MORRISON MISSING IN ACTION ON WAGES

MISSING IN ACTION

Australian Unions

"A WORKER WOULD HAVE EARNED, ON AVERAGE, $10,000 MORE IF REAL WAGES HAD KEPT UP WITH PRODUCTIVITY SINCE THE COALITION GOVERNMENT CAME TO POWER IN 2013."

MISSING IN ACTION

THE MORRISON MISSING IN ACTION SERIES.

When it comes to the issues that matter for working people, Scott Morrison is missing in action. From keeping people safe during the pandemic, to wages, respect for women, and secure jobs he has either done nothing, blamed others or made the problem worse. Reports in this series include:

- Morrison Missing in Action for Working Women (March 2022)
- Morrison Missing in Action on Secure Jobs (April 2022)
- Morrison Missing on Work Health and Safety (April 2022).
- Morrison Missing in Action on Wages (April 2022)

www.australianunions.org.au/morrison_missing

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The ACTU acknowledges the assistance of Greg Jericho and the Centre for Future Work with the preparation of this report. **www.futurework.org.au**

Introduction

AUSTRALIA'S COST OF LIVING CRISIS IS A WAGES CRISIS.

Over the entire term of this Morrison government, real wages have fallen by 2.3%.[1] That's the first time this century that workers' real incomes are lower as they go to the polls, than they were the last time they voted.

Real wages in 2021 experienced their biggest decline since the introduction of the GST in 2000. Last year inflation rose to 3.5% while wages grew at just 2.3%. The situation has dramatically worsened in 2022: surging inflation has cut the real pay of a worker on average earnings by nearly $2,000 in the first half of this year alone.

But this was not just a one-off decline. This problem long predates the arrival of the COVID pandemic. We have had almost a decade of flatlining real wages since the Coalition Government came to power in 2013.

Wages also aren't keeping up with workers' ability to produce more goods and services (labour productivity growth). Since the Coalition came to power, private sector real wages have risen by just 1.6%, while labour productivity grew more than 6 times faster than real wages (10.3%).

A worker on average would have earned $10,000 more since 2013 if real wages had kept up with productivity. They would have pocketed $3,868 in the last 12 months alone. That's an extra $3,868 to cover the rising cost of housing, childcare, groceries and petrol. But instead of this money going into workers' pockets, it's ending up in company profits. So bad is this trend that workers are receiving the lowest share of our national income, and businesses the highest, since records began.

Section 2 of this report unpacks this lost decade of wages growth in more detail.

This crisis in Australian wages did not happen by accident. The Government's own Finance Minister admitted in 2019 that low wage growth was a "deliberate design feature of our economic architecture".[2] The Abbott/Turnbull/Morrison Government has consistently entrenched low wage growth by:

» **Promoting insecure work and the rise of underemployment:**
Casual, and other forms of insecure work (including labour hire, contracting out, and gigs) leaves workers with fewer rights, less pay, and insufficient bargaining power to demand a wage rise.

» **Failing to advocate for real wage rises for 1 in 4 workers:**
The Government has failed to advocate in the Fair Work Commission's Annual Wage Review for wages increase that cover 2.67 million workers.

» **Capping Commonwealth public sector pay:**
Artificially suppressing the wages of its own workforce (one of the largest in the country). Such public-sector wage caps help to "entrench low wage norms in our country", according to the Reserve Bank Governor.

» **Failing to act on the gender pay gap:**
Women still earn $483 per week less than men on average and the gender pay gap has barely budged. Refusing to help fund equal pay for the underpaid and overworked predominantly female workforce in Aged Care, Early Childhood Education and Care (ECEC), and other areas.

1 Taking on board the March 2022 inflation figures and assuming wage growth for this quarter consistent with the Government's own budget forecasts.
2 AAP, "Low wage growth not all bad: minister," Nine News, 8 March 2019.

- **Undermining collective bargaining:** The Morrison Government has just announced if re-elected it will allow employers to impose collective agreements on staff that cut pay and conditions. It has also allowed employers to tear up enterprise bargaining agreements by using loopholes in the law.
- **Failing to act on wage theft:** Failing to legislate to clamp down on rampant wage theft.
- **Pretending wages growth is just around the corner:** The Coalition has made dozens of rosy projections about wages growth and gotten them all wrong. Even on its budget projections from barely a month ago – which have already shown to be wrong – workers would have to wait until 2025 to have the same spending power as they did in 2019.
- **Pretending that fair wage rises cause inflation:** Wages could grow by at least 5% next year without causing inflation. Both the Reserve Bank Governor and Morrison's own Treasury Secretary agree that real wages can grow at the level of productivity growth, without causing further inflation.[3]
- **Overseeing the greatest share of national income going to business and not workers:** The labour share of national income has now dropped to just 46%, the lowest share since records began. While corporate profits have averaged over 28% of total GDP since the pandemic; by far the highest in Australian history.

Section 3 provides more detail on each of these ways that Morrison is missing in action on wages.

Low wages are not inevitable. A range of simple and practical measures would turn around our lost decade of wage growth and give Australians the pay rise they deserve. A Federal Government that cared could:

1. **Close the loopholes in the law that let employers turn permanent jobs into insecure ones.**
2. **Support at least a 5% increase in minimum and Award wages this year to make progress towards all workers earning a living wage.**
3. **Remove caps on APS wages and let Commonwealth public sector workers effectively bargain for fair wages.**
4. **Scrap the Morrison Government's plan to let employers cut employee pay and conditions under Enterprise Agreements, and close the legal loopholes that let employers tear them up, stripping workers' pay, rights, and conditions.**
5. **Pass laws that remove the barriers that are preventing women from achieving equal pay**
6. **Support Aged Care workers in their case for a $5 an hour work value pay rise.**
7. **Crack down on wage theft by passing laws to let a worker quickly and easily chase up stolen wages and super.**
8. **Start publicly backing fair pay rises that let all workers receive their fair share of labour productivity growth.**

But on all of these measures Morrison is missing in action on wages.

3 Senate Economics Legislation Committee Transcript, 16 February 2022, https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22committees%2Festimate%2F25621%2F0002%22


"I THINK WE DON'T PAY OUR POLITICIANS ENOUGH"
MORRISON GOVERNMENT CABINET MINISTER
KEN WYATT, 28 APRIL 2022. HE EARNS $426,000 PER YEAR.

2 UNPACKING THE COALITION'S LOST DECADE OF WAGE GROWTH

2.1 LOW WAGE GROWTH IS DELIBERATE

UNDER THE MORRISON GOVERNMENT AUSTRALIA'S ECONOMIC SYSTEM IS DESIGNED TO KEEP WAGES DOWN.

David Speers:
Do you agree flexibility in wages and keeping wages at a modest level is a deliberate feature of our economic architecture?

Assistant Minister for Home Affairs Linda Reynolds:
No absolutely not. For Bill Shorten to even suggest that...

David Speers:
I'm quoting Mathias Cormann.[4]

4 See Sam Clench, "Sixteen-second backflip turns interview into trainwreck," News.com, 11 March 2019.

In 2019 then-Finance Minister, Mathias Cormann, responded to a question on Sky News about wages not rising:

> "The whole reason why it is important to have flexibility in the labour market ... is to ensure that wages can adjust in the context of economic conditions to avoid massive spikes in unemployment, which are incredibly disruptive. That is a deliberate design feature of our economic architecture."[5]

Under the Morrison Government Australia's economic system is designed to keep wages down.

It presented "flexibility in the labour market" as necessary to avoid "massive spikes in unemployment". This is Morrison Government code for suppressing wages, keeping workers insecure, and increasing business' share of economic output through higher profits.

Last year painfully exposed the one-sided nature of this "flexibility". While recording nominally low national unemployment numbers, inflation accelerated to 3.5% in the twelve months ending in December 2021. And yet our "flexible" labour market kept nominal wages at just 2.3% - the same weak pace that has prevailed for almost a decade. Where wages are concerned there is a distinct absence of flexibility: regardless of lower unemployment or higher inflation, they keep trudging along at the same low pace.

That combination of rising inflation and stagnant wages is seeing workers suffer through the biggest annual decline in real wages since the introduction of the GST in 2000. The situation has dramatically worsened in 2022: surging inflation has cut the real pay of a worker on average earnings by nearly $2,000 in the first half of this year alone.

5 See AAP, "Low wage growth not all bad: minister," Nine News, 8 March 2019.

2.2 THE ORIGINS OF OUR COST OF LIVING CRISIS

OVER THE FULL 9 YEARS, THERE IS OVER $50,000 IN LOST CUMULATIVE EARNINGS.

Wages growth in Australia has been in crisis for so long now that an adult who has been working fulltime since the end of 2013 would never have seen their wages grow anywhere close to the 3.7% per year average of the previous decade.

The annual average growth of their pay packet at 2.1% would have been so weak over the first 9 years of their career that it would have been close to a full percentage point below the lowest wages growth ever previously recorded up to that point (2.9%) – and that was experienced for just one quarter, during the worst phase of the global financial crisis in 2009.

This long and painful stagnation of wages quickly adds up. Had they started out in 2013 earning $1,150 a week, with 3.7% annual wages growth, today they would have been earning $1,595 a week.[6] That is $207 per week ($10,764 per year) more than what has happened under the 2.1% average growth of the Coalition Government since 2013. Over the full 9 years, that is over $50,000 in lost cumulative earnings.

Figure 1.

6 $1,150 a week is the 2013 median full-time weekly earnings.
3.7% is the average wage growth from 2004-2013.

CASE STUDY

JONATHON

TRUCK DRIVER FOR LARGE NATIONAL TRANSPORT COMPANY

"A WAGE INCREASE MEANS THAT LIFE GETS EASIER, WITH LESS STRESS. A WAGE INCREASE MEANS THAT THE NECESSITIES BECOME AFFORDABLE, AND PEOPLE DON'T NEED TO MAKE THE DECISION ON WHAT'S MORE NECESSARY. A WAGE INCREASE MEANS THAT OUR WAGES GO UP, NOT BACKWARDS WITH INFLATION."

Jonathon works in Brisbane. He was a lead delegate in the TWU fight for improved job security in 2021. He says thousands of TWU members stood together and fought for job security in 2021 and this election is important to help deliver it for more workers.

Jonathon lives with his partner and her four children that are aged between 6 and 15 and his 11-year-old son that is with them part time as well.

2.3 THE $10,000 COST OF SCOTT MORRISON

IF REAL WAGES KEPT UP WITH PRODUCTIVITY, WORKERS COULD MEET THE COST OF LIVING.

Another way to understand the cost of this lost decade of wages growth on workers is to consider productivity growth.

Productivity is the ability of workers and business to produce goods and services. When we can produce more for each hour of labour spent, national incomes can be lifted, and if workers get real pay rises matching our growth in productivity, living standards will be lifted too.

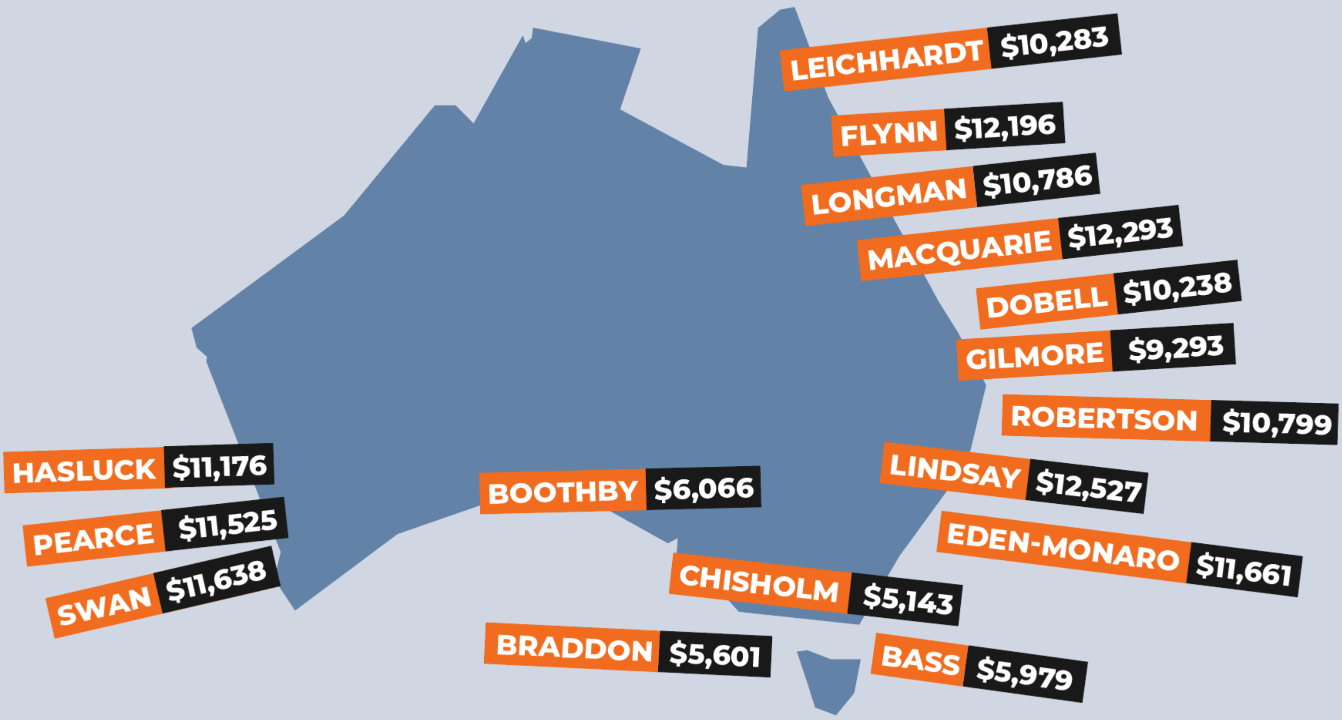
But since the Coalition came to power in 2013, private sector real wages have risen by just 1.6%, while labour productivity grew more than 6 times faster than real wages (10.3%).

The link between real wage and productivity growth has been broken. Growing national incomes that workers have delivered are going onto company balance sheets, and not in their own pay packets.[7]

Imagine if real wages had kept up with productivity growth since 2013? An employee starting out on the average income of $1,114.20 per week in 2013 would now be earning $74 per week, or $3,868 per year more than they actually are. Overall they would be better off by $10,000 if real wages had kept up with productivity since the Coalition came to power in 2013. (see figure 2. on page 10) This is money that would cover the rising cost of housing, childcare, groceries and petrol, and allow people to get ahead. It would be a substantial and permanent pay rise, and not a small one off payment that runs out the other side of election day.

WAGE CUTS AROUND THE COUNTRY

Workers in key federal electorates would have earned this extra money if real wages had kept up with productivity growth since the Coalition came to power in 2013.



Source: ABS CPI, ABS AWE, ABS Census (2011 & 2016) & ABS National Accounts, ACTU calculations. For more detail on the calculation method see Appendix One.

7 This issue is discussed in more detail in section 3.9

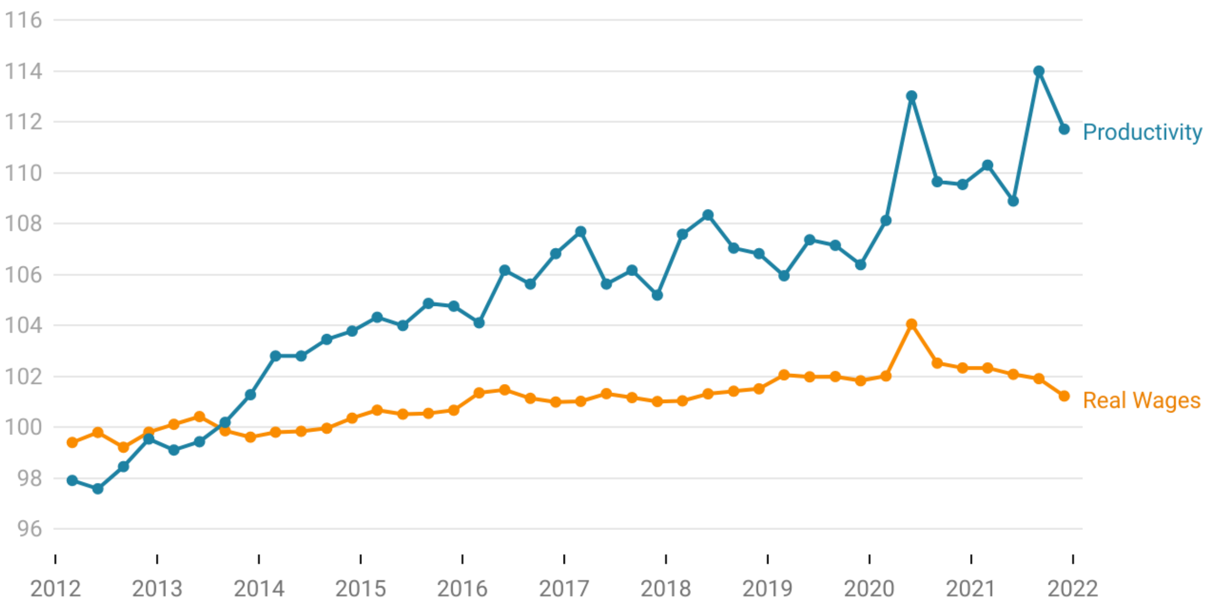
Table 1: Extra earnings if real wages kept up with productivity growth since 2013.

Federal Electorate	What Morrison has cost the average Australian worker		
	Since 2013	Last 12 months	Each week
Leichhardt (QLD)	$10,283	$3,925	$75.5
Flynn (QLD)	$12,196	$4,655	$89.5
Longman (QLD)	$10,786	$4,117	$79.2
Macquarie (NSW)	$12,293	$3,957	$76.1
Lindsay (NSW)	$12,527	$4,032	$77.5
Gilmore (NSW)	$9,293	$2,991	$57.5
Eden-Monaro (NSW)	$11,661	$3,753	$72.2
Dobell (NSW)	$10,238	$3,295	$63.4
Robertson (NSW)	$10,799	$3,476	$66.8
Chisholm (VIC)	$5,143	$2,513	$48.3
Boothby (SA)	$6,066	$3,227	$62.1
Bass (TAS)	$5,979	$3,300	$63.5
Braddon (TAS)	$5,601	$3,090	$59.4
Swan (WA)	$11,638	$5,233	$100.6
Pearce (WA)	$11,525	$5,182	$99.7
Hasluck (WA)	$11,176	$5,025	$96.6
National	$9,687	$3,868	$74.4

Source: ABS and ACTU calculations. See Appendix One for more details.

Figure 2.

Private-sector wages have not kept pace with productivity



Real wages = private wages price index declined using CPI. Productivity = GVA per hour worked, market sector 2013=100

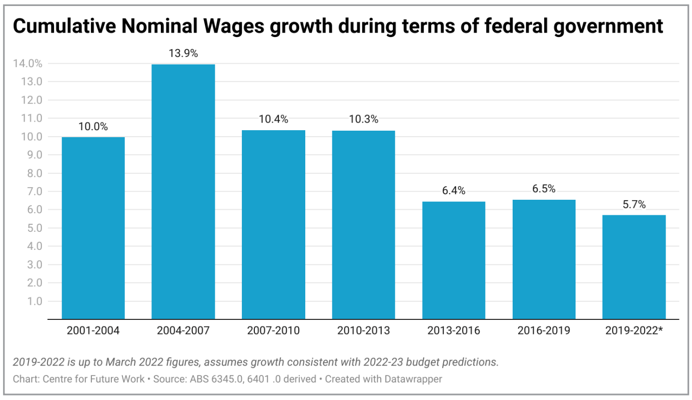
Chart: Centre for Future Work • Source: ABS 5206.0, 6345.0, 6401.0, derived • Created with Datawrapper

2.4 WHETHER INFLATION IS HIGH OR LOW, REAL WAGES ARE SUPPRESSED

THE MORRISON GOVERNMENT OF 2019–2022 IS THE ONLY PERIOD IN WHICH REAL WAGES HAVE ACTUALLY DECLINED.

This century, the Morrison Government has achieved the worst level of nominal wage growth for a term of government. In second and third last place are the other two terms of this Coalition Government.

Figure 3.



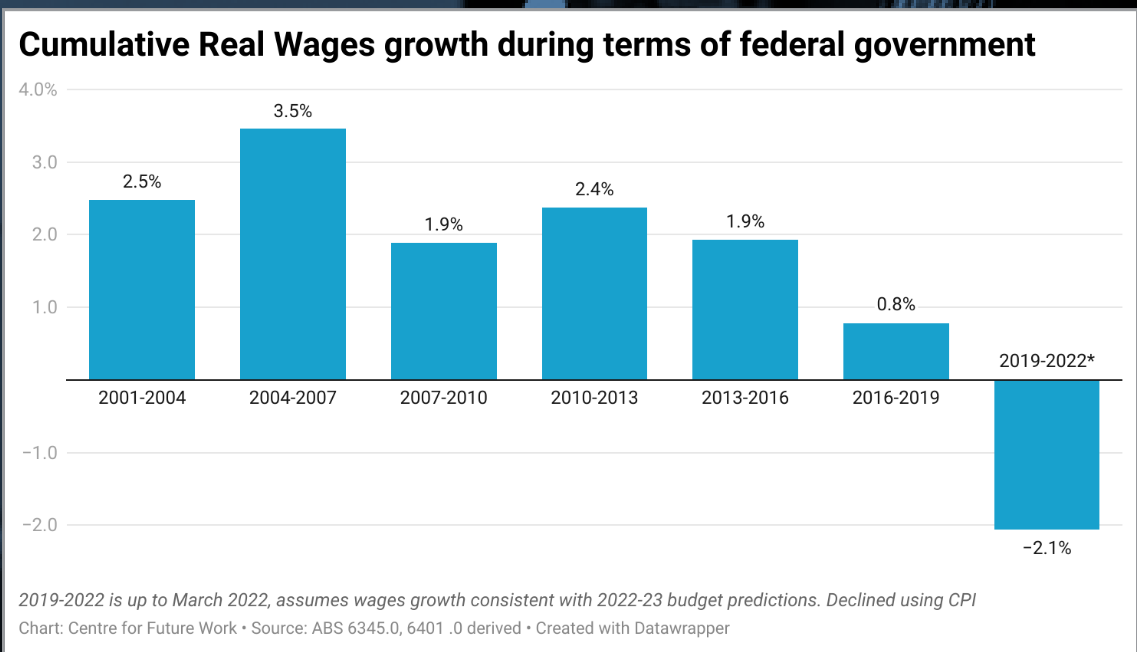
The sharp and sustained decline in wages growth since 2013 also occurred at a time of slowing inflation. But those two trends have not offset each other. Real wages, even taking into account slower inflation, have grown more slowly over these 9 years than over any other such period this century. Indeed, the Morrison Government of 2019-2022 is the only period in which real wages have actually declined.

As shown in Figure 4, real wages through this term of the Morrison Government fell by a cumulative total of 0.8% – with the tiny real wage gains logged in 2019 and 2020 more than offset by the big erosion of real wages in 2021. With inflation currently tracking at 5.1% (on an annualised basis) the scale of real wages cuts under this term of government will be far worse. If current trends hold it looks set to dive by 3.7%.

As we have seen in the years before the pandemic, as inflation fell, wage growth fell as well. In practice, it has been entirely feasible for businesses to adjust the trajectory of real wages. Since the end of the GFC and the slowdown of inflation, nominal wages actually decelerated more than inflation – meaning that real wages growth has also decelerated (and, more recently, disappeared entirely).

In a world of supposedly flexible nominal wages, real wages growth should be independent of the inflation rate. And yet clearly over the past decade, as inflation fell, nominal wages growth fell by more. So, whether inflation is high or low, when the opportunity arises to demand that workers accept less, employers will always take it.

Figure 4.



2.5 DIFFERENT MEASURES; SAME SLOW WAGE GROWTH

HOWEVER IT IS MEASURED, THE TIME SINCE 2013 HAS SEEN A DRAMATIC SLOWING OF WORKERS' INCOME AND WAGES.

Wage price index

The most common measure of wages growth in Australia is the quarterly wage price index (WPI). This index is constructed from a basket of wages, similar to the consumer price index's bundle of consumption items. As a result, it controls for changes in the composition of employment – for example, if more people begin working in a higher paid industry (such as mining). It also reports wages growth across all industries and the private and public sectors.

When we examine the average annual growth in the WPI since 2007, even though the Rudd/Gillard governments had to grapple with the global financial crisis, wage growth was notably faster than under the Abbott/Turnbull/Morrison governments that followed. This is true across both the private and the public sectors of the economy. Average private sector growth decelerated by 1.5 percentage points per year. Average wage growth in the public sector slowed down by 1.4 percentage points.

Table 2.

Average annual wages growth

	Rudd/Gillard	Abbott/Turnbull/Morrison	Change
Nominal			
Wages price index - private sector	3.6%	2.1%	−1.5% pts
Wages price index - public sector	3.7%	2.3%	−1.4% pts
Wages price index - total	3.6%	2.1%	−1.5% pts
Real			
Wages price index - private sector	0.8%	0.2%	−0.6% pts
Wages price index - public sector	0.9%	0.5%	−0.4% pts
Wages price index - total	0.8%	0.3%	−0.5% pts

Wages Price Index declined using CPI
Table: Centre for Future Work • Source: ABS 6401.0, 6345.0, derived • Created with Datawrapper

Even more importantly, real wage growth in both sectors was also slower. In the private sector, real wages growth has averaged a mere 0.2% per year from 2013 to 2021. Given that inflation has surged ahead in early 2022, many workers' real incomes would have fallen throughout this period.

And the issue is not just one that shows up in the national average. Every single industry has had slower average annual wages growth during the Abbott/Turnbull/Morrison years than under the Rudd/Gillard governments, as shown in Table 3.

Table 3.

Industry average annual wages growth

	Rudd/Gillard	Abbott / Turnbull / Morrison	Difference
Mining	4.6%	1.8%	−2.8% pts
Prof, scientific & tech services	4.1%	1.9%	−2.2% pts
Construction	3.9%	1.9%	−2.0% pts
Wholesale trade	3.7%	1.9%	−1.9% pts
Utilities	4.1%	2.4%	−1.7% pts
Admin & support	3.4%	1.7%	−1.7% pts
Transport, postal & warehousing	3.7%	2.1%	−1.7% pts
Public administration and safety	3.7%	2.2%	−1.5% pts
All industries	3.6%	2.1%	−1.5% pts
Real estate services etc	3.2%	1.8%	−1.4% pts
Finance	3.6%	2.3%	−1.3% pts
Retail trade	3.2%	1.9%	−1.3% pts
Education & training	3.8%	2.5%	−1.2% pts
Manufacturing	3.4%	2.2%	−1.2% pts
Other services	3.3%	2.1%	−1.2% pts
Information media & telco	3.0%	1.9%	−1.1% pts
Arts & rec services	3.3%	2.3%	−1.0% pts
Health care & social assistance	3.5%	2.6%	−0.9% pts
Accommodation & food services	2.8%	2.2%	−0.7% pts

Nominal growth
Table: Centre for Future Work • Source: ABS 6345.0, derived • Created with Datawrapper

The universal slowdown in wages across all sectors confirms that the wages crisis is rooted in broad policy and institutional features of the labour market, and cannot be ascribed to specific economic conditions in any particular industry. It could be argued, for example, that the end of the mining boom was a major reason for the drop-off in mining wages. But that argument cannot be valid in the construction, retail, real estate or health care and social assistance industries – all of which experienced stronger activity in recent times, yet also experienced the slowdown in wages growth.

Average earnings

While the wage price index is a key measure of wage growth, it can overestimate wages growth during periods when either average hours of work are falling, or the composition of employment is shifting toward insecure jobs (offering lower wages or irregular hours). This is because the WPI is based on a fixed bundle of jobs, and thus doesn't capture the impact of changes in the composition of employment on average wages. If more new jobs are part-time, insecure, or low-paid, then income growth for workers will be worse than implied by the WPI.

However, other measures of wages and earnings show the same picture as the wage price index. For example, average weekly earnings data is published every 6 months by the ABS.

Prior to the introduction of the wage price index, it was the most common measure of workers' income growth.

Unlike the WPI, this measure does reflect changes in average hours of work or composition of employment. It would grow faster, for example, if more people are working full-time, or more people are working in higher-paid positions (and vice versa).

However, the average earnings data has portrayed a very similar story to the wage price index.

During the Rudd-Gillard Government, average male full-time earnings rose on average 2.7 percentage points per year faster than in the period since the September 2013 election.

Average employee compensation

Every three months the national accounts statistics report the latest trends in GDP. This data also calculates the amount of compensation paid to workers: through wages, salaries, superannuation, entitlements and benefits. On this basis, the ABS provides a measure of average compensation per employee. Once again we see a slowing of earnings growth from the Rudd-Gillard period, measured in both nominal and real terms.

And if we exclude owner-managers of unincorporated businesses whose income is recorded by the bureau of statistics as "mixed income" rather than compensation of employees, we see yet again a similar slowing of growth both in nominal and real terms.

In sum, however it is measured, the time since 2013 has seen a dramatic slowing of workers' income and wages. This was not a one-off effect resulting from the pandemic. It is an ongoing and structural problem within the labour market and – as Mathias Cormann put it – the entire "economic architecture".

Table 4.

Average annual employee compensation

	Rudd/Gillard	Abbott/Turnbull/Morrison	Change
Nominal			
Average compensation per employee	3.6%	2.1%	−1.5% pts
Average compensation per hour worked	4.2%	2.7%	−1.5% pts
Real			
Average compensation per employee	0.8%	0.2%	−0.6% pts
Average compensation per hour worked	1.4%	0.9%	−0.5% pts

Declined using CPI

Table: Centre for Future Work • Source: ABS 5206.0, 6401.0, derived • Created with Datawrapper

CASUAL WORKERS, WHETHER FULL TIME OR PART TIME, EARN $350 A WEEK LESS ON AVERAGE THAN PERMANENT WORKERS.

3 MORRISON IS MISSING IN ACTION ON WAGES

INSTEAD OF IMPLEMENTING POLICES TO IMPROVE WAGE GROWTH, THE MORRISON GOVERNMENT HAS EITHER PURSUED POLICIES THAT HAVE EXACERBATED THE PROBLEM OR DONE NOTHING. THIS REPORT PRESENTS THE TOP NINE TIMES HE HAS BEEN MISSING IN ACTION.

3.1 PROMOTING INSECURE WORK AND THE RISE OF UNDEREMPLOYMENT

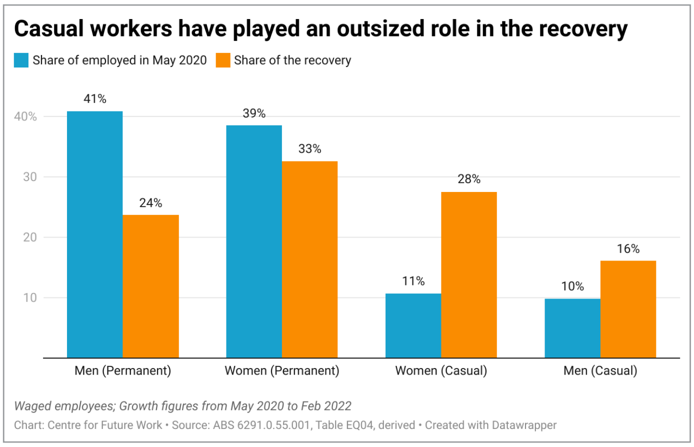
About one in three workers (at least 4.15 million people) are in a form of insecure work.[8] Most are in casual work, but some are on fixed term contracts, engaged through labour hire, on insecure contracting arrangements or otherwise wanting more hours of work (underemployed).

Increasing casual and casualised work including widespread use of irregular and unreliable part time contracts with zero or very few guaranteed hours of work, together with the growth of gig-economy jobs, labour-hire, and contracted-out positions, has created a deep insecurity among workers that has a major negative effect on wages. How do workers get the confidence to bargain together for a pay rise if they aren't even confident of being on the roster tomorrow? Even the Reserve Bank Governor Philip Lowe gets it: "People value security and one way you can get a bit more security is not to demand a wage rise."[9] Further, Reserve Bank research in 2018 found that "a worker who is only 50 per cent sure that they will keep their job over the next year will have annual wage growth that is around 0.8 percentage points lower than a worker who is certain they will keep their job."[10]

The Morrison Government has even made this situation worse. In early 2021 it legislated for greater insecurity by allowing employers to classify any job as casual. It also changed the law to give casual workers a theoretical avenue to convert to permanency, but which has proven to be almost useless in practice.[11]

The legislation was passed as Australia's economy was recovering from the worst of the COVID-19 pandemic. The employment recovery since then has overwhelmingly come in the form of casual work – and especially that done by women.

Figure 5.



Casual workers have been treated by the Morrison Government as the shock troops of the pandemic. At the start of the pandemic, 1 in 5 casual workers lost their jobs (May 2020), mostly due to the Morrison Government refusing to provide key groups of workers with access to JobKeeper. The employment recovery since then has been disproportionately reliant on the growth of casual and part-time employment.

The 479,500 new casual positions created up to February of 2022 account for nearly half of the 1.1 million new jobs created since then.

Business groups claim that casual workers are compensated for their lack of entitlements and job security by a 25% loading. The reality is different. Casual workers, whether full time or part time, earn $350 a week less on average than permanent workers.[12]

8 ACTU (April 2022), Missing in Action: Morrison's Record of Failure on Secure Jobs. https://www.actu.org.au/media/1449965/final_mia_securejobs_april_2022-compressed.pdf

9 AFR, 19 June 2017, "Workers must demand greater share of pie, says RBA governor Philip Lowe", https://www.afr.com/policy/economy/workers-must-demand-greater-share-of-pie-says-rba-governor-philip-lowe-20170619-gwtxht

10 James Foster and Rochelle Guttmann, "Perceptions of Job Security in Australia", RBA Bulletin, 15 March 2018.

11 The Guardian, 18 November 2021, "Australia's universities converting as little as 1% of casual staff to permanent despite labour law change", https://www.theguardian.com/australia-news/2021/nov/18/australias-universities-converting-as-little-as-1-of-casual-staff-to-permanent-despite-labour-law-change

12 ABS Characteristics of Employment, August 2021

Table 5.

Median Weekly Earnings (2021)			
	Permanent	Casual	Difference
Full time	$1,500	$1,144	$356
Part time	$762	$400	$362

People in insecure work often face underemployment. Underemployment refers to people who are not working as many hours as they would like to. Most people who report being underemployed are in casual jobs, gig economy work, and other insecure positions.

Until 2015, underemployment generally rose and fell with unemployment and the best way to reduce underemployment, was to reduce unemployment. This was explained in 2015 by the Governor of the Reserve Bank:

> "If the headline rate of unemployment stops rising and if we could get it to start falling then so will those other things. From a macro-economic point of view, which is where we sit, the best thing we can do is to try to generate growth in the economy above whatever its potential is, for a while, and start the headline unemployment rate coming down, and that will certainly help to bring those broader measures of underutilisation down."[13]

However, the headline unemployment rate did begin to decline, but underemployment did not.

In 2014 underemployment rose much faster than unemployment, and yet when unemployment fell in 2015, underemployment remained high. The main reason for this was a shift away from full-time work toward part-time employment (largely in casual positions).

Figure 6.

Before the pandemic the gap between underemployment and unemployment had widened

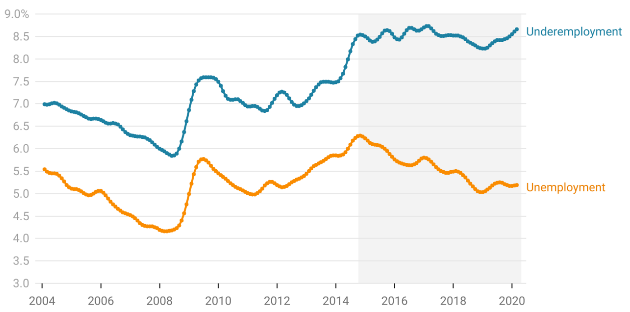


Chart: Centre for Future Work • Source: ABS 6202.0, Table 22 • Created with Datawrapper

It was not just that more people were being employed for part-time work: rather, it was that jobs that were in the past likely to be full-time, were now only getting part-time hours and they were generally wanting more hours than before.

Prior to 2014-15, the number of employed who usually worked 30-34 hours rose at around the same pace as those who were employed for 35-39 hours. But that changed and we saw full-time hourly jobs stagnate, while those working just below the full-time level rose at a faster rate.

Figure 7.

Index of employment by hours usually worked

2013 = 100

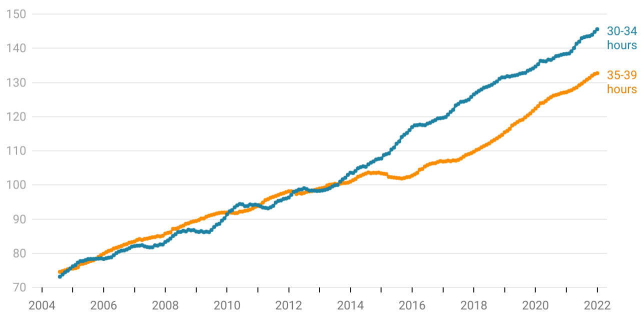


Chart: Centre for Future Work • Source: ABS 6291.0.55.001, Table 10, derived • Created with Datawrapper

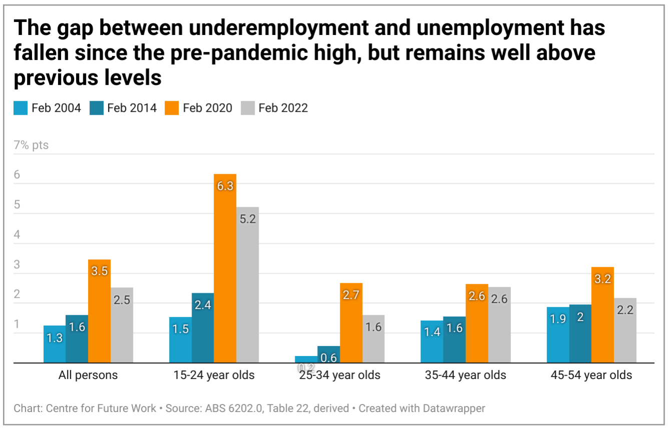
Not surprisingly, underemployment then rose, even as unemployment fell. The two measures drifted further apart than ever, until just prior to the pandemic. At that point, underemployment was 3.5 percentage points above unemployment – more than twice as wide as the 1.5 percentage point gap that had existed for much of the previous 15 years.

During the economic recovery after the worst of the pandemic, underemployment has declined slightly faster than unemployment.

This is because workers in insecure and casual jobs have been able to attain more hours of work in the face of a tightening labour market. Nevertheless, the gap between the two measures remains much larger than in the past – especially for workers below 45 years of age.

13 Standing Committee on Economics, "Reserve Bank of Australia Annual Report 2014", 18 September 2015.

Figure 8.



The growth of insecure work (and resulting rise of underemployment) has also caused a major shift in the relationship between unemployment and wages growth. Historically there was a somewhat predictable relationship between unemployment and wages growth. When unemployment fell, wages would accelerate because businesses needed to raise wages to entice new workers and keep current ones from leaving. Conversely, when unemployment rose wages growth would slow – because demand for labour was weak, and workers were desperate to keep hold of their jobs.

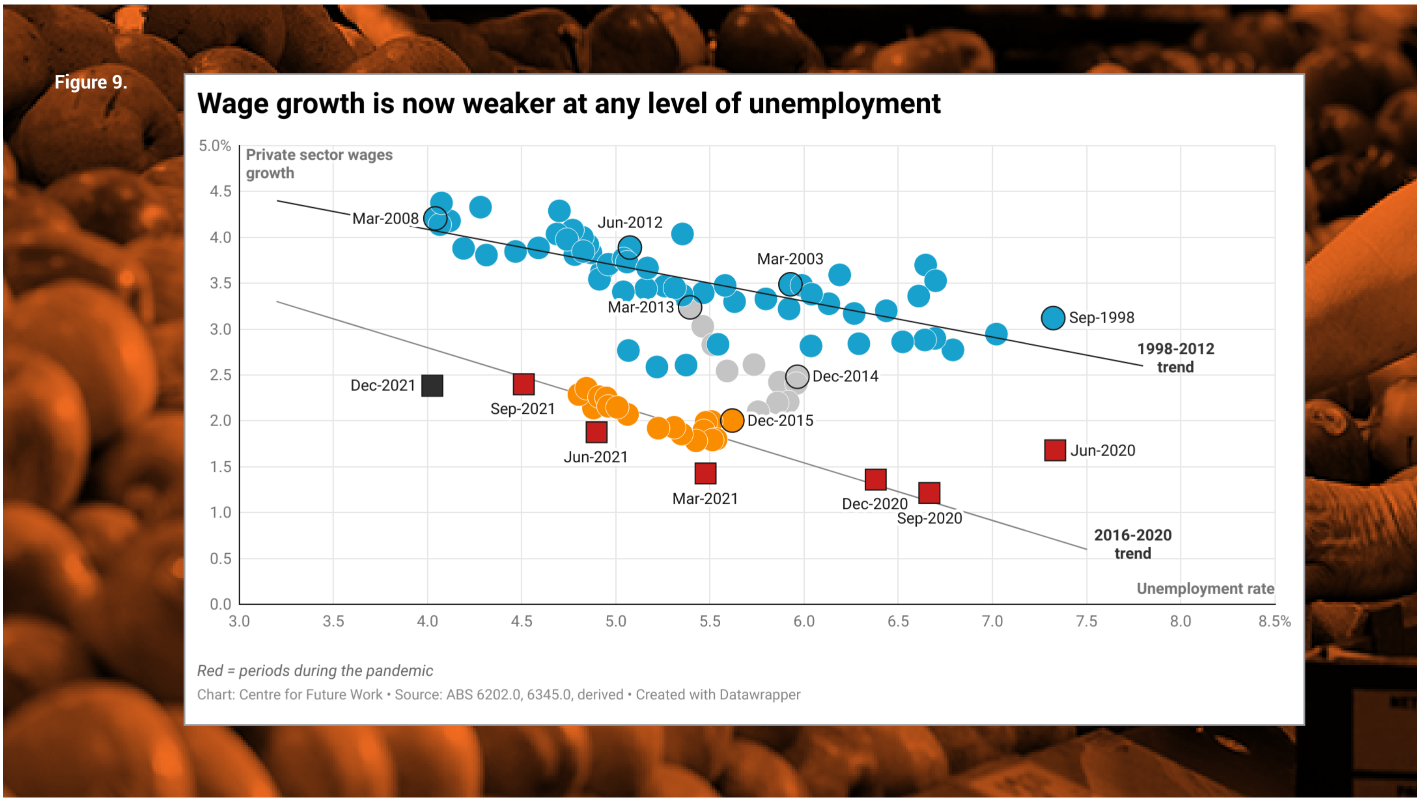
This relationship held up even during the Global Financial Crisis and its immediate recovery. But in its aftermath, once insecure work and underemployment began to grow, the relationship between unemployment and wages growth completely broke down (as illustrated in Figure 9).

In 2013 and 2014, when unemployment rose modestly, wages fell by much more than expected. Then, during 2014 and 2015, unemployment fell (from 6.0% to 5.5%), but wage growth also fell (from 2.5% to 2.0%).

Since 2013, any given level of unemployment is now correlated with wage growth well below what would be expected in previous years. Insecure work, and the related problem of underemployment, have played key roles in profoundly weakening workers' bargaining power and holding back wage growth. Even historically low rates of unemployment (such as Australia is experiencing now) cannot be relied on to deliver the wage gains that Australian workers need.

In the past, today's unemployment rate of 4.0% would be correlated with wages growth of around 4.0%. Instead, it now implies that wages will grow by just 2.2%. Clearly Australian workers cannot rely solely on a low unemployment rate to deliver the wage gains they need.

Figure 9.



3.2 FAILING TO ADVOCATE FOR REAL WAGE RISES FOR 1 IN 4 WORKERS

THE NATIONAL MINIMUM WAGE HAS DROPPED TO 53% OF MEDIAN WAGES IN 2020, PLACING IT 12TH IN THE OECD.

One in four workers rely on the wage rates set by the Fair Work Commission (FWC) each year. Yet, worryingly these wages are losing touch with what a worker needs to get by. This financial year the FWC awarded them a 2.5% pay increase, yet this has been rapidly overtaken by inflation that will be at least 5% for the same period. In addition a worker on the minimum wage is now earning $127 per week less than the most common measure of the living wage (60% of median weekly earnings) – the largest dollar gap ever.

The Morrison Government has consistently failed to provide any support for higher minimum wages, claiming that it does not "take a side" in matters before the FWC.[14]

But this is clearly not true. It frequently takes an activist role in FWC proceedings.[15] And its own submissions to the Fair Work Commission Wage Reviews express its preference for lower wages by highlighting concerns over potential rises in the wages rates set by the FWC.

Here are four examples:

First, the Morrison Government's submission to the 2022 Annual Wage Review argued that "those that are unemployed and looking for employment [would] be less likely to gain employment with increases to the minimum wage".[16]

In saying this the Morrison Government is deliberately ignoring current economic research which provides abundant evidence that the impact of higher minimum wages on employment range between small and non-existent.[17]

Second, the Morrison Government argues that the FWC should consider that: "Australia's minimum wage is the second highest in the Organisation for Economic Cooperation and Development (OECD)."[18]

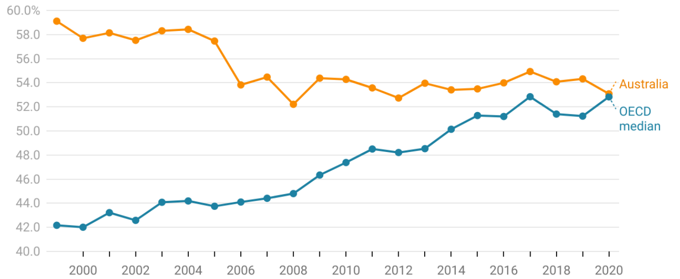
Again, this is not a credible argument. Simply comparing minimum wages measured in absolute dollars tells us nothing about the relative costs and standards of living in a nation.

This is why economists think the best way to evaluate minimum wages is through the "minimum wage bite": measuring the minimum wage against the typical earnings of employees (generally, the median full-time wage).[19] At the start of this century Australia's minimum wage bite was around 60% of median wages and was indeed one of the highest in the OECD. But since then, the national minimum wage has lagged well behind the median wage, dropping to 53% in 2020 placing it in 12th place in the OECD and equal to the OECD median (see Figure 10). Last year it dropped further to 51.5% in 2020 and has likely now dropped below the OECD median.[20]

Figure 10.

The value of Australia's minimum wage has fallen while it has risen in the rest of the OECD

Minimum wage as a percentage of the country's median full-time wage



OECD median is the median of those countries reporting

Chart: Centre for Future Work • Source: OECD Stat • Created with Datawrapper

Third, the Morrison Government argued that workers in certain industries don't need pay rises because they get a higher share of the income generated by that industry, than the economy wide average. It stated that: "among the five most award-reliant industries, which are relatively more labour intensive, the industry wage share tends to be higher than the overall wage share and has not exhibited an apparent trend of decline."[21]

14 "Interview with Patricia Karvelas, RN, ABC Radio", 18 March 2022.

15 Recent examples include actively intervening in FWC proceedings during the early part of the COVID pandemic. It also directed the FWC to review protections for part time workers in 12 awards in 2021 and it directed the FWC to amend Modern Awards to remove any definitions of casual employment that were not consistent with the new definition inserted into the Fair Work Act in 2021.

16 Australian Government Submission to the 2021-22 Annual Wage Review of the Fair Work Commission, 1 April 2022.

17 For a summary of some recent research on the economic effects of minimum wages, see the ACTU's submission to the 2022 National Minimum Award case. https://www.actu.org.au/media/1449949/d12-actu-submission-to-the-awr-2021-22.pdf

18 Australian Government Submission to the 2021-22 Annual Wage Review of the Fair Work Commission, 1 April 2022. page 9

19 J Stanford, "Resistance to raising the minimum wage reflects obsolete thinking", The Conversation, 13 April 2021, https://theconversation.com/resistance-to-raising-the-minimum-wage-reflects-obsolete-thinking-158622

20 Fair Work Commission, 31 March 2022, Statistical Report for the Annual Wage Review 2021-22, Table 8.1

21 Australian Government, (2022), Submission to the 2021-22, Annual Wage Review of the Fair Work Commission.

Again, this is not true. Workers in retail saw their share of industry-wide income[22] suffer the second largest decline of any industry since 2000. Meanwhile, the fall for accommodation and food services was larger than the average. The fall in wages share for administration and support is only slightly smaller than the average. Only in health care and "other services" was the trend bucked: in those two sectors, the wage share of total factor income grew, but only slightly. And since health care is mostly public or non-profit, it is not unexpected that this would be the case (since the profit share is small).

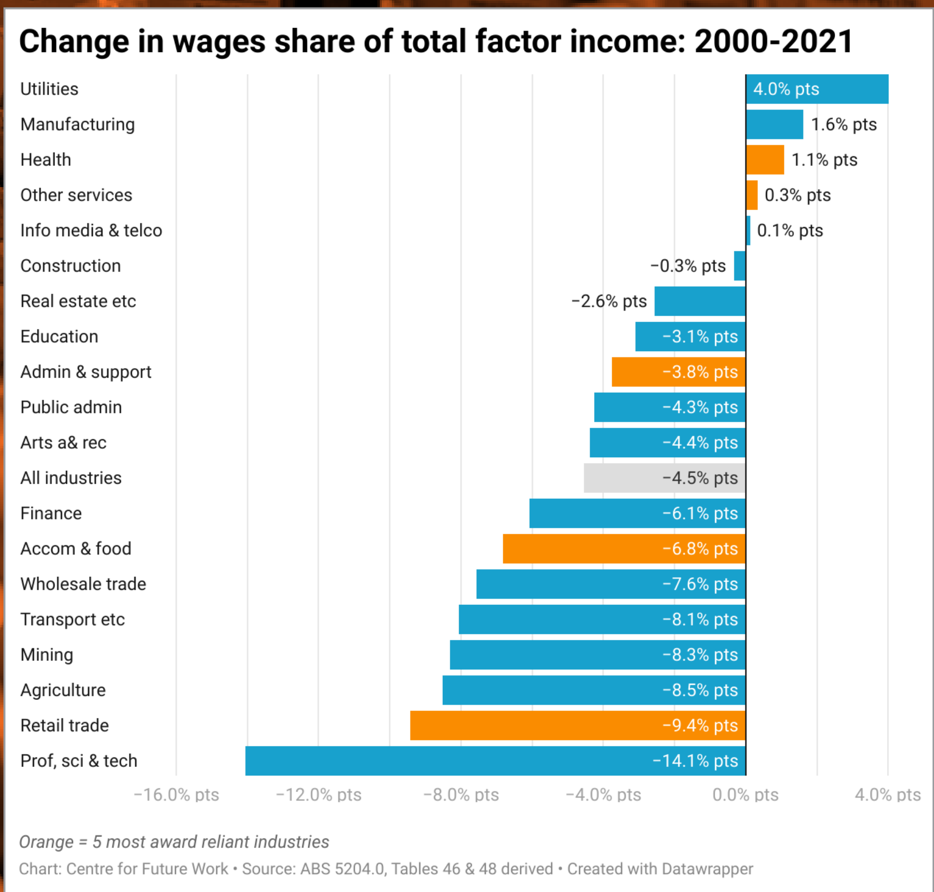
It is therefore wrong to suggest that workers in award reliant industries have not lost out on increases in income. Clearly, as in most industries, rising factor incomes and the gains from ongoing productivity growth have disproportionately gone to profits rather than to workers.

Fourth, in its submission to the 2019 Wage Case, the government noted, "Recent years also have seen the growth in the real minimum wage outpacing labour productivity growth." It argued further that "industries with a high proportion of award workers (award-reliant industries) such as administrative and support services, retail trade, health care and social assistance, and accommodation and food services have recorded mixed productivity".[23]

Yet since the Coalition came to government in September 2013, the minimum wage increased just 7.75% in real terms in that time – less than the rise in productivity across the economy, and in most of those award-dependent industries.

With such arguments the Government is not being neutral. It is clearly signaling to the Fair Work Commission that it prefers a small or no increase in the minimum wage. Nor has the Morrison Government challenged calls this year by the business lobby for real pay cuts for Australia 2.67million workers caught in the current a cost of living crisis.[24]

Figure 10.



22 Defined as Total Factor Income.

23 Australian Government Submission to the 2018-19 Annual Wage Review of the Fair Work Commission.

24 For this years' Annual Wage Review currently underway, the Restaurant and Catering Industry Association called for a freeze in minimum wages. The Australian Industry Group called for a 2% raise in nominal terms which is a real-terms cut of 1% on the Government's own budget projections. See P Karp, "Hospitality industry calls for pay freeze for Australia's lowest-paid workers", Guardian Australia, 1 April 2022, https://www.theguardian.com/australia-news/2022/apr/01/hospitality-industry-calls-for-pay-freeze-for-australias-lowest-paid-workers

3.3 CAPPING AUSTRALIAN PUBLIC SERVICE (APS) PAY

PUBLIC SECTOR WAGE CAPS HAVE BEEN BELOW AVERAGE NOMINAL WAGE GROWTH THROUGHOUT THIS PERIOD (2.1%), AND A DRAG ON OVERALL WAGES GROWTH.

Another major contributor to the wages crisis in recent years has been the Morrison Government's pay cap on its own workforce, one of the largest in the country. The Coalition Government instituted a 1.5% cap in 2014, revising it to 2% in 2015. Since 2021 it has then linked APS wage bargaining outcomes to average private sector wage growth. These caps have been below average nominal wage growth throughout this period (2.1%), and a drag on overall wages growth.

As Reserve Bank Governor Philip Lowe commented, such caps are "another factor contributing to subdued wage outcomes".[25] He further commented that wage caps were in effect "a trade-off that our society is making through its governments, and the trade-off that they're making is to entrench low wage norms in our country."[26]

Public sector wage caps have three negative effects on wage trends in the rest of the economy:[27]

The 'composition effect': The significant proportion of workers employed directly (15%) or indirectly (30%) by Government has a significant effect on overall wages growth.

The 'demonstration effect': the Morrison Government is signaling to the private sector that a 2% cap is a 'standard' rate of wage growth and private sector employers mimic austere public sector wage targets.

The 'macroeconomic effect': By undermining overall incomes and consumer spending the economy overall suffers.

Similarly, the loss of income from wage caps or freezes is rarely made up. A 2016 Senate committee report into the Government's cap on APS wages noted that the policy had led to long periods without any wage increases at all, due to lags in negotiations which failed to overcome the cap. It estimated that "even a 6 per cent pay increase over three years is effectively about a 1.2 per cent per annum increase, as a result of the two and a half earlier years of failed negotiations without a pay rise".

25 House Standing Committee on Economics "Reserve Bank of Australia annual report 2018", 9 August 2019.

26 "Reserve Bank of Australia annual report 2018", op cit.

27 This analysis was originally developed by Troy Henderson, "Public Sector Austerity and its Spill-Over Effects," in Andrew Stewart, Jim Stanford, and Tess Hardy, eds., The Wages Crisis in Australia: What It Is and What To Do About It (Adelaide: University of Adelaide Press, 2018).

CASE STUDY

JOCELYN HOFMAN

AGED CARE REGISTERED NURSE

"During the bushfires, workers in our aged care facility helped evacuate our residents when the fire was close by. During the height of the COVID pandemic aged care workers continued to care for our vulnerable residents, despite limited PPE and a hopelessly slow vaccination rollout. And now, aged care workers face another challenge - the soaring cost of living.

From electricity and petrol to our essential food items, the prices are increasing. In fact, everything is going up except our wages. In my workplace, 28 aged care workers have left in 4 months. There is no incentive for them to stay. Stacking shelves in a local supermarket or making coffee in a cafe pays more. We are now at the edge of a cliff. It is up to the Federal Government to make the next move...Bandaid fixes will not solve the staffing crisis."

3.4 FAILING TO ACT ON THE GENDER PAY GAP

FULL-TIME WOMEN WORKERS EARNED 13.8% LESS THAN MEN IN ORDINARY TIME EARNINGS.

On average, a women worker in Australia will earn about $483 less than a man this week.[28]

Australia's labour market remains extremely skewed against women workers, and this shows up in women's wages. Here the issue is not just slower wages growth (experienced by both women and men), but also the impact of women's disproportionate concentration in low-paid work generally.

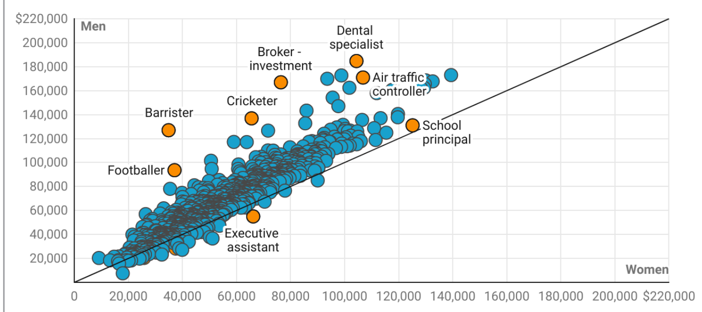
According to the most recent data weekly earnings from the ABS (for November 2021), full-time women workers earned 13.8% less than men in ordinary time earnings. For all workers (including part-time workers, most of whom are women), the gender gap is much larger: 32%. In dollar terms that is a gap of $483 each week. This reflects the painful impact of women's concentration in part-time and casual jobs, which in turn reflects Australia's inadequate early child education and care system,[29] and the uneven distribution of unpaid caring work at home between women and men. This is also why women's participation in the labour market at 62.2% still badly lags behind men at 70.8% as of March 2022.

This problem is further exacerbated by government policy that encourages further casualisation of work. As the Centre for Future Work's Alison Pennington has noted, the labour law changes passed by the government in 2021 disproportionately impact on women's job security and earnings, because women are more likely to be in casual roles (women fill 54% of all casual positions).[30] APS wage caps also affect women's wages disproportionately, because women make up 61% of public sector employees. Other structural barriers, such as lack of access to quality early childhood education and care, and the greater risk of harassment and violence at work, further exacerbate the gender wage gap.

The gender earnings gap has narrowed gradually over time, reflecting a greater share of women working full-time than in the past and the growing presence of women in some higher paid occupations. However, the earnings disparity between men and women remains massive. Figure 12 shows that men still earn more than women in 90% of jobs earning less than $200,000.

Figure 12.

Men have a higher median income in over 90% of jobs earnings less than $200,0000



Excludes occupations with either gender having fewer than 50 workers
Chart: Centre for Future Work • Source: ATO tax stat 2018-19, Table 15, derived • Created with Datawrapper

Any improvement in the gender pay gap is largely due to the complete stagnation of male wages, rather than any strong growth in women's wages as Table 6 shows.

Table 6.

Average annual earnings growth

	Rudd/Gillard	Abbott/Turnbull/Morrison	Change
Nominal			
Men - full-time	5.0%	2.3%	−2.7% pts
Men - total	4.6%	1.9%	−2.8% pts
Women - full-time	4.5%	3.0%	−1.6% pts
Women - total	4.1%	3.0%	−1.2% pts
Persons - full-time	4.8%	2.5%	−2.4% pts
Persons - total	4.3%	2.2%	−2.0% pts
Real			
Men - full-time	2.1%	0.4%	−1.7% pts
Men - total	1.7%	0.0%	−1.8% pts
Women - full-time	1.7%	1.1%	−0.6% pts
Women - total	1.3%	1.1%	−0.2% pts
Persons - full-time	1.9%	0.6%	−1.4% pts
Persons - total	1.4%	0.3%	−1.0% pts

Declined using CPI
Table: Centre for Future Work • Source: ABS 6302.0, 6401.0 derived • Created with Datawrapper

Average male real earnings have been completely flat: there has been no growth in average male weekly earnings (after inflation) since 2013. In the Rudd-Gillard years, real average male earnings rose 1.7% per year. Many factors account for the slowdown, including the greater number of men working part-time. But even considering only full-time jobs, male real earnings have hardly grown at all since 2013.

28 This gap is comparing the average earnings of all workers, including those in part time work.
29 Australian women's reduced incidence of full-time employment reduces effective labour supply by an estimated 439,000 full-time equivalent positions, compared to the Nordic countries where women's full-time employment almost equals men's. See M Grudnoff, The Economic Benefits of High Quality Universal Early Child Education, Centre for Future Work, March 2022.
30 A Pennington, "Women's Casual Job Surge Widens Gender Pay Gap", Centre for Future Work, March 2021.

Average female full-time earnings have grown more strongly than for men, but still at a glacial pace. So the recent modest narrowing of the gender pay gap is really due to male wages being frozen, not faster growth in women's wages (which have also slowed down).

In industries where women are the majority of the workforce, wages have been badly undervalued. This is a particular problem in aged and disability care as well as early childhood education and care, where pay rates start at about $22 an hour, slightly above the National Minimum Wage of $20.33 and well below a living wage.

Despite being the primary funder of these services, the Morrison Government has failed to act on the problem of low pay in these sectors.

The Aged Care workforce (260,000 people) is at least 80% female: underpaid, overworked and often in insecure work. An aged care worker in a typical two parent household would only have $34 of disposable income each week after covering basic living costs, according to recent research.[31] The recent Royal Commission into Aged Care also identified low pay as a key issue underpinning the crisis confronting the industry.

Unions representing the aged care workforce including the HSU, ANMF and UWU are fighting for a 25% pay rise, or $5 an hour, for these workers in its Work Value Case lodged with the Fair Work Commission to bring Aged Care pay rates into parity with those applying in disability care work. The Morrison Government, despite being the primary funder of the sector, has refused to support the workers' claim for a pay rise. Their behaviour risks undermining the claim itself: in making its decision, the FWC will consider whether the Government will pay any increase it awards.

The Morrison Government has made no commitment to properly fund aged care workers. The only thing it did was offer yet another one-off bonus payment to staff in the sector that in most cases still hadn't been paid months after the announcement, and in most cases won't be paid at all given its narrow and flawed criteria.[32]

31 The Guardian, 23 March 2022, "Aged care workers struggle to cover basics as low wages and rising living costs take toll". https://www.theguardian.com/australia-news/2022/mar/23/aged-care-workers-struggle-to-cover-basics-as-low-wages-and-rising-living-costs-take-toll

32 The Guardian, 15 April 2022, "Home aged care staff at 'breaking point' as most miss out on Coalition's $800 bonus".

CASE STUDY

CHARLOTTE – AGED CARE WORKER

$1200 A FORTNIGHT AFTER TAX

"The killer is rent. It's about $850 per fortnight for 2 bedrooms. I have to sleep in the lounge room. The Government offers special single parent loans, but no houses exist at the amount the banks will loan.

All I'm doing is paying bills, there's nothing left over. I'm in my 40s, I have two kids in their late teens. The costs don't just end when they turn eighteen, but the Centrelink payments do.

I've got no support; I'm really looking down into homelessness. Once I'm too broken to work - because it is difficult work - I'm really looking at the possibility of homelessness."

3.5 UNDERMINING COLLECTIVE BARGAINING

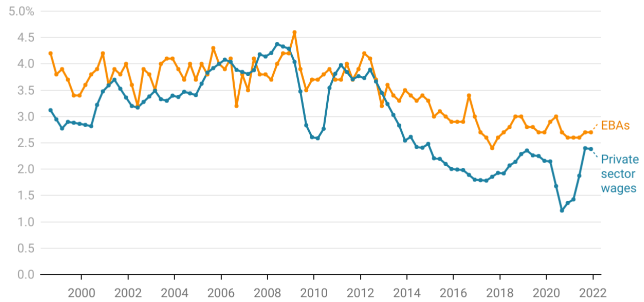
ON 16 APRIL 2022, THE MORRISON GOVERNMENT AGAIN THREATENED TO WEAKEN THE SAFEGUARDS FOR WORKERS' PAY AND CONDITIONS IN ENTERPRISE AGREEMENTS.

If there has been one bright light for wages over the past decade, it has been for those involved in union-negotiated enterprise bargaining agreements.

Wage increases specified in enterprise bargaining agreements have been consistently above wage growth elsewhere in the labour market. However, since 2013 this bargained wage advantage has become more obvious, as other forms of wage setting (such as under Awards or individual contracts) have stalled under the Morrison Government. As shown in Figure 13, the gap between wages specified in Enterprise Agreements (EAs) and the overall pace of wage growth has widened notably.

Figure 13.

Enterprise bargaining agreements consistently deliver above average wage rises



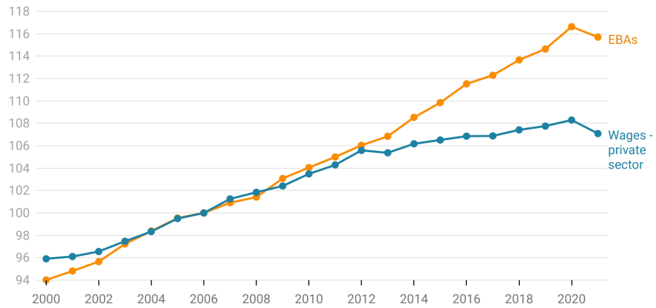
EBA's represents the annualised growth of EBA's approved in that quarter
Chart: Centre for Future Work • Source: ABS 6345.0, WAG • Created with Datawrapper

This consistent gap between Enterprise Agreements and weaker wage growth in the broader economy accelerated since the Coalition government came to power. Since then, Enterprise Agreements delivered real wage gains five times faster than the overall wages price index. Cumulative real wage growth in EAs totaled 8.3% from 2013 through 2021, compared to just 1.6% for the overall wage price index.

The advantage to workers of Enterprise Agreements is well understood by the business lobby[33] and the Morrison Government. That is why the Morrison Government has pursued the following strategies to undermine Enterprise Agreements.

Figure 14.

Since 2013 enterprise bargaining has delivered above-average real wages growth



Index of Approved EBA's and private sector wages, 2006 = 100, declined using CPI
Chart: Centre for Future Work • Source: ABS 6345.0, AG dept WAD derived • Created with Datawrapper

Firstly, in 2020 it tried to introduce changes to the law to allow employers to reduce their employees' pay and conditions under an Agreement. The proposal sought to weaken the so-called "Better Off Overall Test" or BOOT: a legal safeguard that prevents a worker being worse off under an Agreement compared to the relevant Award. This is an important protection for workers to ensure fair outcomes in bargaining.

Similar reforms introduced by the Howard Government under its Work Choices laws in 2005 resulted in cuts to workers' pay and conditions. One study showed that employers stripped out the following rights for employees in agreements in retail and hospitality with "very little genuine bargaining taking place": location of work, job functions, roster and hours of work, and the right to minimum hours of work and a regular salary for part time workers.[34]

The Morrison Government dumped the proposed changes early in 2021 in the face of strong community and union opposition. However, it has recently committed to reintroducing these failed measures if re-elected refusing to rule out key changes that would cut pay and conditions.[35]

Secondly, employers have been allowed to use labour hire arrangements to sidestep provisions of enterprise agreements. Because outsourcing to a new employing entity usually puts the workforce beyond the reach of enterprise bargaining with the host business, it enables companies to strip conditions and drive wages down below industry standards. The Morrison Government has done nothing to stop such avoidance tactics.

33 See for example, Burns, R. (2019). Freedom of association and collectivity in Australia. New Zealand Journal of Employment Relations, 44(2), 20–34. https://search.informit.org/doi/10.3316/informit.120648507523297

34 Sutherland C, (2008), Fair Agreements under Work Choices? A Closer Look at the Bargaining Outcomes, AIRAANZ Conference, 6-8 February 2008, https://www.monash.edu/data/assets/pdf_file/0019/900532/airaanz-conference-08.pdf

35 AFR, 16 April, 2022, "Morrison recommits Coalition to dumped IR reforms", https://www.afr.com/politics/morrison-recommits-coalition-to-dumped-ir-reforms-20220416-p5adwg

Thirdly, another destructive strategy pursued by employers is applying to terminate existing enterprise agreements entirely – even when they are engaged in negotiations for a replacement deal. Since 2015, employers can more easily apply to the FWC to strip workers of all EA protections.[36] This is a powerful 'hammer' for employers to use, in pressuring their employees to give up long-standing wages, rights, and entitlements in negotiations. Qantas recently pursued this aggressive strategy in its negotiations with its international flight crews. Other employers are following suit, nervous that a change of government might close this damaging loophole.[37]

Such restrictions have seen the share of waged employees in Australia covered by a current federally-registered Enterprise Agreements plunge by almost half, to below 15% by end-2021 (see Figure 15), as many of those workers fall back on the inferior pay and conditions of the Awards.

The collapse of collective bargaining in turn has had a dramatic impact on overall wages growth. Figure 16 compares the level of collective bargaining coverage (along the horizontal axis) with the rate of wages growth (along the vertical axis). The clear correlation in this graph confirms the simple truth: when more workers can bargain collectively for better wages and conditions, national wage growth will be stronger.

Figure 15.

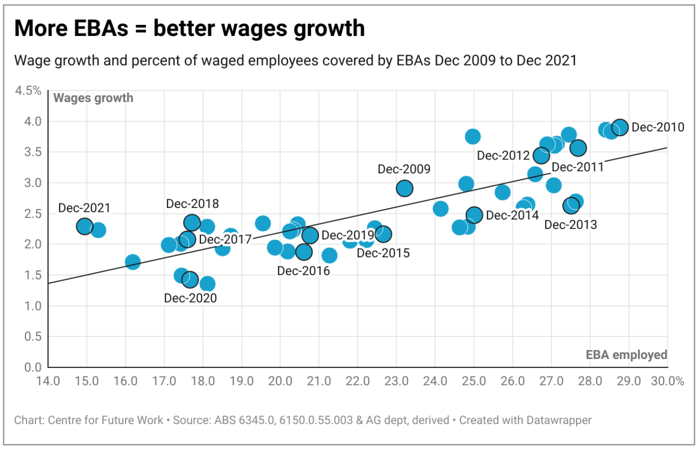
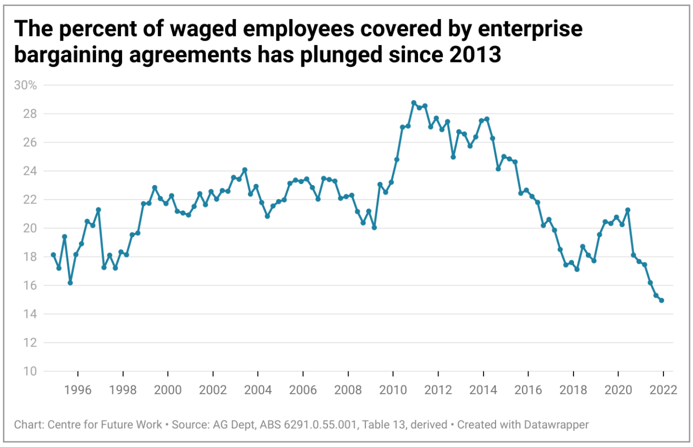


Figure 16.



36 Following the FWC and Federal Court decisions in the Aurizon Case.

37 The Guardian, "Employers 'rushing' to terminate enterprise agreements, Australian unions say", 22 January 2022, https://www.theguardian.com/australia-news/2022/jan/22/employers-rushing-to-terminate-enterprise-agreements-australian-unions-say

CASE STUDY

LISA – WORKS THREE JOBS

STORE ASSISTANT AND DAIRY FARMER

"I WISH I HAD REGULAR HOURS SO I COULD DO THINGS LIKE TAKING MY KIDS TO SPORT OR OTHER AFTER SCHOOL ACTIVITIES."

Lisa works three different jobs at Coles, Big W, and running her dairy farm. She is permanent part-time at Coles, doing 36 hours a fortnight over 10 shifts. Many of her shifts are only 3 hours in the early morning and late at night. She wants to take on more hours or be full-time and has written to management but they have said its unlikely that they'll be able to give her an answer. They know workers want more hours but are instead hiring multiple young workers who are cheaper and unlikely to complain about the odd hours. Lisa often has only 2 hours sleep between her multiple jobs because she has to take any shift she can at either. Lisa and her family have never been on a holiday because her jobs are so low paid.

3.6 FAILING TO ACT ON WAGE THEFT

EMPLOYERS ROUTINELY FAIL TO PAY WORKERS ACCORDING TO THE MINIMUM STANDARDS SPECIFIED IN MODERN AWARDS

The Morrison Government has also failed to stop wage theft becoming normal business practice in so many parts of Australia's economy. Employers routinely fail to pay workers according to the minimum standards specified in Modern Awards and deny other basic rights under the National Employment Standards, such as paid time off.

Wage theft is so widespread across the labour market that it is a business model for many. Indeed, evidence in some sectors (such as the implicit endorsement given to wage theft practices across 7-11 franchises[38]) confirms that systematic wage theft has become part of the basic business model in many industries. Some workers (including international students and temporary migrants) are especially vulnerable to wage theft, because of a lack of knowledge about their legal protections, and fear that resisting unfair practices may result in their expulsion from Australia.

The Morrison Government has failed to do anything about wage theft – such as commit to any of the 19 recommendations proposed by a Senate inquiry into wage theft.[39] Instead, it has been left to state governments (such as those in Victoria and Queensland) who have moved with measures to criminalise the practice.

The Morrison Government could have provided a low cost, non-legalistic process for workers to recover their stolen wages, and it could have imposed criminal and stronger civil penalties on employers who engage in wage theft. But it has refused to do so, even to the point of withdrawing its own legislative proposals in March 2021.

3.7 PRETENDING THAT WAGES GROWTH IS JUST AROUND THE CORNER

The Morrison Government loves to predict high wages growth is just around the corner, especially at budget time. None of those predictions have come true. The only time it got close was in its 2020-21 budget, which was crafted in the depths of the pandemic lockdowns.

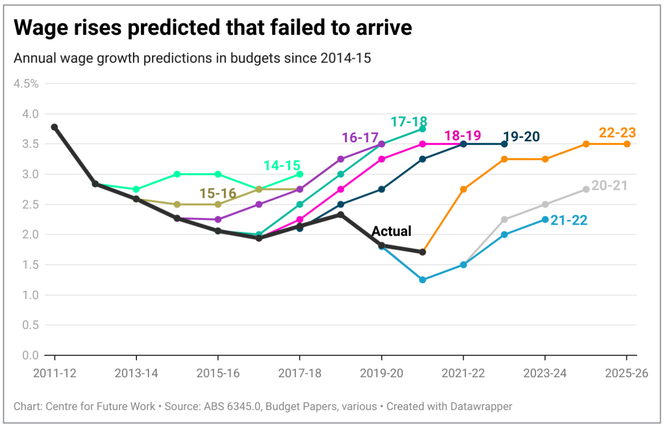
Prior to the last election in 2019, the government's 2019-20 budget predicted that by now wages should be growing at 3.5%. While no one could have anticipated COVID-19, even then such predictions were seen as wildly optimistic

For example, AMP Capital chief economist Shane Oliver said the wage forecasts in that budget were a particular risk to the budget bottom line.[40] NAB chief economist Alan Oster criticized the budget's "optimism" – saying that NAB (correctly in hindsight) predicted "significantly weaker wages growth" than the budget papers assumed.[41] The Centre for Future Work's Jim Stanford also noted in his response to the budget that the government was "still trying to convince Australian workers, who haven't seen real average wages rise in over 5 years, that better times are just around the corner."[42]

More recently the Government's predictions for real wage growth in its budget handed down on 29 March 2022, were shown to be totally wrong just 29 days later on 27 April 2022 when the inflation figures landed.

There are two obvious political benefits of over-estimating wages growth in a budget. First it allows the Treasury to project higher income tax revenue estimates and therefore a rosier budget picture. Secondly, it is an attempt to fend off criticism that it is missing in action on wages.

Figure 17.



38 See C. Apostolakos, "Under the spotlight: 7-Eleven's fraudulent underpayment scandal," HR Assured, 31 March 2021.

39 R. Whitson, "Senate inquiry calls for laws to stamp out 'systemic, sustained and shameful' wage theft," ABC News, 30 March 2022.

40 AAP, 3 April 2019, "Budget GDP forecast optimistic: economists", https://www.sbs.com.au/news/article/budget-gdp-forecast-optimistic-economists/762i0k76s

41 The Australian, 3 April 2019, "Economists say budget growth, wages projections optimistic," https://www.theaustralian.com.au/business/economics/economists-says-budget-growth-wages-projections-optimistic/news-story/cea34f7c5a311259b7472e43b53d3cd7

42 Stanford, J, 3 April 2019, "Budget 2019-20: Ooops, they did it again!", Centre for Future Work, https://www.futurework.org.au/budget_2019_20_ooops_they_did_it_again

3.8 PRETENDING THAT FAIR WAGE INCREASES CAUSE INFLATION

THE EVIDENCE IS CLEAR THAT WAGE RISES ARE NOT CAUSING THE CURRENT SURGE IN INFLATION, NOR CREATING UNDUE PRESSURE ON BUSINESSES.

Among the problems for workers seeking to gain higher wages is the battle over what constitutes 'fair' wages growth – and overcoming the myth that any wages growth above inflation in turn drives even more inflation, and thus must be avoided at all costs.

For 30 years there has been a constant cry from elements of the business community that any increase in wage growth risks a return to the wage-inflation spiral that happened 50 years ago in the 1970s. And yet what has occurred in practice is the opposite: a low wage-inflation spiral, wherein low inflation contributes to even lower wages growth and in turn lower real wages growth.

In short, the Morrison Government has adopted the argument there is never a good time for a wage rise. When inflation rises above 3%, workers are expected to accept lower wage increases in order to reduce pressure on inflation. But when inflation is below 2%, workers are expected to reduce their wage demands to take account of the low rate of inflation. And at all times the spectre of a wages breakout remains, however mythical it may be.

Even worse, when there is a spike in inflation, workers are expected to take the hit, regardless of whether this is actually good economic policy.

As the Governor of the Reserve Bank told reporters in March, "The inflation rate at the moment is 3.5% and will probably go up to 4.5%, who knows…. Wages are maybe going up high twos, let's say three, and inflation is 4.5% – that's a real wage cut of 1.5%, so that will obviously affect people's budgets."[43]

Sudden changes in inflation are normally not reflected in wages for some time afterward. But in the eyes of employers and the Coalition government, this is only supposed to work in one direction. When inflation surges (as it has this year), workers are supposed to tighten their belts further, in order to avoid further inflation.

But if, as is expected, inflation does eventually return to below 3% (falling back within the RBA's target band), workers will still be expected to accept lower wages.

In effect workers are always expected to take the hit when inflation rises quickly, but never get a benefit when inflation falls.

The evidence is clear that wage rises are not causing the current surge in inflation, nor creating undue pressure on businesses. For example, since the start of the pandemic, real unit labour costs – which measure the labour cost associated with producing one unit of output in real terms – have fallen more than 4%. In other words, due both to slow wage growth and higher productivity, the labour cost of a unit of output in Australia has fallen 4% in real terms. Workers are getting paid less, relative to their output, not more. Higher inflation cannot be credibly blamed on workers.

Wages should grow faster than inflation in order to match productivity growth. This would ensure a fairer distribution of income across society and put no pressure on inflation.

As the Treasury Secretary Steven Kennedy told the Senate Economics committee in February 2022, "If we can achieve productivity growth of 1.5 per cent [and assuming inflation growth of 2.5%], then nominal wages can grow at four per cent and put no pressure on inflation."[44]

This view is wholly unremarkable: in fact, it is standard economics. The Governor of the Reserve Bank, Phillip Lowe, has been making the same point for years.[45] To put this another way, real wages (after inflation) should rise in line with productivity growth.

This is common sense: if workers can increase the amount they produce in an hour of work, they should be rewarded for that productivity growth. It is why Nobel Prize winning economist Paul Krugman famously asserted that, "Productivity isn't everything, but, in the long run, it is almost everything. A country's ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker."[46]

But that view relies on the assumption that workers are rewarded for their increased output.

43 Ben Butler, "Workers set to take a real pay cut of 1.5% as inflation surges, RBA boss warns" Guardian Australia, 22 March 2022.

44 Senate Economics Legislation Committee Transcript, 16 February 2022, https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22committees%2Festimate%2F25621%2F0002%22

45 House Standing Committee on Economics, "Reserve Bank of Australia annual report 2018", 9 August 2019. Lowe remarked that: "I think wages in Australia should be increasing at three point something. The reason I say that is that we are trying to deliver an average rate of inflation of 2½ per cent. I'm hoping labour productivity growth is at least one per cent—and I'm hoping we can do better than that—but 2½ plus one equals 3½. I think that's a reasonable medium-term aspiration; I think we can do better, but I think we should be able to do that."

46 P Krugman, The Age of Diminished Expectations: U.S. Economic Policy in the 1990s, MIT Press, 1997.

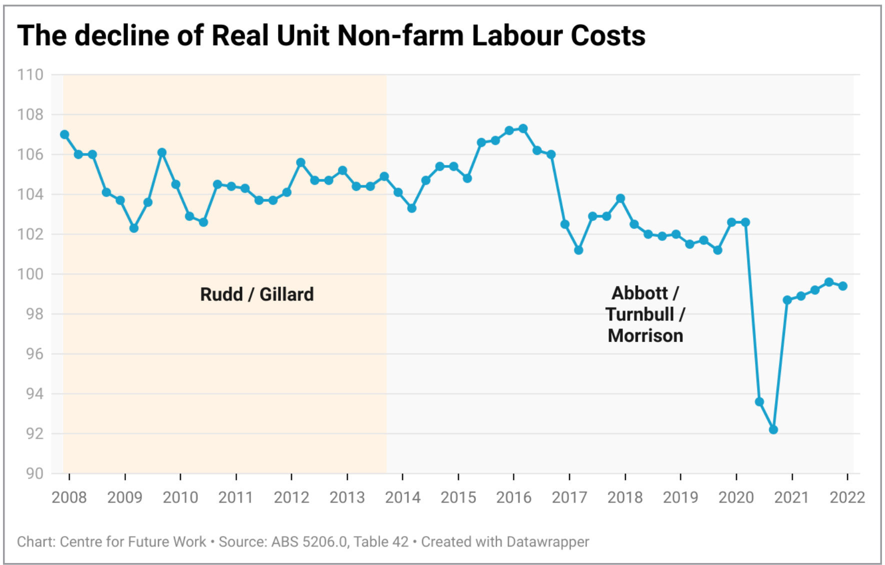
Using the wage price index and the consumer price index to calculate real wages, and the gross value added per hour in the market sector to measure private sector productivity, we can see that real wages have long failed to keep pace with productivity. As shown in Figure 2 on page 10, under the current Coalition government labour productivity has grown four times faster than real wages.

The divergence between real wages and productivity is getting worse, not better. Since the middle of 2013, private-sector real wages have grown just 0.9%, while productivity in the private sector has risen 12.4%. Many economists have discussed the economic and social consequences of this long-term decoupling of real wages growth from labour productivity.[47]

Workers are not getting anywhere near their share of productivity gains – which, after all, are largely the result of their own effort and skills. And during the term of the present government, workers' real incomes went backward despite continuing productivity growth.

The problem has not been the pressure wages have exerted on inflation. The problem is that real wages have not kept pace with productivity. Even before the COVID-19 pandemic, real wages were in crisis in Australia, and working families faced an ongoing challenge in covering the cost of living. Now, with the upsurge in inflation, real wages are declining quickly, and the damage to workers' living standards is unbearable. The wages crisis must be fixed, and quickly.

Figure 18.



47 See, for example, Matt Cowgill, "A Shrinking Slice of the Pie," Working Australia Paper #1, Melbourne, ACTU; and the symposium of articles published in the Journal of Australian Political Economy, Issue 81, Winter 2018, https://www.ppesydney.net/jape-issues/issue-81-winter-2018/.

CASE STUDY

LEANNE – WORKS THREE JOBS

DISABILITY SUPPORT WORKER

"I work as a disability support worker 6-7 days a week just to provide for my family. I need to have different 3 jobs just to survive. It means I miss out on family time and I'm constantly at risk of burn out. I haven't been on one holiday in 8 years.

Our wages haven't gone up with inflation and the Morrison Government has not done anything about it. The government has had so many opportunities to properly fund the NDIS and ensure that workers like me and my colleagues can earn a living wage."

3.9 DENIED WORKERS A FAIR SHARE OF OUR NATIONAL WEALTH

SINCE THE PANDEMIC, CORPORATE PROFITS HAVE AVERAGED OVER 28% OF TOTAL GDP: BY FAR THE HIGHEST IN AUSTRALIAN HISTORY.

Across numerous policy areas the Morrison government has actively reinforced the record-breaking stagnation of wages for Australian workers, and thus contributed to the cost-of-living crisis that is causing Australian families intense financial and emotional stress. Instead of working to strengthen wages – by supporting higher minimum wages, the work value case for aged care workers, pay equity for women, abandoning APS pay caps, cracking down on wage theft, and facilitating genuine collective bargaining – in every case the Morrison government has done the opposite.

And a common goal unifies all of these government actions. Even though it is contrary to the national interest, the government is accepting and even encouraging the decline of real wages, just to enhance the power and short term profits of its political allies in parts of the business community. The unprecedented weakness in wage growth experienced since 2013 has set the stage for a shift in income from wage earners to big corporations. That was the whole point of this "design feature" of our labour market.

Even prior to the pandemic, profits across most industries were already growing strongly – and much faster than the total amount of wages (see Figure 19). Profits rose even higher during the pandemic, swollen thanks to government support payments (like JobKeeper), strong consumer demand after re-opening, widening profit margins (that contributed to price inflation), and falling unit labour costs.

This again is unsurprising given the failure of real wages to keep pace with productivity. The inevitable result of rising productivity, and flat or declining real wages is that more of our national income is going to profits, and less to workers.

Little wonder, then, that equity markets and the wealth of major business owners have reached unprecedented heights, even as working Australians struggled to survive the pandemic. The combined wealth of Australia's 250 wealthiest people (now including 131 billionaires) expanded by over 10% in 2021, reaching an incredible \$520 billion.[48] This makes it all the more infuriating to hear some business leaders call for a freeze in the minimum wage and other measures to keep wages for working Australians in the doldrums.

Since the pandemic hit, corporate profits have averaged over 28% of total GDP : by far the highest in Australian history, and almost twice the profit share recorded in the 1970s. Those profits are built on stagnant wages and high prices – both of which undermine the living standards of Australian workers.

Meanwhile, by the end of 2021, the share of GDP going to employees fell yet again. By the December quarter, labour compensation (including wages, salaries, and super contributions) fell to 46% of GDP : the lowest since 1960, and a decline of over 10 percentage points since the 1970s (see Figure 20).

Figure 19.

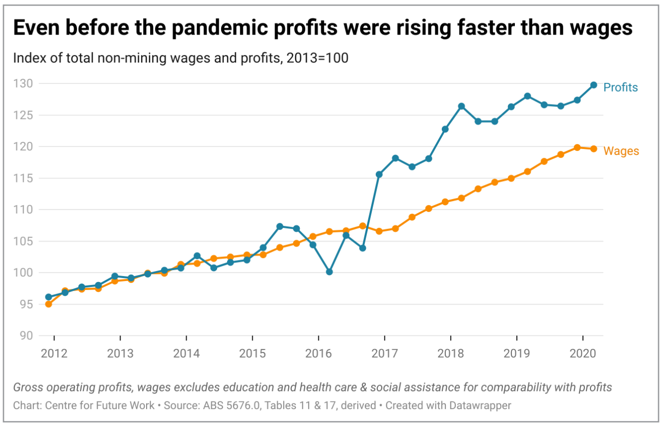
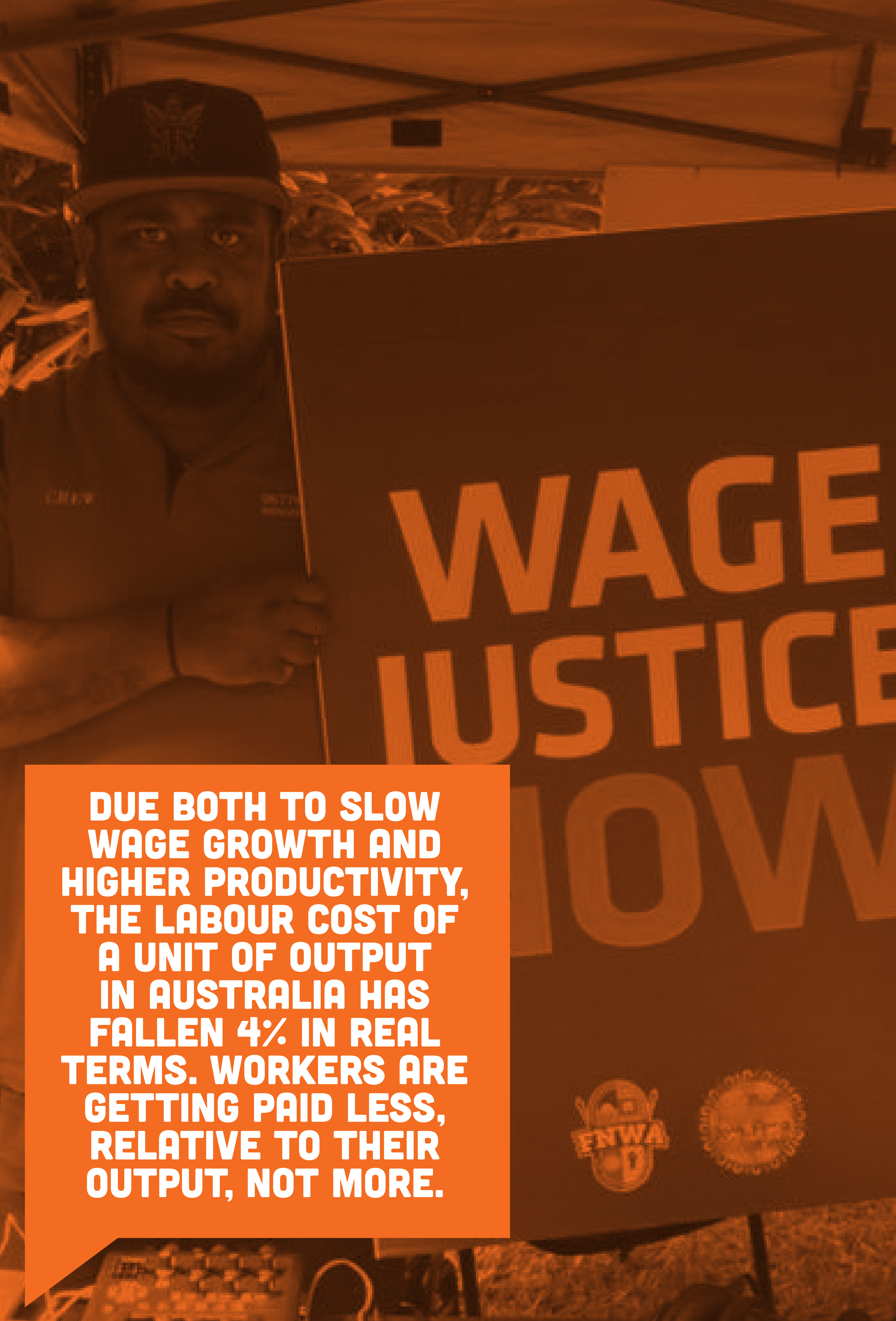


Figure 20.

48 "The List," The Australian Business Review, 4 April 2022.



DUE BOTH TO SLOW WAGE GROWTH AND HIGHER PRODUCTIVITY, THE LABOUR COST OF A UNIT OF OUTPUT IN AUSTRALIA HAS FALLEN 4% IN REAL TERMS. WORKERS ARE GETTING PAID LESS, RELATIVE TO THEIR OUTPUT, NOT MORE.

Conclusion:

AUSTRALIA NEEDS A PAY RISE BUT MORRISON IS MISSING IN ACTION

Nothing in this report will come as a surprise to workers. They know that their wages have barely grown under this government, and that their purchasing power has been flat for nearly a decade – and is now eroding rapidly in the face of accelerating prices on essentials like fresh food, fuel, housing and childcare.

What is shocking, however, is how stark the fall in wages growth has been, and how broadly it has been experienced across the whole labour market. No sector has been spared.

For decades the cry from business groups, conservative media, and LNP politicians has been that Australia is a high-wage, low-productivity economy. And yet real labour unit costs have been falling for more than 30 years. They have fallen another 4% just since the start of the pandemic.

Australian workers continue to demonstrate higher productivity but have not been rewarded for their skills and efforts. Private sector value added per hour worked is up some 10.3% since the end of 2013 (when the LNP came to power), and yet private-sector real wages rose just 1.6% in that same period.

Wages growth has been so poor for so long that the head of the Reserve Bank has been calling for wages growth to "have a 3 in front of it" for years now. But wages growth has not had a 3 in front of it at any point since the LNP took power in September 2013. And with current levels of inflation, it needs a "5" in front of it.

The head of the Treasury has made it clear that wages can grow faster than inflation and not put pressure on prices. The head of the RBA has made it clear that wages must grow faster than inflation, to support the attainment of the RBA's inflation target, and preserve employee shares of national income. So all the excuses that "this is not the time" for higher wages, and they may spark a wages "break out" and a "wage-price spiral," need to be dismissed.

In fact, Australia needs a pay rise as the best response to the cost of living crisis.

Fairness and economic well-being demand the workers once again be given a fair share of productivity improvements. It is essential to protect Australian workers against the cost of living crisis, to stabilise household finances, to underpin continued growth in consumer spending and aggregate demand, and to validate the improved work effort which Australian workers demonstrate year after year.

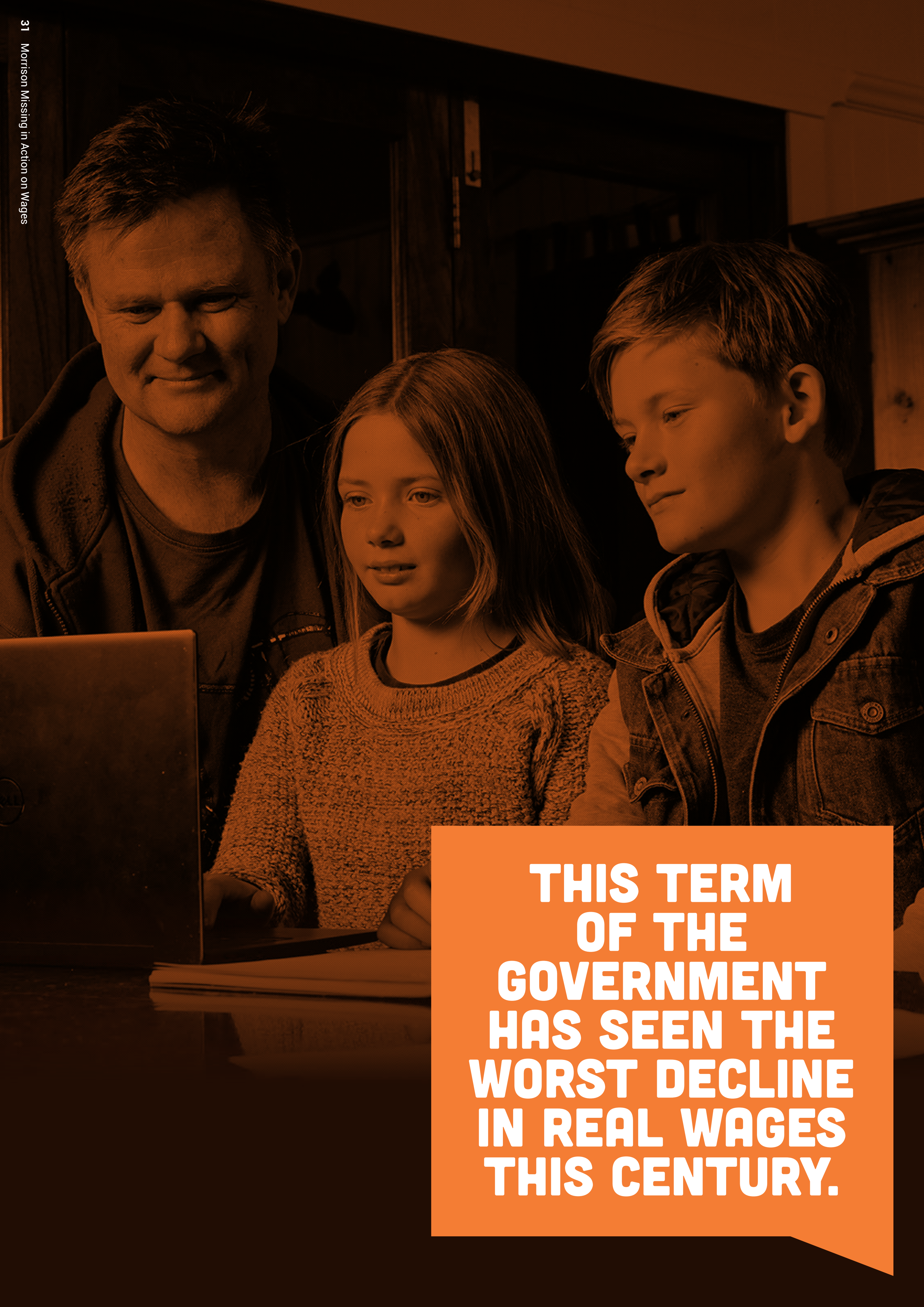
Now is the time to end the wages crisis. But it won't happen just because a federal budget predicts it will happen. And it won't happen just because the unemployment rate hits some magical threshold. It will only happen if government makes it happen by implementing the appropriate economic, labour, and industrial measures. That requires empowering workers with adequate security, confidence, and bargaining power so they can demand and win decent wage gains from their employers – sufficient to both keep up with inflation and reward them for improved productivity.

SOLUTIONS

There is no mystery to the policies that are required to end the wages crisis:

- **Close the loopholes in the law that let employers turn permanent jobs into insecure ones.**
- **Support at least a 5% increase in the minimum and Award wages this year to make progress towards all workers earning a living wage.**
- **Remove caps on APS wages and let Commonwealth public sector workers effectively bargain for fair wages.**
- **Scrap the Morrison Government's plan to let employers cut employee pay and conditions under Enterprise Agreements, and close the legal loopholes that let employers tear up them up, stripping workers' pay, rights, and conditions.**
- **Pass laws that remove the barriers that are preventing women from achieving equal pay.**
- **Support Aged Care workers in their case for a $5 an hour work value pay rise.**
- **Crack down on wage theft, by passing laws to let a worker quickly and easily chase up stolen wages and super.**
- **Start publicly backing fair pay rises that let all workers receive their fair share of labour productivity growth.**

But on all of these measures Morrison is missing in action on wages.



THIS TERM OF THE GOVERNMENT HAS SEEN THE WORST DECLINE IN REAL WAGES THIS CENTURY.

Appendix One:

CALCULATING THE $10,000 COST OF SCOTT MORRISON

This report calculates how much more the average Australian worker would have earned if their wages had kept up with the cost of living and productivity since the election of the Coalition in September 2013.

An employee starting out on the average income of $1,114.20 per week in 2013 would now be earning $74 per week, or $3,868 per year more than they actually are. Overall they would be better off by $10,000 if real wages had kept up with productivity since the Coalition came to power in 2013.

To calculate this, current average earnings are compared against what average earnings from 2013 would be if they grew by both inflation (ABS Consumer Price Index) and productivity (measured as GDP per hour worked from the ABS National Accounts) over the same period.

To calculate electorate level wages, we use the Census from 2011 and 2016 to provide an estimate of earnings in each electorate in 2013. While the Census measure of “income” is slightly different from “earnings” in other ABS surveys, (which are wages and salaries), it is still a very strong proxy for what people in a particular electorate are earning relative to national earnings. Electorate level income is converted to earnings by weighting national average earnings against electorate level income as a proportion of national income under the Census. The growth of earnings is plotted from 2011 to 2016 to then obtain the 2013 estimate. From this point the same method to calculate the electorate-level earnings gap is used as the national earnings gap.

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