

ANNUAL WAGE REVIEW 2022-23

ACTU SUBMISSIONS – ADDITIONAL MATERIAL

1. This brief submission is provided pursuant to directions issued on 17 May 2023 and, accordingly, is confined to commentary on the release of ABS labour force data for April 2023 and the Wage Price Index (WPI) for the March Quarter of 2023.

Labour force

2. The labour force data relates to the reference period of 2-15 April 2023, which coincides with both the Easter weekend and the commencement of school holidays. In seasonally adjusted terms, total employment declined slightly by -0.03% (around 4,300 persons). Whilst part time employment increased 0.55% (around 22,830 persons) this was insufficient to offset the 0.23% decline in full time employment (around 27,130 persons). Meanwhile, total hours worked rose by 2.6% and underemployment fell to 0.1% to 6.1%. The seasonally adjusted unemployment rate edged up slightly to 3.7% as the labour force grew by a further 14,000 persons on top of the 61,650 added in the previous month. In trend terms, the unemployment rate remained level over the past 3 months at 3.6% and employment grew by 0.17% (around 23,900 persons), with gains seen in both part time work (0.03% or around 1,200 persons) and full time work (0.24% or around 22,800 persons).
3. During holiday periods, the number of persons categorised by ABS as working full time or part time is a less reliable indicator of their usual engagement. The definitions used in the Labour Force survey are as follows:

“Employed full-time
Includes employed people who usually worked 35 hours or more a week (in all jobs) and those who, although usually working less than 35 hours a week, worked 35 hours or more during the reference week.

Employed part-time
Includes employed people who usually worked less than 35 hours a week (in all jobs) and either did so during the reference week, or were not at work in the reference week.”¹
4. Workers who usually worked part time hours of less than 35 but had been doing more hours in March 2023 were classified as full time. Such workers may well have shifted to become classified as part time in April 2023 as they took time off for Easter and/or school holidays or if their employer (perhaps in their secondary jobs) did not operate on or between the Easter public holidays. This makes interpretation of the shifting share of

¹ ABS, “[Labour Force Australia Methodology](#)”

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“part time work” versus “full time work” as commonly understood quite complex and we would caution against any conclusions being reached about a particular trend or trajectory being established in the April labour force data.

5. In our view, it is difficult to attribute the April labour force data definitively to a weakening in the labour market generally. We accept as predicted by both the RBA and Treasury that there will be a slight softening in the labour market in the year ahead, with unemployment rising to between 4.2% (RBA) or 4.25% (Treasury) by mid-2024, still low compared to medium term pre-pandemic levels. However, the growth in hours worked in the most recent data is not consistent with a weakening in labour demand. Rather, in commenting on the data, the ABS said “In trend terms, the strong growth in hours worked, the high employment-to-population ratio and participation rate, along with the low unemployment and underemployment rates, all still point to a tight labour market”.² We would agree with this assessment and note that even in seasonally adjusted terms, labour market performance remains well above the medium to long term measures discussed in our previous submissions and compares favourably to the data relied on in the Panel’s decision last year.

Indicator	Measure	April 2022	April 2023
Employment growth	Annual % change	2.9	2.9
Full-time employment growth	Annual % change	5.2	3.7
Part-time employment growth	Annual % change	-2.0	1.0
Hours worked	Annual % change	2.8	7.4
Unemployment rate	%	3.9	3.7
Underemployment rate	%	6.1	6.1
Participation rate	%	66.4	67
Participation rate (age adjusted)	%	67.7	68.2
Employment to population ratio	%	63.8	64.5
Employment to population ratio (age adjusted)	%	65	65.6
Youth unemployment rate	%	8.8	8.6

WPI

6. The WPI shows 0.8% growth over the March quarter, in line with the growth 0.8% growth seen in the previous quarter, lifting growth over the year to 3.7% and embedding continued real wage decline (CPI rose 1.4% in the Quarter).³ Although roughly 60% of employees’ wage increases were higher than the year before, only 35.1% of employees in the quarter received a wage increase of 4% or above, considerably lower than the 47.1% receiving an increase of 3% or less. This suggests a great deal of wage negotiations near and below the RBA’s long term target band for inflation.
7. Whilst private sector wage growth was identified by the ABS as the main driver of growth in the quarter, it also noted that:

“The public sector recorded the highest quarterly (0.9 per cent) and annual (3.0 per cent) wage growth for the sector in a decade. Enterprise agreement bargaining outcomes, together with regular scheduled rises and higher wage caps drove the increase in public sector wages.”⁴

² ABS, “[Unemployment rate rises to 3.7% in April](#)”.

³ Considering CPI for the year to March 2023 came in at 7%, real wage growth for the year to March 2023 is now -3.3%.

⁴ ABS, “[Annual wage growth increases to 3.7% in March Quarter 2023](#)”

8. The Education and training sector was identified as the main contributor to quarterly wages growth. We understand that the 4% increase in primary and secondary teachers wages brought about by the QLD [Department of Education State School Teachers Certified Agreement](#), certified by the QIRC on 15 December 2002, was paid in February 2023, which covers around 54,000 teachers⁵. The [Crown Employees \(Teachers in Schools and Related Employees\) Salaries and Conditions Award 2022](#) provides for a pay increase of 2.53% from 1 January 2023. There were around 61,000 teachers in NSW public schools in 2021.⁶
9. The second highest industry contribution was from Professional, scientific and technical services, which was also the second highest contributor in both the September and December Quarter of 2022, suggesting increases in this relatively high paid industry may have run their course.
10. There has been a shift in the contribution made by different pay setting methods in the March Quarter. As is usual for the March Quarter, there was negligible contribution from awards. However, the extent that wage growth from individual arrangements have contributed has progressively fallen since the high in the September Quarter of 2022 while enterprise agreements have risen since the December Quarter. The ABS notes that a similar proportion of jobs covered by individual arrangements had a wage increase in the quarter as was the case for the March Quarter of the previous year, however the increases were higher this quarter. Newly negotiated enterprise agreements, together with changes to public sector wages caps, were also mentioned as contributors. These observations are consistent with the predictions in the discussion of wages on page 65 of the RBA's May 2023 Statement on Monetary Policy. In our view, wage increases likely moved first for the highest paid through bonuses and thereafter base pay adjustments to individual arrangements before spreading to the enterprise bargaining sector. The lowest paid should also now also receive an increase.
11. We do not regard the movements in the WPI in the March Quarter as inconsistent with meeting the Treasury and RBA forecasts for wage growth to the end of this year or the year ahead. Accordingly, we remain of the view that increases we seek to minimum and modern award wages will make a negligible contribution to inflation.

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ACTU D No. 23/2023

⁵ [QLD Government](#) estimate, current to December 2021

⁶ Carrol, L., White, D., "[Number of temporary teachers in NSW schools almost doubles in a decade](#)", Sydney Morning Herald 17/8/22.