



FAIR WORK COMMISSION

ANNUAL WAGE REVIEW 2024

NSW GOVERNMENT SUBMISSION

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Introduction and Overview

1. The NSW Government makes this submission to assist the Panel in the Annual Wage Review 2023-24.
2. The NSW economy has remained resilient, supported by rapid population growth and a strong labour market. Although inflation is easing, it remains at an elevated level, leading the Reserve Bank of Australia to raise the cash rate.
3. Economic growth, while forecasted to be below trend in the near term, has seen a modest upward revision for 2023-24. This is due to stronger population growth and the economy's overall resilience.
4. This submission details the present and forecast future state of the NSW economy and sets out the level of award reliance in NSW.

Legislative Framework

5. In this Annual Wage Review, the Expert Panel is required to review the national minimum wage order and modern award minimum wages.¹ The Panel must then make a national minimum wage order and may make one or more determinations varying modern awards to set, vary or revoke modern award minimum wages.²
6. In addition, the Panel must set special national minimum wages for all award/agreement free employees who are junior employees, employees to whom training arrangements apply, and employees with a disability, as well as setting the casual loading for award/agreement free employees.³
7. In arriving at its decision, the Panel must balance the economic, social and industrial considerations, relevantly provided for in the *Fair Work Act 2009* (Cth). These are:
 - the performance and competitiveness of the national economy, including productivity,
 - business competitiveness and viability, inflation and employment growth; and
 - promoting social inclusion through increased workforce participation; and
 - relative living standards and the needs of the low paid; and
 - the principle of equal remuneration for work of equal or comparable value; and
 - providing a comprehensive range of fair minimum wages to junior employees, employees to whom training arrangements apply and employees with a disability.⁴
8. In addition, the Panel is required to ensure that modern awards, together with the National Employment Standards, provide a fair and relevant minimum safety net of terms and conditions.⁵

¹ Fair Work Act 2009 s285(1)

² Fair Work Act 2009 s285(2)

³ Fair Work Act 2009 s294

⁴ Fair Work Act s284(1)

⁵ Fair Work Act s134, also ss3(a), (b), (f) and (g)

Economic Outlook

9. The New South Wales economy grew by 3.7 per cent in real terms in 2022-23. This strong result reflected, in part, a rebound from COVID restrictions which detracted from activity in the prior fiscal year.
10. Aggregate demand has also been supported recently by rapid population growth, which in turn has been driven by a surge in net overseas migration. This, to a large extent, reflects catch up for the period during the COVID pandemic when the closure of international borders impacted overseas migration and constrained population growth.
11. The combination of these factors similarly saw employment growth surge by 5.8 per cent in 2022-23. In particular, the strong recovery in net overseas migration boosted the supply of available labour which helped businesses fill many previously vacant positions.
12. Meanwhile, the combination of global supply side shortages following the COVID pandemic and the rapid recovery in economic activity saw inflation surge to its highest level in several decades. In New South Wales, inflation, as proxied by through the year growth in the Sydney consumer price index (CPI), reached a peak of 7.6 per cent in the December quarter 2022. This was marginally below the peak of 7.8 per cent seen for Australia as a whole.
13. The strong growth in economic activity and employment in year average terms masks a slower pace of growth in recent quarters. This slowing reflects the impact of higher inflation in constraining consumer purchasing power as well as the sharp lift in interest rates by the Reserve Bank of Australia to bring inflation back towards its target. Over the year to the September quarter 2023 (the latest available data), state final demand, the broadest measure of state economic activity available on a quarterly basis, grew by 1.7 per cent. This was down from 3.1 per cent over the year to the December quarter 2022.
14. After accounting for the recent rapid rise in population, growth in economic activity in recent quarters has been even less encouraging, with real State final demand per person declining modestly over the year to the September quarter.
15. While recent growth has been a little more resilient than was previously expected, economic growth is forecast to be below trend over the next two years as interest rates are forecast to remain above NSW Treasury's expectation of their future longer run average levels as the RBA seeks to return national inflation back to its target of 2-3 per cent.
16. Growth in gross state product (GSP) per person is expected to remain broadly flat over the next two years as high inflation and elevated interest rates continue to exert some pressure on household budgets.
17. The slowing in economic growth has coincided with some slowing in the pace of increase in employment, though employment growth for now remains quite solid. Nonetheless, alongside the current strong growth in the working population this has seen the unemployment rate drift higher in recent months, albeit to a still historically low level of 3.6 per cent in February. The unemployment rate is forecast to continue to steadily rise over the coming year or so, reaching a peak of around 4½ per cent by mid-2025.
18. The surge in population also continues to boost demand for housing. With new housing supply constrained by a range of factors, this has seen both dwelling rents and dwelling

prices continue to rise solidly. More recently, dwelling price growth has slowed, most notably following the RBA's decision to raise interest rates further in November, with the pace of growth expected to ease further over coming months.

19. Headline inflation eased over the course of 2023, led by a softening in goods prices inflation (as global supply chain pressures eased) and a range of government rebates. Despite this slowing, the pace of underlying inflation remains high, with this recently being driven by strength in services prices, which tend to be more persistent.
20. The anticipated slowdown in broader economic growth and associated softening in the labour market is expected to see inflation continue to ease over the period ahead. That said, continued rapid growth in dwelling rents and stickiness in broader services prices suggests that inflation will likely take some time to return to the RBA's target. Inflation (both Sydney and national) is forecast to return to around 3 per cent by late 2024-25.
21. As inflation approaches the RBA target of 2-3 per cent, the RBA is expected to commence lowering the cash rate to more neutral levels, allowing economic growth to return to trend in the later part of the forecast period.
22. Risks to the economic outlook centre primarily on the potential persistence of inflation and the lagged effect of the sharp rises in interest rates, globally and domestically, on economic growth.
23. More detailed analysis and forecasting of NSW economic performance appears in Chapter 2 of the [2023-24 NSW Half Yearly Review](#).

Award Reliant Employees

24. As noted in paras 9 and 11 above, the Panel is required to review the national minimum wage order and modern award minimum wages, as well as considering relative living standards and the needs of the low paid.
25. In terms of identifying low paid workers, in the 2020 Decision the majority said that '[a] threshold of two-thirds of median adult full-time ordinary earnings is the benchmark we use to identify who is 'low paid' within the meaning of ss 134(1)(a) and 284(1)(c).'⁶ This view was reaffirmed in the 2021 decision⁷. According to the most recent ABS Employee Earnings survey⁸, the full time median weekly wage as at August 2023 is \$1,624.10 leading to a low paid benchmark figure of \$1082.73. The corresponding figures for NSW are \$1,610 and \$1073.33 with the National Minimum Wage (NMW) at \$882.80 per week as of 1 July 2023.
26. In its submission to the 2020 Review, the Australian Government estimated that 1.7 per cent (or around 180,200 employees) were paid the adult rate of the NMW in 2018, using ABS EEH 2018 data⁹. It was further submitted that '[i]n 2018, up to 21.0 per cent of Australian employees (or 2.2 million) had their pay set by an award'¹⁰.

⁶ [2020] FWCFB 3500 at [359], also FWCFB 3500, [2017] FWCFB 1001, [2013] FWCFB 4000

⁷ [2021] FWCFB 3500 at [137]-[138]

⁸ ABS Employee Earnings, 6337.0, August 2023, released 13 December 2023

⁹ Australian Government Submission AWR 2019-20 para 14

¹⁰ Ibid, para 17

27. In relation to award reliant employees, the most recently available ABS data¹¹ (2023) indicates that there are 12,593,100 employees in Australia, of which 11,641,400 are non-managerial. Of non-managerial employees, 25 per cent – 2,915,300 persons – are award reliant. This proportion of award reliant employees has increased from the 2021 figure of 23 per cent¹².
28. In NSW, there were 4,089,800 employees in 2023¹³. Of these, it is estimated there were 540,000 NSW public sector employees and 61,000 local government employees¹⁴. This indicates that in 2022-23 approximately 3,488,800 (85.3 per cent) NSW employees were situated in the national industrial relations system¹⁵.
29. The latest ABS Employee Earnings and Hours publication figures on award reliance show that 27.6 per cent of all NSW employees were award reliant¹⁶, equivalent to 32.37 per cent of national system employees in NSW.
30. NSW has the highest numbers of award reliant employees (1,129,200) of all states and territories and the second highest proportion of award-reliant employees (27.6 per cent)¹⁷, behind Tasmania.
31. The majority of award reliant employees are women at almost 60 percent (59.7) nationally. Significantly, there is no industry or occupation where the average wage of full-time non-managerial women earn more than men¹⁸.
32. The majority of award reliant employees are women at almost 60 percent (59.7) nationally. Significantly, there is no industry or occupation where the average wage of full-time non-managerial women earn more than men¹⁹.
33. Award reliance was particularly prevalent in the accommodation and food services (60.4 per cent), administrative and support services (42.4 per cent), health care and social services (33.3 per cent) and retail (29 per cent) industries²⁰.
34. Almost half (48.3 per cent) of award reliant employees were casuals²¹.

Conclusion/Submission

35. The NSW Government believes that the minimum wage is an important safety net for low income households. It also plays a significant role in establishing a benchmark for many other awards and enterprise bargaining agreements in NSW and Australia more broadly.

¹¹ ABS Employee Earnings and Hours 6306.0, May 2023

¹² ABS Employee Earnings and Hours 6306.0, May 2021

¹³ ABS Employee Earnings and Hours 6306.0, May 2023

¹⁴ ABS Public Sector Employment and Earnings, 2022-23 Financial Year, 6248.0.55.002, released 9 November 2023

¹⁵ ABS Employee Earnings and Hours May 2021; NSW Public Service Commission *Workforce Profile Report 2021*

¹⁶ ABS Employee Earnings and Hours, 6306.0, May 2023

¹⁷ ABS Employee Earnings and Hours, 6306.0, May 2021

¹⁸ ABS Employee Earnings and Hours 6306.0, May 2023

¹⁹ ABS Employee Earnings and Hours 6306.0, May 2023

²⁰ Ibid

²¹ ABS Employee Earnings and Hours 6306.0, May 2023

This is particularly important in NSW where significant numbers of workers are reliant on awards.²²

36. While the NSW economy grew by 3.7 per cent in real terms in 2022-23, and employment surged by 5.8 per cent over the same period, inflation surged to its highest level in several decades, reaching a peak of 7.6 per cent in the December quarter 2022.
37. Elevated inflation, higher interest rates, deteriorating housing affordability and a decline in real wages have weighed on households' standard of living. Employee households, on average, have experienced the largest increase in living costs, largely reflecting the proportion of household income devoted to rising mortgages and rents, in addition to inflation outpacing wages growth. Employee households, and particularly those households that include low paid employees, are of course the focus of this review.
38. The release of the most recent Wage Price Index data indicates that wage growth for the 12 months to December 2023 was 4.2 per cent²³, exceeding the 4.1 per cent inflation figure for the same period²⁴. While the first increase in real aggregate wages since March 2021 is welcome, the ongoing level of inflationary pressures is unclear.
39. In our submission, the Panel should award an increase to the NMW which addresses current cost of living issues in an economically responsible manner, at the same time as delivering a fair and reasonable outcome to low paid workers and their households.

²² See paras 26-36 above

²³ ABS Wage Price Index February 2023 Cat 6345.0

²⁴ ABS Consumer Price Index December 2023 6401.0

