

Another quarter has rolled by, which means that another set of wages data has disproven the hysterical predictions of a 'wages breakout' in Australia. Average wages have continued to grow at a moderate pace, in line with their long-run average. The Commonwealth Budget forecasts that the WPI will slow slightly in the June quarter, to be up 3.5% over the year, before picking up to 3.75% growth in 2012-13.

Meanwhile the 1.36 million Australian workers reliant on awards and the National Minimum Wage will see their rate of pay increase by 2.9% from 1 July, which means that the NMW will rise by \$17.10 per week. This is a moderate increase, well below the \$26 per week that the ACTU had sought for NMW workers, but it does represent a real increase for low-paid workers. The fact that award wages will rise much less rapidly than average wages means that the gap between low-paid workers and other workers will continue to rise.

Public sector wages have continued to grow at a slower than normal pace, well below the rate of private sector wages growth. Victoria and New South Wales have seen a particularly sharp slowdown in the pace of public sector wages growth relative to their typical pace. The latest DEEWR data on enterprise bargaining outcomes show that private sector agreements lodged in the December quarter provided for an average 4.1% wage increase, while public sector agreements contained an average 3.7% annual increase.

Wages and prices at a glance

	Latest quarter	Level	Quarterly change	Year-ended change
Wage Price Index (WPI)	March	-	1.0%	3.6%
Full-time average weekly ordinary time earnings (AWOTE)	February	\$1330.20	0.5%	4.3%
Total average weekly earnings (AWE)	February	\$1032.70	0.8%	3.7%
National Minimum Wage	From 1 July	\$606.40	-	2.9%
Average wage increase in collective agreements	December	-	-	3.9%
Headline CPI	March	-	0.1%	1.6%
Underlying CPI	March	-	0.4%	2.2%
Employees' cost of living (ALCI)	March	-	-0.4%	1.2%
Gender pay gap	February	17.4%	+0.1pps	+0.1pps

Source: ABS, FWA, DEEWR. Underlying CPI is the average of the trimmed and untrimmed weighted median. All figures are seasonally adjusted other than the CPI and ALCI. The gender pay gap is calculated using full time adult AWOTE. The 'average wage increase in collective agreements' is the AAWI from DEEWR's Trends in Federal Enterprise Bargaining public document

Inquiry: Budget Estimates 2015-16

Date/Time: 25 May 2015

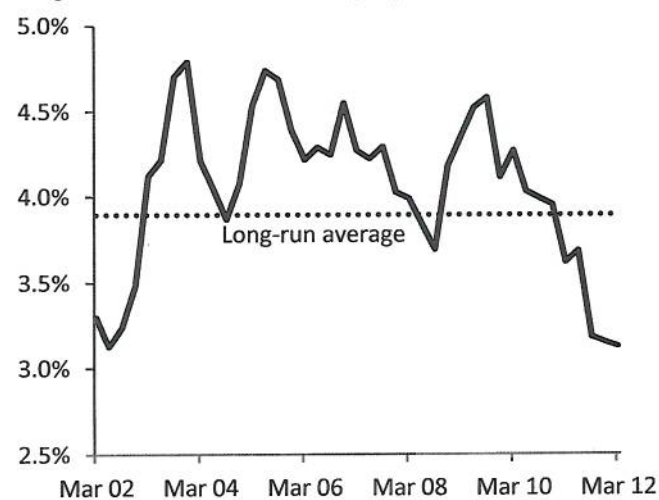
Witness Name: Senator Bernardi

Occupation:

Public sector wage growth remains quite low, dropping from 3.2% growth in the year to the September 2011 quarter to 3.1% growth in the year to March 2012, well below the long-run average of 3.9%. Quarterly growth has also dropped slightly, from 0.9% last quarter to 0.8% this quarter.

The rate of public sector wages growth has been falling since around mid-2009, and is now well below the rate of private sector wages growth. This is a reversal of the typical trend, with public sector wages usually growing faster than wages in the private sector. This may be attributed to delays in public sector bargaining around new enterprise agreements; restrictive and unfair wages policies, particularly among state governments; and cutbacks to Departmental budgets.

Figure 4: Public sector wage growth (year-ended)



Source: ABS 6245.0 and ACTU calculations

The largest falls in public sector wages growth, relative to their long run averages, have been experienced in Victoria and New South Wales. The Victorian public sector WPI grew by only 2.4% over the year to March 2012, whereas public sector wages in that state have grown at an average of 3.6% over the long run. This is shown in Table 1. These data don't show wages growth by jurisdiction – the Victorian figures include Commonwealth public servants employed in Victoria. Nevertheless, it appears that public sector wages policies in Victoria and NSW are having an effect on aggregate wages growth.

Table 1: Public sector wage growth by State

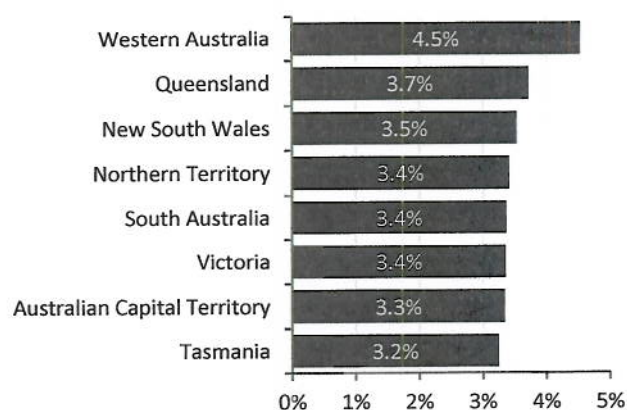
	Year to March 2012	Long-term average	Gap (percentage point)
NSW	3.1%	4.1%	1.0
Vic	2.4%	3.6%	1.2
Qld	3.3%	4.0%	0.7
SA	3.2%	3.8%	0.6
WA	4.0%	3.9%	-0.1
Tas	3.0%	3.8%	0.8
NT	3.4%	3.5%	0.1
ACT	3.0%	3.7%	0.7

Source: ABS 6345 (original) and ACTU calculations.

Table 1 shows that all states and territories other than WA have seen slower than average wages growth in the public sector.

Strong wages growth Western Australia was not confined to the public sector. WA continued to experience high wages growth relative to the rest of Australia, partly due to the resources boom, with the WPI growing by 4.5% over the year to March 2012 in that state.

Figure 5: Year-ended WPI growth by State



Source: ABS 6345.0

Tasmanian wages growth was the slowest in the nation in the year to March, slightly below the pace of growth in the ACT. Slow wages growth in the ACT is likely to be significantly affected by the below-trend growth in public sector wages growth.

Feature: Measuring changes in the cost of living

The cost of living has been a recurring theme in Australian policy debate in recent years. Part of the debate has been about how to measure changes in the cost of living. If increases in the consumer price index (CPI) remain within the RBA's target band, does that prove that concerns about a rising cost of living are ill-founded? The answer is 'not necessarily'.

The ABS has said that the CPI is "not the conceptually ideal measure for assessing the changes in the purchasing power of the disposable incomes of households".¹ The CPI measures overall price inflation for Australian households as a whole – not for any particular household type, like working households or pensioner households. It's well designed for use in macroeconomic policy, like setting interest rates, but isn't specifically designed as a cost of living measure.

In recognition of the CPI's limitations, the ABS also maintains alternative measures of price changes – Analytical Living Cost Indexes (ALCI). One ALCI measures the change in the cost of living for employee households. As the ABS puts, the ALCIs are "particularly suited for assessing whether or not the disposable incomes of households have kept pace with price changes".² In other words, the employee ALCI is generally better than the CPI for measuring the change in the purchasing power of workers' wages.

Table 2: Average year-ended growth rate in the employee ALCI and the CPI over various periods

	ALCI (%)	CPI (%)
September 1998 to March 2005	3.3	3.2
June 2005 to December 2008	4.1	3.3
March 2009 to March 2010	0.6	2.0
June 2010 to March 2012	3.9	3.0

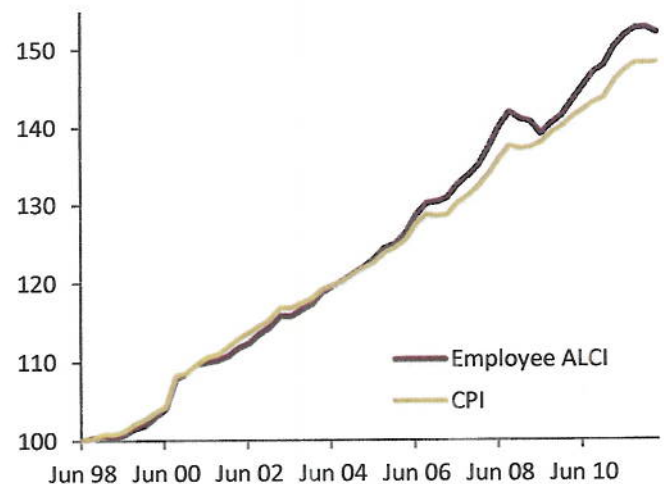
Source: ACTU calculations based on ABS 6463

In recent years, other than the period around the time of the financial crisis, the employee ALCI has tended to rise more rapidly than the CPI. This means that CPI

inflation has understated the growth in workers' cost of living.

In cumulative terms, the employee ALCI rose by 52.3% between June 1998 and March 2012, while the CPI rose by 48.4%. This is shown in Figure 6. Full-time average earnings rose by 11.8% in real terms between June 2005 and March 2012 if the CPI is used as the price measure; real wages growth over the period was 9.3% if the ALCI is used instead.

Figure 6: Cumulative growth in the employee ALCI and CPI since June 1998



Source: ABS 6463

There are a range of differences between the ALCI and the CPI that cause them to increase at different rates. The 'weights' given to each type of good or service are different in the two measures, as the ALCI reflects the purchasing patterns of working households in particular. Perhaps the biggest difference concerns housing – the ALCI includes interest rate payments, while the CPI doesn't. On the other hand, the CPI includes the price of purchasing a new home (minus land), while the ALCI doesn't.

The ALCI isn't perfect either – no measure of changes in the cost of living will ever reflect the price changes experienced by everyone. Unions should be aware that there are reasons to prefer it to the CPI as a measure of the change in workers' cost of living.

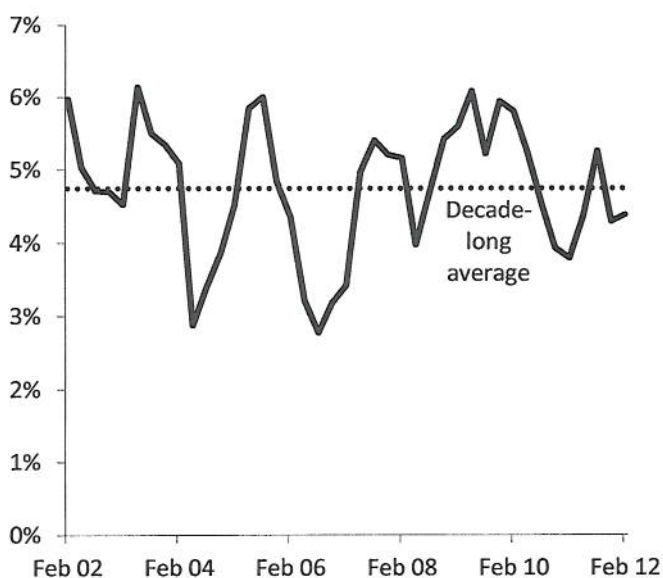
¹ ABS 6463, explanatory notes

² ABS 6440, 'What is the CPI?'

Average Weekly Earnings

The average weekly ordinary time earnings (AWOTE) for an adult working full-time rose by 4.4% in the year to February 2012, with average wages growth picking up only slightly from 4.3% in the November 2011 quarter. Year-ended growth in the past two quarters has been below the decade-long average of 4.8%. The full-time average weekly earnings were \$1346 in February 2012.

Figure 7: Full-time AWOTE growth (year-ended)



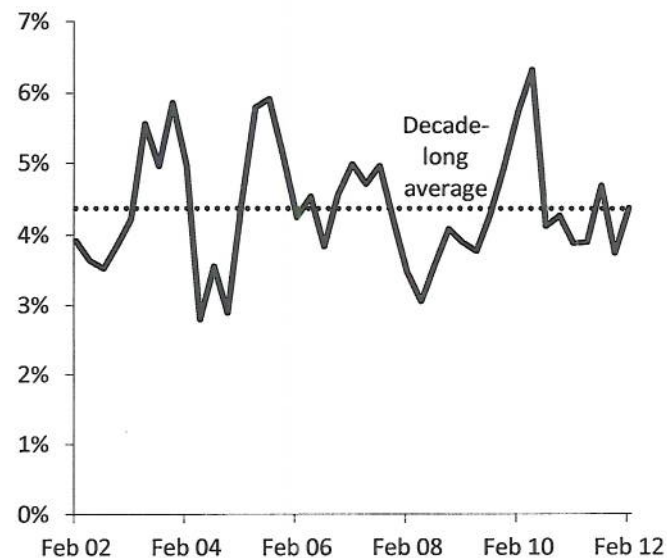
Source: ACTU calculations based on ABS 6302.0

Over the past two quarters, year-ended total earnings growth has remained steady at 4.7%, below the decade-long average but still higher than ordinary time wages growth over the same two quarters. Total average earnings are the sum of all ordinary time earnings as well as any overtime payments. Total average earnings growth for full-time employees over the past decade has trended slightly higher than ordinary time earnings, at 4.9%.

The gender pay gap based on full-time earnings was 17.5%. The GPG began rising in the mid-2000s and reached 17% in late 2009, for the first time in decades.

Figure 8 shows the total average earnings growth for all employees, including full-time, part-time and casual employees.

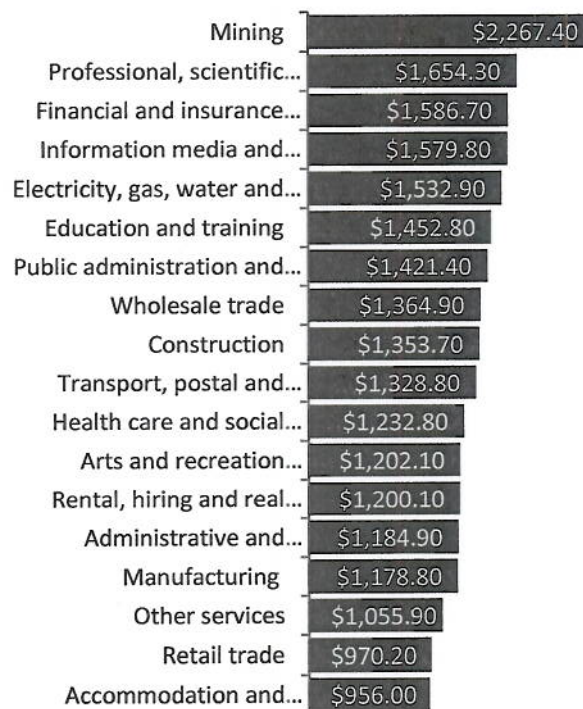
Figure 8: Total average earnings growth (year-ended)



Source: ACTU calculations based on ABS 6302.0

The decade-long average growth for all employment categories has been considerably slower than that for full-time employees, at 4.3%. The year to February 2012 was just above the trend rate, at 4.4%.

Figure 10: Full-time AWOTE by industry

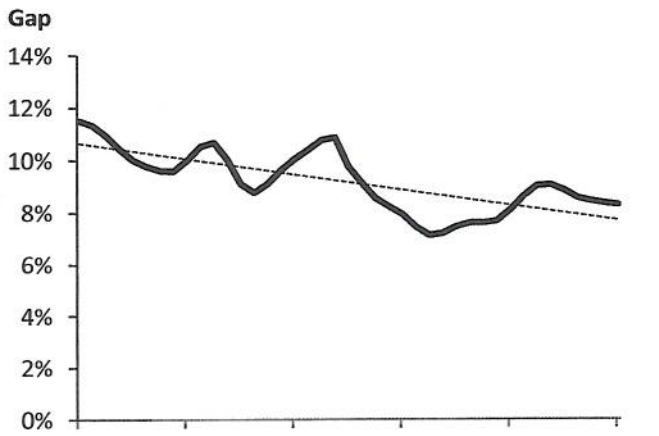


Source: ACTU calculations based on ABS 6302.0

Average weekly earnings in the mining industry remain higher than wages in any other industry, at \$2,267.40 per week for full-time workers. The lowest paid industry remained accommodation and food services at only \$956 per week. Average earnings in the mining industry are now nearly 2.4 times the average full-time wage of a worker in food and accommodation services, and nearly 1.7 times average earnings in all industries.

In the 10 years since February 2002, average weekly ordinary time earnings in the public sector have increased from \$936.20 to \$1439.90, representing a 53.8% increase in average nominal wages. Over the same 10 years, average weekly ordinary time earnings in the private sector have increased from \$828.50 to \$1319.80, which represents a 59% increase.

Figure 12: Public sector vs. private sector wage gap (FT AWOTE)

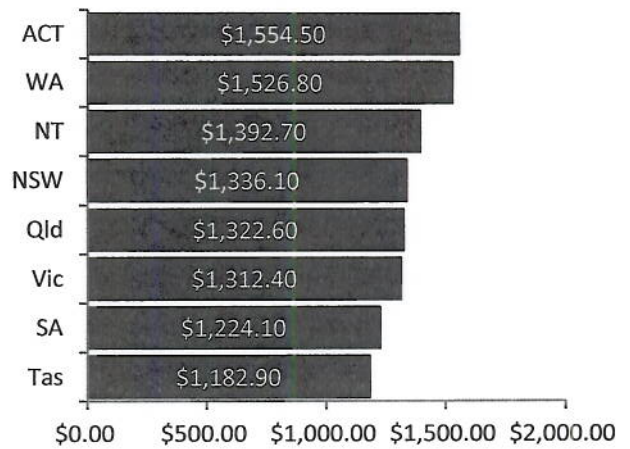


Source: ACTU calculations based on ABS 6302.0. The gap is calculated as 1 minus the ratio of private sector average earnings to public sector average earnings.

Although employees in the public sector continue to earn more, on average, than those in the private sector, this gap has narrowed over the years. Whereas public sector employees used to out-earn the private sector by nearly 12%, this gap has now decreased by a third, to around 8%. It should be stressed that this is based on a simple comparison of average earnings, not on a comparison of pay between jobs of equal value.

Once again, the ACT recorded the highest full-time average wages in Australia, just beating out Western Australia.

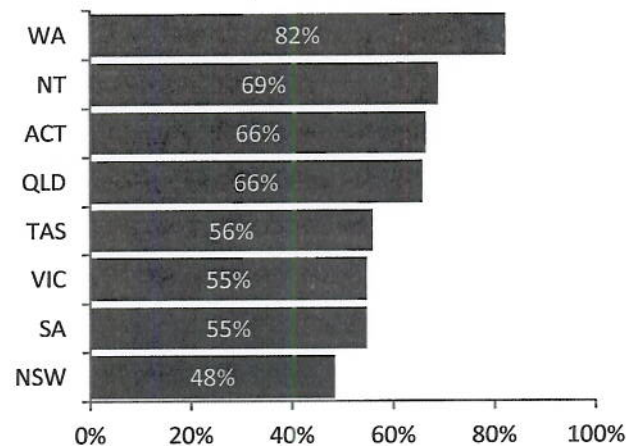
Figure 13: Full time AWOTE by State (year-ended)



Source: ABS 6302.0, trend.

NSW has been the worst-performing state over the past 10 years, recording only 48% nominal wages growth for full-time workers (AWOTE) compared to 82% growth in Western Australia. Victoria's position as a high wage state has also slipped in the past decade, from the third-highest average wages in February 2002, to only the sixth-highest wages in 2012. By contrast, although Tasmania remains the lowest paid jurisdiction in Australia, its average wages growth over the past 10 years grew by a solid 56%. The Northern Territory has also done well, with wages growth of 69% from February 2002-February 2012. This has seen the NT pay the third highest wages in the country, after starting the decade as the fifth highest-paying jurisdiction.

Figure 14: Decade-long wages growth by State (FT AWOTE)



Source: ACTU calculations based on ABS 6302.0, trend.

Feature: Median earnings

Most references to typical wage levels refer to the average weekly earnings. These measures refer to the arithmetic mean, which is just the total amount earned by employees, divided by the number of employees. It's an important measure, but it's not ideal for getting a sense of the earnings of the typical worker.

Median earnings are better suited to this purpose. The mean (which is usually just referred to as the 'average') can be increased if some very high income earners receive large pay rises, even if most workers' wages don't change, whereas the median would be unaffected. The median wage is the amount earned by the person in the middle of the distribution – half of all employees earn more than the median, while half earn less.

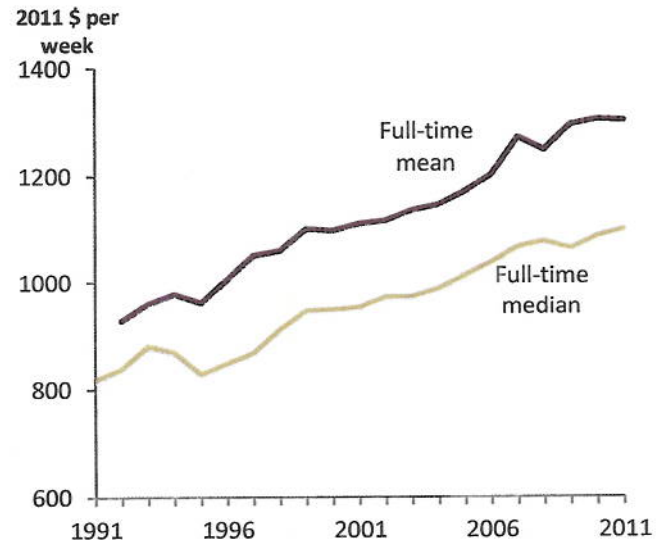
The quarterly wages data from the ABS don't contain information about the median. However, there are other ABS reports that do have this information, including the yearly *Employee Earnings, Benefits and Trade Union Membership* report (EETUM). The latest edition was released on 27 April, using data obtained as part of the labour force survey in August 2011.

The data show that the median earnings for all employees was \$900 per week. In annualised terms, that means that half of all Australian employees earned less than \$46 800 per year. The median rose by 3.4% between August 2010 and August 2011. This figure is for all employees, including part time, casual, and full time workers; it can therefore be affected by a change in the proportion of workers who work full-time.

The median for full-time workers is less affected by change of this sort. The full-time median was \$1100 per week in August 2011, a 5% increase on its 2010 level. This means that half of all full-time workers earned less than \$57 200 per year in 2011 (before taxes). In 2011, the mean (aka average) earnings of full time workers was \$1305 per week, significantly higher than the \$1100 weekly median. Figure 9 shows the real (ie. inflation-

adjusted) mean and median earnings of Australian full-time workers since 1991.

Figure 9: Real full-time median and mean wages since 1991

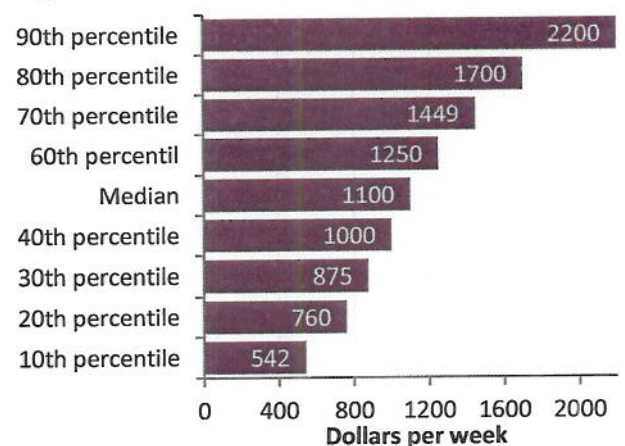


Source: ACTU calculations based on ABS 6310, ABS 6401. The EETUM survey was not conducted in 1996; figures for that year are based on a linear interpolation. Mean figures for full-time workers are not available for 1991.

In 1990, median earnings represented 91.5% of the mean; by 2011, this had fallen to 84.3%.

Figure 10 shows the full-time earnings of Australian workers by decile. Each decile represents 10 per cent of workers, so someone with earnings at the 90th percentile (9th decile) has earnings higher than 90 per cent of workers.

Figure 10: Full-time earnings by decile, August 2011



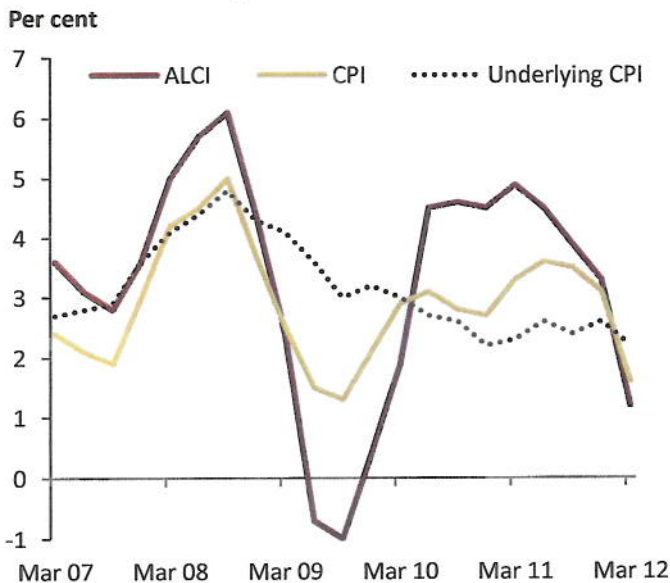
Source: ABS 6310

Prices

In early 2011, when natural disasters hit Queensland and elsewhere, the price of some goods (especially fruit and vegetables) soared. This dragged the headline rate of inflation above the RBA's target band. A year on, the price of those goods is returning to normal, which has dragged the headline CPI way down, with inflation running at a slow 1.6% over the year to the March quarter. The underlying rate of inflation, which is less affected by sudden shocks like extreme weather, has been in the target band for the past two years, and is around the bottom of the 2-3% range.

Figure 11 shows three measures of price changes – the headline CPI, the underlying CPI, and the employee households' Analytical Living Cost Index (ALCI). For more information about the ALCI, see the feature elsewhere in this issue.

Figure 11: Inflation

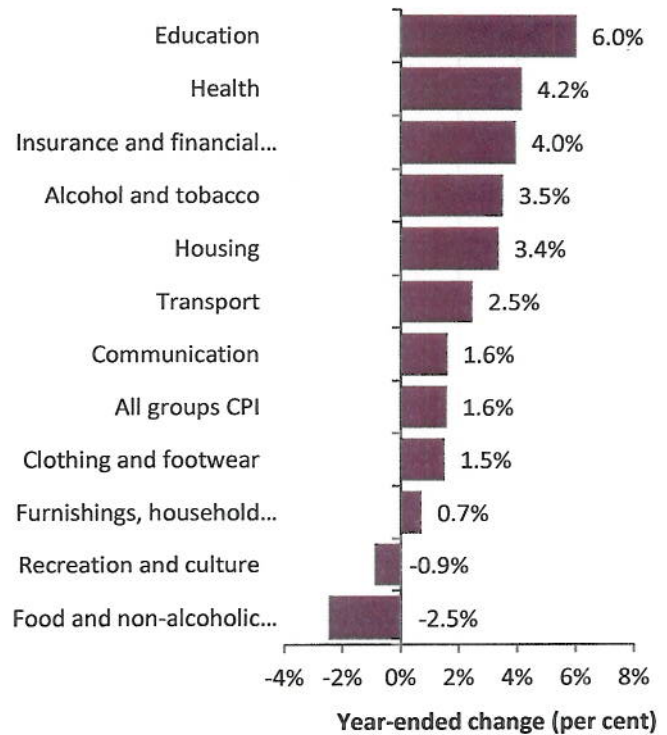


Source: ABS 6463 and ABS 6401

The biggest price rise in the March quarter was in the Education sub-group – this is a seasonal pattern, with price rises of 5-6% in the March quarter and around 0% in the other quarters being common in recent years. Health care saw the second largest price rise of any expenditure group. Prices fell in food and non-alcoholic beverages; this was driven by the return of fruit and

vegetable prices to around their normal levels after the surge of early 2011.

Figure 12: Yearly inflation by CPI expenditure group



Source: ABS 6401

There are signs that inflation may have remained soft during the current (June) quarter, with a monthly private-sector index of inflation (the TD-MI Inflation Gauge) slowing considerably in recent months.

The RBA expects that inflation will be around 2% in 2012 (setting aside the anticipated effects of the carbon price), before picking up to 2.5% in 2013.

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SAVE ARTICLE | PRINT

FED:Parliamentary staff on strike over pay

Some federal parliamentary staff have gone on strike over the rejection of their claim for a 4 per cent wage rise.

They are protesting against the offer of a 3 per cent pay rise annually, which they say is less than the consumer price index.

About 100 staff walked off the job on Thursday morning with Community and Public Sector Union national secretary Nadine Flood saying all the staff were looking for was a "decent deal".

Ms Flood said the 4 per cent claim was in line with rising cost of living pressures.

"What we're asking for is a pay rise that keeps pace with the cost of living," Ms Flood said.

Ms Flood admitted the claim exceeds the 3.3 per cent the CPI is running at but suggested the index is running at 3.9 per cent.

The strike will have a broad impact across parliamentary services, including hansard, the library and the broadcasting of debate in the House of Representatives.

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Long delays expected at international airports due to quarantine strike

Alison Caldwell reported this story on Friday, August 19, 2011 08:21:00

TONY EASTLEY: Mornings are the busiest time for Australia's international airports but today for a good part of the morning quarantine staff are on strike.

If you're collecting inbound international passengers, expect delays. The strike will also likely slow cargo inspections, the release of imported goods and x-ray screening of international mail.

The union representing quarantine staff says the strike is a last resort following the breakdown of last minute pay talks between the CPSU and the federal department concerned.

Alison Caldwell reports.

ALISON CALDWELL: Quarantine officials play an essential role in protecting Australia's borders by minimising the risk of exotic pests and diseases from entering the country.

At international airports they screen passengers arriving from overseas but today they are on strike for four hours from 6 o'clock in the morning.

Nadine Flood is the national secretary of the Community and Public Sector Union which represents quarantine staff.

NADINE FLOOD: Well, unfortunately the strike by quarantine staff at international airports is going to cause significant delays for inbound international travellers and of course, the people collecting them at airports. That is unfortunate but quarantine staff really feel that they have no option other than to take industrial action.

ALISON CALDWELL: The union claims management of the Department of Agriculture, Forestry and Fisheries has refused to improve on its offer of a 3 per cent pay rise over three years.

NADINE FLOOD: DAFF staff want a pay rise that keeps up with the cost of living. You know, we've just seen the CPI come out at 3.6 per cent, the living cost index is up by 4.5 per cent. They believe that they will be going backwards and they are seeking that their management sits down and negotiates a reasonable offer.

ALISON CALDWELL: The CPSU's Nadine Flood says it's not just a problem for quarantine staff but for thousands of federal public service employees.

NADINE FLOOD: Well there is an increasing problem for federal government here. We now have over 80,000 employees in federal government agencies who voted to reject new enterprise agreements because of low pay offers and in many cases cuts to existing conditions.

We expect that number to rise to over 120,000 when Department of Human Services employees get the opportunity to vote on their agreement.

That says there is a real problem here and the Government needs to actually accept that agencies need a bit of space to sit down and negotiate with their employees.

It is evident across federal government that one of the big barriers to settling these agreements is the role of the Public Service Commission and the Special Minister of State in mandating and approving all agreements and determining what agencies can and can't agree with their employees.

TONY EASTLEY: That is the CPSU's Nadine Flood ending that report from Alison Caldwell.

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Ten reasons to VOTE NO... and negotiate a better DECA

9 June 2011, 9:00am

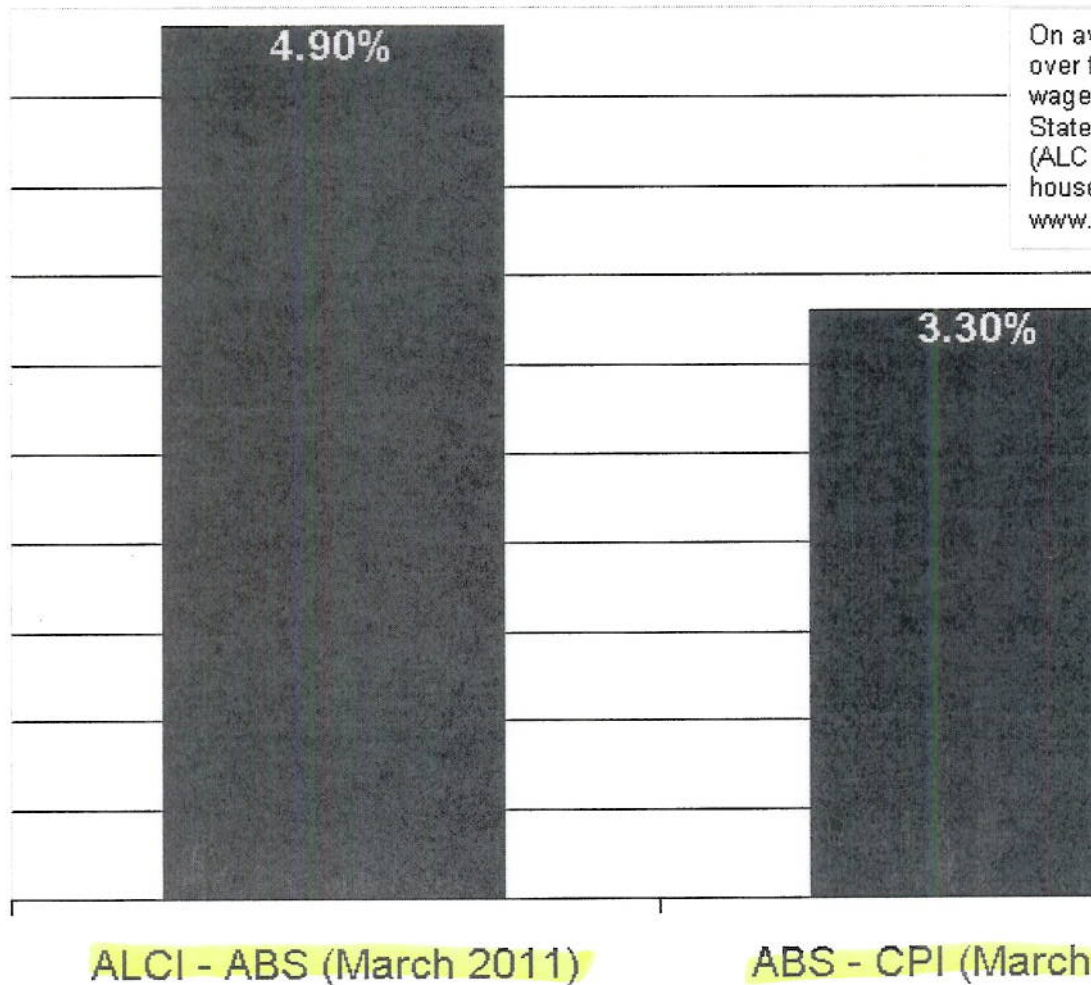
With the all staff vote looming in early July, there are 10 good reasons to VOTE NO and get Defence back to the table to negotiate a better DECA.

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10 good reasons to VOTE NO

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Defence's pay offer is less than



- 3% p.a. will be a real wage cut.** The offer will mean a real wage cut over the life of the agreement. Inflation (as measured by CPI) is already running at 3.3% (for the year to March 2011) and the Australian Bureau of Statistics has increases in the cost of living for employee households running at 4.9% for the year to the March 2011 (*Analytical Cost of Living Index*). For the CPI predictions see the latest *RBA Statement on Monetary Policy*. Defence employees have done well in the past. The next three years will be a different story.
- You'll fall behind.** 3% p.a. will see Defence employees fall into the bottom 50% of APS agencies on pay or APS3, APS5, APS6 and EL2 – *CPSU figures, March 2011*. CPSU is waiting for Defence to provide the data it

relies on – 2009 Mercer data.

3. **It affects your future.** If employees accept a real pay cut in this DECA, it doesn't stop there. Next time we sit down to negotiate a DECA we'll be negotiating from a lower base. What happens in this DECA affects your future pay.
4. **Job security.** This offer does not meet the CPSU claim to protect jobs by restoring protections for employees who are affected by workplace change (such as industry standard retention periods).
5. **Where's the recognition?** The proposed DECA does not recognise you for working harder and longer to cover staff cuts, unfilled vacancies and deliver Strategic Reform Program (SRP) efficiencies and savings. Employees are saying they want to have enough time to get the job done properly and achieve some work-life balance.
6. **You've already paid for it.** APS staffing is already 800 down where it should be for 2010-2011 (Revised Budget Estimates) and with the announcement of a further cut of 1000 planned APS increases (that were supposed to come from civilianisation and conversion of contractors but didn't eventuate), APS staff have already done their bit for Defence's bottom line. You've already paid up with reduced staff numbers, now its time for Defence to give back to employees with a decent pay rise.
7. **You should be compensated for government delays.** CPSU members have been ready to bargain since November 2010, but government only gave the green light to start bargaining in late March. No matter what happens in the all staff vote, the DECA will not be in force by 1 July. Defence's offer does not compensate you for the delay. VOTE NO to bring Defence back to the bargaining table so compensation can be negotiated.
8. **It's also about your conditions.** Staff concerns about changes to travel provisions, relocations provisions, unfair extended Christmas closedowns and ruling out EL flex have not been addressed.
9. **You can reject a raw deal.** This is the first time in 12 years that Defence has tried to push through an agreement that does not have union support. Last time the Department offered employees a raw deal in 1999/2000 employees demanded and won a better agreement. It's time once again to show that employees will not be taken for granted and will push for a better deal.
10. **Because you care about your work.** Defence needs to be able to attract and retain skilled staff to deliver Defence capability. With an offer of 3% p.a. this won't be easy. By voting NO and standing up for a better deal, you help make Defence a place that skilled employees want to keep working for. Defence employees are working harder every day to support our Australian Defence Force and deliver efficiencies and savings under the Strategic Reform Program. Your contribution should be recognised.

Stand up for a better deal

- **Join CPSU for a better deal**
- Send your postcard in. Tell the Department Secretary that Defence employees do their fair share for Defence and deserve to be recognised. Don't have your postcard yet? Talk to your local delegate or call 1300 137 636.
- Talk to a friend and ask for their support. Ask your colleagues to give their