Research Note

The Performance of the Australian Labour Market

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Executive Summary

This Ai Group research paper looks at the performance of the Australian labour market with a particular focus on the most recent decades.

The context for this research is the federal Government's partially complete program of significant changes to Australia's industrial relations framework.

The Government and/or its supporters argue these changes are necessary to address a worsening of employee bargaining power; heightened exploitation; a declining share of wages in national incomes and falling real wages. They suggest that Australia's labour market has failed workers and needs a substantial fix.

This paper examines the performance of Australia's labour market to inform an assessment of whether the Government's program of industrial relations changes is appropriately targeted; whether it has correctly identified genuine weaknesses and strengths; and whether it will put Australia in a better position to meet what the Government itself acknowledges are very substantial challenges.

We find that employment growth has been strong and participation in the workforce has risen markedly on the back of a decisive increase in female participation. Over longer time frames, real wages have risen broadly in line with improvements in productivity.

These achievements are reflected in our relatively favourable standing in international comparisons of wages, workforce participation and unemployment rates. Compared with other countries, there are relatively strong opportunities for Australians to be in the labour force; those who are looking for work are comparatively successful in finding employment; and pay is relatively high.

These achievements have occurred alongside the broad stability of the share of wages and profits in national incomes once the impacts of surging global prices for mining sector exports are taken out of the equation.

There are nevertheless clear red flags due to the closely related slowdown in productivity growth and the pace of improvement in real wage rates.

Over most of the past decade both productivity and real wage rates have improved at a glacial pace. This left employees highly vulnerable to the unexpected reappearance of inflation from the middle of 2021. The slight gains in real wage rates in the years preceding the COVID pandemic were substantially eroded by surging consumer prices.

However, over the same period there has been an important, though under-celebrated offset to the erosion of real wage rates. From about the middle of 2016 and continuing into the post-pandemic period, there has been a surge in employment characterised by relatively rapid growth of full-time employment particularly for females, and by a sharp increase in the proportion of the population in employment. The increase in the employment to population ratio for females has also been particularly strong.

The surge in labour force participation and the stronger growth in full-time employment have boosted average wage incomes of Australian households. While the impacts of these changes vary considerably across household types, for many households the growth in wages incomes has at least offset the erosion of real wage rates.

This is not to understate the hardship many Australian households are experiencing. Prices have risen sharply and the non-discretionary spending on energy, rents and mortgage repayments have escalated. Though unemployment has fallen decisively; employment growth has been very strong; and full-time employment has accelerated, these economy-wide changes should not disguise the fact that many households have not benefited from either the rapid growth in employment or the sharp increase in full-time employment.

Reducing inflation and restoring real wage rates to pre-pandemic levels are clearly high priorities.

More fundamentally however, we must lift our rates of improvement in productivity if we are to return to higher rates of real incomes growth.

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Chief Executive Australian Industry Group

The Performance of the Australian Labour Market

This research note starts with a brief overview of the economy over the past 40 years with a particular focus on the changes in the labour market. Key labour market outcomes at the end of this period are then compared with outcomes in other countries.

The following section traces the closely associated slowdowns in productivity and real incomes growth over the past two decades with a particular focus on the years leading to the pandemic.

After looking at the reappearance of inflation from the middle of 2021 and its impacts on real wage rates, we then examine how the surge in employment marked by the relatively rapid growth of full-time employment and a marked increase in workforce participation in recent years contributed strongly to household incomes from wages well beyond the contributions from increased nominal wage rates.

A Thumb-Nail Sketch of the 1983-2023 Period

The Australian economy enjoyed considerable successes following the liberalising reforms of the 1980s.

- Prior to the very steep COVID downturn in 2020, it broke the record, which it still holds, for the longest period of growth uninterrupted by recession in a developed economy.
- Our living standards have increased markedly over this period – as a quick indicator, GDP per capita more than doubled over the 40 years since 1983.[i]
- Over the same time frame, we have navigated considerable structural changes including the decline of the relative importance of the manufacturing sector; the considerable penetration of digital technologies; the re-emergence of China and the rapid development of a range of emerging economies; and the recent mining boom.
- We have not always managed these disruptions as well as we could have with high rates of unemployment and underemployment persisting for far too long.
- Nevertheless, over the 40-year period, employment grew at a healthy pace (employment has compounded at an annual rate of 2 per cent per year); there was a very strong increase in female participation in the workforce (the proportion of females aged 15 and over in the workforce increased from 39.9 per cent to 60.4 per cent) leading a marked rise in total workforce participation (from 54.2 per cent to 64.5 per cent of the population aged over 15); and an, albeit uneven, fall in unemployment.[ii]

- We have introduced a world-leading approach to retirement incomes centred around the mandatory payment of employer contributions to employee superannuation accounts.
- On the broad, national accounts measure of returns to employees, hourly compensation of employees (including employer superannuation contributions) rose by 34 per cent between 1985 and 2023 after adjusting for inflation.[iii]

In the context of the overall performance of the labour market, it's important to record that the liberalising reforms included the decentralisation of Australia's approach to industrial relations. At the centre of this was the adoption of enterprise bargaining.

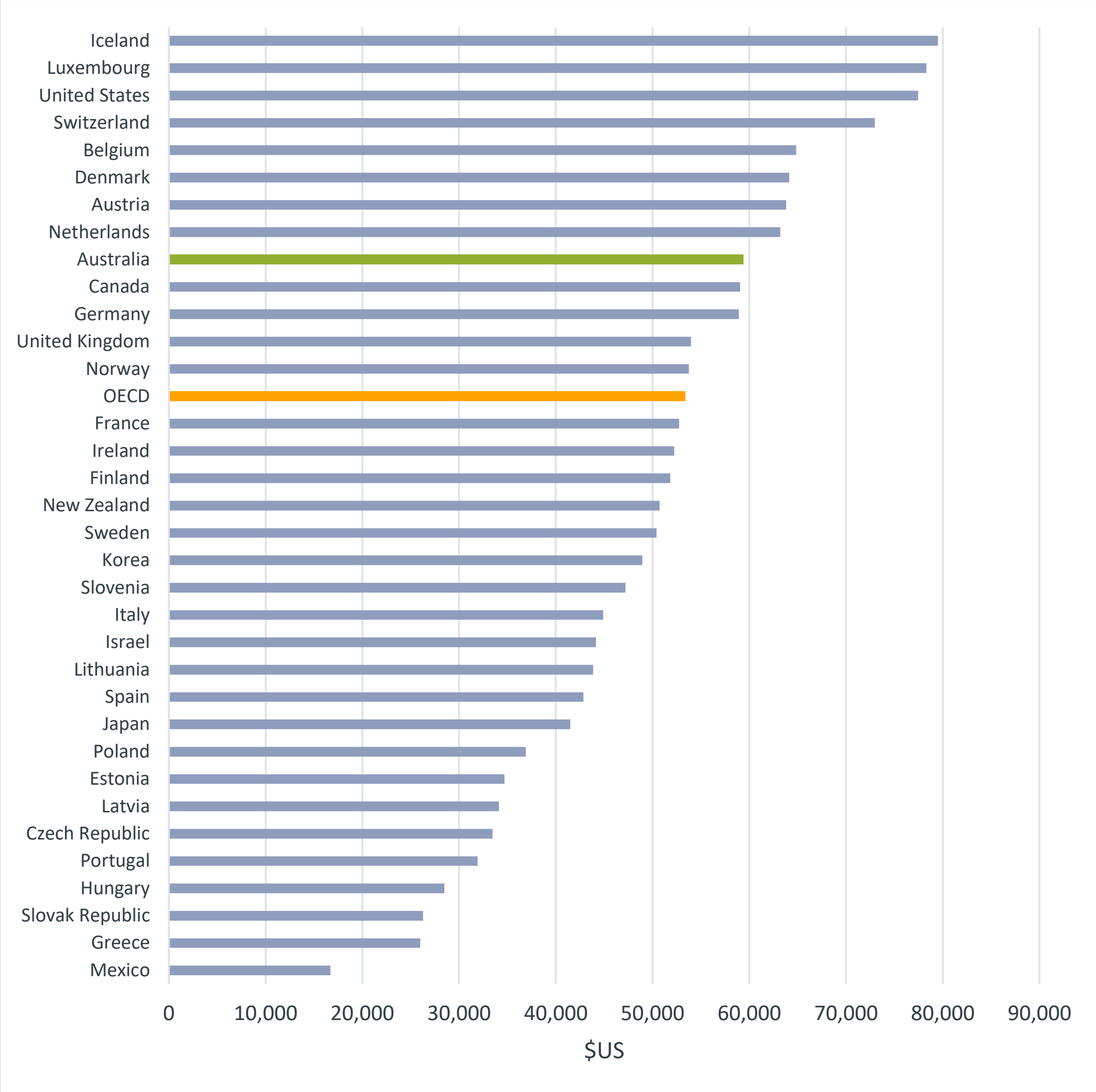
Of course, the decentralisation of wage setting was far from total, and we retained and indeed have since built upon, a wide range of securities including the National Minimum Wage; a plethora of industrial awards that act as floors on wages and conditions; and a system of National Employment Standards which set broadly applicable minimum employment entitlements.

How do our labour market outcomes compare internationally at the end of this period?

Notwithstanding the limitations and complexities of international comparisons, if our labour market performed poorly over this 40-year period and it was failing Australian employees, we might expect a poor comparative performance: for instance, that our wages would be comparatively lower; our unemployment rate would be relatively high; and that our rates of labour force participation would be lower compared with those in other countries. But this is not what we find. In fact, on most measures, we compare favourably in international comparisons.

As shown in Chart 1, our average wage levels are well towards the top end internationally. On this OECD measure of average wagesiv we sit at around the same level as Canada and Germany and rank comfortably above the OECD average.

Chart 1: International Comparison of Average Wages (in $US) (2022 or latest available)

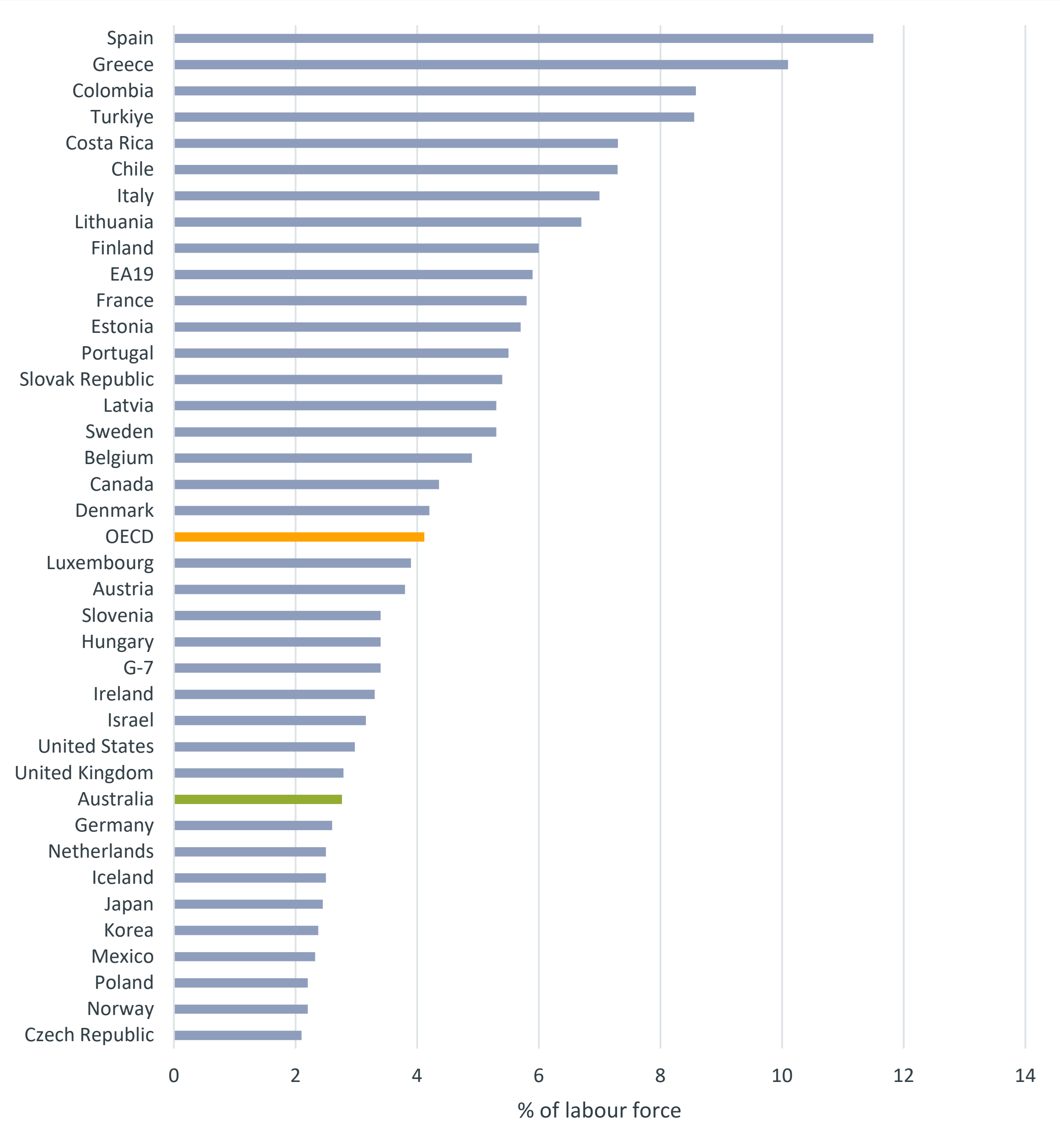


Source: OECD (2023), Average wages (indicator). doi: 10.1787/cc3e1387-en (Accessed on 12 July 2023). See https://data.oecd.org/earnwage/average-wages.htm

Australian employees don't fare as well as those in the United States and a handful of European countries, but we do rank higher than Norway, France, New Zealand and Sweden. Australian employees on average are significantly more highly paid than employees in Japan, Korea and Italy.

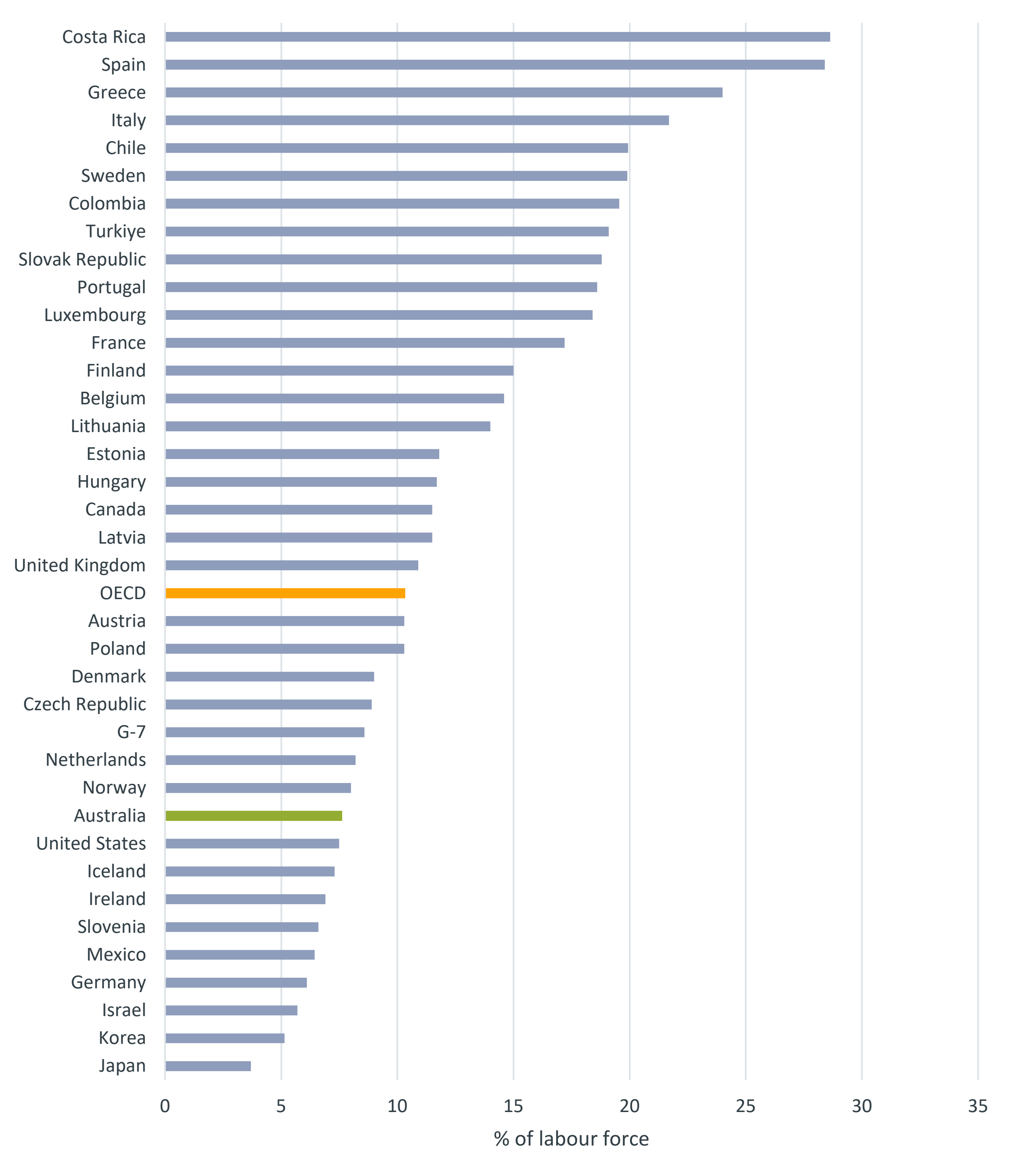
Benchmarked against performance in other countries, our unemployment rates are relatively low. As shown in Charts 2 and 3, this is true both for people aged between 25 and 74 and those aged between 15 and 24.

Chart 2: International Comparison of Adult Unemployment (aged 25-74) (% of labour force of this age cohort) (May 2023 or latest available)



Source: OECD (2023), Unemployment rate by age group (indicator). doi: 10.1787/997c8750-en (Accessed on 12 July 2023). See https://data.oecd.org/unemp/unemployment-rate-by-age-group.htm#indicator-chart

Chart 3: International Comparison of Youth Unemployment (aged 15-24) (% of labour force of this age cohort) (May 2023 or latest available)



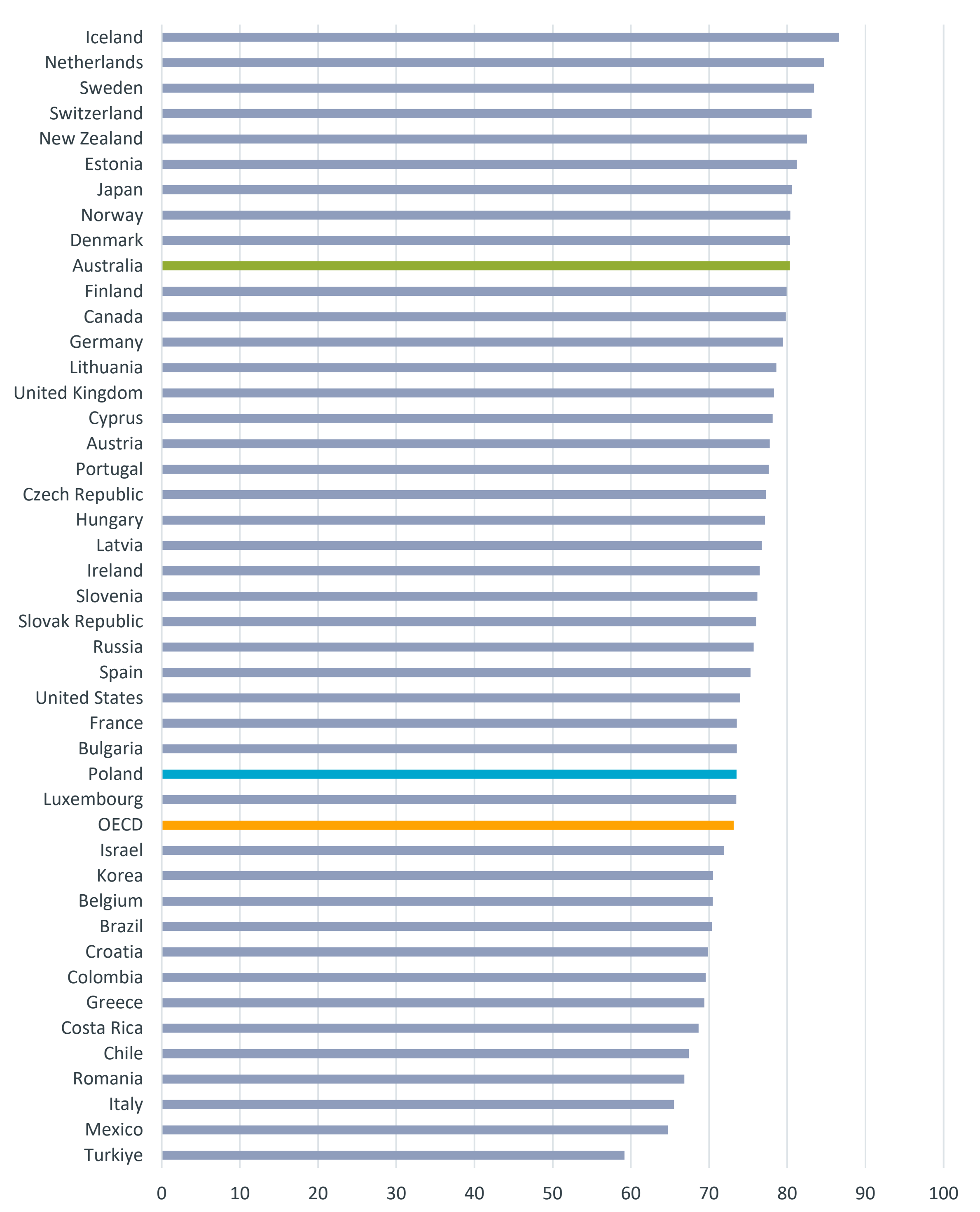
Source: OECD (2023), Unemployment rate by age group (indicator). doi: 10.1787/997c8750-en (Accessed on 12 July 2023). See https://data.oecd.org/unemp/unemployment-rate-by-age-group.htm#indicator-chart

For both age groups Australia's rates of unemployment are clearly lower than in most countries and comfortably lower than the OECD averages.

A similar positioning is evident with our ranking of labour force participation.[v] As shown in Chart 4, compared with other countries we have relatively high labour force participation.

On this measure we rank much higher than the OECD average and we are positioned well towards the top of the table.

Chart 4: International Comparison of Labour Force Participation (aged 15-64) (% of population of this age cohort) (2022 or latest available)



Source: OECD (2023), Labour force participation rate (indicator). doi: 10.1787/8a801325-en (Accessed on 12 July 2023). See https://data.oecd.org/emp/labour-force-participation-rate.htm

While we would prefer to be at the top in all these categories, to be performing relatively strongly in them all is very positive. Only one country, Iceland, performs better than Australia in each of these comparisons.

There is, therefore, very little in the international comparisons that supports the contention that the Australian economy failed employees over this 40-year period. There are relatively strong opportunities for Australians to be in the labour force; those who are looking for work are comparatively successful in finding employment; and pay is relatively high.

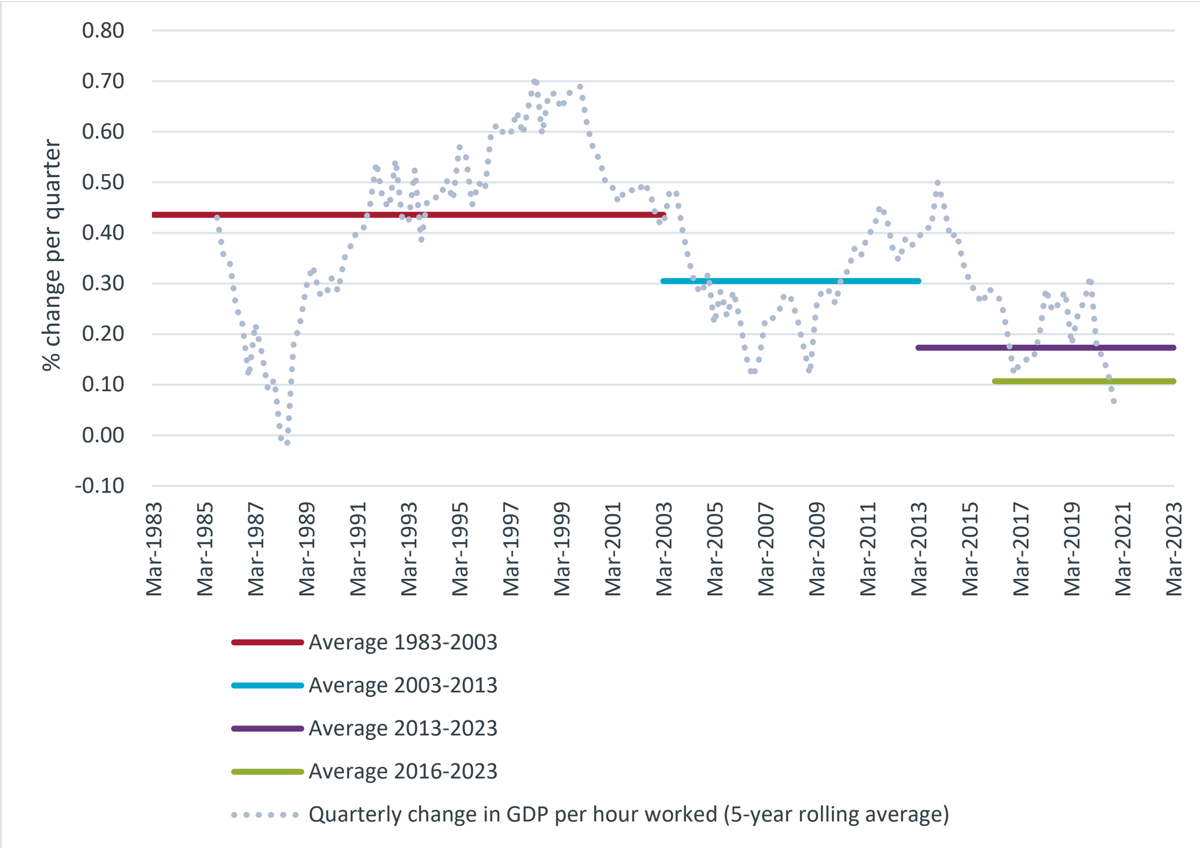
While the improvements in the economy and labour market outcomes over the past 40 years are commendable and were fundamental to Australia's comparatively strong position at the end of the period, as the next section shows, they should come with the customary warning of providing no guarantee of future success.

The Slowdown in Productivity and Real Incomes Growth

According to the crudest but most readily available measure of productivity, GDP per hour worked, Australia was 70 per cent more productive in 2023 than in 1983.[vi] This represented an annual average compounding rate of increase in GDP per hour worked of 1.3 per cent.

The average change in GDP per hour worked over this period disguises a marked fall in productivity performance most evident in the last decade. Chart 5 below presents a rolling five-year average of quarterly GDP per hour worked superimposed on average quarterly data over selected periods.[vii]

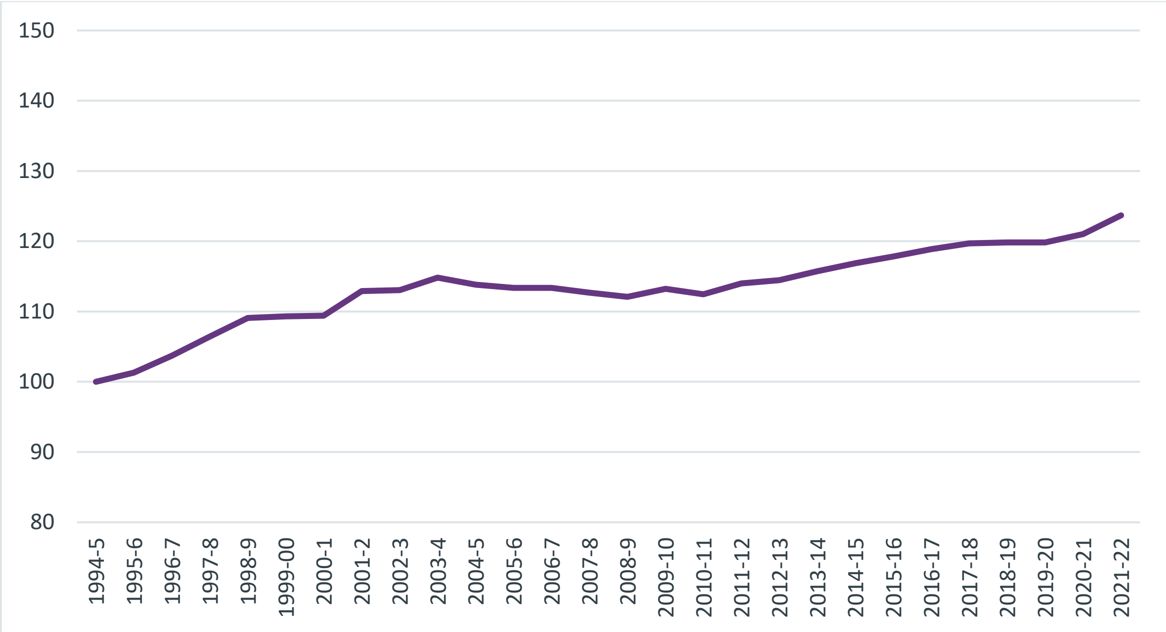
Chart 5: Quarterly changes in GDP per hour worked (rolling 5-year average) and averages over selected periods



Source: ABS National Accounts.

The same slowdown evident in the GDP per hour worked series, is also apparent with the preferred, multifactor productivity (MFP), productivity measure. Chart 6 summarises the ABS measure of MFP in the market sector with an index covering the period over which the series is available (from financial years 1994-95 to 2021-22).

Chart 6: Index of Market Sector Multifactor Productivity 1994-95 to 2021-22 (1994-95 = 100)



Source: ABS, Estimates of Industry Multifactor Productivity.

Market sector multifactor productivity slowed markedly from the 2004-05 financial year. Over the nine years to the end of 2003-04, annual MFP growth averaged 1.56 per cent whereas over the years from 2004-05 to 2021-22 inclusive, average annual MFP growth was only 0.47 per cent.[viii]

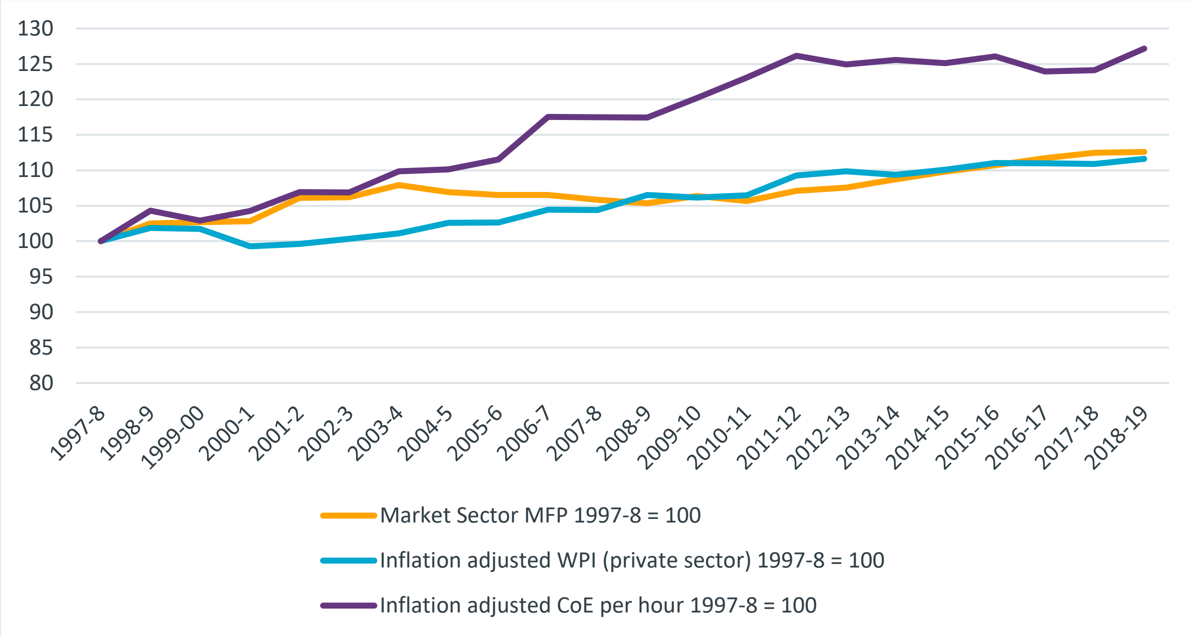
Slower growth in employee remuneration in the years prior to the COVID pandemic

It should come as no surprise to find that, alongside the productivity slowdown, real incomes growth also fell away.

These developments are illustrated in Chart 7 below for the two decades prior to the COVID Pandemic.[ix] Indices summarising changes in two measures of real employee remuneration are shown alongside the index of market sector MFP: the Wage Price Index (WPI) for all private sector industries; and the broader, national accounts measure of compensation of employees per hour worked.

In contrast to the WPI measure, the broader measure of employee remuneration includes non-wage payments including bonuses, retention payments and employer contributions to employee superannuation accounts. Both remuneration series in Chart 7 are adjusted for the impacts of consumer inflation.[x]

Chart 7: Indices of Inflation Adjusted Employee Remuneration and Market Sector Multifactor Productivity (MFP) 1997-98 to 2018-19

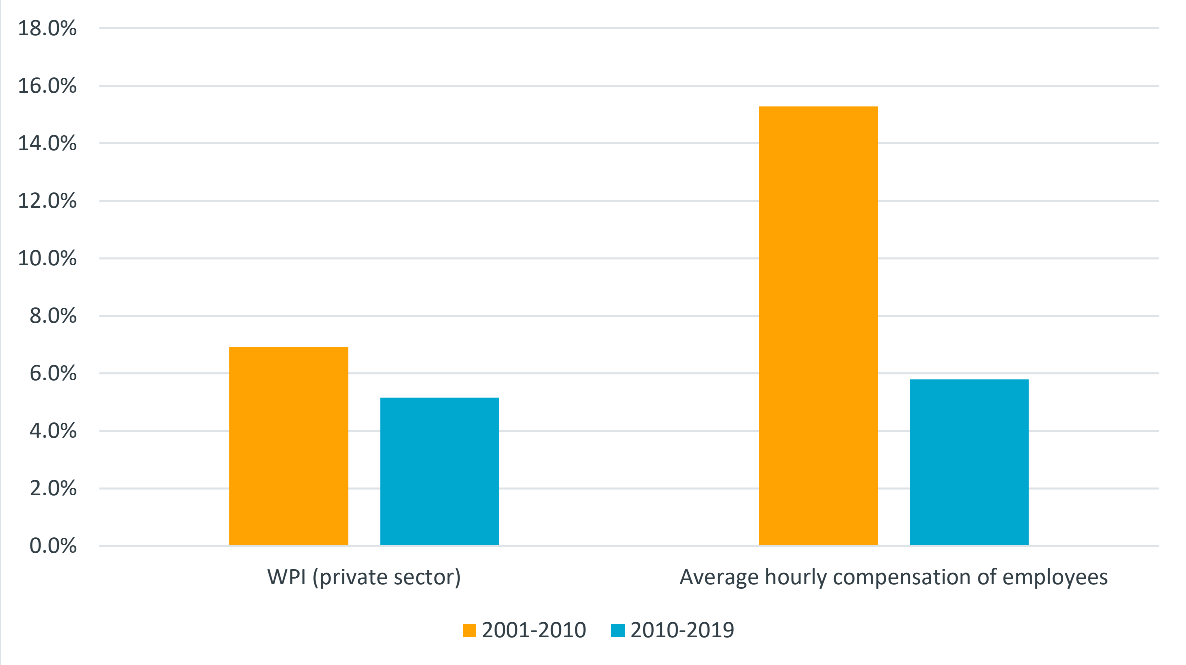


Sources: ABS, National Accounts; ABS, Wage Price Index; ABS, Consumer Price Index; and ABS, Estimates of Industry Multifactor Productivity.

One of the reasons for the divergence between the two measures of employee remuneration is that employer contributions to employee superannuation accounts are included in the national accounts compensation of employees measure but not in the Wage Price Index measure.[xi] Over the period covered in Chart 7, the mandatory rate of employer superannuation contributions rose from 6 per cent to 9.5 per cent. From the start of the 2021-22 financial year, the mandatory rate of employer contributions began to increase towards a legislated target of 12 per cent from 1 July 2025.[xii]

The further slowdown in the growth of inflation-adjusted remuneration in the period prior to the COVID pandemic is illustrated in Chart 8 below which summarises the growth in inflation-adjusted remuneration measures over successive nine-year periods to the end of June 2019.[xiii]

Chart 8: Change in Inflation-Adjusted Measures of Employee Remuneration June 2001 to June 2010 and June 2010 to June 2019

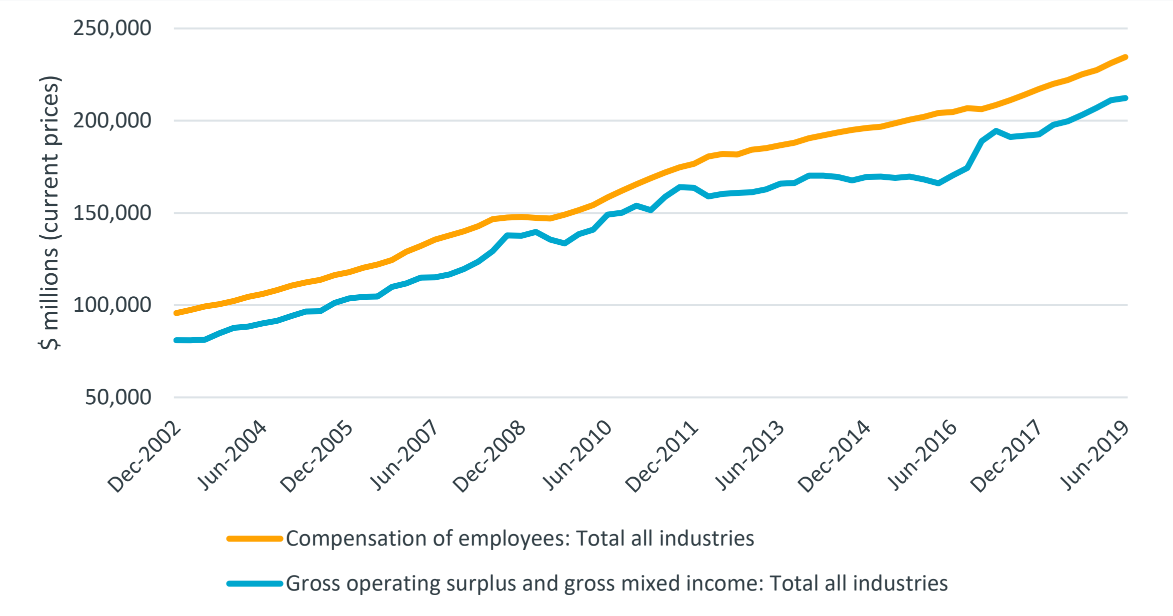


Sources: ABS, National Accounts; ABS, Wage Price Index; ABS, Consumer Price Index.

Did the pre-pandemic slowdown in employee remuneration fuel higher profits?

Contrary to claims of a general rise in the share of profits in national income, and notwithstanding periodic variations, Australian business incomes have generally increased at a pace that is broadly comparable to the growth of employee compensation. This is shown in Chart 9 which records employee compensation in the pre-pandemic period alongside the combination of gross operating surplus and the gross mixed income of business owners.[xiv]

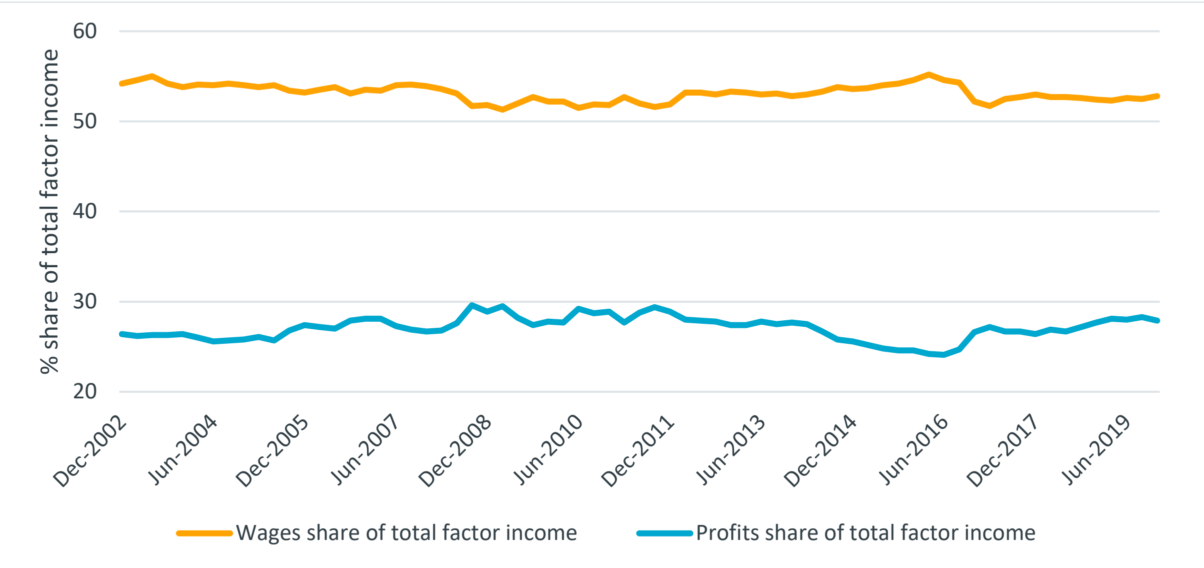
Chart 9: Compensation of Employees and Gross Operating Surplus + Gross Mixed Income December 2002 – June 1919 (current prices)



Source: ABS, National Accounts.

The broadly comparable movements in employee remuneration and business incomes in this period are reinforced by the general stability of the wages and profits share of total factor incomes (notwithstanding variations over specific periods). This is illustrated in Chart 10 below.

Chart 10: Wages and Profits Shares of Total Factor Income December 2002 to June 2019



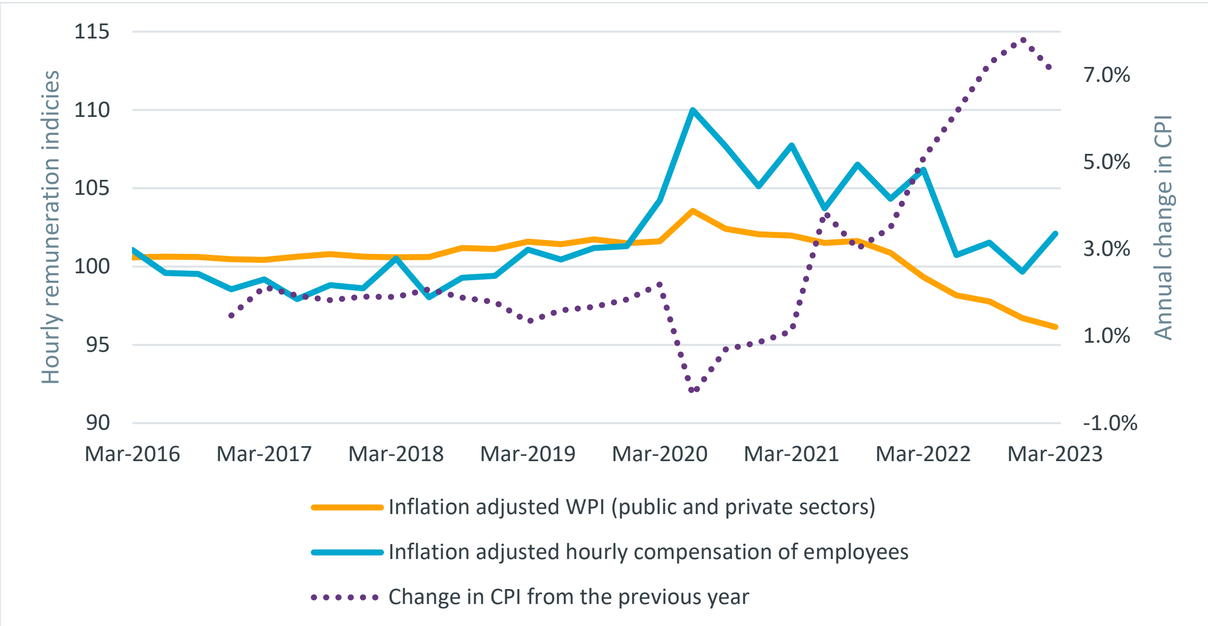
Source: ABS, National Accounts

The Erosion of Real Wage Rates Following the Pandemic

With the reappearance of high rates of inflation over the past couple of years, many Australians are experiencing much greater difficulties meeting the costs of living. Mortgage payments, rents and prices paid for energy and other household basics have all risen while nominal wage rates have risen more slowly than prices. Indicators of financial stress are on the rise as households tighten budgets and cut back on both discretionary and more fundamental areas of spending.

The vulnerability of households, and indeed of businesses, in the face of the unanticipated and sharp rises in prices was unquestionably all the greater because of the relatively slow pace of real incomes growth in the years leading to the COVID pandemic. This vulnerability, and its subsequent implications once inflation took off, are shown in Chart 11 below which presents two measures of inflation-adjusted hourly employee remuneration alongside the changes in annual consumer inflation over the period from March 2016 to March 2023.

Chart 11: Indices of Inflation-Adjusted Hourly Employee Remuneration and Consumer Prices March 2016 to March 2023 (Dec 2015 = 100).



Sources: ABS, Wage Price Index; ABS, National Accounts; and ABS, Consumer Price Index.

Chart 11 shows that, under both measures of hourly remuneration, real hourly wages were only 1.3 per cent higher on the eve of the pandemic relative to December 2015.

While measures of real hourly remuneration were temporarily boosted by the drop in inflation in the June quarter of 2020,[xv] the subsequent sudden rise in inflation eroded the slim gains that had been made in preceding years and, in the case of the narrow WPI measure, saw a steady decline in real wage rates from the opening months of 2022.

As discussed above, the slower rates of productivity improvement and real wage rates in the period prior to the pandemic were fundamental to this increased exposure to the unexpected rise in inflation. Further, the combination of low inflation and weak productivity improvements were embedded in employment agreements including, critically, multi-year employment agreements.

With the sudden increase in inflation, nominal wages did not rise anywhere near as sharply as inflation. In large part this was because of the combination of annual wage setting and multi-year wage agreements struck in a low inflation environment. These arrangements impart an inherent inertia in wages in the face of a sudden change in inflation.

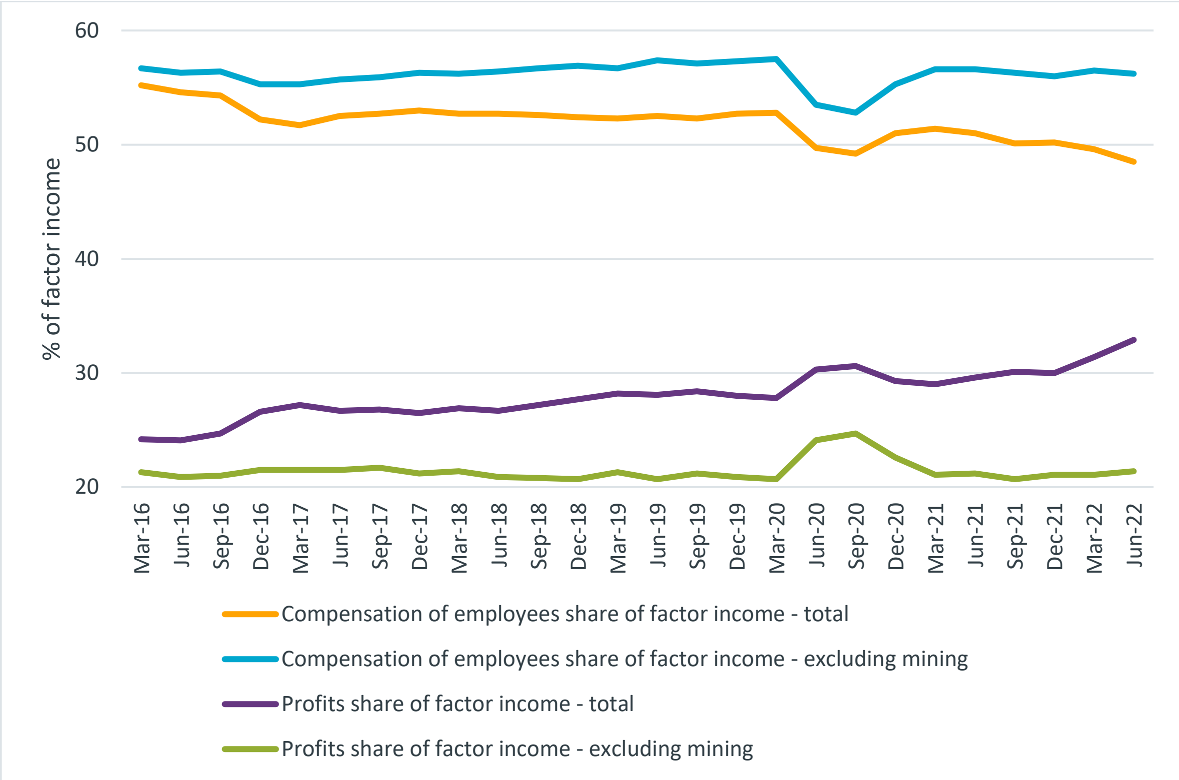
What of business incomes?

In some quarters the decline in the pace of real wages growth, and more recently the decline in real wage rates, have been contrasted with the rise in the profit share of national income.

However, as many have pointed out, the growth of the economy-wide profit share in recent years is very narrowly based and has been driven by high mineral commodity export prices. On last reading (in the March quarter of 2023), mining sector profits were 49 per cent of total company profits in Australia. Between the year to the end of March 2016 and the year to the end of March 2023, the mining sector accounted for 72.5 per cent of the total increase in company profits.[xvi]

As shown in Chart 12 below, once JobKeeper was wound back, outside of the mining sector, the wages and profits shares of factor incomes returned to the relatively stable levels evident prior to the pandemic.

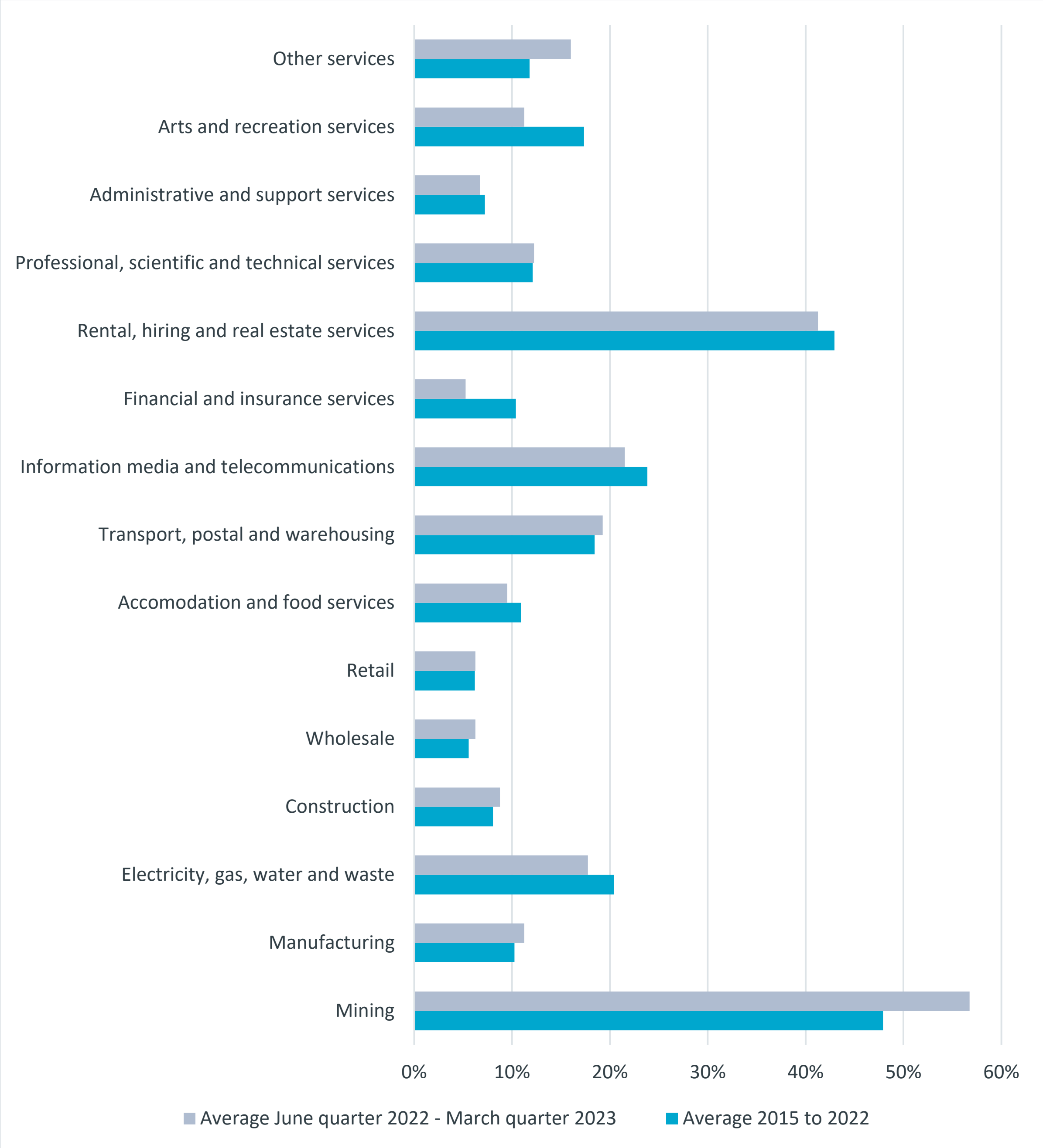
Chart 12: Wages and Profits Shares of Factor Incomes: All Industries and Excluding Mining (March 2016 to March 2023)



Source: ABS, National Accounts, March Quarter 2022.

The relative stability of the profits share is further supported by the general stability of business margins (of gross operating profit to sales revenue) over the same period. Chart 13 below, presents ABS data on industry-level profit margins for fifteen industry categories.

Chart 13: Industry Level Ratios of Gross Operating Profit to Sales Revenue: Year to March 2023 and Average over the 2015 to 2022 Calendar Years



Source, ABS, National Accounts.

Putting the mining industry aside where margins are determined by global commodity prices, margins were significantly higher in the year to the end of March 2023 only in the other services industry group (which contributed 1.8 per cent of total gross value added in March 2023); margins were significantly lower in the financial and insurance services and arts and recreation services industries; marginally higher in five other industries; with the remaining five industries recording marginally lower margins in the year to the end of March 2023 compared with average margins over the 2015 to 2022 period.

The Recent Surge in Employment

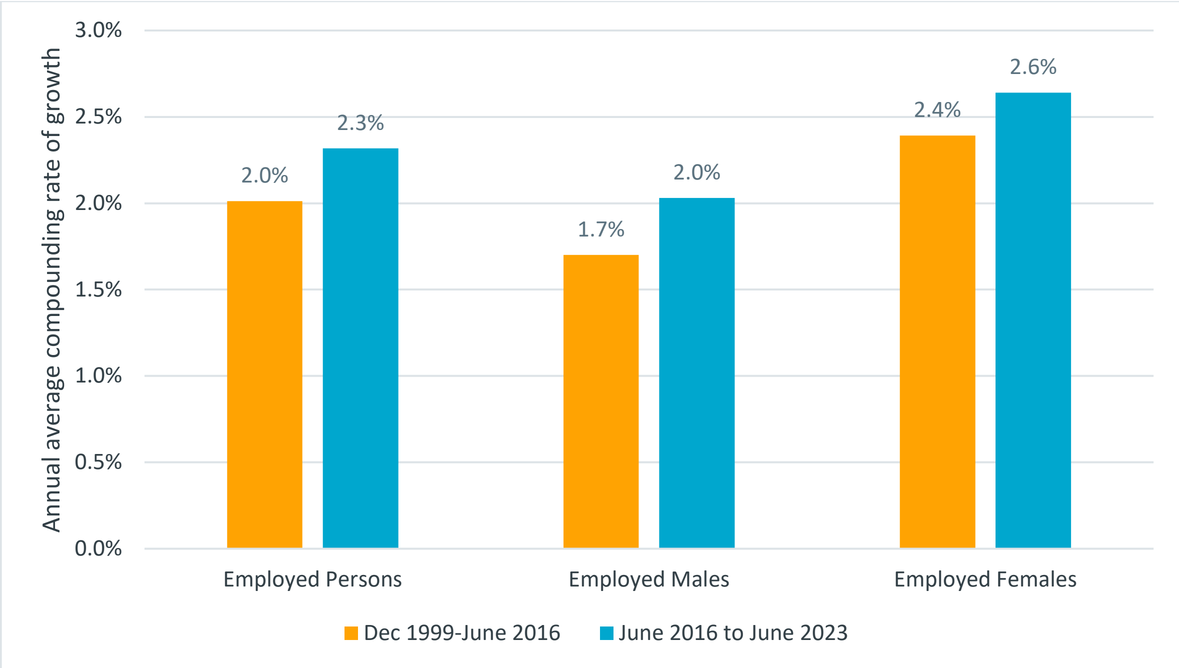
From around the middle of 2016, Australia has experienced an extraordinary, if under-celebrated, period of employment growth. The unemployment rate has fallen to levels not seen since the mid-1970s and the labour force participation rate has reached record highs. These changes have had particularly strong impacts on the participation of females in the labour force.

The extent of the changes can be seen in the following:

- From the turn of the current century to the middle of 2016, the number of people employed compounded at an annual rate of 2.0 per cent. From the middle of 2016 to the end of June 2023, including the period of the COVID downturn, employment compounded at an annual rate of 2.3 per cent.
- Over the period to the middle of 2016, full-time employment compounded at an annual average rate of 1.5 per cent whereas from the middle of 2016 to June 2023, full-time employment grew at 2.7 per cent per year.
- In the first of these periods, female employment compounded at an annual average rate of 2.4 per cent compared with 1.7 per cent for males. In the period since the middle of 2016, female employment grew at 2.6% per year compared with 2.0 per cent for males.
- Full-time female employment, which grew at an annual rate of 2.1 per cent in the pre-2016 period, compounded at an annual average rate of 3.8 per cent between the middle of 2016 and the June quarter of this year.

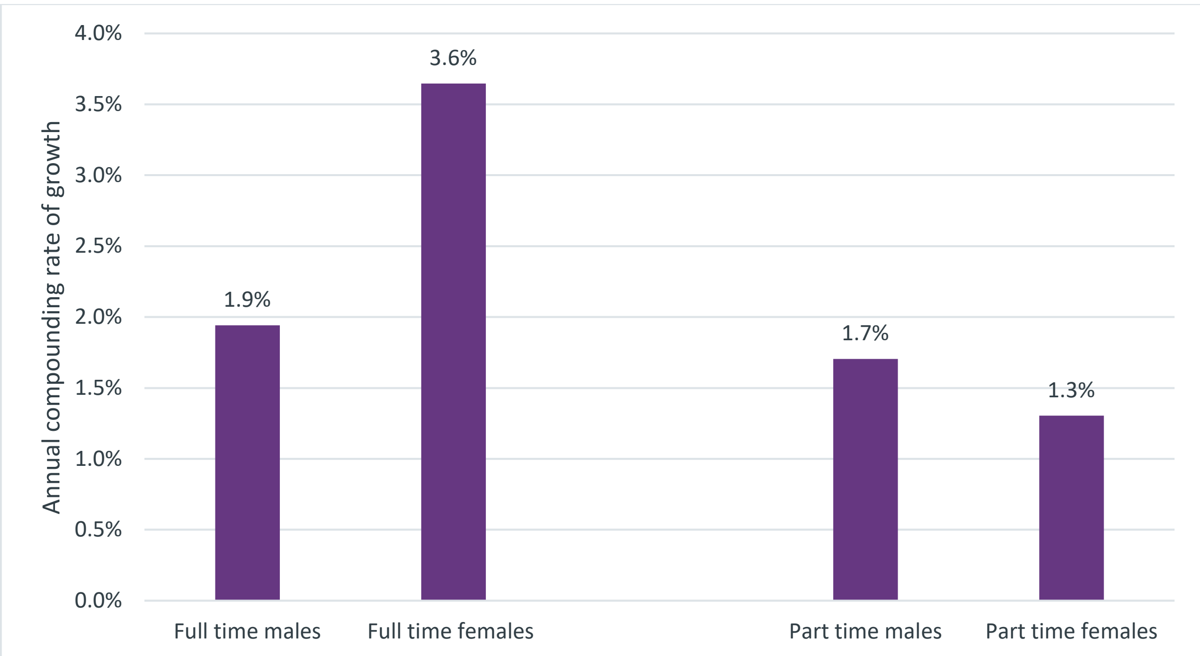
The key data are set out in Charts 14 and 15 below.

Chart 14: Employment Growth from December 1999 to June 2023 and June 2016 to June 2023



Source: ABS, Labour Force Australia.

Chart 15: Composition of Employment Growth June 2016 to June 2023



Source: ABS, Labour Force Australia.

Both the surge in employment growth and the changes in its composition clearly have important implications for total wages growth.

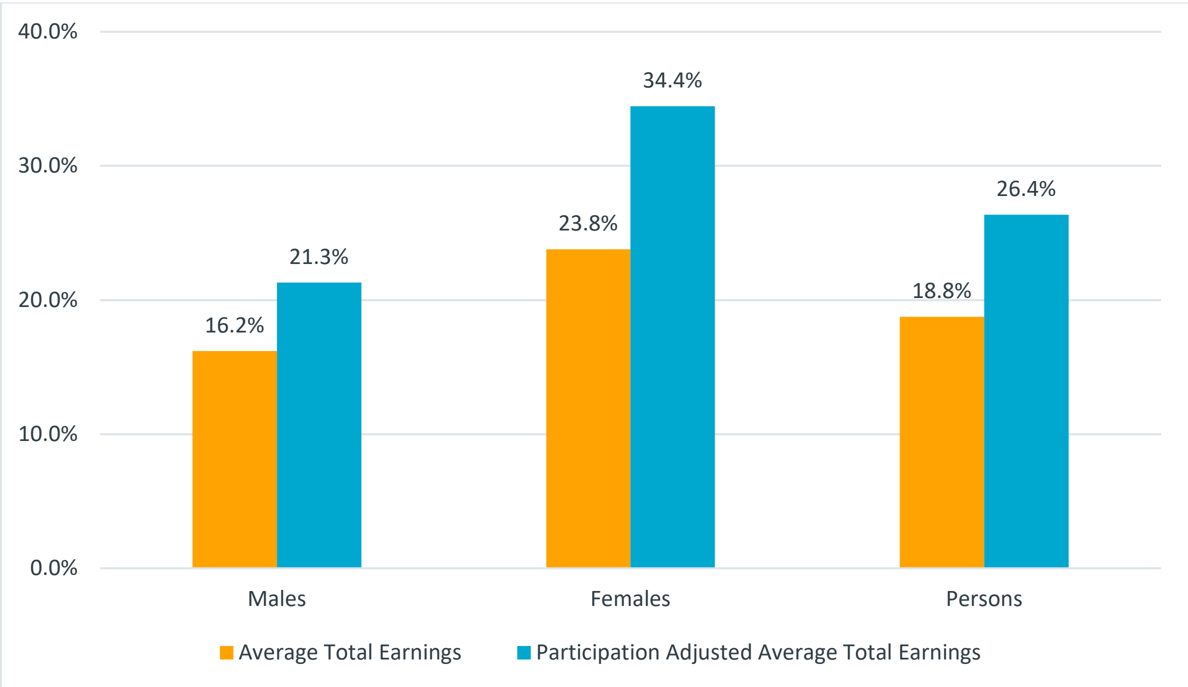
While part of the increase in employment simply reflects population increase, the employment to population ratio increased by 5.4 per cent between June 2016 and June 2023. For males, the employment to population ratio rose by 3.3 per cent and for females, by 7.9 per cent.[xvii]

The relative increase in full-time employment particularly for females, has further boosted average household income from wages.

Combined, these increases have had a material impact on average earnings and household incomes beyond those captured in measures of employee remuneration per hour worked.

Chart 16 below gives insight into the dimensions of the impacts on average household wage incomes due to increased workforce participation and the more rapid growth of full-time employment. It uses average earnings data and an adjustment to the average earnings for the increased proportion of the working age population in employment.

Chart 16: Changes in Average Total Earnings and Participation Adjusted Average Total Earnings from November 2015 to November 2022[xviii]



ABS, Average Weekly Earnings and ABS, Labour Force, Australia.

While the impacts of these changes vary considerably across household types, without question, both the more rapid growth of full-time employment and the increase in workforce participation lifted average household earnings from wages substantially over this period. For many households, the growth in wages incomes has been greater than the rise in consumer prices over this period.

This is not to understate the hardship many Australian households are experiencing. Prices have risen sharply and the non-discretionary spending on energy, rents and mortgage repayments have escalated. Though unemployment has fallen decisively, many households have not benefited from either the rapid growth in employment or the sharp increase in full-time employment.

Concluding Comments

The Australian labour market has delivered strong outcomes for employees over an extended period.

While unemployment and underemployment persisted for long periods, overall employment has grown strongly; real wage rates have risen; and participation rates have increased on the back of the very strong growth in female participation in paid work.

In international comparisons, our rates of unemployment; our labour force participation rates; and our average pay levels are all relatively favourable.

There is nothing in the overall performance of the labour market to support claims of an intensification of exploitation or a deterioration in employee bargaining power over the course of the current century. Other than when global markets boost commodity export prices and mining sector profits, the shares of wages and profits in Australian national income have remained broadly stable over time.

It is, however, clear that the slowdown in the pace of productivity improvement over the past couple of decades presents major challenges for Australia. Alongside this slowdown in productivity growth, the rate of real incomes growth also slowed.

An important consequence of the reduction in the pace of growth of real wage rates in the years prior to the COVID pandemic was an increased vulnerability of households to the unexpected surge in inflation from the second half of 2021. Once inflation took off, the low gains in real wage rates of the preceding years were substantially eroded.

Fortunately, another development in the labour market provided an important offset. In the years prior to the pandemic and in the period since, employment growth has been exceptionally strong. Workforce participation has risen markedly and full-time employment has grown relatively rapidly. These developments have lifted average household income from wages and have played a central role in the ability of many households to meet the higher costs of living.

The overall performance of the labour market does not support the need for a one-sided re-regulation of Australia's labour arrangements.

Rather it supports the need for a strong focus on raising productivity. While far from the only driver of productivity, there is clearly a very strong case to examine the barriers to flexibility and successful enterprise bargaining that many claim have contributed to the slowdown in productivity growth in recent years.

Endnotes

[i] ABS National Accounts March 1983 to March 2023 (seasonally adjusted).

[ii] ABS, Labour Force, Australia comparisons are for June 1983 and June 2023 (seasonally adjusted).

[iii] Calculated from ABS National Accounts and CPI data. This increase is for the period from September 1985 (which is the period from which ABS data on hourly compensation of employees is available) to March 2023 (which is the latest available).

[iv] The OECD measure of average wages is obtained by dividing the national-accounts-based total wage bill by the average number of employees in the total economy, which is then multiplied by the ratio of the average usual weekly hours per full-time employee to the average usually weekly hours for all employees. This indicator is measured in USD constant prices using 2016 base year and Purchasing Power Parities (PPPs) for private consumption of the same year.

[v] The OECD labour force participation rate measure is calculated as the labour force divided by the total working-age population. The working age population refers to people aged 15 to 64.

[vi] National Accounts March 1983 to March 2023. GDP per hour worked is the crudest measure of productivity because, while it accounts for changes in the quantity of labour involved in producing Australia's output, it does not correct for changes in the quantity of the capital stock. For a period that included an unprecedented level of capital investment by Australia's mining sector, GDP per hour worked came to massively overstate the degree to which the increase in GDP was actually due to genuine productivity improvements (i.e. the increase in output per unit of input) rather than the additional quantity of capital used in production. The preferred alternative measure of productivity is multifactor productivity (MFP) which adjusts both for changes in the amount of labour involved in production and for changes in the capital stock. The ABS MFP series only relates to the market sector and MFP data is only available on an annual basis from the 1994-95 year.

[vii] Both for the rolling average and the averages over selected periods, the data presented are averages of the quarterly data and not the average compounding rate over the relevant period. The five-year average is positioned at the mid-point of each five-year period.

[viii] The timing of the decline in MFP is different to that of GDP per hour worked. Australia's mining investment boom is central to this. Unlike the MFP measures, GDP per hour worked does not take account of changes in the quantity of the capital stock. With inputs of capital rising rapidly, MFP stagnated much earlier than the GDP per hour worked measure. Conversely, as the output associated with the surge in earlier mining sector investment accelerated and rates of business investment slowed, the greater rises in output saw MFP increase relative to the GDP per hour worked measure because the latter measure only captures the increases in labour inputs and not the reduction in the pace of growth in the capital stock.

[ix] This period is chosen to highlight the underlying changes before the series reflected the JobKeeper wage subsidy in the 2019-20 and 2021-22 years, and the unexpected increase in inflation from 2021.

[x] The adjustment for inflation discounts the changes in nominal remuneration for changes in the Consumer Price Index (CPI).

[xi] The inclusion of superannuation contributions is an important source of the difference between the two measures, but it is far from the only difference. For a full discussion of the differences see Reserve Bank of Australia, *Statement on Monetary Policy*, February 2006 at https://www.rba.gov.au/publications/smp/2006/feb/pdf/box-d.pdf

[xii] Compulsory superannuation contributions are important to the issues canvassed in this paper. While the role of superannuation in lifting retirement incomes is clearly important and widely supported, the flexibility of household responses to a sudden increase in inflation can only be curtailed when 10 per cent of their current remuneration and a large proportion of their total savings are locked away in retirement income accounts.

[xiii] These periods are chosen to step around two unique sets of circumstances: the impacts of the introduction of the GST in the earliest years of the century (when real measures of remuneration were buffeted by the tax-related rise in

the CPI and compensating decreases in income tax) and the combination of wage subsidies and the sharp increase in inflation in the following years.

[xiv] The aggregate series for employee compensation and gross operating surplus are not adjusted for changes in the quantities of labour and capital employed and are not directly comparable to the employee remuneration per hour worked data. However, with the capital / labour ratio rising over this period (See ABS, Estimates of Multifactor Productivity), the aggregate data will certainly not understate the returns to capital.

[xv] The measure of hourly compensation of employees was also temporarily boosted by the JobKeeper wage subsidy (which saw many employees entitled to a taxpayer-funded minimum level of pay regardless of the number of hours worked). The impacts of JobKeeper are not reflected in the WPI measure.

[xvi] ABS, National Accounts.

[xvii] ABS, Labour Force Australia.

[xviii] The latest available Average Weekly Earnings (AWE) data is for November 2022. The AWE data are published for May and November in each year. The participation adjustment is made by multiplying average earnings by the employed proportion of the relevant population aged 15 and over in the corresponding month and comparing the changes between the two periods.