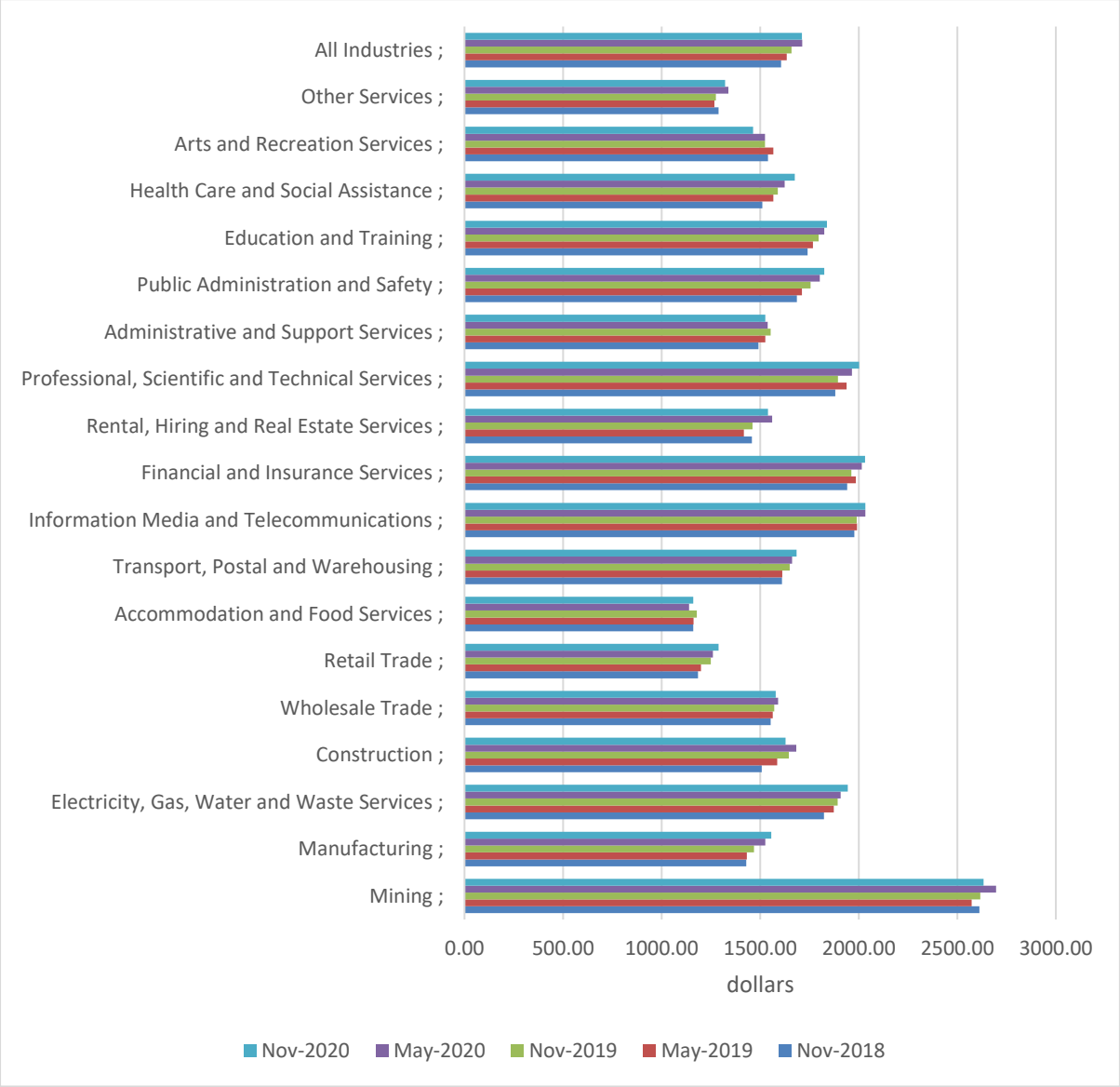


Source: Australian Bureau of Statistics, Average Weekly Earnings, Australia November 2020

Source: Average Weekly Earnings, Australia, November 2020 | Australian Bureau of Statistics (abs.gov.au)

299. Figure 97 shows that AWOTE for total industry fell just slightly between May and November 2020. The award dependent industries had the lowest AWOTE overall: Other services, Administrative and support services, Accommodation and food services, and Retail trade. Healthcare and social assistance AWOTE is pushed up by some high earning occupations within it. Administrative and support services and Other services earnings fell from May to November as the lower paid full time workers gained employment again or increased hours back to full time.

Figure 97 Average Weekly Ordinary Time Earnings, industries, six monthly, November 2018 to November 2020, dollars current



Source: ABS 6302001g

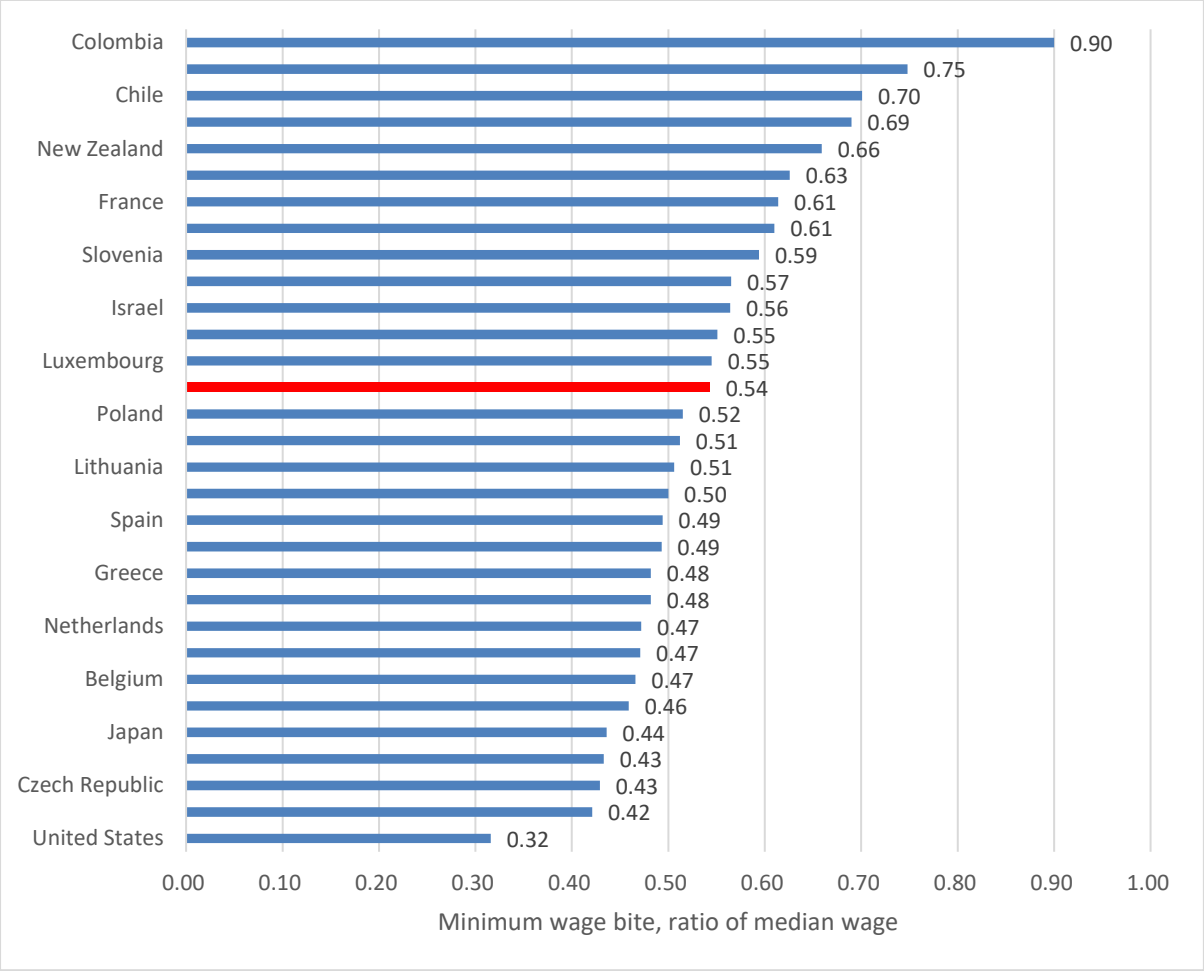
300. Awarding our full claim is the only avenue available to address the relative living standards of the low paid in these circumstances of withdrawal of government subsidies which served to address both the pandemic and the already low paid.

4.3 International comparison of minimum wages

Australia is 14th out of 31 OECD countries with minimum wages in terms of the ratio of the minimum wage to the median wage in 2019, before the pandemic, as shown in

301. Figure 98. Australia's median wage bite was 0.54 compared with New Zealand ranked 5th at 0.66, France 7th at 0.61, Portugal 8th at 0.61 and the UK 12th at 0.55.

Figure 98 OECD median wage bites, ratios of minimum wage to median wage 2019



Source: OECD Stat, accessed 23/3/21

302. Other countries are planning to increase or are increasing their minimum wages substantially. These include New Zealand, the United Kingdom and the USA.

303. New Zealand's minimum wage will increase from $18.90 to $20.00 on 1 April 2021, an increase of 5.8%.[188] The NZ Minister for Workplace Relations and Safety said: "Many low-income households have been affected by COVID-19, and an increase to $20.00 will provide a much-needed boost to our lowest earners' incomes."[189] New Zealand has also increased

[188] The minimum wage is increasing – make sure you are prepared » Employment New Zealand accessed 24 March 2021
[189] Minimum wage 2021 Cabinet paper (mbie.govt.nz)

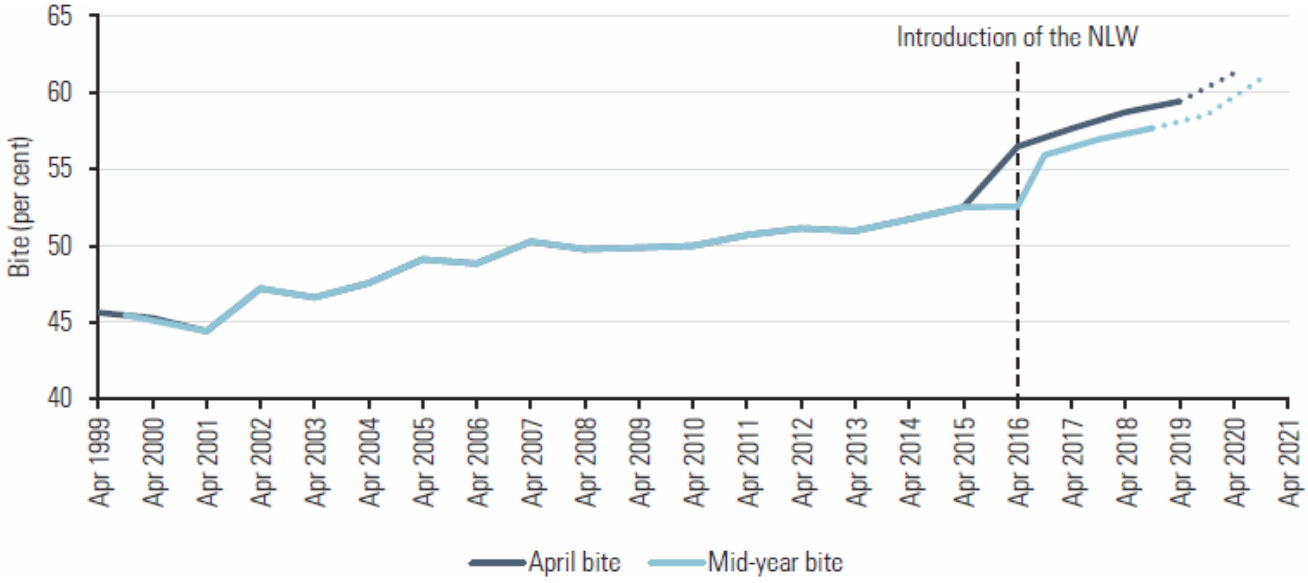
the minimum wage each year, most recently by 4.8% in 2018, 7.3% in 2019, and 6.8% in 2020, bringing its median wage bite to 70%. The Minister's report indicated that this would also assist disadvantaged groups in the population.

304. The UK has revised its target for the National Living Wage (NLW) up from 60% of median hourly earnings up to two thirds, by 2024. From April 2021 its NLW is also extended to those aged 23 and 24 and will increase by 2.2% from £8.72 to £8.91. The UK Low Pay Commission has said its minimum wage should increase to 2/3 of median wages by 2024.[190]

305. The Low Pay Commission's best estimate is that the UK minimum wage bite is 60.8 per cent as of October 2020 for those aged 25 and over 61.7% for those aged 23 and over. They recognise the estimate is more uncertain that in a typical year due to data issues[191]. As we can see in Figure 99 below, 2016 marked a significant change to previous approaches by the Low Pay Commission to recommending minimum wage rates. This resulted in increases relative to median wages that were typically much higher than previously. The figure shows that between April 1999 and April 2015 the 'bite' (the ratio between the wage floor and the median wage) of the main NMW rate increased from 45.3 per cent to 52.6 per cent, an increase of 7.3 percentage points. Since then the NLW has increased to reach around 60 per cent, an increase of around 7.5 percentage points in just five years.

[190] UK Low Pay Commission 2020 *Minimum Wage* December, p.166
[191] Low Pay Commission Report 2020

Figure 99: Bite of the National Living Wage for workers aged 25 and over, UK, 1999 -2020



Source: Low Pay Comission Report 2020

306. The UK Low Pay Commission 2020 *Minimum Wage* [LPC report] of December said that stakeholders both unions and some employers had expressed views regarding the April 2021 increase in the National Living Wage (NLW, the UK minimum wage for workers aged 15 and over) that lower paid workers in the UK were more likely to be "key workers in response to the pandemic"[192] It said: "Employers across a number of sectors recognised the contribution of key workers during the pandemic, the number of low-paid workers among them and the importance of the NLW in rewarding these groups. The British Beer and Pub Association (BBPA) acknowledged at oral evidence that, despite challenging circumstances for their members, it would be very difficult to argue against an increase in the NLW."[193] Some stakeholders expressed concern about Brexit and the uncertainty of covid. The LPC report said: "A number of employer groups supported the principle of the rising NLW and continued progress to the on-course rate, albeit with concerns about affordability. This was the case in social care and childcare, for example, where both Royal Mencap and the Early Years Alliance (EYA) told us they would like to pay staff more but that funding constraints prevented them from doing so."[194]

307. The ACTU's view is that the UK LPC's argument for increase based on the disproportionate burden on the low paid due to the pandemic also applies to the Australian case. In Australia those on the minimum wage and awards have also been disproportionately affected by the pandemic. This includes both those who lost employment and those who were employed

[192] UK Low Pay Commission 2020 *Minimum Wage* December, p.164.
[193] UK Low Pay Commission 2020 *Minimum Wage* December, p.164 par 8.60
[194] UK Low Pay Commission 2020 *Minimum Wage* December, p.165 par 8.64

during the pandemic. This is a reason to support an increase in the minimum wage and awards accordingly.

308. The new President of the USA Joe Biden is acting to increase the US Federal minimum wage to US$15 from $7.25 that was set in 2009[195], to more than double by 2025, an annualised average increase of 7.1% per annum. It is intended to start with an increase in the minimum wage to US$9.50 in 2021, an increase of about 31%, after which an increase of 14% per annum would be required to reach US$15 by 2025. From 2025 the minimum wage will be indexed to grow at the same rate as the US median wage. The increase could not be progressed through Congress as part of the US$1.9 trillion covid relief package, but will be reintroduced later as a separate bill.

309. The Centre for Future Work has calculated that if Biden's $15 minimum wage plan succeeds the US will overtake Australia to achieve a better minimum wage in absolute dollars (measured by purchasing power parity exchange rate) and in terms of the minimum wage bite[196]. The minimum wage bite for the US under $15 dollar Biden plan would be 66%. Economists at Morgan Stanley assessed Biden's $15 plan and have concluded that "the impact to employment, positive or negative, would be minimal, while the social benefits to lifting real wages of lower-income earners and millions out of poverty are substantial."[197] Twenty nine states and Washington DC already have adopted minimum wages above the current federal rate of US$7.25. 42 US cities have set minimum wages above the federal rate, with 22 of them including Seattle, Los Angeles and Washington DC already at $15 or more. The US ranks last out of the OECD countries by 10 percentage points of median wage bite, as shown in Figure 98. The Economic Policy Institute estimated that 31% of African Americans and 26% of Latinos would receive a raise if the minimum wage increased to $15 per hour.

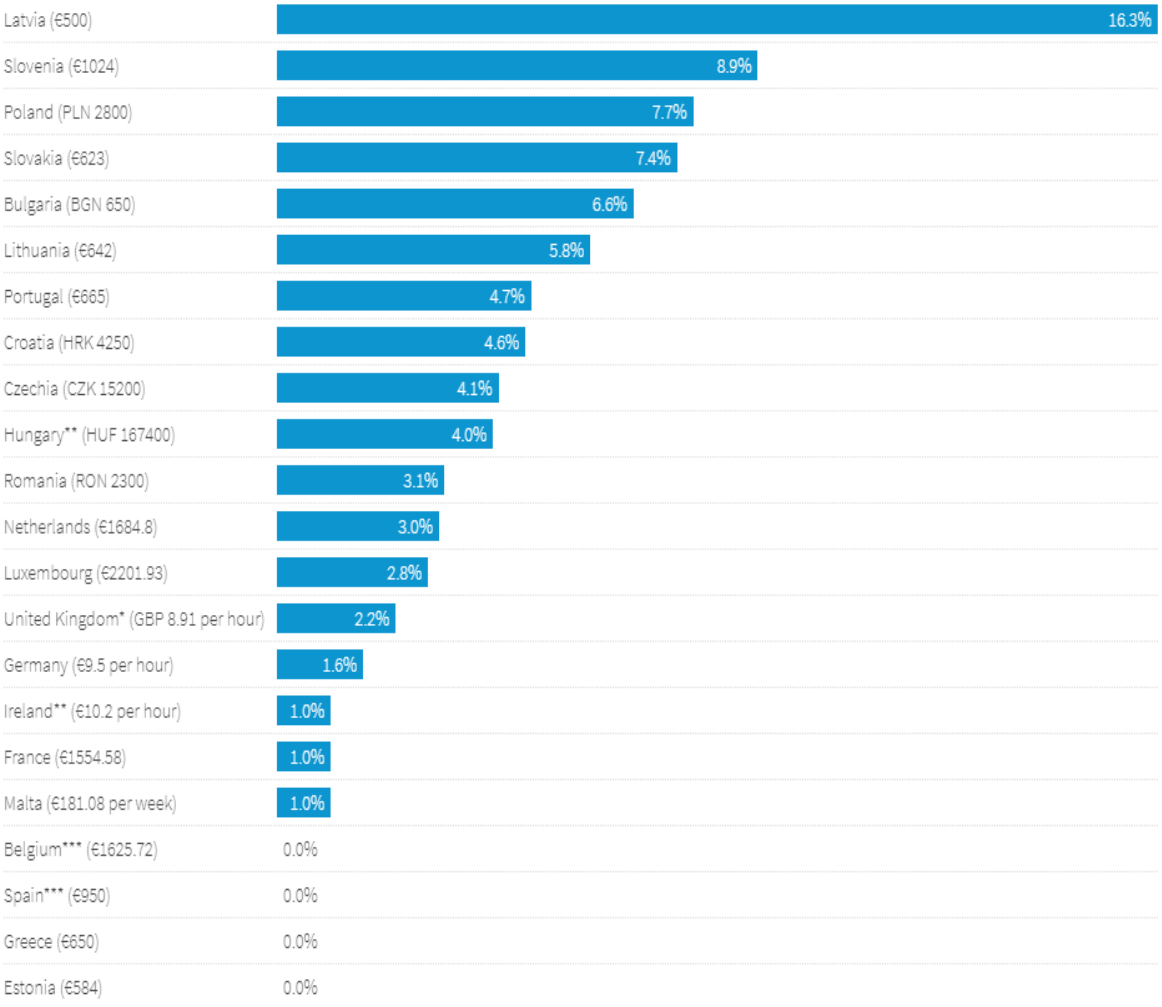
[195] President Biden Takes First Step In Bringing $15 Minimum Wage To Federal Workers (forbes.com)

[196] Center for Future Work calculations. See Workplace Express 'Minimum wage hike would surpass Australia: Stanford', Thursday, January 21,2021

[197] How economists see Biden's $15 wage proposal | PBS NewsHour 17February 2021, quoting Michael Feroli and Daniel Silver of JPMorgan Chase

310. Twelve member countries of the European Union increased their minimum wages by more than 3.0% between 2020 and 2021, as shown in Figure 100 reproduced from Eurofound.[198] Many of these had been hard hit in the pandemic.

Figure 100: Increase in nominal statutory minimum wages between 2020 and 2021 in EU member states and the UK



Notes: Unless otherwise indicated, quoted percentage figures refer to the increase of gross statutory minimum wages in national currencies between January 2020 and January 2021. Minimum wages are per month, if not otherwise indicated, and are not converted to reflect 12 payments (Spain, Greece and Portugal have 14 monthly payments, Slovenia has 13 monthly payments). * United Kingdom: Figure reflects April 2020 to April 2021 increases. ** Hungary and Ireland: Figure reflects February 2020 to February 2021 increases. Austria, Cyprus, Denmark, Finland, Italy and Sweden are not included in this figure as they do not have a statutory minimum wage. *** Negotiations on 2021 levels ongoing as of February 2021. No changes since March 2020 (Belgium) and January 2020 (Spain).

Chart: Eurofound • **Source:** Network of Eurofound Correspondents

311. On 28 October 2020 the EU Commission presented a proposed Directive which will be processed by the European Council and the EU Parliament which "creates a framework to

[198] Minimum wages in 2021: Most countries settle for cautious increase | Eurofound (europa.eu)

improve the adequacy of minimum wages and for access of workers to minimum wage protection in the EU."[199] Six EU members do not have a minimum wage, Denmark, Finland, Sweden, Cyprus, Austria and Italy, which operate on collective agreements to determine wages, while 21 members do have minimum wages. The directive is not intended to set the minimum wage rate.

312. The EM for the proposed Directive from the European Commission said:

> "The role of minimum wages becomes even more important during economic downturns. The Covid-19 crisis has particularly hit sectors with a higher share of low-wage workers such as retail and tourism and has had a stronger impact on the disadvantaged groups of the population. Ensuring workers in the Union have access to employment opportunities, and to adequate minimum wages is essential to support a sustainable and inclusive economic recovery.
>
> When set at adequate levels, minimum wage protection ensures a decent living for workers, helps sustain domestic demand, strengthens incentives to work, and reduces in-work poverty and inequality at the lower end of the wage distribution. Minimum wage protection also supports gender equality, since more women than men earn wages at or around the minimum wage."[200]

313. In the ACTU's view the arguments in the EM for the proposed Directive also offer grounds for increase in the minimum wage and awards and these also apply in the case of Australia's NMW and awards.

4.4 Living Standards and the Tax and Transfer System

314. The Panel in its decision said it had taken account of the interaction between wages and the tax-transfer system in its consideration of the needs of the low paid, including the higher rate Low and Middle Income Tax Offsets (LMITO) and had regard to various assistance packages introduced by the Australian Government in response to the COVID-19 pandemic. It said:

[199] Adequate minimum wages for workers across Member States (europa.eu)
[200] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020PC0682&from=EN

> "We also affirm the Panel's previously expressed view that the tax-transfer system can provide a more targeted and efficient approach to addressing poverty among low-income individuals, increasing low-paid households' disposable incomes and sustaining their relative living standards. However, while minimum wage increases are not fully reflected in household disposable income, minimum wages continue to play a large role in improving household income for low-income minimum wage families."[201]

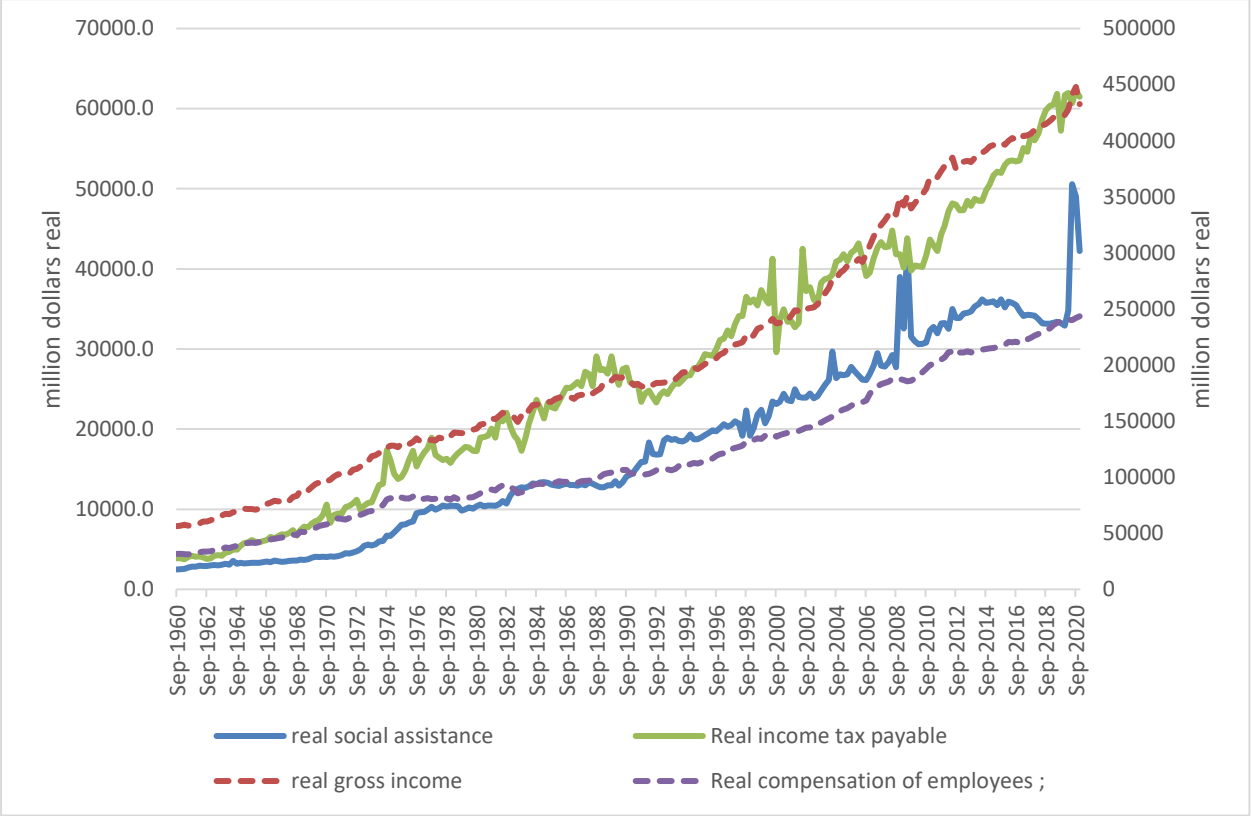
The ACTU welcomes those statements by the Panel and its recognition of the importance of the tax transfer system for low paid workers and their households. The ACTU is concerned that the withdrawal of the various pandemic subsidies that provided respite to many low income households (while not available to others) will now return them to hardship. Only an increase in the minimum wage can address this deficit.

315. Figure 101 shows quarterly social assistance, income tax payable, gross income (RHS dashed) and employee compensation (RHS dashed) in real terms. The absolute decline in social assistance over the five years from December quarter 2014 to the December quarter 2019 is stark and unique compared with the rest of the long series. This is over a period from December quarter 2012 of relatively low growth in real gross income and an even slower advance of total employee compensation. In other periods social assistance and income tax have exhibited countercyclical behaviour, for instance 1990, 2000 and 2008, in each of which episode the gap between income tax and tax has widened then narrowed. In the 2015 to 2019 period of slow growth the gap between social assistance and tax widened only through social assistance continuing to fall while tax increased fairly steadily.

316. The fall in social assistance over the five years to December 2019 is so extreme that the increases in social assistance through the covid package over 2020 have merely served to move social assistance back up to a level roughly corresponding to the trend level it would have had if it had continued on trend from December 2014 as shown in Figure 101.

[201] [2020] FWCFB 3500 at [357]-[358]

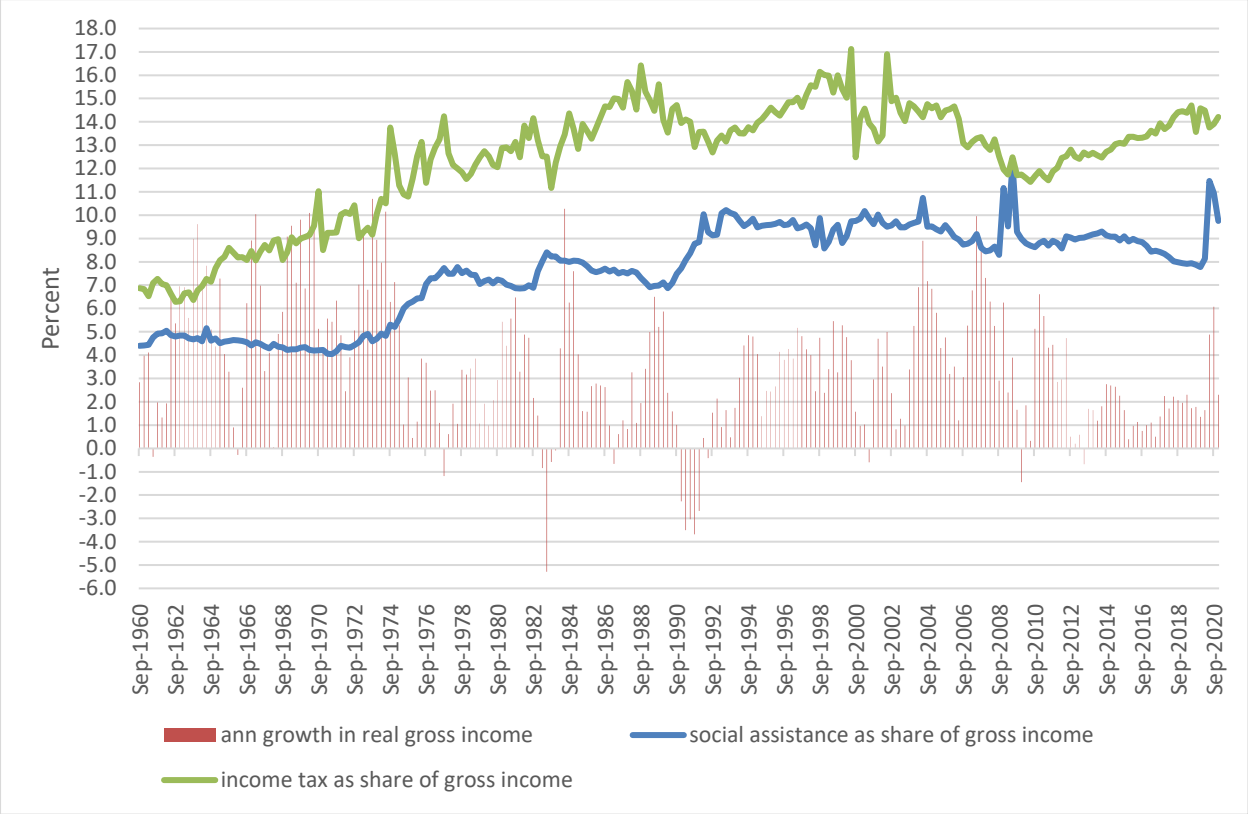
Figure 101 Social assistance, income tax payable, gross income (RHS), quarters, real, million dollars



Source: ABS 5206020, 6401, ACTU calculations

317. The atypicality of the period from 2015 onwards is also shown in comparing the shares of social assistance and tax in gross income with the annual growth in gross income in Figure 102. The share of tax has increased as income increases more slowly from 2015. The share of social assistance has fallen even though gross income growth is low.

Figure 102 Share of social assistance in gross income, share of tax in gross income, and annual growth in real gross income, quarters, per cent.



Source: ABS 5206020, 6401, ACTU calculations

318. In the ACTU's view it is difficult argue under these circumstances that the tax and transfers system has seen marked improvements for the lower paid, particularly considering that the most substantial elements of government support to workers in the year in Review were or are temporary. The effects of the withdrawal of *JobKeeper* and the Coronavirus supplement are to be felt imminently.

319. Table 8.4 of the Statistical Report presents nominal disposable incomes at July 2020 for a range of households reliant on the NMW. The contributions of New Start Allowance / JobSeeker increases to the disposable income of single earner couples (increase of $376.97 or 45% to $ to $1215.31), single earner couples with one child (increase of $309.97 or 30.1% to 1341.07), and single earner couples with two children (increase of $310.63 or 27.2% to $1451.07) are notable.[202] The additions to income thereby serve to illustrate the general inadequacy of the NMW and the operation of the tax and transfer system to meet the needs of low paid households. Implicit in the provision of these subsidies was a recognition of the

[202] Statistical Report AWR 2020-21 V1 p.57 Table 8.4

inadequacy of the tax transfer system to meet the needs of low income working households even in the absence of the pandemic.

320. The additional benefit of free childcare further highlighted the childcare as an increasing impost on working households with children. It also benefited those households of low paid workers who were assisted by Newstart / JobSeeker payments.

321. From Table 8.4 of the Statistical Report v1, the third column also shows that the increases in income to June 2020 for the other NMW reliant households not in receipt of JobKeeper are all in fact below the NMW increase of 3.0% given the in the AWR of 2018-2019. Taking account of the CPI fall by 0.3% still leaves almost all of the household types below the NMW increase. [203]

322. This is borne out by Table 8.5 in the Statistical Report v1. It shows that for all household types reliant on the NMW the increase of $13 is reduced by taxes and in some cases falls in transfers reduce it further.[204] This cannot seen to be because the NMW offers enough income to take households out of hardship. This suggests a high net marginal tax rate for these low paid households.

323. In any case the tax/transfer system contribution has increasingly shrunk and coupled with glacial growth in wages has seen real incomes decline for many working households even in the presence of very low inflation. The experience of 2020 has made it is clear that the tax-transfer functions increasingly inadequately to meet the needs of low paid workers and their households.

324. There remain a number of household types that remain below the 60% of median income poverty line. These include a single income household working part-time with 1 child, which has fallen further below the poverty line at July 2020 at both C14 and C10. This is also the case for single income household working part-time with 2 children, a single earner couple, a single earner couple with one child. The single earner couple with 2 children also stays beneath the poverty line. The ability of JobSeeker to lift incomes out of total penury is stark.

[203] Statistical Report AWR 2020-21 V1 p.57 Table 8.4
[204] Statistical Report AWR 2020-21 V1 p.58 Table 8.5

The withdrawal of it will leave those households in despair that can only be alleviated at this stage by an increase in the minimum wage.

325. Porter et al 2020 used the ANZ Roy Morgan Financial Wellbeing Index (FWI), based on answers to the survey as a measure of wellbeing. There was a 12% difference in FWI between those with above median equivalized household income and those with below median equivalized household income at March quarter 2018. This gap had widened by 0.5% by March 2020.[205]

326. The ACTU recognises that the Panel takes account of the tax-transfer system on the income of the low paid. In the Panel's Decision of 2019-20 it said "In addition to minimum wages, the tax-transfer system also has a significant role to play in alleviating earnings inequality and assisting low-paid workers to meet their needs." .. Changes to the tax-transfer system under covid have "broadly speaking, provided a benefit to low-paid households" and are a "moderating factor" in its assessment of the "appropriate level of NMW and modern award minimum wages arising from this Review."[206] The Decision also said: "We have decided to award a substantially lower increase this year than that awarded last year due to the marked change in the economic environment and the tax-transfer system and other changes which have taken effect in the current Review period which have benefitted low-paid households."[207]

327. In the ACTU's view the Panel's approach to the impact of changes to the tax- transfer system would also apply to changes to the tax-transfer system that have been detrimental over time to the low paid, prior to covid-19 measures. Porter et al 2020 says: "Labour market changes meant that entering the workforce no longer guaranteed a decent wage or job security. While employment became less secure, inadequate social security (Senate Community Affairs References Committee 2020) and increased conditionality compounded the stress and stigma of relying on social security (Bowman et al. 2019; Cook 2019; Thornton et al. 2020). Income support payments in Australia are among the lowest in OECD countries (Henriques- Gomes 2020)."[208]

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[205] Emily Porter, Dina Bowman and Matthew Curry 2020 *All in it together? Financial wellbeing before covid-19* Research and Policy Centre Brotherhood of St Laurence https://www.bsl.org.au/research/publications/all-in-it-together/ p.14

[206] [119] – [120] Fair Work Commission *Annual Wage Review 2019-2020* Decision [2020] FWCFB3500

[207] [139] Fair Work Commission *Annual Wage Review 2019-2020* Decision [2020] FWCFB3500

[208] Porter et al 2020 p.10 citing Bowman, D, Thornton, D & Mallett, S 2019, *Reclaiming social security for a just future*, Brotherhood of St. Laurence, Fitzroy, Vic.; Cook, K 2019, 'Gender, social security and poverty ', in P Saunders (ed.), *Revisiting Henderson: poverty, social security and basic income*, Melbourne University Publishing, Carlton, Vic.; Thornton,

5. THE NEEDS OF THE LOW PAID

5.1 Relative Poverty

328. The Panel said in its 2018-19 Decision:

> "The Panel has generally relied on poverty lines that are measured relative to median equivalised household disposable income and has considered that a threshold of 60 per cent of median equivalised household disposable income is more appropriate when using relative poverty lines to set minimum wages, as those in full-time employment can reasonably expect a standard of living that exceeds harsher poverty levels."[209]

and

> "Relative poverty 'captures the notion that preferences and norms in society on what is an acceptable standard of living—and the costs associated with it—change over time as incomes rise'.[210] However, relative poverty lines are more a measure of inequality than an assessment of whether low-income households have enough income to meet their basic needs."[211]

329. The Panel has consistently adopted 'A threshold of two-thirds of median adult full-time ordinary earnings is the benchmark we use to identify who is 'low paid[212]'.

330. The Panel said in its 2019-20 Decision:

> 'Assessing the needs of the low paid involves analysing the extent to which low-paid workers are able to purchase the essential items necessary for achieving a decent standard of living for them and their families, and to allow them to participate in community life, assessed against contemporary norms. The risk of poverty is also relevant in addressing the needs of the low paid. Consistent with previous Review decisions, we accept that if the low paid live in poverty then their needs are not being met. In measuring poverty we continue to rely on poverty lines based on a threshold of 60 per cent of median equivalised household disposable income and that those in full-time employment can reasonably expect to earn wages above a harsher measure of poverty[213]'.

D, Bowman, D & Mallett, S 2020, *Safety net to poverty trap? The twentieth century origins of our uneven social security system*, Brotherhood of St. Laurence, Fitzroy, Vic., http://library.bsl.org.au/showitem. php?handle=1/12232 .; Henriques-Gomes, L 2020, 'Australia's jobless benefits will be among the worst in the OECD after Covid supplement cut', *The Guardian*, 8 September.

[209] 2019 FWCFB 3500 at [322]

[210] 2019 FWCFB 3500 at [319] citing Urban Sila and Valéry Dugain 2019 income poverty of households in Australia: evidence from the HILDA survey OECD Economics Department Working Papers No. 1539, p.9

[211] 2019 FWCFB 3500 at [319] citing [2016] FWCFB 3500 at [431]

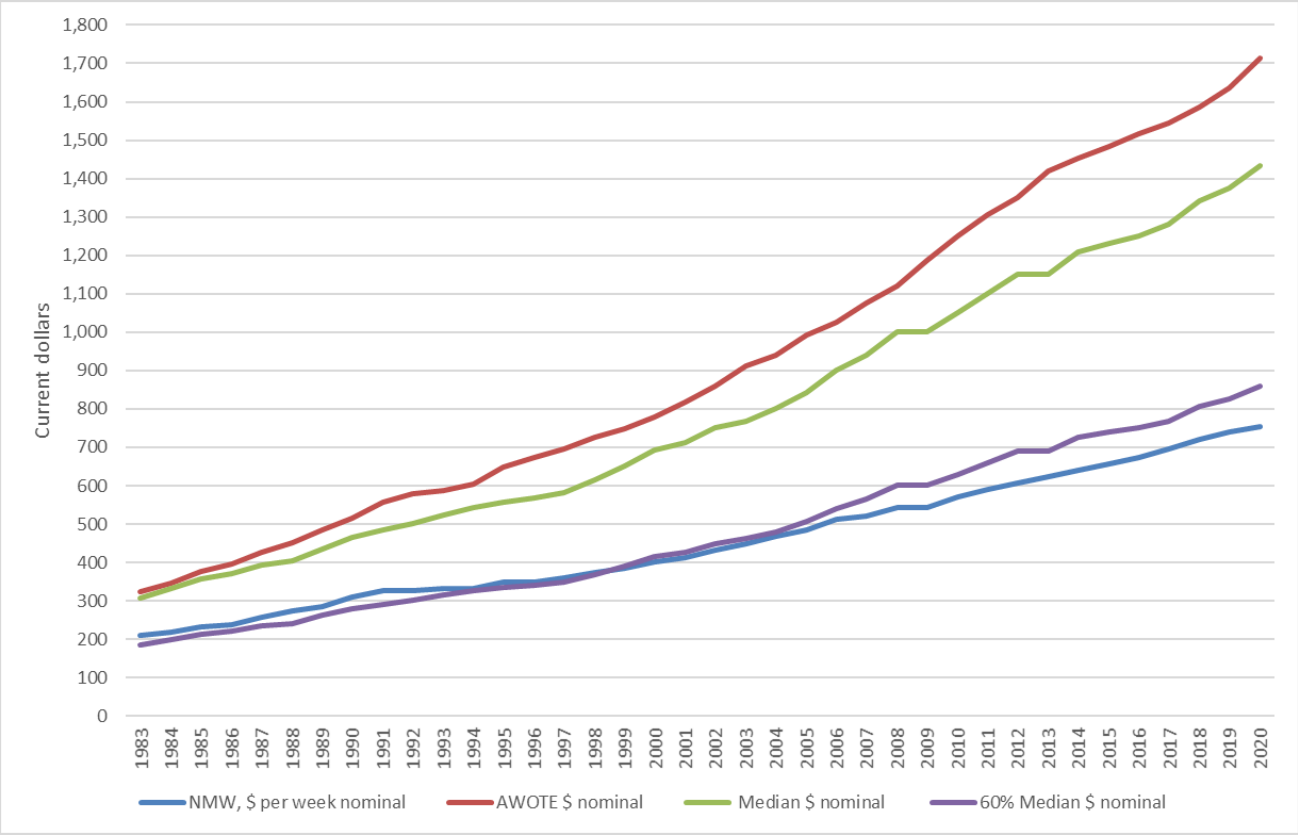
[212] 2020 FWCFB 3500 at [85]

[213] 2020 FWCFB 3500 at [85]

331. The ACTU observes accordingly that obtaining an income in excess of relative poverty levels does not necessarily indicate that low-paid workers' needs are being met adequately or decently. People above the relative poverty line may still experience poverty, as the line is relative to median, or sometimes mean, income. An individual's income can move either side of the relative poverty line while remaining the same in terms of purchasing power.

332. The NMW has not kept pace with relative poverty thresholds such as 60% of the median, and has fallen below that level since 1999, nearly 20 years ago. The gap between the NMW and the poverty threshold of 60% of the median continues to be significant.

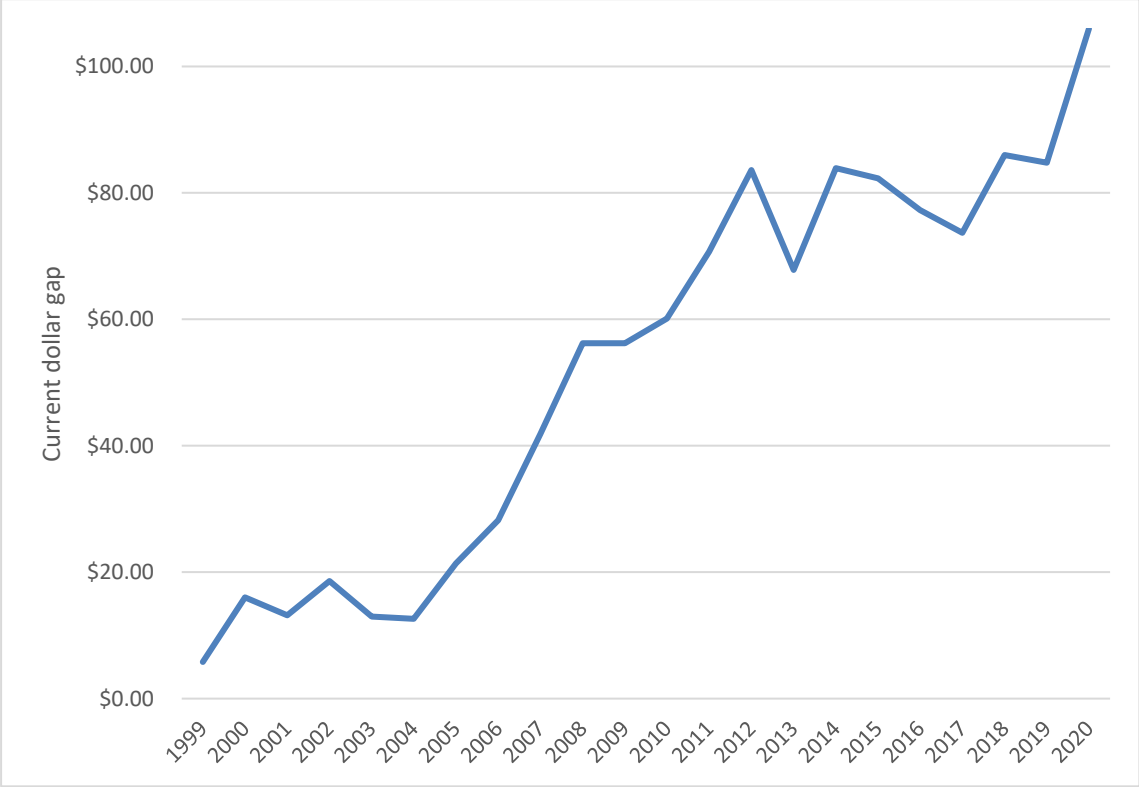
Figure 103: National minimum wage, Average Weekly Ordinary Time Earnings, Median Earnings, and 60% of Median Earnings, nominal (current) dollars 1983 - 2020



Sources: FWC and Bray (2013), ABS Cats 6302, 6310, 6333, and ACTU calculations

333. Furthermore, it is evident from Figure 104 below that there is a significant nominal dollar gap between the NMW and the poverty line based on a threshold of 60 per cent of median. The NMW is currently $106 dollars below the 60% of median earnings poverty line.

Figure 104: The current dollar gap between NMW and relative poverty line of 60% of median earnings

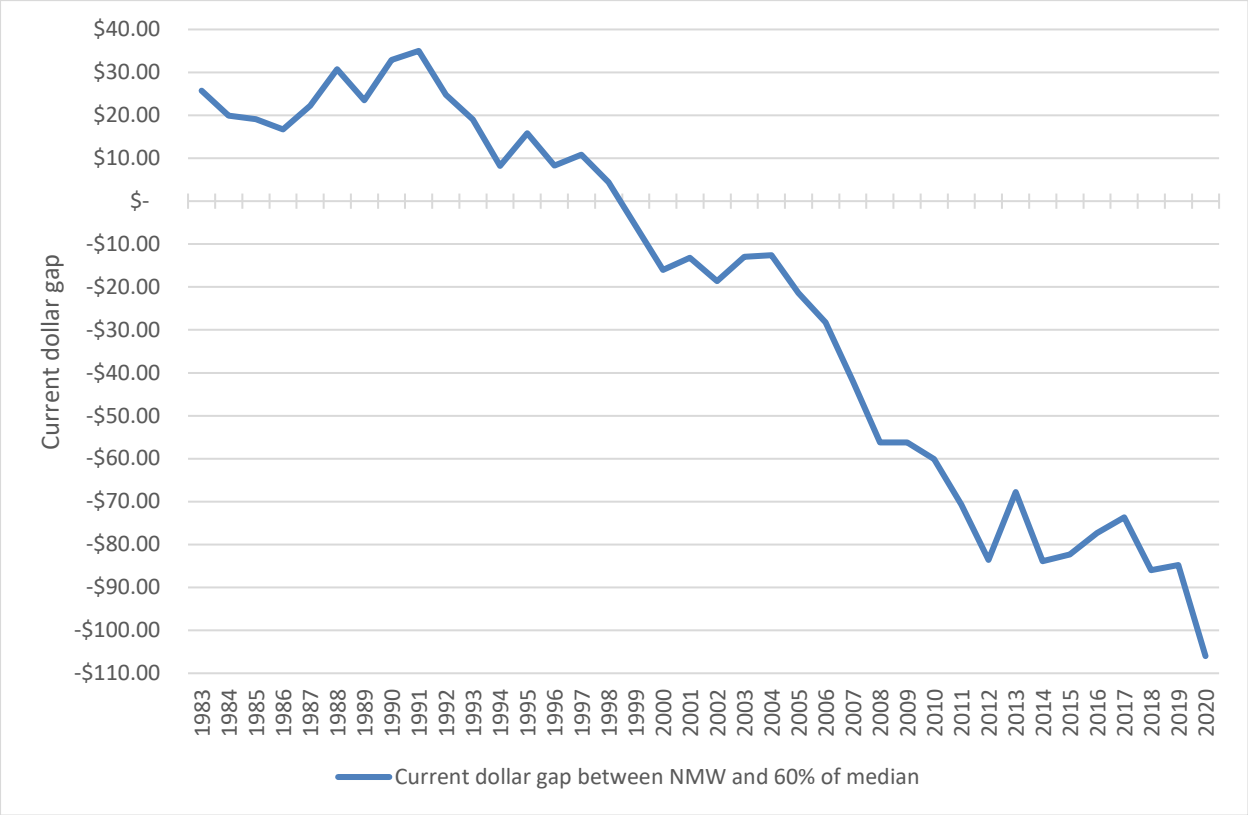


Sources: FWC and Bray (2013), ABS Cats 6302, 6310, 6333 and ACTU calculations

334. We also subtract 60% of nominal full-time median earnings from the NMW for each year from 1983 to 2020, as shown in Figure 105, where 60% of median earnings is given by zero on the vertical axis. The gap in 2020 was $106 and has significantly worsened from 2019 when the gap was $84.20.

335. It is estimated that the gap between NMW and 60% of nominal median earnings at 2020 would require an increase of around $106 per week or 14.06% in order for the current NMW to reach a level of 60% of the median equal to $859 per week at 2020. This amounts to around $2.65 per hour. A practical proposal for an increase to the minimum wage by 3.5% or $26.38 per week would mark progress in moving toward that objective. This increase would amount to $0.69 an hour, to reach a total of $20.53 per hour.

Figure 105: Nominal NMW minus 60% of median earnings



Sources: FWC and Bray (2013), ABS Cats 6302, 6310, 6333 and ACTU calculations

5.2 Absolute poverty, financial stress and deprivation

336. The Panel said in its 2019 decision: "Some low-paid households are plainly experiencing significant disadvantage. A real wage increase would assist these employees to better meet their needs." The extent to which award-reliant employees are able to meet their needs is difficult to measure directly, but can be inferred from information such as absolute poverty rates and measures of financial stress and deprivation.

337. For the remainder of this Chapter, we report on a number of indicators of and observations regarding absolute poverty, financial stress. Before turning to that material, we consider it important to highlight that an aspect of whether needs are being met is the extent of precariousness of existence faced by low paid employees and their dependents. While indicators of financial stress seek to quantify this, it calls for evaluation on a much broader basis. This has become increasingly important with the increasing precarity of employment, pay and working conditions in a context of climate change over time. As it stands there is insufficient attention to this in the empirical literature.

338. In addition, attention should be given to the needs of women, a higher proportion of whom are low paid. The standard low paid worker has historically been cast as a man. Women's patterns of consumption and living requirements differ from males, not least in that they are more likely to have primary care of dependents including children and others needing care, while they are in the workforce. Additional requirements are entailed in their personal consumption and in relation to those they for whom they have carer responsibilities also. Further aspects of gendered disadvantage are considered in Chapter 6.

5.2.1 The importance of a reference point

339. The *Statistical Report* contains indicators of financial stress for all employee households in Table 12.1 and low paid employee households in Table 12.2, based on HILDA data. Employee households are those whose main source of income is from wages or salary. It can reasonably be assumed that these estimates are conservative.[214] The financial stress must be reported by both partners in a couple household, the lone parent in a lone parent household, and the lone person in a lone person household.

340. According to Table 12.2 in the *Statistical Report* financial stress has increased or remained high in key indicators for low paid households from 2018 to 2019. Five out of eight indicators worsened in 2019 compared with 2018;

- Could not pay electricity, gas or telephone – increased
- Could not pay mortgage of rent on time – increased
- Pawned or sold something – increased
- Went without meals - increased
- Sought financial help from friend or family – increased

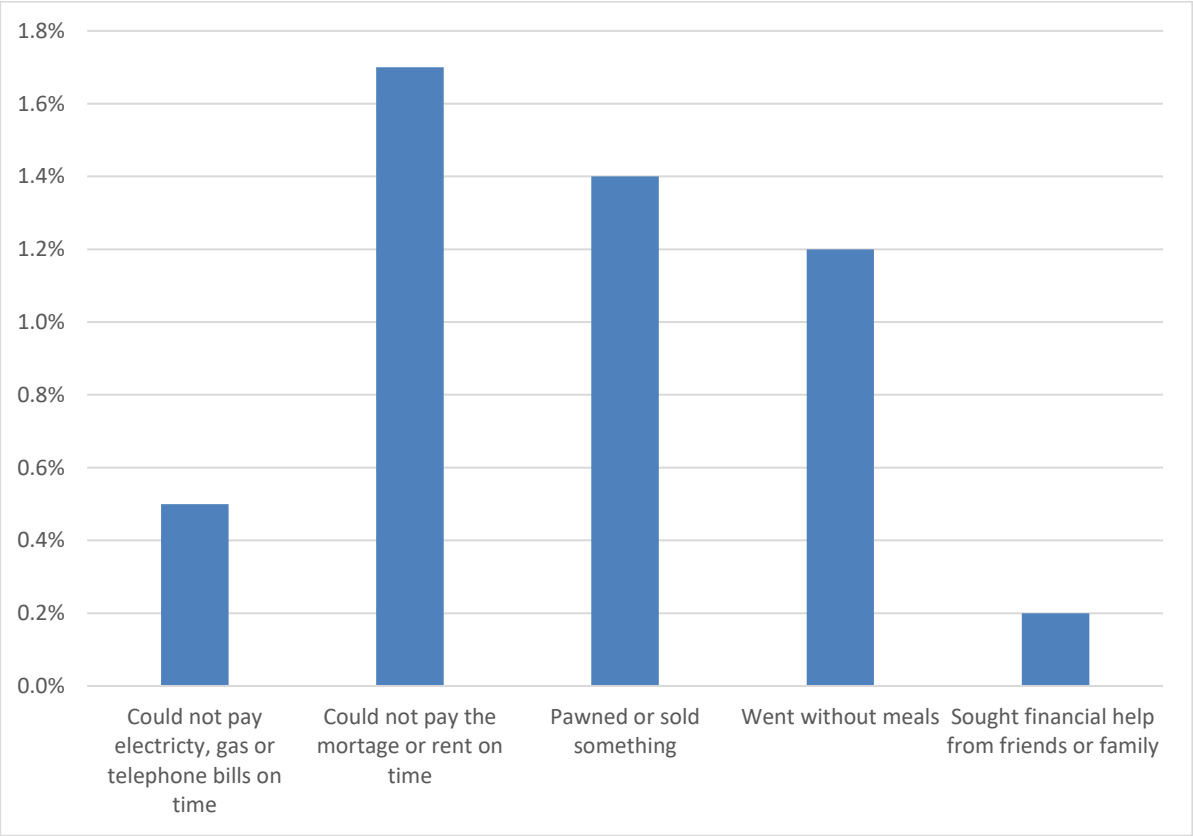
341. For *all employee* households, three out of eight indicators worsened in 2019 compared with 2018. These were: "pawned or sold something" (2.5% to 2.8%), "went without meals" (2% to 2.2%), and could not afford to heat the home (1.7% to 1.8%).[215]

[214] The ACTU notes that HILDA is a longitudinal survey which details that it energetically seeks to maintain its sample over time. Inevitably the most vulnerable e g those poor, itinerant, homeless, recent immigrants and marginal to labour force are more likely to drop out especially with an increase in financial hardship, or not be included and these are the most exposed to financial stress.

[215] FWC 2020 Statistical Report – Annual Wage Review 2020-21, p.68, Table 12.1

342. For *low paid employee* households, five of the eight indicators of financial stress worsened.[216] These were: "could not pay the electricity gas or telephone bills on time" (15.5% to 16.0%), "could not pay the mortgage or rent on time" (7.9% to 9.6%), "pawned or sold something" (4.8% to 6.2%), "went without meals" (3.8% to 5%), and "sought financial help from friends or family" (14.0% to 14.2).[217] This is shown in Figure 106.

Figure 106: Financial stress by low paid households has increased in every indicator from 2018-2019



Source: Statistical report, 2020

343. Even small increases in the percent share of employees affected by financial stress would amount to a significant addition to difficulty, given they represent a significant increase in actual numbers of employees over the year, and are concentrated amongst the lower paid. Moreover, it is concerning that those measures did not improve, particularly as employment has grown strongly over the period.

[216] Low paid employee households are those in the bottom quintile of EDHI for employee households, FWC 2020 *Statistical Report – Annual Wage Review 2019-20*, p.54,
[217] FWC 2020 Statistical Report – Annual Wage Review 2019-20, p.54, Table 12.2

344. Whlist the data referred to above relate to changes in the period 2019-19 and are the latest available data from HILDA, they serve as some indication of the level of financial stress experienced in households prior to the onset of the pandemic and useful context in considering the experiences that were to follow.

345. Further context in this regard is found in Porter et al 2020[218], which points out that some groups did not receive improvements to financial wellbeing prior to covid-19. These groups include those who were wage earners: part time workers, and those workers who are single parents and renters. Porter et al finds that just 22% of rental properties are affordable for those "relying on the minimum full-time wage".[219] Those "on low incomes were likely to experience poor financial wellbeing". It said "Our analysis shows that unemployed workers and part-time workers (particularly when they are the main earner in a household) have poorer financial wellbeing than those in full-time work. Others have noted that as the availability of full-time work has diminished, Australians increasingly rely on part-time and insecure work (Gilfillan 2019). Entering the labour market no longer guarantees financial wellbeing, particularly in this era of stagnant wage growth."[220]

346. Porter et al 2020 makes use of Roy Morgan Single Source survey data from April 2017 to March 2020 which includes 40,689 respondents aged 18 and older, with an average of 3400 per quarter in a "large nationally representative sample".[221] Porter et al 2020 says "Over the last decade, low wage growth (Gilfillan 2019), stubbornly high youth unemployment averaging over 12% (ABS 2020b), increasing underemployment (ABS 2020b) and uncertain incomes (Banks & Bowman 2019) combined to undermine the financial wellbeing and economic security of many in Australia (ABS 2020b)."[222]

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[218] Emily Porter, Dina Bowman and Matthew Curry 2020 *All in it together? Financial wellbeing before covid-19* Research and Policy Centre Brotherhood of St Laurence https://www.bsl.org.au/research/publications/all-in-it-together/ p.12

[219] Porter et al 2020 p.5 citing Anglicare Australia 2020, *Rental affordability snapshot*, <https://www.anglicare.asn.au/docs/default-source/ default-document-library/rental-affordability-snapshot-2020.pdf>.

[220] Porter et al 2020 p.24 citing Gilfillan, G 2019, *The extent and causes of the wage growth slowdown in Australia*, Parliamentary Library research paper, Department of Parliamentary Library Services, [Canberra] viewed 9 November 2020, <https:// www.aph.gov.au/About_ Parliament/Parliamentary_ Departments/Parliamentary_Library/pubs/rp/rp1819/ WageSlowdown#:~:text=The%20major%20causes%20of%20the,a%20decline%20in%20the%20terms>

[221] Emily Porter, Dina Bowman and Matthew Curry 2020 *All in it together? Financial wellbeing before covid-19* Research and Policy Centre Brotherhood of St Laurence https://www.bsl.org.au/research/publications/all-in-it-together/ p.12

[222] Porter et al 2020 p.5 citing Gilfillan, G 2019, *The extent and causes of the wage growth slowdown in Australia*, Parliamentary Library research paper, Department of Parliamentary Library Services, [Canberra] viewed 9 November 2020, <https:// www.aph.gov.au/About_ Parliament/Parliamentary_ Departments/Parliamentary_Library/pubs/rp/rp1819/ WageSlowdown#:~:text=The%20major%20causes%20of%20the,a%20decline%20in%20the%20terms> ; ABS 2020b, *Labour force, Australia, February 2020*, Cat. no. 6202.0; Banks, M & Bowman, D 2017, *Juggling risks: insurance in households struggling with financial insecurity*, Brotherhood of St. Laurence, Fitzroy, Vic..

5.2.2 Food insecurity

347. The Food Bank Hunger Report 2020 combines insights from charities and community groups across Australia providing food relief as well as individual Australians who experience food insecurity. This was the fourth time Foodbank conducted research amongst those directly affected by food insecurity. Food insecurity is "defined as individuals or households having limited or uncertain physical, social or economic access to sufficient, safe, nutritious and culturally relevant food".

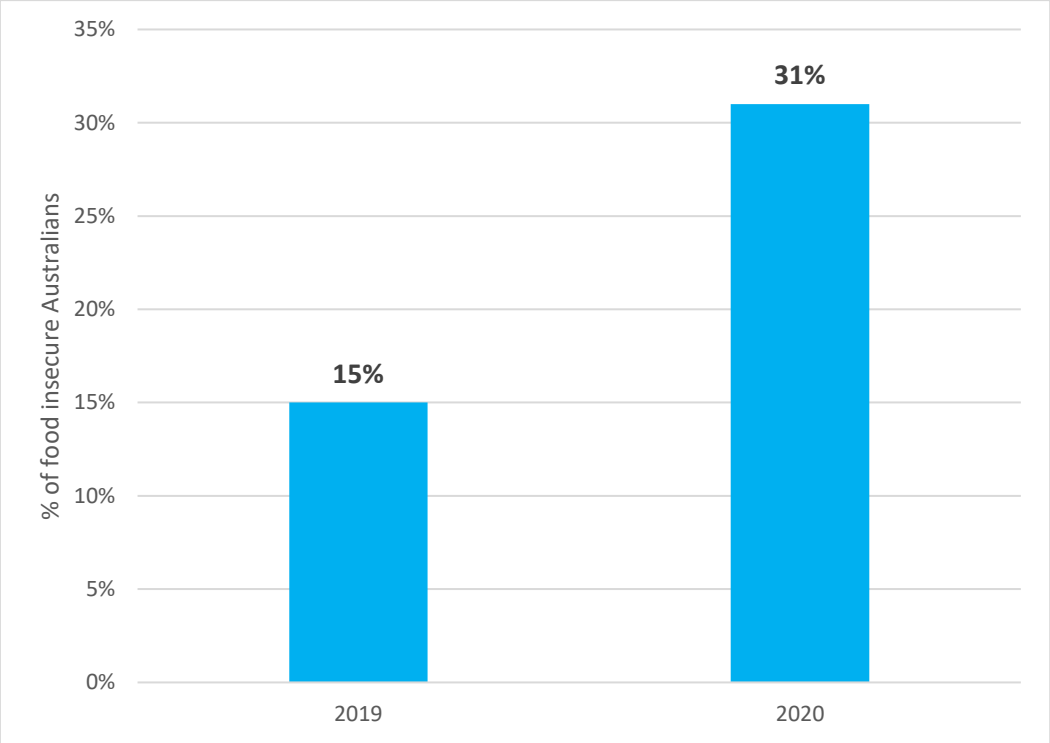
348. The methodology of the Food hunger report is as follows. An online survey was conducted with 1,001 Australians aged 18 years and older who had experienced food insecurity in the last 12 months, with an even spread across gender, age and location. The survey was designed and deployed by McCrindle and was in field between 25 June and 15 July 2020.

349. A single-item measure was used to determine if respondents had experienced food insecurity. Respondents are asked to answer yes or no to the following question: "In the last 12 months, was there any time you or anyone in your household ran out of food and did not have enough money to purchase more?" This is a globally recognised tool for determining food insecurity and is used in a number of studies including the National Health Survey.

350. Charities have seen a significant increase in the demand for food relief. In 2019, 15% of Australians experiencing food insecurity were seeking food relief at least once a week. In 2020, this has more than doubled to 31%[223]. Although charities are seeing demand for food relief become more erratic and unpredictable, overall numbers are up by an average of 47%.[224]

[223] The Food Bank Hunger Report 2020
[224] Ibid

Figure 107: Proportion of food insecure Australians seeking food relief once a week



Source: Food Bank Hunger Report 2020

351. The Food Bank Hunger Report 2020 found that while COVID-19 has made life even more difficult for already-vulnerable Australians, it has launched others into food insecurity for the first time. Almost a third of Australians experiencing food insecurity in 2020 (28%) had never experienced it before COVID-19[225]. Charities have seen two newly food insecure groups emerging as a result of the pandemic: the casual workforce and international students. For newly food insecure Australians, COVID-19 has been a catalyst for a chain of negative events of which a shortage of food is just a part. The report is clear that 'as bills pile up and income dwindles, stress and unmet physical needs are likely to cause a decline in mental health[226]'.

352. The Food Bank Hunger Report 2020 reports some groups are in more need than ever before due to COVID-19. Those who were already food insecure prior to the pandemic are going hungry even more frequently now. Currently, 43% of all food insecure Australians are going a whole day without eating at least once a week, compared to 30% in 2019[227].

[225] The Food Bank Hunger Report 2020
[226] ibid
[227] Ibid

5.2.3 Household Impacts of COVID-19 Survey

353. A recent, new ABS survey of households is designed to provide a snapshot about how people are faring in response to the changing social and economic environment caused by the COVID-19 pandemic. The Household Impacts of COVID-19 Survey provides insights into the prevalence and nature of impacts from COVID-19 on households in Australia. This publication presents results from a longitudinal survey which collects information from the same panel each month. The January 2021 survey was run between 18 and 31 January 2021 via online forms and telephone interviews. The survey included 3,004 continuing participants, a response rate of 88% of the sample. Some of the key results are reported below:

    a. 14% of Australians reported their household finances had worsened;
    b. 15.8% of people reported their household could not raise $2,000 for something important within a week;
    c. 8% of Australians reported their household was unable to pay one or more selected bills on time over the last three months due to shortage of money.

354. The survey asked people if their household finances in the last four weeks had improved, remained the same or worsened due to COVID-19. As discussed above, for Australians 18 years and over, in the last four weeks 14% reported their household finances had worsened. When broken down by age, in the last four weeks household finances had worsened for:

    a. 17% of Australians aged 18 to 34 years;
    b. 14% of Australians aged 35 to 64 years;
    c. 11% of Australians aged 65 years and over.

    It should be noted that the 18-34 year old age group is typically over-represented in low paid, award reliant work.[228]

355. People were also asked if their change in household finances was due to a change in income. Three in five (61%) people reported their household finances had worsened due to a change in income.

[228] See Wilkins R & Zilio F (2020), *Prevalence and persistence of low-paid award-reliant employment*, Melbourne Institute of Applied Economic and Social Research, Fair Work Commission Research Report 1/2020, February, at Table 2.

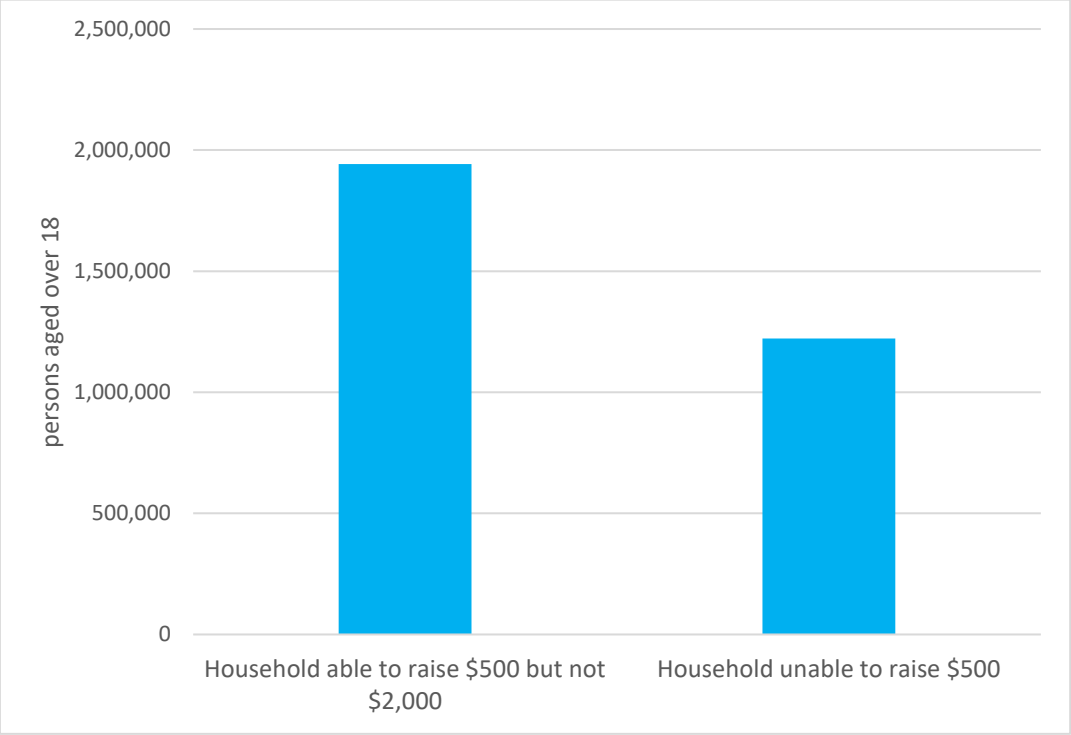
356. The Household Impacts of COVID-19 Survey found that 16% of Australians reported their household took one or more financial actions to support basic living expenses in January 2021. Of the Australians that took a financial action to support basic living expenses:

   a. 9% drew on accumulated savings or term deposits;
   b. 4% sold household goods or jewellery
   c. 3% increased the balance owing on their credit card by $1,000 or more.

357. There are further compelling indicators from the survey that some low-paid households are plainly experiencing significant disadvantage. In January 2021 the survey found:

   a. 15.8% (or over 3.1 million) of Australians reported their household could not raise $2,000 for something important within a week;
   b. 10% (or over 1.9 million) reported their household could raise $500 but not $2,000;
   c. 6% (or over 1.2 million) reported their household would be unable to raise $500 within a week.

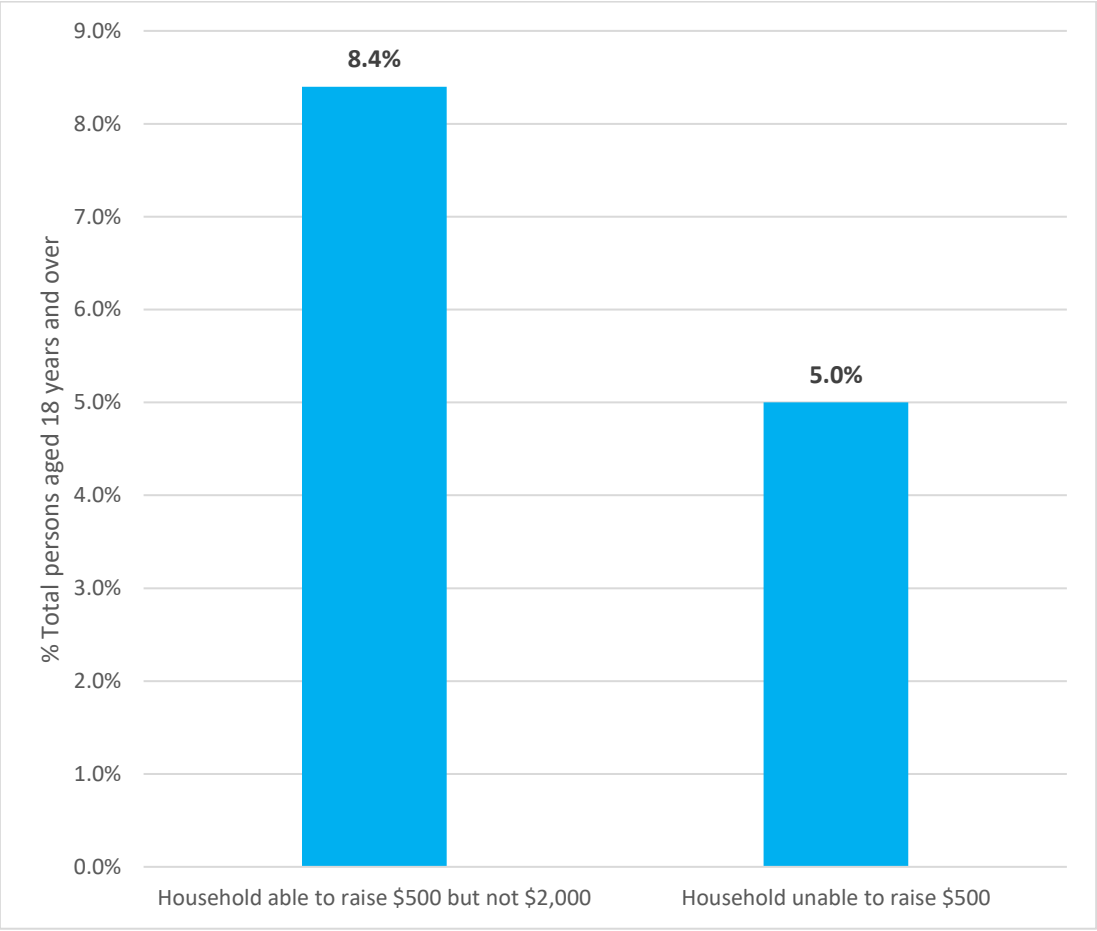
Figure 108: Over 3.1 million Australians reported their household could not raise $2,000 for something important within a week



Source: ABS, Household Impacts of COVID-19 Survey, 2021

358. It is pertinent that the 'Household Impacts of COVID-19 Survey, 2021' breaks down the statistics by job status – those that 'have a job' and 'does not have a job'. It reveals 13.4% of Australians in work reported their household could not raise $2,000 for something important within a week. 8.4 % of households are able to raise $500 but not $2,000 and 5% of households were not able to raise $500 for something important.

Figure 109: 13.4% of Australians in work reported their household could not raise $2,000 for something important within a week



Source: ABS, Household Impacts of COVID-19 Survey, 2021

359. This is a significantly higher proportion of employee households than what has been reported by the HILDA survey, and used in the AWR statistical report in recent years, for a similar question. HILDA reported that only 5% of employee households were unable to raise $3000 in a week for something important in 2018. This new data from the ABS suggests that that the proportion of employee households unable to raise $2000 for something important has grown significantly.

360. Using data from the detail labour force survey for January 2021 we can estimate 13.4% of employed Australians aged 18-64 is over 1.5 million (1,536,567). Over 1.5 million in work Australians reported their household could not raise $2,000 for something important within a week. We estimate that over 960,000 Australians households in work were able to raise $500 but not $2,000 - and over 570,000 were unable to raise $500.

5.2.4 Household Financial Resources Survey

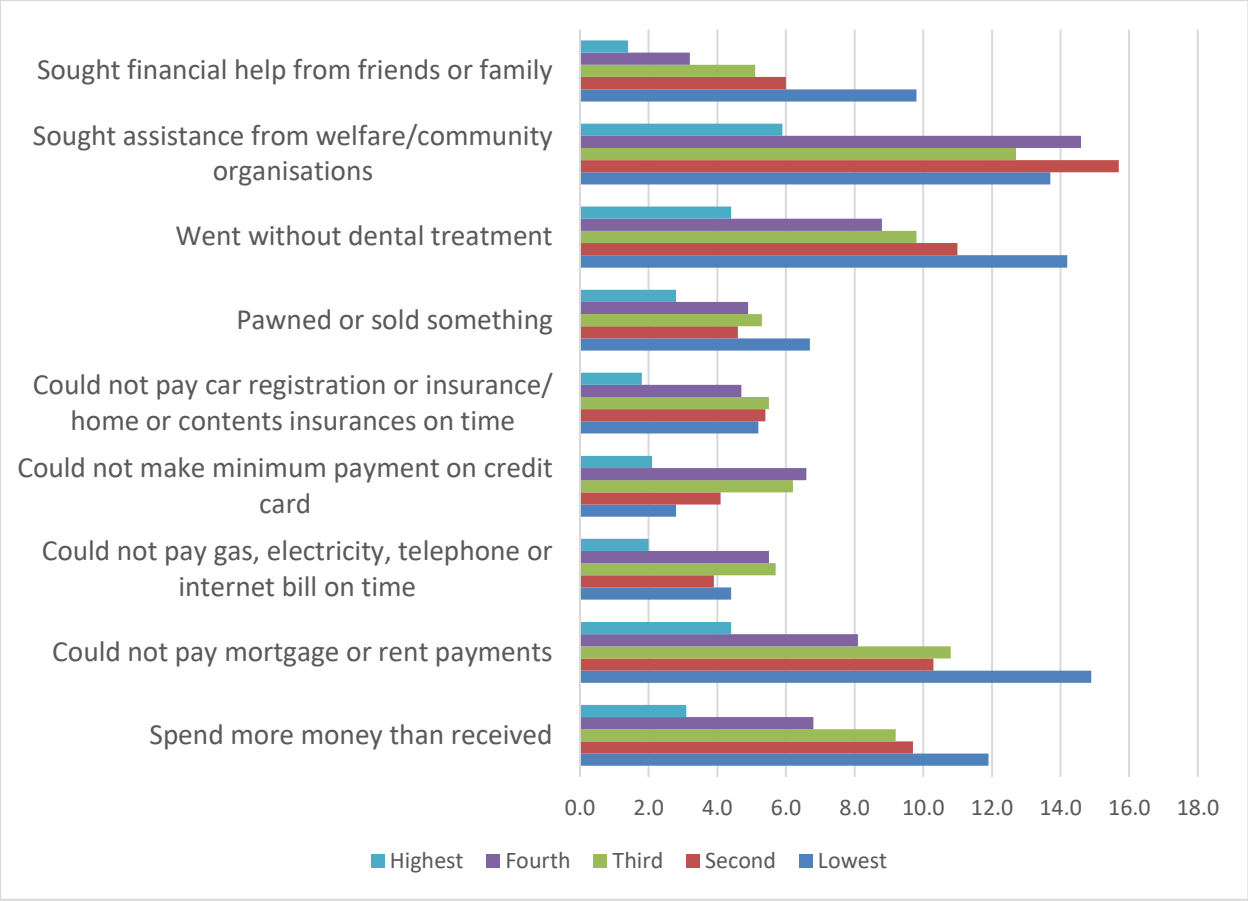
361. The ABS Household Financial Resources Survey released on 16th December 2020 contains preliminary data from the 2019-20 Survey of Income and Housing (SIH). The SIH collects information on household income, wealth, housing costs and financial stress from Australian households over the financial year. The latest release is for June 2020 and breakdown by main sources of income including from employee sources.

362. In the June 2020 quarter, households with a main source of income from employee sources experienced higher rates of financial stress (37%, up from 31% in the previous three quarters), reflecting:

    a. Being unable to raise $2,000 within a week for an emergency (from 16% to 20%);
    b. Seeking assistance from welfare or community organisations (from 11% to 14%);
    c. Seeking financial help from friends or family (from 2% to 4%);
    d. More employee income households drawing down on savings or term deposits (from 8% to 11%); and
    e. Increasing the balance owing on credit cards by $1,000 or more (from 4% to 7%).

363. The most prevalent indicators of financial stress amongst lower income households recorded in this dataset was ‘could not pay mortgage or rent payments’, followed by ‘sought assistance from welfare and community organisations and ‘went without dental treatment’.

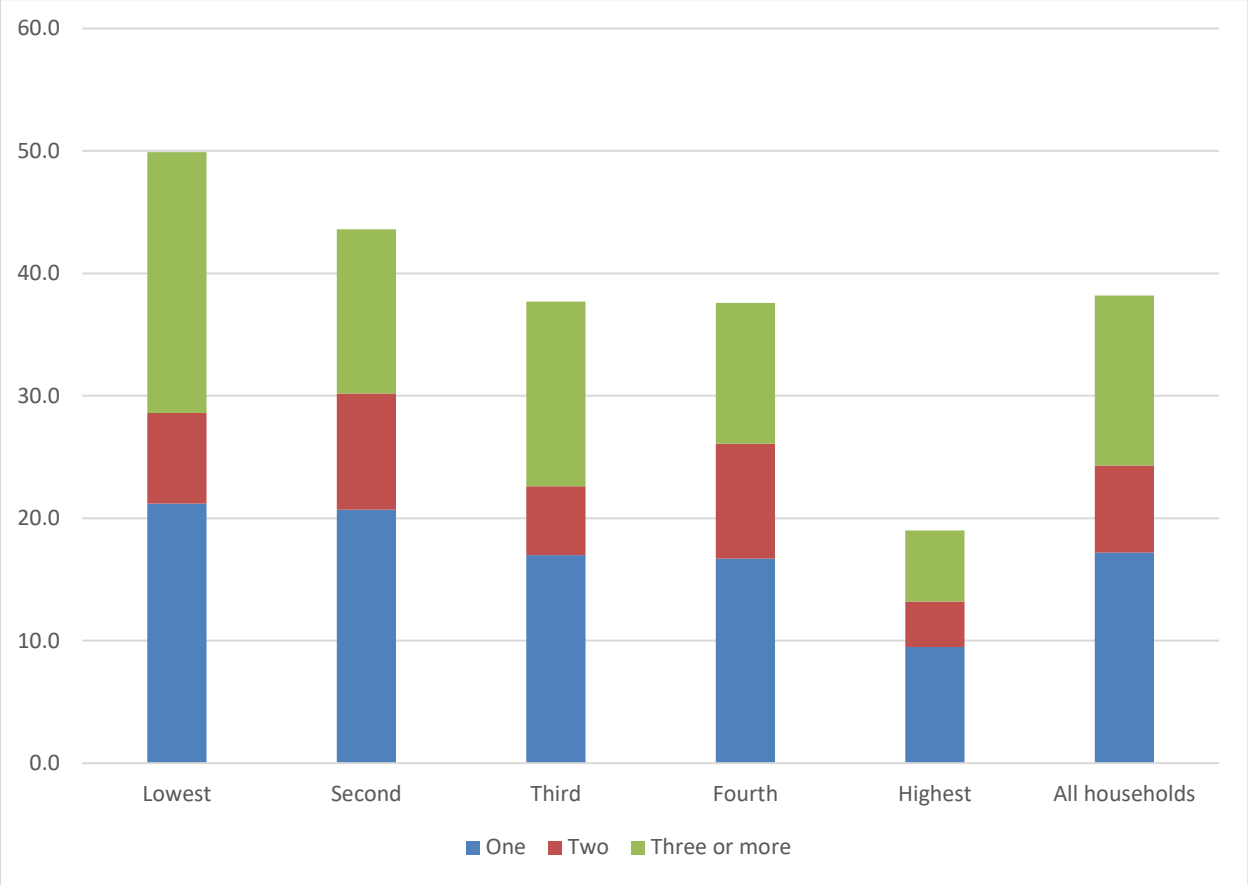
Figure 110: Indicators of Financial Stress by Equivalised Private Income Quintiles



Source: ABS Household Financial Resources survey, June 2020

364. Just under half (49.9%) and over 40% (43.6 %) of households in the lowest and second lowest income quintiles respectively reported at least one indicator of financial stress in June 2020. Over a third (37.6% and 37.7%) of households in third and fourth equivalised private income quintiles reported at least one indicator of financial stress.

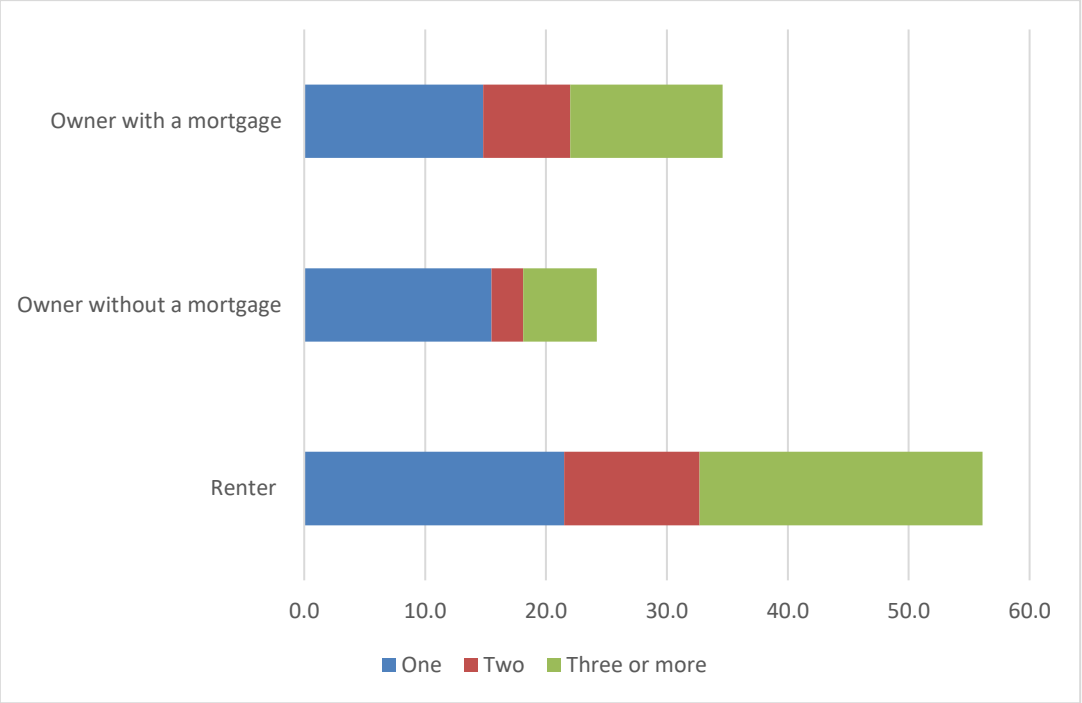
Figure 111: Number of Financial Stress Indicators Reported by Equivalised Private Income Quintiles



Source: ABS Household Financial Resources survey, June 2020

365. The ABS Household Financial Resources Survey also reports indicators of financial stress by tenure type. It is all clear that if you are a renter you are much more likely to face financial stress. 56.1% of all renters report one or more indicators of financial stress.

Figure 112: Number of Financial Stress Indicators Reported by Tenure Type



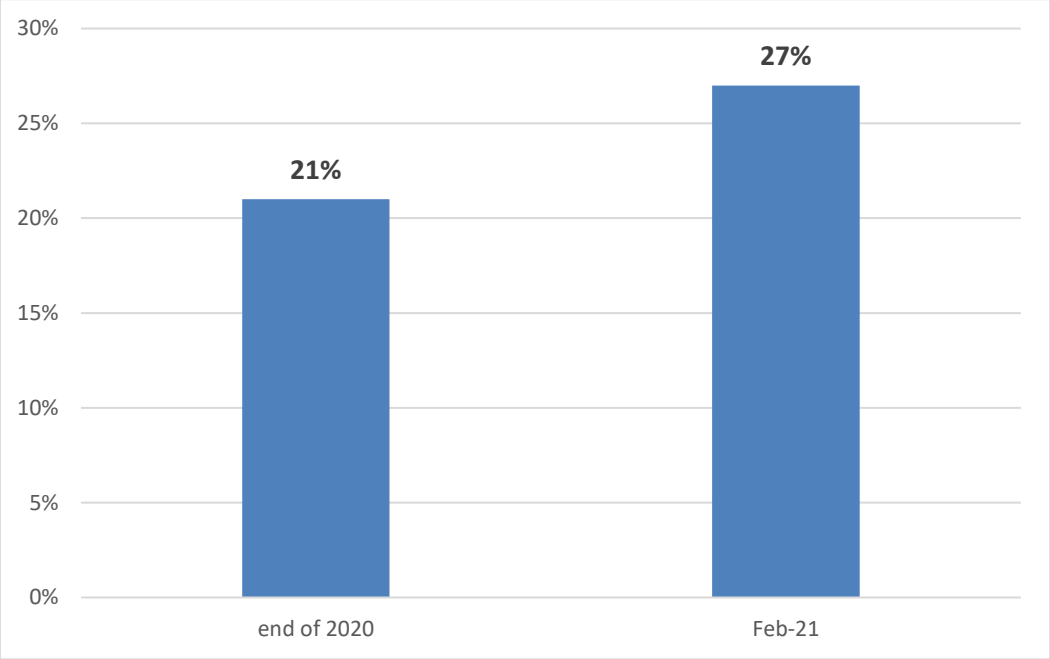
Source: ABS Household Financial Resources survey, June 2020

5.2.5 Melbourne Institute survey of the impact of COVID-19

366. In addition to the ABS data there are other surveys that further indicate that financial stress is significant among many Australians. The results below have been drawn from '*Taking the Pulse of the Nation - Melbourne Institute's survey of the impact of COVID-19*'. The aim of the weekly survey is to track changes in the economic and social wellbeing of Australians living through the effects of the coronavirus pandemic whilst adapting to various changes in Federal and State government policies. The survey contains responses from 1200 persons, aged 18 years and over each week. The sample is stratified by gender, age and location to be representative of the Australian population.

367. The proportion reporting financial stress (in terms of paying for essential goods and services) has increased from 21% at the end of 2020 to 27% in early February 2021.

Figure 113: Proportion of Australians reporting financial stress (in terms of paying for essential goods and services)



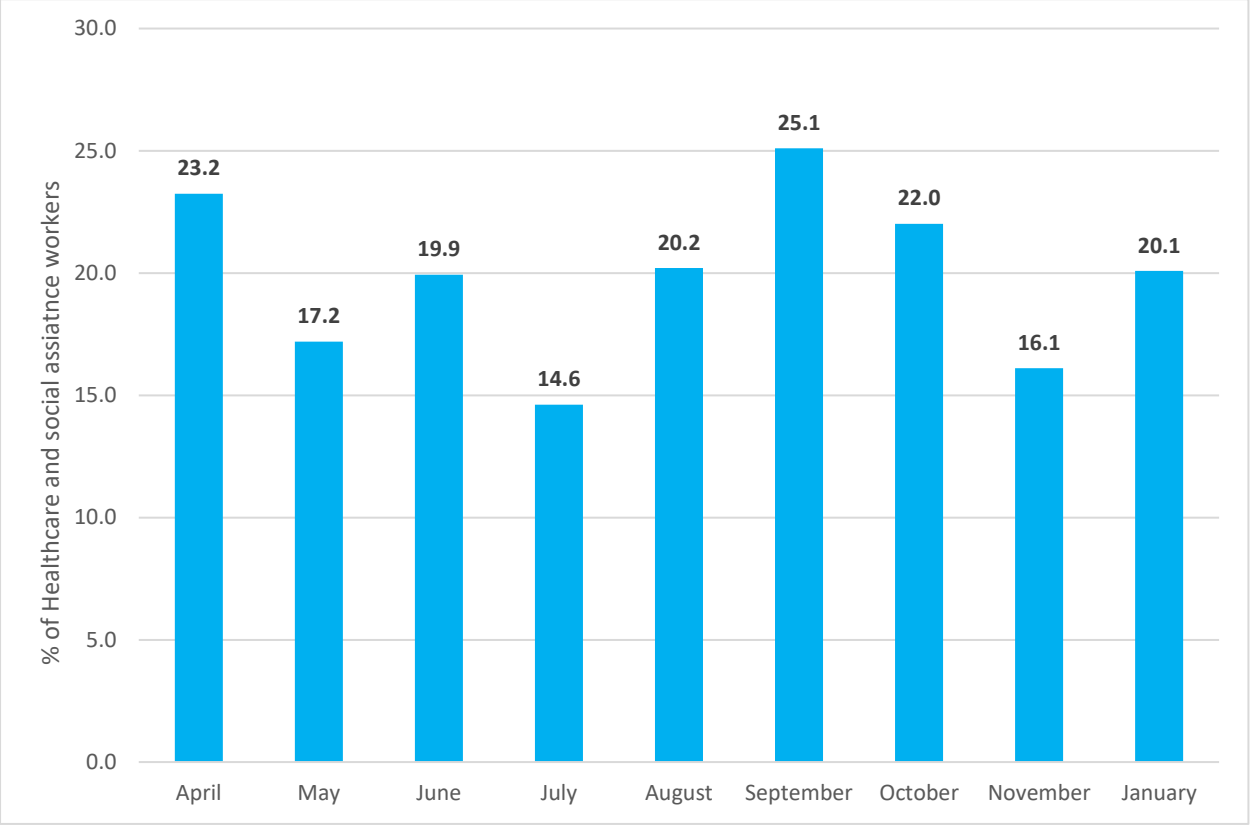
Source: 'Taking the Pulse of the Nation - Melbourne Institute's survey of the impact of COVID-19', Feb 2021

368. Young people are disproportionately affected: 43% of the age-group 25-34 years report being financially stressed compared to 19% in the 55-64 age-group and 8% for the 65+age-group. Again, the age group with the highest incidence of financial stress is one which is over-represented in low paid, award reliant work. [229] The survey reports overall, the proportion of Australians vulnerable to adverse income shocks (namely those already financially stressed and those just making ends meet) remain in the majority at 56%.

369. The Melbourne Institute also has previously unpublished data on the proportion of Australians reporting financial stress by industry. On average over the period from April 2020 to January this year 19.8% of Australians working in healthcare and social services reported financial stress.

[229] See Wilkins R & Zilio F (2020), *Prevalence and persistence of low-paid award-reliant employment*, Melbourne Institute of Applied Economic and Social Research, Fair Work Commission Research Report 1/2020, February, at Table 2.

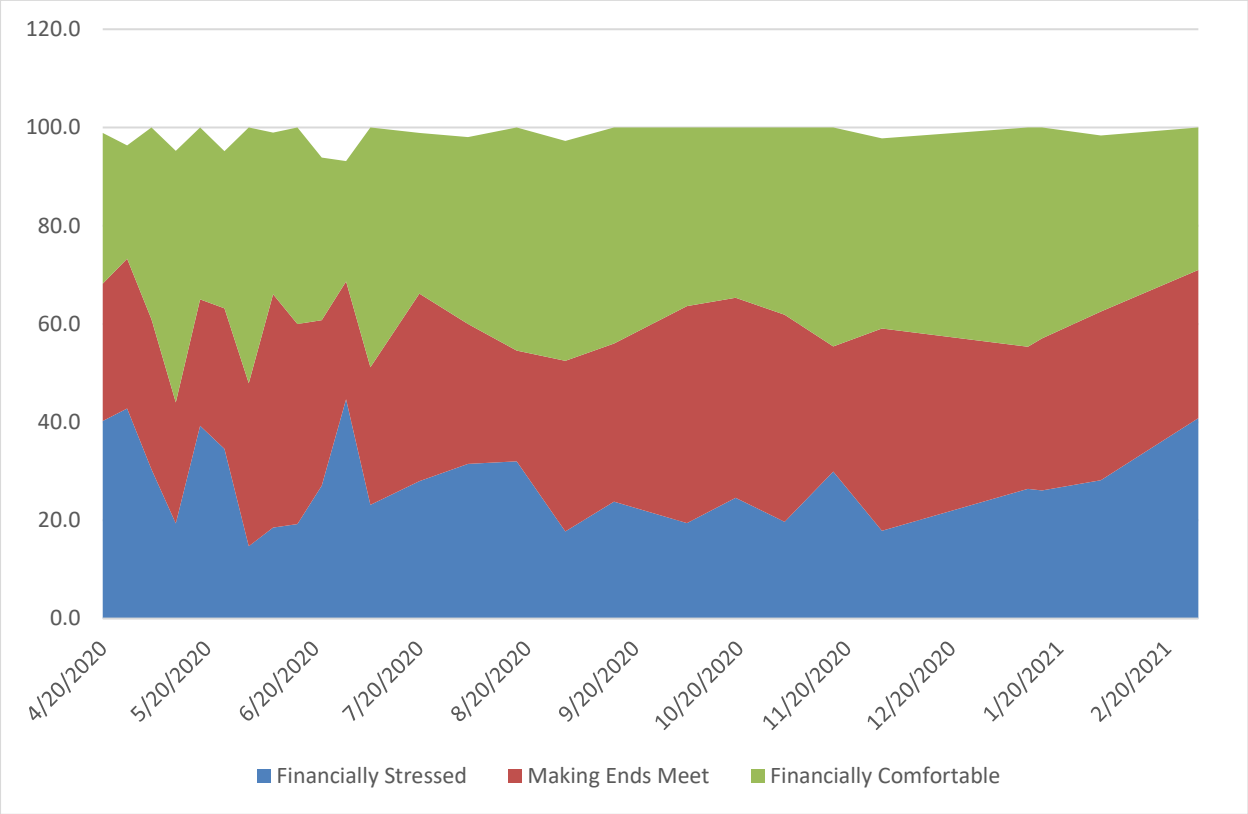
Figure 114: Proportion of Australians working in healthcare care and social services reporting financial stress



Source: 'Taking the Pulse of the Nation - Melbourne Institute's survey of the impact of COVID-19', Feb 2021

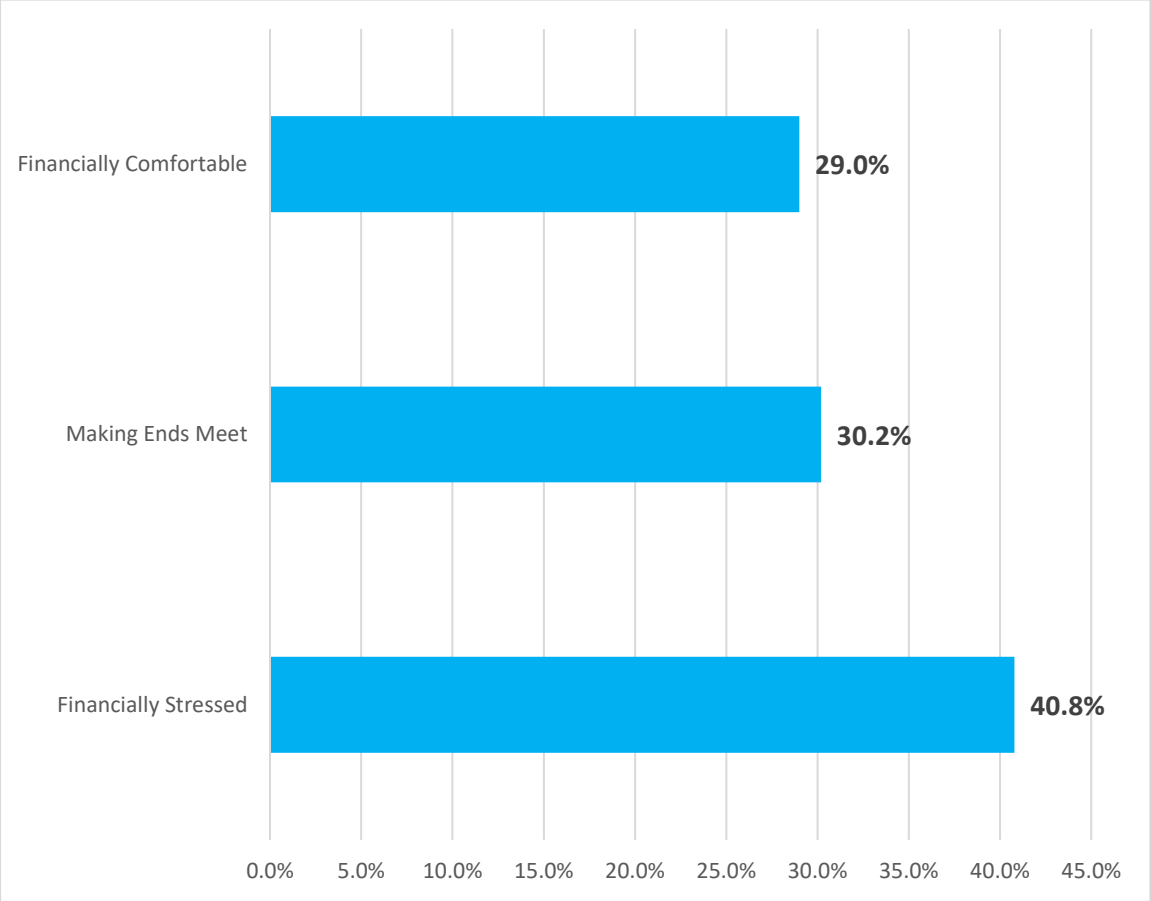
370. In the retail sector we can see below that the proportion reporting 'financial stress' and 'making ends meet' has been rising since December 2020. In January 2021, 40.8% of Retail workers reported facing financial stress and 30.2% reported 'making ends meet'.

Figure 115: Retail workers reporting Financial Stress April 2020 – January 2021



Source: 'Taking the Pulse of the Nation - Melbourne Institute's survey of the impact of COVID-19', Feb 2021

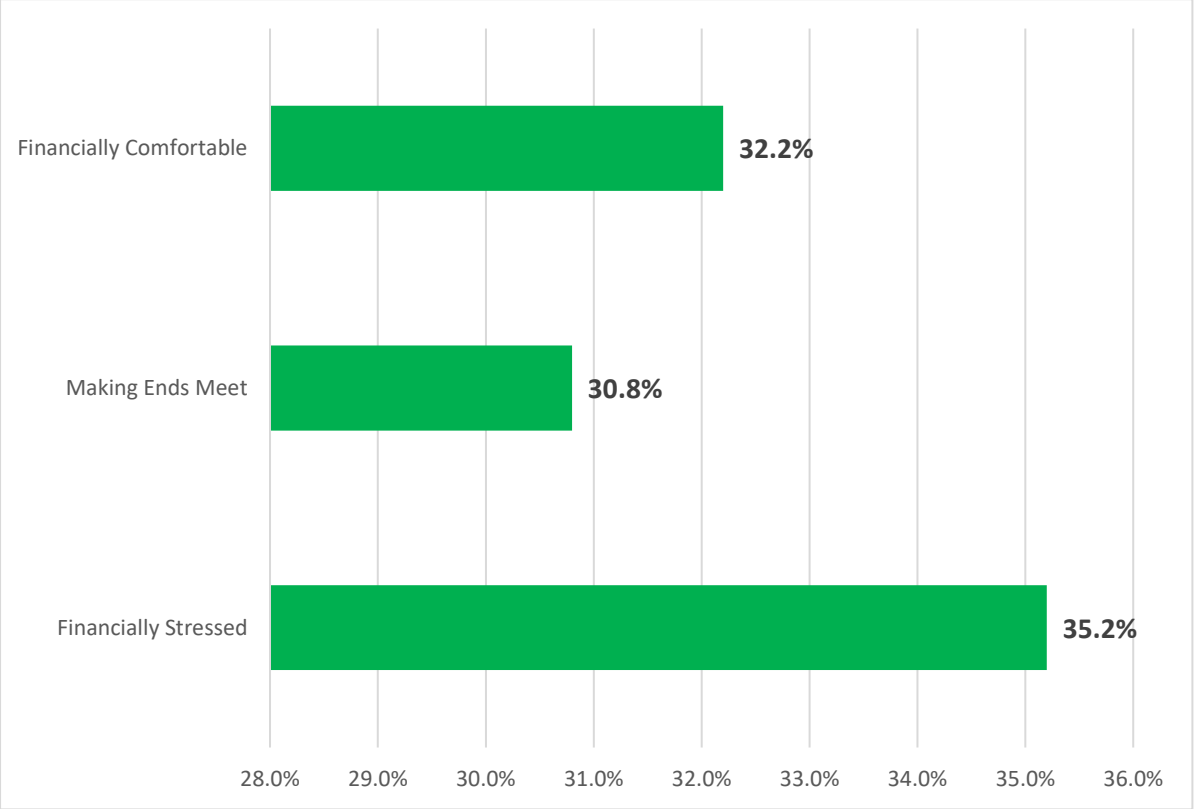
Figure 116: Over 40% of Retail workers reported Financial stress in January



Source: 'Taking the Pulse of the Nation - Melbourne Institute's survey of the impact of COVID-19', Feb 2021

371. This comapres to just over a third (35.2%) of accommodation, Food and Recreation services reporting Financial stress in January 2021.

Figure 117: Over a third of Accommodation, Food and Recreation services reported financial stress in January 2021



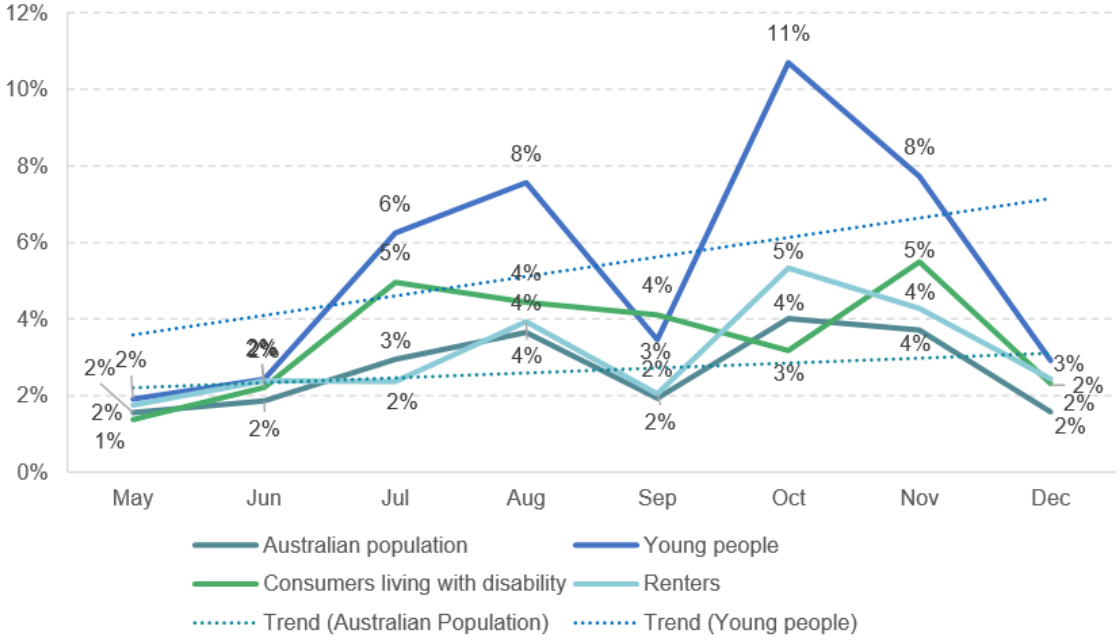
Source: 'Taking the Pulse of the Nation - Melbourne Institute's survey of the impact of COVID-19', Feb 2021

5.2.6 Empirical evidence on Financial stress from the Consumer Policy Research Centre

372. The Consumer Policy Research Centre (CPRC) in their submission to the Senate Economics Legislation Committee's inquiry on the National Consumer Credit Protection Amendment (Supporting Economic Recovery) Bill 2020 presented analysis from their 'COVID-19 and Consumers survey'.

373. The Consumer Policy Research Centre (CPRC) data and analysis confirms that the proportion of consumers taking out a new loan trended upwards between May and December 2020 (see Figure 118 below). The data also shows a far higher proportion of more vulnerable subgroups have taken out new loans compared with the broader population–11% of young people reported taking out a loan in October (vs 4% broader population) and 8% in November (vs 4% broader population) clearly trending upwards over the period.

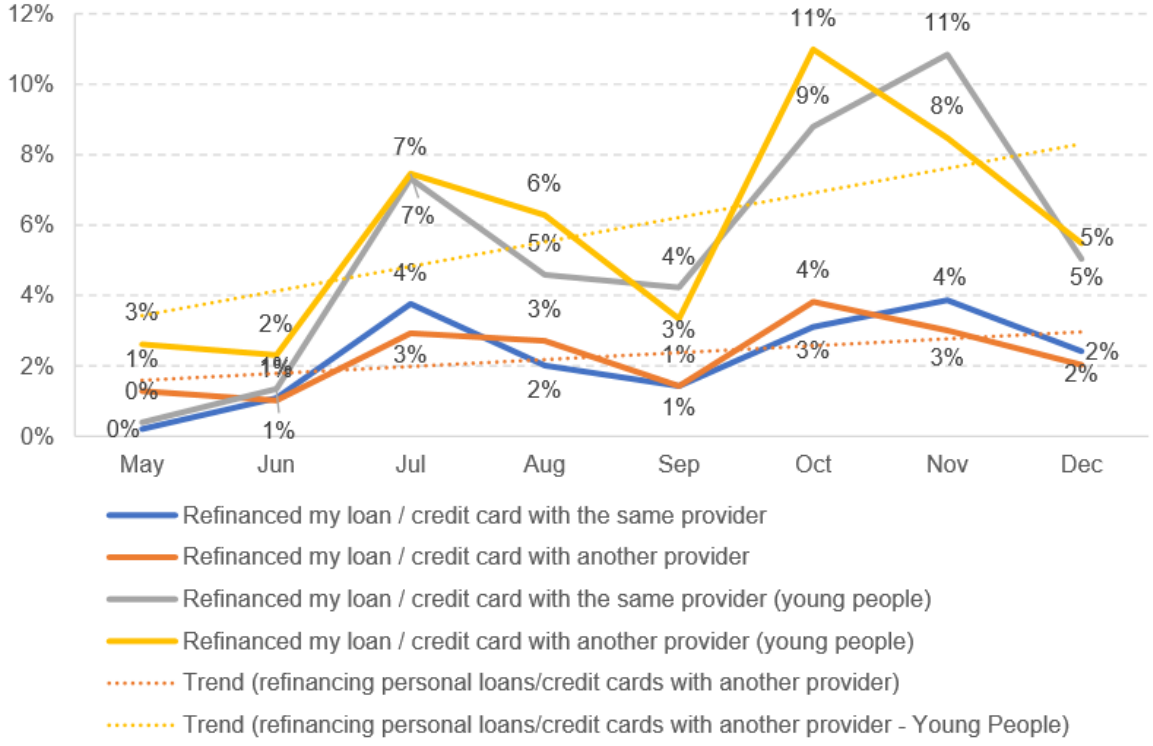
Figure 118: A rising trend, especially of young people, taking out personal loans from a bank or a financial Institution



Source: Consumer Policy Research Centre

374. The data presented by the Consumer Policy Research centre also points to a growing trend of consumer refinancing personal debt or credit cards throughout the period, peaking between November and December (see Figure 119 below). But again, a far larger proportion of vulnerable subpopulations like young people have refinanced their personal debts/credit cards with 11% refinancing with another provider or current provider in October and November respectively (compared with 4% nationally in each month respectively), trending sharply upwards across the period.

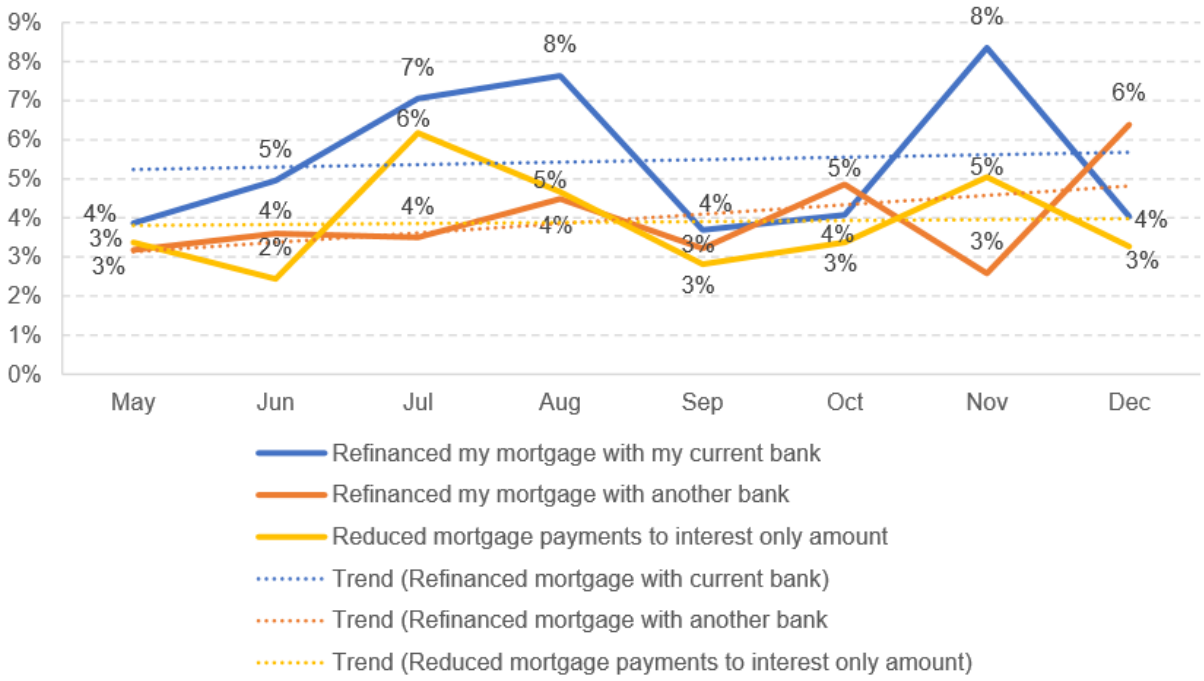
Figure 119: Rising trend, especially of young people, refinancing personal loans / credit cards with current or different providers



Source: Consumer Policy Research Centre

375. There has also been a growing trend of people refinancing their mortgage throughout the period (see Figure 120 below). From May to December, there was an increase in the trend for consumers refinancing with their current bank (peaking at 8% in November), while there was a clearer increasing trend among consumers refinancing with a different provider (peaking at 6% in December). The proportion of consumers reducing mortgage payments to interest only marginally increased over the period (peaking at 6% in July).

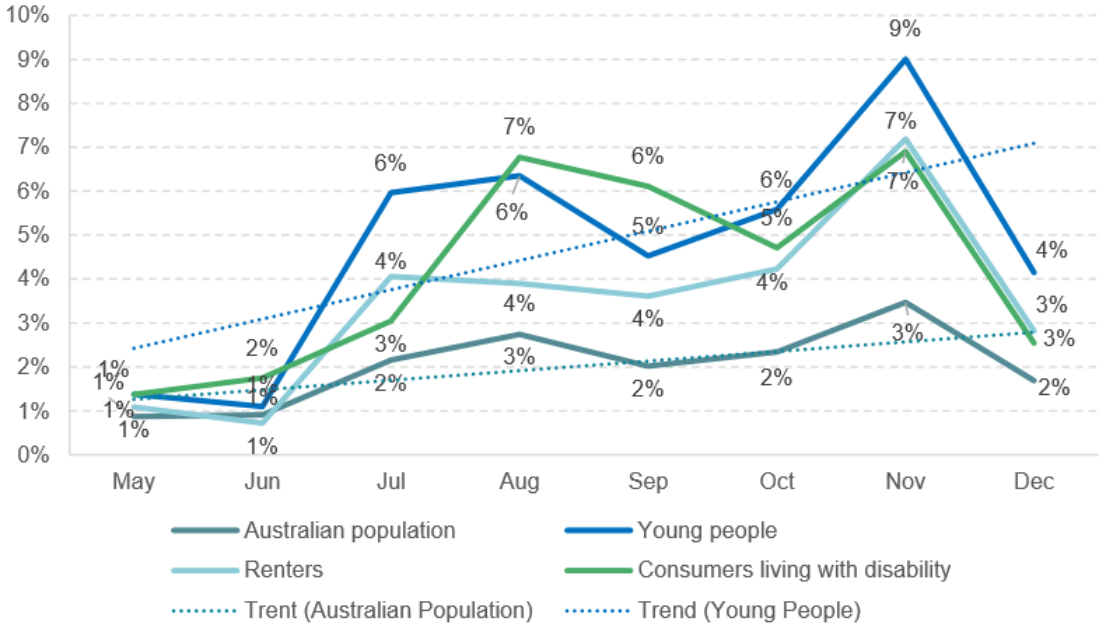
Figure 120: Rising trend of refinancing mortgages during COVID 19 pandemic



Source: Consumer Policy Research Centre

376. Concerningly, this research indicates a slight trend increase in the proportion of the broader population and a more significant trend increase in the proportion of more vulnerable subgroups taking out high-risk-high-cost payday loans or consumer leases across the period (see Figure 121 below). In November, 3% of the broader population took out a payday loan or consumer lease (up from 1% in May), along with 9% of young people, 7% of renters, and 7% of consumers living with disability (all up from 1% in May). It is important to recognise that 9% of young people equates to more than half a million young Australians resorting to this finance in November alone.

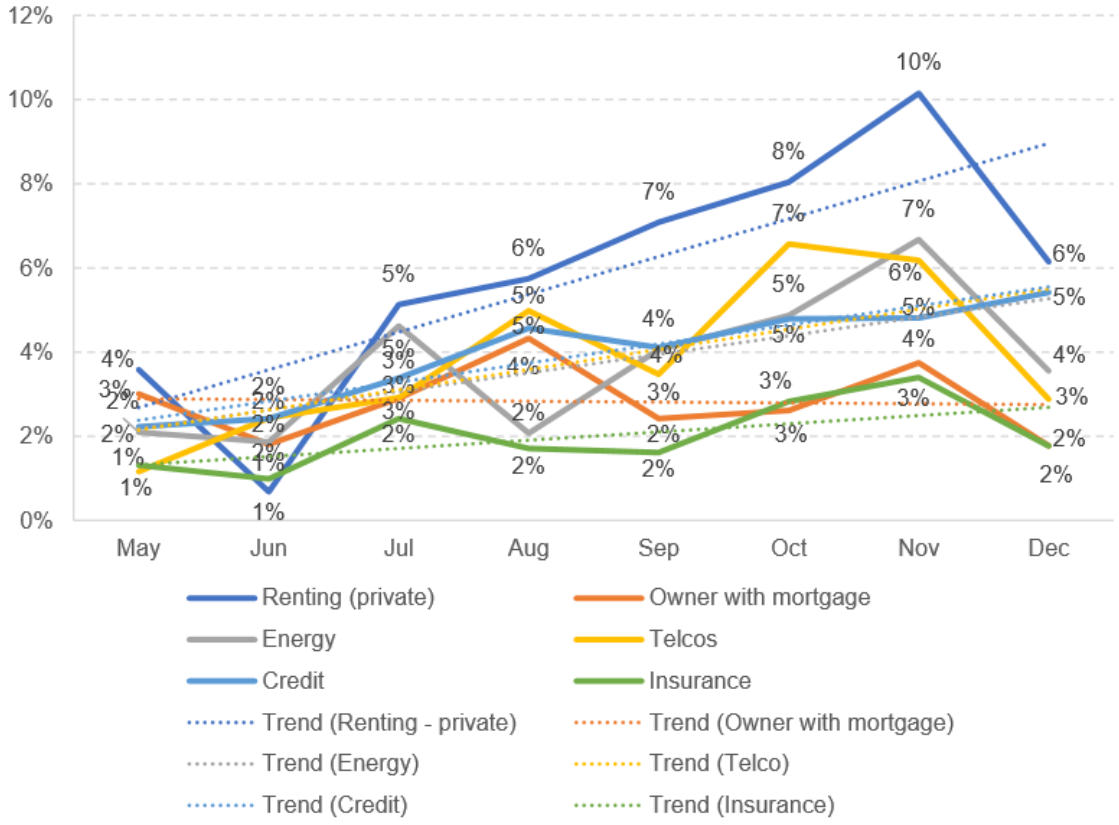
Figure 121: Growing proportion of vulnerable groups taking out payday loans / consumer leases



Source: Consumer Policy Research Centre

377. The data also points to a growing proportion of consumers seeking payment assistance from essential services providers, and clear upward trend in the proportion of consumers reporting they had to miss a payment for almost all essential services -aside from mortgage repayments. In particular, 5% of all respondents indicated they'd had to miss a credit or debt repayment in October, November and December. But again, a far higher proportion vulnerable consumers reported missing these credit repayments–11% young people reported they had to miss a credit repayment in October, 12% in November and 12% in December, compared with just 1% of young people who reported they had to miss a credit repayment in May.

Figure 122: Rising proportion of those missing household bill payments



Source: Consumer Policy Research Centre

5.2.7 Data from the Essential Services Commission

378. There is further evidence of households struggling to pay bills. The Essential services commission[230] reported on the 22nd of March 2021 that the number of households needing help with water bills has hit a new peak. Data from the Essential Services Commission shows the number of metropolitan customers being given hardship grants in February was higher than at any other time over the past year. The latest data collected by the commission since April 2020 shows:

230 The Essential services commission an independent regulator. They regulate Victoria's energy, water and transport sectors, and administer the rate-capping system for the local government sector

- The number of customers in hardship programs rose by 2.3 per cent from 25,515 in January to 26,099 in February (metropolitan 19,454 to 19,890, regional 6061 to 6209)[231].
- The number of utility relief grant applications increased to an average of 550 per week, up from 421 in January (two to four times higher than the pre-pandemic historical weekly average)[232].

5.2.8 Secondary Jobs

379. One of the primary reasons workers hold more than one position is that no single job provides a sufficient income. There is no doubt that a lot of people are suffering. They feel that day-to-day life has got a lot harder. They struggle more today than previously to pay the rent and to cover basic necessities for the family. And the large bills that arrive at the end of each month or quarter keeping getting bigger and bigger. Meanwhile the wage packet that has to cover all these expenses has been treading water in recent years. The net result is rising debt and desperation for ordinary people as many workers are forced to work two or more jobs just to get by.

380. The growth of secondary jobs highlights the impact of stagnant household incomes and the shift towards part-time work. It has resulted in the labour market shifting to one that is less able to allow people to survive on one income than ever before.

381. The reasons for workers, particularly those who are award covered, seeking secondary or even tertiary employment are primarily economic and financial, rather than any other reason. Low-paid workers who work multiple jobs do so out of necessity to "make ends meet".

382. The taking of a second job has been regularly reported as being for reasons of financial necessity.[233] Cairnduff *et al* (2018) chart the changing nature of work, and the particularly

[231] https://www.esc.vic.gov.au/media-centre/water-hardship-rising-new-heights
[232] ibid
[233] The Advertiser (Adelaide, South Australia, Australia) 2019, 'More of us take on a second job to pay the bills', viewed 17 February 2020; The Advertiser (Adelaide, South Australia, Australia) 2018, 'More seek income top up with second job', viewed 17 February 2020; The Courier-Mail (Brisbane, Queensland, Australia) (2018) 'Aussies forced to take second job to survive' viewed: 17 February 2020; The Mercury (Hobart, Tasmania, Australia) 2018, 'More people looking for second job', viewed 17 February 2020; Parramatta Advertiser (New South Wales, Australia) 2018, 'Juggling a second job for extra cash', viewed 17 February 2020.

pronounced effect that technological change and new forms of work are having on young Australians, who are in particular taking longer into their working lives to obtain secure work (if able to do so at all).[234] Sliter & Boyd (2014), in a US study, observe as follows:

> *In terms of why people work multiple jobs, accumulated evidence suggests that economic factors are the primary drivers behind this decision. That is, people either work to earn extra money (38.1%) or to meet expenses or pay off debts (25.6%).*[235]

383. Kimmel & Conway (2001), whilst acknowledging that some people to take on multiple employment for reasons other than to alleviate hardship, found that:

> *'most moonlighters in our sample work full time on their primary jobs and 15 to 20 hours a week on lower-paying second jobs and, despite these long hours, tend to be somewhat poorer than the average worker. This suggests that most are moonlighting due to the constraint motive and that moonlighting is not entirely eliminating economic hardship.'*[236]

384. Mastermann-Smith & Pocock (2018), in an Australian study of cleaners and early childhood educators, draws attention to how low-paid workers supplement income through multiple jobs.[237]

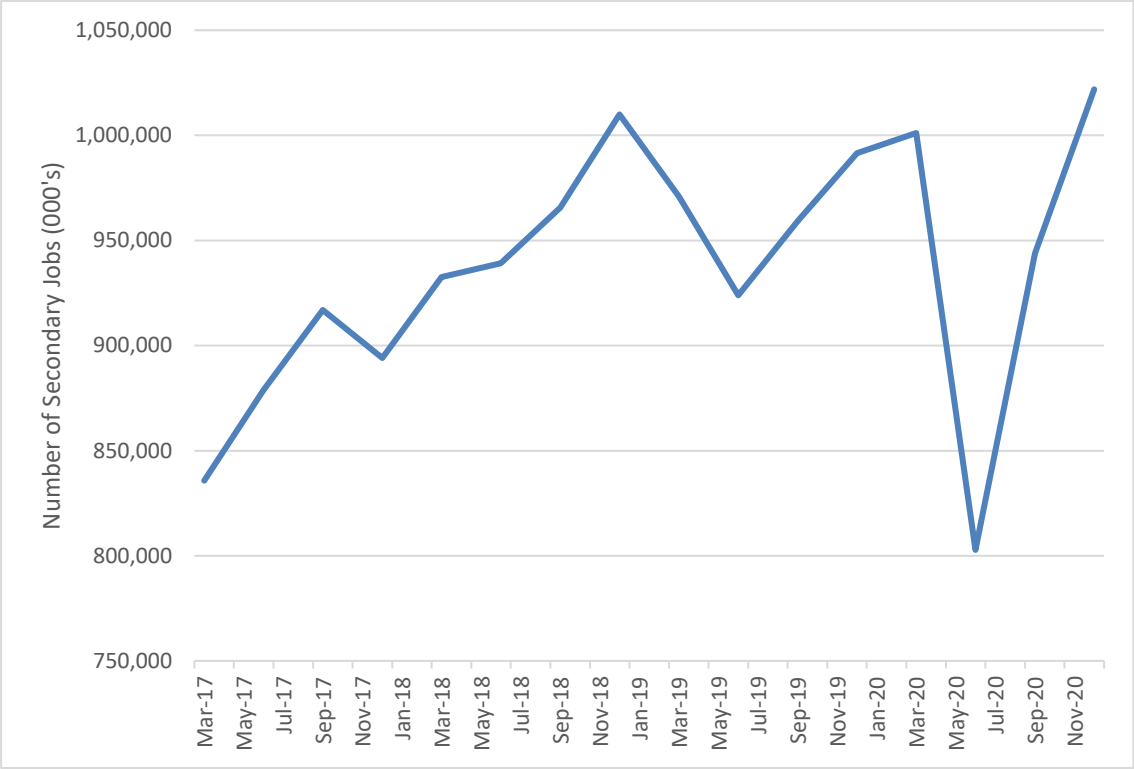
385. The Australian Labour Account provides quarterly and annual time series data, consisting of four quadrants: Jobs, Persons, Hours and Payments. It also provides information on the number of Secondary Jobs. Secondary jobs are where a person is working more than one job at the same time, and may consist of one or more additional jobs. These jobs can be held by persons who have their main job in the same or a different industry. In seasonally adjusted terms for the December quarter 2020:

- Secondary jobs increased by 77,900 (or 8.3%).
- The proportion of secondary jobs to filled jobs was 7.2% compared to 6.8% in the previous quarter.

[234] Cairnduff, A., Fawcett, K., & Roxburgh, N. (2018). Young Australians and the disrupted economy. In Stewart A., Stanford J., & Hardy T. (Eds.), *The Wages Crisis in Australia: What it is and what to do about it* (pp. 251-262). South Australia: University of Adelaide Press.
[235] Sliter M & Boyd, E (2014). Two (or three) is not equal to one: Multiple jobholding as a neglected topic in organizational research. *Journal of Organizational Behavior, 35*(7), 1042-1046, 1043
[236] Kimmel, J & Conway, KS (2001), 'Who Moonlights and Why? Evidence from the SIPP', *Industrial Relations*, 40 (1), 89–120, 91
[237] Mastermann-Smith and Pocock 2018 in Bamberry, L & Campbell, I 2012, 'Multiple Job Holders in Australia: Motives and Personal Impact', *Australian Bulletin of Labour* 38(4), 293–314, 296

386. The three industries with the highest number of secondary jobs were Administrative and support services, health care and social assistance and education and training. As we can see from the graph below there is now a record number of jobs that are a person's second (or more) job:

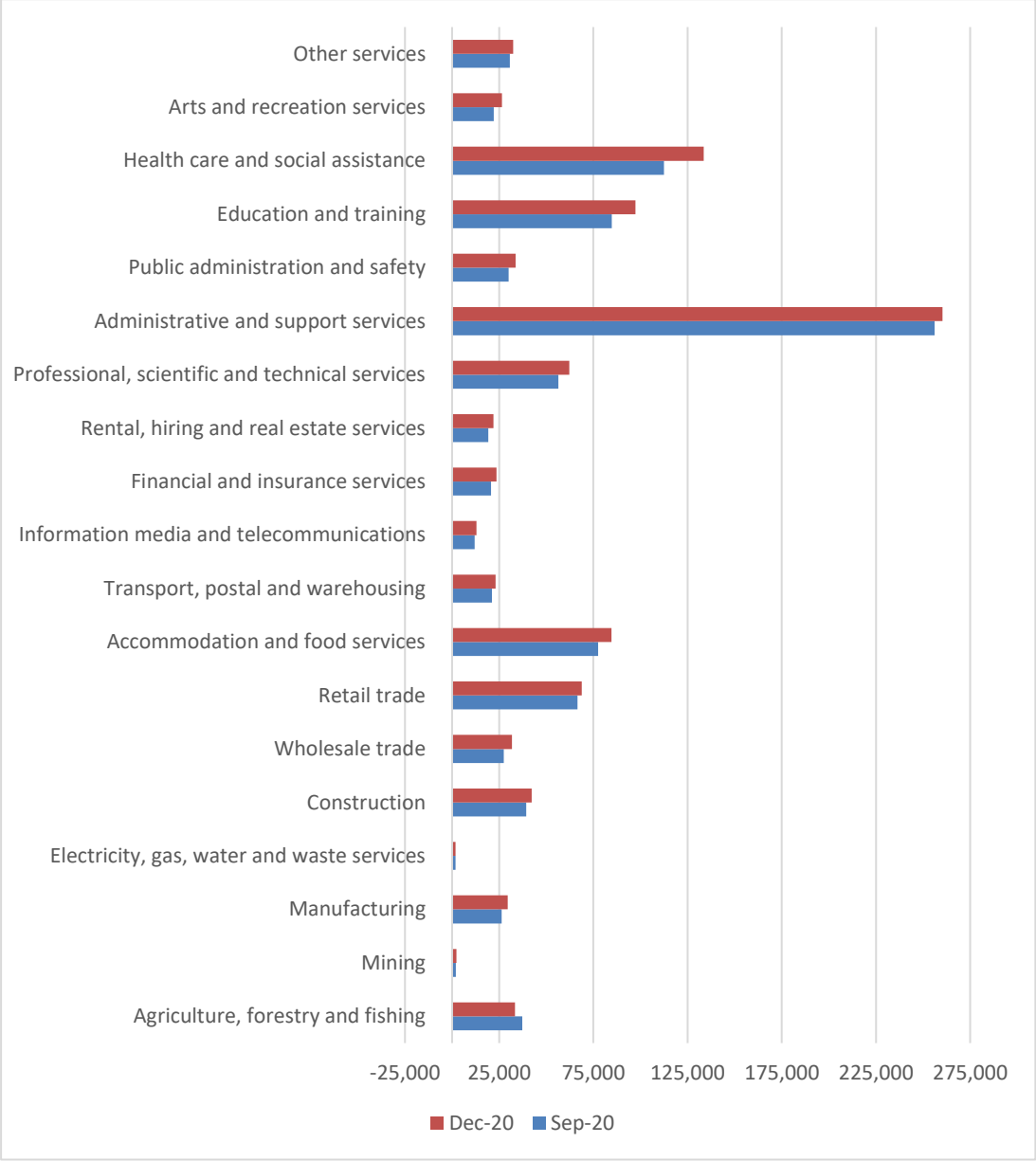
Figure 123: Number of Secondary Jobs 2017- 2020



Source: ABS 6150.0.55.003 Labour Account Australia

387. As reported above there has been a significant increase in the number of secondary jobs in from the September quarter 2020 to the December quarter 2020 (the most recent data). This can be bee seen using an industry breakdown in Figure 124 below.

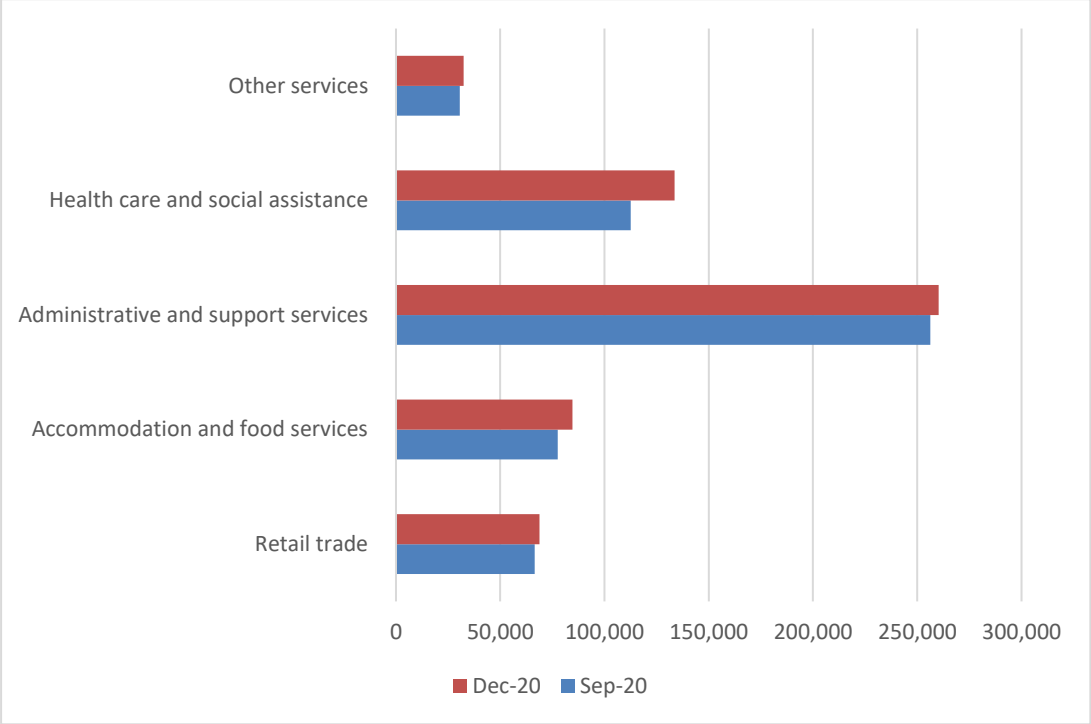
Figure 124: The number of secondary jobs by industry September quarter 2020 to the December quarter 2020



Source: ABS 6150.0.55.003 Labour Account Australia

388. The number of secondary jobs in the award sectors make up over half (56%) of all secondary jobs with administrative and support services having the most secondary jobs of any sector.

Figure 125: Number of secondary jobs by award sector September quarter 2020 to the December quarter 2020

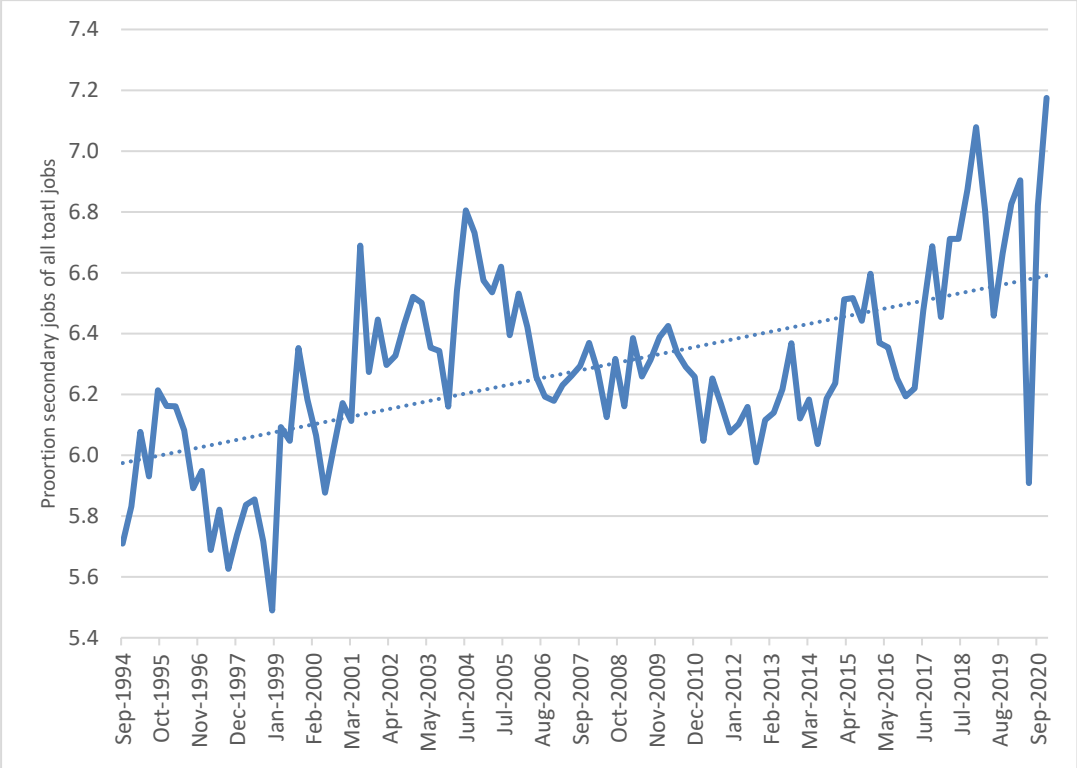


Source: ABS 6150.0.55.003 Labour Account Australia

389. In the last half of 2020, the number of jobs increased by 655,600, yet a third of them were "secondary jobs". In the September quarter the number of multiple job holders in Australia increased by 17.5 per cent before an 8.3 per cent increase in December.

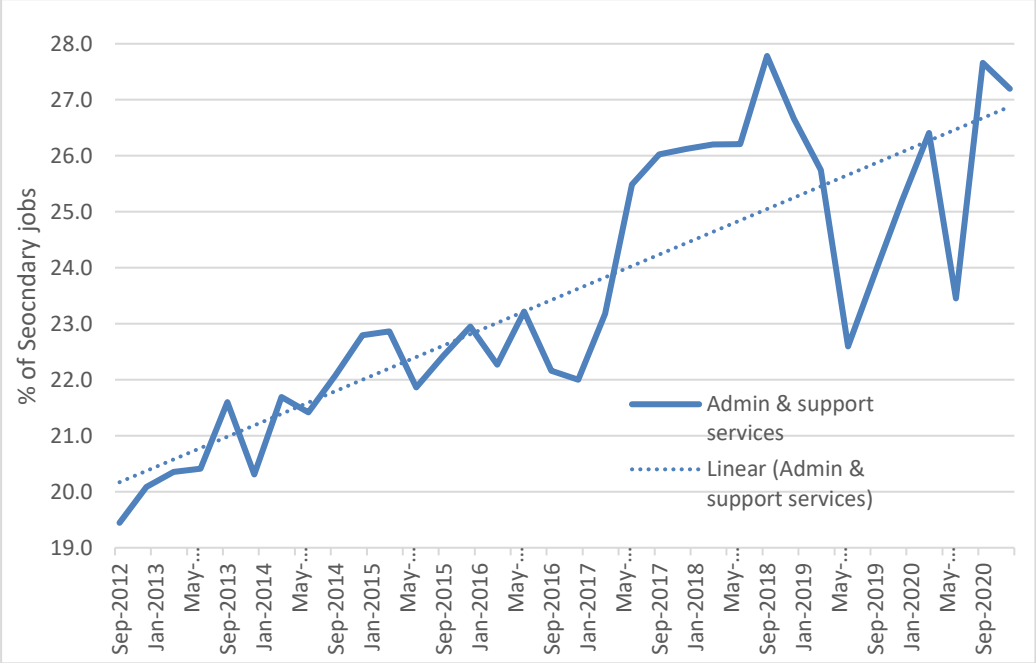
390. We can see in Figure 126 below that there is a rising trend of the proportion of secondary jobs relative to total jobs in all industries. This proportion is now at the highest level in the history of Labour Account data series**.** With more than 7% of workers having at least two jobs, with over 27% of secondary jobs being in Administrative and support services.

Figure 126: Proportion of secondary jobs of total jobs in all industries 1994-2020



Source: ABS 6150.0.55.003 Labour Account Australia

Figure 127: Proportion of secondary jobs that are Administrative and support services 2012 - 2020



Source: ABS 6150.0.55.003 Labour Account Australia

391. The data shows that secondary employment is rising. Even if this is only partially comprised of low income award dependant workers seeking to supplement their incomes in order to make ends meet, it is a relevant consideration in deciding the quantum by which minimum wages should rise.

392. Of particular relevance is the growth in secondary employment in award reliant industries. As Figure 8 above shows, secondary employment grew in all of the top 5 award reliant industries[238]. With the proportion of secondary jobs in administration and support services now 27.2%.

5.4 The needs of the low paid and the effect of the delay in implementation

393. Last year the panel said '….a decision to grant no increase in this Review would mean that the living standards of low-paid award-reliant employees would fall. The requirement to take

[238] Administration and support services, which accounts for a comparatively low number of total jobs but already has a disproportionately high incidence of secondary employment, is the exception.

into account relative living standards and the needs of the low paid supports an increase in the NMW and modern award minimum wages.[239]'

394. However, effectively for workers in Group 2 and 3 they faced a decision to grant no increase for 4 and 7 months, respectively. The living standards of these low paid award reliant employees fell during this period. Inflation still increased albeit moderately over the period of the delay, while wages were stagnant (the CPI percentage change from previous period in the September quarter 2020 was 1.6% and 0.9% in the December quarter 2020). For these workers real wages were falling over this period. The ACTU contends that the needs of the paid were not being met.

395. Not only were needs of the low paid being met the delay had macroeconomic consequences. Wages play two different roles in the economy. While they are a key cost to employers, they are also a major source of income for consumers. If the real incomes of all or a significant proportion of consumers are reduced, aggregate demand for goods and services will decline. As a result, the demand for labour curve of the individual enterprise moves down to the left (a reduction in demand). If real wages were to fall for the low paid as result of the Commission decision this year (i.e., less than rate of inflation) there would be negative macroeconomic consequences. We contend there should be no delay in implementation of the minimum wage and subsequent award rates in this year's decision.

[239] [2020] FWCFB 3500 at [23]

6. GENDER EQUITY CONSIDERATIONS

396. The FW Act requires the Panel to consider the principle of equal remuneration for work of equal or comparable value (ss 134(1)(e) and 284(1)(d)) and the need to prevent discrimination (s 578) in conducting the Annual Wage Review.[240] These matters, as well as 'the broader issue of gender pay equity, and in particular the gender pay gap'[241] should be central considerations of the Panel in the Review. The obligation to ensure the safety net is both fair and relevant involves a consideration of contemporary standards.[242] There is little doubt that there is an 'increasing focus on gender inequality and the level and drivers of the gender pay gap'.[243]

397. Contemporary community and industrial standards require detailed and serious attention to be paid to the prevention of gender discrimination at work and the reduction of the gender pay gap as part of the Annual Wage Review. Australian minimum wages bind approximately one fifth of the Australian workforce, 61% of whom are women, which means that minimum and award wages provide a substantial and meaningful opportunity to reduce the gender pay gap. As the Panel observed last year:

> [405] Gender pay equity considerations favour an increase in minimum wages. Women are more likely to be in low-paid employment and are more likely to be paid at the award rate. Further, higher-paid award-reliant employees are more likely to be female (58.7 per cent) than male (41.3 per cent).

6.1 Equal remuneration for work of equal or comparable value

398. Both the modern awards objective and the minimum wages objective require the Panel to take into account 'the principle of equal remuneration for work of equal or comparable value', which encompasses the idea that women and men should be remunerated justly and

[240] The minimum wages objective in s 284; the modern award objective in s 134; the objects of the FW Act in s 3 and the general provisions in Part 5-1 require the Panel to take into account: a. the need to ensure equal pay for work of equal or comparable value (ss 134(1)(e) and 284(d)); b. relative living standards and the needs of the low paid - ss 134(1)(a) and 284(1)(c); c. the need to prevent discrimination on the grounds of sex, family responsibilities and pregnancy – s 578(c); d. the need to promote social inclusion through workforce participation – ss 3(b), 134(1)(c) and 284(1)(b); e. the need to ensure that the minimum wage is 'fair' and 'relevant' - ss 3(b), 134(1) and 284(1); and f. Australia's international labour obligations - s 3(a).

[241] Annual Wage Review 2018-19 [2019] FWCFB 3500 at [18]

[242] [2019] FWCFB 3500 at [360],

[243] KPMG, *She's Price(d)less: the economics of the gender pay gap*, 22 August 2019 at p 12

fairly for the work that they do, without gender discrimination undervaluing either the worker or the work. It is a narrower concept than gender pay equity and the gender pay gap.

399. The concept of 'equal pay for equal work' enshrined in the ILO *Equal Remuneration Convention, 1951 (No. 100)* and reflected in Australian law in 1969, requires individuals to be paid the same pay for the same work. Later inclusion of the concept of 'comparable value' was intended to allow consideration of the historical and continuing undervaluation of feminised work. While the equal pay principle has been successful in removing differential wages for individuals performing the same work or job, it has been much less effective in addressing the ongoing undervaluation of feminised work. A contributing factor is the failure of legislative provisions specifically designed to address these problems, including the capacity to seek an equal remuneration order (**ERO**) under Part 2-7 of the FW Act. There has been only one successful case under Australia's federal equal pay provisions since they were introduced in 1993. This low success rate relates largely to the drafting of the provisions, in particular the need to identify a male 'comparator group' in order to prove undervaluation.

6.2 Australia's Gender Pay Gap

400. The Australian workforce has always been, and remains, highly gender segregated. Industries and occupations dominated by women are characterised by high levels of award dependency, lower wages and fewer protections.[244] Many lower paid sectors include those workers who have carried our community through the pandemic, including frontline workers in Healthcare, Retail and Hospitality.[245] Over the 14 year period between 2006 and 2020, Australia has fallen from 15th to 44th in the World Economic Forum Gender Gap Report.[246] In part, this poor performance relates to our persistently high levels of occupational and industry segregation along gender lines.

401. There is a significant body of research highlighting and describing the causes of the gender pay gap. In addition to the undervaluation of work in female-dominated industries and occupations, other key contributing factors include the disproportionate responsibility that women have for unpaid caring and domestic work and the workforce disruption this causes,

[244] Wilkins R & Zilio F (2020), Prevalence and persistence of low paid award-reliant employment, Fair Work Commission Research Report 1/2020, pp 11 and Table 3; Barbara Broadway and Roger Wilkins, *Working Paper Series: Probing the Effects of the Australian System of Minimum Wages on the Gender Wage Gap*, December 2017
[245] Statistical Report – Annual Wage Review 2020-21 V1 26 Feb 2021 p.51 Table 7.1
[246] http://www3.weforum.org/docs/WEF_GGGR_2020.pdf

lack of access to secure, quality flexible work, paid parental leave and early childhood education and care (ECEC), and discrimination in hiring, access to training, and pay decisions. While the principle of equal pay was embedded in federal industrial law over 50 years ago,[247] on all measures a significant gender pay gap persists, and has hovered between 19% and 13.9% for two decades. In 2004, Sharan Burrow made the following observations about women's labour force participation, describing the existence of 'two labour markets':

> "Women's participation rates are closing on men's. In many ways women's participation in paid employment today more closely mirrors that of their male counterparts, with women joining the labour force after longer periods in education, and remaining in paid employment during their child-bearing and child-rearing years.
>
> But in other ways women's labour force participation is still very different from that of men, in terms of the nature of the work available to women, especially women with family responsibilities. Australia still has a highly segmented labour force and, with notions of men's jobs and women's jobs entrenched, there are arguably two labour markets.
>
> The gap between male and female average earnings narrowed over the first 10 years of the [Sex Discrimination Act's] SDA's existence, but progress has stalled in recent times, and to date there has been little use made of remedies provided by the SDA to address the undervaluation of 'women's work' that is at the core of the gender pay gap.
>
> Women's employment is in other ways often associated with lack of job security, low access to standard conditions of employment, poor career and progression prospects and other indicators of poor quality work.[248]

402. These observations are equally pertinent 17 years later. Women's experiences in the labour market remain very different to men's. Women are more likely than men to be both low-paid and award reliant,[249] and are disproportionately affected by the trend towards insecure and underemployment. 57.6% of underemployed Australians are women[250]. 24% of all women employed have been employed on a casual basis, that is without leave entitlements (compared with 20.0% of men) [251]. 53% of casual employees are women[252], while women

[247] Australasian Meat Industry Employees Union v Meat and Allied Trades Federation of Australia (1969) 127 CAR 1142 ('Equal Pay Case'); National Wage and Equal Pay Case (1972) 147 CAR 172.
[248] Burrow, S. *An Unequal World*, UNSW Law Journal, Volume 27(3), 884-891 at 886
[249] Wilkins R & Zilio F (2020), Prevalence and persistence of low paid award-reliant employment, Fair Work Commission Research Report 1/2020, pp 11 and Table 3; *Annual Wage Review 2019–20* [2020] FWCFB 3500 at [115], [127] and [400]
[250] ABS 6291019, November 2020
[251] ABS 6333 Characteristics of Employment August 2020
[252] ABS 6333 Characteristics of Employment August 2020

continue to comprise around 47% of the workforce[253]. Much of the long term growth in employment has occurred in part-time employment in award dependent industries: women account for 67.2% of the part-time workforce[254] and 61%% of award reliant workers[255]. As noted by the Panel last year, award-reliant workers are more likely to be low paid than other workers; women are significantly more likely to be paid at the award rate than are men at all levels of education and experience (except in their first year of work); and men are more likely to receive over-award payments or be subject to the higher rates of pay in collective agreements due to the industry or occupation in which they work.[256]

403. ABS data shows record low wage growth across the economy of only 1.4% for 2020, with female-dominated sectors such as hospitality (0.3%) and administrative and support services (0.9%) growing at much lower rates than in other industries.[257] Moreover, the award reliant female dominated industries have lower levels of Average Weekly Ordinary Time earnings than others.[258] This contributes to widening, and gendered, inequality.

404. The impact of women's care burden and the resulting work/care collision has been thoroughly examined over many years, with evidence demonstrating that for women, the effect is 'curtailed career aspirations, reduced life-time earnings, and inadequate superannuation.'[259] The propensity of women with care responsibilities to end up in 'poorly remunerated and insecure work without training and promotion opportunities, and with continuing clashes between work and care responsibilities' has also been well-documented over many years.[260] The legal and policy framework continues to entrench gendered norms regarding work and care.[261] Exacerbating this existing inequality, women have taken on even more unpaid work during the pandemic (discussed further below)[262].

[253] ABS 6202 January 2021
[254] ABS 6202 January 2021
[255] ABS 6306 Employee Earnings and Hours May 2018 most recent.
[256] *Annual Wage Review 2019–20* [2020] FWCFB 3500 at [403]
[257] Wage Price Index from ABS 634505b December 2020.
[258] ABS 6302
[259] Chapman. A, *Industrial Law, Working Hours, and Work, Care and Family*, Monash University Law Review (Vol 36, No 3), 190-216
[260] Ibid at 201 and 202, and references
[261]
[262] Craig & Churchill. (2020). Dual-earner parent couples' work and care during COVID-19, May.

6.3 Inadequate access to early childhood education and care, secure flexible work, and paid parental leave

405. Pre-pandemic, the high cost of childcare was already a significant barrier to women's workforce participation. OECD data shows that net ECEC costs in Australia total 14% of the earnings of a minimum wage worker with two children whose partner works full-time at 67% of the average wage; making Australia the 9th most expensive of the 31 OECD countries reviewed. A couple with two children aged 2 and 3, where one parent is on the minimum wage and the other parent works full-time at 67% of the average wage, would lose 74% of their income to either higher taxes or lower benefits if they use ECEC. COVID-19 has further exacerbated the ECEC crisis in Australia.

406. Australia's PPL scheme, which is paid at the national minimum wage, is one of the least generous of any comparable country. Compulsory superannuation is not paid on Australia's PPL scheme. Australia ranks 40th of 41 comparable EU and OCED countries on paid parental leave provided to mothers – providing the full-time equivalent of only 8 weeks paid leave. Australia ranks 27th on the amount of parental leave provided to fathers, providing the full-time equivalent of 0.8 weeks paid leave. This is a significant contributor to the gender pay gap. Men account for only 6.5% of all primary carer's leave taken, with the vast majority of paid parental leave undertaken by women.[263] Increases to the minimum wage will flow through to PPL, increasing the income and living standards of women on parental leave. An increase may also incentivise more fathers to access parental leave and assist with caring responsibilities.

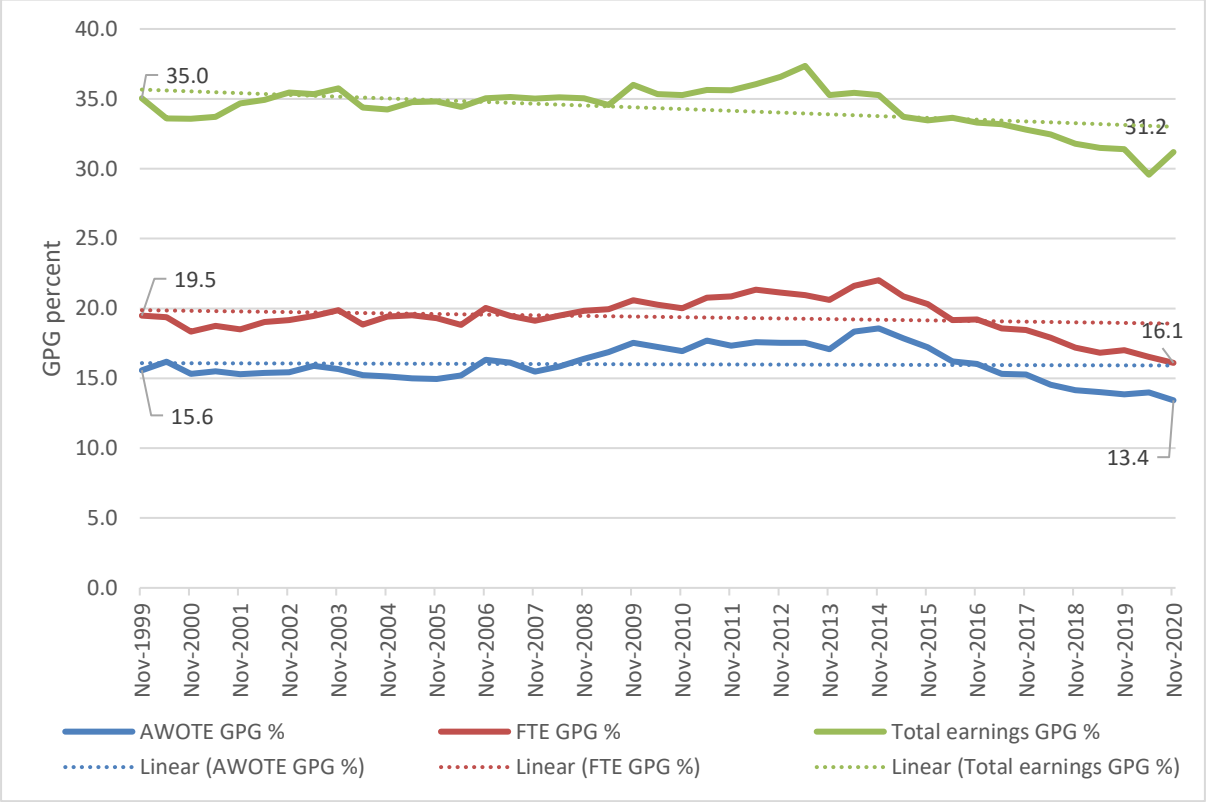
6.4 Measuring the gender pay gap

407. While there are a number of ways to measure the gender pay gap, all data sources show ongoing gender pay gaps and high-levels of gender segregation across and within industries and occupations. Figure 128 shows the gap between men's and women's weekly earnings taking women's earnings as a percentage of men's, based on three different measures of weekly earnings. These are: Adult average weekly ordinary time earnings, Adult average weekly full time earnings including overtime and bonuses, and Average weekly total earnings.

[263] Parental leave | WGEA , Towards gender balanced parental leave | WGEA accessed 4 March 2021

408. Based on Adult Average Weekly Ordinary Time Earnings, women working full-time earn $242.20 a week less than men working full-time. It is important to note that this measure does not capture overtime or bonuses, and excludes those who work less than full-time hours, who are predominantly women performing unpaid and caring work. The gap in average total weekly earnings between all men and women is $476.00.

Figure 128: Gender pay gaps for Average Weekly Ordinary Time Earnings, Full Time Earnings and total earnings

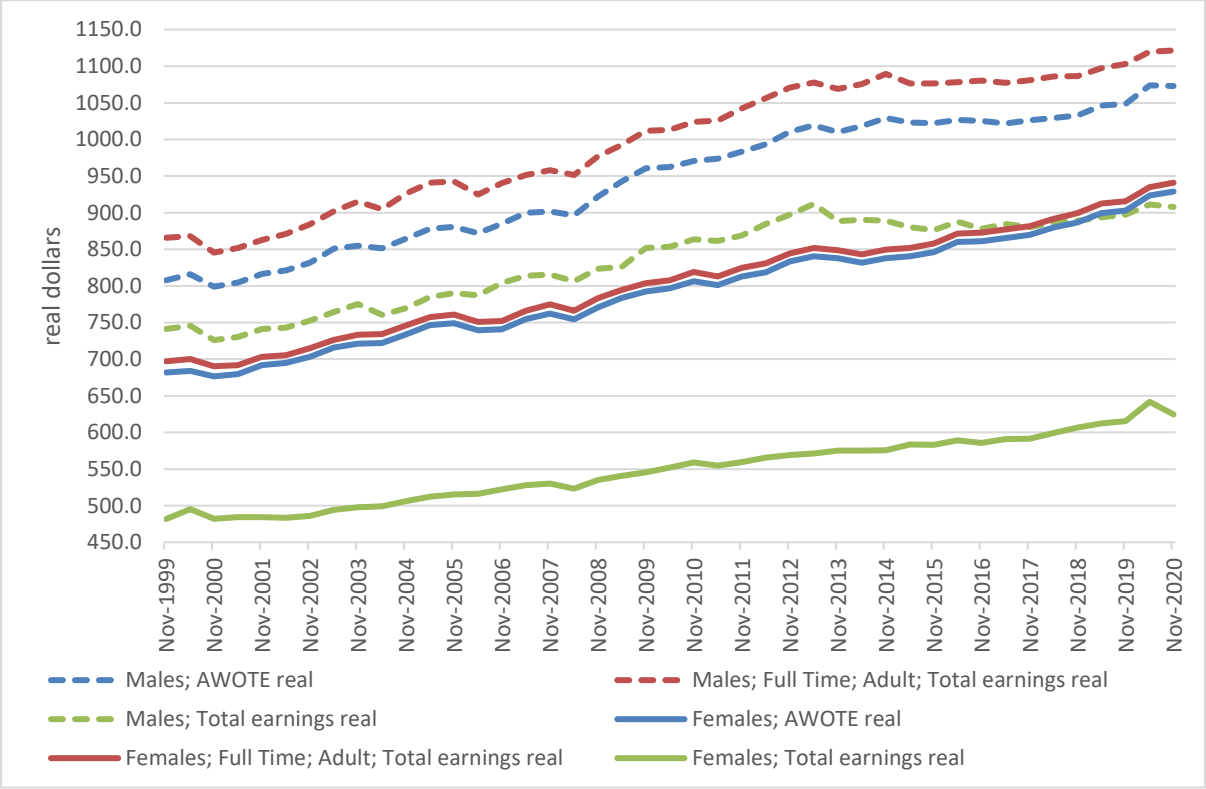


Source: ABS 6302010a, 6302010b, 6302010c, 6302010d, 6302010e, 6302010f, and ACTU calculations

409. The effect of covid is most noticeable on total weekly earnings at May 2020. At this point both men's and women's average total earnings increased but women's increased more, before they both fell again. This was due to a combination of lowest paid workers losing work, and those who continued to work working more hours and therefore raising their weekly earnings. This is shown in Figure 129 which shows the three measures of weekly earnings in real terms for males and females.

410. Figure 129 also shows that the apparent downward trend in gender pay gaps after 2013 is a result of men's average earnings flattening out largely due to reductions in top earnings after the mining boom. The minimum wage increases over that period which particularly help sustain women's earnings may have also played a role in reducing the gender pay gap. Even so, the percentage point reductions in the gender pay gaps after 2013 are not large.

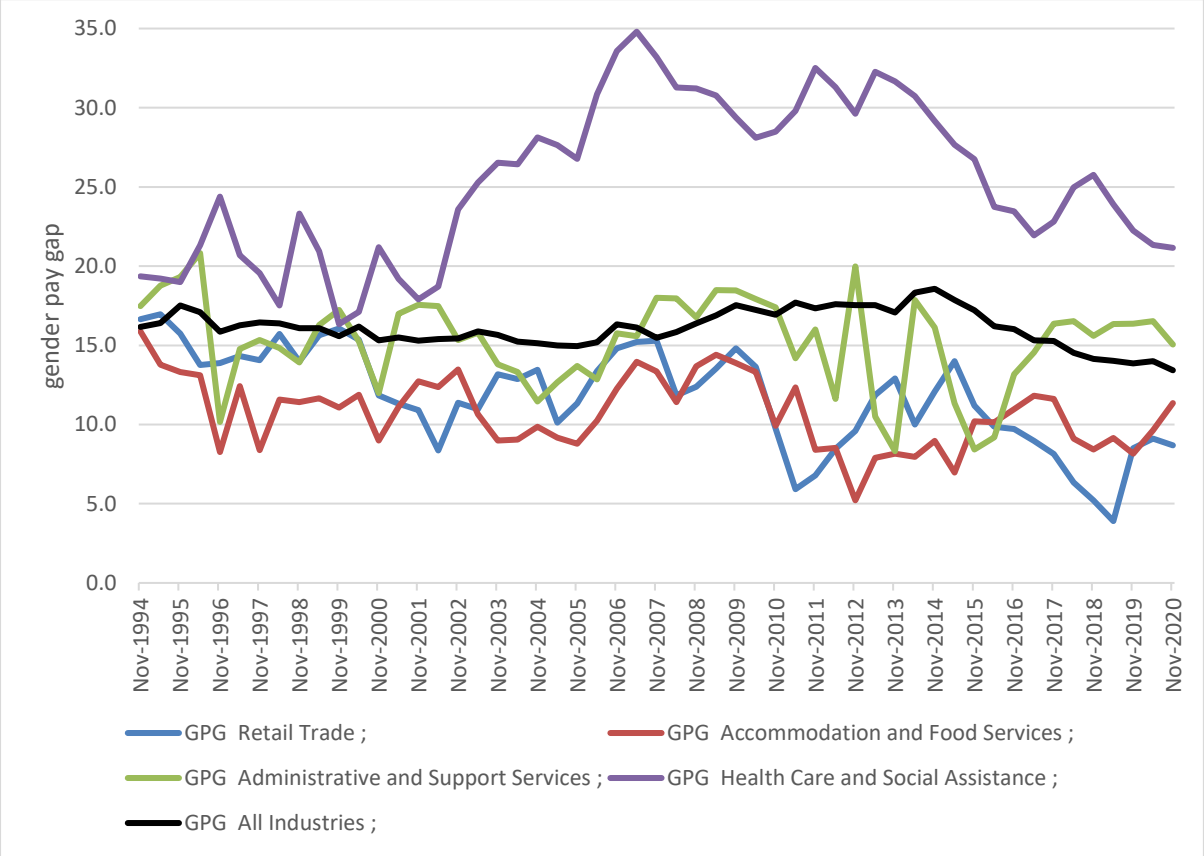
Figure 129: Average Weekly Earnings, Full Time Earnings and total earnings (real dollars), female and male



Source: ABS 6302010a, 6302010b, 6302010c, 6302010d, 6302010e, 6302010f, 6401 and ACTU calculations

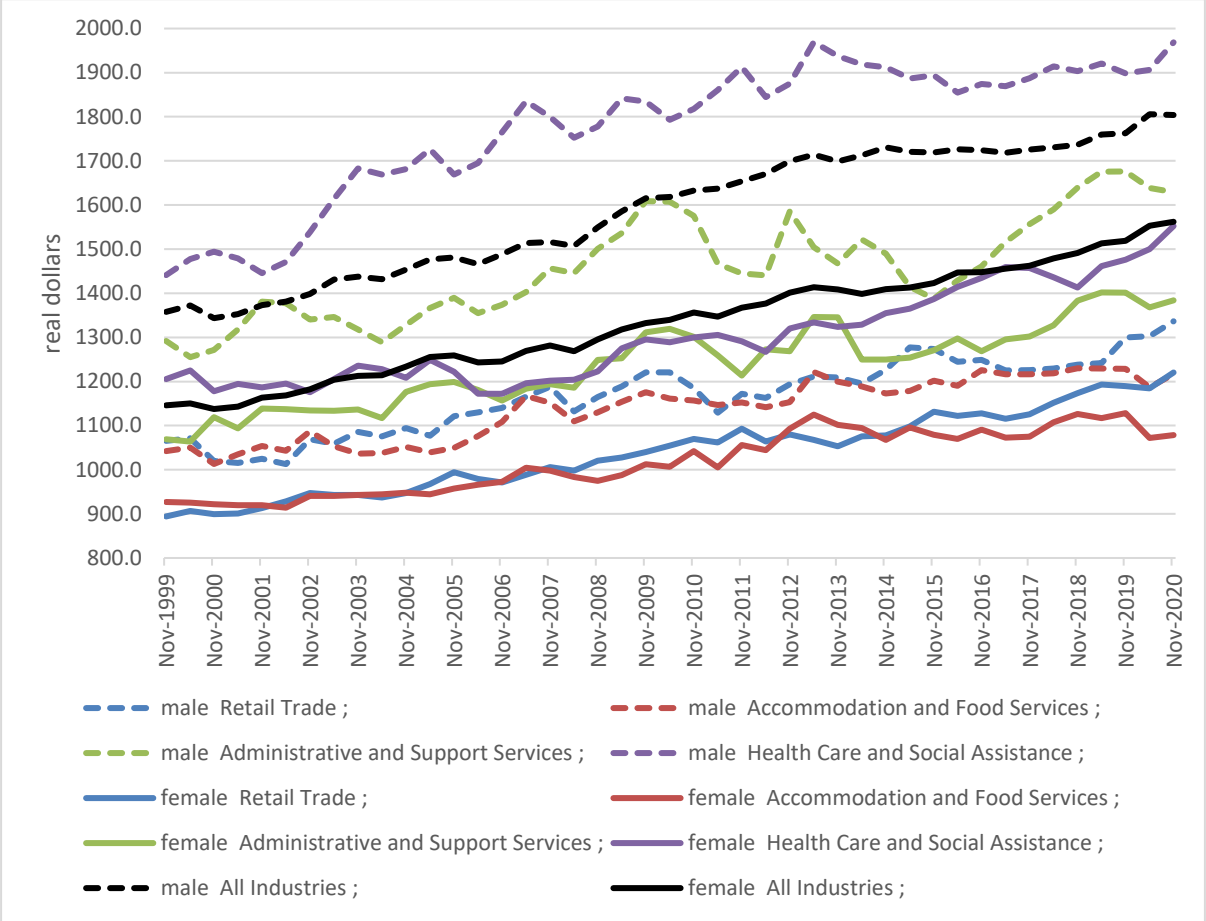
411. Figure 130 shows the gender pay gaps for the more award reliant industries and Figure 131 shows real adult AWOTE for females (solid lines) and males (dotted lines) in the more award reliant industries.

Figure 130: Gender pay gap for AWOTE, more award reliant industry sectors and for all industries, percent of male earnings



Source: ABS 63020010a, 63020010d, ACTU calculations

Figure 131: Adult Average Weekly Ordinary Time Earnings, male and female, more award reliant industries and total industry (real)



Source: ABS 63020010a, 63020010d, 6401, ACTU calculations

412. In all award reliant cases the female AWOTE also lies below the female AWOTE for total industry. The impact of covid on those workers in award reliant industries is to drop out the lowest paid from the workforce, raising average earnings in 2020. Figure 131 shows how an increase in the minimum wage for those industries would assist the lowest paid.

6.5 COVID-19 and Women

413. Women were already over-represented among workers in insecure and low-paid jobs and were shouldering the majority of unpaid domestic and care labour before the pandemic struck. The pandemic has exacerbated these inequities, which has had a significant impact on women's employment and living standards. As noted by the Workplace Gender Equality Agency, a predominantly female healthcare workforce has placed women on the frontlines of the pandemic, and the increase in caring responsibilities during the COVID-19 crisis has been largely shouldered by women. Social distancing measures have placed women at

greater risk of violence. Disproportionate job losses in the initial stages of the pandemic and gender inequal outcomes in the recovery phase are reflective of women's overrepresentation in insecure work.[264] These impacts are consistent with global trends.[265]

6.5.1 Impact on women's employment

414. The Commission's website claims that research commissioned for the Annual Wage Review[266] 'will focus on developments within these clusters since the time of the 2019–20 Review, such as changes in the labour market, business activity and *the gendered effect of the pandemic*' (emphasis added).[267] However, while the report concludes that 'impact [of the pandemic] on employment by gender has been relatively even,' this is not based on an in-depth assessment of the gendered effect of the pandemic. Research Report 1/2021 simply assesses changes in total hours worked by men and women, over the full period between March and December. Women's experience of disproportionate job losses when the pandemic hit is a clear insight into the poorer quality and security of their jobs, compared with men's, as well as impacts of unpaid care responsibilities. Women's employment declined 210,000 positions or 3.4%, compared with a 2.9% decline for men between February and August 2020. Pre-COVID, women held just 37% of all full-time employee positions. 57% of women's jobs lost under COVID-19 have been full-time – or 120,000 full-time positions since February.[268] In Victoria, the state hardest hit by lockdowns, there has been a 7.1% decline in the number of Victorian women in jobs. In July, the rate of female job loss was almost five times the rate for men. ABS monthly labour force data showed that in mid May 2020 the number of unemployed Victorian women was at an all-time high.[269] The number of women receiving *JobKeeper* more than doubled since December 2019 – now three quarters of a million women.[270]

415. Of women who stopped working during the pandemic, 50% did so to undertake unpaid housework and caring roles – compared with only 17% of men who ceased work.[271] The

[264] WGEA, *Gendered impacts of COVID-19*, May 2020
[265] United Nations, *Policy Brief: The Impact of COVID-19 on Women*, 9 April 2020
[266] Research report 1/2021 An assessment of the economic effects of COVID-19 − Version 2 Jeff Borland, University of Melbourne Report prepared for the Fair Work Commission 17 February 2021
[267] https://www.fwc.gov.au/awards-agreements/minimum-wages-conditions/annual-wage-reviews/annual-wage-review-2020-21/research
[268] ACTU, *Leaving women behind: The real cost of the Covid recovery,* November 2020
[269] The McKell Institute, *The Impact of COVID-19 on Women and Work in Victoria Research Insights August*, 2020 at pp 2 and 3
[270] Ibid at p 3
[271] ABS Catalogue no. 6291.0.55.001, EM2a - Employed persons who worked fewer hours than usual by Hours actually worked in all jobs and Sex, July 2020. Table 1.

number of unemployed women significantly increased during the pandemic, reaching an unemployment rate of 6.6%. It is important to note that these figures exclude jobless people who stop looking for work altogether – which many women did in order to attend to increased care responsibilities. Since February, female participation has decreased by 115,000 workers or 1.3 percentage points. Women were also more likely to hold multiple jobs pre-pandemic. The number of secondary jobs declined by almost 200,000 or 20% between March and June. *JobKeeper* was only payable to one employer per covered worker, exacerbating this problem of secondary job loss for women.

416. Between January 2020-21, more women left the labour market than men. Women's participation decreased 0.3%-points to 61.2%, but male participation increased 0.4%-points over the same period. The result is that only 60% of working-age women are now participating in the labour market (either working or actively looking for work), compared with 70% of men. While women's employment and hours did rebound in the second half of 2020, research comparing the first and second 6 months of 2020 shows the gender unequal outcomes of the jobs rebound.[272] ABS Labour Force data for January 2021 shows women's employment, underemployment, and participation all remain significantly weaker than for men. In the 12 months between January 2020 and January 2021, total male employment grew by an additional 7,000 jobs, but total female employment is still down by 0.9% on last year (around 53,000 less jobs). Of the jobs that have rebounded for women, only 12% of were full-time.

6.5.2 *JobKeeper* and *JobSeeker*

417. In April 2020, 47.1% of *JobKeeper* recipients were women.[273] *JobKeeper* excluded casuals with less than 12 months service from its support. Analysis shows that about 950,000 casual workers were excluded from the *JobKeeper* payment, mostly those employed in the female-dominate accommodation and food services, retail trade, and health care and social assistance sectors.[274] In addition, many industries with high levels of female employment were excluded from *JobKeeper*, such as local government (55% female workforce in Victoria), and universities (58% female workforce, national). The first industry to the removed from the

[272] Dan Nahum & Jim Stanford, *Briefing Paper: 2020 Year-End Labour Market Review: Insecure Work and the Covid-19 Pandemic*, December 2020
[273] The Treasury, The JobKeeper Payment: Three-month review June 2020, p 20
[274] Cassells, R, Duncan, A, Dockery, M, Kiely, D & Mavisakalyan, A (2020), Potential job losses in the COVID-19 pandemic, Bankwest Curtin Economic Centre Research Brief COVID-19 #2, available: https://bcec.edu.au/assets/2020/03/BCEC-COVID19-Brief-2_Potential-Joblosses_FINAL-2.pdf.

Commonwealth's *JobKeeper* program was childcare, and industry that is 95% female. Rate reductions from late September 2020 will reduce the flat rate paid to part time employees, who are more likely to be female.[275]

6.5.3 Early Access to Super

418. Australians seeking to cushion the financial blow of the pandemic have made about 4.8 million applications for early release of their retirement savings, to a total value of $36.4 billion.[276] According to analysis from AMP, 21 per cent of women have already withdrawn their super balances, compared with 17 per cent of men.[277] The top four funds with highest number of withdrawal applications were Australian Super, Hostplus, Sunsuper and the Retail Employees Super, reflecting the financial impact of the pandemic on workers in the sectors of hospitality, tourism, recreation, sport and retail.[278] 55% of workers in these sectors are women.

419. Information released by HESTA, the fund covering healthcare workers, says early release data shows that the members who sought to withdraw their super were lower paid, typically earning between 9% to up to 14% less than the typical member in their age group. Younger members aged 18-24 have virtually drained their super accounts, leaving this group with a median account balance of just $1049, a median decrease of around 78%.[279] Women's superannuation balances are already substantially lower than men's, and the full impact of the early release scheme on the retirement income gap is yet to be fully comprehended.

6.6 Intersectionality

420. Section 578 of the FW Act requires the Panel to take into account the need to eliminate discrimination not only on the basis of sex, family or carer's responsibilities and pregnancy, but also on the basis of race, colour, sexual orientation, age, physical or mental disability, marital status, religion, political opinion, national extraction and social origin.

[275] Above Note 21
[276] APRA, **COVID-19 Early Release Scheme - Issue 36, February 2021**
[277] Financial Standard, Super release widens gender gap: AMP, Ally Selby, 29 May 2020
[278] APRA COVID-19 Early Release Scheme Issue 5, 1 June 2020
[279] https://www.hesta.com.au/about-us/media-centre/Early-release-super-scheme-sees-younger-women-drain-super-HESTA.html

421. Analysis of the gender pay gap in the USA shows a marked disadvantage based on race: Hispanic women earned just 53.0 percent and Black women earned just 60.8 percent of White men's median annual earnings in 2017. Further research is needed in Australia to understand the impact of the national minimum wage on different groups of people, including those groups that experience multiple and compounding forms of discrimination, such as Aboriginal and Torres Strait Islander women.

422. Recent literature highlights the impact of the minimum wage on the wage gaps and employment for a range of categories of disadvantaged workers. A key study by Derenoncourt and Montialoux (2021) [referred to Chapter 2] finds that the expansion of the minimum wage in the US after 1967 played a key historical role in narrowing the earnings gap between "white and black workers".[1] "Using a cross-industry differences in differences design" it found that earnings rose sharply for workers in the sectors where a minimum wage was introduced. These were areas where nearly a third of black workers were employed. It found that "the impact was nearly twice as large for black workers as for white workers." It finds no evidence of substitution towards white workers in employment.

423. Derenoncourt and Montialoux says "Furthermore, our findings raise the possibility that the declining real federal minimum wage of recent decades has contributed to the contemporaneous stalling of racial convergence. Such a mechanism would also be consistent with the long-run patterns described in Bayer and Charles (2018)."[2] Bayer and Charles had found that the "median black white level earnings gap" having narrowed since 1940 to the mid 1970s had grown as large as it was in 1950 by 2014. Bayer and Charles found that the narrowing of the earnings gap was "largely accounted for" by the compression in the earnings distribution over the period 1940 to the mid 1970s, and "the sharply growing gap since 1980 is explained completely by the stretching of the earnings distribution". [3]

[1] Ellora Derenoncourt and Claire Montialoux 2021 Minimum wages and racial inequality *The Quarterly Journal of Economics*, pp.169–228

[2] P.221 Ellora Derenoncourt and Claire Montialoux 2021 Minimum wages and racial inequality *The Quarterly Journal of Economics*, pp.169–228, citing Bayer, Patrick, and Kerwin K. Charles 2018 "Divergent Paths: Structural Change, Economic Rank, and the Evolution of Black-White Earnings Differences, 1940–2014," *Quarterly Journal of Economics*, 133, pp.1459–1501.

[3] P.1459, p.1497 Bayer, Patrick, and Kerwin K. Charles 2018 "Divergent Paths: Structural Change, Economic Rank, and the Evolution of Black-White Earnings Differences, 1940–2014," *Quarterly Journal of Economics*, 133, pp.1459–1501.

7. ENCOURAGING COLLECTIVE BARGAINING

424. The Panel has identified two sources of its obligation to consider encouraging collective bargaining in the course of an Annual Wage Review. The first is the obligation in section 134 of the Act to "…ensure that modern awards, together with the National Employment standards, provide a fair and relevant safety net of terms and conditions, taking into account… the need to encourage collective bargaining". [280] The second is a reference in the object of the Act to "…provide a balanced framework for cooperative and productive workplace relations that promotes national economic prosperity and social inclusion for all Australians by…achieving productivity and fairness through an emphasis on enterprise level collective bargaining…" in conjunction with a consideration of the purpose of the Act as a whole.[281] It is uncontroversial that the a corollary of the above considerations is that Panel must take into account the extent to which (if any) its decision might discourage collective bargaining.

425. Over the longer term, collective bargaining has been declining in Australia. We are not unique among global economies in this regard. Indeed, the OECD has previously found that collective bargaining is declining in a number of economies.[282] Table 11 below shows the number of enterprise agreements approved for the three financial years between FY2017-18 and 2018-19, and the number of workers covered by those agreements:

[280] [2020] FWCFB 3500 at [206]; [2019] FWCFB 3500 at [7]; [2018] FWCFB 3500 at [11]
[281] [2020] FWCFB 3500 at [207]; [2019] FWCFB 3500 at [7], [364]; FWCFB 3500 at [11]
[282] OECD 2004 in Antonczyk et. al. 'Rising wage inequality, the decline of collective bargaining, and the gender wage gap' (2010) 17, Labour Economics 835-847, 835

Table 11: Number of Enterprise Agreements approved – FY2017-18 to FY 2019-2020

Sector		FY2017-18	FY2018-19	FY2019-20
Public Sector	Agreements Approved	181	213	172
	Workers covered ('000)	348	224.7	137
Private Sector	Agreements Approved	3614	4494	3922
	Workers covered ('000)	435.4	834.2	521.6
Total	Agreements Approved	3795	4707	4094
	Workers covered ('000)	783.4	834.2	658.5

Source: Trends in Federal Enterprise Bargaining – September 2020, ACTU Calculations[283]

426. The data shows that the number of enterprise agreements being approved fluctuates from year to year. Accordingly, it is difficult to ground reliable conclusions on any apparent increase or decrease in any one year (or shorter period of time). As at the September quarter 2020 there were 9804 enterprise agreements covering 1,893,400 workers.[284] These figures are slightly down from previous quarters, where the number of EAs and workers covered has remained relatively stable.

427. The overall trend, from September 2017 (at which point there were 12,909 enterprise agreements covering 1,761,200 workers) to September 2020 (at which point there were 9804 enterprise agreements covering 1,893,400 workers) has been one of a greater number of workers being covered by fewer enterprise agreements.

[283] Attorney Generals' Department (Report, Trends in Federal Enterprise Bargaining, 2020) Table 3 <https://www.ag.gov.au/industrial-relations/publications/trends-federal-enterprise-bargaining-report-september-quarter-2020>

[284] Attorney Generals' Department (Report, Trends in Federal Enterprise Bargaining, 2020) Table 4 <https://www.ag.gov.au/industrial-relations/publications/trends-federal-enterprise-bargaining-report-september-quarter-2020>

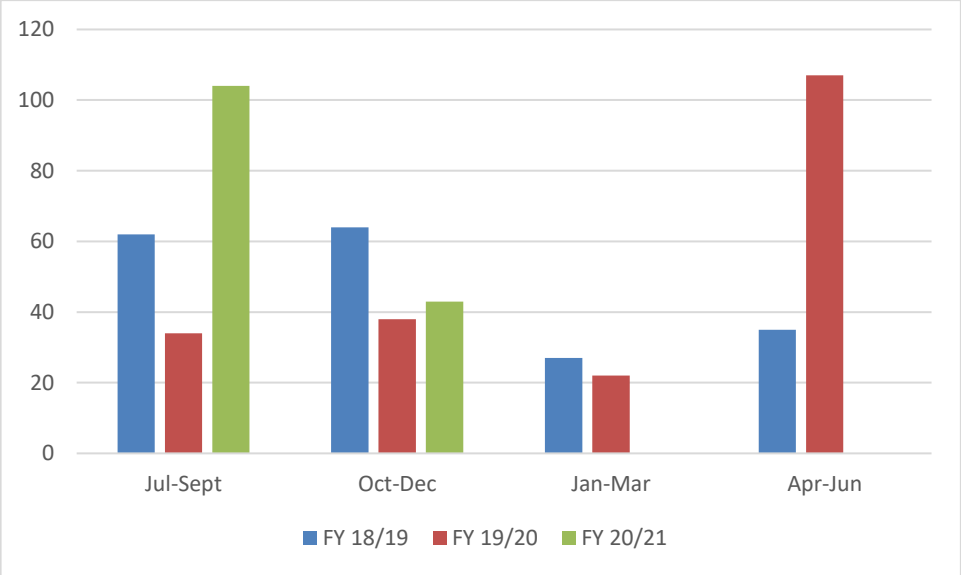
428. In our view, the changes in bargaining behaviour seen over 2020, as discussed above and depicted in charts 10.1 – 10.3 of the *Statistical Report,* likely have little if any relationship to the movements in minimum wages awarded by the Panel over the last few years. Bargaining necessarily involves making a commitment about work practices (not only wages) that will operative into the future (pending a new agreement or termination). Fluctuations in restrictions, particular for businesses with operations in more than one State or Territory, would have made this difficult through most of 2020. Furthermore, for business who are or were recipients of *JobKeeper*, there were a number of flexibilities introduced into the FW Act permitting changes to where and when employees would work and for how many hours they would work[285] as well as authorising agreements for the taking of annual leave at half pay[286]. These may well have met or exceeded the level of flexibility sought or achievable in bargaining for many employers. The conclusion of *JobKeeper* related flexibilities at the end of March may thereafter create renewed interest in bargaining among employers.

429. Additionally, there may have been some substitution in behaviour from bargaining for new agreements and toward variation of extant agreements, given the impacts of restrictions imposed in response to the pandemic. Figure 132 below suggests that there certainly was a surge in variations compared to most recent levels, after April 2020. Given that the surge commenced prior to the announcement of last year's decision in the annual wage review, the magnitude of the increase awarded is unlikely to have been the motivator.

[285] FW Act Part 6-4C

[286] Until 28 September 2020: *Coronavirus Economic Response Package (Jobkeeper Payments) Amendment Act 2020* at Item 2(1) and Schedule 3 Part 3.

Figure 132: Applications to vary enterprise agreements, 2018/19-2020/21



Source: FWC Quarterly Reports. Number of applications measurement does not refelect whether the applications were successful.

430. As is always the case, there are other influences on bargaining behaviour in any period too, including business mergers or exits or the bargaining cycle in large businesses or industries. At any rate, the data shows that employers and workers have continued to make and maintain collective agreements following past NMW decisions.

431. The longer-term deterioration in the extent of collective bargaining, including its extent and potential causes, have been discussed in previous submissions and in particular in our submission to the 2018/19 Review. In our view, whilst the bargaining behaviour in the last year has likely been atypical, that is not the result of the outcome of the Review either encouraging or discouraging bargaining.

432. The Panel has previously concluded that:

a. The rate of the decline in collective agreement from its peak in 2010 has not decreased so as to support a conclusion that NMW decisions have discouraged collective bargaining.[287]

b. Where there has been a decline in current enterprise agreements, this has likely been caused by 'a range of factors [which] impact on the propensity to engage in collective

[287] [2019] FWCFB 3500 at [386]

bargaining, many of which are unrelated to increases in the NMW and modern award minimum wages'[288]

c. The NMW decision impacts on different industries in different ways and previous NMW decisions have been considered not to discourage collective bargaining '*in the aggregate*'.[289]

d. Taking into account the wide range of facts impacting collective bargaining, it is unlikely that past NMW decisions have discouraged collective bargaining.[290]

433. The ACTU submits that there is no evident reason to depart from the above findings in the present Review.

[288] [2019] FWCFB 3500 at [69]
[289] [2018] FWCFB 3500 at [96];
[290] [2020] FWCFB 3500 at [397]; [2019] FWCFB 3500 at [386]

8. OTHER MATTERS

434. The National Minimum Wage Order made as a consequence of the Review must set the National Minimum wage as well as special national minimum wages for award/agreement-free employees who are junior employees, employees to who a training arrangement applies, and employees with a disability. It must also set the casual loading for award/agreement free employees.

435. The Panel's review of modern award minimum wages encompasses casual loadings and piece rates in modern awards, as well as modern award minimum wages for junior employees, employees to whom a training arrangement applies and employees with a disability.

436. This chapter sets out our position on how these various minimum wages and modern award minimum wages ought to be adjusted in this Review.

8.1 Juniors

437. Minimum rates for juniors in modern awards may apply to employees aged under 21 and are usually expressed as percentage of an adult rate of pay in modern awards. Adjusting modern award minimum wages in the usual way, via a uniform percentage increase, will preserve the existing relativities between adult rates and junior rates in particular awards.

438. Chart 6.6 of the *Statistical Report* shows the traditional volatility and overall higher level of youth unemployment relative to adult unemployment. The 15-19 year old cohort, which aligns closely with the cohort to which junior rates apply, has traditionally fared the worst in absolute terms, and continues to do so relative to the other groups. However, it also notable that the youth unemployment for the 15-19 year old group has returned to levels which, although elevated, are certainly not exceptional over the decade. The same cannot be said of the other groups shown.

439. The strong rebound in the labour market for 15-19 year olds is also evident from Chart 6.10 of the *Statistical Report,* which suggests a return to pre-pandemic levels on the *Payroll Jobs* measure and also Chart 5.4 in the more volatile *Payroll Wages* measure.

440. One source of the apparently stronger recovery in the labour market for 15-19 year olds may be employer preferences being influenced by the Government's *JobMaker* scheme. The *JobMaker* scheme will assist to meet the wage costs for workers who are eligible for junior rates, at the higher rate of $200 per week.[291] The scheme provides for credits to be paid to employers and contains no requirement that employers qualify for it by establishing a decline in turnover or other incapacity to pay. [292]

441. The *JobMaker* scheme covers new workers[293] engaged from 7 October 2020 (the day after budget day) through to 6 October 2021 provided that those workers perform on average 20 hours a week of work during each 3 month "*JobMaker* period". Payments to employers continue in respect of those workers for up to 12 months from the date the new employee commenced, such that the last payments will be made to any employer in respect of the 3 month period ending on 6 October 2021. Payments are made quarterly by the ATO to employers using the single touch payroll system. Claims for the first "*JobMaker* period" were able to made from February 2021, with the expectation that payments would flow to employers from within five days of the claim being processed. Payments are only available in respect of new employees aged 16-35 years who had, in the 28 days before commencing employment, been in receipt of *JobSeeker*, Youth Allowance or Parenting Payment. Employers are not eligible to claim the *JobMaker* payment in respect of a period that includes *JobKeeper* fortnight in which a *JobKeeper* payment was claimed.[294]

442. The recovery in employment in this segment is likely to be further improved and underwritten by the *JobMaker* scheme. The extent to which the jobs created serve to increase the living standards of the workers in them can be improved by lifting minimum wages. We suggest that anything less that a full flow on of the adult rate determinations to modern awards, effective from 1 July 2021, would be highly inappropriate. The discount percentages for the National Minimum Wage for Junior employees should continue to be based on that contained in the *Miscellaneous Award*.

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[291] This rate applies to employees aged 16 to 29. A rate of $100 per week applies to employees aged 30-35. See: Australian Taxation Office, *JobMaker Hiring Credit Guide*, March 2021 at p. 9

[292] Details on the operation of the scheme are found in the Government's Fact Sheet: JobMaker Hiring Credit; as well as the ATO Website sections on JobMaker Hiring Credit Eligibility and JobMaker Hiring Credit for Employees

[293] Relative to the headcount on 30 September 2020

[294] Details on the operation of the scheme are found in the Government's Fact Sheet: JobMaker Hiring Credit; as well as the ATO Websitesections on JobMaker Hiring Credit Eligibility and JobMaker Hiring Credit for Employees

443. Indeed, it may well be a convenient time to give consideration the equity issues raised at paragraphs [84] – [85] of the Full Bench decision [2020] FWCFB 6301, in relation to the application of junior rates to persons who are AQF qualified (either through the completion of an apprenticeship or traineeship or otherwise) and engaged in a classification that requires that qualification.

8.2 Apprentices and Trainees

444. Additional Government support was made available during 2020 to assist in the costs of meeting wages for apprentices and trainees.[295] The funding including a subsidy of up to 50% of an apprentice or trainees wages, capped at $7,000 per quarter per worker. The measures were aimed at retention and were delivered in two tranches:

    a. The first tranche operated from 1 January 2020 to 30 June 2020 and was open to business of less than 20 employees and in respect of apprentices or trainees who had been in training as at 1 March 2020.

    b. The second commenced on 1 July 2020 and continues to 31 March 2021, and is open to business of less than 200 employees in respect of apprentices and trainees who had been in training as at 1 July 2020.

    Where the apprentice of trainee is engaged through a Group Training Organisation and the host employer (of any size) is receiving *JobKeeper*, the Group Training Organisation is paid the subsidy directly.

445. There were similar, additional new government measures announced in 2020 directed at the commencement of new apprenticeships and traineeships. Businesses (including Group Training Organisations) that engage a new apprentice or trainee between 5 October 2020 and 30 September 2021 are eligible for a subsidy of up to 50% of apprentice or trainee wages, capped at $7,000 per quarter per worker. The payment continues for 12 months in respect of each apprentice or trainee engaged during the relevant period. Whilst this subsidy is not subject to business size, it is only available in respect of qualifications at Certificate II level or higher.[296]

[295] See Budget Paper No. 2, at p 229.
[296] See Department of Education, Skills and Employment fact sheet on *Boosting Apprenticeships Commencements; MYEFO at Appendix A at p 151;* See Budget Paper No. 2, at p 77.

446. The most recent data from the National Centre for Vocational Education Research on apprentice and trainee numbers is from the June Quarter 2020, and thus would not reflect the above policy changes other than the initial small business subsidy. We understand from NCVER that September Quarter 2020 data is scheduled for release on 30 March 2021.

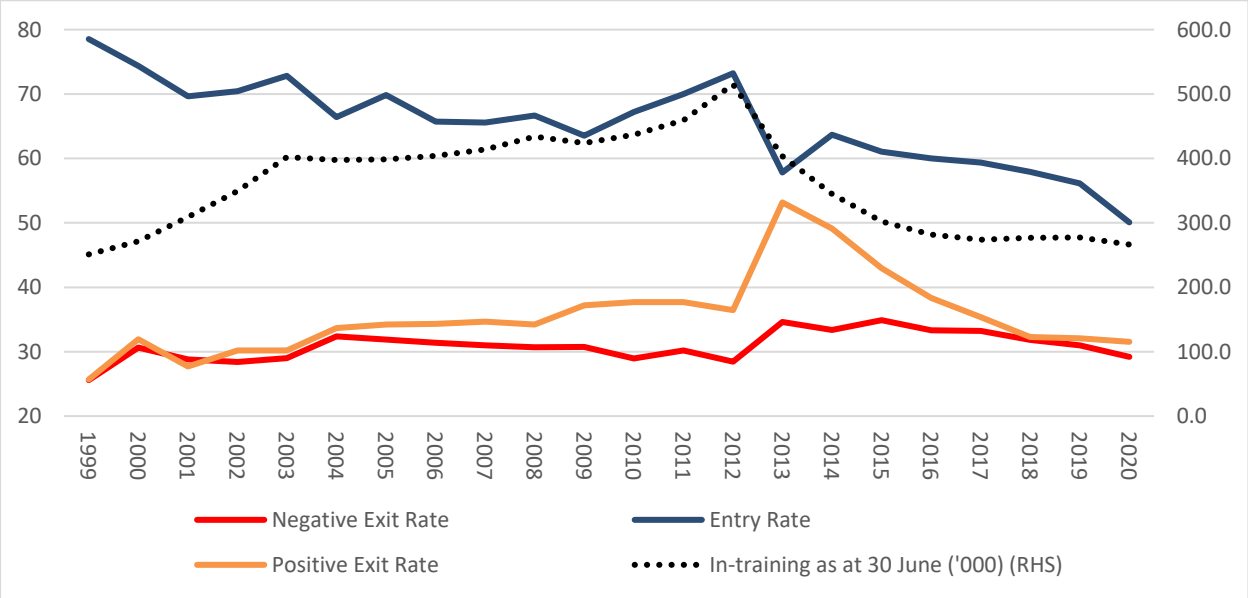
447. The aggregate level of persons in training conducting an apprenticeship or traineeship are shown in Figure 133 below, along with the following measures:

a. *Positive exit rate:* the number of completions as a share of the persons in training, expressed as a percentage

b. *Negative exit rate*: the number of cancellations or withdrawals as a share of the number of persons in training, expressed as a percentage.

c. *Entry rate*: the number of persons commencing training as a share of the persons in training, expressed as a percentage.

Figure 133: Apprentice and trainee entry and exit, June Quarter 1999-2020



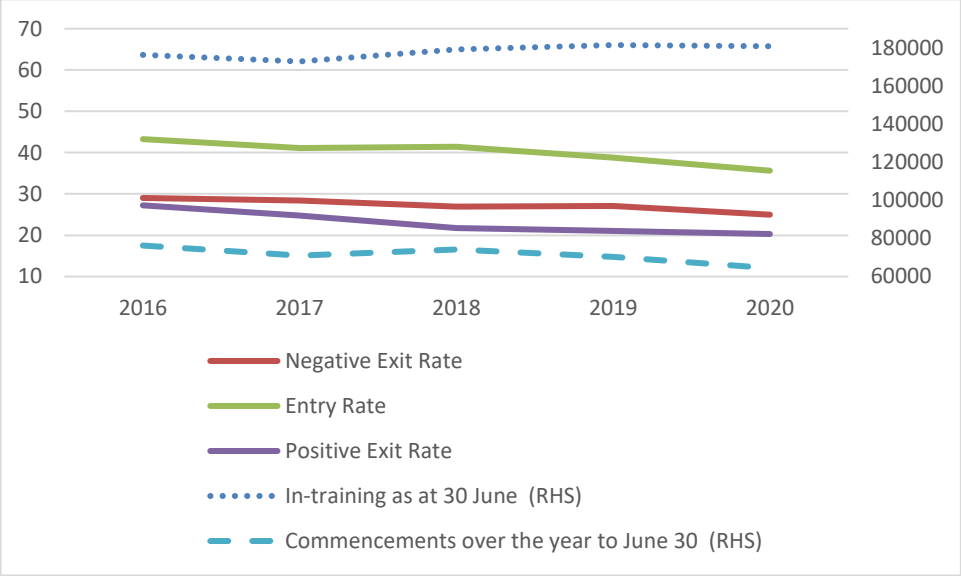
Source: NCVER, ACTU calaculations

448. The long term decline in entry clearly accelerated over the year to the June Quarter 2020, suggesting there will be some drag on the number of persons in training, particularly if the September Quarter figures show little improvement in that regard. Combined with positive exit rate for the last two years remaining stable and certainly not increasing, one would expect some overall tightening of the labour market owing to reduced skills supply, unless the government commencement policies prove to reverse this trend. In the market context,

even short term skills shortages would create some pressure for wage increases which, by definition in award reliant work, are not offered voluntarily employers.

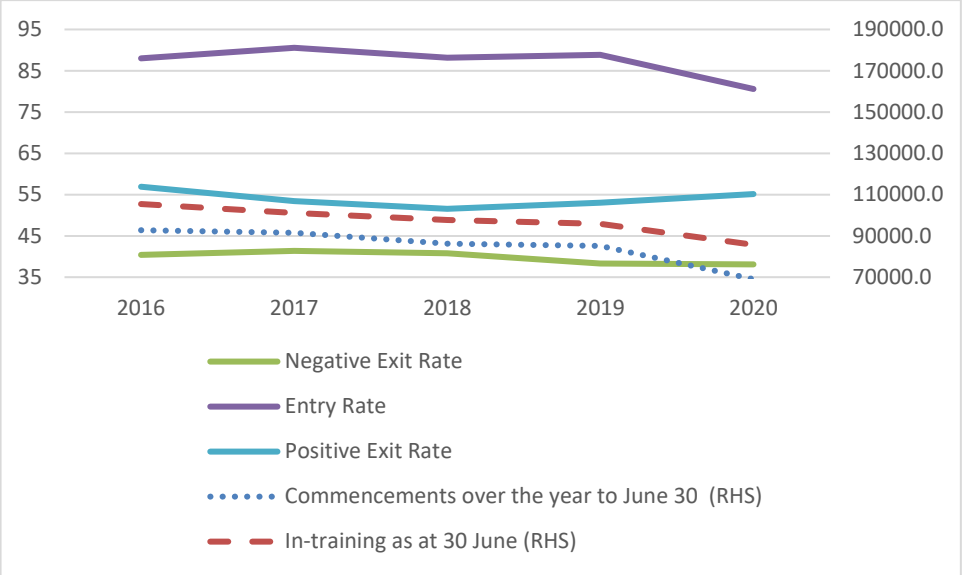
449. An interesting observation from Figure 133 is the slight decreases in negative exit rates. Given the labour market shocks experienced in March and April of 2020, as seen in Chapter 2, this is most unexpected and may indicate some success in the first tranche of retention subsidies. It seems however, there was a difference experience for apprentices as opposed to trainees. The NCVER groups data according to "Trades" and "Non Trades", which is an appropriate differentiator between apprenticeships and trainees in our view.

Figure 134: Apprenticeship entry and exit, June Quarter 2016-2020



Source: NCVER, ACTU calaculations

Figure 135: Trainees entry and exit, June Quarter 2016-2020



Source: NCVER, ACTU calaculations

450. Figure 134 and Figure 135 above, shown at similar scale, indicate more substantial movements with respect to trainees than apprentices, with the decline in entry rate, commencements and numbers in training more obvious.

451. Whilst Government subsidy measures to assist entry rates have potential to improve participation in apprenticeships and traineeships from an employer (demand) perspective, there remains room for apprentice and trainee wages to be lifted in the usual way to attract new entrants and maintain rather than worsen the level of consistency in treatment in the system. The apprentice and trainee rates set out in the *Miscellaneous Award* should continue to form the basis for apprentice and trainee rates expressed in the National Minimum Wage Order.

8.3 Employees with a disability

452. Special National Minimum Wage 1 should continue to be set at the same level as the National Minimum Wage, as varied in this Review. Special National Minimum Wage 2 should continue to be set by reference to the National Minimum Wage on the basis of the discounting methodology adopted from the Supported Wages System Schedule as reproduced in modern awards other than the *Supported Employment Services Award*.

453. Employees with a disability covered by an award other than the Supported Employment Services Award should continue receive the benefit of the decision in this Review through the application of the Supported Wage System Schedule to the minimum rates of pay expressed in the Award and an adjustment to the minimum weekly payment in line with the income test free area for the disability support pension. The current terms of the Supported Wages System Schedule that forms part of the *Supported Employment Services Award* does not require the separate adjustment of a minimum weekly payment. The adjustment of the minimum rates expressed in the *Supported Employment Services Award* is sufficient to flow the effects of the current decision on to employees covered that Award and we would urge the Panel to do. The outcome of the present Review should additionally be taken into account in varying the proposed new (and yet to commence) classification structure in the *Supported Employment Services Award* that is currently be trialled.[297]

8.4 Casual loading

454. The casual loading should be maintained at 25%, in this Review.

8.5 Piece rates

455. The adjustments to modern award minimum wages should flow through to piece work rates in the usual way.

8.6 Other instruments

456. The adjustments to modern award minimum wages should flow through to any transitional instruments and copied state awards in the usual way.

[297] [2020] FWCFB 343

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