Australian Government

Australian Government Submission

to the

Fair Work Commission Annual Wage Review 2022-23

31 March 2023

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Acronyms and Abbreviations

ABS	Australian Bureau of Statistics
AENA	Average Earnings in the National Accounts
AWOTE	Average Weekly Ordinary Time Earnings
CCS	Child Care Subsidy
CPI	Consumer Price Index
EEH	Employee Earnings and Hours
FT	Full-time
FTB	Family Tax Benefit
HILDA	Household Income and Labour Dynamics in Australia
JSP	JobSeeker Payment
LTU	Long-term unemployment
NAB	National Australia Bank
NAIRU	Non-Accelerating Inflation Rate of Unemployment
NMW	National Minimum Wage
OECD	Organisation for Economic Co-operation and Development
PPP	Parenting Payment Partnered
PPS	Parenting Payment Single
PT	Part-time
SAPTO	Seniors and Pensioners Tax Offset
SME	Small and Medium Enterprise
UK	United Kingdom
US	United States
WHO	World Health Organisation
WPI	Wage Price Index
YA	Youth Allowance

1. Introduction

1. The Government welcomes the opportunity to make a submission to the Fair Work Commission's (the Commission's) 2022-23 Annual Wage Review.

2. **The Australian Government recommends that the Fair Work Commission ensures the real wages of Australia's low-paid workers do not go backwards**.

3. This submission does not suggest that across-the-board, wages should automatically increase with inflation, nor that inflation should be the only consideration in determining wages. However, the current economic circumstances are exceptional, challenging, and expected to be temporary. Over the longer term, the Government acknowledges the need to increase productivity to drive real wages growth. The Government is committed to lifting productivity including by investing in the skills and potential of our population, putting in place policy settings to facilitate greater economic dynamism, leveraging opportunities in the digital economy, and transitioning to cheaper, cleaner, more reliable energy.

4. In assisting the Panel in making its decision, the Government submission provides the latest data and evidence, details the current economic circumstances, and highlights the need to manage macroeconomic risks.

5. Current economic circumstances are exceptional and challenging. Inflation has been running at its fastest pace in more than 30 years, reaching 7.8 per cent in the year to the December quarter 2022, but has likely reached its peak in the current cycle and is expected to moderate going forward (ABS, *Consumer Price Index, December 2022*). The recent monthly inflation data supports this view. According to the monthly indicator, inflation fell from its peak of 8.4 per cent through the year to December 2022 to 6.8 per cent to February 2023 (ABS, *Monthly Consumer Price Index Indicator, February 2023*) (Chapter 2).

6. While nominal wages growth is now steadily increasing, and labour market conditions remain tight, real wages fell by 4.5 per cent in the year to December quarter 2022 (ABS, *Consumer Price Index, December 2022*; ABS, *Wage Price Index, December 2022*). The decline in real wages follows an extended period of subdued wages growth. The fall in real wages is having the greatest impact on Australia's low-paid workers and their families, many of whom do not have savings to draw on to cover the rise in living costs and experience more financial hardship. Award-reliant workers, many of whom are likely to be low paid, are more likely to be women, under 30 years of age and employed on a casual basis (ABS, *Employee Earnings and Hours, May 2021*) (Chapter 4).

7. Against the backdrop of the current high inflation environment, the minimum wage has declined in real terms on average over the past 2 financial years. Low-paid workers tend to spend a greater share of their income overall, with a larger share allocated to essentials. As a result, the standard of living of low-paid workers is disproportionately affected by declines in real disposable income (Chapter 4).

8. The National Minimum Wage (NMW) is currently $21.38 per hour (or $812.60 per 38-hour week, $42,255.50 a year) which is around 53 per cent of median full-time earnings, well below the 62 per cent recorded in 1997 (ABS, *Characteristics of Employment, August 2022*). The strength of Australia's minimum wage relative to median earnings is

well below that recorded in New Zealand (around 68 per cent), and the United Kingdom (nearly 57 per cent) (OECD 2023) (Chapter 6).

9. As part of the Australian Government's commitment to improving job security and putting gender equality at the centre of the workplace relations system, the Government amended the *Fair Work Act 2009* to embed the principles of job security and gender equality in the Commission's decision-making processes.

10. Women disproportionately work in low-paid and award-reliant jobs and are more likely to work in lower-paid industries. For these reasons, increases in the minimum and award wages are likely to have a beneficial impact on the gender pay gap. Women are also more likely to be single parents – which for many comes with financial challenges – and are more likely to be in insecure work. Increases to the minimum and award wages also provide income boosts for those more likely to be in less secure forms of employment (Chapter 5).

11. The impact of award decisions on the gender pay gap should be a central consideration of the Commission's decision. Across this submission, the percentage of women and men in certain employment or wage conditions is included to demonstrate the gendered nature of the labour market – as there are fewer women than men in the workforce overall, the over-representation of women in any cohort illustrates the significance of these features in the ways women work and are paid.

12. Maintaining the relative standard of living of low-paid workers would be consistent with our current expectations that inflation will return to target and unemployment will remain low. The employment effects of minimum wage increases are dependent on a range of factors, and the minimum wage setting environment in Australia makes analysing this relationship more challenging than in other countries (Chapter 7).

13. It is important to consider the macroeconomic environment, including slowing activity, inflationary pressures, and the tight labour market. Central banks have rapidly tightened monetary policy in response to high inflation. While global inflation has moderated, it remains high.

14. Australia has been exposed to a range of global price shocks, including pandemic-related supply chain disruptions and elevated energy prices following the Russian invasion of Ukraine. While global energy prices have fallen and supply chain constraints have eased, domestic inflation remains high. In December 2022, the Government took unprecedented steps to shield Australian households and businesses from the worst impacts of rising energy prices through the Energy Price Relief Plan.

15. High inflation and increased interest rates are forecast to weigh on household real income and spending over the coming year. The October 2022-23 Budget forecast economic growth to slow from 3¼ per cent in 2022-23 to 1½ per cent in 2023-24.

16. The Australian labour market remains tight with the unemployment rate at 3.5 per cent in February 2023 (ABS, *Labour Force, February 2023*). The tight labour market has been encouraging strong workforce participation, which remains elevated after reaching a record high of 66.8 per cent in both June 2022 and November 2022. However, forward looking indicators of employment point to a moderation in labour demand. Unemployment is expected to rise modestly in the period ahead as economic demand slows but remain low by historical standards (Chapter 3).

17. The likelihood of a wage-price spiral is currently low, with medium-term inflation expectations remaining anchored within the inflation target band. Risks to the inflation outlook are broadly balanced, although there is a heightened level of uncertainty. Continued energy market or supply disruptions could result in inflation being more persistent. At the same time, tight monetary policy and cost of living pressures could weigh more heavily on consumption and economic growth.

18. There are also risks associated with persistent or larger than expected declines in real wages for workers on minimum and award wages. This could have a significant impact on living standards for low-paid workers, and result in low-paid workers shouldering a disproportionate burden of the macroeconomic adjustment needed to lower inflation. The Government's recommended approach would manage macroeconomic risks while preserving living standards for low-paid workers.

19. The Government notes that increases to the minimum and award wages are only one tool to assist with cost-of-living pressures. In addition to the energy price relief announced in December 2022, the 2022-23 October Budget included measures to make childcare more affordable, expand paid parental leave, cut the cost of medicines, and provide more affordable housing.

2. Economic environment

Key points

- Current economic circumstances are exceptional and challenging. The global economy has slowed and is expected to slow further over 2023 as central banks have rapidly tightened monetary policy in response to high inflation. While many economies have proved more resilient than earlier feared, with headline inflation now slowing globally (although it remains above central bank targets), the risk of recession in individual advanced economies remains elevated. Volatility in global financial markets is adding to uncertainty and risks to the global economy.
- Australia has been exposed to a range of global price shocks, including pandemic-related supply chain disruptions, and elevated energy prices following the Russian invasion of Ukraine. Domestic weather events, supply constraints and strong demand have also contributed to inflation. While global energy prices have fallen and supply chain issues have eased, high inflation and interest rate increases are forecast to weigh on household spending.
- There are early signs that the economy has begun to moderate as the impact of global and domestic pressures weigh on activity. Further moderation in economic activity is expected. While the unemployment rate is forecast to increase modestly, it is expected to remain low by historical standards.
- The tight labour market has seen a pick-up in wages growth. Despite strengthening wages growth, high inflation (which has led to falling real wages) has created cost-of-living pressures, particularly for low-paid workers.

2.1 International outlook

20. The global economy has experienced decades-high inflation in 2022, resulting in central banks undertaking the fastest synchronised monetary policy tightening in the inflation targeting era. These factors have begun to weigh on growth and are expected to generate a further slowdown over 2023, with an elevated risk of recession in a number of advanced economies.

21. Global growth is expected to slow over 2023 due to the global tightening of monetary policy. Global financial market volatility is also adding to uncertainty.

22. Monetary policy settings are expected to significantly weigh on global activity. Since the start of the tightening cycle in early 2022, the United States (US) has seen its policy rate increase by 450 basis points and the euro area has seen an increase of 350 basis points.

23. Notwithstanding the impact of these increases, there has been greater than expected economic resilience to tighter monetary policy in a number of advanced economies, notably the US. Lower global energy prices and China's rapid transition from COVID-zero policies will also boost global growth. In its January 2023 World Economic Outlook, the International Monetary Fund forecast global economic growth to slow from 3.4 per cent in 2022 to 2.9 per cent in 2023, before increasing to 3.1 per cent in 2024.

24. The recent failure of several US banks and associated market volatility has also increased financial stability risks. These developments have the potential to reduce confidence,

result in tighter monetary conditions, or impair the flow of credit and slow the global economy even more than expected.

25. While global inflation is now easing, inflation remains well above central bank targets in most advanced economies, particularly in Europe where it continues to stay high.

26. Given greater than expected resilience to the effects of monetary policy, labour markets remain very tight across advanced economies, with unemployment rates at or below pre-pandemic levels across major advanced economies. Tight labour markets have generated elevated nominal wage growth, notably in the US, the United Kingdom (UK), and New Zealand. However, real wages were lower across the board in 2022 due to high inflation.

2.2 Domestic outlook

27. The Australian economy is facing significant challenges. A global economic slowdown, high inflation, interest rate increases, and lower real wages are expected to weigh on demand and growth in the short-term.

28. While a rebound in household spending on services and strong employment growth contributed to solid economic growth following the pandemic, headwinds are slowing the domestic economy, largely as expected. The economy grew by 0.5 per cent in the December quarter 2022, demonstrating that this moderation has begun (ABS, *National Accounts: National Income, Expenditure and Product, December 2022*).

29. More persistent inflation (especially in services) and higher interest rates are forecast to weigh on household spending over 2023, increasing mortgage repayments and dampening house prices and asset values. The October 2022-23 Budget forecast the economy to slow from 3¼ per cent in 2022-23 to 1½ per cent in 2023-24. Many indebted households will come under greater pressure in response to higher interest rates. In particular, low-income households will face pressures as essentials, such as housing, food and energy costs, make up a larger share of their expenses.

2.3 Employment outlook

30. The rebound of the labour market from the pandemic was stronger than anticipated. The unemployment rate in February was 3.5 per cent, near its recent low (ABS, *Labour Force, February 2023*). The proportion of working age Australians in employment is 64.3 per cent, near its record high (see Chapter 3 for more detail on historical labour market trends).

31. This means more workers than ever in Australia are in work. However, this can also create challenges in the economy. For businesses, this is causing issues in hiring as many sectors report labour shortages.

32. As economic activity slows in the face of global and domestic headwinds, employment growth is forecast to moderate. Forward looking indicators have already begun to ease, with job advertisements and vacancies moderating from very high levels over the second half of 2022.

33. The outlook for the labour market is dependent on the path of economic activity. Uncertainties relating to the economic outlook, prompted by a more abrupt slowdown

in demand or a further inflationary shock, could see labour demand slow more quickly than anticipated. For more detail on recent labour market developments see Chapter 3.

34. While the unemployment rate is forecast to rise modestly over the period ahead, it is expected to remain lower than the pre-pandemic level and be slightly above the Non-Accelerating Inflation Rate of Unemployment (NAIRU) by the end of 2023-24.

2.4 Wages

35. Following an extended period of subdued wages growth, nominal wages growth has been picking up and broadening across sectors. Most indicators of wage growth support this view.

36. The Wage Price Index (WPI) increased by 0.8 per cent in the December quarter 2022, to be 3.3 per cent higher through the year – the fastest through-the-year growth rate since the December quarter 2012 (ABS, *Wage Price Index, December 2022*). Private sector wages grew by 3.6 per cent through the year, much faster than the public sector wage growth of 2.5 per cent.

37. Average Earnings in the National Accounts (AENA per hour) is a broader measure of wages than the WPI that captures total remuneration including superannuation, bonuses, overtime and allowances, as well as promotions or job changes as workers take advantage of tight labour market conditions. However, AENA per hour increased only moderately by 0.4 per cent in the December quarter 2022 to be 3.2 per cent higher through the year to the December quarter 2022 (ABS, *Australian National Accounts: National Income, Expenditure and Product, December 2022*).

38. Adult Weekly Ordinary Time Earnings (AWOTE) increased by 3.4 per cent through the year to November 2022, with private sector AWOTE increasing by 3.6 per cent and public sector AWOTE rising by 3.0 per cent (ABS, *Average Weekly Earnings, November 2022*).

39. Among the 5 most award-reliant industries, WPI growth over the year to the December quarter 2022 was 3.5 per cent in Accommodation and food services, 3.5 per cent in Administrative and support services, 3.7 per cent in Other services, 3.0 per cent in Health care and social assistance, and 3.9 per cent in Retail trade (ABS, *Wage Price Index, December 2022*).

40. Despite these improvements in aggregate wages outcomes, wages growth is not strong across all parts of the economy or all pay-setting methods. New enterprise agreements are yet to show signs of a material increase in wages. The latest *Trends in Federal Enterprise Bargaining Report* shows an average annualised wage increase of only 2.6 per cent for federal enterprise agreements with quantifiable increases approved in the September quarter 2022 (Department of Employment and Workplace Relations 2022).

41. Wages growth is expected to continue to increase across 2023, driven by a tight labour market. There is already wages pressure in some industries such as Wholesale trade. This wage growth is then expected to moderate but remain above 3 per cent. In the October 2022-23 Budget, growth in the WPI was forecast to reach 3¾ per cent through the year to the June quarter of 2023 and 2024, before moderating to 3¼ per cent by the June quarter of 2025.

42. The Reserve Bank of Australia (RBA) has indicated that the outlook for wages growth would be consistent with inflation returning to the target band. As noted above, over the next couple of years, wages are expected to pick up and grow more quickly than the past decade, while inflation is expected to moderate towards the RBA's target band. The likelihood of a wage price spiral is currently low, and medium-term inflation expectations remain well anchored around the RBA's target.

43. The combination of high inflation and modest wages growth to date has seen real wages fall sharply, by around 4.5 per cent in the year to the December quarter 2022 (ABS, *Consumer Price Index, December 2022*; ABS, *Wage Price Index, December 2022*). While there is still uncertainty around how quickly inflation will moderate, the anticipated fall in the rate of inflation and the pick-up in nominal wages to 3¾ per cent over the year to the June quarter 2023 and 2024 is expected to see real wages modestly increase towards the end of 2023-24.

44. There are also risks associated with persistent or larger than expected declines in real wages for workers on minimum and award wages. This could have a significant impact on living standards for low-paid workers, and result in low-paid workers shouldering a disproportionate burden of the macroeconomic adjustment needed to lower inflation.

45. It will be important for the Panel to balance all the risks while ensuring that the real wages of low-paid workers do not go backwards. This does not suggest that across-the-board, wages should automatically increase with inflation, nor that inflation should be the only consideration in determining wages. However, the current economic circumstances are exceptional, challenging and expected to be temporary, and the Government's recommended approach pertains specifically to the low paid in the macroeconomic context.

Table 2.1: Recent wages outcomes (per cent)

Wage measure	Growth over previous period	Quarterly	TTY	Period
Wage Price Index (WPI)	1.1	0.8	3.3	December quarter 2022
Individual arrangements	1.5	0.8	3.7	December quarter 2022
Collective agreements	1.0	0.8	2.8	December quarter 2022
Awards	3.5	1.0	4.6	December quarter 2022
Average earnings per hour (National accounts basis – AENA)	2.4	0.4	3.2	December quarter 2022
Adult Weekly Ordinary Time Earnings (AWOTE)	1.2	2.1*	3.4	6 months to November 2022
Private	1.1	2.4*	3.6	6 months to November 2022
Public	1.6	1.4*	3.0	6 months to November 2022

Sources: ABS, *Average Weekly Earnings, November 2022;* ABS, *National Accounts: National Income, Expenditure and Product, December 2022*; ABS, *Wage Price Index, December 2022;* ABS*, Wage Price Index*, unpublished microaggregates.
Notes: *Data is six-monthly, not quarterly; TTY is through the year.

2.5 Inflation

46. While inflation is high, it is expected to moderate over the coming years.

47. The current inflation cycle in Australia has been principally driven by global price shocks, including pandemic related supply chain disruptions and the Russian invasion of Ukraine. While global goods inflation is showing signs of moderation, core inflation in the global economy is more persistent than originally anticipated. This is being driven by higher services inflation, which is increasing cost pressures in many countries.

48. While inflation in Australia has been driven by these global factors, domestic weather events, supply constraints, and resilient demand have also contributed to price growth. Research conducted by the RBA (2023) suggests that supply shocks have accounted for half to three-quarters of the increase in inflation.

49. Consumer price inflation (as measured by the Consumer Price Index) was 7.8 per cent in the December quarter of 2022, the highest annual increase since 1990. This is expected to be the peak of the current inflation cycle. The recent monthly inflation data supports this view. According to the monthly indicator, inflation fell from its peak of 8.4 per cent through the year to December 2022 to 6.8 per cent to February 2023 (ABS, *Monthly Consumer Price Index Indicator, February 2023*).

50. Inflation is expected to moderate in Australia over 2023. Price increases for some key drivers of the current inflation cycle, including petrol, dwelling construction, and food, have already showed signs of easing.

51. However, domestic inflation is expected to remain higher than Australians would like for longer than they would like. The flow through from higher global energy prices and rental costs are expected to contribute to inflation through 2023-24.

52. National advertised rents have increased by 10.1 per cent over the year to February 2023 (CoreLogic 2023). As new rental agreements are made and existing contracts are renegotiated, overall rental costs as reflected in the Consumer Price Index are expected to rise, albeit to a lesser extent.

53. Retail prices for gas and electricity have risen in 2022-23 and are expected to do so again in 2023-24 (ABS, *Consumer Price Index, December 2022*). In December 2022, the Government took unprecedented steps to shield Australian households and businesses from the worst impacts of rising energy prices through the Energy Price Relief Plan.

54. Given these pressures, it will take some time for inflation to moderate and return to the target band. Inflation is expected to return to the RBA target band in 2024-25.

55. Medium-term inflation expectations remain anchored within the inflation target band. While wage growth is expected to pick up, inflation is expected to moderate towards the RBA's target band. The likelihood of a wage-price spiral remains low.

56. The risks to the inflation outlook are balanced, but there is a heightened level of uncertainty. There may be further or prolonged disruptions in global energy markets as a result of Russia's ongoing invasion of Ukraine. Continued resilience in global demand could result in inflation being even more persistent. In contrast, tight monetary policy in Australia and globally could have a faster than expected impact, resulting in a quicker

return of inflation to target. Continued instability in global financial markets could constrain the availability of credit, helping to reduce price pressures across the globe.

57. Maintaining the relative standard of living of low-paid workers would be consistent with our current expectation that inflation will return to target and unemployment will remain low. The Commission's decision for minimum wage workers last year did not noticeably drive inflationary pressures.

2.6 Small business

58. Small businesses are proving to be resilient in the face of a challenging economic environment. Recent inflation, high energy costs, and higher interest rates are creating pressures for businesses and weighing on business confidence. Small businesses have also faced a challenging operating environment from lingering supply chain disruptions in the aftermath of the pandemic, labour shortages, and natural disasters. Despite this, businesses continue to report good business conditions, with the February 2023 National Australia Bank (NAB) Monthly Business Survey showing conditions at +17 index points (NAB 2023a).

59. Reflecting the tight labour market, and a skills sector in need of strengthening, many small businesses continue to have difficulty attracting appropriately skilled workers. Recent stakeholder feedback to Government is supported by the NAB data for the December quarter of 2022 which indicate that over a third of small businesses are affected *"very significantly"* by labour shortages (NAB 2023b). The recovery in temporary migrants following the opening of international borders, supported by government actions to reduce the visa backlog, is expected to ease some of these pressures.

60. The Government is seeking to support small businesses through a range of policies. The Energy Price Relief Plan will help small businesses with the cost of rising electricity prices. The Government is supporting small businesses to invest, including by introducing legislation for the Small Business Technology Investment Boost, and Small Business Skills and Training Boost.

2.7 Interactions between wages and productivity

61. Over time, productivity growth is essential to promoting wages growth and higher living standards. In theory, if productivity is growing faster than real wages, producers will find it profitable to hire more workers. This increases demand for labour, and workers' bargaining power increases in the tighter labour market. All else being equal, this suggests a tighter labour market should place upward pressure on real wages, bringing productivity and real wages back in line. However, the weakening of Australia's labour market institutions – like collective bargaining – has coincided with a decoupling of the once-tighter relationship between productivity and wages growth.

62. In the longer term, boosting labour productivity growth will help to ensure consistently strong labour market outcomes for Australians. The Government is committed to lifting productivity, including by investing in the skills and potential of our population, putting in place policy settings to facilitate greater economic dynamism, leveraging opportunities in the digital economy, and transitioning to cheaper, cleaner, more reliable energy.

3. Labour market developments

Key points

- The Australian labour market remains tight and has recovered well following the end of the COVID-19 lockdowns in late 2021.
- Employment increased strongly over the year to February 2023, driven, entirely, by a sharp rise in full-time employment.
- Against this backdrop, the unemployment rate fell significantly, while stronger labour market conditions encouraged more people to enter the labour market.
- Importantly, conditions have also improved for a number of key groups in the labour market (such as the long-term unemployed, youth, and women) over the last year.

3.1 Broad labour market conditions

63. Subsections 284(1) and 134(1) of the *Fair Work Act 2009* state that the Panel, in reviewing and determining minimum and award wages, must establish and maintain a safety net of fair minimum wages taking into account employment growth, and have regard to the likely impact of an exercise of modern award powers on employment growth. This chapter outlines the most recent labour market developments.

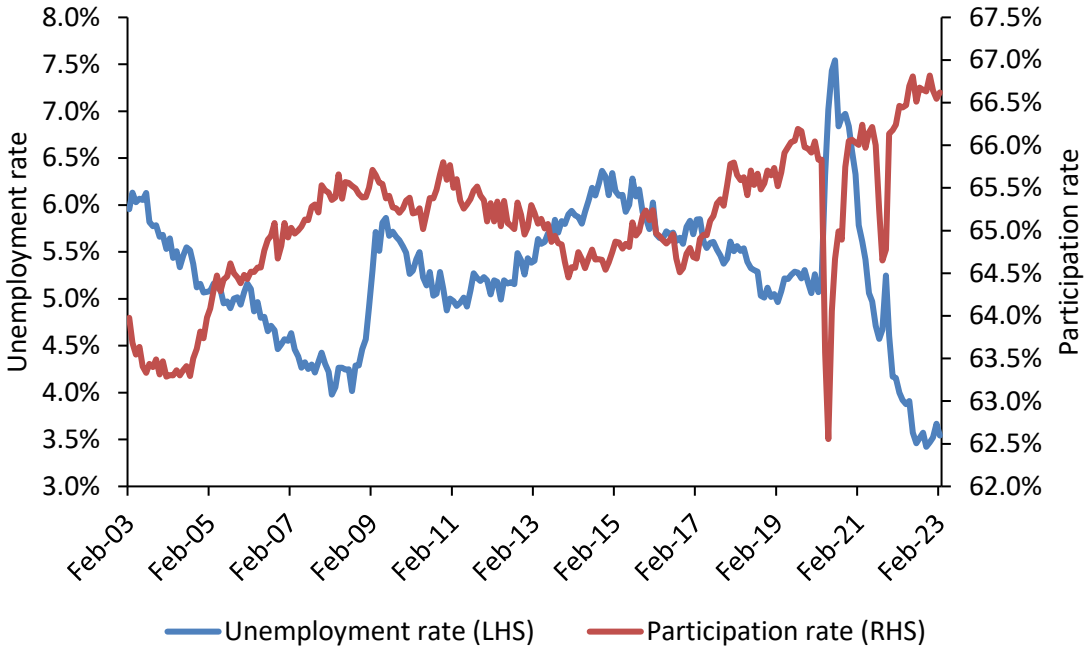
64. The Australian labour market remains tight and has recovered well following the end of the COVID-19 lockdowns in late 2021. Employment increased strongly over the last year, up by 401,800 (or 3.0 per cent) to a record high of 13,826,200 in February 2023 (ABS, *Labour Force, February 2023*).

65. The increase in employment over the year was due, entirely, to a sharp rise in full-time employment, up by 416,000 (or 4.5 per cent) to a record high of 9,669,300 in February 2023. By contrast, part-time employment fell by 14,300 (or 0.3 per cent) over the period, to 4,156,900 in February 2023.

66. Against this backdrop, the employment to population ratio increased by 0.5 percentage points over the year, to 64.3 per cent in February 2023, close to the record high of 64.5 per cent recorded in November 2022 (ABS, *Labour Force, February 2023*). The unemployment rate fell significantly, from 4.0 per cent in February 2022, to 3.5 per cent in February 2023.

67. Stronger labour market conditions have also encouraged more people to enter the labour market, with the participation rate increasing, from 66.5 per cent in February 2022, to 66.6 per cent in February 2023, close to the equal record high of 66.8 per cent in June 2022 and November 2022 (see Chart 3.1).

Chart 3.1: Unemployment rate and participation rate, February 2003 to February 2023



Source: ABS, *Labour Force, Australia, February 2023*, seasonally adjusted data.

68. With strong growth in full-time employment, hours worked have risen considerably over the past year, up by 93.4 million hours (or 5.1 per cent) to stand at a record high of 1,916.9 million hours worked in February 2023 (ABS, *Labour Force, February 2023*).

69. Over the same period, the underemployment rate fell, from 6.6 per cent in February 2022, to 5.8 per cent in February 2023, the equal lowest rate recorded since August 2008 (ABS, *Labour Force, February 2023*). Despite the clear improvement, 835,700 people were underemployed in February 2023.

3.2 Key groups in the labour market

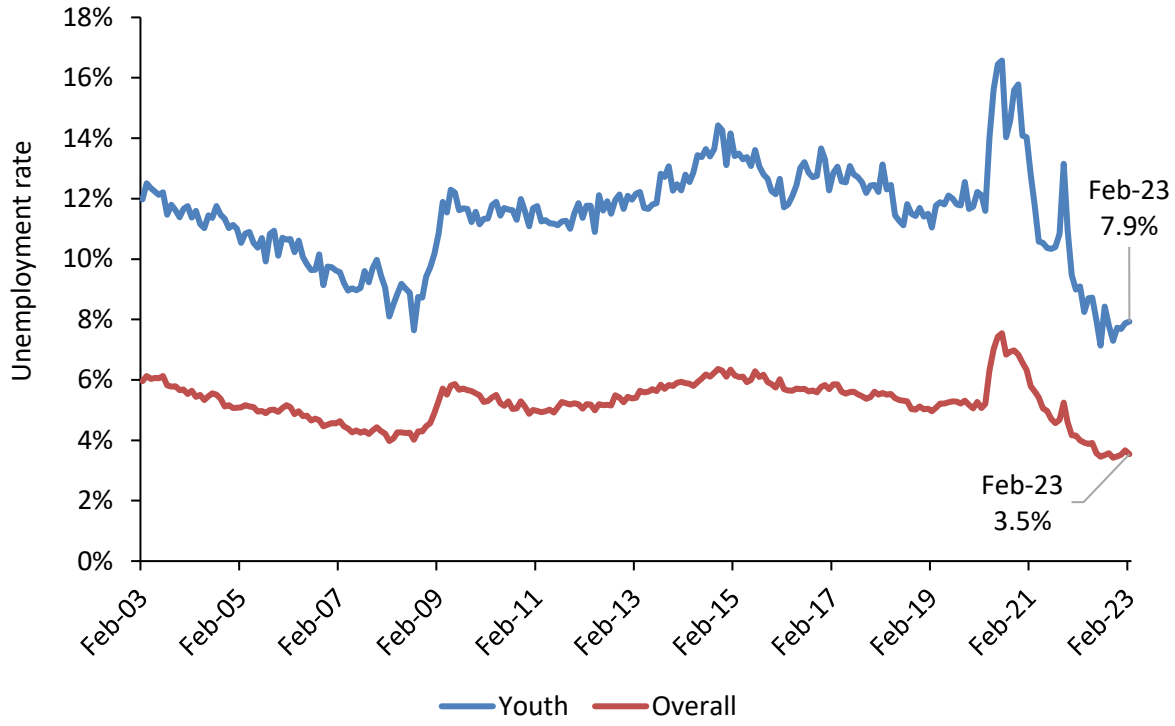
70. A number of groups (including the long-term unemployed and youth) possess characteristics that may predispose them to labour market disadvantage – for example, they may have spent considerable time out of the workforce or have low levels of skills and experience. These cohorts are also more likely to seek employment in low-paid jobs and are therefore likely to be more adversely affected by large labour market shocks and economic uncertainty.

3.2.1 Youth

71. Labour market conditions for youth (persons aged 15-24 years) have improved significantly following the lifting of the COVID-19 Delta lockdowns, with employment for young people increasing significantly over the year, by 152,400 (or 7.6 per cent) to 2,153,100 in February 2023 (ABS, *Labour Force, February 2023*).

72. Against the stronger backdrop, the employment to population ratio for youth increased by 1.9 percentage points over the year, to 66.0 per cent in February 2023 (ABS, *Labour Force, February 2023*). The youth unemployment rate decreased sharply over the year, by 1.2 percentage points, to 7.9 per cent in February 2023, although it remains well above the overall unemployment rate of 3.5 per cent (see Chart 3.2).

Chart 3.2: Youth and overall unemployment rate, February 2003 to February 2023



Source: ABS, *Labour Force, February 2023,* seasonally adjusted data.

73. The fall in the youth unemployment rate over the year occurred in conjunction with a strong rise in the youth participation rate, from 70.7 per cent in February 2022, to 71.8 per cent in February 2023 (ABS, *Labour Force, February 2023*).

74. The youth underemployment rate decreased by 0.4 percentage points over the year, to 14.0 per cent in February 2023. Despite this improvement, 327,700 young people were underemployed in February 2023.

75. While most youth are either engaged in some form of work or study, a key concern is the number of young people who are 'disengaged'. There were 287,600 (or 9.0 per cent of the youth population) not in work and not attending full-time education in February 2023, down from 321,100 (or 10.4 per cent of the youth population) a year ago. While a proportion of this group may, for various reasons, be voluntarily outside the labour market, many are at risk of ultimately failing to make a successful transition to employment.

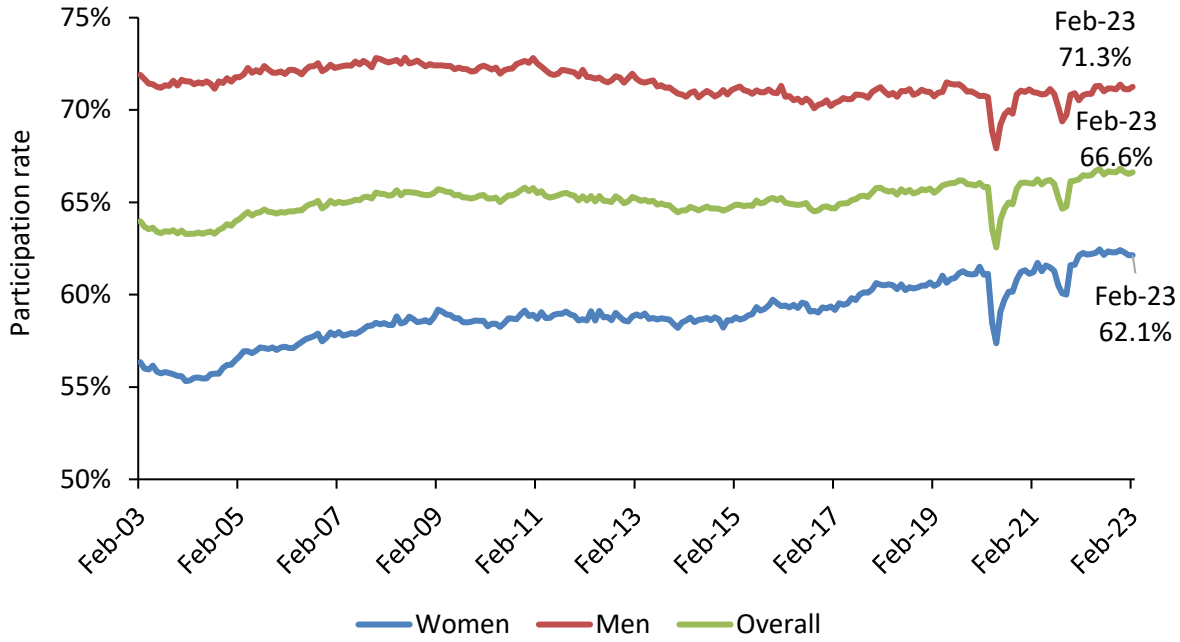
3.2.2 Women

76. Labour market conditions for women have improved over the year, with employment for women increasing by 156,500 (or 2.4 per cent) over the period, to a record high of 6,566,400 in February 2023 (ABS, *Labour Force, February 2023*).

77. Against this backdrop, the unemployment rate for women fell, from 3.8 per cent in February 2022, to 3.4 per cent in February 2023. Over the same period, however, the participation rate for women also decreased, from 62.3 per cent in February 2022, to 62.1 per cent in February 2023, below the record high of 62.5 per cent in June 2022.

78. The participation rate for women remains well below the participation rate for men, of 71.3 per cent in February 2023 (see Chart 3.3). In addition, the underemployment rate for women stood at 7.0 per cent in February 2023, well above the 4.7 per cent for men.

Chart 3.3: Participation rates by gender, February 2003 to February 2023



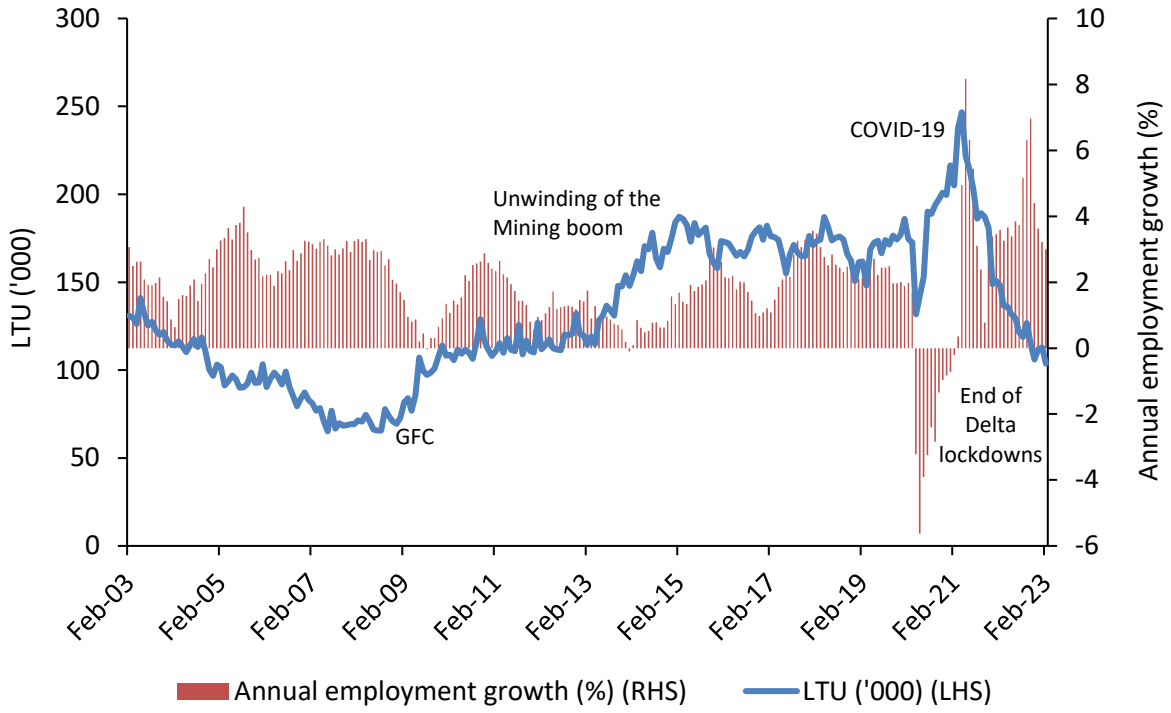
Source: ABS, *Labour Force, February 2023,* seasonally adjusted data.

3.2.3 Long-term unemployed

79. A person is classified as long-term unemployed if they have been unemployed for 52 weeks or longer and as *very* long-term unemployed if they have been unemployed for 104 weeks or longer.

80. Reflecting the strong pick-up in labour market activity, long-term unemployment (LTU) fell significantly over the year, by 44,900 (or 30.2 per cent) to 103,600 in February 2023, the lowest level recorded since October 2009. Very long-term unemployment also decreased over the year, by 23,600 (or 28.0 per cent) to 60,800 in February 2023, the lowest level recorded since April 2013 (ABS, *Labour Force, Detailed, February 2023*) (see Chart 3.4).

Chart 3.4 Long-term unemployment (LTU) and annual employment growth, February 2003 to February 2023



Source: Annual employment growth rates are from ABS, *Labour Force, February 2023*, seasonally adjusted data. Long-term unemployment levels are from ABS, *Labour Force, Detailed, February 2023,* seasonally adjusted data.

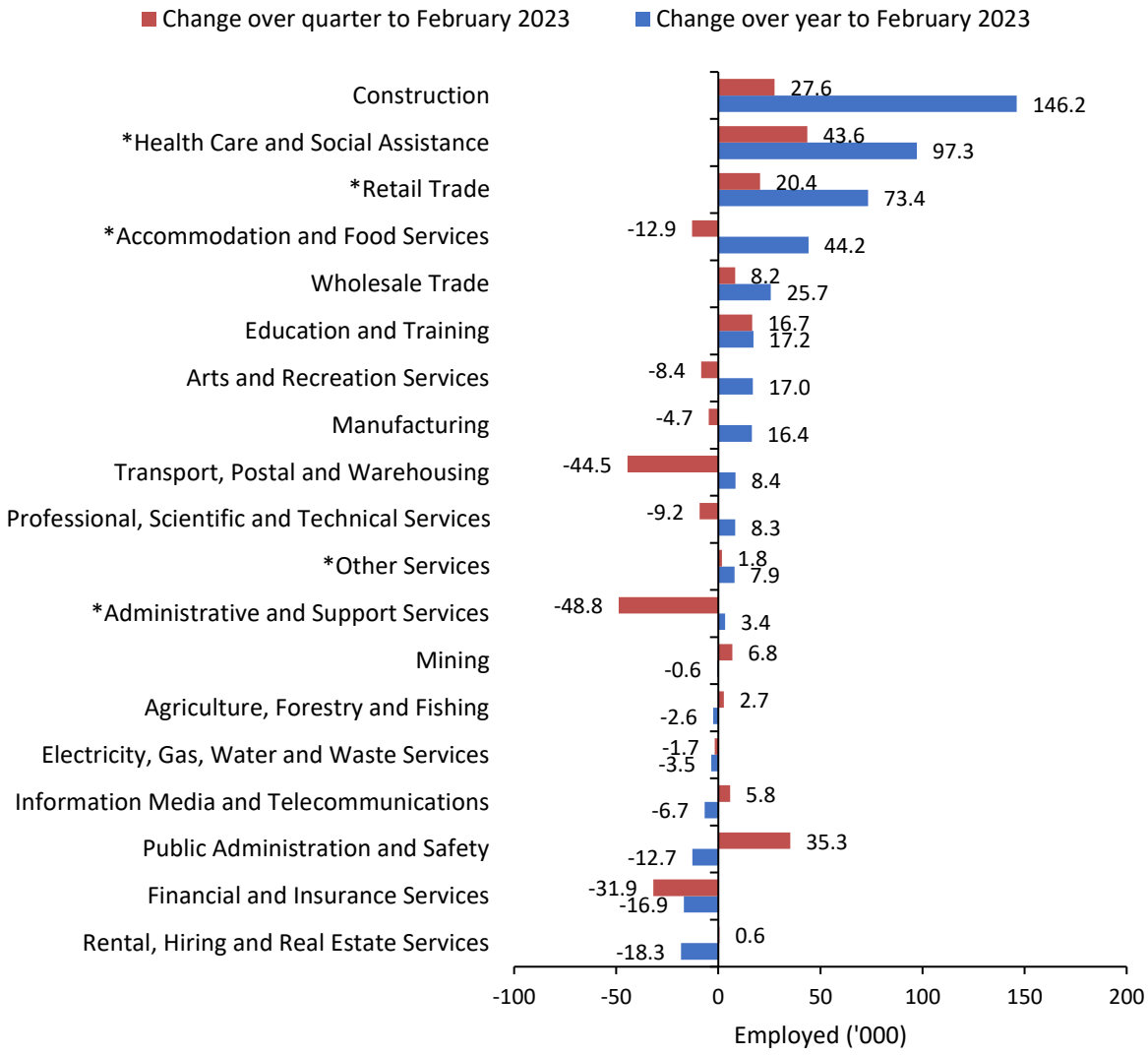
81. While the *overall* level of LTU has decreased over the year, the very long-term unemployment share of LTU has increased, by 1.8 percentage points over the year, to 58.6 per cent in February 2023.

Employment by industry and skill level

3.3.1 Employment by industry

82. Seasonally adjusted employment increased in 12 of the 19 broad industry groups over the year to February 2023 (ABS, *Labour Force, Detailed, February 2023*) (see Chart 3.5).

Chart 3.5: Change in employment by industry



Source: ABS, *Labour Force, Australia, Detailed, Quarterly, February 2023*, *seasonally adjusted* data.
Notes: *Denotes the 5 most award-reliant industries.

83. Over the year to February 2023, employment rose in all 5 of the most award-reliant industries - see Table 3.1.

Table 3.1: Employment by industry and change between February 2022 and February 2023 (ordered by largest change in level)

Industry	Employment, Feb-23	Employment change, Feb-22 to Feb-23	
	(no.)	(no.)	(%)
Construction	1,322,100	146,200	12.4
Health Care and Social Assistance	2,112,600	97,300	4.8
Retail Trade	1,359,300	73,400	5.7
Accommodation and Food Services	937,100	44,200	4.9
Wholesale Trade	355,700	25,700	7.8
Education and Training	1,164,800	17,200	1.5
Arts and Recreation Services	242,700	17,000	7.5
Manufacturing	870,700	16,400	1.9
Transport, Postal and Warehousing	683,300	8,400	1.2
Professional, Scientific and Technical Services	1,249,800	8,300	0.7
Other Services	523,100	7,900	1.5
Administrative and Support Services	415,300	3,400	0.8
Mining	290,800	-600	-0.2
Agriculture, Forestry and Fishing	300,900	-2,600	-0.9
Electricity, Gas, Water and Waste Services	163,400	-3,500	-2.1
Information Media and Telecommunications	197,100	-6,700	-3.3
Public Administration and Safety	888,700	-12,700	-1.4
Financial and Insurance Services	530,700	-16,900	-3.1
Rental, Hiring and Real Estate Services	219,800	-18,300	-7.7
All industries total	**13,850,000**	**404,400**	**3.0**

Source: ABS, *Labour Force, Detailed, Quarterly, February 2023, seasonally adjusted* data.
Note: Bold italics signify the 5 most award-reliant industries.

3.3.2 Employment by skill level

84. Workers employed in occupations that require lower-level skills are more likely to be on the minimum wage or be award reliant than occupations that require higher-skills, making an examination of labour market developments by skill level important.

85. As shown in Table 3.2, over the year to February 2023 employment in Skill Level 3 occupations recorded the highest increase (by 121,700 or 6.3 per cent), followed by employment in Skill Level 1 occupations (up by 97,900 or 2.1 per cent) (ABS *Labour Force, Detailed, February* 2023, *Jobs and Skills Australia seasonally adjusted data*).

86. Skill Level 5 occupations (the lower skill occupations) recorded the smallest increase in employment over the year to February 2023 (up by 33,600 or 1.7 per cent), reflecting the ongoing transition towards a higher skilled, services-based economy.

Table 3.2: Employment growth by occupation skill level between February 2022 and February 2023

Occupation skill level	Employment level, February 2023	Employment change, February 2022 to February 2023		10-year change in employment	
	('000)	('000)	(%)	('000)	(%)
Skill level 1 (higher)	4,769.3	97.9	2.1	1,355.1	39.7
Skill level 2	1,714.0	66.9	4.1	290.2	20.4
Skill level 3	2,060.3	121.7	6.3	184.2	9.8
Skill level 4	3,263.8	79.2	2.5	412.6	14.5
Skill level 5 (lower)	1,993.7	33.6	1.7	97.6	5.1

Source: ABS, *Labour Force, Australia, Detailed, Quarterly, February 2023;* Jobs and Skills Australia seasonally adjusted data.

Note: Skill Level 1 is commensurate with a Bachelor degree or higher qualification; Skill Level 2 is commensurate with an Advanced Diploma or Diploma; Skill Level 3 is commensurate with a Certificate IV or III (including at least 2 years on-the-job training); Skill Level 4 is commensurate with a Certificate II or III; Skill Level 5 is commensurate with a Certificate I or secondary education.

4. Minimum wage and award wage employees

Key points

- Latest ABS data shows that 2.7 million employees had their pay set by an award (23.0 per cent of all employees) (ABS, *Employee Earnings and Hours, May 2021*).
- Award-reliant workers, many of whom are low paid, are more likely to be women, young, and employed casually (ABS, *Employee Earnings and Hours, May 2021*).
- High inflation has led to falling real wages and resulted in cost-of-living pressures. This has a disproportionate impact on low-paid workers as they allocate a larger share of spending on non-discretionary goods and services which have seen the largest price increases.
- Low-paid workers are less able to deal with unexpected financial shocks and experience greater financial hardship. Declines in real wages, due to high inflation, are therefore particularly corrosive for low-paid workers.

4.1 Minimum wage and award wage employees

87. There are up to 2.7 million employees across Australia who have their pay set by an award (ABS, *Employee Earnings and Hours, May 2021*). There are around 2,000 adult award rates of pay across hundreds of classifications. These rates of pay vary widely, from the current NMW rate ($42,255.20 per year) up to $199,234 per year (*Air Pilots Award 2020*). The NMW rate of $812.60 per week is equivalent to the base rates of 42 of the 121 modern awards.[1]

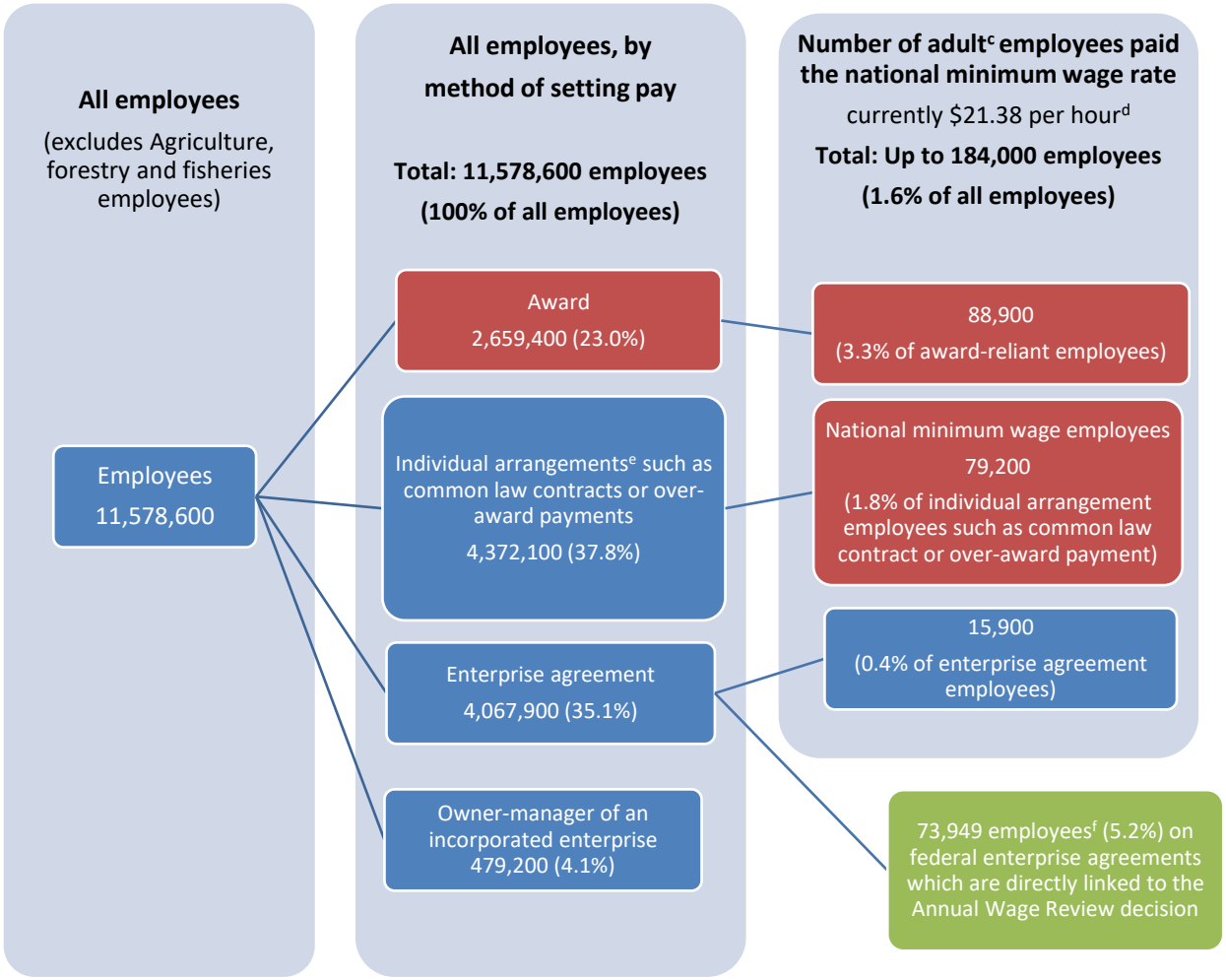
88. Using the latest ABS data, the Government estimates that around 184,000 employees in Australia (or 1.6 per cent) are paid the NMW rate (currently $21.38 per hour) (ABS, *Employee Earnings and Hours, May 2021*).[2]

89. Chart 4.1 shows the number of employees directly affected by the Panel's decision: employees paid the NMW rate, those whose pay is set by a modern award, and those workers whose pay is set by collective agreements that are linked to the Annual Wage Review and designed to maintain wage relativities.

[1] The base rate is the lowest pay point in a modern award. It includes the wage rates for introductory, induction, or training rates but excludes apprenticeship wage rates.

[2] These include those employees on awards, covered by enterprise agreements and national minimum wage employees. National minimum wage employees are classified as employees who are paid the adult rate, are non-managerial, have their pay set through an individual arrangement, and with average ordinary time earnings of up to $20.00 per hour.

Chart 4.1: Number of employees by method of setting pay, May 2021[a, b]



Source: ABS *Employee Earnings and Hours, May 2021,* published and unpublished data (including Government calculations); Department of Employment and Workplace Relations, Workplace Agreements Database, September 2022.
Notes: (a) All numbers are for May 2021, except for the number of employees on agreements linked to the Annual Wage Review decision (in green), which is for the September quarter 2022. (b) The Fair Work Commission sets award classification wages and the NMW. These workers are coloured red in the chart. (c) This excludes workers paid junior, apprentice and disability rates of pay. (d) The NMW rate in May 2021 was $19.84 per hour. Employees paid at or below $20.00 per hour in May 2021 (a rounded hourly rate of the NMW in May 2021) are considered to be paid the NMW rate. (e) The ABS classifies employees in the individual arrangement category if they have their pay set by an individual common law contract or arrangement, whether or not written, including where employees receive over-award payments. (f) This data is derived from the Workplace Agreements Database. It includes the number of employees covered by agreements current as at 30 September 2022 with a clause which states that the entirety of the Annual Wage Review decision will be applied in full and automatically to wages. These workers may also be earning the NMW rate and thus also covered in the boxes above.

4.2 Modern award-reliant employees

90. For the first time, the ABS has released data on the number of employees covered by specific modern awards. This enables mapping of 2.3 million of the 2.7 million award-reliant employees to a specific modern award. The top 20 most popular awards – by number of employees – are presented in Table 4.1.

91. Almost two-thirds of all modern award employees are captured in the largest 10 modern awards, which increases to over 80 per cent when expanded to the largest 20 modern awards (ABS, *Employee Earnings and Hours, May 2021*). In other words, the vast majority of award-reliant employees are employed under a small proportion (less than 17 per cent) of the 121 modern awards.

92. Some awards fall primarily within one or 2 industries. For example, nearly 75 per cent of workers under the General Retail Industry award work in the Retail trade industry, and more than 67 per cent of workers under the Social, Community, Home Care and Disability Services Industry award work in the Health care and social assistance industry.

93. Other awards, for example the Clerks – Private Sector Award, are spread across a wide range of industries, with less than 29 per cent employed in the Administration and support services industry.

Table 4.1: Largest 20 modern awards, by industry, May 2021

Modern award	**Number of employees**	**Largest industry** Number of employees (proportion of employees under this award)
General Retail Industry	260,100	Retail trade 193,900 (74.5%)
Social, Community, Home Care and Disability Services Industry	248,700	Health care and social assistance 167,500 (67.3%)
Hospitality Industry (General)	225,900	Accommodation and food services 166,200 (73.6%)
Fast Food Industry	187,200	Accommodation and food services 167,300 (89.3%)
Restaurant Industry	129,200	Accommodation and food services 117,400 (90.9%)
Children's Services	112,900	Health care and social assistance 95,600 (84.7%)
Clerks – Private Sector	91,500	Administration and support services 26,100 (28.5%)
Health Professionals and Support Services	91,000	Health care and social assistance 65,700 (72.2%)
Vehicle Repair, Services and Retail Award	82,500	Retail trade 46,900 (56.9%)
Cleaning Services	75,300	Administration and support services 65,200 (86.6%)
Building and Construction General On-site	75,000	Construction 49,500 (66.0%)
Manufacturing and Associated Industries and Occupations	55,300	Manufacturing 27,300 (49.3%)
		Other services

Modern award	Number of employees	Largest industry Number of employees (proportion of employees under this award)
Hair and Beauty Industry	50,000	49,700 (99.4%)
Food, Beverage and Tobacco Manufacturing	44,400	Manufacturing 27,700 (62.4%)
Storage Services and Wholesale	43,200	Retail trade 15,900(36.9%)
Pharmacy Industry	38,300	Retail trade 24,800 (64.8%)
Fitness Industry	33,900	Arts and recreation 13,500 (39.9%)
Registered and Licensed Clubs	31,500	Accommodation and food services 25,600 (81.2%)
Meat Industry	29,800	Retail trade 18,000 (60.5%)
Road Transport and Distribution	27,500	Transport, postal and warehousing 20,400 (74.2%)

Source: ABS, *Employee Earnings and Hours, May 2021*, unpublished Datalab.
Note: Employees under the same award may work in different industries due to the different classifications and structures within the award.

94. Examining the largest 20 awards, award-reliant employees are more likely to be:
    - Women (61.3 per cent);
    - Working part time (68.0 per cent);
    - Young (58.8 per cent aged under 35 years); and
    - Employed on a casual basis (52.3 per cent).

4.3 Cost-of-living pressures and low-paid workers

95. Subsections 134(1) and 284(1) of the *Fair Work Act 2009* state that the Panel, in reviewing and determining minimum and award wages, must have regard to the relative living standards and the needs of the low paid.

96. While nominal wages growth is now steadily increasing and labour market conditions remain tight, real wages fell by 4.5 per cent over 2022 (ABS, *Consumer Price Index, December 2022*; ABS, *Wage Price Index, December 2022*). The fall in real wages is having the greatest impact on Australia's low-paid workers and their families, many of whom do not have savings to draw on to cover the rise in living costs and experience more financial hardship.

97. Analysis by the Government using the HILDA survey shows that in 2021 workers defined as low-paid by HILDA were more likely to be women, young, casually employed and employed in the Retail trade, Accommodation and food services, or Health care and social assistance industries.

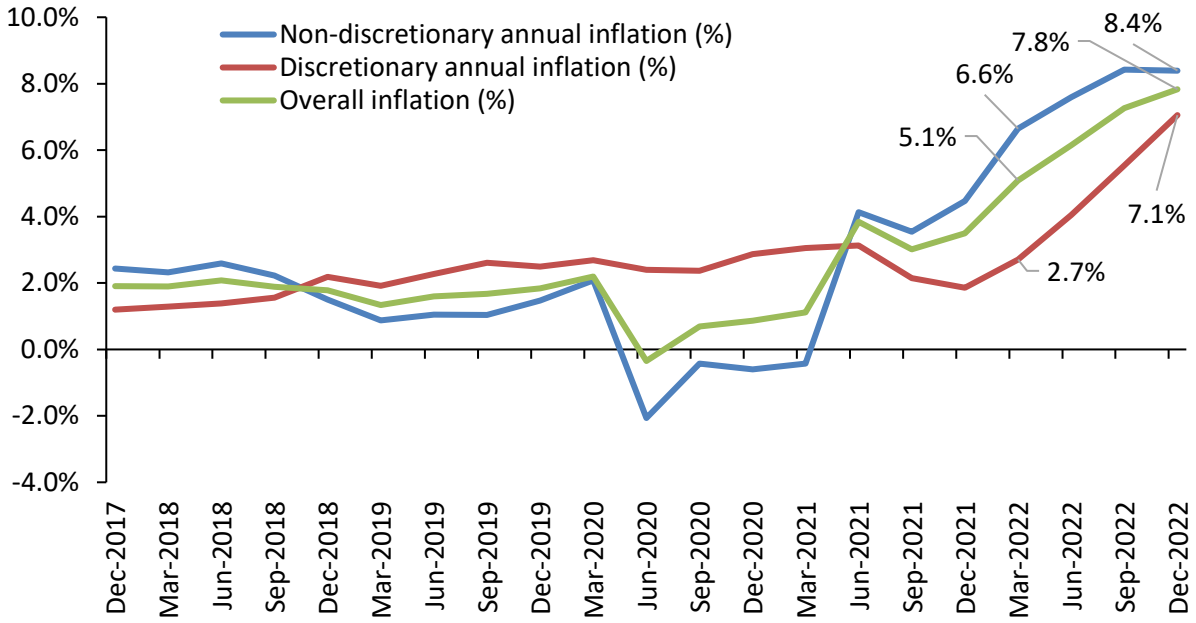
98. Low-income households tend to allocate a larger share of spending to non-discretionary goods such as food and rent (Beech *et al* 2014).

99. Low-paid workers have a higher average propensity to consume out of income than middle- and high-income earners (Fisher *et al* 2016).[3] This means costs-of-living pressures, particularly for essential goods and services, will affect low-paid workers more than middle- and high-income earners.[4]

100. Large price increases have been particularly pronounced for non-discretionary goods and services. In the year to December 2022, the prices of non-discretionary goods and services rose by 8.4 per cent, compared to the total Consumer Price Index basket, which saw inflation of 7.8 per cent (ABS, *Consumer Price Index, December quarter 2022*; ABS, *Monthly Annual Spending Indicator, February 2023*) (see Chart 4.2).

101. In the year to the December quarter 2022, prices for essential items rose particularly fast. Prices for housing rose by 10.7 per cent, prices for food and non-alcoholic beverages rose by 9.2 per cent, and prices for transport rose by 8.0 per cent (all higher than the headline inflation figure of 7.8 per cent) (ABS, *Consumer Price Index, December quarter 2022*). Rent prices are growing more strongly now than they were 12 months ago (ABS, *Consumer Price Index Monthly Indicator, February 2023*).

Chart 4.2: Discretionary and non-discretionary inflation, December 2017 – December 2022



Source: ABS, *Consumer Price Index, December quarter 2022*.

102. Cost-of-living pressures have already had tangible impacts on household wellbeing. The 2022 *Foodbank Hunger Report* showed an increase in food insecurity among Australian households, with 23 per cent of Australian households perceiving that they now struggle financially to access food more often compared with last year (Miller and Li 2022). Cost

[3] Fisher *et al* (2016) show that the average propensity to consume is above 0.8 for the bottom 10 per cent of the income distribution and below 0.6 for the top 10 per cent. See also: Fair Work Commission Annual Wage Review 2020-21 Decision, FWCFB 3500 at [121].

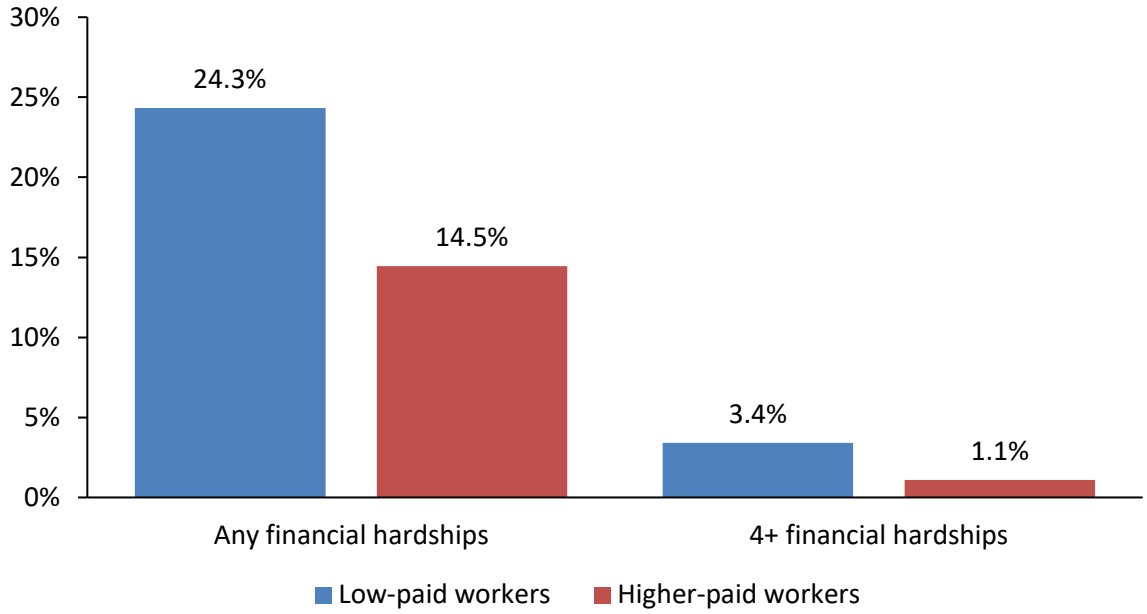
[4] This is consistent with the RBA's February 2023 *Statement on Monetary Policy*, which noted (at 64) *"While a rising cost of living puts pressures on household budgets across the economy, lower income households typically have the most constrained budgets as they spend a greater proportion on essential items and have lower financial buffers"* (RBA 2023). See also: Fair Work Commission Annual Wage Review 2021-22 Decision, FWCFB 3500 at [133].

of living was the most common reason for food insecurity, affecting 64 per cent of food insecure households.

103. Low-paid employees typically report experiencing more financial hardship compared with higher-paid employees.

104. In 2021, 24.3 per cent of low-paid workers experienced at least one form of financial hardship compared with 14.5 per cent of higher-paid workers and 3.4 per cent of low-paid employees experienced 4 or more forms of financial hardship, compared with only 1.1 per cent of higher-paid employees (see Chart 4.3) (Melbourne Institute 2022).[5] These differences have persisted over time.

Chart 4.3: Proportion of people who experienced financial hardship by low-paid status, 2021



Source: Government analysis using HILDA wave 21.

105. Financial hardship is likely to increase as living costs rise, particularly for low-paid workers and their families as they are less likely to have savings to draw on to cover the rise in living costs. Reserve Bank Governor Philip Lowe noted in February 2023:

> *"High inflation is damaging and corrosive. It hurts people, puts pressure on household budgets and erodes the value of people's savings. It increases inequality and hurts people on low incomes the most."* (Lowe 2023)

106. With lower accrued savings and little financial buffers, low-paid workers are also less able to deal with unexpected financial shocks and expenses.

[5] Government analysis using HILDA 2021 survey. Measures of financial hardship are an inability to pay bills on time, inability to pay rent/mortgage on time, required to pawn or sell something because of a shortage of money, went without meals because of a shortage of money, inability to heat home, and asking for financial help from friends/family or welfare/community organisations. Higher-paid employees refers to any employees who are not low paid.

5. Gender equality and job security

Key points

- In December 2022, gender equality and job security were added in the object of the *Fair Work Act 2009*. The modern awards objective was amended to include secure work and gender equality, and the minimum wages objective was amended to include gender equality.
- The Commission is required to take these matters into account when performing its functions or exercising its powers under the *Fair Work Act 2009*, including when varying modern awards and, in the case of gender equality, when reviewing and setting minimum wages.
- As women are disproportionately represented in low-paid and award-reliant jobs, increases in the minimum wage are likely to decrease the gender pay gap and increase the incentive to enter the workforce, which may, in turn, affect the participation rate for women.
- Increases to the minimum and award wages provide income boosts for those more likely to be in less secure forms of employment such as casual employees and multiple job holders.

5.1 The minimum wage and gender equality

107. The *Fair Work Legislation Amendment (Secure Jobs, Better Pay) Act 2022* amended the *Fair Work Act 2009* to embed the principle of gender equality in the Commission's decision-making processes.

108. The addition of gender equality to the minimum wages and modern awards objectives is designed to ensure that equal renumeration, eliminating gender-based undervaluation, and addressing gender pay gaps are considered in wage-related matters.

109. As noted in paragraph 87 in the 2021-22 Decision on the National Minimum Wage, increases in the NMW and modern award minimum wages are likely to have a relatively small, but beneficial, effect on the gender pay gap. The NMW decision is an important mechanism to reduce the economy-wide gender pay gap.

110. Women are disproportionately represented in award-reliant jobs. Around 59 per cent of award-reliant employees are women (ABS, *Employee Earnings and Hours, May 2021*). Women are also disproportionately represented in lower paying industries, with women comprising more than 50 per cent of employees in 6 of the lowest 8 paying industries (ABS, *Average Weekly Earnings, November 2022*; ABS, *Characteristics of Employment, August 2022*).

111. Data on gender is available for 8 of the 10 most common (by number of employees) awards. In 7 of these 8 awards, women form the majority of employees, with the proportion ranging from 60.0 per cent to 80.8 per cent (ABS, *Employee Earnings and Hours, May 2021*) (see Table 5.1).

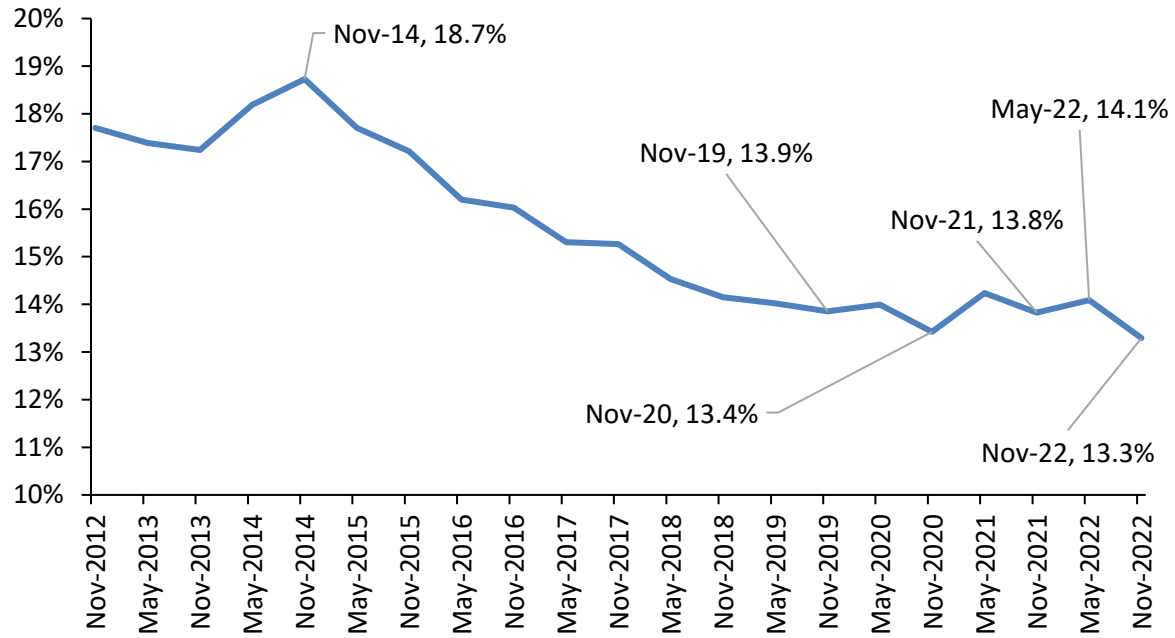
Table 5.1: Women employees across 10 most common modern awards, May 2021

Modern award	Number of employees who are women	Proportion of employees who are women
General Retail Industry	174,300	67.0%
Social, Community, Home Care and Disability Services Industry	172,300	69.3%
Hospitality Industry (General)	148,600	65.8%
Fast Food Industry	113,900	60.8%
Restaurant Industry	79,300	61.4%
Clerks – Private Sector	73,900	80.8%
Cleaning Services	45,200	60.0%
Vehicle Repair, Services and Retail Award	22,900	27.8%
Children's Services	-	-
Health Professionals and Support Services	-	-

Source: ABS, *Employee Earnings and Hours, May 2021,* unpublished Datalab.
Note: Due to the confidentiality requirements surrounding Employee Earnings and Hours microdata accessed through Datalab, the gender split for all the 10 most common awards were unable to be published. This may be due to extreme gender dominance or a small number of employers underlying the data.

112. The commonly used weekly gender pay gap is defined as the difference between women's and men's average weekly full-time ordinary time earnings expressed as a proportion of men's earnings. In November 2022, the gender pay gap for full-time adult employees was 13.3 per cent, compared with 14.1 per cent in May 2022 and 13.8 per cent in November 2021 (ABS, *Average Weekly Earnings, November 2022*). The current gender pay gap is the lowest on record and well below the most recent peak of 18.7 per cent in November 2014.

Chart 5.1: Gender pay gap, November 2012 – November 2022



Source: ABS, *Average Weekly Earnings, November 2022*

113. Despite the recent improvement in the gender pay gap, there remains a substantial disparity in earnings between men and women. The current gender pay gap equates to

men working full-time earning, on average, $253.50 more per week than women working full time (ABS, *Average Weekly Earnings, November 2022*).

114. This gender pay gap does not take into account the fact that women are disproportionately represented in part-time work. The gap in total earnings (including both full-time and part-time workers) between men and women stood at 29.4 per cent in November 2022, with men earning, on average, $476.30 per week more than women (ABS, *Average Weekly Earnings, November 2022*).

115. As women are disproportionately represented in low-paid and award-reliant jobs, increases in the minimum wage are likely to decrease the gender pay gap and increase the incentive to enter the workforce, which may, in turn, affect the participation rate for women.

116. While the difference in the workforce participation rate between men and women has reduced over the long term, as at February 2023 it stood at 9.1 percentage points (ABS, *Labour Force, February 2023*).

117. International comparisons suggest that there is scope for women in Australia to increase their workforce participation further. While the participation rate for women in Australia – 62.1 per cent in February 2023 – is above the Organisation for Economic Co-operation and Development (OECD) average (53.0 per cent), it remains well below the rate recorded in New Zealand (67.1 per cent in December 2022) (ABS, *Labour Force, February 2023*; OECD.Stat 2023; Stats NZ 2023).

5.2 Job security

118. Secure, well-paid jobs are a key objective of the Australian Government. Beyond enabling financial independence for individuals, fair pay and job security strengthens communities, promotes attractive careers, and contributes to broad-based prosperity. The introduction of job security as an objective of the *Fair Work Act 2009* (s3(a)) embeds the principle of job security in the Commission's decision-making. Amendments to the modern awards objective added the need to improve access to secure work across the economy as something the Commission must take into account when ensuring the modern awards and the National Employment Standards provide a fair and relevant minimum safety net (s 134(1)(aa)).

119. Workplaces can have short term and unpredictable needs, and flexible forms of work are intended to allow employers to be able to meet these variable needs. Some employees also value the flexibility of these forms of work. However, the use of these types of employment should reflect the practical reality of the work.

120. Factors that contribute to improving job security include:

- Certainty about future employment prospects;
- Predictability of hours and days of work;
- Appropriate pay and conditions, without risk of underpayment;
- Access to training and development opportunities;
- Ability to exercise workplace rights without fear of job loss;

- Access to entitlements that allow for rest, recovery, and care (personal and carers leave) and recreation (annual leave) without financial implications;
- Jobs that do not have unfair or discriminatory assumptions about the value of the work; and
- The ability to balance work and other responsibilities, such as caring.

121. These job characteristics are not specific to full-time, permanent jobs and the relative value of these characteristics will vary dependent on individual preferences and circumstances, including across different stages of work and personal lives.

5.2.1 Casual employment

122. Casual employees are exposed to a number of factors that can contribute to insecurity, such as lack of paid leave entitlements and predictability of work. Casual employees have a lower rate of satisfaction with their job security (7.66/10 compared to 8.24 and 8.31 for permanent part-time and full-time employees respectively) (HILDA wave 21).

123. The latest data show that half of all casual employees are award reliant (49.6 per cent) and most casuals – 52.6 per cent – are women (ABS, *Employee Earnings and Hours, May 2021*; ABS, *Labour Force Detailed, February 2023*). Additionally, 45.5 per cent of award-reliant employees are casual, compared to 16.0 per cent for those under a collective agreement and 13.2 per cent for those under an individual arrangement.

124. Further, 8 of the 16 most common awards (by number of employees) for which data by status of employment is available, had a greater number of casual employees than permanent employees (ABS, Employee Earnings and Hours, May 2021) (see Table 5.2).

Table 5.2: Number and proportion of casual employees across the 20 most common modern awards, May 2021 (ordered by declining proportion of casual employees)

Modern award	Number of casual employees	Proportion of casual employees
Registered and Licensed Clubs	26,800	85.1%
Fitness Industry	28,100	82.9%
Hospitality Industry (General)	161,500	71.5%
Fast Food Industry	132,300	70.6%
Restaurant Industry	88,900	68.8%
General Retail Industry	174,200	67.0%
Food, Beverage and Tobacco Manufacturing	25,700	58.0%
Road Transport and Distribution	14,600	53.2%
Storage Services and Wholesale	22,400	51.9%
Social, Community, Home Care and Disability Services Industry	112,100	45.1%
Clerks – Private Sector	35,700	39.0%
Cleaning Services	26,400	35.1%
Hair and Beauty Industry	16,900	33.8%
Vehicle Repair, Services and Retail Award	27,400	33.2%
Health Professionals and Support Services	29,600	32.6%
Children's Services	30,600	27.1%
Manufacturing and Associated Industries and Occupations	13,900	25.1%
Building and Construction General On-site	18,500	24.7%
Pharmacy Industry	-	-
Meat Industry	-	-

Source: ABS, *Employee Earnings and Hours, May 2021,* unpublished Datalab.
Note: Due to the confidentiality requirements surrounding Employee Earnings and Hours microdata accessed through Datalab, the casual/permanent split for all the 20 most common awards were unable to be published. This may be due to extreme casual/permanent dominance or a small number of employers underlying the data.

125. Following the amendments to the *Fair Work Act 2009* in December 2022, the Panel must take into account the need to improve access to secure work across the economy. Increases in the minimum and award wages provide income boosts for those more likely to be in less secure forms of employment, such as casual employees who do not have access to paid leave and other factors that contribute to job security.

5.2.2 Multiple job holders

126. Research shows that most instances of holding multiple jobs are likely a response to either job insecurity, or financial hardship as a result of low pay (see references below). The Panel must have regard to both the needs of low-paid workers and job security when making its decision. The latest data show that multiple job holding is at a record high: in the December quarter 2022, 6.6 per cent of workers (or 925,000 workers) held more than one job (ABS, *Labour Account, December 2022*). The majority (56.2 per cent) of multiple job holders are women (ABS, *Characteristics of Employment, August 2022*).

127. Increasing the minimum wage rate and award rates may enable those holding multiple jobs for financial reasons to reduce the number of jobs they need to hold at any one time.

128. Multiple job holding is often a financial decision, with workers seeking to increase their income, but being unable to do so in their primary job (see, for example, Beckhusen 2019, Conen and Stein 2021, Panos and Pouliakas 2014).

129. Multiple job holding has also been shown to be a response to job insecurity, with Preston and Wright (2020) finding that non-permanent contracts (including casual employment) were associated with a higher probability of holding a secondary job in Australia. Bamberry (2012) also found that multiple job holding was a response to income insecurity in one or more of the participant's jobs.

130. Increases in the minimum and award wages provide income boosts for those holding multiple jobs as a response to job insecurity or financial hardship as a result of low pay.

6. Relative living standards

Key points

- The national minimum wage bite (the ratio between the NMW and median full-time earnings) declined from 61.9 per cent in 1997 to 53.3 per cent in 2022 (ABS, *Characteristics of Employment, August 2022*; ABS, *Weekly Earnings of Employees (Distribution), 1997*).
- The NMW declined over the past 2 years in real terms.

6.1 The minimum wage bite

131. Subsections 134(1) and 284(1) of the *Fair Work Act 2009* state that the Panel, in reviewing and determining minimum and award wages, must have regard to the relative living standards and needs of the low paid.

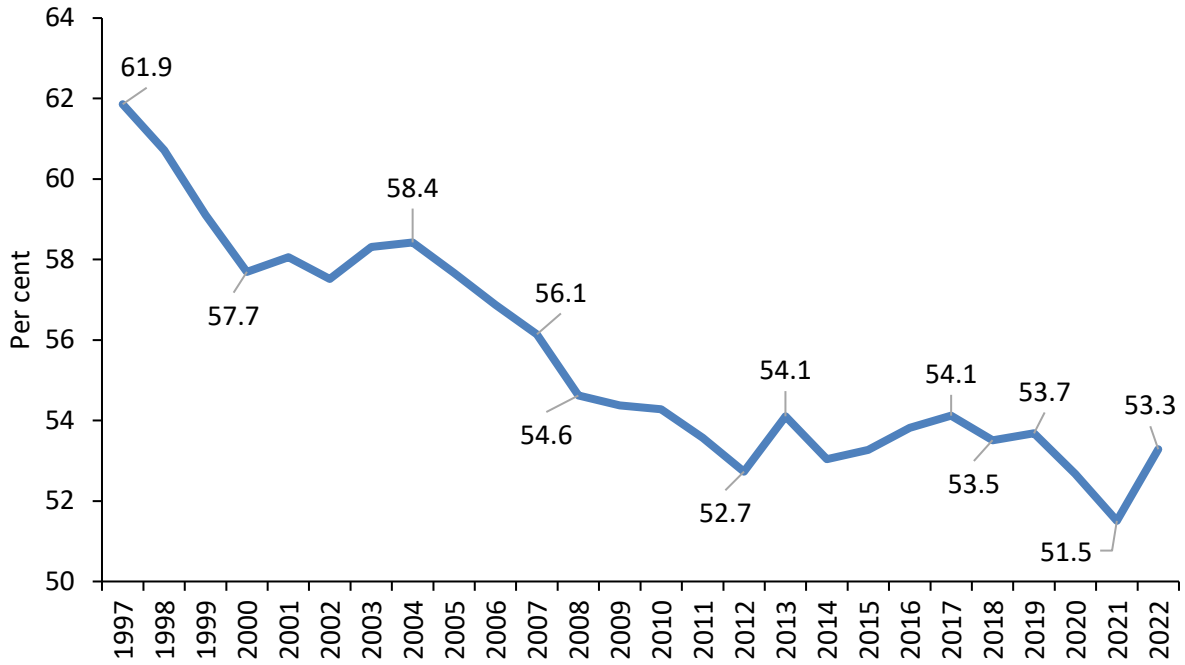
132. The minimum wage bite – the ratio between the NMW rate and median full-time earnings – is one means of measuring the relativity between minimum wages and median earnings.

133. The minimum wage bite stood at 61.9 per cent when the NMW was introduced in 1997, although it declined to 57.7 per cent by 2000 (ABS, *Characteristics of Employment, August 2022*; ABS, *Weekly Earnings of Employees (Distribution), 1997*). Between 2004 and 2008, the minimum wage bite decreased from 58.4 per cent to 54.6 per cent, in large part due to strong increases in median earnings.

    - Over this period, median full-time earnings increased by an average of 5.3 per cent (or 1.9 per cent in real terms) compared with an annual average increase in the minimum wage of 3.6 per cent (or 0.3 per cent in real terms) (ABS, *Characteristics of Employment, August 2022;* ABS, *Consumer Price Index, December quarter 2022*).

134. The minimum wage bite has not recovered from this decline, standing at 53.3 per cent in 2022 (see Chart 6.1).

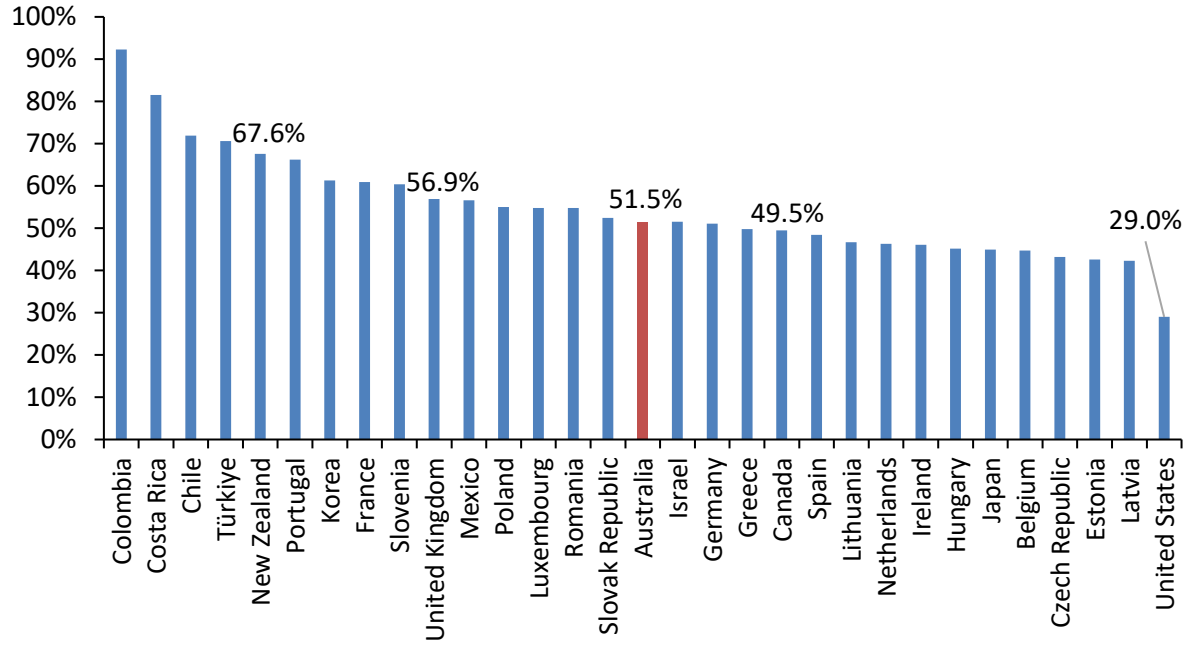
Chart 6.1: National Minimum Wage as a share of median wage (minimum wage bite)



Sources: Minimum wage – from 2006: Australian Fair Pay Commission/Fair Work Australia/Fair Work Commission decisions on National Minimum Wage; prior to 2006: Australian Industrial Relations Commission decisions on Federal minimum wage based on the Metal, Engineering and Associated Industries Award (1998). Median wage - from 2004 onwards: ABS *Characteristics of Employment;* from 1998-2003: ABS *Employee Earnings, Benefits and Trade Union Membership* (EEBTUM); for 1997: ABS *Weekly Earnings of Employees (Distribution),* Australia.
Note: The 51.5 per cent recorded in 2021 was significantly affected by the impact of COVID-19 lockdowns on the income distribution.

135. Comparisons across countries should be treated with caution, as they do not take into account differences in institutional and workplace relations settings, and differences in social welfare systems. As of 2021 (latest available OECD comparison), Australia's minimum wage bite is the equal 16th highest of the 30 OECD countries for which data are available (see Chart 6.2), down from the 10th highest in 2010 (OECD 2023). Notably, the strength of Australia's minimum wage relative to median earnings is well below that recorded in New Zealand (67.6 per cent) and the UK (56.9 per cent) (OECD 2023).

Chart 6.2: Minimum wage bite, OECD economies, 2021

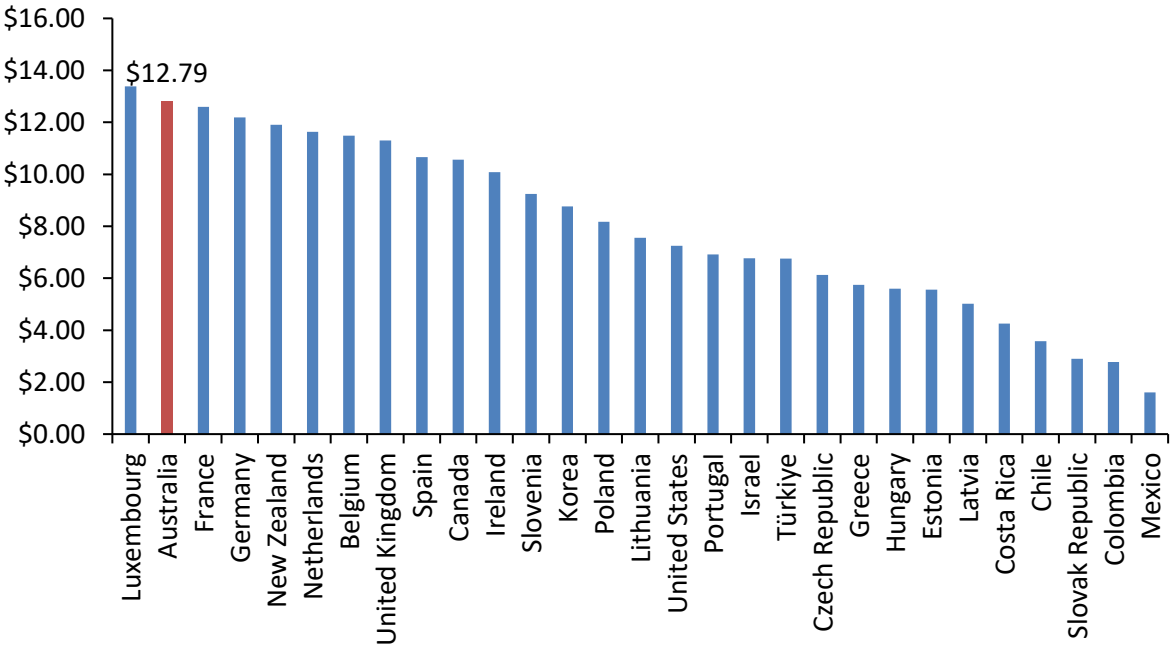


Source: *OECD Stat Extracts*, stats.oecd.org, extracted February 2023.

Note: Data on the minimum wage bite are only available for 30 out of 38 OECD countries.

136. Across OECD countries, Australia's minimum wage is the second highest (in terms of purchasing power) of 29 countries for which data are available (see Chart 6.3) (OECD 2023).

Chart 6.3: Real hourly minimum wages ($US purchasing power parity), OECD economies, 2021



Source: *OECD Stat Extracts*, stats.oecd.org, extracted March 2023.

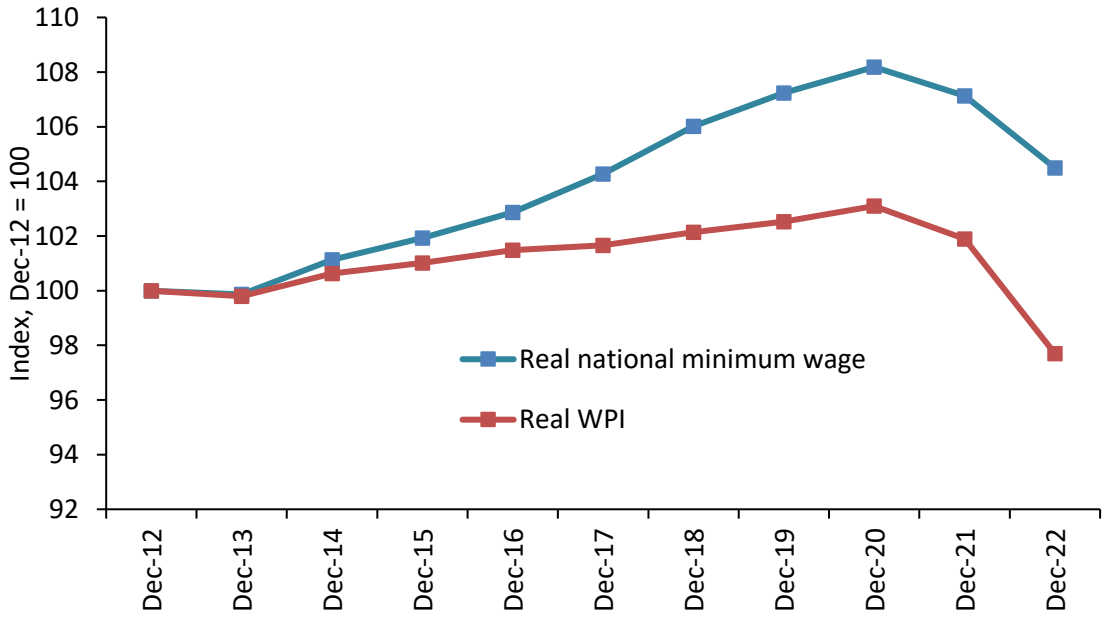
6.2 Recent developments in the real national minimum wage

137. Against the backdrop of currently high levels of inflation, the minimum wage has declined in real terms over the past 2 years.

- For instance, despite an average nominal increase in the minimum wage of 3.8 per cent per year over the 2 years to June 2022, in real terms, the minimum wage fell by an annual average of 1.1 per cent (ABS, *Consumer Price Index, December 2022*).[6]
- Inflation has increased beyond the 5.1 per cent rate at the time of publication for the Panel's 2022-23 decision (ABS, *Consumer Price Index, December 2022*). Consequently, the real minimum wage has decreased since then. Taking into account this subsequent rise in inflation, the real minimum wage fell by an annual average of 1.7 per cent over the 2 years to December 2022 (Fair Work Commission decisions on the National Minimum Wage*;* ABS*, Consumer Price Index, December quarter 2022)*.[7]

138. While growth in the NMW has been stronger than the Wage Price Index over the past decade, since the onset of COVID-19, both the NMW and the Wage Price Index have grown at a much slower rate than inflation (see Chart 6.4).

Chart 6.4: Real increases in the National Minimum Wage and the Wage Price Index



Sources: Fair Work Commission decisions on National Minimum Wage; ABS, *Wage Price Index, Australia, December 2022,* seasonally adjusted data; ABS, *Consumer Price Index, Australia, December 2022*.
Note: Figures for WPI, CPI and the NMW are all indexed at December 2012 (December 2012 = 100). Growth in WPI and CPI reflect annual growth to the December quarter.

[6] Using the June 2022 quarter Consumer Price Index as the deflator to calculate the changes in real terms.
[7] Using the December 2022 quarter Consumer Price Index as the deflator to calculate the changes in real terms.

7. Other economic considerations

Key points

- It is important that the minimum wage, relative to the level of income available when not working, is set at a level that encourages people who are out of work to enter the workforce.
- Evidence suggests that household groups are better off when an unemployed member of a household gains a job at the minimum wage. There are also significant other benefits associated with gaining decent work.
- Overall, the literature on the employment impact of increases to the minimum wage show that where increases to the minimum wage are more moderate, minimum wage rises lead to negligible employment impacts.

139. Subsections 134(1) and 284(1) of the *Fair Work Act 2009* state that the Panel, in reviewing and determining minimum and award wages, must:

- Take into account promoting social inclusion through increased workforce participation; and
- Consider the performance and competitiveness of the national economy, including productivity, business competitiveness and viability, inflation, and employment growth.

7.1 Minimum wages and incentives to work

140. The level of the minimum wage, among other things – including income taxes, government payments, and child care costs – can influence a person's decision to look for work. It is therefore important that the disposable income obtained when working at the minimum wage, relative to the level of income available when not working, is set at a level so that it encourages people who are out of work to enter the workforce and receive the benefits that work can provide to individuals and communities.

141. The Government has modelled the interaction between the tax-transfer system, out-of-pocket child care costs, and the NMW for a broad range of hypothetical single-earner and dual-earner households.[8, 9] The modelling shows that all the hypothetical household types were better off when an unemployed member of the household gained a job at the NMW. However, the improvement in the financial position differs by family type and, for couples, whether one or 2 partners are working. In some cases, particularly in households with multiple children, the financial incentive for moving into a minimum wage job was relatively smaller.

[8] The analysis considered the potential impact of earnings from a job at the national minimum wage rate on combined household income, taking into account income support (Jobseeker Payment, Parenting Payment or Youth Allowance), other transfer payments (such as Family Tax Benefits and Rent Assistance), other earnings (if other members of the household were already receiving earned income from employment), child care costs and taxation. The assumptions used in the analysis are detailed in Appendix A.

[9] Temporary measures are not modelled, as they do not represent structural elements of the tax-transfer system, and moreover, these policies may not apply on 1 July 2023, the date at which the Panel's decision will take effect.

142. A single adult household without children would increase their disposable income by $379 per week (112 per cent) by moving from unemployment into a full-time job (i.e., working 38 hours per week) paying the NMW rate. [10, 11, 12] If taking a part-time job (i.e., working 20 hours per week) at the NMW rate, disposable income would increase by $187 per week (55 per cent).

143. An unemployed couple without children would be $280 per week (45 per cent) better off if one unemployed member of the household found a full-time job at the NMW rate. A couple without children, with one adult already in full-time employment at the NMW rate, would be $538 per week (60 per cent) better off if the unemployed member of the household moved into full-time minimum wage work.

144. Households with children are also better off when an unemployed adult gains a job at the NMW rate, even after paying for child care. For example, a couple with a 3-year-old child with one member of the couple in a full-time job at the NMW rate, would be $256 per week (23 per cent) better off (after accounting for the cost of child care) if the second member of the couple also found a full-time NMW rate job. If the second member of the household took a part-time job at the NMW rate, the household would increase their disposable income by $114 per week (10 per cent) after accounting for the cost of child care.[13]

145. The World Health Organisation (WHO) has outlined how decent work supports good mental health, due to providing a livelihood, a sense of confidence and social inclusion (WHO 2022). However, while the objective benefits of work on an individual's wellbeing are well documented (Waddell and Burton 2006), higher paying and quality jobs can deliver better outcomes. This includes improved financial freedom, improved health outcomes (which the OECD has argued has a direct economic impact on public health expenditure), and a stronger link between the employer and employee leading to higher staff retention, increased investment in education and training, and improved productivity.

7.2 Minimum wage increases and the impact on employment

146. The balance of literature on the employment impacts of increases to the minimum wage suggests that moderate increases to the minimum wage tend to have negligible employment impacts. Caution needs to be taken when extrapolating the findings of international research for Australia, given Australia's minimum wage setting environment and award system.

[10] Disposable income is a family's final income for their use. It is calculated as their gross income net of taxes paid and cash transfers received.
[11] Percentage is calculated as 100*(disposable income after finding job - disposable income before finding a job)/disposable income before finding a job).
[12] Unless otherwise stated, dollar figures in the text are rounded to the closest dollar, and percentages rounded to the closest per cent.
[13] It is assumed the family uses 50 hours of long day care per week when the unemployed adult finds a full-time job and 30 hours of long day care per week when the unemployed adult finds a part-time job. See Appendix A for details.

147. The Australian literature shows that moderate increases to the minimum wage result in a mix of small negative and statistically insignificant employment impacts, as outlined in Bray (2013) and Productivity Commission (2015).

148. Internationally, the evidence is similar. In the US, researchers have found a mix of small negative, and statistically insignificant employment effects (see for example, Neumark 2018, Allegretto *et al.* 2017, Cengiz *et al.* 2019, and Godøy and Reich 2021). Similar results have also been found in European countries such as Germany and the UK (Heise and Pusch 2020, Kölling 2020, Caliendo *et al.* 2019, Dube 2019, and Cribb *et al.* 2021).

149. An earlier study by Card and Krueger (1994) looked at the impact in fast food restaurants of an increase in the minimum wage in New Jersey from $4.25 to $5.05 per hour (a 19 per cent increase). They found that employment increased in New Jersey fast food restaurants by 13 per cent, which was comparable to Pennsylvania – which did not increase its minimum wage.

150. In its Annual Wage Review 2021-22 Decision, the Fair Work Commission noted that: *"[w]e agree with the RBA's assessment and remain of the view that moderate and regular increases in minimum wages do not result in significant disemployment effects"* (paragraph 65).

151. Given the current inflation environment in Australia, and the Annual Wage Review 2021-22 Decision to award an increase to the minimum wage just above inflation – made at a time when inflation was at 5.1 per cent – it is likely that employers are expecting higher increases to the minimum wage and have considered and planned strategies to manage the anticipated large increase.

7.3 Other benefits to minimum wage increases

152. At the enterprise level, after receiving a wage increase, workers may be more motivated, more engaged with their work, and, as a result, more productive. A wage increase may also entice them to stay longer with their employer, gaining experience and taking up productivity-enhancing training.

7.3.1 Higher wages lead to more motivated employees

153. In 1982, Akerlof argued that employees consistently provide higher effort levels in response to higher wages, also known as the *"efficiency wage"* theory.

154. Since then, a number of experimental studies have supported this theory.

155. Georgiadis (2013) found that the national minimum wage in the UK operated somewhat like an *"efficiency wage"* in the residential care homes sector, increasing motivation and reducing the amount of worker supervision required.

156. Owens and Kagel (2010) also showed a positive relationship between minimum wages and workers' effort. They concluded that well-designed minimum wages can improve outcomes where employees have higher wages and employers have the same, or slightly higher, average labour costs.

7.3.2 Higher wages lead to lower turnover

157. Another area of research examines the link between minimum wages and reduced employee turnover, i.e., the flow of workers in and out of jobs. The evidence suggests that increases to the minimum wage reduce staff turnover which in turn, reduces employer costs and potentially boosts productivity.

158. Dube *et al.* (2012) found that a 10 per cent increase in the minimum wage in the US resulted in a 2.1 per cent reduction in turnover for restaurant workers and a 2.0 per cent reduction in turnover of teenagers. They argue this was due to the reduction in wage competition between low-paying enterprises.

159. In Canada, Brochu and Green (2013) found that hires, quits, and layoffs of young workers with low education declined in the year after a minimum wage increase.

160. However, a growing body of empirical evidence has found that lower labour mobility across jobs and fewer job-to-job transitions is associated with lower wage growth, although these findings are not specific to minimum wage earners (Deutscher 2019, Faberman and Justiniano 2015, and Andrews 2019).

Appendix A: Modelling Assumptions

A.1 Tax-transfer assumptions

(i) All tax rates and transfers are as at 1 January 2023 unless stated otherwise.

(ii) Temporary measures are not modelled.

(iii) Costs of private health insurance are not accounted for in calculating disposable incomes. Where applicable, families are assumed to have suitable private health cover such that they do not pay the Medicare Levy Surcharge.

(iv) Modelling includes Telephone Allowance where relevant.

(v) Modelling assumes the maximum rate of Rent Assistance where the household is renting.[14, 15]

(vi) Modelling assumes that the single adult or adult couple and their dependants are the only members of the family and household.[16] This is a single income unit, and the terms income unit, family and household may be used interchangeably to refer to the unit of analysis. Results may not generalise to households with additional cohabitants.

(vii) Families are assumed to not live in public housing or face shared care arrangements.

(viii) Modelling assumes all recipients of Youth Allowance are 22 years of age.

(ix) Modelling assumes all other persons are 35 years of age.

(x) Any lump sum payment is spread evenly over the period.

(xi) Family Tax Benefit recipients are assumed not to receive the associated Energy Supplement.[17]

(xii) Disposable income in Appendix B is income after taxes, transfers and out-of-pocket child care costs.[18]

(xiii) Annual payments are converted to weekly amounts using 52 as the divisor.

(xiv) Fortnightly payments are converted to weekly amounts by using 2 as the divisor.

(xv) Disposable income excludes gross rental costs for households (i.e., gross rental costs are not deducted in calculating the reported disposable income amount).

(xvi) Medicare Levy thresholds used in modelling are those for the 2022-23 financial year, as legislated at 1 January 2023.[19] These thresholds have also been applied to the 2019-20 financial year modelling.

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[14] This is modelled by assuming a gross rental cost of $500 per week. Since disposable income is exclusive of gross rental costs, this does not affect the reported disposable income amount to the extent that the chosen rental costs still yield the maximum rate of Rent Assistance.

[15] This means that rent assistance is also not modelled for the cameo Student – YA – away from home.

[16] The single exception is the part-time student living with parents in Table B.1.

[17] A family receiving FTB is eligible for the Energy Supplement if they were eligible for FTB on or before 19 September 2016. The modelling assumes that they were not. Who can get Energy Supplement - Energy Supplement - Services Australia

[18] Out of pocket child care costs are gross child care fees less any CCS.

[19] These thresholds are conventionally changed in the Federal Budget to apply retroactively from 1 July in the same financial year. Actual Medicare Levy thresholds may therefore differ from those modelled.

A.2 Child care assumptions

(i) Child care is not modelled for households when looking at changes in disposable household income.

(ii) Assumed hours of child care usage are listed in Table A.1. These are based on the hours of work for the second earner in a couple household.[20] Where only one member of a couple household works, it is assumed that the household does not require child care.

(iii) Only the Child Care Subsidy (CCS) is modelled. Modelling is for the 2022-23 financial year and does not include the now legislated Cheaper Child Care reform package, which will increase the rate of Child Care Subsidy from July 2023.[21]

(iv) Long day care and after-school care costs are detailed in Table A.1. This is based on average child care fees for the September quarter 2021, indexed using the Consumer Price Index (All groups CPI, Australia) up to the December quarter 2022.[22]

(v) Net child care costs (i.e., out of pocket costs) reported in Appendix B are calculated as gross child care costs less CCS.

(vi) Child care assumed to be used and paid for throughout the whole year (52 weeks).

(vii) Wage and working hour assumptions are at Table A.2.

Table A.1: Child care usage assumptions

Child age	Care type	Hours required per week (by labour force status of primary carer)		Hourly child care cost
		Full time	Part time	
0-4 years	Long Day Care	50	30	$12.02
5-12 years	Outside School Hours Care [(a)]	15	9	$8.20

Note: (a) Usage for school aged children is based on care requirements during the school term. It is expected that care requirements will differ over the school holiday period. Children aged 5-12 years are presumed to only attend the after-school session of Outside School Hours Care.
Source: Child Care in Australia report September quarter 2021 (September quarter 2021 report - Department of Education, Australian Government)

[20] Basing child care usage on hours of work is a method also used elsewhere in the literature (e.g., Immervoll and Barber 2006).
[21] Some families may also be eligible to receive Additional Child Care Subsidy when they transition from unemployment to work. However, this is only available for a constrained time period and has been excluded from our analysis as it does not provide an indication of the 'typical' assistance available to minimum wage earners.
[22] This was the latest available data when the modelling was done. The data is from the Child Care in Australia report September quarter 2021 (September quarter 2021 report - Department of Education, Australian Government). Child care fees vary between providers, and this will affect individual experiences.

Table A.2: Hours of work and wage assumptions

1	A	B	C	D	E
2	**Labour Force Status**	**Hourly minimum wage (at 1 July 2022)**	**Hours of work per week**	**Weekly wage**	**Annual earnings**
3	Full time	$21.38	38	$812.60	$42,255.20
4	Part time	$21.38	20	$427.60	$22,235.20

Source: National Minimum Wage Order 2022 (https://www.fwc.gov.au/documents/wage-reviews/2021-22/pr740627.pdf (fwc.gov.au))

Note: (a) For Row 4: Column D = Column B x Column C

(b) For Rows 3 & 4: Column E = Column D x 52

(c) The figure in Row 3, Column D may not equal Column B x Column C due to rounding.

Appendix B: Modelling results

Table B.1: One unemployed member of the household accepts a job paying the NMW ($21.38 per hour), 1 January 2023

Household Type	Income / payments before finding a job	Transfer payments after finding job	Tax & Medicare (deduction)	Disposable income after finding job	Improvement in financial position	Transfer payments as a proportion of disposable income
	Amount ($ pw)	Amount ($ pw)	Amount ($ pw)	Amount ($ pw)	(% increase) ($ pw)	(%)
Single without children –FT job at $812.60 per week						
Adult – JSP	$339	–	$95	$717	112% $379	–
Adult renter – JSP	$414	–	$95	$717	73% $303	–
Single without children –PT job at $427.60 per week						
Adult – JSP	$339	$132	$34	$526	55% $187	25%
Adult renter – JSP	$414	$208	$34	$601	45% $187	35%
Student – YA – away from home	$285	$177	$38	$567	99% $282	31%
Student – YA – lives with parents	$197	$89	$24	$492	150% $295	18%

Note: All amounts are rounded to the nearest dollar. The above table estimates the change in income for the household. Differences in calculations may occur due to rounding. Percentages are rounded to the nearest per cent.

– Zero or rounded to zero.

JSP – Jobseeker payment

PPP – Parenting Payment Partnered

FT – Full-time

NMW – National Minimum Wage

YA – Youth Allowance

PPS – Parenting Payment Single

PT – Part-time

(continued over page)

Household Type	Income / payments before finding a job	Transfer payments after finding job	Tax & Medicare (deduction)	Disposable income after finding job	Improvement in financial position	Transfer payments as a proportion of disposable income
	Amount ($ pw)	Amount ($ pw)	Amount ($ pw)	Amount ($ pw)	(% increase) ($ pw)	(%)
Couple – both unemployed, one finds a FT job at $812.60 per week						
No children - JSP	$617	$180	$95	$897	45% $280	20%
With 1 child aged 3 years - PPP	$786	$375	$92	$1,096	39% $310	34%
With 1 child aged 9 years – JSP	$761	$349	$92	$1,070	41% $310	33%
With 2 children aged 3 and 9 years – PPP	$901	$490	$85	$1,218	35% $317	40%
Couple – both unemployed, one finds a PT job at $427.60 per week						
No children - JSP	$617	$410	$20	$818	33% $201	50%
With 1 child aged 3 years - PPP	$786	$580	$20	$987	26% $201	59%
With 1 child aged 9 years – JSP	$761	$554	$20	$962	26% $201	58%
With 2 children aged 3 and 9 years – PPP	$901	$695	$20	$1,102	22% $201	63%

Note: All amounts are rounded to the nearest dollar. The above table estimates the change in income for the household. Differences in calculations may occur due to rounding. Percentages are rounded to one decimal place.

– Zero or rounded to zero.

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Household Type	Income / payments before finding a job	Transfer payments after finding job	Tax & Medicare (deduction)	No Child Care			With Child Care		
				Disposable income after finding job	Improvement in financial position	Transfer payments as a proportion of disposable income	Net child care costs	Disposable income after finding job	Improvement in financial position
	Amount ($ pw)	Amount ($ pw)	Amount ($ pw)	Amount ($ pw)	(% increase) ($ pw)	(%)	Amount ($ pw)	Amount ($ pw)	(% increase) ($ pw)
Lone parent –FT job at $812.60 per week									
With 1 child aged 3 years – PPS	$677	$392	$148	$1,056	56% $380	37%	$90	$966	43% $290
With 1 child aged 9 years – JSP	$551	$256	$101	$968	76% $417	26%	$18	$950	72% $399
With 2 children aged 3 and 9 years – PPS	$792	$512	$144	$1,181	49% $389	43%	$108	$1,072	35% $281
Lone parent –PT job at $427.60 per week									
With 1 child aged 3 years – PPS	$677	$546	$39	$935	38% $258	58%	$54	$881	30% $204
With 1 child aged 9 years – JSP	$551	$410	$27	$811	47% $259	51%	$11	$800	45% $248
With 2 children aged 3 and 9 years – PPS	$792	$666	$41	$1,053	33% $261	63%	$65	$988	25% $196

Note: All amounts are rounded to the nearest dollar. Differences in calculations may occur due to rounding. Percentages are rounded to one decimal place. Net child care costs are the cost charged by the care provider, less Child Care Subsidy entitlements.

– Zero or rounded to zero.

(Continued over page)

Household Type	Income / payments before finding a job	Transfer payments after finding job	Tax & Medicare (deduction)	No Child Care			With Child Care		
				Disposable income after finding job	Improvement in financial position	Transfer payments as a proportion of disposable income	Net child care costs	Disposable income after finding job	Improvement in financial position
	Amount ($ pw)	Amount ($ pw)	Amount ($ pw)	Amount ($ pw)	(% increase) ($ pw)	(%)	Amount ($ pw)	Amount ($ pw)	(% increase) ($ pw)
Couple – one employed FT on the NMW, the other finds a FT job at $812.60 per week									
No children - JSP	$897	–	$191	$1,435	60% $538	–	Not applicable		
With 1 child aged 3 years - PPP	$1,096	$32	$191	$1,467	34% $371	2%	$115	$1,352	23% $256
With 1 child aged 9 years – JSP	$1,070	$32	$191	$1,467	37% $396	2%	$23	$1,443	35% $373
With 2 children aged 3 and 9 years – PPP	$1,218	$97	$191	$1,532	26% $314	6%	$138	$1,394	14% $176
Couple – one employed FT on the NMW, the other finds a PT job at $427.60 per week									
No children - JSP	$897	-	$97	$1,144	28% $247	–	Not applicable		
With 1 child aged 3 years - PPP	$1,096	$120	$97	$1,264	15% $168	10%	$54	$1,210	10% $114
With 1 child aged 9 years – JSP	$1,070	$95	$97	$1,238	16% $168	8%	$11	$1,227	15% $157
With 2 children aged 3 and 9 years – PPP	$1,218	$235	$97	$1,379	13% $161	17%	$65	$1,314	8% $96

Note: All amounts are rounded to the nearest dollar. Differences in calculations may occur due to rounding. Percentages are rounded to one decimal place. Net child care costs are the cost charged by the care provider, less Child Care Subsidy entitlements.

– Zero or rounded to zero

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