

Annual Wage Review 2022-23

Victorian Government submission
31 March 2023



Industrial Relations Victoria

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Victorian Government submission

Executive Summary

- 1 The Victorian Government submits that the Fair Work Commission (FWC) should consider awarding a substantial increase in the National Minimum Wage (NMW) and modern award wages to support workers in dealing with ongoing cost-of-living pressures as well as ensuring that growth in minimum and award wages does not lag behind wage increases in the broader labour market.
- 2 Cost-of-living pressures are a key concern for Victorians and the Victorian economy, as well as being of concern nationally.
- 3 Melbourne's consumer price index (CPI) rose by 8.0 per cent over the last year to the December quarter. The strong domestic economy, plus global supply chain disruptions and Russia's invasion of Ukraine, have all contributed to the rise in prices. At the same time, employment has grown by 423,000 in Victoria since the trough in September 2020, and the share of Victorians in employment is around a record high. Consequently, the Victorian labour market is currently very tight, putting upward pressure on private-sector wages growth in particular. However, while nominal wage growth has risen from recent low rates, the high level of inflation is negatively impacting real wages growth.
- 4 The tight labour market is negatively affecting overall capacity for economic growth. Different sectors are experiencing skills and workforce shortages. Nationally, job vacancies continue to rise across most industries, and are highest in low wage industries, including health care and social assistance, accommodation and food services, professional services and retail trade. An increase in these low wage sectors can contribute to an inflow of strongly needed skills in these fields.
- 5 In 2021-22, the FWC's Annual Wage Review (AWR) decision increased the NMW by 5.2 per cent (in line with inflation) and higher award wages by at least 4.6 per cent.
- 6 An 2022-23 AWR decision can provide targeted cost-of-living support to lower paid Victorians, if structured in the same manner as 2021-22. In making its decision last year, the FWC noted cost-of-living pressures and the importance of supporting low paid workers: cost-of-living pressures impact households unevenly, with low paid workers more affected because they spend a greater proportion of their income on essential items and tend to have lower savings.
- 7 In making its determination in this environment, the FWC must look at the matters in s.284, and in doing so, should give particular weight to the following matters in the current climate:
 - The Fair Work Act goal of equality suggest that increasing wages for several low-paid sectors is needed. Income equality across a range of employee categories, particularly gender, is an important criterion for the FWC.

- The gender pay gap across all industries has been calculated most recently using total average earnings data (including both full-time and part-time workers, and bonuses and overtime as well as ordinary time wages) to demonstrate that the gap is more accurately – and unacceptably – 31 per cent across all jobs.¹
 - In the recent decision to raise award rates by 15 per cent in the aged care sector, much of the justification centred on the fact that it was a highly feminised, low-pay industry and the work was undervalued.² This applies to several other highly award-reliant industries (e.g. Hospitality, Retail, Healthcare and social assistance, etc.) and would also support consideration of a higher increase in modern award wages in these sectors.
 - A higher increase in certain awards is consistent with the Fair Work Act’s equity objectives and FWC’s research (February 2023) and data presented in this submission, demand that wages be reviewed for several low-paid sectors, which are notably female-dominated or employ a large number of women and other workers who find themselves in more precarious positions, such as Aboriginal workers and workers with a disability.
- 8 The Victorian Government also considers that the FWC’s new research strongly supports the need for a substantial increase to the NMW and modern award wages and justifies consideration of a higher increase for low paid employees under certain awards. The research demonstrated that, on average, modern award employees are more often female (58%), working part-time (65%), working for employers with fewer than 200 employees (74%), and one in three are low paid, and more likely to be casually employed.
- 9 In making its decision, the FWC should also take into consideration broader trends in wages growth – especially in the private sector which is more responsive to current tight labour market conditions – to ensure growth in minimum and award wages does not lag behind wages determined by other arrangements. At the same time, the FWC’s Annual Wage Review decision is a change to the wage floor. This decision (as in the past) is likely to influence future wage negotiations in both the private and public sectors.

¹ Pennington, A. (2021) *Women’s Casual Job Surge Widens Gender Pay Gap*. Centre for Future Work (March 2021) Accessed from: <https://futurework.org.au/wp-content/uploads/sites/2/2022/11/Womens-Casual-Job-Surge-Widens-Gender-Pay-Gap-CFW.pdf>

² Fair Work Commission (2023) *Decisions & statements for the Work value case* (3 March 2023). Accessed from: <https://www.fwc.gov.au/hearings-decisions/major-cases/work-value-case-aged-care-industry/decisions-statements-work-value>

Introduction

- 10 The FWC is required to ensure a guaranteed safety net of fair, relevant and enforceable minimum terms and conditions through the National Employment Standards, modern awards and national minimum wage orders.
- 11 In establishing and maintaining a safety net of fair minimum wages, the FWC is required to consider:
- the performance and competitiveness of the national economy, including productivity, business competitiveness and viability, inflation and employment growth; and
 - the need to achieve gender equality, including by ensuring equal remuneration for work of equal or comparable value, eliminating gender-based undervaluation of work and addressing gender pay gaps; and
 - promoting social inclusion through increased workforce participation; and
 - relative living standards and the needs of the low paid; and
 - providing a comprehensive range of fair minimum wages to junior employees, employees to whom training arrangements apply and employees with a disability.³
- 12 The Victorian Government is strongly focused on economic recovery. It is also focused on providing opportunities to our most vulnerable groups who rely on the award safety net. The Victorian Government submits that in the Annual Wage Review 2022-23, there should be a substantial increase to the NMW and award minimum wages to assist those on low incomes in Victoria who are struggling with strong inflationary pressures and a loss or reduction of their discretionary income.
- 13 Further, the Victorian Government calls on the FWC to consider applying a higher increase to modern award wages for those award reliant workers who are in the lower paid and often female dominated sectors, such as Retail and Hospitality, Accommodation and food services and Health care and social assistance.
- 14 This would offset the disproportionate impact of the coronavirus (COVID-19) on these sectors and workers, the staggered delays in the 2020-21 increases to award wages and would go some way to narrowing the persistently wide gender pay gap, particularly in the female dominated health care and social assistance sector. An increase would also provide further recognition of the workers in the aged care sector where the FWC has determined work is undervalued and increases in wages are to be applied from 30 June 2023 to:
- Direct care workers under the Awards (Aged Care award, Nurses Award, SCHADS Award)
 - Head Chefs/Cooks under the Aged Care Award (aged care employee level 4-7 provided the employee is the most senior chef or cook engaged in a facility)
 - Recreational Activities Officers/Lifestyle Officers under the Aged Care Award

³ *Fair Work Act 2009* (Cth), s.284(1).

- 15 The Victorian Government again argues that current circumstances do not support a delay in any awarded increases – as demonstrated by the resilience and flexibility of Victorian businesses and consumers, and as the economy has increasingly adapted to conditions created by the pandemic in previous years. A further delay would cause unnecessary harm to those low paid workers in those sectors that have already shouldered delays and loss of wages.
- 16 As noted, the gender pay gap across all industries has been calculated most recently using total average earnings data (including both full-time and part-time workers, and bonuses and overtime as well as ordinary time wages) to demonstrate that it is more accurately – and unacceptably – 31 per cent across all jobs.⁴
- 17 Proposed increases would also ameliorate the problem of higher rates of inflation compared with stagnating wages growth recently highlighted by the Reserve Bank of Australia (RBA). The RBA has in the past raised concerns about the ongoing downturn in wages growth and the role that award minimum wages can play in ensuring that wages growth is improved, maintained and more aligned with productivity growth.⁵
- 18 According to the most recently available Australian Bureau of Statistics (ABS) figures released in January 2022, in May 2021, 23 per cent of Australian employees were reliant upon minimum award wages. This is a significant increase in award reliant employees from 20.4 per cent in 2014, and 16.4 per cent in 2012.
- 19 This means that over two million Australian workers are currently reliant on award minimum rates of pay and therefore directly dependent on the outcomes of the Annual Wage Reviews.
- 20 In the Victorian public sector, the vast majority of employees are employed pursuant to enterprise bargaining agreements at rates that are typically well above the award minima. Consequently, increases to award minimum wages do not directly impact those workers. However, Victoria submits that many other workers are indirectly affected, through flow-on increases broadly based on the minimum wage. Given the evidence of the decline in collective bargaining, the FWC’s Annual Wage Review decisions have continuing and increasing significance. Increased award reliance together with low wages outcomes from bargaining, means that the Annual Wage Review is a key mechanism to redress the decline in wages growth and a means to distribute productivity gains to Australian workers.
- 21 This Victorian Government submission to the Annual Wage Review 2022-23 provides commentary on:
- the Victorian economic outlook and Victorian labour market and forecasts
 - Award reliance and low pay
 - Gender pay equity
 - Victorian Government action on economic equity for women
 - Challenges of entrenched barriers to employment and workforce shortages

⁴ Pennington, A. (2021)

⁵ See: Reserve Bank of Australia: <https://www.rba.gov.au/publications/bulletin/2019/jun/wages-growth-by-pay-setting-method.html>; <https://www.rba.gov.au/speeches/2021/sp-gov-2021-07-08.html>.

- 22 An emphasis on these particular issues is consistent with the new modern award objectives and the objects of the Fair Work Act.

Victorian economic outlook and labour market

- 23 The Victorian economy has recovered strongly from the COVID-19 pandemic. Gross state product is well-above pre-pandemic levels and growth has outpaced the national average.
- 24 Victoria's Gross State Product increased by 5.6 per cent in 2021-22 as it recovered from the effects of the COVID-19 pandemic that began in early 2020. This strong economic growth has meant that aggregate demand is high, business conditions are positive and capacity utilisation is close to a record high.
- 25 The economic outlook for 2022-23 remains positive, although growth will be tempered by the effect of rising interest rates and a weaker global economic outlook. The RBA began raising interest rates in May 2022 to contain a sharp rise in inflation. Inflation has risen domestically and globally, driven by ongoing pandemic-related supply chain disruptions, Russia's invasion of Ukraine and strong consumer demand.
- 26 Overall, Victoria's economy is expected to record solid real growth of 3.00 per cent in 2022-23, as outlined in the 2022 Pre-Election Budget Update. Business investment intentions are positive and forward indicators of labour demand, such as job advertisements and job vacancies, are strong. Activity will also be supported by a high level of household savings, which is expected to help consumers remain resilient during a period of higher inflation and interest rates.
- 27 Victoria's labour market has recovered well from the earlier effects of the COVID-19 pandemic. Employment grew by a very strong 3.8 per cent in 2021-22, with the increase driven by full-time employment. Since its trough in September 2020, employment has risen by 422,700 persons, and the share of working-age Victorians in employment is near a record high (**Figure 1**).
- 28 The labour market recovery has been inclusive to some extent; however, women returning to pre-pandemic employment levels is not in itself a sign of success. For example, the workforce participation gap between men and women in Victoria persists, with women's participation rate 10.3 per cent points lower than the rate for men.⁶ This participation gap has widened from 8.8 per cent points in January 2022. This figure accounts for women not actively seeking work, who may be performing unpaid care work.
- 29 While women, young people and single parents were disproportionately affected during 2020 and 2021 amid the pandemic, the proportions of these cohorts of workers in employment have recovered to be above pre-pandemic levels, albeit from a low base. The unemployment rate has declined sharply over the past year. It averaged 4.2 per cent in 2021-22, and at 3.7 per cent is now near a 50-year low. Underemployment has also fallen to be below rates prevailing before the COVID-19 pandemic (**Figure 2**).

⁶ Australian Bureau of Statistics, December 2022

30 Labour market conditions are expected to remain strong in 2022-23, consistent with leading indicators of labour demand such as job advertisements and job vacancies, which remain very high. Softening economic conditions are expected to weigh on employment growth in the medium term. Employment is forecast to grow by 1.75 per cent in 2022-23, and by a further 1.0 per cent in 2023-24. The unemployment rate is forecast to average 3.75 per cent in 2022-23, before gradually rising in line with slower economic growth and approaching the rate consistent with stable inflation within the RBA's target band.

Figure 1: Employment-to-population ratio, Victoria (2012 – 2022)

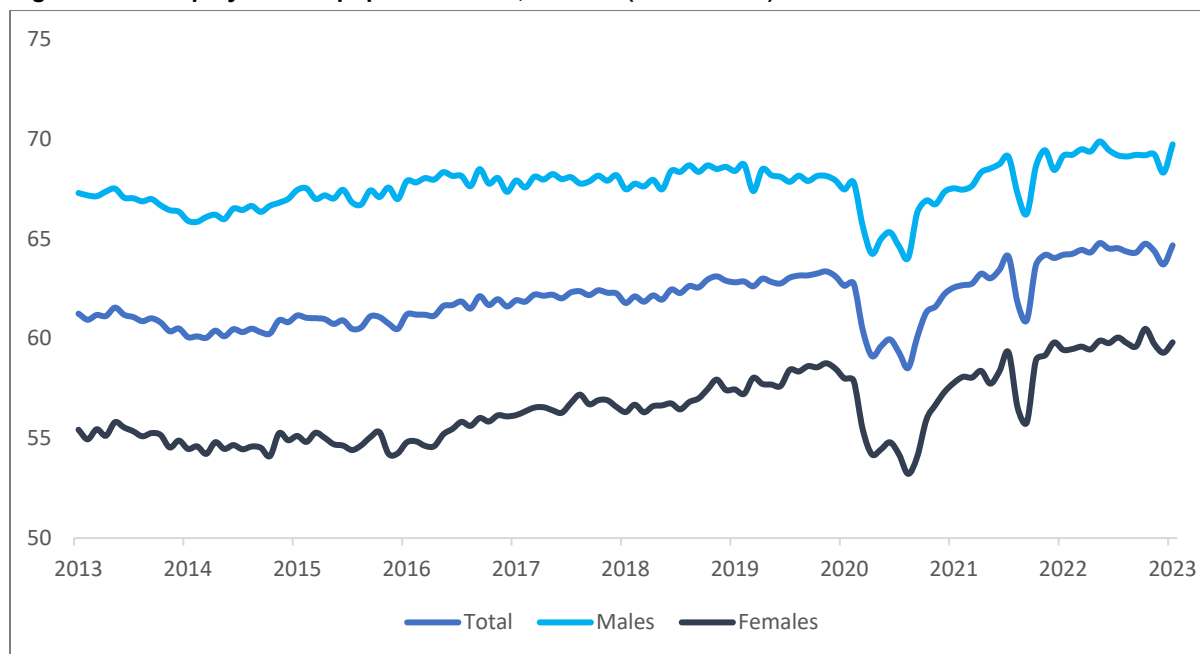
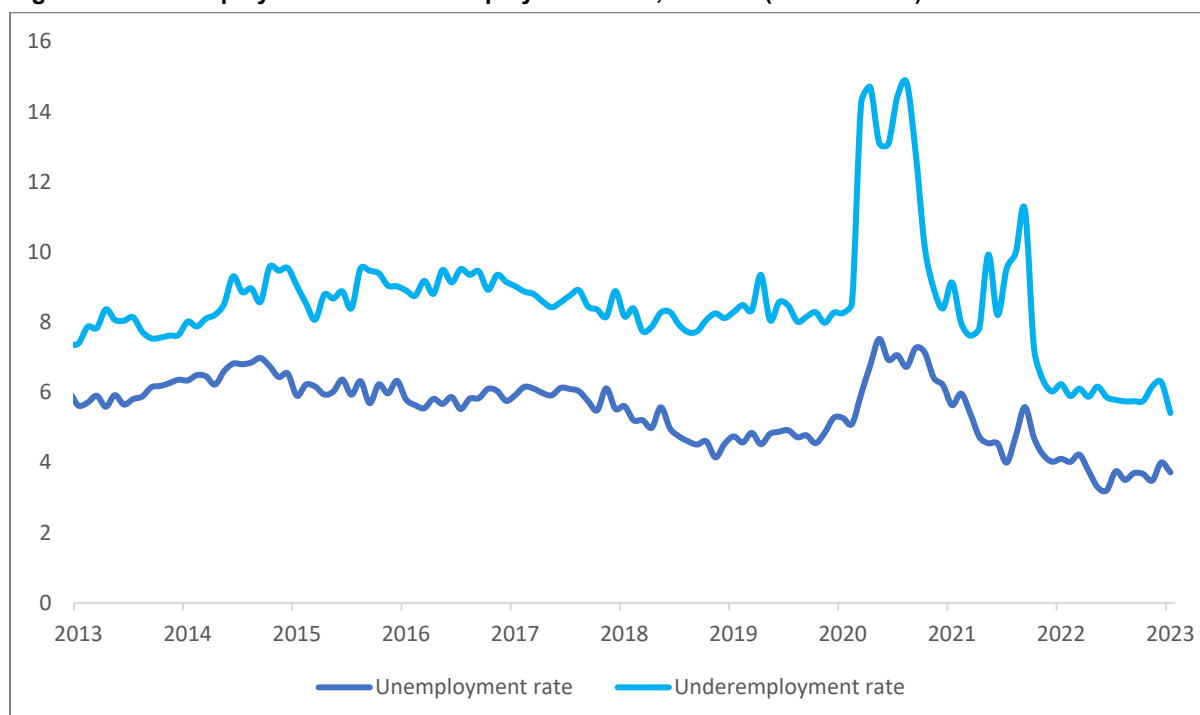


Figure 2: Unemployment and underemployment rates, Victoria (2012 to 2022)



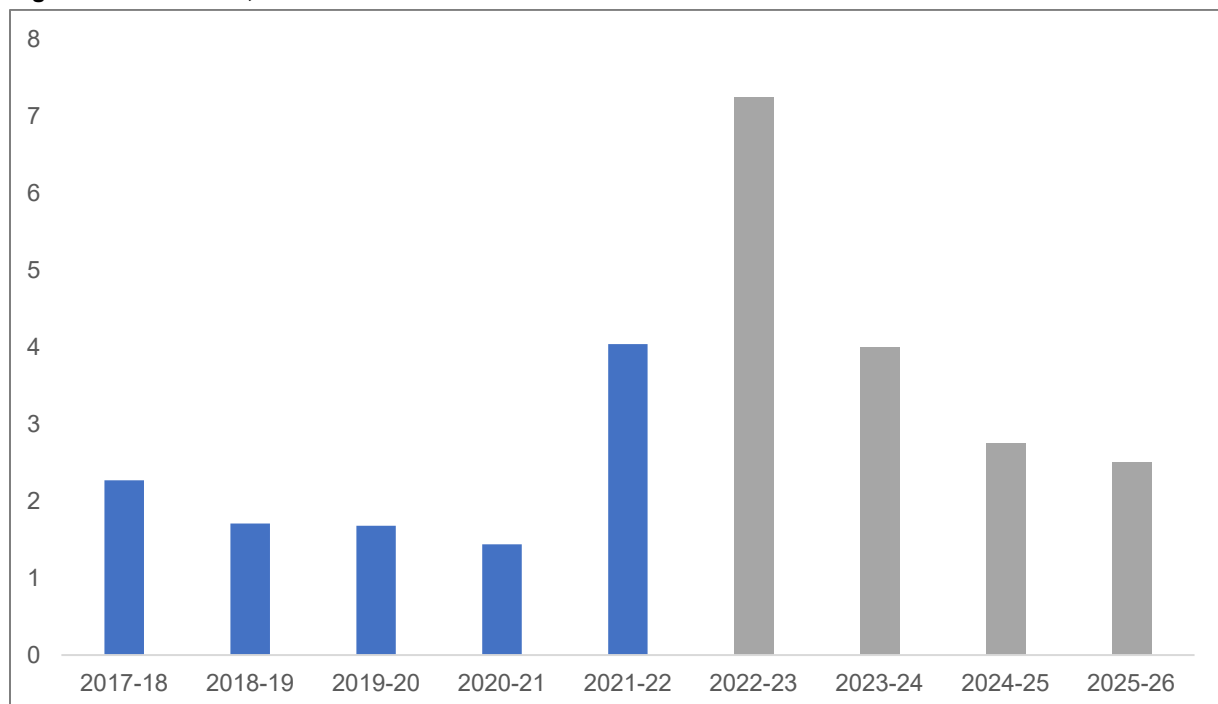
31 Victoria’s population grew by 1.1 per cent over 2021-22 as COVID-related impacts eased. Population growth is forecast to rise to 1.4 per cent in 2022-23 as net overseas and net interstate migration recover further, and to return to the long-term trend of 1.7 per cent subsequently.

Victorian inflation

32 Inflation has risen to an elevated level in Victoria – as it has nationally and globally. The Melbourne consumer price index rose by 4.0 per cent in year-average terms in 2021-22 and is forecast to rise to 7.25 per cent in year-average terms in 2022-23. In year-ended terms, inflation is expected to have peaked, at 8.0 per cent, in December 2022, before easing in 2023 (**Figure 3**).

33 This rise in inflation, to the highest level in over 30 years, is a key challenge for Victorians and the Victorian economy. Global inflation has been driven higher by global supply-chain disruptions and the strong demand for goods – both of which were caused by the pandemic. Russia’s invasion of Ukraine in February 2022 led to a sharp rise in global energy prices and the price of some commodities, which added to these inflationary pressures. In Victoria and Australia, these global factors have driven the prices of imported consumer goods higher, especially automotive fuel. They have also contributed to higher input costs for a range of domestic goods and services, leading to broad-based inflation. Higher prices for new dwellings have made a large contribution to overall consumer inflation, amid shortages of construction-related materials and labour coupled with strong demand for new housing.

Figure 3: Inflation, Melbourne Consumer Price Index



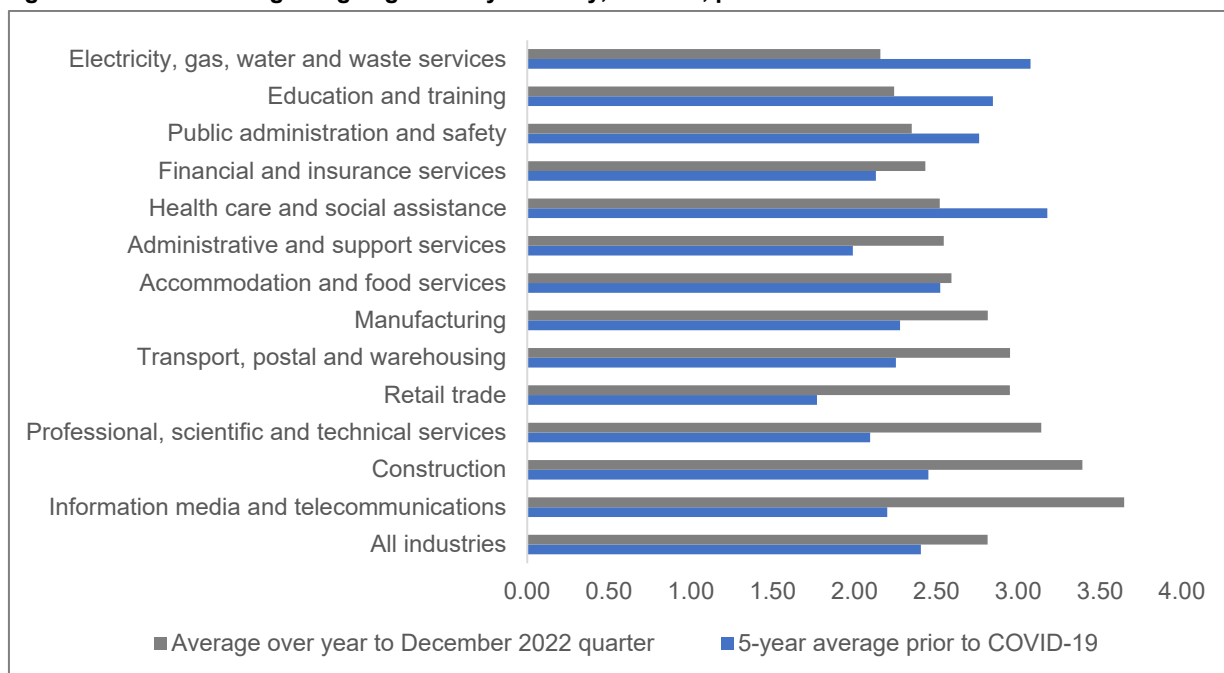
Note: Data in grey beyond 2021-22 are forecasts; average of annual growth rate of each quarter in financial year.

- 34 The RBA has been tightening monetary policy in response to rising inflation. The cash rate is currently at 3.60 per cent, an increase of 350 basis points since May 2022. The RBA expects to increase rates further. Recent and expected rate rises, along with a stabilisation or decline in oil and other global commodity prices, are expected to progressively lower inflation over coming years, with inflation expected to have peaked in December 2022. Substantial rises in retail energy prices, though, are expected to temper this easing in inflationary pressure.

Victorian wages growth

- 35 In 2021-22, Victorian year-average wage growth as measured by the Wage Price Index (WPI) was 2.4 per cent. More recently, wages growth rose to 3.4 per cent over the year to the December quarter 2022, with 10 of the 13 industries (for which there are data available) recording average growth above their five-year average prior to the pandemic (**Figure 4**). Strength in the labour market, particularly in industries experiencing labour supply constraints, is contributing to higher wages growth, albeit from relatively low rates.
- 36 Victorian wages growth is forecast to rise to 3.25 per cent in 2022-23 and 3.50 per cent in 2023-24.
- 37 Private sector wages growth outcomes have increased faster than those in the public sector and have diverged. Private sector wages have responded to labour market tightness quicker, as the prevalence of individual agreements in private industry allows relatively timely adjustments. The WPI for the private sector in Victoria has risen by 3.5 per cent over the year to December 2022. In contrast, public sector wages have grown more slowly, partly due to the prevalence of the greater use of longer-term EBAs (agreed during a period of lower labour demand) and public sector wages policy – with the WPI for the public sector rising by 2.8 per cent over the past year.
- 38 Non-wage forms of remuneration, which have grown recently, are contributing further to the difference divergence in private and public sector earnings. Nationally, private sector WPI including bonuses grew at 3.8 per cent, well above growth in the public sector.
- 39 While nominal wage growth has risen from recent low rates, the high level of inflation is negatively impacting real wages growth. Over the year to December, real (inflation-adjusted) wages fell by 4.6 per cent, based on the Victorian WPI. However, total household income (which includes bonuses, capital income, and social assistance) has grown more strongly supporting household purchasing power.

Figure 4: Year-average wages growth by industry, Victoria, per cent



Award reliance and low pay

40 In last year’s Annual Wage Review decision, the FWC stated that:

[15] The sharp rise in inflation impacts business and workers. The cost of business inputs increases which, depending on the capacity to pass on those costs, adversely impacts profitability. Inflation erodes the real value of workers’ wages and reduces their living standards. The low paid are particularly vulnerable in the context of rising inflation.⁷

[27] The Panel acknowledged that the increases determined will mean a real wage cut for some award-reliant employees but noted that this is an issue that can be addressed in subsequent Reviews.

Award reliant employees

41 The FWC has conducted its own research (February 2023) about the range of employee characteristics in individual modern awards by analysing for the first-time microdata from the ABS’ Survey of Employee Earnings and Hours (EEH).⁸

42 The following is a summary of the key findings from this research:

- Modern award-reliant employees are on average more likely to be female, younger, work fewer hours, earn lower wages, are far more often casually employed and tend to work for smaller employers (compared to non-award reliant employees).

⁷ Annual Wage Review 2021–22 C2022/1 [2022] FWCFB 3501

⁸ Yuen, K. and Tomlinson, J. (2023) *A profile of employee characteristics across modern awards*. Fair Work Commission – Research report 1/2023 (March 2023). Accessed from: www.fwc.gov.au/documents/wage-reviews/2022-23/profile-of-employee-characteristics-across-modern-awards-2023-03-03.pdf

- On average, modern award employees are: more often female (58%), working part-time (65%), working for employers with less than 200 employees (74%), and 1 in 3 are low paid, and more likely to be casually employed.
- The five most common modern awards (*General Retail Industry Award 2020*, *Social, Community, Home Care and Disability Services Industry Award 2010*, *Hospitality Industry (General) Award 2020*, *Fast Food Industry Award 2010* and *Restaurant Industry Award 2020*) account for **almost half (44.3 per cent)** of all modern award-reliant employees.
- Characterised within the five most common modern awards, there is some exception – employees on the *Social, Community, Home Care and Disability Services Industry Award 2010* were found to be (on average) older, have higher average hourly earnings, work more hours and are less likely to be employed on a casual basis. However, employees under this award, as do employees under the other four most common modern awards, remain in this category of broadly low paid and job insecurity.
- Employees under these five modern awards share similar attributes: On average they are younger, work fewer hours, are more likely to work on a casual basis and have lower average earnings than across all modern award-reliant employees.
- The youngest employees, working the *fewest* hours and earning the lowest hourly wages were found on the *Fast Food Industry Award 2010*.
- In addition to the above, around two-thirds of modern award-reliant employees on the *Pharmacy Industry Award 2020* could be considered low paid (66.3 per cent).
- There is a significant difference in the proportion of low-paid employees depending on whether earnings are adjusted or unadjusted for casual loading. This reflects the high proportion of casual employment among employees covered by these modern awards.

43 The Victorian Government believes that this new research strongly supports the need for a substantial increase to the NMW and modern award wages and consider a higher increase for those low paid employees under certain awards, who are predominantly women.

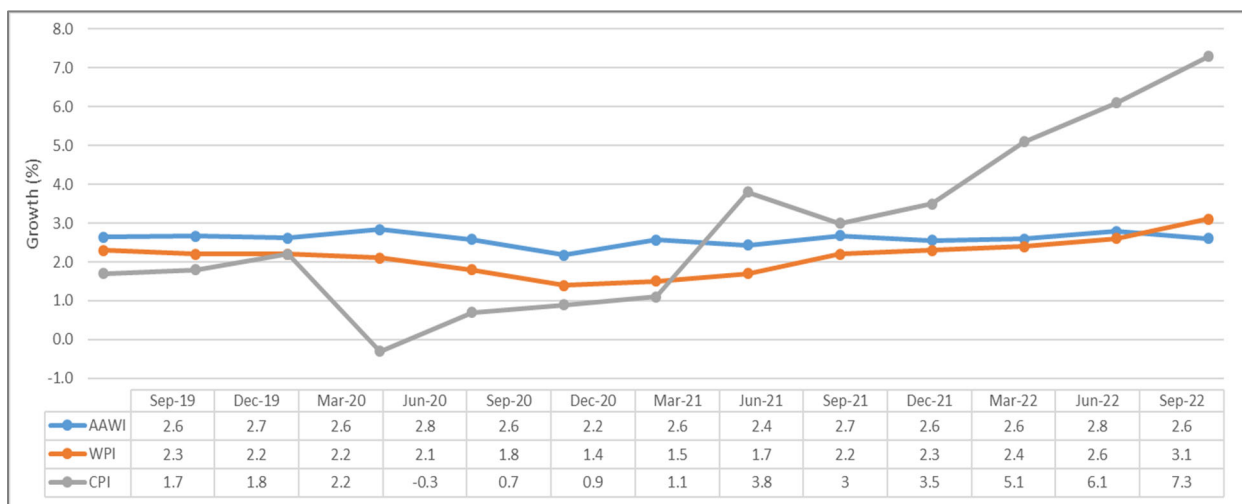
Outcomes from collective bargaining

44 The wages outcomes from enterprise bargaining continue to decrease and there has been recent commentary that suggests wages are ‘flatlining’ under enterprise agreements. Data from the Commonwealth Department of Employment and Workplace Relations’ (DEWR) Workplace Agreements Database (WAD) shows that the Average Annualised Wage Increase (AAWI) since September 2019 has not risen above three per cent

45 The AAWI for federal enterprise agreements approved in the September quarter 2022 was 2.6 per cent, down from 2.8 per cent in the June quarter 2022, and 2.7 per cent in the September quarter 2021. The 2.6 per cent AAWI result is above the historic low of 2.2 per cent in the December quarter 2020.

- 46 Recently, the FWC has commenced collating its own data on the wage's outcomes from enterprise agreements, with increases at approximately one per cent higher than the WAD data. However, this is a new data series, and paints a similar picture as the WAD data in that wage increases from enterprise bargaining are relatively low and can be seen as lower than recent increases to the NMW and award minimum wages.
- 47 The Victorian Government believes that this well reported decline in the enterprise bargaining 'premium' is one major factor in the slowdown in wages growth and with 23 per cent of the workforce award reliant, the FWC's Annual Wage Review decisions continue to be of high significance and influence on the working population.

Figure 5: AAWI in approved agreements, ABS Wage Price Index (WPI) and ABS Consumer Price Index (CPI) – September quarter 2019 to September quarter 2022



Source: Department of Employment and Workplace Relations, Workplace Agreements Database; Australian Bureau of Statistics, Wage Price Index, Australia – September 2022; Australian Bureau of Statistics, Consumer Price Index, Australia – September 2022.

Gender pay equity

- 48 The Victorian Government is strongly supportive of gender pay equity in the workplace and addressing the gender pay gap so that work, particularly in female dominated sectors, is properly and fairly valued. Recently, this has involved addressing the wages gap that exists between aged care workers and workers performing equivalent functions in different sectors or locations. From July 2021, the Victorian Government also conducted its own Inquiry into Economic Equity for Victorian Women.
- 49 On many occasions, the Victorian Government has highlighted the importance of the Annual Wage Reviews as one public policy lever to redress the persistently high gender pay gap in Australia, particularly for female dominated industry sectors and sectors where a large number of women work. The FWC has (in the case of the Aged care sector): *accept(ed) that varying the relevant awards to give effect to the interim increase we propose would be likely to have a beneficial effect on the gender pay gap and promote pay equity.*

- 50 The ABS recently released *Average Weekly Earnings* data for the November 2022 reference period.⁹ Victoria's gender pay gap currently sits at 13.4 per cent for full-time employees working ordinary hours. However, when calculated on total earnings – which is a more comprehensive measure that includes overtime, bonuses and allowances etc. – the gender pay gap sits at around 30 per cent across all methods of setting pay (see **Table 1** below).
- 51 The persistent gender pay gap can be accounted for in certain sectors by notably low levels of pay and work undervaluation across all methods of setting pay, high levels of job insecurity and casualisation and women being overrepresented in part-time work. These factors are illustrated in **Figure 6** to **Figure 9** below.
- 52 The highest level of casualisation (employees without leave entitlements) can be found in the Accommodation and food services sector, which has been persistently high at 60 to 65 per cent since 2014, with a 'one-off' drop in levels at the start of coronavirus (COVID-19). However, the Victorian Government is concerned to note that casualisation levels appear to be now increasing to over 65 per cent as of August 2022. This increase will particularly impact women and younger people.
- 53 Also of concern is the relatively high levels of casualisation in the Health care and social assistance sector, although more volatile or cyclical than the Accommodation and food services sector, the rate remains between 18 and 21 per cent. During the height of coronavirus (COVID-19) in Victoria, many women were working in the sector on the 'front-line' and moving between employers as casuals to maintain a living wage and employment. Without the option of paid sick leave, concerns were raised that casualisation was contributing to lower public health outcomes.
- 54 Almost 50 per cent of working women are engaged as part time employees, compared to approximately 25 per cent of working men. Working women, across all methods of setting pay, including enterprise bargaining are paid less than men, with men earning the highest average weekly earnings of nearly \$1,900 under individual workplace agreements. The gender pay ratio is the poorest under enterprise and individual agreements, and nearly 72 per cent across all methods of setting pay (**Table 1**).

⁹ Australian Bureau of Statistics (November 2022) *Average Weekly Earnings* (23 February 2023). Accessed from: <https://www.abs.gov.au/statistics/labour/earnings-and-working-conditions/average-weekly-earnings-australia/latest-release>.

Figure 6: Levels of casualisation – Accommodation and food services (2014 to 2022)

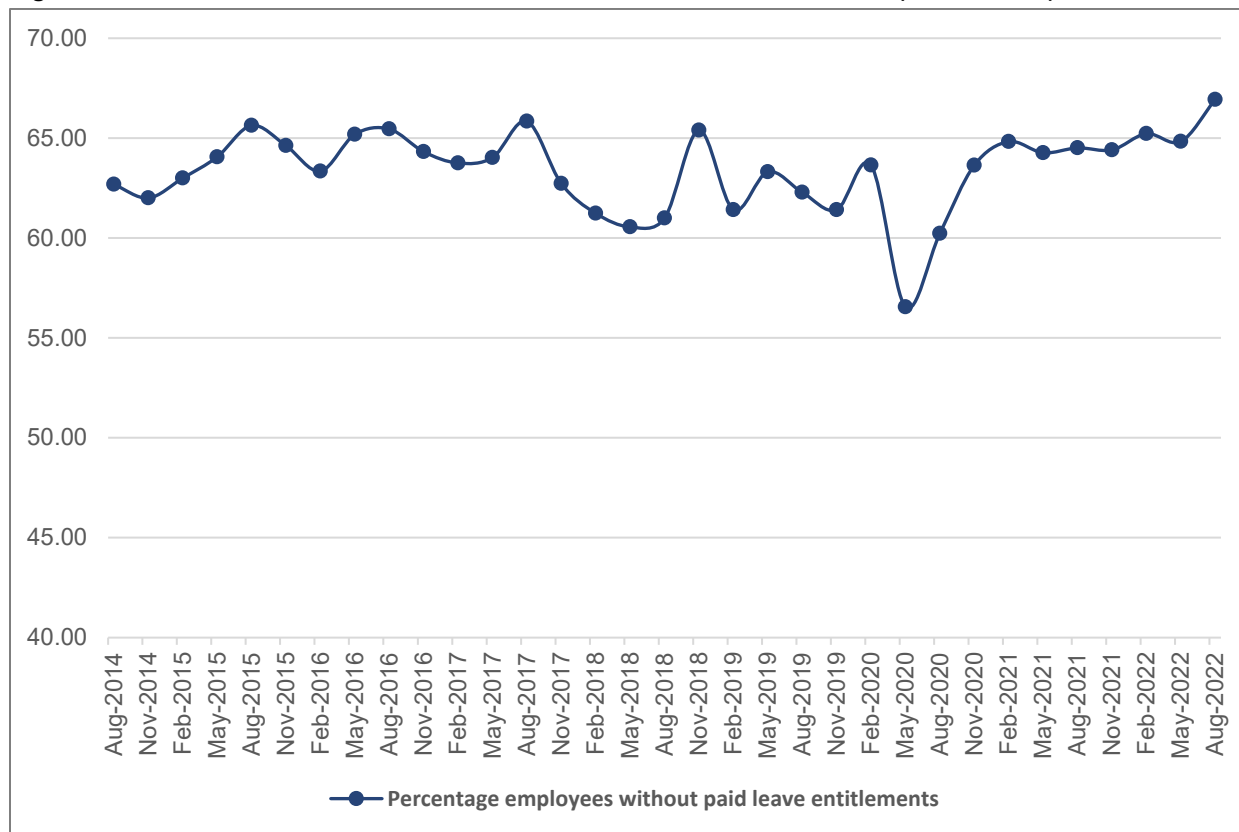


Figure 7: Levels of casualisation – Health care and social assistance (2014 to 2022)

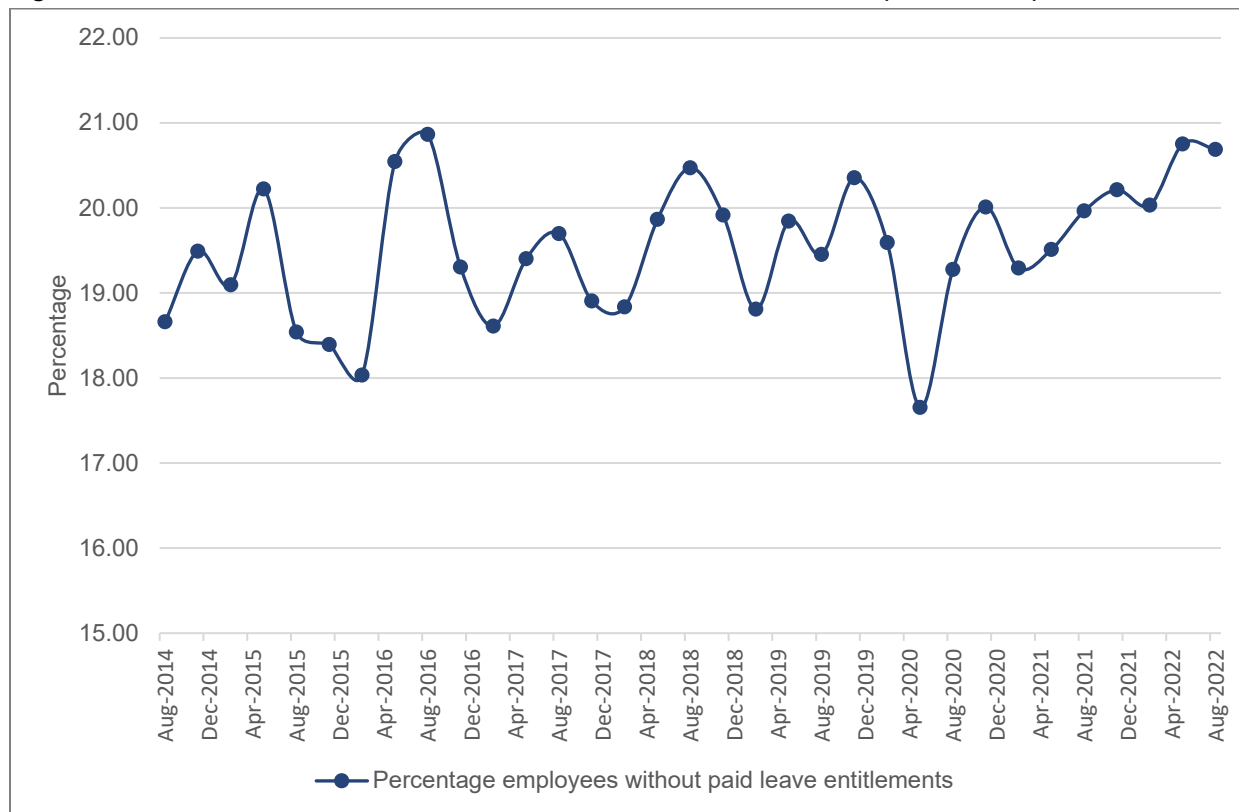


Figure 8: Full time and part time employment – Australia and Victoria (percentage)

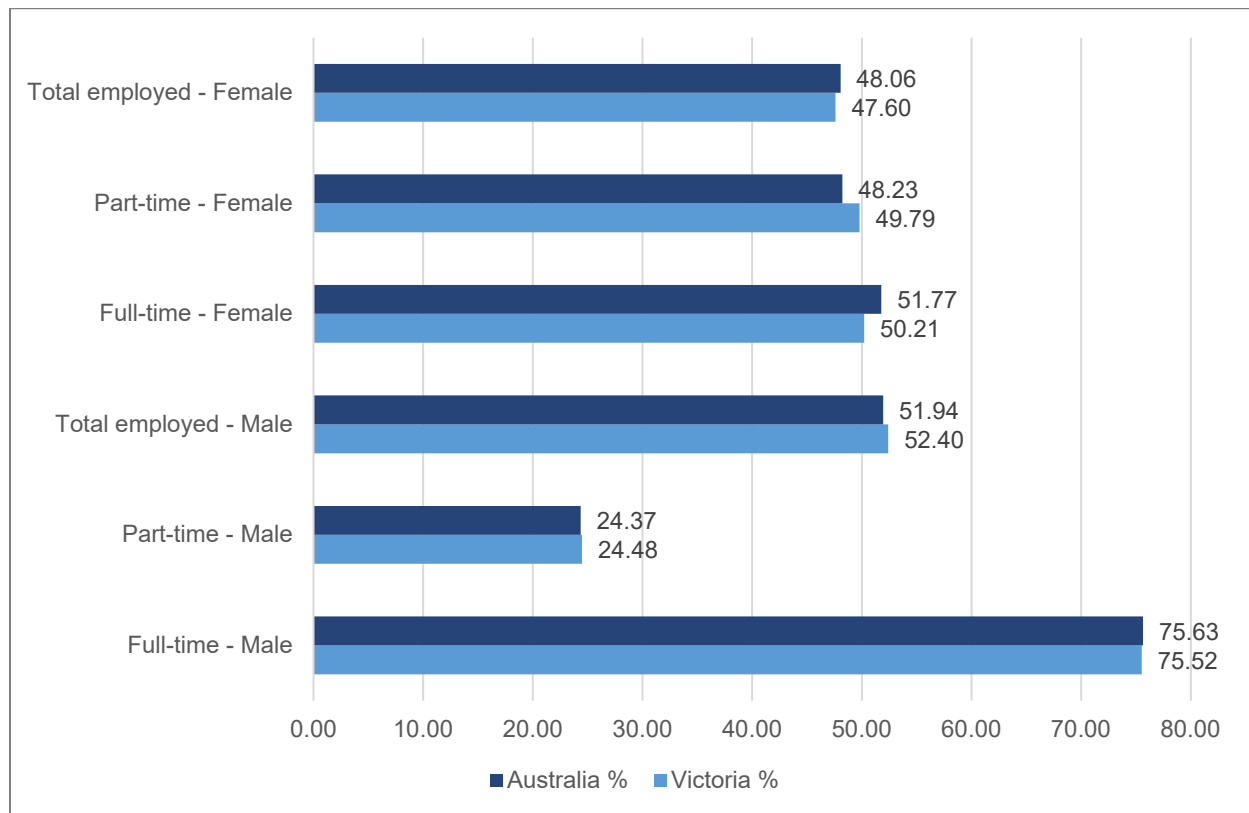


Figure 9: Average weekly cash earnings by method of setting pay by gender – May 2021



Source: Australian Bureau of Statistics, Employee Earnings and Hours, Australia May 2021

Table 1: All employees, average weekly total cash earnings – Method of setting pay by gender

Method of setting pay	Male (\$)	Female (\$)	Persons (\$)	Gender pay ratio (%)
Award only	937.10	788.30	849.20	84.12
Collective agreement	1,685.50	1,269.50	1,450.20	67.43
Individual arrangement	1,882.80	1,363.50	1,663.90	85.09
Owner manager of incorporated enterprise	1,602.50	1,137.60	1,481.40	69.99
All methods of setting pay	1,625.40	1,166.90	1,394.10	71.79

Source: Australian Bureau of Statistics, Employee Earnings and Hours, Australia May 2021

Victorian Government action on economic equity for women

Inquiry into Economic Equity for Victorian Women

- 55 The Inquiry into Economic Equity for Victorian Women (Inquiry) was established in July 2021 to find solutions for problems such as unequal pay and workplace barriers to women’s success. The Inquiry considered the extent, nature and magnitude of workplace and economic inequity for women in Victoria and made recommendations for suitable policy options for the Victorian Government to redress the systemic disadvantage for women highlighted by the impact of coronavirus (COVID-19) on workplace and economic equity for women in Victoria.¹⁰
- 56 In September 2022, the Victorian Government published its response to the Inquiry and is committed to addressing economic inequity for Victorian women and supports, supports-in-part or supports-in-principle 28 of the 31 recommendations. Three recommendations are subject to further consideration.¹¹
- 57 The following Inquiry recommendations are of particular relevance to the Annual Wage Review and future operations of the FWC:
- **Recommendation 23:** Develop a Victorian Care Economy Strategy to recognise care and community work as critical human infrastructure and assign it fair economic value.
 - **Recommendation 25:** Advocate to the Australian Government for a review and evaluation of the Fair Work system that develops processes to address the undervaluation of work in majority-women sectors.

¹⁰ <https://www.vic.gov.au/sites/default/files/2022-09/Inquiry-into-Economic-Equity-for-Victorian-Women-Final-Report.pdf>

¹¹ https://www.vic.gov.au/sites/default/files/2022-09/Inquiry-into-Economic-Equity-for-Victorian-Women_Governments_response.pdf

- 58 The Victorian Government therefore welcomes the Commonwealth's Government proposal to establish under the FWC the new system of expert panels for pay equity and the care and community sector and that there will consultation and public engagement in these areas.
- 59 The Victorian Government notes that these Panels will be needed when the FWC considers changes to modern awards relating to gender pay equity or the care and community sector and when deciding whether to make an equal remuneration order.
- 60 The Victorian Government will use the evidence and recommendations contained in Inquiry report to develop and implement Victoria's refreshed Gender Equality Strategy, for release in 2023 and in future engagement with the Commonwealth Government.

Work value of aged care workers

- 61 The Victorian Government broadly supports all recommendations made by the Final Report of the Royal Commission into Aged Care Quality and Safety (Royal Commission) and notes the importance of the Commonwealth, as the primary funder and regulator of aged care in Australia, to adequately fund appropriate wage increases to support the attraction and retention of a skilled aged care workforce.
- 62 The Victorian Government is therefore supportive of an appropriate increase (or series of increases) to minimum award wages in the aged care sector as contemplated by the Final Report of the Royal Commission, appropriately funded by the Commonwealth Government.
- 63 The direct aged care workforce is one of the largest and fastest growing sectors in Victoria. It has specific characteristics and needs. For example, the personal care workforce is mostly female,¹² with a substantial gender pay gap, and includes a significant proportion of new migrants. The personal care workforce is a low-paid sector, with a high level of casualisation. Specialised care sector digital 'platforms' have also been emerging and drawing more workers into the sector who are also typically engaged in casual forms of work and subject to the insecurity that this can bring.
- 64 The Victorian Government submitted to the FWC's aged care work value case, that an appropriate increase to minimum wages in the aged care sector is justified by work value reasons and is necessary to achieve the modern awards objective to provide a safety net of fair and relevant minimum wages for the sector. Beyond the inherent value of the work performed in the aged care sector, more recent changes to the nature of that work have caused the work value to increase, including the level of complexity, the skill, responsibility and judgement involved in performing the work, and the conditions under which the work is performed.¹³

¹² Australian Government (2020) *Aged Care Workforce Census Report*. Accessed from: <https://www.health.gov.au/sites/default/files/documents/2021/10/2020-aged-care-workforce-census.pdf>.

¹³ Fair Work Commission (2023) *Decisions & statements for the Work value case*. Accessed from: <https://www.fwc.gov.au/hearings-decisions/major-cases/work-value-case-aged-care-industry/decisions-statements-work-value>

- 65 On 4 November 2022, the FWC decided to increase wages of direct care workers by 15 per cent. The timing of these increases is to be the subject of further submissions and Stage Two hearings. Claims for other workers covered by the relevant awards, administrative and other support workers have not been concluded and will be addressed in Stage Three proceedings. The interim figure of 15 percent may also increase subject to further submissions at Stage Three.
- 66 As the FWC stated in its Aged Care Work Value decision:
*[1048] As discussed earlier, we accept that the aged care workforce is predominantly female and the expert evidence is that, as a general proposition, work in feminised industries including care work has historically been undervalued and the reason for that undervaluation is likely to be gender-based. We also accept the logic of the proposition in the expert evidence that gender based undervaluation of work is a driver of the gender pay gap and if all work was properly valued there would likely be a reduction in the gender pay gap. While it has not been necessary for the purposes of these proceedings for us to determine why the relevant minimum rates in the Awards have not been properly fixed, **we accept that varying the relevant awards to give effect to the interim increase we propose would be likely to have a beneficial effect on the gender pay gap and promote pay equity** (our emphasis).*
- 67 During this year's Annual Wage Review, by providing a substantial increase to the NMW and all modern award wages, the FWC has the opportunity to provide a further deserved increase to the wages of aged care workers and other workers in the health care and social assistance sectors – who are primarily women – ahead of the staged and provisional increase in award wages of aged care workers of 15 per cent. This case has not yet been finalised – otherwise these workers will in effect be exposed to a decrease and devaluation of their work before they have received the substantive increase from the case itself.

Challenges of entrenched barriers to employment and workforce shortages

- 68 Employment is of vital importance to individuals, society and the economy. Having a secure, well-paid job provides Victorians and their families with the income needed to cover living expenses; it contributes to economic security and wellbeing; bolsters a sense of identity, achievement and purpose, and enables social interaction and integration. Ensuring no Victorians are left behind and have access to well remunerated and secure employment will help to reduce income inequality and promote social cohesion. These are characteristics of an economy which experiences stronger growth and greater macroeconomic stability.¹⁴

¹⁴ De Dominicis, L, Florax, R. and De Groot, H. (2008) 'A Meta-Analysis on the Relationship between Income Inequality and Economic Growth' *Scottish Journal of Political Economy*. Accessed from: <https://onlinelibrary.wiley.com/doi/full/10.1111/j.1467-9485.2008.00470.x>.

- 69 In 2022, the labour market was characterised by workforce shortages presenting simultaneously as inflationary pressures increase within the economy. Lifting minimum wages will help to lower the inflationary pressures felt by low-income families and decrease inflation-driven inequality.
- 70 Different sectors are experiencing skill and workforce shortages. Job vacancies are rising across all Victorian industries, but shortages are most significant in low wage sectors including Health care and social assistance, Accommodation and food services, Professional services and the Retail trade. Workforce shortages are expected to worsen due to growing demand for workers.¹⁵
- 71 A tight labour market, international supply chain disruptions and a sharp increase in the price of energy led to a rampant inflation rate. The Consumer Price Index in Australia rose 7.3 per cent in 2022, the highest since 1990.¹⁶ The rise in the cost of living is not evenly distributed amongst goods and services, with food, fuel and transport experiencing the sharpest increase. The annual change in the price of food of nine per cent is the most since 1983, whilst prices for transport and housing increased by 9.2 per cent and 10.5 per cent respectively.¹⁷
- 72 A high and uneven inflation rate disproportionately affects low-income households. As inflationary pressures are more pronounced for basic goods such as food, low-income earners are having to spend a greater proportion of their budget on essentials than their counterparts. As a result, low-income families' budgets will feel a greater strain than higher-income earners when costs rise for essentials like food and gas. This widens inequality, pushing more low-income households and priority cohorts below the poverty line. The Foodbank Hunger Report 2022 found that 64 per cent of households cited an increased cost of living as a reason they could not meet their household food needs.¹⁸

Cohorts facing entrenched barriers/disadvantage

- 73 Digging deeper into participation and unemployment rates in Victoria, the low headline unemployment statistic masks the fact that many Victorians are being left behind. As seen in **Figure 10**, at greatest risk includes Aboriginal and Torres Strait Islander people, people living with disability, young people, older people (and particularly older women), recent migrants and those living in the regions. These cohorts often face multiple and complex barriers to employment including employer attitudinal biases, and thus face persistently higher rates of unemployment which can result in discouragement and decreased labour market participation.

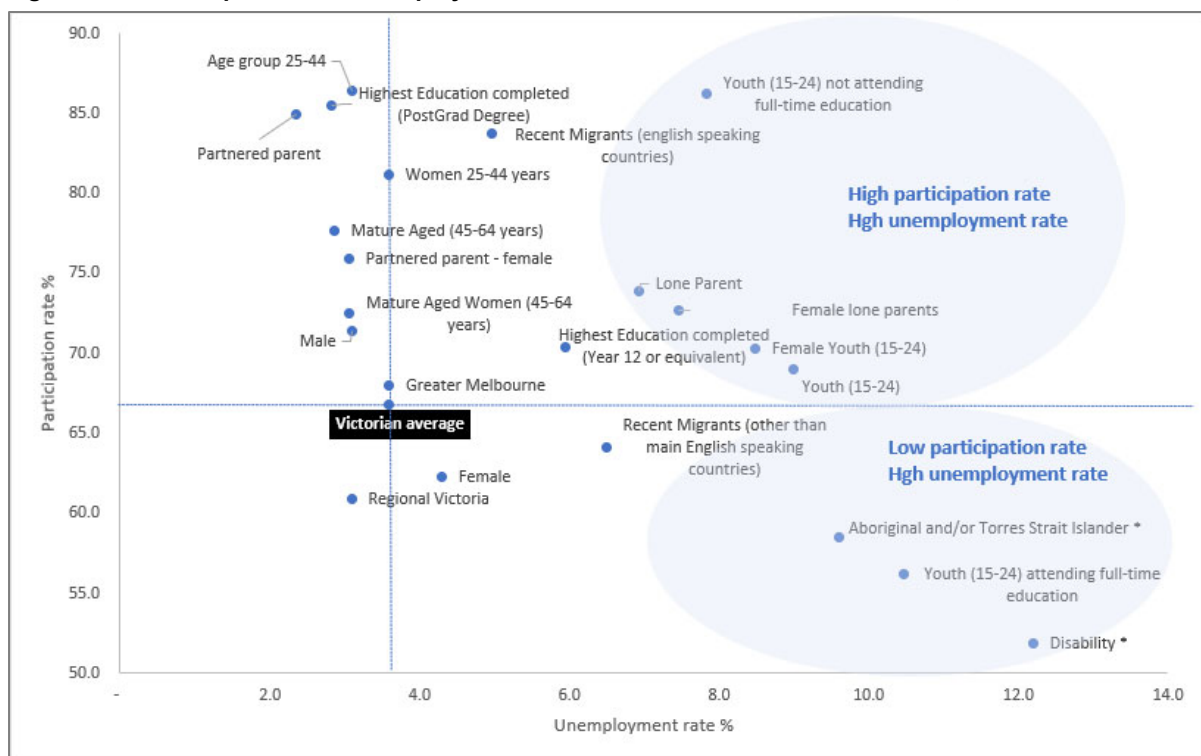
¹⁵ Australian Government – National Skills Commission (2021) *State of Australia's Skills 2021: Now and into the future: Five-year employment projections*. Accessed from: <https://www.nationalskillscommission.gov.au/reports/state-australias-skills-2021-now-and-future/chapter-6-labour-market-skills-needs/five-year-employment-projections>.

¹⁶ Australian Bureau of Statistics (November 2022) *Consumer Price Index, Australia*.

¹⁷ Ibid.

¹⁸ Foodbank, *Foodbank Hunger Report 2022*. Accessed from: <https://reports.foodbank.org.au/foodbank-hunger-report-2022/#:~:text=As%20the%20Foodbank%20Hunger%20Report,Elevated%20food%20inflation>.

Figure 10: Participation and unemployment rates for vulnerable Victorian cohorts, October 2022¹⁹



Source: Australian Bureau of Statistics, October 2022

74 Since March 2020, Jobs Victoria has had success in supporting over 46,000 Victorians into work. A feature point of Jobs Victoria’s success has been to service cohorts facing complex barriers or entrenched disadvantage, by providing tailored employment support to make candidates job-ready, provide training and development, and further support them into secure employment. However, wages are outside of the State’s control. These cohorts are more likely to receive lower wages than the average Victorian and are more likely to occupy low-skill occupations, making minimum wage award rates particularly relevant.

Aboriginal Victorians

75 Aboriginal Victorians have long been underrepresented in labour markets, contributing to the entrenched disadvantage faced by this cohort. The labour market participation rate for Aboriginal and/or Torres Strait Islander Victorians in 2021 was 58.5 per cent,²⁰ whilst for all Victorians it was 62.4 per cent.²¹ In addition, the unemployment rate for Aboriginal and/or Torres Strait Islander Victorians in 2021 was 9.6 per cent.²² Comparatively, the unemployment rate for all Victorians was five per cent.²³

¹⁹ Derived from Australian Bureau of Statistics (October 2022), Labour Force Data, ABS Website.

²⁰ Australian Bureau of Statistics (2021) *Victoria: 2021 Census Aboriginal and/or Torres Strait Islander people QuickStats*, ABS Website.

²¹ Australian Bureau of Statistics (2021) *Victoria: 2021 Census All persons QuickStats*, ABS Website.

²² Australian Bureau of Statistics (2021) *Victoria: 2021 Census Aboriginal and/or Torres Strait Islander people QuickStats*.

²³ Australian Bureau of Statistics (2021) *Victoria: 2021 Census All persons QuickStats*.

- 76 The median weekly personal income for Aboriginal and/or Torres Strait Islander Victorians was \$619.²⁴ Comparatively, the median weekly personal income for all Victorians was \$803.²⁵ The shortfall of 23 per cent speaks to an established inequality and can be attributed to the poorer social outcomes achieved for Aboriginal and/or Torres Strait Islander Victorians including on health.
- 77 There has been an increase of 17,858 (or 37.4 per cent) in the number of people identifying as Aboriginal or Torres Strait Islander in Victoria in the 2021 census, in comparison to 2016.²⁶ Given the Victorian population increased by 576,867 (or 9.7 per cent), it follows that the number of people identifying as Aboriginal or Torres Strait Islander people make up an increasing proportion of the Victorian population and their economic and social wellbeing of increasing significance.
- 78 When considering educational attainment, 41.4 per cent of Aboriginal and/or Torres Strait Islander Victorians had obtained a Certificate III or above in 2021, whilst for all Victorians it was 53.3 per cent.²⁷ This implies an increased likelihood of Aboriginal and/or Torres Strait Islander Australians occupying low-skilled jobs within the economy, often remunerated at minimum wage award rates.
- 79 Given there is a greater proportion of the Aboriginal and/or Torres Strait Islander population on the fringes of the labour market, and as widespread labour shortages are principally affecting low-skilled industries such as retail, hospitality, and agriculture,²⁸ it serves that an increase to minimum wages is likely to disproportionately benefit the Aboriginal and/or Torres Strait Islander population.

People living with disability

- 80 In 2018, people living with disability were almost three times less likely to be considered part of the workforce (not in a paid job and not looking for one).²⁹ For many workers living with a disability, the paucity of accessible workplaces is compounded by low remuneration that can often be outweighed by the costs of providing their own supports. The gap in participation rate between the two cohorts has been widening since 2015.³⁰
- 81 Further, in 2018 the unemployment rate for people living with a disability was 10.3 per cent, more than double the unemployment rate of all Australians of 4.6 per cent.³¹

²⁴ Australian Bureau of Statistics (2021) *Victoria: 2021 Census Aboriginal and/or Torres Strait Islander people QuickStats*.

²⁵ Australian Bureau of Statistics (2021) *Victoria: 2021 Census All persons QuickStats*.

²⁶ Ibid.

²⁷ Australian Bureau of Statistics (July 2022) *Australia: Aboriginal and Torres Strait Islander population summary*; Australian Bureau of Statistics (2021), *Victoria: 2021 Census All persons QuickStats*.

²⁸ Victorian Government – Department of Education and Training (2022) *Victorian Skills Plan: State of the Victorian Labour Market*.

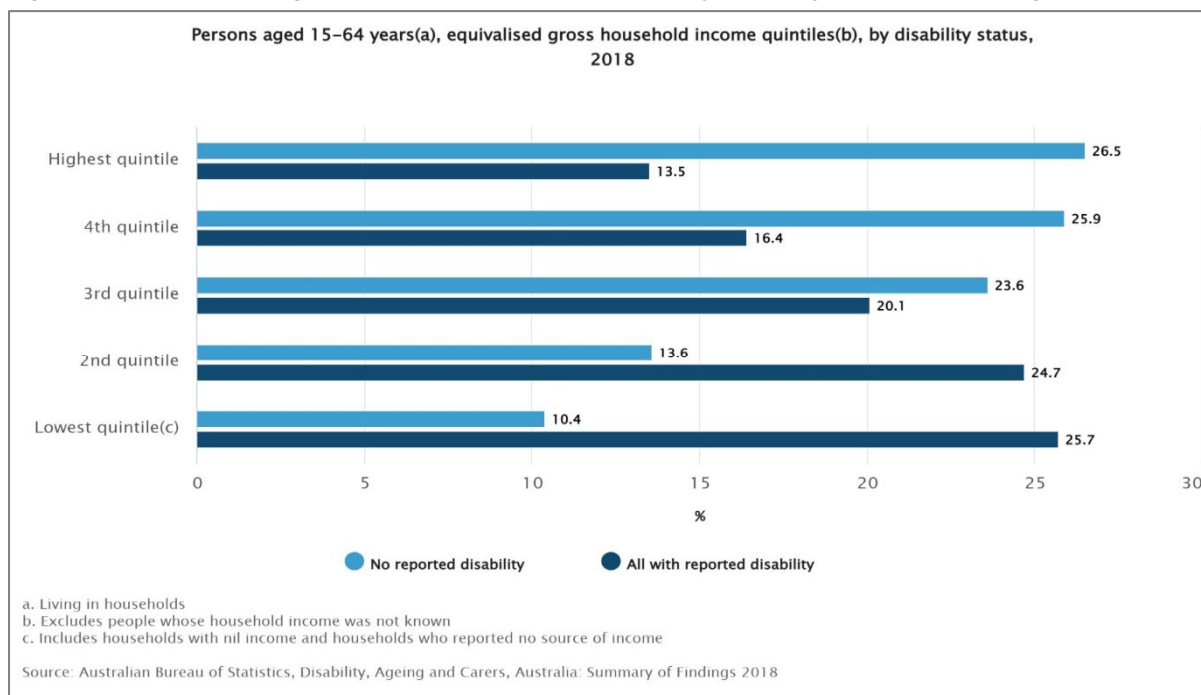
²⁹ Australian Bureau of Statistics (October 2019) *Disability, Ageing and Carers, Australia: Summary of Findings*.

³⁰ Ibid.

³¹ Ibid.

82 In 2018, the median gross personal income of people living with disability in Australia was \$505 per week. Comparatively, the median gross personal income for those without disability was \$1,016 per week.³² Whilst some of the 50.3 per cent shortfall can be attributed to an inability to participate in the labour market by those suffering moderate or severe disability, the magnitude is significant and fails to provide sufficient monetary support to navigate the entrenched disadvantage experienced by people with disability. **Figure 11** helps to visualise the magnitude of discrepancy in the distribution of household incomes faced by those living with disability against those without. For the majority of people living with disability, household income is in the bottom two quintiles.

Figure 11: Equivalised gross household income quintiles by disability status, persons aged 15-64, 2018



83 Up to 18 per cent of those employed with disability use leave arrangements to have one day or more off per week because of disability.³³ This lowers the floor of the earnings potential for those living with disability, making the minimum wage award rates even more pronounced for this cohort in establishing an income.

Young people

84 The overall youth participation rate is 69.5 per cent, compared to the participation rate of young people not in full-time study at 86.6 per cent. Despite falling two percentage points since March 2020, the Victorian youth unemployment rate remains elevated at 8.7 per cent, compared to the broader Victorian unemployment rate of 3.7 per cent.³⁴

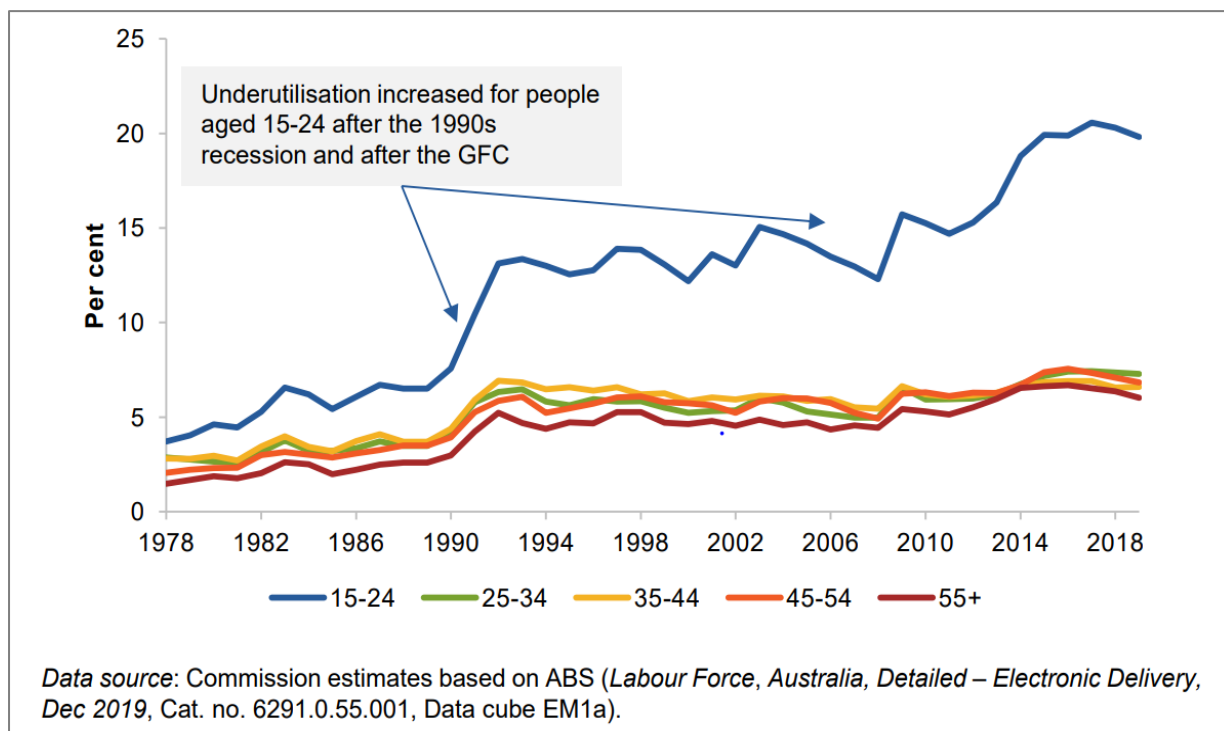
³² Ibid.

³³ Australian Government – Australian Institute of Health and Welfare (2022) *People with disability in Australia* (5 July 2022). Accessed from: <https://www.aihw.gov.au/reports/disability/people-with-disability-in-australia/contents/employment>.

³⁴ Australian Bureau of Statistics (November 2022), *Labour Force, Australia*.

85 However, a study published in 2020 by the Australian Productivity Commission showed that with increasing part-time employment, the traditional unemployment rate has become an inadequate measure of the state of the labour market. This is because increasing part-time work, at the expense of full-time work, could give rise to some underemployment. This is true particularly for young people, where underutilisation rate – the proportion of the labour force that is underemployed or unemployed – increased since 2008 by eight per cent, compared to two per cent for other age groups (see **Figure 12** below).

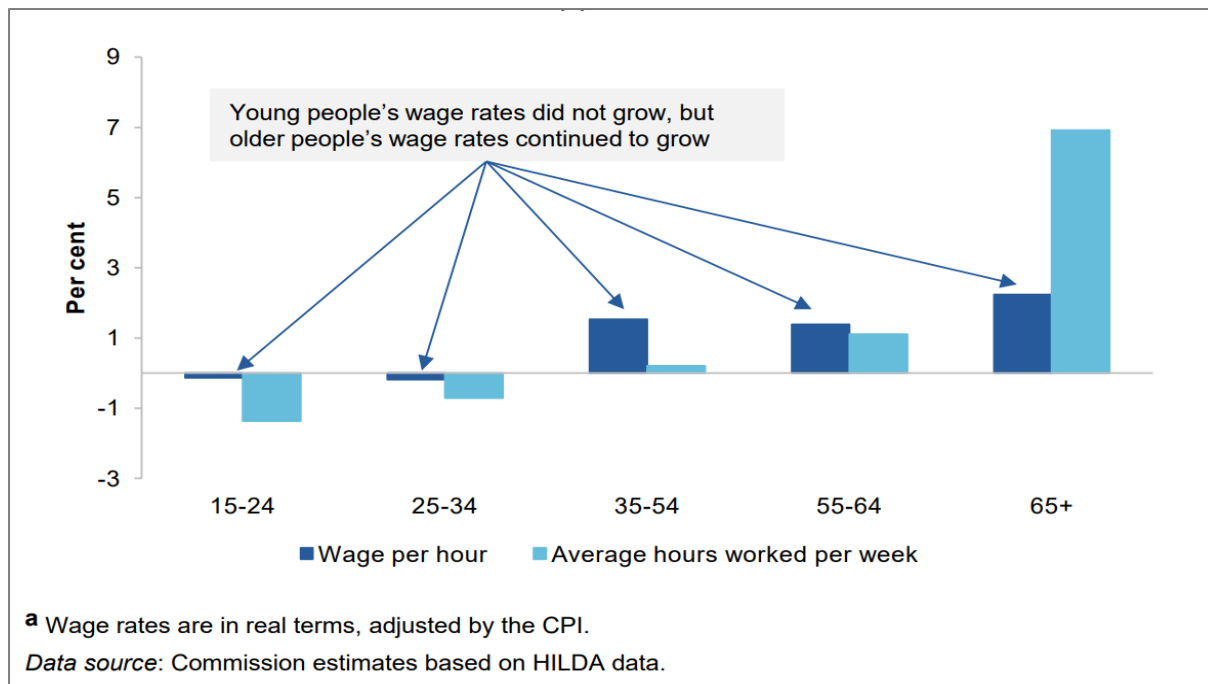
Figure 12: The underutilisation rate increased after 2008 Labour force underutilisation rate, by age group, 1979-2019



86 The discrepancy between younger and older people’s salaries has also increased in the last 15 years. Young people’s average incomes declined in real terms from 2008 to 2018, while older people’s wage continued to grow (**Figure 13**).³⁵

³⁵ Australian Government – Productivity Commission (2020) *Why did young people’s incomes decline?*. Productivity Commission Research Paper (July 2020). Accessed from: <https://www.pc.gov.au/research/completed/youth-income-decline/youth-income-decline.pdf>.

Figure 13: Average annual growth rates in labour income, average wage rate and hours worked per person, by age group 2008 to 2018



87 According to the Productivity Commission, the gap in the growth of wage rates between young and older workers was not driven by labour market changes that affected specific education levels, industries or occupations; nor was it driven by longer-term trends such as job polarisation. The most likely explanation for the decline in wage rates and in full-time work is an imbalance between labour demand and labour supply. Seeing greater competition for starting positions, firms offered lower starting wages. But evidence suggests that firms did not use their enhanced bargaining power to reduce wages for existing workers (although wage rises were smaller). This lack of wage flexibility within existing firms and for existing workers meant that new jobs were created in smaller firms, and in sectors with more casual and part-time work.³⁶

88 Young people are therefore particularly vulnerable to economic downturns and reductions in entry-level jobs, and face increasing competition for lower paid roles available in areas such as retail and hospitality.³⁷

89 Young people are also exposed to cost-of-living pressures due to their low median income, with housing costs often making up the highest proportion of household spending. In 2017-18, around 28 per cent of young people aged 15-24 were living in lower income households that were experiencing housing stress, meaning that they spent more than 30 per cent of their gross household income on housing costs. By spending such a large percentage of their income on housing costs, households may be forced to spend less on other necessities such as education, food and health care. In addition, young people are remaining to live in the parental home longer than in the past

³⁶ Ibid.

³⁷ Lampe, B., de Fontenay, C., Nugent, J. and Jomini, P. (2020) *Climbing the jobs ladder slower: Young people in a weak labour market*, Productivity Commission: Staff Working Paper (27 July 2020). Accessed from: <https://www.pc.gov.au/research/supporting/jobs-ladder>.

due to difficulties in obtaining affordable housing, which can negatively impact their transition to adulthood and living independently.³⁸

- 90 Higher unemployment and underutilisation as well as their overrepresentation in less stable and lower paid jobs makes young people particularly vulnerable to the current cost of living pressures and potentially more reliant on intrafamily transfers. This phenomenon increases intergenerational inequality while also reproducing social inequality.
- 91 As such, an increase to the minimum wage would provide greater financial resilience for young people, while also helping to decrease the intergenerational and social inequality gap, accelerated after the global financial crisis.

Older people

- 92 The percentage of Australians over 65 in the labour force has more than doubled over the last twenty years, rising from 6.1 per cent in 2001 to 15 per cent in 2021. Within this, participation for men rose from 10 per cent to 19 per cent, compared to women whose participation sharply increased from 3 per cent to 11 percent during this time. In April 2021, the unemployment rate for Australians over 65 was 2.9 per cent, compared with 1.1 per cent in April 2011.³⁹
- 93 In 2018, 68.1 per cent of older Australians lived in a low-income household earning less than \$756 per week, compared to approximately 6.7 per cent who lived in a high-income household earning more than \$1,680 per week). During this time the median gross personal income for older Australians over 65 was \$454 per week, compared to \$961 for people aged 15-64 years.⁴⁰ In 2021, the most common form of employment for older Australian women was Clerical and administrative workers, compared to Managers being the most common form of employment for older Australian men⁴¹ This suggests that older Australian women in particular would benefit from minimum wage increases as they are more likely to occupy lower-skilled jobs which are often based on the minimum wage.
- 94 The reasons for older Australians over 65 returning to or staying in employment are varied and unique to the individual's personal circumstances, which include factors such as their health, economic situation, and presence of familial support.⁴² Australians are also living longer, with nearly 16 percent of Australians aged 65 years and over in 2018, compared to approximately 15 per cent in 2015.⁴³ Given this, it is likely that older Australians can and need to remain in the workforce for longer than in previous years.⁴⁴ As such, a strong minimum wage is an important safety net for many older Australians over 65 to support themselves in retirement.

³⁸ Australian Institute of Health and Welfare (2021), *Australia's youth: Housing stress* (25 June 2021): <https://www.aihw.gov.au/reports/children-youth/housing-stress>.

³⁹ Australian Institute of Health and Welfare (2021), *Older Australians: Employment and work* (30 November 2021): <https://www.aihw.gov.au/reports/older-people/older-australians/contents/employment-and-work>.

⁴⁰ Australian Bureau of Statistics (October 2019), *Disability, Ageing and Carers, Australia: Summary of Findings*.

⁴¹ Australian Institute of Health and Welfare (2021), *Older Australians: Employment and work*.

⁴² Ibid.

⁴³ Australian Bureau of Statistics (October 2019), *Disability, Ageing and Carers, Australia: Summary of Findings*.

⁴⁴ Australian Institute of Health and Welfare (2021), *Older Australians: Employment and work*.

Migrants

- 95 Recent migrants from countries in which languages other than English are primarily spoken are disproportionately represented as unemployed. The unemployment rate in October 2022 of 6.5 per cent⁴⁵ is almost double the Victorian average of 3.6 per cent,⁴⁶ with participation similarly languishing 2.6 percentage points below the Victorian average.⁴⁷
- 96 The median annual personal income for migrants in 2019-20 was \$45,351 in Australia and \$43,882 in Victoria, compared with \$52,338 for the population as a whole nationwide.⁴⁸ In addition, the median wage for Temporary Skills Shortage (TSS) visa-holders in Australia is \$75,000 which is less than the median full-time wage in Australia of \$82,000 a year. A growing share of TSS visa-holders are employed on low wages with one quarter earning less than \$62,000 a year.⁴⁹ These concentrated inflows of migrants into particular sectors also put downward pressure on the wages of Australian workers with similar skills.⁵⁰
- 97 Migration is increasingly important to Australia's labour force. One in three workers in Australia were born overseas. One in five workers currently hold either a temporary or permanent visa. Currently, temporary migrants make up seven per cent of the Australian workforce.⁵¹
- 98 The largest employing industries of migrants were Administrative and support services (14.1 per cent of jobs held by migrants); Health care and social assistance (12.1 per cent); and Accommodation and food services (11.3 per cent).⁵² These sectors rely heavily on temporary migrants such as international students to fill lower skilled jobs on low wages.⁵³ The Migrant Workers Taskforce, an agency focused primarily on international students and working holiday makers, found that these cohorts are subject to higher rates of exploitation.⁵⁴
- 99 Increasing minimum wage would help to protect these cohorts from the risk of exploitation, while also improving the living conditions of domestic workers with similar skill sets.

⁴⁵ Australian Bureau of Statistics (October 2022), *Catalogue No. 6291.0.55.001 – LM7 - Labour force status by elapsed years since arrival, main English-speaking countries, sex, state and territory, January 1991 onwards* (pivot table).

⁴⁶ Australian Bureau of Statistics (October 2022), *Catalogue No. 6291.0.55.001 - LM1 - Labour force status by Age, Greater Capital City and Rest of State (ASGS), Marital status and Sex, February 1978 onwards*.

⁴⁷ Australian Bureau of Statistics (October 2022), *Catalogue No. 6291.0.55.001 – LM7 - Labour force status by elapsed years since arrival, main English-speaking countries, sex, state and territory, January 1991 onwards* (pivot table) LM7; Australian Bureau of Statistics (October 2022), *Catalogue No. 6291.0.55.001 - LM1 - Labour force status by Age, Greater Capital City and Rest of State (ASGS), Marital status and Sex, February 1978 onwards*.

⁴⁸ Australian Bureau of Statistics (December 2022), *New migrant jobs and income data release*, ABS Website.

⁴⁹ Mackey, W. et al (2022) *Migrants in the Australian workforce: A guidebook for policy makers*, Grattan Institute. Accessed from: <https://grattan.edu.au/wp-content/uploads/2022/05/Migrants-in-the-Australian-workforce.pdf>.

⁵⁰ Ibid.

⁵¹ Ibid.

⁵² Australian Bureau of Statistics (December 2022) *New migrant jobs and income data release*.

⁵³ Mackey, W. Coates, B. and Sherrell, H. (2022) *Migrants in the Australian workforce: A guidebook for policy makers*. Grattan Institute (May 2022). Accessed from: <https://grattan.edu.au/wp-content/uploads/2022/05/Migrants-in-the-Australian-workforce.pdf>

⁵⁴ Farbenblum, B. and Berg, L. (2020) *International Students and Wage Theft in Australia*, Migrant Justice Institute. Accessed from: <https://www.migrantjustice.org/publications>.

Regional Victorians

- 100 The headline unemployment figure of 3.1 per cent in regional Victoria suggests a sound level of economic inclusion comparatively to the 3.5 per cent unemployed in Greater Melbourne.⁵⁵ However, the magnitude of unemployment found within some geographical locations is masked by a low participation rate of 57.4 per cent in the regions (compared with 64.1 per cent in Greater Melbourne).⁵⁶ For example, in LaTrobe – Gippsland the unemployment rate remains the highest in Victoria at 5.3 per cent.⁵⁷
- 101 In regional Victoria, the median gross personal income was \$713 per week.⁵⁸ Comparatively, the median gross personal income for those living in Greater Melbourne was \$841 per week.⁵⁹ Importantly, the most populous industries worked in by those living in the regions include some of the lowest paid such as Social Services, Supermarkets and Grocery, and Aged Care.⁶⁰
- 102 Any increase to the minimum wage award rate is likely to disproportionately benefit those living in the regions (and particularly in areas of acute geographical disadvantage) by increasing incomes in the lowest paid industries and reducing overall inequality.

Long-term unemployed

- 103 A long-term unemployed person is defined as someone who spends 52 weeks or more out of work. Despite the low 3.4 per cent unemployment rate, the share of jobless people who are long-term unemployed is 26 per cent, up from 18 per cent a decade ago. There were 127,900 long-term unemployed people in June 2022, slightly higher than the 111,500 in June 2012. People aged over 55 made up 41.6 per cent of the long-term unemployed.⁶¹
- 104 Many international studies show the scarring effect of long-term unemployment and its consequences on lower wages. These studies clearly demonstrate that people who regain employment after being long term unemployed, experience a substantial gap in wages received when compared to those only short-term unemployed.⁶² These studies also show that the combined effect of wage loss during the time of unemployment and the substantial wages gap after returning to employment influences a lower likelihood of home ownership among the long-term unemployed.

⁵⁵ Australian Bureau of Statistics (November 2022), *Labour Force, Australia*.

⁵⁶ Australian Bureau of Statistics (2021), *Rest of Vic, 2021 Census All Persons QuickStats*, ABS Website, accessed 29 December 2022; Australian Bureau of Statistics (2021), *Greater Melbourne, 2021 Census All Persons QuickStats*, ABS Website, accessed 29 December 2022.

⁵⁷ Australian Bureau of Statistics (2022), *Labour Force, Australia*.

⁵⁸ Australian Bureau of Statistics (2021), *Rest of Vic, 2021 Census All Persons QuickStats*.

⁵⁹ Australian Bureau of Statistics (2021), *Greater Melbourne, 2021 Census All Persons QuickStats*.

⁶⁰ Australian Bureau of Statistics (2021), *Rest of Vic, 2021 Census All Persons QuickStats*.

⁶¹ Kehoe, J. (2022) 'Long-term unemployment still too high, says Chalmers' *Australian Financial Review*, 23 August 2022. Accessed from: <https://www.afr.com/policy/economy/long-term-unemployment-still-too-high-says-chalmers-20220823-p5bc5b>

⁶² Cooper, D. (2014) *The Effect of Unemployment Duration on Future Earnings and Other Outcomes*, Federal Reserve Bank of Boston Working Papers 13-8 (2014). Accessed from: <https://www.bostonfed.org/publications/research-department-working-paper/2013/the-effect-of-unemployment-duration-on-future-earnings-and-other-outcomes.aspx>

Schmieder, J. F., von Wachter, T. and Bender, S. (2016) 'The Causal Effect of Unemployment Duration on Wages: Evidence from Unemployment Insurance Extensions' *American Economic Review* (2016) 106(3). Accessed from: <https://www.nber.org/papers/w19772>.

- 105 Increasing the minimum wage will have a positive impact on the long-term unemployed, who have and are already experiencing prolonged periods of wage loss over their working lives.

Conclusion

- 106 The Victorian Government submits that in the Annual Wage Review 2022-23, there should be a substantial increase to the NMW and award minimum wages to assist those on low incomes in Victoria who are struggling with strong inflationary pressures and a loss of their discretionary income.
- 107 Further, the Victorian Government calls on the FWC to consider applying a higher increase to modern award wages for those award reliant workers who are in the lower paid and often female dominated sectors, such as retail and hospitality, accommodation and food services and health care and social assistance.
- 108 This would offset the disproportionate impact of the coronavirus (COVID-19) on these sectors and workers, the staggered delays in the 2020-21 increases to award wages and would go some way to narrow the persistently wide gender pay gap, particularly in the female dominated Health care and social assistance sector. An increase would also be worthy to the workers in the aged care sector where the FWC has determined their work is undervalued and interim increases in wages are to be applied from 30 June 2023.
- 109 The Victorian Government again argues that current circumstances do not support a delay in any awarded increases – as demonstrated by the resilience and flexibility of Victorian businesses and consumers, and as the economy has increasingly adapted to conditions created by the pandemic in previous years.